

HOUSE RESEARCH

Bill Summary

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Overview

This bill authorizes the state lottery to operate a single casino in the metropolitan area, with proceeds divided among Indian tribes in northern Minnesota and new 21st century economic development fund for the arts, sports facilities, college scholarships, K-12 telecommunications facilities, and other programs.

Section

- 1 **Smoking law.** Exempts a state-operated casino from restrictions on smoking in state-owned buildings.
- 2 **Conforming.** Makes a conforming amendment.
- 3 **Tax on casino adjusted gross revenue.** Amends sales tax law to impose a sales tax rate of 20 percent of casino adjusted gross revenue (total wagers and receipts from sale of chips or tokens, less amounts paid out in prizes or redemption of chips and tokens). Allocates revenue 50 percent to the general fund and 50 percent as provided in state-tribal agreements under section 16, subdivision 9.
- 4 **Gambling devices.** Allows gambling devices to be possessed at the casino.
- 5 **Gambling devices.** Allows gambling devices to be sold directly from a licensed manufacturer to the state lottery for the casino.
- 6 **Definition of gross receipts.** Redefines "gross receipts" in lottery law as gross lottery receipts (receipts from sale of lottery tickets less in-lieu sales tax).
- 7 **Gross revenue.** Redefines "gross revenue" in lottery law to exclude casino revenue and interest thereon.
- 8 **Adjusted casino gross revenue.** Defines "adjusted casino gross revenue" as total wagers and receipts from sale of chips or tokens, less amounts paid out in prizes or redemption of chips and tokens.
- 9 **Casino definition.** Defines "casino" as operation of a gaming facility and ancillary services.

- 10 **Game procedures.** Authorizes the lottery director to adopt casino game procedures.
- 11 **Rules.** Allows the director to adopt rules governing a casino.
- 12 **Withholding.** Exempts casino winnings from law that allows withholding delinquent state taxes and other debts from lottery winnings.
- 13 **Lottery operations.** Exempts the casino from restrictions on the lottery's spending on operations and advertising.
- 14 **Net proceeds.** Allocates the 60 percent of net casino proceeds not constitutionally dedicated to the environmental trust fund as follows: 2 percent to department of human services for compulsive gambling program, 29 percent to 21st century economic development fund under section 17, and the remainder as provided in state-tribal agreements under section 16, subdivision 9.
- 15 **Casino operations.** Establishes a casino operations account in the state lottery fund for payment of casino expenses. Limits deposits in the account to a maximum of 60 percent of adjusted casino gross revenue, except where more is required for capital and start-up costs.
- 16 **Casino.** Authorizes the lottery to operate a casino.
- Subdivision 1.** Authorizes the lottery to operate one casino in the metropolitan area. Allows a city to refuse to allow the casino.
- Subd. 2. Operations.** Requires the director of the lottery to purchase, lease, or construct facilities for a casino. Exempts contracts from state contract law, but requires them to use an open and competitive process to the extent practicable. Allows for a temporary casino. Allows the director to contract with a facilities manager for day-to-day management. Provides for investigation of contractors and potential contractors.
- Subd. 3. Local governments.** Requires the director to negotiate with local governments for payments in lieu of property taxes, or reimbursements to local governments for actual costs incurred.
- Subd. 4. Personnel.** Provides that personnel employed by the director for the casino are in the unclassified service.
- Subd. 5. Types of gaming.** Allows the director to determine types of games at the facility. Exempts the casino from prohibitions against the lottery selling pull-tabs or operating coin-activated devices.
- Subd. 6. Prizes.** Provides that casino players agree to abide by rules on prizes.
- Subd. 7. Age restriction.** Sets a minimum age of 18 for play at the casino.
- Subd. 8. Conflict of interest.** Prohibits the director and lottery employees and family members from playing at the casino or having an interest in a casino contractor.
- Subd. 9. Tribal agreements.** Requires the director to execute an agreement on behalf of the state with tribal governments entirely or mostly in development region 2 (Lake of the Woods, Beltrami, Mahnomen, Clearwater, and Hubbard counties). Provides that the agreement provides for:
- 50 percent of casino gross receipts tax revenue to the tribes based on enrollment
 - 29 percent of net proceeds to the tribes based on enrollment
 - injunctive relief for tribes if the state operates a second casino
 - duration of agreement for maximum of 15 years, renewable every 15 years thereafter.
- Subd. 10. Detention of suspects.** Allows detention at the casino of persons suspected of criminal acts.
- Subd. 11. Revenue bonds.** Authorizes the finance department to issue revenue bonds for casino

construction and related costs, backed by casino revenue.

Subd. 12. Liquor sales. Requires the commissioner of public safety to issue an on-sale intoxicating liquor license for the casino, at a fee comparable to fees charged by surrounding municipalities.

Subd. 13. User fees. Allows user fees such as parking, food, beverage, and entertainment.

Subd. 14. Local licenses. Prohibits political subdivisions from requiring local licenses for, or imposing taxes on, the casino.

- 17 **21st century economic development fund.** Establishes a 21st century economic development fund in the state treasury. Allows appropriations from the fund for arts programs, professional and amateur sports facilities, higher education scholarships, K-12 telecommunications technology, and other programs to benefit citizens of the state.
- **Exemptions.** Exempts the casino from laws on gambling debts and criminal code prohibitions
201820 against gambling.
- 21 **Appropriation.** Makes a blank appropriation to the lottery from the general fund for capital and startup costs. Requires repayment to the general fund, with interest, by June 30, 2003.
- 22 **Effective date.** Makes sections effective immediately.