

# HOUSE RESEARCH

## Bill Summary

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### Section

#### Article 1: Lottery Board

#### Overview

This article establishes a State Lottery Board, at the recommendation of the Lottery Organization Task Force. The 2004 Legislature created the Lottery Organization Task Force "to study and make recommendations regarding the future organization and profitability of the State Lottery," in response to a 2004 legislative audit of the lottery that suggested possible organizational changes. After surveying the governance structures of other lottery states, the task force published a January 2005 report that included proposed legislation to establish a lottery board.

The lottery had an advisory board when it began operations in 1990, but the legislature abolished the board in 1995.

- 1 Definition. Defines "Board" as the "State Lottery Board."
- 2 Lottery Board.

Subd. 1. Established. Establishes a board comprised of seven members, appointed by the governor with the advice and consent of the senate.

Subd. 2. Board members. Establishes residential and experience requirements for

board members. Also provides that no individual may serve on the board who has been convicted of a felony, a crime involving fraud or misrepresentation, or a gambling-related offense.

Subd. 3. Terms; compensation. Provides that board members will serve a term of three years. Subjects board members to the statutory requirements for administrative boards and agencies under Minnesota Statutes, section 15.0575. (Section 15.0575 articulates membership terms; authorizes compensation for board activities at a rate of \$55 a day plus expenses; requires boards to adopt internal standards relating to compensation; and establishes procedures for removal of board members and filling board vacancies).

Subd. 4. Board organization. Requires the board to elect board members to serve as the chair and vice-chair at the first meeting of each fiscal year. Requires at least quarterly meetings and allows additional meetings at the call of the chair. Permits closure to the public of board meetings relating to lottery security, information security, or to evaluate the director's performance, notwithstanding Minnesota Statutes, Chapter 13D, which requires meetings to be open to the public. Requires the lottery to pay board operating expenses (under subdivision 5) from the lottery operations account.

Subd. 5. Board responsibilities. Makes the board responsible for reviewing lottery performance and operations and for making recommendations to the director regarding lottery operations, maximizing proceeds, and assuring public confidence in the lottery. Board's responsibilities include, but are not limited to, (1) reviewing the lottery's annual budget; (2) reviewing proposed lottery rules, (3) conducting annual performance reviews of the director; and (4) reviewing lottery finances.

3 Payments prohibited. Prohibits payment of prizes to members of the lottery board. Current law prohibits the payment of prizes to the lottery director and lottery employees.

4 Conflict of interest.

Subd. 1. Lottery ticket; retailer. Makes board members subject to the conflict of interest provisions that currently apply to the lottery director, lottery employees, and their immediate families. Under current law, these individuals cannot purchase lottery tickets, have any personal pecuniary interest in lottery retailers or vendors with lottery procurement contracts, and or receive anything worth more than \$100 from retailers or vendors (or persons applying to be retailers or vendors).

Subd. 2. Gifts. Subjects board members to the ban on receiving gifts from certain lobbyists and principals, under Minnesota Statutes, section 10A.071.

Subd. 4. Future employment. Prohibits board members from representing any entity before the lottery within two years of terminating membership with the board. Under current law, the director and unclassified employees of the lottery cannot represent any entity before the lottery within two years of terminating employment with the lottery. Violations are misdemeanors.

5 Audit. Requires the board to contract for and file annual certified audits of lottery accounts and transactions. (Under current law, this responsibility lies with the lottery director.) Expands the current scope of required annual audits to include audits of the lottery's information security. Requires the board to cooperate with any audits, evaluations, or

investigations initiated by the legislative auditor.

6 Appointment of initial lottery board members. Establishes a three-year term for three of the initial members of board, a two-year term for two of the initial members, and a one-year term for two of the initial members. Requires the governor to select an initial chair of the board to serve until the board elects a chair.

7 Effective Date. The article is effective July 1, 2005.

## **Article 2: Racing Commission**

### **Overview**

In 2005, the Office of the Legislative Auditor published an evaluation report titled "Gambling Regulation and Oversight," which recommended that the Racing Commission improve its oversight of the card club at Canterbury Park. The legislative auditor recommended that the racing commission (1) have a trained, knowledgeable, and regular presence in the surveillance room; (2) conduct routine compliance checks of card club activities; (3) regularly review players' pool expenditures; and (4) review promotions using players' pool funds. This article requires the racing commission to hire a director of card clubs, who would be responsible for performing specific duties that would make the racing commission more directly involved in the oversight of card club activities.

1. 1 Commission powers and duties. Amends the language describing the commission's powers and duties to specifically note the commission's power and duty to (1) regulate card club activities to ensure they are conducted in the public interest; (2) supervise the conduct of card club wagering; and (3) take all necessary steps to ensure the integrity of card club activities.
- 2 Director of card clubs. Requires the commission to employ a director of card clubs, who would be responsible for providing independent surveillance and other daily oversight of card club operations. Requires the director to have expert knowledge and training in matters relevant to the operation of card clubs. Directs the director to perform the following duties:
  - conduct routine compliance checks of card club activities to ensure compliance with the card clubs approved plan of operation and with all laws and commission rules relevant to the security and integrity of card club activities;
  - oversee surveillance in card clubs, regularly review card club surveillance logs, and analyze surveillance incidents; and
  - regularly review card club finances to ensure the proper distribution of revenue and expenses from funds in the players' pool.
- 3 Rulemaking authority. Gives the commission authority to promulgate rules governing card club operations, including safety and security, surveillance, and finances.
- 4 Reimbursement account credit. Clarifies that reimbursements to the racing commission for the costs of card club regulation are appropriated to the commission for the costs of regulating card club activities.
- 5 Supervision. Specifies that, although card club operators are responsible for conducting and

supervising card games (under current law), the operators would be subject to the oversight of the director of card clubs.

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Amendments to plan; violations; relation to other laws. Eliminates unnecessary reference.