

Annual Report
of the
Minnesota
Gambling Control Board



This annual report provides data for the 2000 fiscal year of July 1, 1999, through June 30, 2000.

The mission of the Gambling Control Board is to regulate lawful gambling in Minnesota, so that citizens are assured of the integrity of the industry and nonprofit organizations may continue to raise funds for charitable contributions.

The Board continues to provide education, outreach, and guidance to the lawful gambling industry through its ongoing programs, including:

- continuing education classes throughout the state,
- gambling manager seminars,
- an individualized mentoring program,
- a comprehensive Web site,
- a monthly newsletter, and
- compliance reviews.

This annual report provides information for the 2000 fiscal year of July 1, 1999, through June 30, 2000. Portions of the data were obtained from the Minnesota Department of Revenue.

Respectfully submitted,

Peggy Moon, Chair

The Gambling Control Board is comprised of seven citizens. Five of the members are appointed by the Governor, and the Attorney General and Commissioner of Public Safety each appoint one member.

The Board has the power to issue, suspend, and revoke licenses. Under Minnesota Statutes, section 349.11, the Board's purpose is "to regulate lawful gambling to prevent its commercialization, to insure the integrity of operations, and to provide for the use of net profits only for lawful purposes."

Members	City	Appointed by	Term
Peggy Moon, Chair	Glenwood	Governor	6/97 to 6/01
Howard Register, Secretary	Inver Grove Heights	Public Safety	7/99 to 6/03
Dennis Flaherty	St. Paul	Attorney General	7/99 to 6/03
Rocky Fontana	Minneapolis	Governor	8/98 to 6/02
Don McHale	Pequot Lakes	Governor	7/98 to 6/02
Two vacancies			

Board Counsel

E. Joseph Newton, Assistant Attorney General
Peter Marker, Assistant Attorney General

Executive Director

Harry W. Baltzer (retired 7/00)

FY 2000 budget: \$2,183,000

Board staff: 37

Statement of Cash Receipts and Overview

Statement of Cash Receipts

<u>Category</u>	<u>Amount</u>	<u>Total Collected</u>
Manufacturer License	\$5,000	\$ 40,000
Distributor License	3,500	52,500
Bingo Hall License	2,500	37,500
Organization License	none	0
Gambling Manager License (\$100 in second year)	200	264,300
Premises Permit		
Class A (bingo, paddlewheels, pull-tabs, tipboards, raffles)	400	137,850
Class B (paddlewheels, pull-tabs, tipboards, raffles)	250	596,100
Class C (bingo only, or bingo and pull-tabs under \$50,000 gross receipts per year)	200	4,200
Class D (raffles only)	150	750
Exempt Permit (up to 5 days of activity, total prizes valued at \$50,000 or less)	25	<u>59,575</u>
Total License and Permit Fees		\$ 1,192,775
Total Civil Penalties and Fines	vary	80,250
TOTALCOLLECTED		<u>\$ 1,273,025</u>

Industry Overview - During fiscal year 2000, the Minnesota lawful gambling industry consisted of:

Licensees and Activities

Description

8 manufacturers	Sold product to licensed distributors.
17 distributors	Sold product to nonprofit lawful gambling organizations.
16 bingo halls	Lawful gambling is conducted by organizations at licensed bingo halls.
1,531 nonprofit organizations	Licensed organizations conduct gambling at permitted premises.

Type of Organization

Number

Percent

FRATERNAL - Lions, Eagles & Auxiliary, Moose, Elks, Knights of Columbus	234	15%
VETERANS - American Legion & Auxiliary, VFW & Auxiliary	41	27%
RELIGIOUS - Church/Cathedral	41	3%
OTHER NONPROFIT - Fire relief, hockey, Jaycees, baseball, athletic, business/chamber/development, sportsman, rod and gun, snowmobile, community, other	837	55%
TOTAL:	<u>1,531</u>	<u>100%</u>

1,531 gambling managers	Gambling managers are members of licensed nonprofit organizations responsible for supervising the conduct of organizations' lawful gambling operations.
3,318 permitted premises	1,531 licensed nonprofit organizations conducted lawful gambling at 3,318 permitted premises.
1,724 exempt organizations	Permitted organizations conduct limited gambling up to five days per calendar year. In fiscal year 2000, exempt organizations conducted 2,350 activities.
603 excluded organizations	Nonprofit organizations may apply for authorization to conduct excluded raffle or bingo activities. In fiscal year 2000, 783 excluded activities were conducted.

Lawful Gambling Statistics

Fiscal Year 2000 Summary

ACTIVITY	Gross (sales)		Prizes Paid	Net (gross less prizes)		Payout	
	Receipts	Change Since FY99		Receipts	Change Since FY99	FY00	FY99
Bingo	\$ 77,152,000	+ 1.2%	\$ 60,817,000	\$ 16,335,000	- 5.7%	78.8%	77.3%
Raffles	4,016,000	+ 4.8%	2,142,000	1,874,000	+ 3.4%	53.3%	52.7%
Paddlewheels	16,712,000	+ 6.8%	13,781,000	2,931,000	+ 5.9%	82.5%	82.3%
Tipboards	3,453,000	+ 5.0%	2,097,000	1,356,000	+ 6.2%	60.7%	61.2%
Pull-Tabs	1,398,028,000	+ 3.6%	146,976,000	251,052,000	+ 2.6%	82.0%	81.9%
Interest Income	681,000	+ 2.4%	- 0 -	681,000	+ 2.4%		
TOTALS	\$ 1,500,042,000	+ 3.5%	\$ 1,225,813,000	\$ 274,229,000	+ 2.2%	81.8%	81.5%

Ten-Year Comparison (percent change from previous fiscal year)						
FY	Gross Receipts		Prizes Paid		Net Receipts	
00	\$1,500,042,000	+ 3.5%	\$1,225,813,000	+ 3.8%	\$274,229,000	+ 2.2%
99	1,449,055,000	+ 3.0%	1,180,608,000	+ 3.1%	268,447,000	+ 2.6%
98	1,407,137,000	+ 4.0%	1,145,509,000	+ 4.3%	261,628,000	+ 2.8%
97	1,357,740,000	- 1.3%	1,098,294,000	- 1.0%	254,446,000	- 2.3%
96	1,369,932,000	+ 0.7%	1,109,528,000	+ 0.6%	260,404,000	+ 1.2%
95	1,359,843,000	+ 7.6%	1,102,514,000	+ 7.6%	257,329,000	+ 7.4%
94	1,263,882,000	+ 0.4%	1,024,322,000	+ 0.7%	239,560,000	- 0.8%
93	1,258,417,000	+ 2.2%	1,016,963,000	+ 2.1%	241,454,000	+ 2.5%
92	1,231,807,000	- 3.3%	996,129,000	- 4.0%	235,678,000	- 0.4%
91	1,274,031,000	- 1.3%	1,037,400,000	- 1.9%	236,631,000	+ 1.5%

How Organizations Spent Their Net Receipts (Gross Profits)

Percent of Net Receipts

	FY	00	99	98	97	96	95	94	93	92	91
Lawful Purpose Expenditures											
Charitable Contributions		28%	29%	29%	29%	29%	30%	30%	30%	33%	35%
State Taxes Paid		23%	23%	24%	24%	25%	25%	24%	24%	23%	24%
Allowable Expenses											
Operating Costs		49%	48%	47%	47%	46%	45%	46%	46%	44%	41%

Lawful Purpose Expenditures

Ten-Year Comparison

00	\$140,841,000
99	\$141,071,000
98	\$138,176,000
97	\$135,632,000
96	\$141,427,000
95	\$142,878,000
94	\$128,225,000
93	\$130,852,000
92	\$133,760,000
91	\$140,999,000

- Organizations can contribute in the following categories:
- donations to or by nonprofit organizations designated by the IRS as 501(c)(3) organizations or as 501(c)(4) festival organizations
 - relieving effects of poverty, homelessness, physical or mental disabilities
 - treatment for compulsive gambling or posttraumatic stress syndrome
 - private or public nonprofit educational institutions, scholarship funds
 - programs recognizing humanitarian or military service
 - youth activities
 - state, local, and federal gambling taxes
 - real estate taxes within defined limits
 - programs and projects by the United States, this state, or local units of government
 - religious purposes
 - DNR-approved wildlife management projects
 - grooming and maintaining snowmobile trails approved by the DNR
 - congregate dining, nutritional programs, or food shelves for the disabled or persons age 62 and older
 - community arts organizations or program sponsorships
 - Board-approved repair and maintenance projects of organizations' buildings

Lawful Purpose Expenditures

	<u>FY 2000</u>	<u>FY 1999</u>	<u>% Change</u>
Charitable Contributions	\$ 78,285,000	\$ 78,450,000	- 0.2%
State Gambling Taxes Paid	62,556,000	62,621,000	- 0.1%
• 1.8% Gross Receipts State Tax	25,348,000	25,835,000	- 1.9%
• 9.0% Net Receipts State Tax	1,964,000	2,211,000	-11.2%
• Combined Receipts State Tax	35,244,000	34,575,000	+ 1.9%
TOTALS	\$ 140,841,000	\$ 141,071,000	- 0.2%

State Gambling Taxes (after refunds for unsold tickets)

00	\$62,556,000	\$ 6,209,000*
99	\$62,621,000	6,088,000*
98	\$63,048,000	5,780,000*
97	\$62,017,000	2,700,000*
96	\$65,849,000	
95	\$64,773,000	
94	\$57,487,000	
93	\$57,476,000	
92	\$54,870,000	
91	\$57,426,000	

The three state gambling taxes included as lawful purpose expenditures are:

Gross Receipts Taxes: 1.8 percent of the gross receipts on pull-tab and tipboard games

Net Receipts Taxes: 9.0 percent on the net receipts on bingo, raffles, and paddlewheels

Combined Receipts Taxes: A progressive tax calculated on the gross receipts from pull-tab games, tipboards, and interest

* Refund on unsold pull-tab and tipboard tickets, effective 7/1/96.

Allowable Expenses

Ten-Year Comparison

00	\$133,388,000
99	\$127,376,000
98	\$123,452,000
97	\$118,814,000
96	\$118,977,000
95	\$114,451,000
94	\$111,335,000
93	\$110,602,000
92	\$101,918,000
91	\$95,632,000

An allowable expense is an expense or a proportion of an expense directly related to the conduct of lawful gambling.

Organizations are allowed to spend up to 55 percent of net receipts toward these types of operating costs.

Allowable Expenses

Allowable expenses as reported to the Department of Revenue for fiscal year 2000 included:

<u>Amount</u>	<u>Operating Cost</u>
\$ 65,072,000	Compensation and payroll taxes
27,233,000	Gambling equipment
21,972,000	Rent
5,892,000	Accounting and legal work
5,582,000	Bank charges, misc office supplies and expenses
3,016,000	Gambling device purchase, storage, maintenance
2,190,000	Cash shortages (<i>see below</i>)
1,577,000	Utilities
1,177,000	Bond, license, permits
557,000	Advertising
500,000	Theft and liability insurance

Cash Shortages (before reimbursement)

		<u>Industry Average *</u>
00	\$2,190,000	.15%
99	2,311,000	.16%
98	2,338,000	.17%
97	2,341,000	.17%
96	2,528,000	.18%
95	2,822,000	.21%
94	3,848,000	.30%
93	4,631,000	.37%
92	4,572,000	.37%
91	5,013,000	.39%

A cash shortage is the difference between the reported net receipts for a game and the actual cash on hand to be deposited for that game.

For reporting purposes effective 8/1/95, shortages may not exceed three-tenths of one percent (.3%) of gross receipts (sales) and are treated as an allowable expense.

However, the Board closely monitors cash shortages, because shortages may indicate theft or mismanagement.

** Average organization shortage level for gross receipts*

Legislative and Rule Changes



The following changes resulting from the 2000 session of the Minnesota State Legislature were effective in April 2000.

Legislative Change

Description

Lawful Purpose Expenditures

Lawful purpose definitions were amended in two ways:

1. The reimbursement level for members of military marching, color guard, or honor guard events within the state was increased from \$10 to up to \$35 per occasion.
2. Contributions to community arts organizations or sponsorship of community arts programs--such as visual, literary, performing, or musical arts--were added as a new lawful purpose expenditure.

Gambling Manager Qualification

The Gambling Control Board by rule may prescribe other qualifications to become gambling manager.

Paddlewheel and Tipboard Conduct, and Payment of Prizes

Paddletickets (for paddlewheels consisting of 30 numbers or less) and tipboard tickets (for tipboards consisting of 30 tickets or less) may be sold throughout a permitted premises at a leased site. However, winning tickets must be redeemed, the paddlewheel must be located, and the tipboard seal must be opened within the leased premises.

Merchandise prizes awarded in these games may be paid for by the organization up to 30 days after the prize is received by the organization.

Pull-Tab Sales to Distributors

Section 349.163 requires that no manufacturer may refuse to sell pull-tab games to a distributor except under specific exceptions.

Time Period for Off-Site Gambling Amended

Organizations may obtain an annual, off-site permit for up to 12 consecutive days in connection with a county fair, the state fair, a church festival, or a civic celebration.

Trade Area Boundaries Amended

Townships (contiguous to a defining city) were added to the definition of a trade area.

Legislative and Rule Changes (continued)

Legislative Change

Description

Organizations Paying for Premises

Organizations that wholly own their own building and conduct gambling on the premises may now elect to do one of the following:

1. Pay real estate taxes and assessments as a lawful purpose expenditure, which is currently allowed.
- (or)
2. Pay themselves up to \$1,000 per month, as an allowable expense for the use of its premises for lawful gambling.

Organizations may choose a different option each calendar year, but may not combine options in the same calendar year.

Reduction in Lawful Gambling Taxes

On July 1, 2000, the following tax rate reduction became effective:

- **Gross Receipts Tax** - The tax on the gross receipts of each pull-tab and tipboard deal purchased from a distributor was reduced from 1.8% to 1.7%.
- **Net Receipts Tax** - The net receipts tax on bingo, paddlewheels, and raffles was reduced from 9.0% to 8.5%.
- **Combined Receipts Tax** - The progressive combined receipts tax on gross receipts from pull-tabs, tipboards, and interest was reduced by 5.56%.

<u>COMBINED RECEIPTS</u>	<u>FROM</u>	<u>TO</u>
Not over \$500,000	zero	zero
Over \$500,000, but not over \$700,000	1.8%	1.7%
Over \$700,000, but not over \$900,000	3.6%	3.4%
Over \$900,000	5.4%	5.1%

On August 1, 2000, a raffle tax credit became effective:

- **Raffle Tax** - If proceeds from a raffle are used exclusively to relieve the effects of poverty, homelessness, physical, or mental disability, an organization may claim a credit equal to the tax reported for that raffle.

Rule Change

Description

There were no rule changes in fiscal year 2000.

Lawful Gambling Activity by County

COUNTY	G R O S S		N E T	
	RECEIPTS	% CHANGE SINCE FY99	RECEIPTS	%CHANGE SINCE FY99
Aitkin	\$ 11,076,000	- 14.2	\$ 1,891,000	- 19.9
Anoka	102,890,000	+ 4.2	18,785,000	+ 1.3
Becker	14,651,000	+ 5.5	2,504,000	+ 3.2
Beltrami	10,157,000	+ 1.0	1,865,000	+ 10.5
Benton	10,547,000	+ 4.2	1,908,000	- 4.2
Big Stone	605,000	- 37.2	106,000	- 39.4
Blue Earth	24,755,000	+ 31.2	5,483,000	+ 39.6
Brown	7,150,000	- 0.1	1,218,000	- 2.6
Carlton	6,982,000	- 33.5	1,116,000	- 37.1
Carver	13,440,000	+ 0.8	2,406,000	- 0.8
Cass	11,568,000	- 9.8	2,052,000	- 10.6
Chippewa	5,665,000	+ 7.8	903,000	+ 8.8
Chisago	12,745,000	+ 14.5	2,158,000	+ 9.9
Clay	11,608,000	- 8.6	2,140,000	- 10.5
Clearwater	4,484,000	+ 28.5	773,000	+ 23.9
Cook	0	- 100.0	0	- 100.0
Cottownwood	2,703,000	+ 5.5	464,000	+ 6.7
Crow Wing	42,104,000	+ 22.8	7,636,000	+ 23.1
Dakota	84,045,000	+ 25.8	15,440,000	+ 23.8
Dodge	3,727,000	- 1.5	656,000	- 9.9
Douglas	19,761,000	+ 13.6	3,078,000	+ 6.8
Faribault	5,488,000	+ 4.1	993,000	+ 2.0
Fillmore	5,663,000	- 10.1	1,082,000	- 12.5
Freeborn	13,161,000	- 9.3	2,480,000	- 11.7
Goodhue	11,180,000	+ 2.5	1,938,000	+ 16.3
Grant	5,258,000	+ 19.2	767,000	+ 20.8
Hennepin	239,946,000	+ 17.8	46,385,000	+ 19.1
Houston	7,541,000	- 1.3	1,515,000	- 3.8
Hubbard	11,324,000	- 5.6	1,480,000	- 11.9
Isanti	8,594,000	- 1.2	1,461,000	- 1.9
Itasca	22,010,000	- 4.4	3,568,000	- 15.1
Jackson	905,000	- 35.8	172,000	- 36.8
Kanabec	4,320,000	- 11.9	788,000	- 16.2
Kandiyohi	8,930,000	- 4.6	1,587,000	- 3.3
Kittson	1,750,000	- 28.3	261,000	- 28.4
Koochiching	6,039,000	- 7.5	1,025,000	- 13.4
Lac Qui Parle	1,330,000	- 32.4	237,000	- 28.0
Lake	3,314,000	- 14.5	529,000	- 24.2
Lake of the Woods	5,046,000	- 7.8	785,000	- 8.4
Le Sueur	12,284,000	+ 17.2	2,166,000	+ 13.0
Lincoln	1,544,000	+ 27.3	340,000	+ 38.2
Lyon	3,029,000	- 16.3	618,000	- 10.8
Mahnomen	28,000	- 92.6	6,000	- 93.4
Marshall	4,532,000	- 9.5	700,000	- 9.3
Martin	6,263,000	- 3.9	1,169,000	- 11.2

Lawful Gambling Activity by County

COUNTY	GROSS		NET	
	RECEIPTS	% CHANGE SINCE FY99	RECEIPTS	% CHANGE SINCE FY99
McLeod	\$ 14,468,000	+ 3.3	\$ 2,481,000	+ 4.2
Meeker	6,495,000	- 4.0	1,239,000	- 6.8
Mille Lacs	15,419,000	- 0.6	2,650,000	- 3.2
Morrison	24,531,000	+ 6.0	4,207,000	+ 5.6
Mower	13,919,000	- 16.7	2,764,000	- 17.9
Murray	2,020,000	- 2.1	391,000	+ 3.2
Nicollet	7,122,000	- 7.5	1,339,000	+ 2.9
Nobles	2,536,000	- 27.9	494,000	- 27.6
Norman	2,160,000	- 3.8	331,000	- 7.3
Olmsted	20,337,000	- 12.0	4,206,000	- 12.6
Otter Tail	22,394,000	+ 1.3	3,900,000	- 0.2
Pennington	7,025,000	+ 7.8	1,229,000	+ 9.2
Pine	11,917,000	- 3.2	2,190,000	- 2.3
Pipestone	274,000	- 44.0	62,000	- 41.5
Polk	23,081,000	+ 4.5	3,716,000	+ 3.7
Pope	6,197,000	- 3.3	1,094,000	- 6.0
Ramsey	146,248,000	- 6.2	29,299,000	- 8.1
Red Lake	1,984,000	- 10.6	295,000	- 13.5
Redwood	2,304,000	+ 0.4	398,000	- 4.6
Renville	4,484,000	+ 0.2	763,000	+ 0.7
Rice	18,420,000	+ 8.4	3,634,000	+ 7.3
Rock	1,334,000	- 12.7	236,000	- 16.3
Roseau	4,865,000	- 4.5	802,000	- 6.5
Scott	24,150,000	- 2.4	4,238,000	- 4.9
Sherburne	33,524,000	+ 18.6	5,810,000	+ 22.8
Sibley	5,932,000	+ 9.5	982,000	+ 7.4
St. Louis	74,810,000	- 4.6	11,620,000	- 8.8
Stearns	55,382,000	- 1.2	11,034,000	- 0.3
Steele	9,841,000	- 0.4	1,775,000	+ 0.6
Stevens	2,635,000	- 4.4	464,000	- 1.9
Swift	3,993,000	- 5.3	674,000	- 9.5
Todd	9,113,000	- 27.2	1,557,000	- 28.1
Traverse	791,000	- 9.2	144,000	- 12.7
Wabasha	11,448,000	+ 5.1	2,045,000	+ 2.0
Wadena	5,824,000	- 3.9	984,000	- 6.2
Waseca	7,674,000	+ 3.3	1,350,000	+ 5.0
Washington	42,533,000	- 7.4	7,999,000	- 11.0
Watsonwan	3,758,000	+ 48.4	683,000	+ 48.2
Wilkin	1,292,000	- 15.1	216,000	- 19.7
Winona	20,069,000	+ 22.7	4,060,000	+ 16.5
Wright	34,609,000	+ 2.2	5,944,000	+ 1.3
Yellow Medicine	2,872,000	+ 25.6	498,000	+ 28.7
TOTALS	\$ 1,499,926,000		\$ 274,431,000	

Note: Variances in totals compared to yearly activity are attributed to reports being generated at different times and rounding of figures.