

# HOUSE RESEARCH

## Bill Summary

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**Authors:** Thissen and others

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### Overview

Proposes new law for the regulation of "lottery service businesses," which are businesses that purchase lottery tickets for customers or subscribers in exchange for a fee or commission.

#### Section

##### **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. Registration required.** Requires lottery service businesses to have effective registrations with the commissioner of public safety. Permits the commissioner to, by rule, create a registration form and set registration fees sufficient to provide for annual administrative costs. Allows the commissioner to investigate registration applicants and charge an investigation fee. Makes registrations effective for one year.

**Subd. 3. Revocation of registration.** Permits the commissioner to revoke registrations and establishes certain due process protections for businesses facing revocation. Allows the commissioner to revoke registrations upon finding that:

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- the business made a materially false statement in its registration application;
- an officer, director, or employee of the business has been convicted of any felony or gross misdemeanor, or of any crime involving fraud, misrepresentation, or deceit;
- an officer, director, or employee of the business has violated gambling laws or a rule or order of the commissioner of public safety.
- an officer, director, or employee of the business has had a license to conduct business revoked
- the business or its employees engaged in activity that adversely affects public confidence in the integrity of gaming or defrauds customers or subscribers.

**Subd. 4. Cease and desist order.** Permits the commissioner to issue and serve a cease and desist order upon a lottery service business or an officer, director, or employee of the business. Specifically allows orders to require persons to cease and desist from violations of laws governing the state lottery and violations of the commissioner's rules and orders. Establishes due process protections for persons facing potential cease and desist orders.

**Subd. 5. Required statements.** Requires lottery service businesses to clearly and prominently include in all print ads and other print communications intended to solicit business the costs of each lottery ticket provided through the business compared with the costs of a lottery ticket purchased through a lottery retailer. Requires pre-approval of the statement by the commissioner each time a business changes its per lottery ticket price. Requires each print ad and print communication to state that the business is not affiliated with the state lottery and that the lottery will only pay prizes to persons in possession of winning tickets.

**Subd. 6. Prohibitions.** Prohibits lottery service businesses from:

- accepting payment in forms other than cash, check, or money order;
- serving customers under age 18 or paying prizes to persons under age 18;
- having a stake in any lottery pool the business creates. Also prohibits officers, directors and employees from having a stake.

**Subd. 7. 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 in subdivision 8.

**Subd. 8. Unclaimed prizes.** Requires businesses to transmit unclaimed prizes (and interest earned) to the commissioner for deposit in the general fund within ten days of

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a prize becoming unclaimed. 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 deposit.

**Subd. 9. 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.

**Subd. 10. Violation.** Makes the following violations gross misdemeanors:

- operation of a unregistered lottery service business;
- failure to include required statements in print advertising or print communications;
- acceptance of payments other than cash, check, or money order;
- possession of a stake in or ownership of shares in a lottery pool created on behalf of customers and subscribers;
- failure to deposit all money from winnings in a lottery prize account or improperly expending money from the account;
- noncompliance with the required procedures for unclaimed prizes;
- noncompliance with statutory bookkeeping requirements; and
- violation of a cease and desist order.

Also makes it a misdemeanor to serve a customer under age 18 or to pay lottery winnings to a person under age 18.

**Effective date.** This section is effective July 1, 2005.