



ACM Legislative Update 3/28/05

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Proudly Serving Charitable Gambling Organizations Throughout Minnesota

SF 1555 (GCB Bill) Introduced - Passes Senate Committee

The Gambling Control Board's Charitable Gambling Policy Bill was introduced in the Minnesota Senate on Thursday, March 10, 2005 (**SF 1555**). **SF 1555** is authored by Senators **Ann Rest** of New Hope, **Jim Vickerman** of Tracy, **David Tomassoni** of Chisholm, **Sheila Kiscaden** of Rochester, & **Steve Dille** of Dassel.

On Wednesday, March 16, 2005 the Senate Agriculture, Veterans, and Gaming Committee heard and passed **SF 1555 - GCB's Charitable Gambling Policy Bill**. A delete all amendment was adopted which made **SF 1555 the Senate 2005 Omnibus Charitable Gambling Policy Bill**. The amendment was comprised of revised language of **SF 1555 - GCB's Charitable Gambling Policy Bill** with GCB amendment and language (original & revised) from **SF 515** (Tomassoni), **SF 569** (Chaudhary), **SF**

636 (Stumpf), **SF 759** (Rest), **SF 814** (Bachmann) & **SF 1104** (Bachmann). An amendment to the delete all was adopted which dealt with raffles (from Ducks Unlimited). **SF 1555** as amended by the Committee was recommended to pass and re-referred to Finance. The State Government Budget Division will likely be hearing **SF 1555** in early April. We are hearing several bad amendments might be offered in this division.

The 1st Engrossment of **SF 1555** as passed by the Committee may be viewed at: <http://www.revisor.leg.state.mn.us/bin/getbill.php?session=ls84&number=SF1555&version=list>

The non-italicized sections of the **HF 1801** Summary on pages 2 - 7 are basically whats in **SF 1555**.

HF 1801 (GCB Bill) Introduced - Passes House Committee

The Gambling Control Board's Charitable Gambling Policy Bill was introduced in the Minnesota House Of Representatives on Monday, March 14, 2005 (**HF 1801**). **HF 1801** is authored by Representatives **Tom Hackbarth** of Cedar, **Andy Westerberg** of Blaine, **Sondra Erickson** of Princeton, **Bill Hilty** of Finlayson, & **Joe Hoppe** of Chaska.

On Tuesday, March 15, 2005 the House Gaming Division heard and passed **HF 1801 - GCB's Charitable Gambling Policy Bill**. A delete all amendment was adopted which made **HF 1801 the House 2005 Omnibus Gambling Policy Bill**. The amendment was comprised of revised language of **HF 1801 - GCB's Charitable Gambling Policy Bill** with GCB amendment and language (original & revised) from **HF 88** (Thissen), **HF 401** (Rukavina), **HF 485** (Lieder), **HF 519** (Hackbarth), **HF 767** (Vandever), **HF 791** (Zellers) & **HF 803** (Juhnke). Two amendments to the delete all were adopted: 1) to allow for electronic handheld devices for

bingo, and 2) **HF 1092** (Hackbarth) **ACM's Sports-Themed Tipboard Bill**. **HF 1081** as amended by the Division was recommended to pass and referred back to Regulated Industries.

On Tuesday, March 22, 2005 the House Regulated Industries Committee heard and passed **HF 1801 the 2005 House Omnibus Gambling Policy Bill**. Three amendments to the bill were adopted: 1) GCB & Ducks Unlimited compromise raffle language, 2) video games of chance change, and 3) Texas hold'em change. **HF 1801** as amended by the Committee was recommended to pass and re-referred to State Government Finance. **HF 1801 will be heard in State Government Finance Committee on Wednesday, March 30, 2005 at 8:15 am in the Basement Hearing Room of the State Office Building.**

The 1st Engrossment of **HF 1801** as passed by the Committee has not yet been posted (likely on 3/29/05). **HF 1801** Bill Summary is printed on pages 2 - 7.

HF 1801 House Research Bill Summary

File Number: H.F. 1801 **Date:** March 22, 2005

Version: First Engrossment

Status: State Government Finance Committee

Authors: Hackbarth and others

Subject: Omnibus policy gaming bill

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Article 1: Lawful Gambling

Overview

Article 1 makes a variety of changes in lawful (charitable) gambling law, including:

- repeal of bingo hall licensing
- new rules regulating raffles
- repeal of various restrictions on bingo occasions
- revisions in definition of “lawful purpose”
- repeal of requirements that bingo equipment be stamped
- increase in percentage of gross profit that may be spent for expenses for gambling other than bingo
- authorization of electronic bingo devices
- increase in maximum tipboard prizes
- authorization of sports-themed tipboards

Section

1 Bar bingo. Defines “bar bingo” as a bingo occasion at a location that is licensed for sale of alcoholic beverages and where there is a premises permit for lawful gambling.

2 Bingo occasion. Provides that there is no limit on the number of games conducted during a bingo occasion but the occasion may not last longer than eight consecutive hours.

3 Electronic bingo device. *Defines the term as an electronic device used by bingo players to monitor bingo paper sheets purchased at a bingo occasion that (1) provides a means for players to input numbers announced by a caller; (2) compares the numbers inputted to the bingo faces stored in the device’s memory; and (3) identifies a winning bingo pattern.*

4 Lawful purpose. Amends the definition of “lawful purpose” as follows:

- allows expenditure for goods and services for individual or family suffering from poverty, homelessness, or disability, in addition to contributions directly to such an individual or family;

(HF 1801 Summary continued from page 2)

- deletes the authorization for contributions to an individual for treatment for delayed post-traumatic stress syndrome;
- changes “compulsive gambling” reference to “problem gambling”;
- revises the authorization for expenditure for activities that recognize humanitarian service, by requiring that such humanitarianism be demonstrated through philanthropy or volunteerism;
- prohibits gambling board rules from imposing an aggregate annual limit on expenditures for support of active military personnel and their immediate family members;
- deletes limits on amount of real estate taxes that may be paid as lawful purpose;
- deletes the requirement that premises must be wholly owned by a licensed organization in order for property taxes to be paid as lawful purpose expenditure;
- modifies authorization for audit costs so that it only applies to audits filed and paid prior to June 30, 2006;
- requires that expenditures for wildlife management projects be approved by the Department of Natural Resources; and
- authorizes expenditures for supplies and materials for safety training and educational programs coordinated by the DNR.

Makes this section effective the day following enactment, except that the deletion of the limit on the amount of real estate taxes that may be paid as a lawful purpose is effective January 1, 2006.

5 Raffle definition. Redefines “raffle” to allow certificates of participation other than tickets. Allows choosing the winners by random selection other than random drawing. Requires all entries to have an equal chance of selection. Requires the time of the selection to be printed on the ticket. Makes this section effective the day following final enactment.

This section is identical to section 1 of H. F. No. 803, as amended by the SCS0759A-3 amendment.

6 Tipboard definition. *Offers an alternative definition of tipboard as a board that does not contain a seal, but for which the winning numbers are determined in whole or in part by the outcome of one or more professional sporting events.*

7 Expense limits. Increases from 55 to 60% the maximum percentage of gross profit that may be spent on expenses for forms of gambling other than bingo. Requires the calculation to be made biennially during the term of the license. Makes this section effective for licenses issued after June 30, 2006.

8 Board powers and duties. Deletes references to bingo halls from the list of powers and duties of gambling board. Authorizes the board to delegate to the director the authority to approve or deny fund-loss requests, contribution of gambling funds to another organization, and property expenditure requests, under criteria established by the board.

9 Pull-tab dispensers. Replaces reference to licensed bingo halls with a reference to premises where bingo is conducted in the law governing pull-tab dispensers.

10 Electronic bingo. *Allows the board to authorize by rule (but not require) the use of electronic bingo devices. Requires the rules to allow a maximum of 36 bingo faces to be played using an electronic bingo device; to require that the device be used with corresponding bingo paper sheets; to require the device site system to have dial-up capability for remote monitoring purposes; and to prohibit the price of a face played on an electronic bingo device from being lower than the price of a face on a bingo paper sheet played on the same occasion.*

11 Sports-themed tipboard rules. *Allows the board to adopt rules for sports-themed tipboards. Requires the rules to provide for (1) operation procedures, internal control standards, posted information, records, and reports, and (2) the award of prizes, method of payout, wagers, determination of winners, and specifications of tipboards. Permits cash or merchandise prizes to be awarded in these tipboards.*

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12 Duties of director. Adds to the list of duties of the director of the gambling board the duty to approve or deny operational requests from licensees as delegated by the board. Adds a duty to make recommendations to the board on policy and legislative initiatives.

13 Conflict of interest. Deletes references to bingo halls from conflict of interest statute for board members and staff.

14 501(c)(3) organizations. Repeals authority of the board to prescribe by rule standards for 501(c)(3) organizations. Changes requirements for rules for such organizations into statutory standards. Imposes a maximum percentage of 30% of such an organization's total expenditures that may be spent for administration and fundraisers, as reported biennially to and in a format prescribed by the board. Allows such an organization to make expenditures that are not related to the primary purpose of the organization if they are lawful purpose expenditures. Makes this section effective for licenses issued after June 30, 2006.

15 Mandatory disqualifiers. Deletes references to bingo halls from mandatory disqualifications for board licensees, leaving manufacturers, distributors, distributor salespersons, linked bingo game providers, and gambling managers.

Amends the disqualifications for such licensees by deleting the disqualification for any felony or gross misdemeanor conviction within five years and substituting a disqualification for felony or gross misdemeanor conviction involving theft or fraud.

16 Local investigation fee. Deletes references to bingo halls from the law authorizing a local investigation fee.

17 Gratuities. Prohibits a distributor, distributor salespersons, or any representative, agent, affiliate, or other employee of a distributor from giving compensation, gifts, gratuities, or other things of value in excess of \$25 per year to an employee or agent of an organization.

18 Registration of gambling equipment. Deletes a requirement that all gambling equipment must have a registration stamp.

19 Registration stamps. Repeals the authorization for licensed manufacturers to possess unaffixed registration stamps. Repeals the prohibition against possessing gambling equipment that has not been stamped.

20 Sales from facilities. Allows gambling equipment to be moved from a distributor warehouse if it is been registered with the Department of Revenue. Deletes reference to gambling equipment not stamped.

21 Prohibited sales. Makes a technical correction.

22 Prohibition. Deletes a reference to licensed bingo halls from law governing linked bingo games.

23 Excluded gambling. Allows raffles with total annual prizes not exceeding \$1,500 to be conducted without registering with the board.

24 Exempt gambling. Allows the board to impose a penalty on an exempt organization that fails to file a timely report of exempt gambling. Exempts organizations that qualify to conduct exempt raffles from the penalty if raffle tickets are sold only in combination with an organization's membership or a ticket for a membership dinner.

25 Gambling manager bond. Changes "fidelity bond" to "dishonesty bond" in gambling manager law.

26 Meat raffle. Allows an organization to compensate an employee for the sale of gambling equipment at a bar operation if the activity is conducted one day or less per week and the games are limited to 30 chances or less per game. Prohibits such payment to the site lessor, lessor employee, or immediate family member of the lessor.

27 Bingo cards. Amends the law that requires use of the bingo paper sheets to allow sheets that have an individual number recorded by a linked bingo game provider.

28 Bar bingo. Replaces references to noon-hour bingo with references to bar bingo. Allows such games to be played at times other than 11 a.m. to 2 p.m. Deletes provision that limits such bingo to one progressive bingo game per site. Prohibits payment of rent for a bar bingo occasion. Requires bar bingo to be played using only paper sheets purchased from a licensed distributor.

(HF 1801 Summary continued from page 4)

29 Tipboards. Amends the requirement that each player in a tipboard game must sign the game placard at the time the tipboard ticket is purchased and opened, by making the requirement apply only to games containing more than 30 tickets.

30 Determination of tipboard winners. *Provides that a tipboard may contain winning chances that are determined in whole or in part by the outcome of one or more professional sporting events.*

31 Sports-themed tipboards. *Caps the maximum prize awarded for a sports-themed tipboard at \$500. Provides that a chance for a sports-themed tipboard cannot cost more than \$10.*

32 Conduct of raffles. Amends the law governing raffles by allowing a certificate of participation other than a ticket. Requires public posting of raffle prizes that are not listed on the raffle ticket. Requires raffles to ensure that:

- all entries have an equal chance of selection
- entry in the raffle is not conditioned on any other purchase
- method of selection is conducted in a public forum
- method of selection may not be manipulated or based on the outcome of an event not under the organization's control
- presence at the raffle is not a requirement to win
- all sold and unsold tickets or certificates of participation are accounted for

Allows the board to give prior approval to methods of selecting raffle winners other than methods prescribed by rule. Makes this section effective the day following final enactment.

This section is identical to section 2 of H. F. No. 803, as amended by the SCS0759A-3 amendment.

33 Rent limits. Limits rent paid for premises used for bingo to a maximum of the lesser of (1) 10% of monthly gross profit from lawful gambling activities held during all bingo occasions other than bar bingo, or (2) at a rate based on a cost per square foot, not exceeding 10% of a comparable cost per square foot for leased space, as approved by the director. Prohibits payment of rent for bar bingo.

Provides that other services and expenses provided by the lessor may be paid by the organization if approved by the director (e.g. trash removal, janitorial and cleaning services, snow removal, lawn services, electricity, heat).

Allows organization employees to participate in lawful gambling if (1) major pull-tab prizes are posted, and (2) the employee is not a gambling employee.

Allows gambling employees to purchase tipboards as well as pull-tabs at the employee's place of employment.

34 Discrepancies. Increases from \$20 to \$50 the minimum size of cash discrepancy in a bingo occasion that must be reported to the board.

35 Pull-tab records. Amends the law that requires an organization to maintain separate cash banks for each deal of pull-tabs, by changing reference to commingling in a single receptacle to a reference to commingling in a pull-tab dispenser.

36 Tipboard prizes. Increases from \$500 to \$599 the maximum prize that may be awarded for a tipboard ticket.

37 Contraband. Deletes references to unstamped gambling equipment from the law defining contraband.

38 Local authority. Expands the prohibition against local authorities requiring a license or permit for organizations or distributors, by including linked bingo game providers.

Deletes references to bingo hall licenses.

Requires local authorities to share with the board all documents pertaining to site inspections, fines, penalties, or other corrective action relating to local gambling regulation.

(HF 1801 Summary continued from page 5)

39 Lottery. Clarifies that, under certain conditions, it is not a lottery for an employer to distribute a benefit to persons selected by chance from among participants who pay consideration to the employer for the benefit of a registered combined charitable organization.

40 Repealer. Repeals laws relating to unstamped bingo cards or sheets. Repeals requirements relating to minimum number of games at a bingo occasion, maximum number of bingo occasions per week, and minimum and maximum length of bingo occasions. Repeals law requiring bingo halls to be licensed.

Article 2: Lottery Service Business

Overview

This article regulates “lottery service businesses,” which are businesses that purchase lottery tickets for customers or subscribers in exchange for a fee or commission.

Section

1 Lottery service business.

Subd. 1. Definition. Defines “lottery service business” as a commercial enterprise that purchases lottery tickets for customers or subscribers for a fee or commission. Also defines “division,” “commissioner,” and “disqualifying offense.”

Subd. 2. Registration required. Requires lottery service businesses to have effective registrations with the commissioner of public safety. Permits the commissioner to, by rule, create a registration form and set registration fees sufficient to provide for annual administrative costs. Allows the commissioner to investigate registration applicants and charge an investigation fee. Makes registrations effective for one year.

Subd. 3. Revocation of registration. Permits the commissioner to revoke registrations and establishes certain due process protections for businesses facing revocation. Allows the commissioner to revoke registrations upon finding that:

- *the business made a materially false statement in its registration application;*
- *an officer, director, or employee of the business has been convicted of any felony or gross misdemeanor, or of any crime involving fraud, misrepresentation, or deceit;*
- *an officer, director, or employee of the business has violated gambling laws or a rule or order of the commissioner of public safety;*
- *an officer, director, or employee of the business has had a license to conduct business revoked; or*
- *the business or its employees engaged in activity that adversely affects public confidence in the integrity of gaming or defrauds customers or subscribers.*

Subd. 4. Cease and desist order. Permits the commissioner to issue and serve a cease and desist order upon a lottery service business or an officer, director, or employee of the business. Specifically allows orders to require persons to cease and desist from violations of laws governing the state lottery and violations of the commissioner’s rules and orders. Establishes due process protections for persons facing potential cease and desist orders.

Subd. 5. Required statements. Requires lottery service businesses to clearly and prominently include in all print ads and other print communications intended to solicit business the costs of each lottery ticket provided through the business compared with the costs of a lottery ticket purchased through a lottery retailer. Requires each print ad and print communication to state that the business is not affiliated with the state lottery and that the lottery will only pay prizes to persons in possession of winning tickets.

(HF 1801 Summary continued on page 7)

(HF 1801 Summary continued from page 6)

Subd. 6. Prohibitions. Prohibits lottery service businesses from:

- accepting payment in forms other than cash, check, or money order;
- serving customers under age 18 or paying prizes to persons under age 18;
- having a stake in any lottery pool the business creates. Also prohibits officers, directors and employees from having a stake.

Subd. 7. Lottery prize account. Requires businesses to deposit all winnings from lottery tickets bought into a lottery prize account maintained separately from all other business accounts. Allows expenditures from the lottery prize account only for the payment of winnings to customers or subscribers, and as directed in subdivision 8.

Subd. 8. Unclaimed prizes. Requires businesses to transmit unclaimed prizes (and interest earned) to the commissioner for deposit in the general fund within ten days of a prize becoming unclaimed. A prize becomes unclaimed when, in spite of the business' good faith efforts to distribute the money, the money has not be distributed within one year after the date of deposit.

Subd. 9. Books and records; audit. Requires lottery service businesses to keep complete records of business transactions. Gives the commissioner access to these materials and permits the commissioner to require audits.

Effective date. Article 2 is effective July 1, 2005.

Article 3: Video Game of Chance

Section

1 Video game of chance. Exempts games or devices that simulate horse breeding, training, and racing from the definition of "video game of chance."

2 Effective date. Article 3 is effective the day following final enactment.

Article 4: Social Skill Game

Overview

Minnesota law currently prohibits certain acts relating to gambling (Minnesota Statutes, sections 609.755, 609.76), but creates exceptions from these prohibitions for tournaments and contests satisfying three statutory requirements:

1. The tournament or contest consists of cribbage, skat, sheephead, bridge, euchre, pinochle, gin, 500, smear, or whist;
2. The tournament or contest does not provide any direct financial benefit to the promoter or organizer; and
3. The sum of all prizes awarded for each tournament or contest is \$200 or less.

This article adds Texas hold'em to the list of social skill games permitted in tournaments and contests under the above conditions.

Section

1 Social skill game. Adds Texas hold'em to the list of games permitted in tournaments or contests satisfying certain conditions under Minnesota law. Requires organizers of Texas hold'em tournaments or contests to make reasonable accommodations for players with physical disabilities.

2 Effective date. Article 4 is effective the day following final enactment and applies to acts committed on or after that date.

Italicized Sections and Articles are not in SF 1555.

2005 Gambling Bill Introductions

Listed below are the gambling bills introduced since the 3/9/05 ACM Legislative Update (thru 3/28/05):

SF 1555 (Rest; Vickerman; Tomassoni; Kiscaden; Dille) & HF 1801 (Hackbarth; Westerberg; Erickson; Hilty; Hoppe) - Lawful gambling definitions amended, and technical and conforming changes provided. *(GCB Bill)*

SF1609 (Day;Metzen;Scheid;Robling;Sparks) & HF 1664 (Buesgens; Beard; Sviggum; Demmer; Erickson; Holberg; Powell; Wardlow; McNamara; Hoppe; Garofalo; Zellers; Sykora; Cybart; Marquart; Hackbarth; Heidgerken; Lanning; Dorman; Brod; Ozment; Dean; Emmer; Gunther; Severson; Cornish; Ruth) - Lottery gaming machines provided, contracting for placement of machines authorized, horse racing purse payments established, tax on machines and card club revenue imposed, and blackjack and other card games authorized.

SF 1610 (Langseth; Metzen; Scheid; Sparks; Senjem) - Racetrack gaming machines.

SF 1723 (Scheid; Betzold; Metzen; Wergin; Johnson, D.J.) & HF 1812 (Abeler) - Racetrack and horse persons' organizations agreements provided, and simulcasting and card club operation restrictions modified.

HF 1770 (Hornstein; Brod; Eastlund; Nelson, P.; Larson; Lenczewski; Ruud; Thissen; Olson; Anderson, B.) - Social and economic costs of gambling study and report required, and money appropriated.

SF 1776 (Wergin; Belanger) - Lottery proceeds percentage deposited in the natural resources and recreation fund, fund established, and funds usage specified. *(Companion to HF 1361)*

SF 1809 (Chaudhary; Pariseau; Ruud) & HF 1467 (Hackbarth; Juhnke; Penas; Hoppe; Erickson) - Minnesota conservation heritage foundation.

HF 1817 (Westerberg; Sviggum; Gunther; Marquart; Eken; Simpson; Penas; Blaine; Severson; Heidgerken; McNamara; Beard; Zellers; Sykora; Demmer; Nelson, P.; Cornish; Ruth; Tingelstad; Ozment) - Lottery gaming machines and games operation provided at a gaming facility, license and fee provided, gaming transaction fee imposed. *(Governor's Bill)*

SF 1862 (Saxhaug) - International Falls gambling casino.

To view all 2005 House Gambling Bills go to the URL below (then bookmark this page):

http://www.revisor.leg.state.mn.us/revisor/pages/search_status/status_results.php?body=House&search=topic&session=0842005&topic%5B%5D=%27Gambling%27&submit_topic=GO

To view all 2005 Senate Gambling Bills go to the URL below (then bookmark this page):

http://www.revisor.leg.state.mn.us/revisor/pages/search_status/status_results.php?body=Senate&search=topic&session=0842005&topic%5B%5D=%27Gambling%27&submit_topic=GO



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