

# HOUSE RESEARCH

## Bill Summary

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### Article 1: Racino

#### Overview

This bill allows racinos to be licensed in Minnesota.

- 1 Lottery gaming machines; in-lieu tax.** Exempts adjusted gross revenue from gaming machines from existing taxes, and establishes an in-lieu of tax, in order to allow direct expenditure of tax revenues for purposes contained within this legislation. Requires the State Lottery to deposit tax revenues each month with the Commissioner of Revenue. Establishes the state tax rates as follows: 25 percent of annual adjusted gross revenue generated by each licensee, up to \$125 million; 30 percent of these revenues between \$125 and \$200 million; and 40 percent of these revenues over \$200 million.
- 2 Exclusions.** Allows the lottery to possess gaming machines.
- 3 Restrictions.** Allows manufacturers to sell gaming machines to the lottery.
- 4 Gambling prohibited.** Allows gaming machines to be operated at a racetrack.
- 5 Adjusted gross gaming machine revenue.** Establishes what is taken out of gross revenue, to establish a base for taxation. Prizes are taken out.
- 6 Gaming machine.** Defines a gaming machine, as a machine that has a coin deposited to play a game that uses a video display and microprocessors.
- 7 Gaming machine game.** A game on an authorized machine.
- 8 Gaming machine play.** An electronic record proving participation in a game.
- 9 Lottery procurement contract.** A contract to provide gaming machines and maintenance of those games.

- 10 Lottery operations.** Allows the director of the lottery to deposit funds necessary for administration of the machines.
- 11 Restrictions.** Technical, to allow gaming machines to be operated by the lottery.
- 12 Gaming machines.**
- Subd. 1. Location contract.** Allows the director of the lottery to enter into a contract to provide locations for gambling machines. These are limited to racetracks, and the racetracks must have hosted at least 75 days of live racing in the prior year or be approved for 75 days in the coming year. Compensation for each track is set at 60 percent of the first \$125 million of their adjusted gross revenue; 55 percent of revenue between \$125 and \$200 million; and 45 percent of revenue over \$200 million. The city and county where the track is located will each receive 1 percent of the track's share in revenue.
- Subd. 2. Operation.** Requires gaming machines to be operated and controlled by the director. Requires machines to be owned or leased by the director, but allows other aspects to be borne by the licensed facility. States other requirements for machines, including a central gaming facility, allowable use of a vendor, and approval of advertising material.
- Subd. 3. Specifications.** Lists specifications for machines.
- Subd. 4. Games.** Allows the director to specify games, and allows horse races and pari-mutuel wagering to be displayed on the machines.
- Subd. 5. Examination of machines.** Allows the director to examine machines made by the manufacturer.
- Subd. 6. Testing of machines.** Allows the director to have working models of machines delivered for testing; and the manufacturer may be allowed to pay the costs.
- Subd. 7. Prizes.** Requires players to be bound by the rules of the games played. Prevents persons under age 18 from collecting a prize from play.
- Subd. 8. Prohibitions.** Prohibits play by persons under the age of 18; prevents play by the director, employees, or members of households of such persons from playing or receiving prizes.
- Subd. 9. Compulsive gambling notice.** Requires a standard compulsive gambling notice to be given at the Racino.
- Subd. 10. Local licenses.** Prohibits local licenses or fees on machines.
- 13 Recovery of money lost.** Adds gaming machine plays to this existing statute requiring debts to be paid.
- 14 Commitments for gambling debt void.** Exempts game play at the racino from a statute voiding gambling debts.
- 15 What are not bets.** Clarifies that game plays at the racino are not crimes.
- 16 State lottery.** Allows the lottery to operate the racino.
- 17 Severability; savings.** Creates a severability clause, allowing any part of the act that is not deemed unconstitutional to persist.

**18**      **Effective date.** This article is effective the day following final enactment.

## **Article 2: Economic Development Funds**

### **Overview**

Creates economic development funds to benefit the Minnesota economy, and horse racing.

- 1**      **Minnesota Future Fund.** Creates a Minnesota Future Fund within the state treasury. Deposits the money from the in-lieu of tax in this fund. Dedicates all appropriations from the fund for stated purposes: 55 percent for job creation and retention programs; 25 percent for growing new technology businesses; 10 percent for regional grant programs; 10 percent for partnership grants. 2 percent of each of these purposes is allowed for DEED to use as administrative.
- 2**      **Industry improvement fund.** Establishes an industry improvement fund, to aid the horse racing industry. Requires each track to contribute 14 percent of their receipts from the racino to the commission. The commission shall use 80 percent of these monies for a purse fund; 16 percent shall be to the appropriate breeder's fund; 4 percent is for an equine industry enhancement fund.
- 3**      **Repealer.** Repeals existing limits on wagering at card tables, including the size of bets and amounts of wager.
- 4**      **Effective date.** The day following final enactment.