

House Research Act Summary

CHAPTER: 166

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Article 1: Lawful Gambling

Overview

Article 1 makes a variety of changes in lawful (charitable) gambling law, including:

- repeal of bingo hall licensing
- revisions in maximum rent for bingo premises
- new rules regulating raffles
- repeal of various restrictions on bingo occasions
- revisions in definition of “lawful purpose”
- repeal of requirements that bingo equipment be stamped
- increase in percentage of gross profit that may be spent for expenses for gambling other than bingo
- authorization of electronic bingo devices

- increase in maximum tipboard prizes

1 **Bar bingo.** Defines “bar bingo” as a bingo occasion at a location that is licensed for sale of alcoholic beverages and where there is a premises permit for lawful gambling.

2 **Bingo occasion.** Provides that there is no limit on the number of games conducted during a bingo occasion but the occasion may not last longer than eight consecutive hours.

3 **“Charitable contribution” definition.** Defines “charitable contribution” as an contribution for or to:

- a 501(c)(3) organization
- problem gambling program
- relief of poverty, homelessness, or disability
- educational program
- scholarship fund
- recognition of military service
- a government agency
- religious organization
- wildlife management project, trail maintenance, DNR safety training
- nutritional programs for elderly or disabled
- arts program
- recognition of humanitarian service

4 **Electronic bingo device.** Defines the term as an electronic device used by bingo players to monitor bingo paper sheets purchased at a bingo occasion that (1) provides a means for players to input numbers announced by a caller; (2) compares the numbers inputted to the bingo faces stored in the device’s memory; and (3) identifies a winning bingo pattern.

5 **Lawful purpose.** Amends the definition of "lawful purpose" as follows:

- allows expenditure for goods and services for individual or family suffering from poverty, homelessness, or disability, in addition to contributions directly to such an individual or family;
- deletes the authorization for contributions to an individual for treatment for delayed post-traumatic stress syndrome;
- changes “compulsive gambling” reference to “problem gambling”;
- revises the authorization for expenditure for activities that recognize humanitarian service, by requiring that such humanitarianism be demonstrated through philanthropy or volunteerism;
- prohibits gambling board rules from imposing an aggregate annual limit on expenditures for support of active military personnel and their immediate family members;
- deletes limits on amount of real estate taxes that may be paid as lawful purpose;
- deletes the requirement that premises must be wholly owned by a licensed organization in order for property taxes to be paid as lawful purpose

expenditure;

- modifies authorization for audit costs so that it only applies to audits filed and paid prior to June 30, 2006;
- requires that expenditures for wildlife management projects be approved by the Department of Natural Resources; and
- authorizes expenditures for supplies and materials for safety training and educational programs coordinated by the DNR.

Makes this section effective the day following enactment, except that the deletion of the limit on the amount of real estate taxes that may be paid as a lawful purpose is effective January 1, 2006.

- 6 **Raffle definition.** Redefines "raffle" to allow certificates of participation other than tickets. Allows choosing the winners by random selection other than random drawing. Requires all entries to have an equal chance of selection. Requires the time of the selection to be printed on the ticket. Makes this section effective the day following final enactment.
- 7 **Expense limits.** Increases from 55 to 60% the maximum percentage of gross profit that may be spent on expenses for forms of gambling other than bingo. Requires the calculation to be made biennially concurrent with the term of the license. Makes this section effective July 1, 2006.
- 8 **Board powers and duties.** Deletes references to bingo halls from the list of powers and duties of gambling board.

Requires the board to report annually to the governor and legislature a financial summary for each licensed organization, including gross receipts, prizes paid, expenses, lawful purpose expenditures including charitable contributions, and percentage of gross profit used for lawful purpose expenditures.

Authorizes the board to delegate to the director the authority to approve or deny fund-loss requests, contribution of gambling funds to another organization, and property expenditure requests, under criteria established by the board.

- 9 **Pull-tab dispensers.** Replaces reference to licensed bingo halls with a reference to premises where bingo is conducted in the law governing pull-tab dispensers.
- 10 **Electronic bingo.** Allows the board to authorize by rule (but not require) the use of electronic bingo devices. Requires the rules to allow a maximum of 36 bingo faces to be played using an electronic bingo device; to require that the device be used with corresponding bingo paper sheets; to require the device site system to have dial-up capability for remote monitoring purposes; and to prohibit the price of a face played on an electronic bingo device from being lower than the price of a face on a bingo paper sheet played on the same occasion.
- 11 **Duties of director.** Adds to the list of duties of the director of the gambling board the duty to approve or deny operational requests from licensees as delegated by the board. Adds a duty to make recommendations to the board on policy and legislative initiatives.
- 12 **Conflict of interest.** Deletes references to bingo halls from conflict of interest statute for board members and staff.
- 13 **Mandatory disqualifications.** Deletes reference to bingo hall licenses.

Changes the mandatory license disqualification for a felony or gross misdemeanor within five years of the issuance or renewal of the license to disqualification for any felony or

gross misdemeanor at any time that involves theft or fraud.

- 14 **License issuance.** Requires organizations in their license applications to identify an annual goal for charitable contributions as a percentage of gross profit.

Requires an organization as a condition of licensing to not exceed its expense percentage or, if the expense percentage has been exceeded, to reimburse excess expenses from nongambling funds.

- 15 **Local investigation fee.** Deletes references to bingo halls from the law authorizing a local investigation fee.

- 16 **Gratuities.** Prohibits a distributor, distributor salespersons, or any representative, agent, affiliate, or other employee of a distributor from giving compensation, gifts, gratuities, or other things of value in excess of \$25 per year to an employee or agent of an organization.

- 17 **Registration of gambling equipment.** Deletes a requirement that all gambling equipment must have a registration stamp.

- 18 **Registration stamps.** Repeals the authorization for licensed manufacturers to possess unaffixed registration stamps. Repeals the prohibition against possessing gambling equipment that has not been stamped.

- 19 **Sales from facilities.** Allows gambling equipment to be moved from a distributor warehouse if it is been registered with the Department of Revenue. Deletes reference to gambling equipment not stamped.

- 20 **Prohibited sales.** Makes a technical correction.

- 21 **Prohibition.** Deletes a reference to licensed bingo halls from law governing linked bingo games.

- 22 **Excluded gambling.** Allows raffles with total annual prices not exceeding \$1,500 to be conducted without registering with the board.

- 23 **Exempt gambling.** Allows the board to impose a penalty on an exempt organization that fails to file a timely report of exempt gambling.

Exempts organizations that conduct raffles that are exempt from licensing because they are conducted on only a few days each year from the prohibition against making entry in the raffle conditional on any other purchase, if the tickets are sold in combination with the organization's membership or a ticket for a membership dinner, and the tickets are not included with any other exempt raffle.

- 24 **Gambling manager bond.** Changes "fidelity bond" to "dishonesty bond" in gambling manager law.

- 25 **Compensation.** Allows an organization to compensate an employee for the sale of gambling equipment at a bar operation if the activity is conducted one day or less per week and the games are limited to 30 chances or less per game. Prohibits such payment to the site lessor, lessor employee, or immediate family member of the lessor.

- 26 **Bingo cards.** Amends the law that requires use of the bingo paper sheets to allow sheets that have an individual number recorded by a linked bingo game provider.

- 27 **Bar bingo.** Replaces references to noon-hour bingo with references to bar bingo. Allows such games to be played at times other than 11 a.m. to 2 p.m. Deletes provision that limits such bingo to one progressive bingo game per site. Prohibits payment of rent for a bar bingo occasion. Requires bar bingo to be played using only paper sheets purchased from a licensed distributor.

- 28 **Tipboards.** Amends the requirement that each player in a tipboard game must sign the game placard at the time the tipboard ticket is purchased and opened, by making the requirement apply only to games containing more than 32 tickets.

- 29 **Conduct of raffles.** Amends the law governing raffles by allowing a certificate of

participation other than a ticket. Requires public posting of raffle prices that are not listed on the raffle ticket. Requires raffles to ensure that:

- all entries have an equal chance of selection
- entry in the raffle is not conditioned on any other purchase
- method of selection is conducted in a public forum
- method of selection may not be manipulated or based on the outcome of an event not under the organization's control
- presence at the raffle is not a requirement to win
- all sold and unsold tickets or certificates of participation are accounted for

Allows the board to give prior approval to methods of selecting raffle winners other than methods prescribed by rule. Makes this section effective the day following final enactment.

30 Leases. Requires leases to specify that the board may authorize an organization to withhold rent for up to 90 days if the board determines that illegal gambling occurred on the premises and that the lessor or its employees participated in it or knew of it and failed to take action against it. Requires leases to authorize the organization to continue to occupy the space during the time rent is withheld.

Limits rent paid for premises used for bingo to, at the option of the parties to the lease, (1) up to 10% of monthly gross profit from lawful gambling activities held during all bingo occasions other than bar bingo, or (2) at a rate based on a cost per square foot, not exceeding 110% of a comparable cost per square foot for leased space, as approved by the director. Prohibits payment of rent for bar bingo.

Provides that other services and expenses provided by the lessor may be paid by the organization if approved by the director (e.g. trash removal, janitorial and cleaning services, snow removal, lawn services, electricity, heat).

Allows organization employees to participate in lawful gambling if (1) major pull-tab prizes are posted, and (2) the employee is not a gambling employee.

Allows gambling employees to purchase tipboards as well as pull-tabs at the employee's place of employment.

31 Discrepancies. Increases from \$20 to \$50 the minimum size of cash discrepancy in a bingo occasion that must be reported to the board.

32 Reports. Requires all organizations to report annually to its membership, and file a report annually with the board, on gross receipts, prizes paid, expenses, lawful purpose expenditures including charitable contributions, and percentage of gross profit used for lawful purpose expenditures and taxes and fees.

33 Pull-tab records. Amends the law that requires an organization to maintain separate cash banks for each deal of pull-tabs, by changing reference to commingling in a single receptacle to a reference to commingling in a pull-tab dispenser.

34 Tipboard prizes. Increases from \$500 to \$599 the maximum prize that may be awarded for a tipboard ticket.

35 Contraband. Deletes references to unstamped gambling equipment from the law defining contraband.

36 Local authority. Expands the prohibition against local authorities requiring a license or permit for organizations or distributors, by including linked bingo game providers.

Deletes references to bingo hall licenses.

Requires local authorities to share with the board all documents pertaining to site inspections, fines, penalties, or other corrective action relating to local gambling regulation.

37 Lotteries permitted. Allows an employer-sponsored lottery entirely for the benefit of a registered combined charitable organization where participants have paid for chances in a manner other than payroll deductions.

38 Repealer. Repeals exemption for bingo cards and sheets from requirement to be stamped. Repeals law requiring bingo halls to be licensed. Repeals limit on number of bingo occasions each week, number of bingo games per occasion, and length of bingo occasions.

Article 2: Lottery Service Business

Overview

This article regulates “lottery service businesses,” which are businesses that purchase lottery tickets for customers or subscribers in exchange for a fee or commission.

1 Lottery service business.

Subd. 1. Definition. Defines “lottery service business” as a commercial enterprise that purchases lottery tickets for customers or subscribers for a fee or commission. Also defines “division,” “commissioner,” and “disqualifying offense.”

Subd. 2. Required statements. Requires lottery service businesses to clearly and prominently include in all print ads and other print communications intended to solicit business how much of the subscribers’ fees are used to buy tickets. Requires each print ad and print communication to state that the business is not affiliated with and is not an agent of the state lottery.

Subd. 3. Prohibitions. Prohibits lottery service businesses from:

- serving customers under age 18 or paying prizes to persons under age 18;
- having a stake in any lottery pool the business creates, except when necessary to fill out a lottery pool. Also prohibits officers, directors and employees from having a stake.

Subd. 4. Lottery prize account. Requires businesses to deposit all winnings from lottery tickets bought into a lottery prize account maintained separately from all other business accounts. Allows expenditures from the lottery prize account only for the payment of winnings to customers or subscribers, and as directed under subdivision 5.

Subd. 5. Unclaimed prizes. Requires lottery service business to make all good-faith efforts to distribute money in its lottery prize account to customers and subscribers entitled to it.

Requires businesses to transmit unclaimed prizes (and interest earned) to the commissioner of public safety for deposit in the general fund on July 1 of each year.

A prize becomes unclaimed when, in spite of the business' good faith efforts to distribute the money, the money has not been distributed within one year after the date of the drawing. Makes the subdivision nonapplicable if money in the account is under \$25.

Subd. 6. Books and records; audit. Requires lottery service businesses to keep complete records of business transactions. Gives the commissioner access to these materials and permits the commissioner to require audits.

Effective August 1, 2005.

Article 3: Video game of chance

- 1 Video game of chance.** Exempts games or devices that simulate horse racing from the definition of "video game of chance."

Makes this section effective the day following final enactment.

Article 4: Social skill game

Overview

Minnesota law currently prohibits certain acts relating to gambling (Minnesota Statutes, sections 609.755, 609.76), but creates exceptions from these prohibitions for tournaments and contests satisfying three statutory requirements:

1. 1. The tournament or contest consists of cribbage, skat, sheephead, bridge, euchre, pinochle, gin, 500, smear, or whist;
2. 2. The tournament or contest does not provide any direct financial benefit to the promoter or organizer; and
3. 3. The sum of all prizes awarded for each tournament or contest is \$200 or less.

This article adds Texas hold'em to the list of social skill games permitted in tournaments.

- 1 Social skill game.** Adds Texas hold'em to the list of games permitted in tournaments or contests satisfying certain conditions under Minnesota law. Limits participation to persons 18 years and older. Prohibits requirement for payment of entry fee or other consideration. Limits total prizes to any winner in a tournament in a single day to \$200. Requires accommodation to players with disabilities, including Braille cards for players who are blind and announcement of cards visible to the entire table.

Makes this section effective the day following final enactment and specifies that it applies to acts committed on or after that date.