

# HOUSE RESEARCH

## Bill Summary

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**Version:** Delete-everything amendment  
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**Subject:** Licensing of private casinos  
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### Overview

This bill authorizes a privately-operated, state-licensed casino in the metropolitan area. Supervision of the casino would be the responsibility of the department of public safety. The casino licensee would have to make a one-time payment of \$450 million to the state, allocated to a sports facilities fund, and thereafter pay a tax of 10 percent of gross casino receipts. The bill proposes a constitutional amendment at the 2002 general election to allow a single privately-operated casino in the metropolitan area.

The bill would also repeal the combined receipts tax on charitable gambling, under which licensed organizations with pull-tab and tipboard gross receipts over \$500,000 in a year pay from 1.7 to 5.1 percent of gross receipts.

### Section

- 1 **Deletion of combined receipts tax.** Deletes a reference to the combined receipts tax in the list of gambling taxes that may be paid from the net profits of charitable gambling. The tax is repealed in section 21.
- 2 **Gambling devices.** Allows a distributor of gambling devices to sell them to a licensed casino.
- 3 **Operation permitted.** Specifies that the prohibition against gambling devices does not prohibit operation of a licensed casino.
- 4 **Definitions.** Defines "casino gross receipts" as casino receipts from wagers and sale of chips or tokens, less winnings paid out and payments for redemption of chips and tokens.
- 5 **Casino authorized.** Authorizes the department of public safety to issue one casino license in the metropolitan area. The license would authorize operation of up to two casinos by the licensee. Prohibits issuance of more than one license for the 30 year period after issuance of the first license.
- 6 **License.** Provides licensing procedure for the casino by the department of public safety.

**Subdivision 1. Application.** Requires application for casino license to give names and addresses of principals, statement of assets and liabilities, and an affidavit to the effect that no principal (1) is in default to the state, (2) has a felony conviction of record or a felony charge pending, (3) is or has been connected with an illegal business, (4) has been convicted of fraud or misrepresentation in connection with gambling, (5) has been convicted of a violation of a gambling law or rule.

**Subd. 2. Investigation.** Requires the department to investigate an applicant and charge the applicant for the costs. Creates a dedicated account for investigation fees and appropriates it to the department for investigation costs.

**Subd. 3. Hearings.** Requires a public hearing in the area where the proposed casino will be located. Requires the department to request comments from local government and the metropolitan council.

**Subd. 4. Agreement with racetrack.** Requires an applicant, before the license can be issued, to have an agreement with the racing commission and the organization representing the majority breed at a licensed class A racetrack, under which the casino would pay 2 percent of the first \$250 million in annual gross casino receipts. Requires payments to go for purses at the racetrack.

**Subd. 5. Issuance.** Requires the department to issue the license if it determines that the license will not adversely affect public health, welfare, or safety and that the applicant is financially able to operate the casino. Provides that the license is in effect until suspended or revoked or until relinquished by the licensee.

**Subd. 6. Changes in ownership or management.** Requires an applicant or licensee to notify the department if there is a change in the principals, or change of ownership of more than 5 percent of the stock. Requires affidavits for the new principals as in subdivision 1.

**Subd. 7. Suspension and revocation.** Allows the department to revoke the license for (1) a violation of law, rule, or order that the department determines adversely affects public health, welfare, or safety, or the integrity of gambling, (2) an intentional false statement in an application, or (3) failure to perform representations made in the application.

Allows the department to suspend a license for up to a year for a violation of law, rule, or order that the department determines adversely affects public health, welfare, or safety, or the integrity of gambling. Allows the department to suspend a license indefinitely if the department determines that the licensee has a principal who is inimical to public health, welfare, or safety, or the integrity of gambling, or who cannot be certified under subdivision 1.

Provides that a suspension or revocation is a contested case.

7 **Employee licenses.** Provides for licensing of casino employees.

**Subdivision 1. Licensing.** Requires that casino employees be licensed if they are in occupations the department determines require licensing to insure public health, welfare, or safety, or the integrity of gambling.

**Subd. 2. Application.** Requires applicants to certify that they (1) do not have a felony conviction of record or a felony charge pending, (2) are not connected with an illegal business, (3) have never been convicted of fraud or misrepresentation in connection with gambling, (4) have never been convicted of a violation of a gambling law or rule.

**Subd. 3. Investigation.** Provides for investigation of license applicants by the department.

**Subd. 4. Issuance and renewal.** Allows the director to issue a license to an applicant if the applicant is qualified and will not adversely affect public health, welfare, or safety, or the integrity of gambling. Allows renewal of license on the same basis. Makes licenses effective for

one year.

**Subd. 5. Suspension and revocation.** Allows the department to revoke an occupational license for a violation of law or rule that adversely affects the integrity of gambling, or for an intentionally false statement in an application. Allows suspension of a license for up to one year for a violation of law, order, or rule. Makes a revocation or suspension for over 90 days a contested case.

8 **License fees and payments.** Provides for fees and payments.

**Subdivision 1. Casino license.** Requires a one-time payment to the state of \$450 million as a condition of issuance of a casino license. Provides that no part of this payment may be refunded unless the legislature repeals the authorizing law within 30 years of the year the casino begins operation, in which case the payment is refundable at the rate of \$15 million for each year remaining in the 30-year period.

**Subd. 2. Occupational licenses.** Authorizes the department to set a schedule of fees for occupational licenses, with a maximum of \$100 per year.

9 **Game procedures.** Provides for adoption of game procedures.

**Subdivision 1. Adoption.** Requires a casino licensee to adopt and file with the department a complete set of procedures governing all forms of gambling at the casino. Requires the procedures to specify payout rates for each form. Allows the department to approve the procedures if they adequately guarantee integrity and fairness of gambling and the interests of casino patrons. Requires the licensee to conduct gambling in accordance with the procedures.

**Subd. 2. Amendments.** Requires that amendments to the procedures be approved by the department.

**Subd. 3. Forms of gambling.** Allows only specified forms of gambling at the casino: card games including blackjack; bingo; and gambling on video devices and slot machines.

10 **Security plan.** Requires the casino to adopt a security plan.

**Subdivision 1. Adoption.** Requires a casino licensee to adopt and file with the department a security and surveillance plan. Requires the plan to ensure that security and surveillance are done only by persons with casino occupational licenses. Requires the plan to provide for testing of gambling devices. Allows the department to approve the plan if it meets customary industry standards and is reasonably adequate to ensure integrity and safety of casino operations. Requires the licensee to operate the casino in accordance with the procedures.

**Subd. 2. Amendments.** Requires that amendments to the plan be approved by the department.

11 **Exclusion of certain persons.** Provides for exclusion of persons from the casino.

**Subdivision 1. Persons excluded.** Allows the department to order exclusion from the casino of a person who (1) has a state or federal felony conviction of record, (2) has had a gambling license suspended, revoked, or denied in another jurisdiction, or (3) is determined by the department to be a threat to the integrity of gambling in Minnesota.

**Subd. 2. Hearing.** Allows the subject of an exclusion order to have a hearing and appeal the order.

**Subd. 3. Prohibitions.** Makes it a gross misdemeanor for a person named in the order to enter, attempt to enter, or be on the premises of a licensed casino, or for the casino knowingly to permit the person to enter or be on the premises.

**Subd. 4. Exclusion by casino.** Allows a casino to exclude a person who is in violation of a state law, rule, or order, or who is a threat to the integrity of gambling or to public safety. Allows the excluded person to appeal the exclusion to the department and have a hearing.

12 **Audit.** Requires the department to take all necessary actions to insure adequate accounting and

auditing of casino finances, including state-employed on-site auditors. Requires an annual audit of casino finances by the department or an outside auditor. Requires the department to assess the casino licensee for audit costs.

- 13 **Tax.** Imposes a tax of ten percent of casino gross receipts, payable weekly. Requires tax receipts to be deposited in the general fund. Allocates \$500,000 from the tax annually to the department of human services for its compulsive gambling program.
- 14 **Hotline.** Requires the casino to post prominently the department of human service's compulsive gambling hotline number.
- 15 **Sports facilities fund.** Establishes a sports facilities fund in the state treasury, consisting of the one-time payment under section 8, subdivision 1, and interest thereon. Appropriates money in the account to the commissioner of public safety. Allows the commissioner to make payments from the fund only for constructing one or more professional and amateur sports facilities, if the casino licensee has a lease with a professional sports team to use the facility for at least 30 years.
- **Exemptions.** Exempts the casino from laws making gambling debts uncollectible and allowing  
171617 recovery of money lost at gambling.
- 18 **Criminal code.** Exempts the casino from anti-gambling provisions of the state criminal code.
- **Constitutional amendment.** Proposes a constitutional amendment at the 2002 general election  
201920 to allow the legislature to authorize up to two privately-operated casinos in the metropolitan area and impose a tax on its gross receipts.
- 21 **Repealer.** Repeals the combined receipts tax on charitable gambling.
- 22 **Appropriation.** Appropriates \$500,000 to the department of public safety for implementation costs.
- 23 **Effective date.** Makes all sections effective January 1, 2003, contingent on passage of the constitutional amendment.