

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 3194

DATE: March 22, 2006

Version: First engrossment

Authors: Westerberg

Subject: Lawful gambling bill

Analyst: Elisabeth Long

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 makes a variety of changes to Minnesota's lawful gambling laws, including numerous technical and housekeeping changes. Among other things, the bill authorizes button raffles, permits certain electronic fund transfers between organization accounts, clarifies conflict of interest provisions, and clarifies restrictions on local government fees for conducting lawful gambling. The bill also updates several provisions of current law to reflect the 2005 legislative authorization of electronic bingo devices.

The bill makes two changes related to statutory limits on allowable expenses for lawful gambling organizations. First, it authorizes certain licensees to carry forward 15 percent of any positive allowable expense carryover amount and provides that the balance shall be used to offset future negative expense balances (§ **Error! Unknown switch argument.**). Second, it allows the Gambling Control Board (board) to impose sanctions or penalties against organizations violating statutory allowable expenses limits (§ 0).

Section

- 1** **Bingo.** Clarifies the definition of bingo to allow facsimile bingo paper sheets to be used in conjunction with an electronic bingo device.
- 2** **Electronic bingo device.** Clarifies that electronic bingo devices may be used to monitor facsimile bingo paper sheets in addition to bingo paper sheets.
- 3** **Gambling equipment.** Modifies the definition of gambling equipment to include electronic bingo devices.

Section

- 4 **Gross receipts.** Modifies the definition of gross receipts to include receipts from sales of facsimile bingo paper sheets (used with electronic bingo devices) and the rental of electronic bingo devices.
- 5 **Lawful purpose.** Clarifies how organizations can contribute to scholarship funds as lawful purpose expenditures.
- 6 **Expenditure restrictions.** Provides that for licenses renewed with an effective date between July 1, 2006, and June 30, 2008, an organization shall carry forward an amount equal to 15 percent of any positive allowable expense carryover amount. States that the balance must be used to offset any future negative expense balance at the time of license renewal.
- 7 **Electronic bingo.** Modifies the requirement that bingo rules promulgated by the board must require electronic bingo devices to be used with bingo paper sheets to also allow electronic bingo devices to be used with facsimile bingo paper sheets printed at the point of sale.
- 8 **Conflict of interest.** Strikes an obsolete statutory reference. Prohibits the director of the board, members of the board, and employees of the board from purchasing any chance in a lawful gambling game, unless the purchase is part of an investigation.
- 9 **Issuance of gambling licenses.** Clarifies that the board may by rule impose sanctions or penalties on an organization for violating allowable expense limits.
- 10 **Prohibition (Registration of equipment).** Strikes obsolete statutory language.
- 11 **Sales from facilities.** Strikes obsolete reference to unaffixed registration stamps.
- 12 **Attachments to application (for linked bingo provider licenses).** Reduces from \$250,000 to \$100,000 the principal bond requirement for applicants for linked bingo provider licenses.
- 13 **Prohibition (linked bingo provider licenses).** Current law prohibits linked bingo game providers from (1) holding financial or managerial interests in leased bingo premises; (2) being licensed as a distributor or holding any financial or managerial interest in a distributor; (3) selling or leasing linked bingo game equipment to anyone not licensed as an organization; (4) purchasing gambling equipment to be used exclusively in a linked bingo game from any person not licensed as a manufacturer; and (5) providing a lessor of gambling premises or an appointed official any compensation, gift, gratuity, premium or contribution.

This section expands the prohibitions that currently apply to linked bingo game providers to also apply to the employees, representatives, agents, and affiliates of linked bingo game providers. This section also identifies a new type of prohibited conduct: giving the employee or agent of an organization anything worth more than \$25 per year, per organization.

- 14 **Exclusions.** Clarifying language.
- 15 **Exemptions.** Specifies that the board may refuse to issue an exempt permit to an applicant whose application is incomplete or knowingly contains false or inaccurate information.
- 16 **Gambling manager required.** Makes a technical change to clarify the responsibilities of a gambling manager for an organization's gambling gross receipts.
- 17 **Employment of certain persons.** Clarifies who can be employed by a lawful gambling organization. Specifies that an organization leasing premises cannot compensate the lessor, a member of the lessor's immediate family, or the lessor's employees, except for selling pull-tabs and tipboards within a booth operation on the premises. Allows an organization to compensate a member of a lessor's immediate family for the conduct of gambling at other

Section

sites not owned by the lessor.

- 18** **Bingo cards and sheets.** Clarifies how bingo is conducted using electronic bingo devices.
- 19** **Conduct of bingo.** Clarifies how bingo is conducted using electronic bingo devices. Removes references to obsolete bingo equipment.
- 20** **Conduct of raffles.** Authorizes the sale of buttons (with a nominal value of less than \$5) as certificates of participation for entry in a raffle. (In button raffles, each button has a unique number, much like a raffle ticket.)
- 21** **Lease or ownership required; rent limitations.** Strikes obsolete dates and references. Clarifies that only a licensed organization may conduct an activity in a booth operation on leased premises. Provides that employees of a lessor not involved in the conduct of lawful gambling on the premises and nongambling employees of an organization conducting lawful gambling on the premises may participate in lawful gambling on the premises if the organization posts the major prizes awarded for pulltabs and tipboards.
- 22** **Accounts.** Allows an organization to transfer the amount of gambling taxes due from the organization's gambling account to its general account when taxes become due. Restricts organizations to a single electronic fund transfer for the payment of the taxes of the organization as a whole.
- 23** **Expenditures.** Clarifies the expenditures of lawful gambling gross profits that can be transferred electronically from an organization's gambling account directly to bank accounts, specifying that payments for taxes and allowable expenses may be transferred as such. Clarifies that electronic payments of allowable expenses are permitted only if they are verifiable, the organization keeps supporting documentation, and the organization's membership approves of the electronic payments.
- 24** **Local regulation.** Clarifies local fee restrictions on permits for the conduct exempt gambling. Current law prohibits local units of government from requiring a license or fee for a license or permit to conduct gambling by organizations or sales by licensed distributors or licensed linked bingo game providers. This section clarifies that local fees are also prohibited for licenses or permits to conduct gambling by gambling managers, gambling employees, and for distributors or linked bingo game providers registered with the board.
- 25** **Effective date.** Makes this act effective the day following final enactment.