

# HOUSE RESEARCH

## Bill Summary

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### Overview

This bill authorizes the placement of gaming machines by the state lottery at Canterbury Park racetrack. Eighty-five percent of the revenue (total wager minus payouts) would be divided between the racetrack and the general fund, in varying percentages over the first three bienniums. The remaining 15 percent, after payment of the lottery's operating costs, would be divided in the same manner as other lottery net proceeds (40 percent environmental trust fund, 60 percent general fund). The racetrack would be required to use a portion of its share of the receipts for horse racing purses.

The contract between the lottery and the racetrack would not go into effect if all the Indian tribes that have signed gaming compacts with the state agree by July 1, 2003, to share a portion of their revenue with the state and not increase the number of video gaming devices they operate.

### Section

- 1 Purses.** Requires a racetrack that has gaming machines to set aside at least 7.25 percent of adjusted gross gaming machine revenue for horse racing purses. Allows the racetrack and the majority horsepersons' organization to negotiate a different percentage. Requires 20 percent of this money to go to the Minnesota breeders fund for purse supplements.
- 2 In-lieu tax.** Requires the state lottery to pay a tax on adjusted gross gaming machine revenue in lieu of sales tax. The tax rates would be:
  - ▶ FY 2004 and 2005, 55.5 percent

**Section**

- ▶ FY 2006 and 2007, 31.5 percent
- ▶ FY 2008 and after, 40 percent

Requires the revenue to be deposited in the general fund, and further appropriates:

- ▶ 2.5 percent to human services department for compulsive gambling programs and local compulsive gambling screening programs
- ▶ 1 percent to department of corrections for costs of presentence investigation of offenders who have indicated proclivity to compulsive gambling
- ▶ 1 percent to district courts
- ▶ .5 percent to board of public defense

- 3**     **Gambling device possession.** Exempts gambling devices possessed by the state lottery from the general prohibition against possession of gambling devices.
- 4**     **Gambling device distributors.** Allows licensed gambling device distributors and manufacturers to sell, lease, or rent gambling devices to the state lottery.
- 5**     **Gambling in licensed liquor establishments.** Exempts gambling devices at racetracks from the prohibition against gambling devices at establishments licensed for retail liquor sales.
- 6**     **Lottery procurement contract definition.** Adds contracts for gaming machines to the definition of "lottery procurement contract."
- 7**     **Gaming machine definition.** 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.
- 8**     **Gaming machine game.** Defines "gaming machine game" as a game played by a gaming machine.
- 9**     **Gaming machine play.** Defines "gaming machine play" as a record that proves participation in a gaming machine game.
- 10**    **Adjusted gross gaming machine revenue.** Defines "adjusted gross gaming machine revenue" as all money received by the lottery from gaming machine plays, less prizes paid out.
- 11**    **Lottery operations account.** Excludes from the limit of 15 percent of gross revenue that the lottery may spend on lottery operations amounts transferred or retained by a racetrack under a location contract for gaming machines.
- 12**    **Restrictions.** Exempts gaming machines from the prohibition against the lottery installing any coin-operated games.
- 13**    **Gaming machine operation.** Provides for the operation of gaming machines by the state lottery at a racetrack.

**Subd. 1. Location contract.** Authorizes the lottery director to enter into a contract with a class A racetrack operating as of the effective date of the act, under which the racetrack provides locations for gaming machines. Requires contracts to allow compensation to the racetrack of at least the following percentages of adjusted gross gaming machine revenue:

- ▶ FY 2004 and 2005, 29.5 percent
- ▶ FY 2006 and 2007, 53.5 percent

**Section**

- ▶ FY 2008 and after, 45 percent

Requires the racetrack to pay .5 percent of adjusted gross gaming machine revenue annually to both the city and county in which it is located.

**Subd. 2. Machine 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. 3. 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.

**Subd. 4. Games.** Requires the director to specify the games played on gaming machines, including horse racing.

**Subd. 5. Examination of machines.** Provides for examination of prototypes of gaming machines, with costs paid by manufacturer. Allows the director to contract for testing.

**Subd. 6. Testing.** Authorizes the director to require working models of a machine to be brought in for testing, at the manufacturer's expense.

**Subd. 7. 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. 8. Prohibitions.** Prohibits persons under age 18, and the lottery director and lottery employees and their immediate families, from playing gaming machines.

**Subd. 9. Compulsive gambling notice.** Requires the director to post the compulsive gambling hotline number at gaming machine locations. Requires the director and racetrack to develop a proactive plan to identify problem gamblers and take appropriate action.

**Subd. 10. No local license.** Prohibits political subdivisions from licensing, regulating, or taxing gaming machines.

**Subd. 11. Reimbursement to racing commission.** Requires the racing commission to require the class A licensee to reimburse the commission for its costs of regulating the facility.

- 14 **Recovery of money lost.** Exempts gaming machine play from the law that allows persons to sue to recover gambling losses.
- 15 **Gambling debts void.** Exempts gaming machine play from the law that makes gambling debts void.
- 16 **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.
- 17 **Exemption from gambling laws.** Exempts manufacture, possession, sale, and operation of gaming machines from anti-gambling laws.

**Section**

**18**      **Tribal agreements.** Provides that the contract between the lottery and the racetrack may not take effect if, by July 1, 2003, all Indian tribes that have signed a gaming compact with the state make an agreement to:

- ▶ Contribute at least 6 percent of gross profit (gross wager less payouts) to the state for deposit in the general fund
- ▶ Contribute to the state compulsive gambling program each year an amount at least equal to the amount taken from state lottery funds for this program
- ▶ Not increase the number of video gaming devices above the level in use on January 1, 2003
- ▶ Submit annual reports to the state auditor on receipts from gaming and their distribution, and agree to have the reports audited

Provides that the contract moratorium ceases to be in effect if the governor determines that these agreements have been substantially breached.

**19**      **Severability.** Provides that if any provision of the bill is found unconstitutional or otherwise invalid all other provisions remain in effect.

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