

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 2135

DATE: March 17, 2004

Version: First Engrossment

Authors: Haas and others

Subject: Establishment of gaming facility

Analyst: John Williams, 651-296-5045

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

This bill authorizes the state lottery to operate gaming machines at a facility in the metropolitan area operated by an entity made up of one or more Indian tribal governments. It also allows that facility to operate a card club where unbanked card games are played. State revenue from the machines would be derived from a 20 percent tax on gross revenue (gross wagering less prizes).

Section

- 1 In-lieu tax.** Exempts adjusted gross revenue from gaming machines operated by the state lottery from the sales tax. Imposes an in-lieu tax of 20 percent of adjusted gross gaming machine revenue.
- 2 Deposit of in-lieu tax revenue.** Requires revenue from the in-lieu tax into the gaming facility proceeds fund.
- 3 Gaming facility proceeds fund.** Creates a gaming facilities proceeds fund in the state treasury. Appropriates money in the fund as follows:
 - ▶ 1.5 percent must be appropriated to Department of Education for the Indian education program and for schools in Minneapolis, St. Paul, Bemidji, and Duluth
 - ▶ 1.5 percent to Department of Human Services for programs and services for

Section

minorities and urban Indians

- ▶ 1.5 percent to Department of Employment and Economic Development for a grant to a 501(c)(3) organization providing loans and business education to minorities and urban Indians
- ▶ 1.5 percent to housing finance agency for affordable housing for minorities and urban Indians
- ▶ 1 percent to Department of Human Services for compulsive gambling treatment program, with department required to provide culturally sensitive approaches to gambling treatment for minorities and Indian communities
- ▶ 3 percent deposited in the gaming facility proceeds fund to be equally divided between the city and county where the casino is located
- ▶ 90 percent to the general fund

4 **Possession of gambling devices.** Allows the state lottery to possess a gambling device.

5 **Sale of gambling devices.** Allows gambling device manufacturers to sell and lease gambling devices to the state lottery.

6 **Operation of gambling devices in licensed liquor establishments.** Allows gambling devices owned or leased by the state lottery to be located in licensed liquor establishments.

7 **Adjusted gross gaming machine revenue.** Defines "adjusted gross gaming machine revenue" as all money received by the lottery from gaming machine plays, less payments to players.

8 **Lottery procurement contracts.** Includes contracts for gaming machines, machine maintenance, and machine software in the law that governs state lottery contracts.

9 **Gaming facility defined.** Defines "gaming facility" as the site for the location of gaming machines under a location contract under section 14.

10 **Gaming machine defined.** Defines "gaming machine" as a machine into which a coin or token is deposited to play a game that uses a video display or an electromechanical device with a spinning reel.

11 **Gaming machine game.** Defines "gaming machine game" as a game played by a gaming machine.

12 **Gaming machine play.** Defines "gaming machine play" as a record that proves participation in a gaming machine game.

13 **Lottery devices.** Amends the law prohibiting the lottery from operating coin-operated lottery devices to permit operation of gaming machines.

14 **Gaming machines.** Provides for operation of gaming machines at a gaming facility.

Subdivision 1. Contract. Allows the lottery director to enter into a contract with a corporate entity formed by one or more Indian tribal governments to provide locations for gaming machines at a single site in the metropolitan area which the director determines will maximize revenues. Requires a tribe to have adopted a resolution of participation by April 4, 2003, in order to participate in the tribal entity.

Requires the site selection to be with the advice and consent of an advisory board

Section

consisting of representatives of the tribal entity and representatives appointed by the governor. Allows a city to exclude itself from consideration as the site by so notifying the director before September 1, 2004.

Exempts contracts from state contract law. Provides for minimum length of contract of 20 years, negotiable and renewable every 15 years thereafter. Requires contracts to provide that the tribal entity agree to reimburse the state for regulatory and enforcement costs relating to the facility.

Requires the lottery director, with advise and consent of the advisory board, to implement and enforce standards of conducts for facility employees.

Requires contracts to contain a provision that allows liquidated damages to recover investment if the state ever expands gambling or revokes the facility's authorization.

Subd. 2. Facility; revenue sharing. Allows gaming machines only at a facility owned or leased by the tribal entity. Requires the tribal government to bear all costs of leasing, constructing, operating, and maintaining the facility. Requires location contracts to provide that 65 percent of machine revenue go to the tribal government or governments, to be divided equally among participating tribal governments.

Subd. 3. Operation. Requires machines to be operated, controlled, and owned or leased by the lottery. Requires them to be maintained by the lottery or a lottery contractor. Requires a central communications system that monitors each machine. Requires the lottery to supervise counting of money from machines and supervise general security arrangements. Requires lottery to approve all advertising related to machines.

Subd. 4. Contracts; employment. Requires the tribal entity, in constructing and operating the facility, to make good faith efforts to contract with minority-owned and American Indian businesses. Requires general contractors for the facility to use minority-owned and American Indian businesses when subcontracting for labor, skill, material, or machinery. Requires the operating tribal entity to make good faith efforts to use minority-owned and American Indian businesses when contracting with private vendors for goods and services. Requires the operating tribal entity to make "best efforts" to have 55 percent of goods and services vendors be minority-owned and American Indian businesses and 55 percent of entry-level, middle management, and upper management staffed by minorities and American Indians.

Requires the lottery director, with advice and consent of advisory committee, to conduct background investigation and provide for licensing of employees at the facility, and to provide standards for qualification and disqualification for licensing.

Subd. 5. Specifications. Requires machines to have a permanent record, on a nonresettable meter, of all transactions on the machine, and to be capable of being linked electronically to a central communications system.

Section

Subd. 6. Games. Requires the director to specify the games played on gaming machines.

Subd. 7. Examination of machines. Provides for examination of prototypes of gaming machines, with costs paid by manufacturer. Allows the director to contract for testing.

Subd. 8. Testing. Authorizes the director to require working models of a machine to be brought in for testing, at the manufacturer's expense.

Subd. 9. Prizes. Prohibits persons under age 18 from claiming a prize from a gaming machine. Makes gaming machine prizes subject to the same laws as other lottery games with respect to player rights. Exempts gaming machine prizes from the law that authorizes withholding of unpaid taxes from lottery prizes.

Subd. 10. Prohibitions. Prohibits persons under age 18, and the lottery director and lottery employees and their immediate families, from playing gaming machines.

Subd. 11. Compulsive gambling notice. Requires the director to post the compulsive gambling hotline number at gaming machine locations. Requires the director to develop a proactive plan to identify problem gamblers and take appropriate action.

Subd. 12. No local license. Prohibits political subdivisions from licensing, regulating, or taxing gaming machines.

Subd. 13. Liquor license. Requires the department of public safety to issue an on-sale intoxicating liquor license to the lottery director for sale at the facility, at a fee comparable to fees for similar licenses in surrounding municipalities. Makes all provisions of state liquor law applicable to the license.

15 **Other games.** Allows the tribal entity to conduct blackjack and card games offered at card clubs at racetracks, and other games that are conducted at tribal casinos, as authorized by the lottery director with advice and consent of advisory board. Allows the director of alcohol and gambling enforcement in the Department of Public Safety to adopt game procedures or take other action necessary to regulate card games.

16 **Recovery of money lost.** Exempts gaming machine play from the law that allows persons to sue to recover gambling losses.

17 **Gambling debts void.** Exempts gaming machine play from the law that makes gambling debts void.

18 **Exemption from gambling laws.** Adds gaming machine plays to the list of gambling activities that are not bets for purposes of state laws that prohibit gambling.

19 **Exemption from gambling laws.** Exempts manufacture, possession, sale, and operation of gaming machines from anti-gambling laws.

20 **Effective date.** Makes all sections effective immediately.