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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1898**

March 12, 2007

Authored by Kahn and Haws

The bill was read for the first time and referred to the Committee on Commerce and Labor

1.1 A bill for an act
1.2 relating to the State Lottery; authorizing the State Lottery to lease space for and
1.3 operate a casino in the main terminal of the Minneapolis-St. Paul International
1.4 Airport; appropriating money; amending Minnesota Statutes 2006, sections
1.5 349A.01, by adding a subdivision; 349A.10, subdivisions 2, 3, 5; 349A.11,
1.6 subdivision 1; 541.20; 541.21; 609.75, subdivision 3; 609.761, subdivision 2;
1.7 proposing coding for new law in Minnesota Statutes, chapter 349A.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. Minnesota Statutes 2006, section 349A.01, is amended by adding a
1.10 subdivision to read:

1.11 Subd. 3a. **Casino net proceeds.** "Casino net proceeds" means total revenues
1.12 received by the director from the operation of a casino under section 349A.17, less prizes
1.13 and winnings paid out and the capital and operating costs of the casino.

1.14 Sec. 2. Minnesota Statutes 2006, section 349A.10, subdivision 2, is amended to read:

1.15 **Subd. 2. Deposit in prize fund.** (a) The director shall establish a lottery prize
1.16 fund outside the state treasury. The fund consists of all money deposited in it under this
1.17 subdivision and all interest earned thereon.

1.18 (b) The director shall deposit in the lottery prize fund, from gross receipts from the
1.19 sale of lottery tickets, an amount sufficient to pay lottery prizes, other than prizes and
1.20 winnings from the casino under section 349A.17, from the lottery prize fund according to
1.21 the following provisions:

1.22 (1) for games which require online terminal connections, the prizes paid in any fiscal
1.23 year must be at least 45 percent of gross receipts from those games in that fiscal year;

- 2.1 (2) for games which do not require online terminal connections, the prizes paid in any
2.2 fiscal year must be at least the following percentages of gross receipts from those games:
2.3 (i) 50 percent through fiscal year 1991;
2.4 (ii) 55 percent from July 1, 1991, to June 30, 1992; and
2.5 (iii) 60 percent thereafter.

2.6 Sec. 3. Minnesota Statutes 2006, section 349A.10, subdivision 3, is amended to read:

2.7 Subd. 3. **Lottery operations.** (a) The director shall establish a lottery operations
2.8 account in the lottery fund. The director shall pay all costs of operating the lottery,
2.9 including payroll costs or amounts transferred to the state treasury for payroll costs, but not
2.10 including lottery prizes or costs of operating the casino under this section, from the lottery
2.11 operating account. The director shall credit to the lottery operations account amounts
2.12 sufficient to pay the operating costs of the lottery other than casino operating costs.

2.13 (b) Except as provided in paragraph (e), the director may not credit in any fiscal
2.14 year thereafter amounts to the lottery operations account which when totaled exceed
2.15 nine percent of gross revenue to the lottery fund in that fiscal year. In computing total
2.16 amounts credited to the lottery operations account under this paragraph the director shall
2.17 disregard amounts transferred to or retained by lottery retailers as sales commissions or
2.18 other compensation.

2.19 (c) The director of the lottery may not expend after July 1, 1991, more than 2-3/4
2.20 percent of gross revenues in a fiscal year for contracts for the preparation, publication,
2.21 and placement of advertising. This restriction does not apply to advertising for the casino
2.22 under section 349A.17.

2.23 (d) Except as the director determines, the lottery is not subject to chapter 16A
2.24 relating to budgeting, payroll, and the purchase of goods and services.

2.25 (e) In addition to the amounts credited to the lottery operations account under
2.26 paragraph (b), the director is authorized, if necessary, to meet the current obligations of
2.27 the lottery and to credit up to 25 percent of an amount equal to the average annual amount
2.28 which was authorized to be credited to the lottery operations account for the previous three
2.29 fiscal years but was not needed to meet the obligations of the lottery.

2.30 (f) The director shall establish a casino operations account in the lottery fund.
2.31 The director shall credit to the casino operations account amounts sufficient to pay the
2.32 operating costs of the casino, including prizes and winnings at the casino. The director
2.33 shall pay from the casino operations fund all costs of operating the casino established
2.34 under section 349A.17, including payroll costs or amounts transferred to the state treasury
2.35 for payroll costs and all amounts paid out as prizes or winnings at the casino.

3.1 Sec. 4. Minnesota Statutes 2006, section 349A.10, subdivision 5, is amended to read:

3.2 Subd. 5. **Deposit of net proceeds.** Within 30 days after the end of each month, the
 3.3 director shall deposit in the state treasury the net proceeds of the lottery, which is the
 3.4 balance in the lottery fund after transfers to the lottery prize fund and credits to the lottery
 3.5 operations account and casino net proceeds. Of the net proceeds, 40 percent must be
 3.6 credited to the Minnesota environment and natural resources trust fund and the remainder
 3.7 must be credited to the general fund.

3.8 Sec. 5. Minnesota Statutes 2006, section 349A.11, subdivision 1, is amended to read:

3.9 Subdivision 1. **Lottery ticket; retailer.** The director, an employee of the lottery,
 3.10 a member of the immediate family of the director or employee residing in the same
 3.11 household may not:

3.12 (1) purchase a lottery ticket or participate in gambling at the casino established
 3.13 under section 349A.17; or

3.14 (2) have any personal pecuniary interest in any vendor holding a lottery procurement
 3.15 contract, or in any lottery retailer; or

3.16 (3) receive any gift, gratuity, or other thing of value, excluding food or beverage,
 3.17 from any lottery vendor or lottery retailer, or person applying to be a retailer or vendor, in
 3.18 excess of \$100 in any calendar year.

3.19 Sec. 6. **[349A.17] OPERATION OF CASINO.**

3.20 Subdivision 1. **Agreement.** The director shall lease a facility within the main
 3.21 terminal of the Minneapolis-St. Paul International Airport for the purpose of operating
 3.22 a casino. The Metropolitan Airports Commission shall not unreasonably refuse to lease
 3.23 space in the main terminal for this purpose.

3.24 Subd. 2. **Types of gambling.** The director shall provide for the types of gambling
 3.25 to be conducted at the casino and game procedures subject to section 349A.04. Section
 3.26 349A.13, clause (2), does not apply to gambling conducted at the casino.

3.27 Subd. 3. **Contracts.** The director may contract with private vendors for goods and
 3.28 services for the casino, consistent with the constitutional requirement that the casino be
 3.29 state-operated. Contracts under this section are subject to section 349A.07.

3.30 Subd. 4. **Personnel.** (a) The director may as necessary appoint personnel to operate
 3.31 the casino according to section 349A.02, subdivision 6, and chapter 43A, except that all
 3.32 employees will be in the unclassified service.

3.33 (b) No person or entity that holds a contract for the supply of goods or services to the
 3.34 director may employ in any capacity that relates directly to casino operations, or have as a

4.1 partner, officer, or director, any person who has been convicted within the previous five
4.2 years of a felony or gross misdemeanor, any crime involving fraud or misrepresentation,
4.3 or any gambling-related offense. Failure by a contractor to comply with this requirement
4.4 is grounds for termination of the contract.

4.5 Subd. 5. **Employee licenses.** (a) For purposes of this subdivision, "employee"
4.6 means a person employed at the casino by a person or entity holding a contract with the
4.7 director to provide goods or services to the casino.

4.8 (b) The director shall by rule prescribe the occupations that the director determines
4.9 requires licensing in order to ensure the integrity of gambling at the casino, and the fee for
4.10 each licensing category. No person may be an employee at the casino in an occupation
4.11 covered by the director's rules unless the person has a license issued by the director for
4.12 that occupation.

4.13 (c) An application for a license under this subdivision must be accompanied by an
4.14 affidavit of qualification that the applicant has not (1) been convicted within the previous
4.15 five years of a felony or gross misdemeanor, a crime involving fraud or misrepresentation,
4.16 or a gambling-related offense, or (2) been determined to have violated a rule of the
4.17 director, the racing commission, the gambling control board, or a gambling-related
4.18 regulatory body in another state.

4.19 (d) The director shall investigate each applicant for a license under this subdivision
4.20 to the extent the director considers necessary and may request the assistance of and
4.21 may reimburse the division of alcohol and gambling enforcement in investigating
4.22 applicants. The director may by rule require that an applicant be fingerprinted or furnish
4.23 the applicant's fingerprints. The director may charge an applicant an investigation fee to
4.24 cover the cost of the investigation and shall from this fee reimburse the division of alcohol
4.25 and gambling enforcement for its share of the cost of the investigation. The director
4.26 may cooperate with national and international organizations and agencies in conducting
4.27 investigations. The director may by rule provide for examining the qualifications of an
4.28 applicant for the license being applied for. The director has access to all criminal history
4.29 data compiled by the Division of Alcohol and Gambling Enforcement on applicants and
4.30 licensees under this subdivision.

4.31 (e) If after compliance with this subdivision the director determines that an applicant
4.32 is not disqualified under paragraph (c) and that licensing the applicant is consistent with
4.33 the public health, welfare, and safety, the director shall issue a license to an applicant or
4.34 renew a license already issued. Licenses under this subdivision are valid for one year
4.35 from the date of issuance.

5.1 (f) The director may revoke or refuse to renew a license under this subdivision for
5.2 (1) conduct, including a violation of a law or rule that the director determines adversely
5.3 affects the integrity of gambling at the casino, and (2) intentionally making a false
5.4 statement in a license application. The director may suspend a license for a period of time
5.5 the director determines for a violation of law or rule.

5.6 (g) A license revocation or suspension under this subdivision for more than 90 days
5.7 is a contested case under sections 14.57 to 14.69 of the Administrative Procedure Act and
5.8 is in addition to criminal penalties imposed for a violation of law or rule. The director may
5.9 summarily suspend a license for more than 90 days prior to a contested case hearing where
5.10 it is necessary to ensure the integrity of gambling at the casino. A contested case hearing
5.11 must be held within 20 days of the summary suspension and the administrative law judge's
5.12 report must be issued within 20 days from the close of the hearing record. In all cases
5.13 involving summary suspension, the director must issue its final decision within 30 days
5.14 from receipt of the report of the administrative law judge and subsequent exceptions and
5.15 arguments under section 14.61.

5.16 Subd. 6. Prizes. A person who plays a game at the casino agrees to be bound by the
5.17 game procedures applicable to that game. The player acknowledges that the determination
5.18 of winnings is subject to the rules of the director, game procedures and claim procedures
5.19 established for that game, and any confidential or public validation procedures established
5.20 by the director for that game.

5.21 Subd. 7. Restrictions. (a) No person under the age of 18 years may play any game
5.22 at the casino or win a prize from any game at the casino.

5.23 (b) No person may be admitted to the casino who does not possess a valid ticket
5.24 issued in the person's name by an airline making regularly scheduled flights in and out
5.25 of the airport, for a flight with a departure time not more than 12 hours after admission
5.26 to the casino, or for a flight that has arrived not more than 12 hours before admission
5.27 to the casino.

5.28 Sec. 7. Minnesota Statutes 2006, section 541.20, is amended to read:

5.29 **541.20 RECOVERY OF MONEY LOST.**

5.30 Every person who, by playing at cards, dice, or other game, or by betting on the
5.31 hands or sides of such as are gambling, shall lose to any person so playing or betting
5.32 any sum of money or any goods, and pays or delivers the same, or any part thereof, to
5.33 the winner, may sue for and recover such money by a civil action, before any court
5.34 of competent jurisdiction. For purposes of this section, gambling shall not include
5.35 pari-mutuel wagering conducted under a license issued pursuant to chapter 240, purchase

6.1 or sale of tickets in the state lottery, participation in gambling at the casino authorized
 6.2 under section 349A.17, or gambling authorized under chapters 349 and 349A.

6.3 Sec. 8. Minnesota Statutes 2006, section 541.21, is amended to read:

6.4 **541.21 COMMITMENTS FOR GAMBLING DEBT VOID.**

6.5 Every note, bill, bond, mortgage, or other security or conveyance in which the whole
 6.6 or any part of the consideration shall be for any money or goods won by gambling or
 6.7 playing at cards, dice, or any other game whatever, or by betting on the sides or hands
 6.8 of any person gambling, or for reimbursing or repaying any money knowingly lent or
 6.9 advanced at the time and place of such gambling or betting, or lent and advanced for any
 6.10 gambling or betting to any persons so gambling or betting, shall be void and of no effect
 6.11 as between the parties to the same, and as to all persons except such as hold or claim under
 6.12 them in good faith, without notice of the illegality of the consideration of such contract or
 6.13 conveyance. The provisions of this section shall not apply to: (1) pari-mutuel wagering
 6.14 conducted under a license issued pursuant to chapter 240; (2) purchase of tickets in the
 6.15 state lottery and casino gambling activities under chapter 349A; (3) gaming activities
 6.16 conducted pursuant to the Indian Gaming Regulatory Act, 25 U.S.C. 2701 et seq.; or (4)
 6.17 lawful gambling activities permitted under chapter 349.

6.18 Sec. 9. Minnesota Statutes 2006, section 609.75, subdivision 3, is amended to read:

6.19 Subd. 3. **What are not bets.** The following are not bets:

6.20 (1) A contract to insure, indemnify, guarantee or otherwise compensate another for a
 6.21 harm or loss sustained, even though the loss depends upon chance.

6.22 (2) A contract for the purchase or sale at a future date of securities or other
 6.23 commodities.

6.24 (3) Offers of purses, prizes or premiums to the actual contestants in any bona fide
 6.25 contest for the determination of skill, speed, strength, endurance, or quality or to the bona
 6.26 fide owners of animals or other property entered in such a contest.

6.27 (4) The game of bingo when conducted in compliance with sections 349.11 to
 6.28 349.23.

6.29 (5) A private social bet not part of or incidental to organized, commercialized,
 6.30 or systematic gambling.

6.31 (6) The operation of equipment or the conduct of a raffle under sections 349.11 to
 6.32 349.22, by an organization licensed by the Gambling Control Board or an organization
 6.33 exempt from licensing under section 349.166.

7.1 (7) Pari-mutuel betting on horse racing when the betting is conducted under chapter
7.2 240.

7.3 (8) The purchase and sale of state lottery tickets and participation in the
7.4 state-operated casino under chapter 349A.

7.5 Sec. 10. Minnesota Statutes 2006, section 609.761, subdivision 2, is amended to read:

7.6 Subd. 2. **State lottery.** Sections 609.755 and 609.76 do not prohibit the operation of
7.7 the state lottery or the sale, possession, or purchase of tickets for the state lottery or casino
7.8 gambling activities under chapter 349A.

7.9 Sec. 11. **APPROPRIATION.**

7.10 The amount needed for capital, acquisition, and initial operating costs of the casino
7.11 authorized under this act is appropriated from the general fund to the director of the State
7.12 Lottery. The director must repay this appropriation from the State Lottery fund, with
7.13 interest at the average monthly rate on invested treasurer's cash, not later than three
7.14 months after the first date of operation of the casino.