

HOUSE RESEARCH

Bill Summary

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Authors: Boudreau

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Analyst: John Williams, 651-296-5045

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Overview

This bill creates a merit-based scholarship program funded by revenue from a single private casino, following approval of a constitutional amendment authorizing a private casino. The casino would be overseen by a casino control commission and a casino control board. It would make a one-time payment to the general fund, and also pay a tax of 25 percent of gross gaming proceeds to the scholarship fund. The bill also reduces state taxes on lawful (charitable) gambling.

Article 1

Casino Control Commission

- 1 Definitions.** Defines terms
- 2 Casino control commission.** Creates a casino control commission.

Subdivision 1. Commission created.

Subd. 2. Membership. Provides that the commission consists of:

- three members appointed by the governor

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- one member appointed by the House speaker
- one member appointed by the House minority leader
- one member appointed by the Senate majority leader
- one member appointed by the Senate minority leader

Requires members to be Minnesota residents. Requires the governor to appoint the chair.

Subd. 3. Terms. Makes terms six years.

Subd. 4. Compensation. Provides for compensation of commission members at the same rate as for state advisory councils.

Subd. 5. Attorney general. Designates the attorney general as the attorney for the commission.

3 Powers and duties. Give the commission the following powers and duties:

- issue, renew, suspend, or revoke licenses
- adopt rules governing casino gambling
- approve plans of operation and security at casinos
- direct the casino board to carry out investigations, inspections, audits, and other enforcement activities
- act as appellate tribunal for appeals of board actions
- prescribe schedules and deadlines for casino license applications

Article 2

Casino Board

1 1 Casino board. Establishes a Minnesota casino board.

Subdivision 1. Board created.

Subd. 2. Membership . Provides that the board consists of three members appointed by the casino control commission, with one member designated by the commission as chair.

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Subd. 3. Terms. Provides for terms of four years.

Subd. 4. Compensation. Provides for compensation of board members at the same rate as for state advisory councils.

Subd. 5. Attorney general. Designates the attorney general as attorney for the board.

Subd. 6. Background investigations. Allows the board to request the director of alcohol and gambling enforcement to investigate all license applicants.

Subd. 7. Audit. Requires the legislative auditor to audit the board annually.

Subd. 8. Personnel. Requires the board to appoint a director and other personnel.

2 Powers and duties. Specifies the board's powers and duties:

- investigate license applicants
- enforce law and rules
- make recommendations to commission on rules
- employ and supervise personnel
- issue cease and desist orders
- conduct investigations, audits, inspections, and other enforcement activities
- issue subpoenas
- require licensees to be fingerprinted
- inspect gaming machines
- provide administrative assistance

3 Cease and desist orders. Allows the board to issue cease and desist orders against violations of law, rule, or commission order. Provides for hearing and appeal to commission.

4 Conflict of interest. Prohibits members of the commission and board and employees from having an interest in a licensee or license applicant. Prohibits member of commission or board or employee from receiving compensation from, accepting employment with, or having a contractual relationship with a licensee or applicant. Prohibits licensee or applicant from hiring a member or employee for a year after leaving the board or commission or terminating employment.

Article 3

Casino License

1 1 Casino authorized. Authorizes the commission to issue one casino license to a qualified applicant.

2 Application. Provides for casino licenses.

Subdivision 1. Application. Requires information on casino application, including full disclosure of officers, directors, and major shareholders, financial statements, and attestation that no officer, director, or other person with financial or management interest in the casino:

- is in default on a debt to the state
- has a felony conviction of record or a state or federal felony charge pending
- is or has been connected with an illegal business
- has been convicted of fraud or misrepresentation in connection with gambling
- has been convicted of violating a law or gambling rule

Requires the application to include an affirmative action plan.

Requires the application to specify an amount of one-time payment that the applicant will make to the state if the applicant is licensed. Requires the amount to be sealed until the deadline for casino license applications has passed. Designates amounts as nonpublic data.

Requires a licensee to hold, at the time of the license application, a license issued by another state or province to engage in casino gambling.

Requires the application to contain a detailed description of the casino facility. Requires a casino site located in the metropolitan area to be within a mile of an Interstate highway and be large enough to accommodate a 200,000 square foot facility.

Subd. 2. Investigation. Directs the board to conduct a comprehensive background and financial investigation of license applicants, and charge each applicant a fee to cover the cost.

Subd. 3. Hearings. Requires hearings in each county and city in which a casino is proposed to be located. Requires the board to request comments from counties and cities, or towns if outside cities, and the Metropolitan Council if the site is in the metropolitan area. Prohibits Metropolitan Council review for metropolitan significance.

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Subd. 4. License issuance. Allows the commission to issue one license. Makes initial licenses valid for 20 years with renewals for ten years.

Directs the commission to determine which applicants are qualified, based on:

- public interest in effective regulation and control
- applicant's financial resources
- applicant's experience
- applicant's fitness to operate a casino
- applicant's current leasehold interest in or ownership of the proposed site

Directs the commission to select one qualified applicant to receive the license, based on "reasonably attainable economic benefits to the state" as measured by:

- the applicant's proposed one-time payment
- long-term economic development potential
- job creation potential
- tourism generation potential
- long-term revenue potential to the state

Subd. 5. Licenses. Requires the commission to publish notice of the deadline for submission of license applications. Provides for classification of one-time payment proposals as nonpublic data. Provides for sealing and unsealing of payment of amounts. Requires the commission to rank applicants.

Makes the license condition for 30 days. Allows unsuccessful applicants to review applications during that period. Provides for petition to the commission for review of the licensing decision.

Subd. 6. Changes in ownership or management. Requires a licensee to report changes in ownership or management to the board.

Subd. 7. Changes in qualification. Requires an applicant to notify the board of any changes that would affect the accuracy or validity of statements in the application.

Subd. 8. License suspension and revocation. Allows the commission, after receiving the recommendation of the board, to suspend or revoke a license for violation of law or rule, operation of a casino in violation of approved game procedures or security plan if

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the violation affects the public interest, making an intentional false statement in an application, or failure to perform covenants or representations made in an application.

Allows suspension for a year for the first two of the above causes, or indefinitely if the licensee has an officer, director, shareholder, or other holder of interest who is inimical or who cannot be certified under subdivision 1. Requires the commission to give a licensee a reasonable amount of time to cure a violation before suspending or revoking the license.

3 Occupational licenses. Requires persons who work in occupations that the commission determines require licensing to ensure effective regulation and control of gambling to have a license issued by the commission. Requires applicants to attest that they:

- do not have a felony conviction or a state or federal felony charge pending
- have never been connected with an illegal business
- have never been convicted of fraud or misrepresentation in connection with gambling
- have never been convicted of a serious violation of law or rule relating to gambling

Authorizes the board to investigate applicants and make recommendation to the commission. Authorizes the commission to issue an occupational license if the applicant is qualified and will not adversely affect public health, welfare, or safety or the integrity of gambling. Makes licenses effective for 3 years. Provides for revocation and suspension. Makes revocation and suspension a contested case.

4 License fee and payments. Provides for casino license fee and one-time payments.

Subdivision 1. Casino payment. Requires a successful applicant to make the one-time-payment specified in the license application before the license is issued. Allows for refund only if the law authorizing the casino is repealed.

Requires 5 percent of the one-time payment to be paid to the city where the casino is located, or the county if outside a city, and the remainder deposited in the general fund.

Subd. 2. Casino license fee. Provides for an annual casino license fee set by rule in an amount sufficient to compensate the general fund for appropriations for board and commission expenses, compulsive gambling program under section 15, and revenue losses attributable to reductions in lawful gambling taxes under article 8.

Subd. 3. Occupational licenses. Authorizes the commission to establish a schedule of fees, not exceeding \$100, for occupational licenses.

5 Game procedures. Provides for adoption of game procedures by a casino subject to commission approval.

Subdivision 1. Filing. Requires a casino licensee to file with the board a complete set

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of game procedures. Requires procedures to specify payout percentages for each gambling form. Requires the board to review the procedures and make a recommendation to the commission. Authorizes the commission to approve the procedures if it determines they adequately guarantee integrity and fairness and the interests of gambling patrons. Requires the casino to conduct operations only in conformity with the procedures.

Subd. 2. Amendments. Allows amendments only if they have been approved by the commission and posted publicly at the casino.

Subd. 3. Agreement. Provides that person who gambles at a casino agrees to be bound by the procedures.

- 6 Security plan.** Requires a casino to file a security plan with the board at least 60 days before opening. Requires the board to review the plan and make recommendation to the commission. Allows the commission to approve the plan if it determines that it meets customary industry standards and is reasonably adequate to ensure integrity of gambling and safety of operations. Requires the licensee to operate the casino in conformity with the plan. Allows amendments subject to commission approval.
- 7 Exclusion.** Allows the board by order to exclude from the casino persons with criminal backgrounds or who, in the department's opinion, are a threat to casino integrity. Provides for hearings on exclusions. Allows excluded person to have a reasonable amount of time to cure the violation or condition giving rise to the exclusion. Makes it a gross misdemeanor for an excluded person to be in a casino. Allows the casino to exclude persons.
- 8 Detention of suspects.** Provides for detention by a board agent or a casino security person of a person if probable cause exists to believe the person has violated laws against cheating at gambling.
- 9 Underage persons.** Prohibits a person under age 21 from participating in gambling at a casino. Prohibits a casino from paying winnings to a person under age 21.
- 10 Audit.** Authorizes the board to ensure adequate accounting and auditing of casino finances, including appointment of on-site auditors. Requires annual outside audit of casino's financial operations at casino's expense.
- 11 Tax.** Imposes a tax of 25 percent on gross gaming receipts (total amounts taken in by the casino from sale of chips or tokens and all money taken in by machines, less winnings and payouts). Requires proceeds to be deposited in scholarship fund under article 6, section 7. Prohibits voluntary payments in excess of this rate. Provides for payments as required by the board.
- 12 Hotline posting.** Requires the casino to post the compulsive gambling hotline number.
- 13 Local license prohibited.** Prohibits local governments from licensing, taxing, or regulating a casino.
- 14 Violations.** Makes violations a gross misdemeanor, except that gambling by a person under age 21 is a misdemeanor.
- 15 Compulsive gambling appropriation.** Annually appropriates \$2.5 million from the general fund to the University board of regents for assessment and treatment of compulsive gambling and other addictive behavior by the Impulse Control Disorder Clinic in the school of medicine.

Article 4

Constitutional Amendment

- 1 1 **Constitutional amendment proposed.** Proposes a constitutional amendment to allow the legislature to license, tax, and regulate a single private casino, with gaming tax revenue dedicated to merit-based higher education scholarships and other purposes prescribed by law.
- 2 **Submission to voters.** Provides for submission of the amendment to the people at the 204 general election.

Article 5

Conforming

- 1 1 **Conflict of interest.** Prohibits the director of alcohol and gambling enforcement and any employee of the division from having a financial interest in a casino.
- 2 **Background investigations.** Requires the director of alcohol and gambling enforcement to conduct background investigations of casino license applicants at the request of the board.
- 3 **Possession of gambling devices.** Allows gambling devices to be possessed by a casino licensee for use in the casino.
- 4 **Sale or lease of gambling devices.** Allows a licensed distributor of gambling devices to sell or lease them to a casino licensee.
- 5 **Liquor license.** Allows the commissioner of public safety to issue an on-sale intoxicating liquor licensee to a casino. Allows the licensed premises not to be contiguous or compact as long as the license is limited to the casino premises as described in the approved casino license application. Directs the commissioner to set the fee in an amount to cover costs related to the license. Exempts the casino from prohibition against gambling in licensed liquor establishment.
- 6 **Recovery of money lost.** Makes the law allowing suits to recover money lost at gambling nonapplicable to the casino.
- 7 **Gambling debts void.** Makes the law making gambling debt noncollectable nonapplicable to the casino.
- 8 **Anti-gambling laws.** Makes anti-gambling law inapplicable to the casino.
- 9 **Anti-gambling laws.** Makes anti-gambling law inapplicable to the casino.
- 10 **Report.** Requires the commissioner of administration to report to the legislature by February 1, 2006, on feasibility of combining functions of the casino control commission, casino board, and gambling control board into a single agency.

Article 6

Star Program

- 1 1 **Minnesota Students Taking Academic Responsibility (STAR) Scholarship programs; establishment; purpose.** Establishes two scholarships to promote and reward academic achievement, enhance access to postsecondary education, and meet workforce needs for skilled professions. Scholarships may be used at Minnesota postsecondary institutions. Students may use the Minnesota STAR scholarship to attend public and eligible private postsecondary institutions and a Minnesota TechSTAR scholarship to attend a public two-year colleges to study programs that meet local workforce needs.

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2 **Definitions.** Defines:

- *core secondary curriculum* as course credit requirements for graduation as defined in law;
- *director* as the director of the higher education services office;
- *eligible institution* for the STAR scholarship as degree-granting public institutions and private accredited institutions and for the TechSTAR scholarship as public two-year institutions offering certification or degrees in identified workforce skills;
- *full time* as enrollment for 15 credits per semester or the equivalent
- *office* as the higher education services office (HESO);
- *school* as public, nonpublic, religious or home school; and
- *score* as the reported score on a standardized college entrance exam.

3 **Administration.** Directs HESO to administer, adopt rules and publicize the scholarship program. Limits the scholarship awards in a single year at the amount appropriated.

4 **Student eligibility.** Establish criteria for students to be eligible to receive a scholarship. Students must be Minnesota residents, high school graduates May 2006 or later, and citizens or authorized residency status. Students must meet academic and nonacademic standards and apply within 12 months of graduation or separation from active military service, and other nonacademic requirements determined by HESO. Students are limited to receiving only one of the STAR scholarships.

5 **Minnesota STAR Scholarship.**

Subd. 1. Initial award. Sets academic eligibility standards for an initial STAR scholarship for students who are eligible under section 4. Students must have a cumulative grade point average of 3.0 in the core secondary curriculum, report an ACT or equivalent test score, and enroll full-time as an undergraduate at an eligible institution. Schools must report grade point averages in a way that recognizes the difficulty of advanced courses. HESO must develop a method to compare and rank scores on various standardized college entrance exams.

Subd. 2. Continuing award. Establishes requirements for a student to receive a continuing award. Students must apply for a continuing award, complete 75 percent or more of their credits in the previous academic year with a minimum grade point average of 3.0 on courses taken at the institution, and must enroll as a full-time student at an eligible institution. Students who transfer to eligible institutions retain their scholarship eligibility.

Students lose eligibility for a continuing award when they receive a baccalaureate degree, complete nine semesters of post-secondary study at eligible institutions, or fail

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to meet the academic requirements. Students have six years of scholarship eligibility unless they can show good cause. HESO must adopt rules for the appeal process.

Subd. 3. Awarding scholarships. Requires HESO to award initial scholarships to eligible students, beginning in fiscal year 2007, in descending order of ranked score on standardized entrance exams. Beginning in fiscal year 2008, HESO must first make continuing awards and then initial scholarship awards in descending order of scores, up to the limits of the appropriations.

Subd. 4. Scholarship use. Requires the scholarship to be paid to the eligible institution for tuition and mandatory fees of the eligible student.

Subd. 5. Award amount. Sets the scholarship amount at \$2,500 and directs HESO to use unexpended balances to increase the scholarship amount.

6 **Minnesota TechSTAR Scholarship.**

Subd. 1. Establishment. Establishes the TechSTAR scholarship for eligible students to attend public two-year colleges in Minnesota to earn certificates or degrees in occupations or skills identified as critical employment needs.

Subd. 2. Initial award. Establishes standards for an initial TechSTAR scholarship for students who are eligible under section 4. Students must have a cumulative grade point average of 2.0 in the core secondary curriculum, enroll full-time in a degree or certificate program identified in the regional needs analysis and apply by the deadline.

Subd. 3. Continuing award. Requires students to have a 3.0 grade point average or the equivalent to be eligible for continuing TechSTAR scholarships. Students maintain eligibility if they transfer from one eligible program to another. Students are ineligible for continuing scholarships if they transfer to ineligible programs or institutions. Students are eligible for up to five semesters of scholarships. Eligibility expires on the third anniversary of the first award unless the student can demonstrate hardship or good cause for an extension.

Subd. 4. Scholarship use. Requires the scholarship to be paid to the eligible institution for tuition and mandatory fees of the eligible student in a program identified through the regional skills analysis.

Subd. 5. Award amount. Sets the scholarship amount at \$2,000 and directs HESO to use unexpended balances to increase the scholarship amount.

Subd. 6. Regional employment needs analysis. Requires regional organization, as determined by the commissioner of employment and economic development (DEED) to convene a group to identify by industry, occupation and skill set, the region's critical employment needs in occupations that require less than a baccalaureate degree. DEED must provide labor market information to each group. HESO must use the recommendations to identify programs eligible for the TechSTAR scholarship.

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7 Appropriations. Makes appropriations from the annual deposits to the Minnesota scholarship fund for the Minnesota STAR and TechSTAR scholarships as shown below:

Fiscal Year	Minnesota STAR allocation	TechSTAR allocation
2007	25% initial scholarships	10% initial scholarships
2008	25% initial scholarships 20% continuing scholarships	20% initial and continuing scholarships
2009	25% initial scholarships 40% continuing scholarships	20% initial and continuing scholarships
2010 Forward	80% initial and continuing scholarships	20% initial and continuing scholarships
	Authorizes any balance after funding scholarships to be appropriated for postsecondary purposes beginning in fiscal year 2010	

Provides that if a balance remains in the fund after appropriations in FY 2006 through 2009, 5 percent, up to \$10 million over four years, is appropriated to Department of Finance as grants to the city where the casino is located, or the county if outside a city. The remainder is appropriated:

- ▶ 25 percent up to \$10 million over the four-year period to be distributed as equal grants to each school district for career resource development assistance and technology
- ▶ 25 percent up to \$50 million over the four-year period to be distributed as equal grants to school districts for early family and childhood education programs
- ▶ 25 percent up to \$50 million over the four-year period for trunk highway improvements divided equally between metropolitan and Greater Minnesota projects
- ▶ 25 percent up to \$50 million over the four-year period for programs that primarily benefit vulnerable adults and children

Article 7

Appropriation

1 1 Appropriation. Makes a blank appropriation from the general fund to the casino board for FY 2005.

Article 8

Lawful Gambling Taxes

1-3 Lawful gambling tax reduction. Reduces taxes on lawful gambling:

- lawful gambling tax (bingo, paddlewheels, raffles) from 8.5 to 7.5 percent of gross receipts minus prizes
- Pull-tab and tipboard tax, from 1.7 to 1.5 percent of ideal gross
- combined receipts tax by 11.8 percent of rates

Article 9

Effective Date

- 1 1** **Effective date.** Makes the act effective December 1, 2004, if the constitutional amendment is adopted at the 2004 general election.