



Minnesota Gambling Control Board

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Annual Report of the Minnesota Gambling Control Board

**Fiscal Year
2004**

July 1, 2003 - June 30, 2004



Message from the Board Chair and Executive Director

January 2, 2005

The mission of the Gambling Control Board (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:

- compliance reviews and site inspections,
- issuing licenses and permits,
- continuing education classes throughout the state,
- speaking engagements at state-level conventions
- gambling manager seminars,
- an individualized mentoring program,
- a comprehensive web site, and
- a bi-monthly newsletter.

This annual report provides information for the fiscal year beginning July 1, 2003, through June 30, 2004. Portions of the data were obtained from the Minnesota Department of Revenue.

Respectfully submitted,

Peggy Moon, Chair

Tom Barrett, Executive Director

Gambling Control Board Members and Staff

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."

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.

Members	City	Appointed by	Term
Peggy Moon, Chair	St. Joseph	Governor	7/01 to 6/05
Howard Register, Vice Chair	Inver Grove Heights	Public Safety	7/03 to 6/07
Don McHale, Secretary	Nisswa	Governor	8/02 to 6/06 (resigned April 2004)
James Hynes	St. Paul	Governor	1/01 to 6/04
William Barbknecht	Underwood	Governor	1/01 to 6/04
Pat Davies	Mendota Heights	Attorney General	7/03 to 6/07
Jerry Dexter	White Bear Lake	Governor	8/02 to 6/06

Executive Director

Tom Barrett

Board Counsel

E. Joseph Newton, Assistant Attorney General

FY 2004 expenditures: \$2,304,500
Board staff: 30 (FTE 28.5)

Statement of Cash Receipts and Industry Overview

Cash Receipts

	Fee	Total Collected*
Manufacturer license	\$9,000	\$ 95,000
Game approval and testing (manufacturer)	\$25/\$100	148,471
Distributor license	6,000	134,000
Distributor salesperson license	100	17,483
Bingo hall license	4,000	32,000
Organization license	350	372,866
Gambling manager license	100	153,850
Premises permit	150	501,037
Annual license and permit fee (organization \$350, gambling manager \$100, and premises permit \$150; prorated based on number of months license or permit was issued for from 7/1/03 to end date)		379,673
Regulatory fee (monthly fee of 0.1% of gross receipts from gambling conducted by licensed organizations at each site)		1,292,449
Excluded Permit (limited bingo, less than \$1,500 value in cumulative raffle prizes)	none	0
Exempt Permit (up to 5 days of activity, total prizes valued at \$50,000 or less)	50	148,425
Total fees collected		3,275,254*
Civil penalties and fines	vary	79,150
State gambling taxes, after refunds (collected by Department of Revenue)		56,639,000
Total fees, penalties, and taxes collected		\$59,993,404

* New fees went into effect on 7-1-03 and are now deposited into an account dedicated for lawful gambling regulation. \$232,100 was collected in FY03 for licenses beginning 7/1/03 or later, and transferred to the FY04 dedicated fund. Fees were prorated for licenses and permits already in effect.

Industry Overview

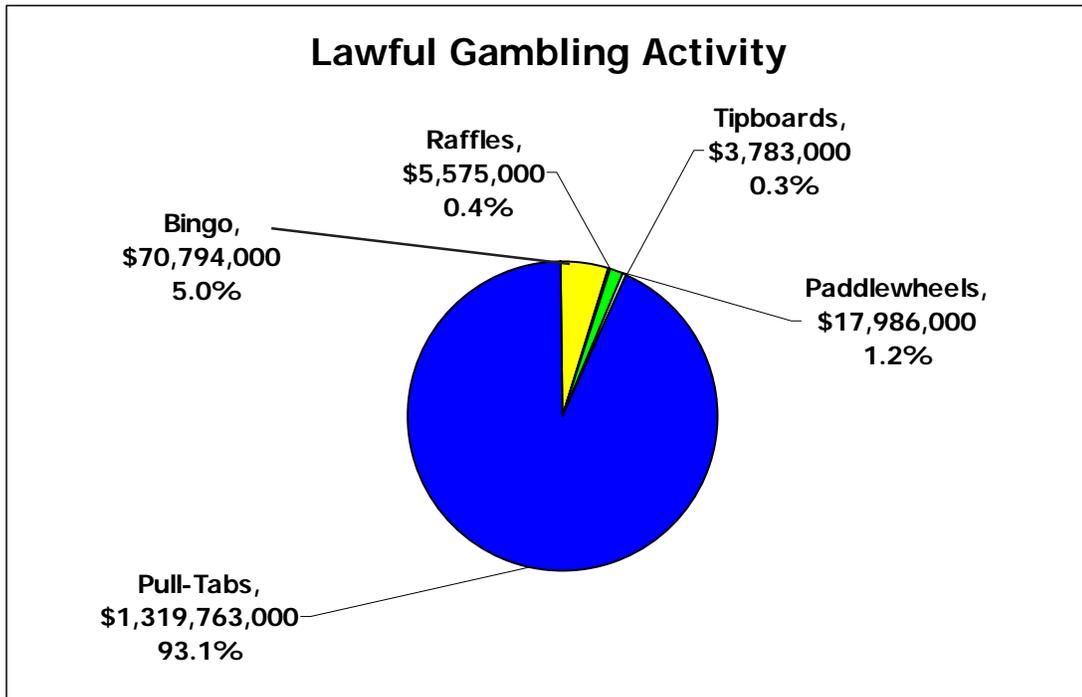
During fiscal year 2004, the Minnesota lawful gambling industry consisted of:

<u>Licensees and Activities</u>	<u>Description</u>		
8 manufacturers	Sold product to licensed distributors. In FY04, 3,838 new games and product were approved for sale in Minnesota.		
18 distributors	Sold product to licensed lawful gambling organizations.		
165 distributor salespersons	Persons licensed to sell gambling equipment.		
11 bingo halls	Locations where more than one organization leases space to conduct bingo.		
1,468 nonprofit organizations	Nonprofit organizations licensed to conduct gambling at permitted premises.		
	<u>Type of Organization</u>		
	<u>Number</u>		
	<u>Percent</u>		
	FRATERNAL - Lions, Eagles & Auxiliary, Moose, Elks, Knights of Columbus	192	13%
	VETERANS - American Legion, VFW, & Auxiliaries	408	28%
	RELIGIOUS - Church/Cathedral	34	2%
	OTHER NONPROFIT - Fire relief, hockey, Jaycees, baseball, athletic, rod and gun, snowmobile, business/chamber/development, sportsman, community, other	834	57%
	TOTAL:	<u>1,468</u>	<u>100%</u>
1,542 gambling managers	Gambling managers are members of licensed nonprofit organizations and are responsible for supervising the organizations' lawful gambling operations.		
3,069 premises permits	1,468 licensed nonprofit organizations were issued 3,069 premises permits.		
2,093 exempt organizations	Permitted organizations conduct limited gambling up to five days per calendar year. In fiscal year 2004, exempt organizations conducted 2,888 activities, with gross receipts of \$27,000,000.		
1,151 excluded organizations	Nonprofit organizations may apply for authorization to conduct excluded raffle or bingo activities. In fiscal year 2004, 1,534 excluded activities were conducted.		

Lawful Gambling Statistics

Fiscal Year 2004 Summary

ACTIVITY	Gross Receipts (sales)		Prizes Paid	Net Receipts (gross less prizes)		% Payout	
	FY 2004	% Change from FY03	FY 2004	FY 2004	% Change from FY03	FY04	FY03
Pull-Tabs	1,319,763,000	0.1	1,086,211,000	233,552,000	1.4	82.3	82.5
Bingo	70,794,000	-1.7	55,261,000	15,533,000	-0.1	78.1	78.4
Paddlewheels	17,986,000	-7.0	14,046,000	3,940,000	-1.3	78.1	79.4
Raffles	5,575,000	15.9	2,778,000	2,797,000	22.2	49.8	52.4
Tipboards	3,783,000	26.2	2,457,000	1,326,000	20.4	64.9	63.3
Interest Income	208,000	-24.9	-0-	208,000	-24.9		
TOTALS	\$1,418,109,000	0.0	\$1,160,753,000	\$ 257,356,000	1.5	81.9	82.1



Ten-Year Comparison (percent change from previous fiscal year)						
FY	Gross Receipts		Prizes Paid		Net Receipts	
04	\$1,418,109,000	0.0%	\$1,160,753,000	-0.3%	\$257,356,000	1.5%
03	1,418,200,000	-1.2%	1,164,591,000	-1.0%	253,609,000	-2.1%
02	1,435,426,000	-0.1%	1,176,268,000	0.2%	259,158,000	-1.1%
01	1,436,603,000	-4.2%	1,174,490,000	-4.2%	262,113,000	-4.4%
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	1,352,740,000	-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%

Lawful Purpose Expenditures

Organizations may contribute for lawful purpose expenditures (contributions) in the following categories.



Youth activities



Grooming and maintaining snowmobile and all-terrain vehicle trails approved by the Department of Natural Resources



Programs recognizing military service or humanitarian service



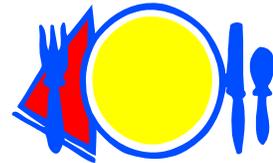
Scholarship funds, and private or public nonprofit educational institutions



Board-approved repair and maintenance projects of organizations' buildings



Congregate dining, nutritional programs, or food shelves for the disabled or persons age 62 and older



Programs and projects by the United States, the state of Minnesota, or local units of government



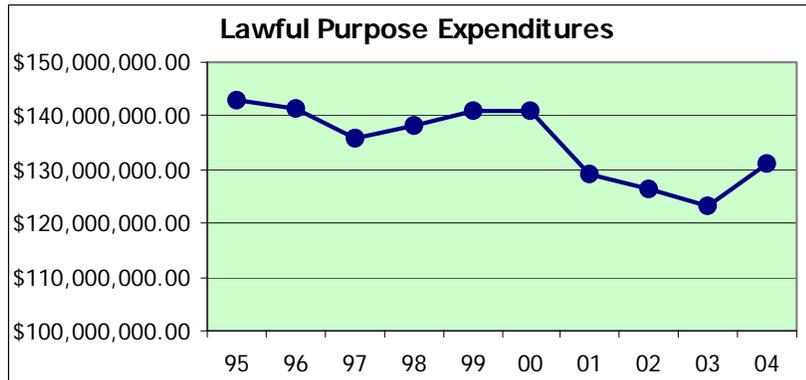
Other Lawful Purpose Expenditure Categories

- Community arts organizations or program sponsorships
- Religious purposes
- Donations to or by nonprofit organizations designated by the Internal Revenue Service 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
- State agency-approved wildlife management projects
- Cost of audit of the lawful gambling financial records
- Real estate taxes within defined limits
- State, local, and federal gambling taxes; state lawful gambling license fees
- Specific utility costs and membership events by licensed veterans organizations

Lawful Purpose Expenditures

Ten-Year Comparison

04	\$130,944,000
03	\$123,138,000
02	\$126,514,000
01	\$129,153,000
00	\$140,841,000
99	\$141,071,000
98	\$138,176,000
97	\$135,632,000
96	\$141,427,000
95	\$142,878,000



	FY 2004	FY 2003	% Change
Charitable Contributions	\$ 74,305,000	\$ 67,006,000	10.9
State Gambling Taxes Paid	56,639,000	56,132,000	0.9
Gross Receipts State Tax	22,889,000	22,605,000	1.3
Net Receipts State Tax	1,907,000	1,888,000	1.0
Combined Receipts State Tax	31,843,000	31,639,000	0.6
TOTALS	\$ 130,944,000	\$ 123,138,000	6.3%

State Gambling Taxes

	Taxes Paid	Refund*	Taxes After Refund
04	\$63,539,000	\$6,900,000	\$56,639,000
03	62,698,000	6,566,000	56,132,000
02	62,655,000	6,232,000	56,423,000
01	62,147,000	6,246,000	55,901,000
00	68,765,000	6,209,000	62,556,000
99	68,709,000	6,088,000	62,621,000
98	68,828,000	5,780,000	63,048,000
97	64,717,000	2,700,000	62,017,000
96	65,849,000		
95	64,773,000		

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

Gross Receipts Taxes: 1.7 percent of the gross receipts on pull-tab and tipboard games.

Net Receipts Taxes: 8.5 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

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. A higher limit is authorized for the net receipts from bingo.

Allowable expenses as reported to the Department of Revenue included:

Operating Cost	FY04	FY03	% Change
Compensation and payroll taxes	\$62,080,000	\$65,409,000	- 5.1
Gambling equipment (pull-tabs, bingo paper, tipboards, paddletickets)	25,189,000	25,271,000	- 0.3
Rent	23,986,000	23,439,000	2.3
Accounting and legal work	4,661,000	4,667,000	- 0.1
Office supplies and miscellaneous expenses	5,682,000	5,928,000	- 4.1
Gambling device purchase (paddlewheel & table, bingo selection device, pull-tab dispensing device), storage, and maintenance	2,294,000	2,302,000	- 0.3
Penalty and interest paid	30,000	80,000	-62.5
Cash shortages (see next page)	1,681,000	1,600,000	5.1
Utilities	1,154,000	1,433,000	-19.5
Bond, license, permits (Percent change due to two-year licensing cycle & 7/1/03 change for license/permit fees to lawful purpose)	465,000	606,000	-23.3
Advertising	562,000	534,000	5.2
Theft and liability insurance	874,000	771,000	13.4

Expenses were offset by reimbursements from a source of nongambling funds for the following:

Excess cash shorts	(549,000)	(217,000)	153.0
Negative expense calculations	(1,697,000)	(1,351,000)	25.6

STATUTE CHANGES: For leases negotiated after May 31, 2003, rent is all-inclusive (utilities, etc) and for bar operations, the lessor must reimburse all cash shortages. Lessors and their employees may not be paid compensation. Effective July 1, 2003, license and permit fees are reported as a lawful purpose instead of allowable expense.



Ten-Year Comparison of Allowable Expenses

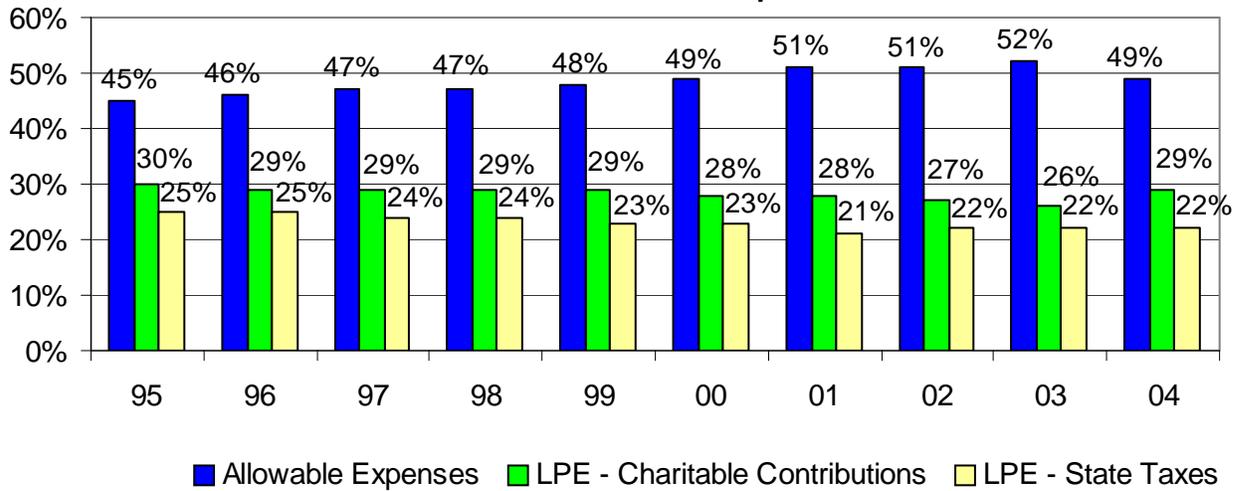
04	\$126,412,000
03	\$130,471,000
02	\$132,644,000
01	\$132,960,000
00	\$133,388,000
99	\$127,376,000
98	\$123,452,000
97	\$118,814,000
96	\$118,977,000
95	\$114,451,000



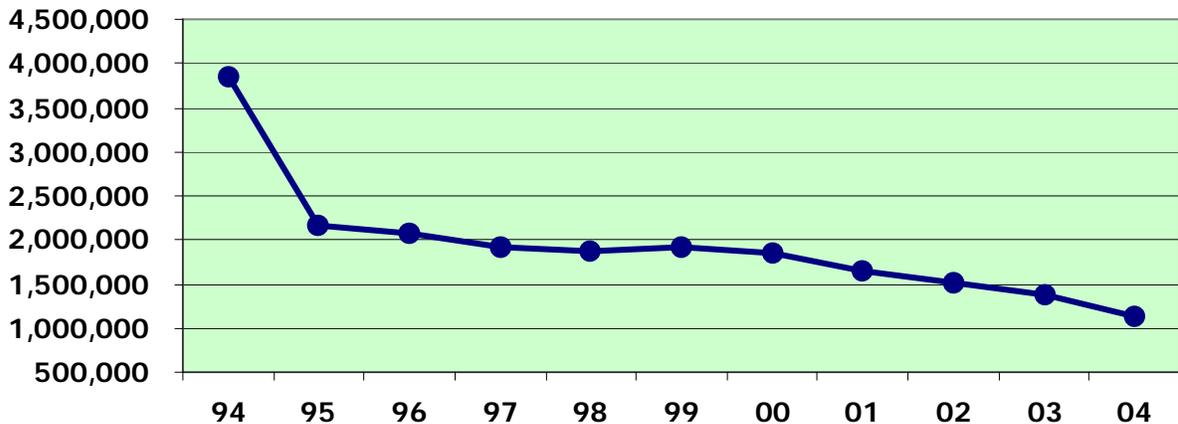
Gambling Equipment

Lawful Gambling Statistics

Distribution of Net Receipts



Net Cash Shortages



FY Net Cash Shortages

04	\$1,132,000
03	1,383,000
02	1,513,000
01	1,656,000
00	1,840,000
99	1,924,000
98	1,877,000
97	1,923,000
96	2,069,000
95	2,158,000
94	3,848,000

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.

For bar operation leases negotiated after May 31, 2003, cash shortages must be reimbursed by the lessor.

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

Lawful Gambling Activity within a County

COUNTY	G R O S S			N E T (after prizes)		
	FY04	RECEIPTS FY03	% CHANGE since FY03	FY04	RECEIPTS FY03	% CHANGE since FY03
Aitkin	14,808,000	14,224,000	4.1%	2,575,000	2,448,000	5.2%
Anoka	101,584,000	100,779,000	0.8%	18,559,000	17,981,000	3.2%
Becker	12,463,000	12,641,000	-1.4%	2,186,000	2,177,000	0.4%
Beltrami	8,627,000	9,112,000	-5.3%	1,451,000	1,435,000	1.1%
Benton	11,285,000	11,221,000	0.6%	2,221,000	2,201,000	0.9%
Big Stone	542,000	473,000	14.6%	98,000	72,000	36.1%
Blue Earth	16,786,000	16,453,000	2.0%	3,400,000	3,375,000	0.7%
Brown	5,757,000	6,273,000	-8.2%	1,104,000	1,106,000	-0.2%
Carlton	13,211,000	15,354,000	-14.0%	1,979,000	2,094,000	-5.5%
Carver	16,012,000	13,839,000	15.7%	2,799,000	2,426,000	15.4%
Cass	12,046,000	12,225,000	-1.5%	2,071,000	2,038,000	1.6%
Chippewa	4,839,000	4,507,000	7.4%	763,000	723,000	5.5%
Chisago	11,898,000	10,838,000	9.8%	2,134,000	1,909,000	11.8%
Clay	13,641,000	13,295,000	2.6%	2,569,000	2,495,000	3.0%
Clearwater	3,461,000	3,363,000	2.9%	597,000	565,000	5.7%
Cook	0	48,000	-100.0%	0	12,000	-100.0%
Cottonwood	1,809,000	1,710,000	5.8%	347,000	315,000	10.2%
Crow Wing	35,184,000	34,416,000	2.2%	6,400,000	6,277,000	2.0%
Dakota	67,964,000	65,616,000	3.6%	12,467,000	11,886,000	4.9%
Dodge	4,407,000	4,001,000	10.1%	816,000	752,000	8.5%
Douglas	20,018,000	20,714,000	-3.4%	3,209,000	3,102,000	3.4%
Faribault	5,240,000	4,879,000	7.4%	955,000	896,000	6.6%
Fillmore	7,430,000	7,719,000	-3.7%	1,382,000	1,459,000	-5.3%
Freeborn	11,453,000	12,075,000	-5.2%	2,188,000	2,298,000	-4.8%
Goodhue	9,421,000	10,048,000	-6.2%	1,672,000	1,763,000	-5.2%
Grant	3,462,000	3,646,000	-5.0%	525,000	522,000	0.6%
Hennepin	200,761,000	203,607,000	-1.4%	36,050,000	36,246,000	-0.5%
Houston	5,982,000	5,916,000	1.1%	1,101,000	1,115,000	-1.3%
Hubbard	13,597,000	13,350,000	1.9%	1,894,000	1,796,000	5.5%
Isanti	10,635,000	9,996,000	6.4%	1,835,000	1,707,000	7.5%
Itasca	17,759,000	19,295,000	-8.0%	3,161,000	3,237,000	-2.3%
Jackson	1,093,000	1,170,000	-6.6%	210,000	226,000	-7.1%
Kanabec	5,007,000	4,227,000	18.5%	958,000	790,000	21.3%
Kandiyohi	9,021,000	9,146,000	-1.4%	1,635,000	1,622,000	0.8%
Kittson	1,549,000	1,206,000	28.4%	257,000	206,000	24.8%
Koochiching	6,325,000	6,397,000	-1.1%	1,095,000	1,114,000	-1.7%
Lac qui Parle	1,733,000	1,263,000	37.2%	302,000	213,000	41.8%
Lake	3,509,000	4,253,000	-17.5%	673,000	743,000	-9.4%
Lake of the Woods	5,556,000	5,909,000	-6.0%	893,000	874,000	2.2%
Le Sueur	10,207,000	8,656,000	17.9%	1,849,000	1,569,000	17.8%
Lincoln	955,000	1,045,000	-8.6%	205,000	230,000	-10.9%
Lyon	3,916,000	3,624,000	8.1%	777,000	722,000	7.6%
Mahnomen	540,000	724,000	-25.4%	70,000	110,000	-36.4%
Marshall	4,797,000	4,628,000	3.7%	793,000	737,000	7.6%
Martin	7,715,000	8,377,000	-7.9%	1,339,000	1,450,000	-7.7%

Lawful Gambling Activity within a County

COUNTY	G R O S S			N E T (after prizes)		
	RECEIPTS		% CHANGE since FY03	RECEIPTS		% CHANGE since FY03
	FY04	FY03		FY04	FY03	
McLeod	13,647,000	13,671,000	-0.2%	2,492,000	2,475,000	0.7%
Meeker	7,513,000	7,409,000	1.4%	1,447,000	1,433,000	1.0%
Mille Lacs	15,395,000	14,872,000	3.5%	2,777,000	2,694,000	3.1%
Morrison	21,269,000	21,213,000	0.3%	3,761,000	3,698,000	1.7%
Mower	13,071,000	13,848,000	-5.6%	2,670,000	2,879,000	-7.3%
Murray	1,221,000	1,429,000	-14.6%	249,000	287,000	-13.2%
Nicollet	6,488,000	6,519,000	-0.5%	1,217,000	1,269,000	-4.1%
Nobles	3,056,000	2,886,000	5.9%	631,000	559,000	12.9%
Norman	1,865,000	2,536,000	-26.5%	283,000	392,000	-27.8%
Olmsted	20,838,000	21,310,000	-2.2%	4,350,000	4,522,000	-3.8%
Otter Tail	23,337,000	22,747,000	2.6%	4,122,000	3,905,000	5.6%
Pennington	6,896,000	6,607,000	4.4%	1,202,000	1,143,000	5.2%
Pine	11,447,000	11,546,000	-0.9%	2,012,000	1,997,000	0.8%
Pipestone	551,000	523,000	5.4%	124,000	117,000	6.0%
Polk	19,463,000	19,341,000	0.6%	3,211,000	3,179,000	1.0%
Pope	6,327,000	6,324,000	0.0%	1,152,000	1,121,000	2.8%
Ramsey	140,343,000	139,565,000	0.6%	26,957,000	26,772,000	0.7%
Red Lake	1,883,000	2,169,000	-13.2%	335,000	364,000	-8.0%
Redwood	2,508,000	2,682,000	-6.5%	461,000	491,000	-6.1%
Renville	4,383,000	3,844,000	14.0%	755,000	652,000	15.8%
Rice	15,129,000	15,858,000	-4.6%	3,014,000	3,067,000	-1.7%
Rock	1,649,000	1,582,000	4.2%	288,000	272,000	5.9%
Roseau	5,565,000	4,784,000	16.3%	933,000	808,000	15.5%
Scott	21,810,000	22,170,000	-1.6%	3,879,000	3,938,000	-1.5%
Sherburne	29,236,000	30,634,000	-4.6%	4,897,000	5,017,000	-2.4%
Sibley	5,888,000	5,516,000	6.7%	1,046,000	966,000	8.3%
St. Louis	70,022,000	69,475,000	0.8%	11,448,000	11,046,000	3.6%
Stearns	56,363,000	56,936,000	-1.0%	11,361,000	11,288,000	0.6%
Steele	11,764,000	11,709,000	0.5%	2,138,000	2,096,000	2.0%
Stevens	2,516,000	2,130,000	18.1%	471,000	394,000	19.5%
Swift	3,916,000	4,237,000	-7.6%	735,000	779,000	-5.6%
Todd	13,217,000	12,927,000	2.2%	2,323,000	2,224,000	4.5%
Traverse	454,000	445,000	2.0%	79,000	75,000	5.3%
Wabasha	10,135,000	10,202,000	-0.7%	1,838,000	1,818,000	1.1%
Wadena	5,143,000	5,262,000	-2.3%	871,000	875,000	-0.5%
Waseca	6,205,000	6,271,000	-1.1%	1,183,000	1,131,000	4.6%
Washington	48,382,000	44,351,000	9.1%	9,250,000	8,338,000	10.9%
Watonwan	3,694,000	3,459,000	6.8%	669,000	618,000	8.3%
Wilkin	1,219,000	1,344,000	-9.3%	207,000	229,000	-9.6%
Winona	17,212,000	17,224,000	-0.1%	3,389,000	3,377,000	0.4%
Wright	41,329,000	39,520,000	4.6%	7,135,000	6,659,000	7.1%
Yellow Medicine	1,490,000	1,275,000	16.9%	292,000	239,000	22.2%
TOTAL	1,417,844,000	1,410,610,000	0.5%	257,218,000	252,237,000	2.0%

NOTE: Receipts are based on **sites** located within a county (in annual reports prior to FY03, receipts were based on **organizations** located within a county). Variances between the above totals and those listed on page 5 are due to rounding and reports being generated at different times.

Legislative Changes - Effective May 1, 2004

Rent limit amended for "bar operation"	<p>For sites where any licensed organization uses a bar operation, rent is based on the following:</p> <ul style="list-style-type: none"> • Up to 20% of gross profits (net after prizes) with a cap (maximum) of \$2,500 paid per month (increase from \$2,000). • For sites with less than \$1,000 gross profit per month, the maximum rent allowed is \$200 (no change). • The maximum rent allowed may not exceed \$2,500 in total per month for all organizations at the premises. <p><i>[Minnesota Statute 349.18, Subd. 1(b)(4)]</i></p>
Lease clarification	<p>Language was added that clarifies that all services or expenses provided or contracted by the lessor are all-inclusive in the rent amount.</p> <p><i>[Minnesota Statute 349.18, Subd. 1(c)]</i></p>
Lessor's family - compensation prohibited	<p>A member of the lessor's immediate family may not be a compensated employee of an organization leasing space at the premises. A "member of the immediate family" is defined as a spouse, parent, child, or sibling (brother or sister).</p> <p><i>[Minnesota Statute 349.18 Subd. 1(j)]</i></p>
Off-site activities increased	<p>A licensed organization may conduct lawful gambling (pull-tabs, bingo, tipboards, paddlewheels, and/or raffles) on a premises other than the organization's permitted premises for:</p> <ul style="list-style-type: none"> • four days per calendar year, plus • one event of up to 12 consecutive days in a calendar year in connection with a county fair, the state fair, a church festival, or a civic celebration. <p>Approval is required from the appropriate local unit of government (city or county). <i>[Minnesota Statute 349.18 Subd. 2(c)]</i></p>
Bingo prize limits increased	<p>Total prizes awarded at a bingo occasion may not exceed \$2,800, unless a cover-all game is played in which case the limit is \$3,800. (Previous limits were \$2,500 and \$3,500 respectively.) <i>[Minnesota Statute 349.211, Subd. 1]</i></p>
Age limit for bingo modified	<p>A person under the age of 18 years may participate in a bingo game at one bingo occasion conducted by a licensed organization as part of an annual community event if the person under age 18 is accompanied by a parent or guardian.</p> <p><i>[Minnesota Statute 349.2127, Subd. 8]</i></p>
Lawful purpose amended for veterans organizations	<ul style="list-style-type: none"> • Expenditures may be made by a licensed veterans organization to send up to two World War II veterans per local veterans post to Washington, D.C. for the WWII memorial dedication on May 27-30, 2004. • Up to \$1,500 may be spent per WWII veteran. • The maximum amount that may be spent by each licensed post is \$6,000. <p><i>[Minnesota Statute 349.12, Subd. 25(a)(6)]</i></p>

Legislative Changes - Effective May 1, 2004

Technical changes

- Changes were made to be consistent with a statutory change in 2003 which eliminated the class of organization license.
- Deleted language that allowed the board to provide by rule for different training requirements for gambling managers based upon the class of organization license. [Minnesota Statute 349.167, Subd. 4]
- Deleted language that referenced "class C license" for reporting exceptions. [Minnesota Statute 349.19, Subd. 5]
- Clarified that the \$100 gambling manager license fee is an annual fee. [Minnesota Statute 349.167, Subd. 2]
- Clarified that a licensed manufacturer must make all gambling equipment (not just pull-tabs) available for sale to distributors (except for exclusive games). [Minnesota Statute 349.163, Subd. 9]
- Repealed statutory language that allowed the board to promulgate rules for tipboard games with multiple seals and for cumulative or carryover tipboard prizes, and added new language that required the board to develop tipboard rules. [Minnesota Statute 349.1711 Subd. 4 and Subd. 5].

Legislative Changes - Effective July 1, 2004

Cash shortages required to be reported by site and by fiscal year

Reported by premises

Effective July 1, 2004, organizations must report cash shortages for each permitted premises based on the organization's gross receipts from lawful gambling at that site.

Reported for fiscal year (July 1 - June 30)

The amount reported for the fiscal year (July 1 through June 30) may not exceed three-tenths of one percent (.3%) of the gross receipts per site.

If the amount is exceeded for the fiscal year, the organization must reimburse its gambling account from a source of nongambling funds by July 20.

[Minnesota Statute 349.15, Subd. 2]

Although no rule changes occurred in fiscal year 2004, the Board set a target date of late 2004 for completion of the comprehensive review of Minnesota Rules, Chapters 7861 through 7865 process.

The Request for Comments on the rule review was published in 2001 in the State Register. During the 2003 legislative session, the Board was granted the authority to promulgate rules governing linked bingo. Linked bingo rules were incorporated as part of the comprehensive rule review and amendments package. On February 9, 2004, a notice was published in the State Register seeking comments on planned new rules governing linked bingo and variances, and amendments to existing rules.

The Public Advisory Committee, which was formed to advise the Board on the provisions of the rule amendments and to comment on rules drafts, met on several occasions during the past year to review rule drafts and provide opinions on rules issues and concerns.

Proposed permanent rules relating to lawful gambling were approved to form by the Revisor on May 19, 2004. The statement of need and reasonableness was prepared on May 25, 2004.

On June 28, 2004, a "Notice to adopt rules without a public hearing unless 25 or more persons request a hearing, and a Notice of hearing if 25 or more requests for a hearing are received" was published in the State Register. No requests for a public hearing were received.

The Board's rulemaking docket and other rule related notices can be accessed at www.gcb.state.mn.us.

Post Fiscal Year Information

Modifications which did not substantially change the rules were made to correct technical and grammatical errors. The rules were approved by the administrative law judge on September 30, 2004 and by the Governor on October 14, 2004. The Notice to Adopt was published in the State Register on October 25, 2004, with the rules becoming effective on November 1, 2004.

Education Program

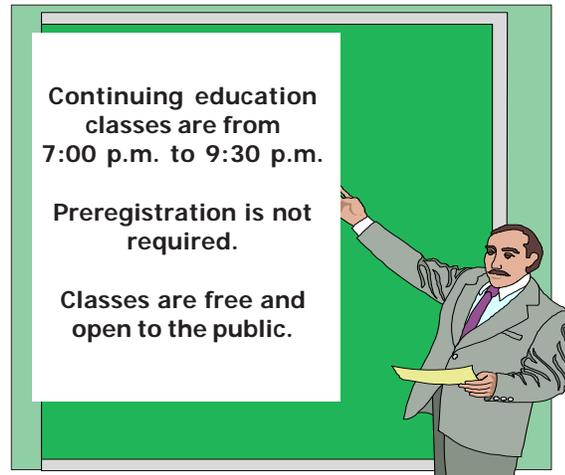
An integral part of the Board's mission is educating the lawful gambling industry. To ensure the integrity of the industry, education is provided to organizations through the following opportunities.

Continuing Education Classes

Gambling managers are required to attend one class during each year of their two-year license period.

Continuing education classes are conducted at various locations throughout the state free of charge and are open to the public. The chief executive officer, members, and employees of the organizations are invited as well.

During the fiscal year, 60 continuing education classes were conducted.



Gambling Manager Seminars

Gambling manager seminars were conducted each month by Board staff. Each seminar consisted of two days of training and included information on statutes, rules, conduct of lawful gambling, internal controls, reporting and licensing requirements, and the responsibilities of organizations conducting lawful gambling. An optional one-half day of training was provided for new organizations.

Mentoring

The Board's mentoring program provides one-on-one training to organizations on how to properly manage their gambling operation and comply with all reporting requirements. The program also provides guidance to licensed organizations that have experienced serious operational difficulties.

New organizations or existing organizations with a new gambling manager may voluntarily participate in this program.

Speaking Engagements

Staff participated in speaking engagements throughout the state at conferences and conventions, such as American Legion, VFW, Eagles, and Lions. Attending these functions allows the staff to reach a large number of people and provide up-to-date pertinent lawful gambling information.

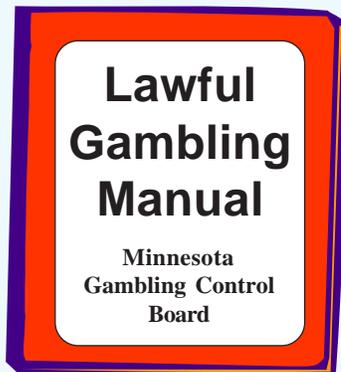
Gaming News

The Board publishes the bi-monthly *Gaming News* newsletter on its web site at www.gcb.state.mn.us. Subscriptions to the newsletter are available through Minnesota's Bookstore.

Gaming News provides up-to-date information on compliance, licensing, and education issues.

Gaming News also includes information on legislative and rule changes, scheduled continuing education classes, forms, and Board activities.

The Departments of Revenue and Public Safety and the Internal Revenue Service periodically contribute articles for the newsletter.



The *Lawful Gambling Manual* is a handy reference guide for CEO's, gambling managers, and organizations--whether new or experienced.

The *Manual* provides information on statute and rule requirements in an easy to understand format.

The *Manual* is divided into chapters that are easily referenced for:

- √ licensing requirements,
- √ conduct for each form of lawful gambling: pull-tabs, bingo, paddlewheels, tipboards, and raffles,
- √ managing gambling equipment inventory,
- √ guidelines for internal controls of the gambling operation including accounting and administrative controls, with a section on monthly oversight,
- √ how net receipts may be spent, and
- √ a comprehensive cross-reference index.



“Everything you always wanted to know about lawful gambling...”

can be found on the Board’s web site at

www.gcb.state.mn.us

- √ Board information
- √ Meeting dates
- √ Phone numbers

Get connected!

- ➔ Links to other agencies
- ➔ Link to legislature
- ➔ E-mail links to staff
- ➔ Automatic updates

- Education information
- Training dates
- Request for mentoring

- √ **Licensing information**
- √ **Forms**
- √ **Lawful gambling statutes and rules**
- √ **Local unit of government information**

- ➔ List of Distributors
- ➔ List of Manufacturers
- ➔ List of Bingo Halls

- CEO Guidebook
- Restrictions on Who May Play
- Pull-tab Requirements
- Illegal Gambling
- Raffle Ticket Requirements
- Frequently Asked Bingo Questions
- Lawful Gambling Manual
- Gaming News

Strategic Operating Plan

The Gambling Control Board's strategic operating plan reviews strengths, weaknesses, threats and opportunities; presents a series of statements relating to the Gambling Control Board's mission, vision, values and objectives; and sets out its proposed strategies and goals.

STRENGTHS

- Knowledgeable staff and effective training
- Expertise in game testing
- Efficient operation
- Support of the industry
- Cooperative assistance from other agencies

WEAKNESSES

- Obsolete computer equipment and software
- Inconsistent regulation - local government
- Lack of authority – criminal investigations
- Limited access to shared information
- Manual reporting by licensed organizations
- Minimal staffing – investigations and compliance
- Ambiguous definitions – lawful donations

THREATS

- No increase in funding for operations
- Increasing caseload and activity
- Increasing expenses for charities
- Competition from other gambling venues
- Risk takers increasing
- Fraud detection decreasing
- New schemes to hide fraud

OPPORTUNITIES

- Improve automation
- Increase site visits
- Better analysis of data
- Increase mentoring
- Educate legislators
- Dedicated funding available
- Less dependence on other agencies
- Minimize duplication of effort (local)

VISION: THE NEXT 1-4 YEARS

- There will be more gambling taking place in Minnesota (legal and illegal)
- Smoking bans in bars/restaurants will impact lawful gambling
- Better automation, electronic gaming, and monitoring will be available
- There will be fewer but bigger charities
- Veteran organizations will consolidate and be coordinated at the "state" level
- There will be more demands for donations but fewer allowances
- More sophisticated fraud will develop
- Responsibilities of the Board will be refined

Strategic Operating Plan (continued)

MISSION STATEMENT

The central purpose and role of the Gambling Control Board is to "Regulate lawful gambling in Minnesota so that the citizens are assured of the integrity of the industry and nonprofit organizations continue to raise funds for allowable charitable contributions."

AGENCY VALUES

- Integrity – doing what is honest and fair and producing results. Being proactive in regulation and training and providing guidance when necessary.
- Change – The vision to see opportunities and the courage to change. To seek more effective and efficient ways to deliver services.

LONG TERM OPERATION OBJECTIVES

- Increase frequency of compliance reviews and site inspections
- Reduce processing time for license applications and Board approval requests
- Clarify definitions and allowance for lawful purpose expenditures
- Target problem organizations and increase mentoring efforts
- Reduce organization's dependence on "outside" consultants

CRITICAL STRATEGIES TO BE PURSUED

- Automate licensing and on-line reporting
- Increase staffing – compliance and investigations
- Increase staffing – information systems/ technical support
- Obtain more legal authority for investigations and prosecution

OTHER STRATEGIES TO CONSIDER

- Refine responsibilities of the Board
- Eliminate duplication of effort (local government)
- Review all licensing requirements
- Review all applicable fees and tax schedules for modification
- Consider consolidation with another agency

MAJOR GOALS IN NEXT 1-4 YEARS

- Increase the frequency of reviews
- Create on-line license applications
- Allow electronic reporting
- Establish automated validation of games
- Produce effective reports for monitoring

STRATEGIC ACTION PLAN TO BE IMPLEMENTED

- Upgrade computer system
- Request additional compliance staffing
- Increase frequency of reviews
- Clarify lawful purpose definitions
- Refine Board responsibilities
- Gain more authority for prosecution
- Establish bar-code game validation

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This publication will be made available in alternative format
(large print, Braille) upon request. If you use a TTY, you may call us
by using the Minnesota Relay Service and
ask to place a call to 651-639-4000.