Minnesota Gambling Control Board

Gaming News

March Sales Top $350 Million
Lawful gambling gross receipts for March 2021 set an all-time monthly high at $351,700,000. That’s a 148% increase over March 2016—just five years ago. Pull-tab gross receipts made up 96% of all lawful gambling sales in March 2021 with paper pull-tab sales at $191 million and electronic pull-tab sales at $147 million. March is typically each year’s highest grossing month.

A somewhat bittersweet record was broken in April. Monthly year-over-year gross receipts for April 2021 were nearly 22,000% higher than last year. Due to the initial COVID-19 pause, receipts for April 2020 totaled just $1.5 million, while gross receipts for April 2021 topped $340 million.

Legislation
The Board-initiated bill to allow a Board member’s term to be extended until either the Board member is reappointed or the position is filled by a new appointee appears to have support in both the Minnesota House and Senate. However, the bill has not yet been approved. This proposed change to Minnesota Statute 349.151 will help ensure that the Board has continuity of operations with its full compliment of seven members. The Board currently has six members with one member’s term expiring on June 30.

A change to Minnesota Statute 349.15 that would modify the star-rating calculation and the percentages corresponding to each star-rating level is still being considered by the Legislature as is the agency’s budget request for FY2022 and FY2023.

Board Staff Realignment
On July 1, 2021, Gambling Control Board staffing divisions will be adjusted to improve efficiency and to prepare for possible agency growth. Changes include creation of a Regulatory Unit headed by Steve Pedersen to oversee both licensing and compliance functions. There will also be an Investigations Unit led by Gary Danger, an Administrative Unit headed by Laura Wade, and a new Education, Information, and Analytics Unit managed by Chris Mau. Unit managers will report to the Executive Director, Matt Gettman.

Each licensed organization will continue to have both an assigned Licensing and Compliance Specialist. The organizations assigned to each specialist are determined by each organization’s home county.

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Board Members:
Geno Fragnito, Chair (Woodbury)
Committees: Executive; Rules; Legislative
Kenneth Koch, Vice Chair (Eagan)
Committees: Executive; CRG; Legislative; Rules
Norm Pint, Secretary (New Prague)
Committee: CRG (chair)
Beth Pinkney (Woodbury)
Committee: Legislative
William English (Plymouth)
Committee: CRG
Karen Diver (Cloquet)
Board meetings are open to the public. Please check our website to determine if a meeting will be on location in Roseville or will be held remotely.

Meetings start at 10:00 a.m.

Upcoming meetings:
Monday, June 21, 2021
Monday, July 19, 2021
Monday, August 16, 2021
Monday, September 20, 2021
Monday, October 18, 2021

Meetings dates and times are subject to change. For the latest schedule and agenda go to www.mn.gov/gcb.

Gaming News is published quarterly.
Current and previous issues are available on our website, www.mn.gov/gcb.

Gambling Control Board
Suite 300 South
1711 County Road B West
Roseville, MN 55113
(651) 539-1900
If you are a licensed gambling manager, completion of a credit-eligible in-person or online course satisfies your continuing education requirement for the calendar year.

Please note: At the beginning of each month, confirmation notices are emailed to all gambling managers receiving online continuing education credit during the previous month. If it’s mid-month of the following month, and you haven’t received confirmation, please contact your Licensing Specialist. Otherwise, be patient and your notification will arrive.

**GAMBLING MANAGERS MUST COMPLETE ONE CONTINUING EDUCATION COURSE EACH CALENDAR YEAR.**

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**ONLINE COURSES TEMPORARILY UNAVAILABLE**

Online continuing education courses will be temporarily unavailable from June 19, 2021 through approximately August 1, 2021. There will also be no Gambling Manager Seminar offered in July. The Gambling Manager Seminar will resume in mid-August.

We will be using this down time to convert our on-line class offerings to a new and improved platform host. This will provide the agency with more tools to effectively present information, track results, and improve users’ online experience.

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**In-Person Classes to Resume in October**

Provided there are no COVID setbacks, the Board intends to offer in-person continuing education classes in October. However, after we began offering online classes in 2019, there was a steep attendance drop for our in-person classes. A few were only attended by a handful of people.

The survey on page 7 of this newsletter asks gambling managers to give their preference for online or in-person classes. If we can reasonably expect there to be twenty or more gambling managers in attendance, we feel it’s a prudent use of staff time. If less than twenty, the cost-per-person to provide the class isn’t an efficient use of regulatory funds.

Our goal is to provide gambling managers and other clientele with user-friendly information needed to successfully conduct lawful gambling for their organizations’ charitable purposes. If you have ideas on how we can better achieve this goal, please include them along with your response to the survey.

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**Upcoming Holidays**

*State offices will be closed on the following dates:*

- **Independence Day**—Monday, July 5, 2021
- **Labor Day**—Monday, September 6, 2021
News from the Field

Board staff regularly conduct inspections of lawful gambling locations. Below are a three of the most common violations noted during the past few months.

Inventory Records

At many locations, inspectors have found that site inventory records are not current. For example, one site had received a shipment of new pull-tab games four days prior to the inspection. Two of the new paper pull-tab games had already been placed into play. However, none of the new games had yet been entered on the organization’s site inventory list.

This violation is most common at “bar-op” locations where organizations rely on the lessor or the lessor’s employees to complete the site inventory records. Often the best solution is for the organization’s gambling manager or other representatives to increase the frequency of their site visits—and to verify the accuracy of the inventory records on each visit. If your organization closely monitors its inventory, it’s more likely that your bar-op sites will too.

Inventory Security

Inspectors also noted a few sites where the unplayed inventory was not kept secured. At one location, games had been delivered to the site that morning. The site inspection was conducted shortly after lunch. At the time of the inspection, the games had already been sitting out at the end of the bar for several hours.

It’s important to keep in mind that organizations are responsible for the ideal net receipts of each game purchased from a distributor. In other words, if the two cases of games that were left out had been stolen, the organization would have been responsible for a loss of over $5,000. The bartender certainly would not have left $5,000 cash on the bar for several hours, but she did leave out the pull-tabs. Be sure that bartenders and sellers are aware that, to the Gambling Control Board and the Minnesota Department of Revenue, missing tickets are treated the same as missing cash.

Electronic Game Log-in Passwords

Minnesota Rule 7864.0235 Subp. 30a requires each electronic game operator to log into the game system using their own unique password. Too often, inspectors are finding that game operators are sharing their passwords with coworkers. BAD IDEA!

The key to theft and fraud prevention is accountability. Theft is much more likely if it can’t be traced back to a single individual. Sharing passwords removes that accountability. Worse yet, if you share your password, you could be blamed for another person’s criminal actions.

Keep your password secure and insist that others do as well.
Compliance Review Group (CRG)

License 01962, Garrison Fire Department Relief Association
Consent Order Allegations:
The organization failed to:
- Deposit all gambling receipts into its gambling bank account;
- File accurate information with the Dept. of Revenue and the GCB;
- Correctly complete prize receipt forms for winning pull-tabs;
- Maintain internal controls sufficient to protect the integrity of its lawful gambling; and
- Conduct lawful gambling with the sufficient supervision of a licensed gambling manager.

Consent Order Requirements:
- $2,000 fine; and
- Reimburse gambling account $39,981.

License 03329, Oronoco Fire Fighter’s Relief Association
Consent Order Allegations:
The organization failed to:
- Deposit all gambling receipts into its gambling bank account;
- File accurate information with the Dept. of Revenue and the GCB;
- Maintain records of its assets, liabilities and fund balance;
- Maintain lawful gambling records for a minimum of 3.5 years;
- Maintain internal controls sufficient to protect the integrity of its lawful gambling;
- Conduct lawful gambling with the sufficient supervision of a licensed gambling manager.

Consent Order Requirements:
- $500 fine;
- File Corrective Action Plan; and
- Reimburse gambling account $37,127.

License 92932, Blaine Festival
Consent Order Allegations:
- A lessor’s immediate family member participated as a player in the conduct of lawful gambling at the leased premises, Blainbrook Entertainment Center.

Consent Order Requirements:
- Organization is restricted to conducting lawful gambling via a pull-tab booth operation at the Blainbrook Entertainment Center.
- The lessor and lessor’s immediate family and employees may not be hired to perform gambling operational duties and are prohibited from playing or selling at this site.
- Premises permit suspended up to 90 days if the lessor or lessor’s immediate family participates in the conduct of lawful gambling at the premises.

The Compliance Review Group (CRG), a committee of the Gambling Control Board, meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes and rules. The information presented here is a condensed report of recently completed CRG conferences. The penalties imposed are based on specific and unique information reviewed for each licensee.
CRG Report (continued from page 4)

License 00747, American Legion Post 237, Balaton

Consent Order Allegations:
The organization failed to:

- Comply with the Gambling Control Board’s request to meet with Board staff and failed to timely comply with the Board’s request to provide documents to conduct an account verification review;
- Correct violations for which a fine was previously imposed; and
- File monthly activity reports with the Gambling Control Board.

Consent Order Requirements:
- Board staff will initiate a compliance review within 6 months.

License 02923, Knights of Columbus Council 4174, Albertville

Consent Order Allegations:
The organization failed to:

- Make deposits of gambling receipts within four business days of the close of the game;
- Failed to complete and submit to the Gambling Control Board a monthly account reconciliation;
- Accurately complete and submit LG100F forms to the Gambling Control Board;
- File accurate information with the Department of Revenue;
- Reconcile its profit carryover with its cash balance on hand;
- Fully report on all games and game types conducted;
- Maintain internal controls sufficient to protect the integrity of its lawful gambling and;
- Conduct lawful gambling with the sufficient supervision of a licensed gambling manager.

Consent Order Requirements:
- $1,500 fine;
- Re-audit all gambling activity from July 2019 to present and file amended reports with the Gambling Control Board and Department of Revenue;
- Reimburse gambling account for all missing receipts;
- Reconcile profit carryover variance;
- Chief Executive Officer and Gambling Manager must complete the Gambling Manager Seminar and pass the exam; and
- Focused Compliance Review.

License 23268, Central Minnesota Noon Optimist Club, Sauk Rapids

Consent Order Allegation:
The organization conducted lawful gambling without a valid premises permit.

Consent Order Requirement:
- $ 500 fine.
Citations Paid

Gambling manager failed to complete a continuing education class in 2020.
- License 36713, Walnut Grove Area Loggers $250
- License 01023, American Legion Post 602 Hillman $250

Organization failed to respond to the Account Verification Review.
- License 00478, American Legion Post 475 St. Clair $200
- License 02794, Duluth Softball Players Association $200
- License 03754, Cook Firemen’s Relief Association $200
- License 01096, Minneapolis Riverview Lions Club $200
- License 94226, Rockford Lions Club $200
- License 02989, Big Falls Lions Club $200
- License 00677, American Legion Post 505 Gary $200
- License 01608, Watkins Lions Club $200

Organization failed to timely file Lawful Gambling Reports LG100A, LG100C, and LG100F with the Board.
- License 01156, American Legion Post 119 Byron $100
- License 00685, American Legion Post 84 Northfield $100
- License 00575, American Legion Post 261 Kimball $100

Organization failed to provide requested documentation to Board.
- License 02904, Akeley Lions Club $300
- License 00660, American Legion Post 149 Morristown $100
- License 02549, Lafayette & Area Lions Club $50

Star-Rating Deadline

By June 30, 2021, each licensed organization must have spent at least 30% of its fiscal year 2021 (FY21) net receipts on lawful purposes. Organizations that fail to do so are automatically placed in probationary status for FY22. Organizations that don’t meet the minimum 30% requirement during their probation year are referred for potential sanctions.

Each fiscal year runs from July 1 through June 30. Net receipts are defined as gross receipts less prizes paid. In general terms, “lawful purposes” refers to donations, taxes on gambling receipts, and licensing and regulatory fees. More specific information on lawful purposes is available on the Gambling Control Board website (www.mn.gov/gcb) by following these links:

One-page information sheet on lawful purpose categories
Lawful Gambling Manual chapter on lawful purpose expenditures

A form to help organizations track the percentage of their net receipts spent on lawful purposes is available at:
LG1012 Worksheet—Lawful Purpose Rating
SURVEY—Continuing Education Topics

The Minnesota Department of Revenue’s Lawful Gambling and Unrelated Business Income Tax Unit is interested in which topics you’d like to learn more about. They will use your suggestions to create a continuing education class to be available later this year.

The Gambling Control Board is interested in whether gambling managers have completed or intend to complete an on-line continuing education course in 2021 or if they’d prefer to attend an in-person class later this year. This information will help us determine the number of in-person classes needed to meet the needs of our licensed gambling managers.

To participate, visit the Gambling Control Board’s website and click on the survey link under “What’s New”. Or, you may also print out and complete the survey form below and mail it to this address:

Class Topic Survey
Gambling Control Board
1711 County Road B West, Suite 300 South
Roseville, MN 55113

CONTINUING EDUCATION SURVEY—June 2021

CLASS TOPICS—MINNESOTA DEPARTMENT OF REVENUE

Mark an “X” next to the topics you’d like to learn more about.

Unrelated Business Income Tax (UBIT)

_____ Linked vs. non-linked bingo
_____ Joint expenses and allocations
_____ Lawful purpose transfers
_____ Forms and filing deadlines for Unrelated Business Income Tax
_____ Unrelated business income expenses

Lawful Gambling Tax

_____ Bingo audit records—What we’re looking for
_____ Schedule ER (Lawful Gambling Tax Credit for Exempt Raffles)
_____ Schedule NRL (Net Receipts Loss)
_____ Defective games
_____ Games for destruction
_____ What to expect from a Department of Revenue audit

IN-PERSON OR ONLINE?—GAMBLING CONTROL BOARD

_____ I have or intend to meet the 2021 continuing education requirement by completing an online class.
_____ I prefer to meet the 2021 continuing education requirement by attending an in-person class later this year.
The Gambling Control Board regulates the lawful (charitable) gambling industry to ensure the integrity of operations and provide for the lawful use of net profits. Charitable gambling may be conducted only by registered nonprofit organizations.

<table>
<thead>
<tr>
<th>Month</th>
<th>FY 2021</th>
<th>Monthly Change FY20 to FY21</th>
<th>FY 2020</th>
<th>Monthly Change FY19 to FY20</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>$260,613,980</td>
<td>28%</td>
<td>$204,063,591</td>
<td>15%</td>
<td>$177,072,623</td>
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<td>August</td>
<td>$268,123,643</td>
<td>24%</td>
<td>$215,704,227</td>
<td>17%</td>
<td>$183,679,152</td>
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<tr>
<td>September</td>
<td>$271,216,344</td>
<td>27%</td>
<td>$213,622,771</td>
<td>18%</td>
<td>$181,041,568</td>
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<td>October</td>
<td>$283,948,701</td>
<td>26%</td>
<td>$225,218,955</td>
<td>18%</td>
<td>$191,355,108</td>
</tr>
<tr>
<td>November</td>
<td>$177,108,484</td>
<td>-21%</td>
<td>$222,966,688</td>
<td>19%</td>
<td>$187,236,536</td>
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<td>December</td>
<td>$4,507,6011</td>
<td>-98%</td>
<td>$224,020,506</td>
<td>15%</td>
<td>$195,444,750</td>
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<tr>
<td>January</td>
<td>$175,969,0711</td>
<td>-22%</td>
<td>$224,835,682</td>
<td>20%</td>
<td>$186,660,051</td>
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<tr>
<td>February</td>
<td>$268,930,514</td>
<td>16%</td>
<td>$232,330,307</td>
<td>28%</td>
<td>$180,854,863</td>
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<td>March</td>
<td>$351,690,446</td>
<td>129%</td>
<td>$153,468,6152</td>
<td>-32%</td>
<td>$226,662,044</td>
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<td>April</td>
<td>$344,355,530</td>
<td>21,826%</td>
<td>$1,570,5103</td>
<td>-99%</td>
<td>$210,652,620</td>
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</tbody>
</table>

Year-to-Date Total: $2,406,464,314

Year-End Total: TBD

1 Receipts affected by COVID pause from mid-November 2020 through mid-January 2021.
2 Receipts affected by COVID pause from mid-March 2020 through mid-June 2020.