

# Table of Contents

## 2016-17 Governor's Budget, Gambling Control Board

Agency Profile - Gambling Control Board.....	1
Expenditures Overview.....	3
Financing by Fund.....	4
Change Item: Maintain Regulatory Oversight of Lawful Gambling.....	5

[www.mn.gov/gcb](http://www.mn.gov/gcb)

**AT A GLANCE**

- Minnesota ranks #1 in the U.S. in annual gross receipts for charitable gambling
- Lawful gambling gross receipts totaled \$1.2 billion in FY14
- Licensed organizations contributed \$60 million to Minnesota charities in FY13
- 5,300+ new games tested and approved each year
- 425 compliance audits conducted annually
- 1,200 licensed charitable organizations operate year-round at 2,750 sites
- 3,400 tax-exempt (small) gambling permits issued resulting in \$37 million for charities
- For every dollar wagered on charitable gambling in Minnesota, 2/10<sup>th</sup> of one cent (\$.002) goes to fund the board for lawful gambling regulation

**PURPOSE**

The Gambling Control Board regulates lawful (charitable) gambling in Minnesota so that citizens are assured integrity of games and operations and nonprofit organizations can raise funds for charitable contributions **to support families, veterans and communities.**

Lawful gambling in Minnesota includes bingo, raffles, pull-tabs, tipboards, and paddlewheels. By maintaining integrity of games and accountability of operations the board ensures proceeds are used for appropriate charitable need. Proceeds from charitable gaming provide:

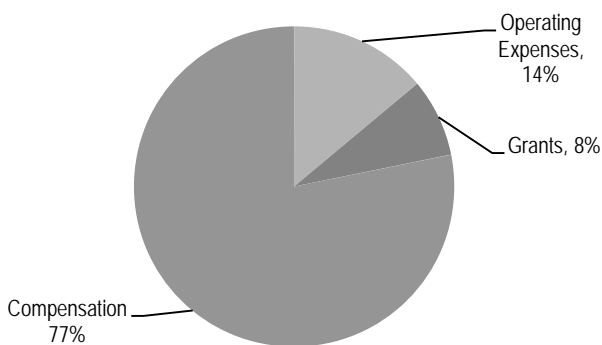
- Support for Minnesota veterans and their families
- Reduced costs for youth activities
- Fire and safety equipment for local communities
- Educational and training opportunities for religious and community programs

- Support for local units of government and community projects
- Support for wildlife and natural resource programs
- Support for fraternal groups (Eagles, Moose, Elks, Knights of Columbus)
- Support for clubs including Lions, Jaycees, rod & gun, sportsman, snowmobile

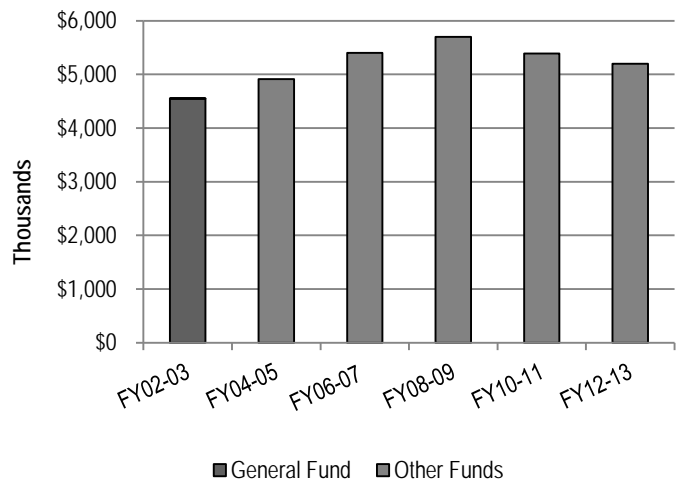
The Gambling Control Board supports the statewide outcomes of **strong and stable families and communities; a clean, healthy environment with sustainable uses of natural resources; and, efficient and accountable government services**

**BUDGET**

**FY13 Spending by Category**



**Historical Spending**



Since 2004 the board is funded entirely by special revenue (dedicated) license and regulatory fees paid by the industry. In 2013, expenditures for regulation totaled \$2.7 million. Other spending included a \$225,000 grant for problem gambling that was administered by the board in 2013 but is now handled by DHS.

## STRATEGIES

The board consists of seven citizens and 32 full-time equivalent staff. Regulation, education and guidance are provided to the lawful gambling industry through:

- Monthly board meetings to consider games and licenses and approve special use of gambling funds
- Issuing licenses and permits for nonprofit organizations, distributors, manufacturers and linked bingo providers
- Compliance reviews and audits of nonprofit organizations' gambling activities
- Analyzing expenditures and charitable donations reported monthly by licensed organizations
- Investigations for theft and fraud by inspecting gambling products and sites, investigating irregularities found during compliance reviews and responding to allegations made by players
- Sanctions or fines on licensees that are out of compliance with law and rules
- Monthly gambling manager seminars, continuing education classes and presentations at state-level conventions throughout the state
- Publication of quarterly industry newsletter and other materials
- Individualized mentoring program for non-profit organizations to ensure compliance with statute
- Comprehensive website including all required forms, records and reports

## RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Lawful Gambling Gross Receipts	\$1,148,554,000	\$1,216,015,000	2013/2014
Quantity	Number of sites where gambling is conducted by 1,200 licensed non-profit organizations	2,774	2,747	2013/2014
Quantity	Permits issued to 2,400 non-profit organizations that conduct fewer than 5 events with less than \$50,000 in prizes during the year	3,420	3,480	2013/2014
Quantity	Gambling products reviewed	5,151	5,370	2013/2014

---

Minnesota Statutes, Chapter 349 <https://www.revisor.mn.gov/statutes/?id=349> provides legal authority for the Gambling Control Board.

**Expenditures By Fund**

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
2000 - Restricted Misc Special Rev	2,520	2,677	2,928	3,360	2,777	2,545	3,260	3,324
4800 - Lottery Cash Flow	225	225						
<b>Total</b>	<b>2,745</b>	<b>2,902</b>	<b>2,928</b>	<b>3,360</b>	<b>2,777</b>	<b>2,545</b>	<b>3,260</b>	<b>3,324</b>
<i>Biennial Change</i>				641		(966)		296
<i>Biennial % Change</i>				11		(15)		5
<i>Governor's Change from Base</i>								1,262
<i>Governor's % Change from Base</i>								24

**Expenditures by Program**

Program: Lawful Gambling Control	2,745	2,902	2,928	3,360	2,777	2,545	3,260	3,324
<b>Total</b>	<b>2,745</b>	<b>2,902</b>	<b>2,928</b>	<b>3,360</b>	<b>2,777</b>	<b>2,545</b>	<b>3,260</b>	<b>3,324</b>

**Expenditures by Category**

Compensation	2,132	2,247	2,527	2,992	2,469	2,247	2,952	3,026
Operating Expenses	360	398	377	368	308	298	308	298
Other Financial Transactions	28	32	20					
Grants, Aids and Subsidies	225	225						
Capital Outlay-Real Property		0	4					
<b>Total</b>	<b>2,745</b>	<b>2,902</b>	<b>2,928</b>	<b>3,360</b>	<b>2,777</b>	<b>2,545</b>	<b>3,260</b>	<b>3,324</b>
Total Agency Expenditures	2,745	2,902	2,928	3,360	2,777	2,545	3,260	3,324
Internal Billing Expenditures				0	0	0	0	0
<b>Expenditures Less Internal Billing</b>	<b>2,745</b>	<b>2,902</b>	<b>2,928</b>	<b>3,360</b>	<b>2,777</b>	<b>2,545</b>	<b>3,260</b>	<b>3,324</b>
<b><u>Full-Time Equivalents</u></b>	<b>27.4</b>	<b>29.2</b>	<b>31.2</b>	<b>31.6</b>	<b>28.0</b>	<b>26.0</b>	<b>31.6</b>	<b>31.6</b>

(Dollars in Thousands)

**2000 - Restricted Misc Special Rev**

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Balance Forward In	0	220	0	236				
Direct Appropriation	2,740	3,959	3,959	3,959	3,959	3,959	3,260	3,324
Cancellations		1,502	795	835	1,182	1,414	0	0
<b>Expenditures</b>	<b>2,520</b>	<b>2,677</b>	<b>2,928</b>	<b>3,360</b>	<b>2,777</b>	<b>2,545</b>	<b>3,260</b>	<b>3,324</b>
Balance Forward Out	220		236					
<i>Biennial Change in Expenditures</i>				1,091		(966)		296
<i>Biennial % Change in Expenditures</i>				21		(15)		5
<i>Gov's Exp Change from Base</i>								1,262
<i>Gov's Exp % Change from Base</i>								24
FTEs	27.4	29.2	31.2	31.6	28.0	26.0	31.6	31.6

**4800 - Lottery Cash Flow**

	Actual		Actual FY 14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY16	FY17	FY16	FY17
Direct Appropriation	225	225	0	0	0	0	0	0
<b>Expenditures</b>	<b>225</b>	<b>225</b>						
<i>Biennial Change in Expenditures</i>				(450)				
<i>Biennial % Change in Expenditures</i>				(100)				

# Gambling Control Board

## FY16-17 Biennial Budget Change Item

### Change Item: Maintain Regulatory Oversight of Lawful Gambling

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Fund				
Expenditures	483	779	779	779
Revenues	739	790	790	790
Net Fiscal Impact = (Expenditures – Revenues)	(256)	(11)	(11)	(11)
FTEs	3.6	5.6	5.6	5.6

#### Recommendation:

The Governor recommends changes to the expenditures and funding sources for Gambling Control Board to maintain regulatory oversight of lawful gambling. Current law revenues do not support current law appropriations from the lawful gambling regulation account. Recommended changes include a change in the regulatory fee paid by gambling organizations from .001 per penny spent on gambling at regulated gambling organizations to .0015 per penny; a reduction in the appropriation to DPS for additional licensing costs for e-pulltabs and other gambling activities which have not materialized; and alignment of the direct appropriation amount with an amount that revenues support.

#### Rationale/Background:

Revenues to the lawful gambling regulation account, which funds the Gambling Control Board (GCB), have averaged \$2.8 million annually since FY 2012. This was sufficient to fund the Board's appropriation in FY 2012 of \$2.74 million. The Stadium bill of 2012 increased the annual appropriation to GCB by \$1.219 million to \$3.959 million and also started an annual appropriation of \$250,000 to the Department of Public Safety (DPS) from the same account. Although additional dedicated revenues were projected for additional license fees for e-pulltabs and other gambling, there has been virtually no change in total annual revenues collected in the account. Thus, total annual appropriation amounts have been \$3.959 million to the GCB and \$250,000 to DPS, totaling \$4.209 million, with annual revenues near \$2.8 million. GCB plans only to spend the amount of the appropriation that is supported by revenues.

In the current biennium, annual expenditures are estimated at \$3.144 million for GCB and \$184,000 for DPS to maintain their existing activities. If the DPS appropriation were not changed, estimated funding remaining available for GCB expenditures in FY 2016 would be \$2.777 million in FY 16 and \$2.545 million in FY 2017. Maintaining the current level of regulatory oversight and allowing for increased operating costs similar to other state agencies is estimated to result in an expenditure level of \$3.26 million in FY 2016 and \$3.324 million in FY 2017 for GCB.

The workload at DPS has not changed significantly due to the expansion of gambling authorized in the Stadium legislation. In addition to tax proceeds collected from organizations conducting lawful gambling, the Department of Revenue (DOR) also collects a monthly regulatory fee of 0.1 percent of an organization's gross receipts from lawful gambling conducted each month. These proceeds are deposited into the lawful gambling regulatory account, in addition to license fee collected by GCB, and are used to fund appropriations made from the account. This fee currently brings in \$1.255 million annually.

#### Proposal:

This proposal includes three primary components:

- The regulatory fee paid by gambling organizations should be increased to 0.15 percent. This is projected to increase revenues by \$559,000 in FY 2016 and \$610,000 in FY 2017. These revenues are collected by the Department of Revenue and deposited into the lawful gambling regulatory account.

- The annual dedicated appropriation to DPS should be reduced by \$180,000 starting in FY 2016. The remaining annual appropriation would be \$70,000. This would result in annual savings to the lawful gambling control regulatory account of \$180,000. DPS estimates that the annual appropriation of \$70,000 is sufficient to cover their related expenditures.
- Through the additional revenues and savings to the account from the first two components, the Governor recommends the funding appropriated to GCB be set at \$3.26 million in FY 2016 and \$3.324 million in FY 2017. This is a decrease from the \$3.959 million base annual appropriation amount of \$699,000 in FY 2016 and \$635,000 in FY 2017; however, it is an increase in expenditures projected based on current law revenues.

<b>Current Law</b>	FY 2016	FY 2017	FY 2018	FY 2019
Current Law Appropriation	3,959	3,959	3,959	3,959
Revenues Available to GCB for expenditure	2,777	2,545	2,545	2,545
<b>Recommended Changes</b>				
Fee Change from 0.001 to 0.0015 per penny	559	610	610	610
Reduce DPS Transfer from \$250,000 to \$70,000	180	180	180	180
<b>Total Change in Revenues Available to GCB</b>	<b>739</b>	<b>790</b>	<b>790</b>	<b>790</b>
Total Revenues Available to GCB	3,280	3,335	3,335	3,335
<b>Recommended Direct Appropriation</b>	<b>3,260</b>	<b>3,324</b>	<b>3,324</b>	<b>3,324</b>

**Results:**

The fee increase will allow for continuing the current level of regulatory oversight. Regulatory audits and inspections of gaming sites will continue. Processing of license applications will continue in a timely manner.

**Statutory Change(s):**

M.S. 349.16, Subd. 6a