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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-FIFTH  
SESSION

**HOUSE FILE No. 3303**

February 21, 2008

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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 State Lottery; authorizing the director of the State Lottery to establish  
1.3 video lottery terminals; providing duties and powers to the director of the State  
1.4 Lottery; providing for the use of video lottery revenues; modifying certain  
1.5 lawful gambling taxes; making clarifying, conforming, and technical changes;  
1.6 amending Minnesota Statutes 2006, sections 297A.94; 297E.02, subdivision 1;  
1.7 299L.02, subdivision 1; 299L.07, subdivisions 2, 2a; 340A.410, subdivision  
1.8 5; 349.15, subdivision 1, as amended; 349A.01, subdivisions 10, 11, 12, by  
1.9 adding subdivisions; 349A.04; 349A.06, subdivisions 1, 5, 8, 10, by adding  
1.10 subdivisions; 349A.08, subdivisions 1, 5, 8; 349A.09, subdivision 1; 349A.10,  
1.11 subdivisions 2, 3, 4, 6; 349A.11, subdivision 1; 349A.12, subdivisions 1, 2;  
1.12 349A.13; 541.20; 541.21; 609.651, subdivision 1; 609.75, subdivisions 3, 4;  
1.13 609.761, subdivision 2; proposing coding for new law in Minnesota Statutes,  
1.14 chapters 297A; 349A; repealing Minnesota Statutes 2006, sections 297E.01,  
1.15 subdivision 7; 297E.02, subdivisions 4, 6, 7.

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

1.17 Section 1. **[297A.652] LOTTERY GAMING MACHINES; IN-LIEU TAX.**

1.18 Net terminal income from the operation of video lottery terminals authorized under  
1.19 section 349A.071 is exempt from the tax imposed under section 297A.62. The State  
1.20 Lottery must on or before the 20th day of each month transmit to the commissioner an  
1.21 amount equal to the net terminal income from the operation of video lottery terminals  
1.22 as defined in section 349A.01, for the previous month multiplied by 28 percent. The  
1.23 commissioner shall deposit the money transmitted under this section in the state treasury  
1.24 to be credited as provided in section 297A.94.

1.25 Sec. 2. Minnesota Statutes 2006, section 297A.94, is amended to read:

1.26 **297A.94 DEPOSIT OF REVENUES.**

2.1 (a) Except as provided in this section, the commissioner shall deposit the revenues,  
2.2 including interest and penalties, derived from the taxes imposed by this chapter in the state  
2.3 treasury and credit them to the general fund.

2.4 (b) The commissioner shall deposit taxes in the Minnesota agricultural and economic  
2.5 account in the special revenue fund if:

2.6 (1) the taxes are derived from sales and use of property and services purchased for  
2.7 the construction and operation of an agricultural resource project; and

2.8 (2) the purchase was made on or after the date on which a conditional commitment  
2.9 was made for a loan guaranty for the project under section 41A.04, subdivision 3.

2.10 The commissioner of finance shall certify to the commissioner the date on which the  
2.11 project received the conditional commitment. The amount deposited in the loan guaranty  
2.12 account must be reduced by any refunds and by the costs incurred by the Department of  
2.13 Revenue to administer and enforce the assessment and collection of the taxes.

2.14 (c) The commissioner shall deposit the revenues, including interest and penalties,  
2.15 derived from the taxes imposed on sales and purchases included in section 297A.61,  
2.16 subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them  
2.17 as follows:

2.18 (1) first to the general obligation special tax bond debt service account in each fiscal  
2.19 year the amount required by section 16A.661, subdivision 3, paragraph (b); and

2.20 (2) after the requirements of clause (1) have been met, the balance to the general  
2.21 fund.

2.22 (d) The commissioner shall deposit the revenues, including interest and penalties,  
2.23 collected under section 297A.64, subdivision 5, in the state treasury and credit them to the  
2.24 general fund. By July 15 of each year the commissioner shall transfer to the highway user  
2.25 tax distribution fund an amount equal to the excess fees collected under section 297A.64,  
2.26 subdivision 5, for the previous calendar year.

2.27 (e) For fiscal year 2001, 97 percent; for fiscal years 2002 and 2003, 87 percent; and  
2.28 for fiscal year 2004 and thereafter, 72.43 percent of the revenues, including interest and  
2.29 penalties, transmitted to the commissioner under section 297A.65, must be deposited by  
2.30 the commissioner in the state treasury as follows:

2.31 (1) 50 percent of the receipts must be deposited in the heritage enhancement account  
2.32 in the game and fish fund, and may be spent only on activities that improve, enhance, or  
2.33 protect fish and wildlife resources, including conservation, restoration, and enhancement  
2.34 of land, water, and other natural resources of the state;

2.35 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and  
2.36 may be spent only for state parks and trails;

3.1 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and  
 3.2 may be spent only on metropolitan park and trail grants;

3.3 (4) three percent of the receipts must be deposited in the natural resources fund, and  
 3.4 may be spent only on local trail grants; and

3.5 (5) two percent of the receipts must be deposited in the natural resources fund,  
 3.6 and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and  
 3.7 Conservatory, and the Duluth Zoo.

3.8 (f) Revenues transmitted to the commissioner under section 297A.652 must be  
 3.9 deposited by the commissioner in the state treasury as provided:

3.10 (1) 33 percent must be deposited into a general property tax relief account in the  
 3.11 state treasury. Money in this account and any interest earned thereon may not be spent  
 3.12 until appropriated by law for fiscal year 2009 and thereafter and is dedicated for the  
 3.13 purpose of replacing revenue lost as a result of the reduction of property taxes provided  
 3.14 in section 273.135;

3.15 (2) 33 percent must be deposited into the health care access fund under section  
 3.16 16A.724;

3.17 (3) 33 percent must be deposited into a general education account in the state  
 3.18 treasury. Money in this account and any interest thereon may not be spent until  
 3.19 appropriated by law for fiscal year 2009 and thereafter and is dedicated for general  
 3.20 education revenue under section 126C.10; and

3.21 (4) the remainder must be deposited in the general fund.

3.22 ~~(f)~~ (g) The revenue dedicated under ~~paragraph~~ paragraphs (e) and (f) may not be  
 3.23 used as a substitute for traditional sources of funding for the purposes specified, but the  
 3.24 dedicated revenue shall supplement traditional sources of funding for those purposes. Land  
 3.25 acquired with money deposited in the game and fish fund under paragraph (e) must be open  
 3.26 to public hunting and fishing during the open season, except that in aquatic management  
 3.27 areas or on lands where angling easements have been acquired, fishing may be prohibited  
 3.28 during certain times of the year and hunting may be prohibited. At least 87 percent of the  
 3.29 money deposited in the game and fish fund for improvement, enhancement, or protection  
 3.30 of fish and wildlife resources under paragraph (e) must be allocated for field operations.

3.31 Sec. 3. Minnesota Statutes 2006, section 297E.02, subdivision 1, is amended to read:

3.32 Subdivision 1. **Imposition.** A tax is imposed on all lawful gambling ~~other than~~  
 3.33 ~~(1) pull-tab deals or games; (2) tipboard deals or games; and (3) items listed in section~~  
 3.34 ~~297E.01, subdivision 8, clauses (4) and (5),~~ at the rate of 8.5 percent on the gross receipts  
 3.35 as defined in section 297E.01, subdivision 8, less prizes actually paid. The tax imposed

4.1 by this subdivision is in lieu of the tax imposed by section 297A.62 and all local taxes  
4.2 and license fees except a fee authorized under section 349.16, subdivision 8, or a tax  
4.3 authorized under subdivision 5.

4.4 The tax imposed under this subdivision is payable by the organization or party  
4.5 conducting, directly or indirectly, the gambling.

4.6 **EFFECTIVE DATE.** This section is effective July 1, 2008.

4.7 Sec. 4. Minnesota Statutes 2006, section 299L.02, subdivision 1, is amended to read:

4.8 Subdivision 1. **Lottery.** (a) The director shall when required under chapter 349A or  
4.9 when requested by the director of the lottery conduct background checks on employees of  
4.10 the State Lottery, lottery retailers, and bidders of lottery procurement contracts.

4.11 (b) The director shall, when so requested by the director of the State Lottery or when  
4.12 the director believes it to be reasonable and necessary, conduct investigations of lottery  
4.13 retailers, applicants for lottery retailer contracts, suppliers of goods or services to the State  
4.14 Lottery, and persons bidding on contracts for goods or services with the State Lottery.

4.15 (c) The director shall conduct an annual security audit of the State Lottery, or arrange  
4.16 for such an audit by an outside agency or person, firm, or corporation. The director shall  
4.17 report to the director of the lottery on the results of the audit.

4.18 (d) The director shall deposit in a separate account in the state treasury all money  
4.19 received from the director of the State Lottery for charges for investigations and  
4.20 background checks relating to the owning and operating of video lottery terminals under  
4.21 chapter 349A. Money in the account is appropriated to the director for the purpose of  
4.22 carrying out the director's powers and duties under this subdivision.

4.23 Sec. 5. Minnesota Statutes 2006, section 299L.07, subdivision 2, is amended to read:

4.24 Subd. 2. **Exclusions.** Notwithstanding subdivision 1, a gambling device:

4.25 (1) may be sold by a person who is not licensed under this section, if the person (i) is  
4.26 not engaged in the trade or business of selling gambling devices, and (ii) does not sell  
4.27 more than one gambling device in any calendar year;

4.28 (2) may be sold by the governing body of a federally recognized Indian tribe  
4.29 described in subdivision 2a, paragraph (b), clause (1), which is not licensed under this  
4.30 section, if (i) the gambling device was operated by the Indian tribe, (ii) the sale is to  
4.31 a distributor licensed under this section, and (iii) the licensed distributor notifies the  
4.32 commissioner of the purchase, in the same manner as is required when the licensed  
4.33 distributor ships a gambling device into Minnesota;

5.1 (3) may be possessed by a person not licensed under this section if the person holds  
5.2 a permit issued under section 299L.08; ~~and~~

5.3 (4) may be possessed by a state agency, with the written authorization of the director,  
5.4 for display or evaluation purposes only and not for the conduct of gambling; and

5.5 (5) may be possessed by the State Lottery as authorized under chapter 349A.

5.6 Sec. 6. Minnesota Statutes 2006, section 299L.07, subdivision 2a, is amended to read:

5.7 Subd. 2a. **Restrictions.** (a) A manufacturer licensed under this section may sell,  
5.8 offer to sell, lease, or rent, in whole or in part, a gambling device only to a distributor  
5.9 licensed under this section or to the State Lottery as authorized under chapter 349A.

5.10 (b) A distributor licensed under this section may sell, offer to sell, market, rent,  
5.11 lease, or otherwise provide, in whole or in part, a gambling device only to:

5.12 (1) the governing body of a federally recognized Indian tribe that is authorized  
5.13 to operate the gambling device under a tribal state compact under the Indian Gaming  
5.14 Regulatory Act, Public Law 100-497, and future amendments to it;

5.15 (2) a person for use in the person's dwelling for display or amusement purposes in a  
5.16 manner that does not afford players an opportunity to obtain anything of value;

5.17 (3) another distributor licensed under this section; ~~or~~

5.18 (4) a person in another state who is authorized under the laws of that state to possess  
5.19 the gambling device; or

5.20 (5) the State Lottery as authorized under chapter 349A.

5.21 Sec. 7. Minnesota Statutes 2006, section 340A.410, subdivision 5, is amended to read:

5.22 Subd. 5. **Gambling prohibited.** (a) Except as otherwise provided in this  
5.23 subdivision, no retail establishment licensed to sell alcoholic beverages may keep, possess,  
5.24 or operate, or permit the keeping, possession, or operation on the licensed premises of dice  
5.25 or any gambling device as defined in section 349.30, or permit gambling therein.

5.26 (b) Gambling equipment may be kept or operated and raffles conducted on licensed  
5.27 premises and adjoining rooms when the use of the gambling equipment is authorized by  
5.28 (1) chapter 349, (2) a tribal ordinance in conformity with the Indian Gaming Regulatory  
5.29 Act, Public Law 100-497, or (3) a tribal-state compact authorized under section 3.9221.

5.30 (c) Lottery tickets may be purchased and sold within the licensed premises as  
5.31 authorized by the director of the lottery under chapter 349A.

5.32 (d) Dice may be kept and used on licensed premises and adjoining rooms as  
5.33 authorized by section 609.761, subdivision 4.

6.1 (e) Gambling devices may be operated and gambling permitted as authorized by  
6.2 chapter 349A.

6.3 Sec. 8. Minnesota Statutes 2006, section 349.15, subdivision 1, as amended by Laws  
6.4 2007, chapter 145, section 4, is amended to read:

6.5 Subdivision 1. **Expenditure restrictions.** (a) Gross profits from lawful gambling  
6.6 may be expended only for lawful purposes or allowable expenses as authorized by the  
6.7 membership of the conducting organization at a monthly meeting of the organization's  
6.8 membership.

6.9 ~~Provided that~~ (b) Except as provided in paragraph (c), no more than 70 percent of the  
6.10 gross profit from bingo, and no more than 60 percent of the gross profit from other forms of  
6.11 lawful gambling, may be expended biennially during the term of the license for allowable  
6.12 expenses related to lawful gambling. For licenses issued after June 30, 2006, compliance  
6.13 with this subdivision will be measured on a biennial basis that is concurrent with the term  
6.14 of the license. Compliance with this subdivision is a condition for the renewal of any  
6.15 license beginning on July 1, 2008. For licenses renewed with an effective date between  
6.16 July 1, 2006, and June 30, 2008, an organization shall carry forward an amount equal to  
6.17 15 percent of any positive allowable expense carryover amount. This balance must be  
6.18 used to offset any future negative expense balance at the time of license renewal.

6.19 (c) Money received by an organization from net video lottery terminal income under  
6.20 section 349A.06, subdivision 6a, may be expended only for lawful purposes.

6.21 Sec. 9. Minnesota Statutes 2006, section 349A.01, is amended by adding a subdivision  
6.22 to read:

6.23 Subd. 9a. **Lottery game.** "Lottery game" means any game operated by the lottery  
6.24 where the prize is determined primarily by chance.

6.25 Sec. 10. Minnesota Statutes 2006, section 349A.01, subdivision 10, is amended to read:

6.26 Subd. 10. **Lottery procurement contract.** "Lottery procurement contract" means a  
6.27 contract to provide lottery products, computer hardware and software used to monitor sales  
6.28 of lottery tickets and sales on a video lottery terminal, and lottery tickets, video lottery  
6.29 terminals, and maintenance of video lottery terminals. "Lottery procurement contract"  
6.30 does not include a contract to provide an annuity or prize payment agreement or materials,  
6.31 supplies, equipment, or services common to the ordinary operation of a state agency.

6.32 Sec. 11. Minnesota Statutes 2006, section 349A.01, subdivision 11, is amended to read:

7.1 Subd. 11. **Lottery retailer.** "Lottery retailer" means a person with whom the  
7.2 director has contracted to sell lottery tickets to the public. A lottery retailer includes a  
7.3 person with whom the director has contracted to place a video lottery terminal within its  
7.4 premises where video lottery terminal plays are sold.

7.5 Sec. 12. Minnesota Statutes 2006, section 349A.01, subdivision 12, is amended to read:

7.6 Subd. 12. **Lottery ticket or ticket.** "Lottery ticket" or "ticket" means any tangible  
7.7 evidence issued by the lottery to prove participation in a lottery game other than a video  
7.8 lottery game.

7.9 Sec. 13. Minnesota Statutes 2006, section 349A.01, is amended by adding a  
7.10 subdivision to read:

7.11 Subd. 14. **Net terminal income.** "Net terminal income" means the sum of all  
7.12 money spent for video lottery terminal plays less the value of video lottery credit receipts.

7.13 Sec. 14. Minnesota Statutes 2006, section 349A.01, is amended by adding a  
7.14 subdivision to read:

7.15 Subd. 15. **Video lottery credit.** "Video lottery credit" means the basic unit of  
7.16 play for a video lottery terminal.

7.17 Sec. 15. Minnesota Statutes 2006, section 349A.01, is amended by adding a  
7.18 subdivision to read:

7.19 Subd. 16. **Video lottery credit receipt.** "Video lottery credit receipt" means a  
7.20 receipt generated by a video lottery terminal that provides evidence of cash payment due a  
7.21 player from play on a video lottery terminal.

7.22 Sec. 16. Minnesota Statutes 2006, section 349A.01, is amended by adding a  
7.23 subdivision to read:

7.24 Subd. 17. **Video lottery game.** "Video lottery game" means an electronically  
7.25 simulated game authorized by the director that is displayed and played on a video lottery  
7.26 terminal for consideration and with prizes awarded for designated results. Video lottery  
7.27 game includes video poker games, keno, and video pull-tabs.

7.28 Sec. 17. Minnesota Statutes 2006, section 349A.01, is amended by adding a  
7.29 subdivision to read:

8.1            Subd. 18. **Video lottery terminal.** "Video lottery terminal" means any machine,  
8.2 system, or device which upon payment of consideration permits the play of a video  
8.3 lottery game.

8.4            Sec. 18. Minnesota Statutes 2006, section 349A.01, is amended by adding a  
8.5 subdivision to read:

8.6            Subd. 19. **Video lottery terminal play.** "Video lottery terminal play" means an  
8.7 electronic record that proves participation in a video lottery game.

8.8            Sec. 19. Minnesota Statutes 2006, section 349A.01, is amended by adding a  
8.9 subdivision to read:

8.10           Subd. 20. **Win percentage.** "Win percentage" means the portion of the money  
8.11 wagered by players on a video lottery terminal that is available for the payment of prizes  
8.12 to winning players.

8.13            Sec. 20. Minnesota Statutes 2006, section 349A.04, is amended to read:

8.14            **349A.04 LOTTERY GAME PROCEDURES.**

8.15            The director may adopt game procedures governing the following elements of the  
8.16 lottery:

- 8.17            (1) lottery games;
- 8.18            (2) ticket prices;
- 8.19            (3) number and size of prizes;
- 8.20            (4) methods of selecting winning tickets; ~~and~~
- 8.21            (5) frequency and method of drawings;
- 8.22            (6) video lottery terminals; and
- 8.23            (7) cost of video lottery plays.

8.24            The adoption of lottery game procedures is not subject to chapter 14.

8.25            Sec. 21. Minnesota Statutes 2006, section 349A.06, subdivision 1, is amended to read:

8.26            Subdivision 1. **Contracts.** The director shall sell tickets and operate video lottery  
8.27 terminals for the lottery through lottery retailers with whom the director contracts.

8.28            Contracts under this section are not subject to the provisions of sections 16C.03, 16C.05,  
8.29 16C.06, 16C.08, 16C.09, and 16C.10, and are valid for a period of one year. The director  
8.30 may permit a retailer to sell tickets and operate video lottery terminals at more than one  
8.31 business location under a contract entered into under this section.

9.1 Sec. 22. Minnesota Statutes 2006, section 349A.06, subdivision 5, is amended to read:

9.2 Subd. 5. **Restrictions on lottery retailers.** (a) A lottery retailer may sell lottery  
9.3 tickets or have a video lottery terminal placed only on the premises described in the  
9.4 contract.

9.5 (b) A lottery retailer must prominently display a certificate issued by the director  
9.6 on the premises where lottery tickets will be sold or where video lottery terminals are  
9.7 operated.

9.8 (c) A lottery retailer must keep a complete set of books of account, correspondence,  
9.9 and all other records necessary to show fully the retailer's lottery transactions, and make  
9.10 them available for inspection by employees of the lottery at all times during business  
9.11 hours. The director may require a lottery retailer to furnish information as the director  
9.12 deems necessary to carry out the purposes of this chapter, and may require an audit to be  
9.13 made of the books of account and records. The director may select an auditor to perform  
9.14 the audit and may require the retailer to pay the cost of the audit. The auditor has the same  
9.15 right of access to the books of account, correspondence, and other records as is given to  
9.16 employees of the lottery.

9.17 (d) A contract issued under this section may not be transferred or assigned.

9.18 (e) The director shall require that lottery tickets may be sold by retailers only for  
9.19 cash.

9.20 (f) A lottery retailer must prominently post at the point of sale of lottery tickets  
9.21 and the area where video lottery terminals are located, in a manner approved by the  
9.22 commissioner of human services, the toll-free telephone number established by the  
9.23 commissioner of human services in connection with the compulsive gambling program  
9.24 established under section 245.98.

9.25 Sec. 23. Minnesota Statutes 2006, section 349A.06, is amended by adding a  
9.26 subdivision to read:

9.27 Subd. 5a. **Restrictions on lottery retailers; video lottery terminals.** (a) The  
9.28 director may only enter into a lottery retailer contract for games operated by a video lottery  
9.29 terminal with a retailer that has a license to sell alcoholic beverages for consumption on  
9.30 the premises where sold. This does not include a retailer who has only a temporary on-sale  
9.31 license or a retailer of 3.2 percent malt liquor whose total gross receipts from the premises  
9.32 were less than 50 percent attributable to the sale of 3.2 percent malt liquor.

9.33 (b) The director may not contract with a retailer for games operated by a video  
9.34 lottery terminal unless the retailer has an organization licensed under chapter 349  
9.35 authorized and conducting lawful gambling on the premises.

10.1           (c) A lottery retailer authorized to sell games operated by a video lottery terminal  
10.2 may not cancel or refuse to renew a lease with an organization licensed under chapter 349  
10.3 authorized and conducting lawful gambling on its premises for three years following  
10.4 the effective date of this act, unless the organization has failed to comply with its lease  
10.5 with the retailer.

10.6           (d) A lottery retailer may have up to five video lottery terminals on the retailer's  
10.7 premises, as determined by the director.

10.8           (e) A lottery retailer that is authorized to operate a video lottery terminal may not  
10.9 make reference to the establishment being a "casino," or use the word "casino" in its name  
10.10 or in any of its advertisements.

10.11           (f) The director, or any employee of the director, may inspect any video lottery  
10.12 terminal at any time during the hours when alcoholic beverages may be sold at on-sale  
10.13 under section 340A.504, subdivisions 1, 2, and 3, without notice, to ensure compliance  
10.14 with this chapter and any rules adopted by the director.

10.15           Sec. 24. Minnesota Statutes 2006, section 349A.06, is amended by adding a  
10.16 subdivision to read:

10.17           Subd. 6a. **Retention by retailers; video lottery terminals.** A lottery retailer who  
10.18 has a contract for placement of video lottery terminals may retain 31 percent of the net  
10.19 terminal income from the terminals located within its premises as commission. The lottery  
10.20 retailer receiving commission under this subdivision shall transmit to an organization  
10.21 licensed under chapter 349, and conducting lawful gambling on the premises of the  
10.22 retailer, 29 percent of the lottery retailer's commission received under this subdivision.  
10.23 If more than one organization conducts lawful gambling on the premises, the payment  
10.24 must be reasonably allocated between the organizations, pro rata based on their respective  
10.25 gross receipts.

10.26           Sec. 25. Minnesota Statutes 2006, section 349A.06, subdivision 8, is amended to read:

10.27           Subd. 8. **Proceeds of sales.** All proceeds from the sale of lottery tickets or proceeds  
10.28 from the sale of video lottery terminal plays received by a lottery retailer constitute a trust  
10.29 fund until paid to the director. The lottery retailer is personally liable for all proceeds.

10.30           Sec. 26. Minnesota Statutes 2006, section 349A.06, subdivision 10, is amended to read:

10.31           Subd. 10. **Local licenses.** No political subdivision may require a local license to  
10.32 operate as a lottery retailer, restrict or regulate the placement of a video lottery terminal,  
10.33 or impose a tax or fee on the business of operating as a lottery retailer.

11.1 Sec. 27. **[349A.071] VIDEO LOTTERY TERMINALS.**

11.2 Subdivision 1. **Operation.** (a) All video lottery terminals must be operated and  
 11.3 controlled by the director.

11.4 (b) Video lottery terminals must be owned or leased by the director.

11.5 (c) Video lottery terminals must be maintained by the lottery, or by a vendor that is  
 11.6 under the control and direction of the director.

11.7 (d) The director must have a central communications system that monitors activities  
 11.8 and provides auditing program information on each video lottery terminal.

11.9 (e) The director must approve the general security arrangements associated with and  
 11.10 relating to the operation of the video lottery terminal.

11.11 (f) Video lottery terminals must maintain on nonresettable meters, a permanent  
 11.12 record, capable of being printed out, of all transactions by the terminal and all entries  
 11.13 into the terminal.

11.14 (g) The director may implement other controls as are deemed necessary to ensure  
 11.15 and maintain the integrity of video lottery terminals operated under this section.

11.16 Subd. 2. **Testing and examination of machines.** The director shall examine  
 11.17 prototypes of video lottery terminals and require that the manufacturer of the terminal  
 11.18 pay the cost of the examination. The director may contract for the examination of  
 11.19 video lottery terminals. The director may require working models of a video lottery  
 11.20 terminal transported to the locations the director designates for testing, examination,  
 11.21 and analysis. The manufacturer shall pay all costs of any testing, examination, analysis,  
 11.22 and transportation of the terminal model.

11.23 Subd. 3. **Deactivation of terminal.** The director may deactivate a video lottery  
 11.24 terminal without notice if the lottery retailer has violated any provision of this chapter,  
 11.25 rule, or provision of its contract with the director.

11.26 Sec. 28. Minnesota Statutes 2006, section 349A.08, subdivision 1, is amended to read:

11.27 Subdivision 1. **Agreement by players.** A person who buys a lottery ticket or plays a  
 11.28 video lottery game agrees to be bound by the rules and game procedures applicable to the  
 11.29 that particular lottery game for which the ticket is purchased. The player acknowledges  
 11.30 that the determination of whether a ticket or video lottery credit receipt is a valid winning  
 11.31 ticket is subject to under the rules of and game procedures adopted by the director, claims  
 11.32 procedures established by the director for that game, and any confidential or public  
 11.33 validation tests established by the director for that game.

11.34 Sec. 29. Minnesota Statutes 2006, section 349A.08, subdivision 5, is amended to read:

12.1 Subd. 5. **Payment; unclaimed prizes.** (a) Except as provided in this subdivision, a  
12.2 prize in the State Lottery must be claimed by the winner within one year of the date of  
12.3 the drawing at which the prize was awarded or the last day sales were authorized for a  
12.4 game where a prize was determined in a manner other than by means of a drawing. If  
12.5 a valid claim is not made for a prize payable directly by the lottery by the end of this  
12.6 period, the prize money is considered unclaimed and the winner of the prize shall have no  
12.7 further claim to the prize.

12.8 (b) A video lottery credit receipt from a video lottery terminal must be presented  
12.9 for payment within 60 days of the date the video lottery credit receipt was printed. If a  
12.10 valid claim for a video lottery credit receipt is not made by the end of this period, the  
12.11 video lottery credit receipt is considered unclaimed and the player shall have no further  
12.12 claim to the amount due from the video lottery credit receipt.

12.13 (c) A prize won by a person who purchased the winning ticket or played a video  
12.14 lottery game in violation of section 349A.12, subdivision 1, or won by a person ineligible  
12.15 to be awarded a prize under subdivision 7 must be treated as an unclaimed prize under this  
12.16 section. The director must transfer all unclaimed prize money at the end of each fiscal  
12.17 year from the lottery cash flow account to the general fund.

12.18 Sec. 30. Minnesota Statutes 2006, section 349A.08, subdivision 8, is amended to read:

12.19 Subd. 8. **Withholding of delinquent state taxes or other debts.** The director  
12.20 shall report the name, address, and Social Security number of each winner of a lottery  
12.21 prize of \$600 or more, or a video lottery prize of \$1,200 or more, to the Department of  
12.22 Revenue to determine whether the person who has won the prize is delinquent in payment  
12.23 of state taxes or owes a debt as defined in section 270A.03, subdivision 5. If the person  
12.24 is delinquent in payment of state taxes or owes a debt as defined in section 270A.03,  
12.25 subdivision 5, the director shall withhold the delinquent amount from the person's prize  
12.26 for remittance to the Department of Revenue for payment of the delinquent taxes or  
12.27 distribution to a claimant agency in accordance with chapter 270A. Section 270A.10  
12.28 applies to the priority of claims.

12.29 Sec. 31. Minnesota Statutes 2006, section 349A.09, subdivision 1, is amended to read:

12.30 Subdivision 1. **Odds; required information.** (a) The director shall include on each  
12.31 brochure, pamphlet, booklet, or other similar material the director publishes to promote  
12.32 or explain any lottery game, a prominent and clear statement of the approximate odds of  
12.33 winning each prize offered in that lottery game.

13.1 (b) Except for the operation of a video lottery terminal, each lottery retailer must  
 13.2 post prominently at or near the point of ticket sale a notice or notices printed and provided  
 13.3 by the director of the approximate odds of winning each prize in each game for which  
 13.4 the lottery retailer sells tickets.

13.5 (c) The approximate odds of winning a prize from a video lottery terminal must be  
 13.6 displayed on the face or screen of the video lottery terminal.

13.7 Sec. 32. Minnesota Statutes 2006, section 349A.10, subdivision 2, is amended to read:

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

13.11 (b) The director shall deposit in the lottery prize fund, from gross receipts from the  
 13.12 sale of lottery tickets, an amount sufficient to pay lottery prizes from the lottery prize  
 13.13 fund according to the following provisions:

13.14 (1) for games which require on-line terminal connections, the prizes paid in any  
 13.15 fiscal year must be at least 45 percent of gross receipts from those games in that fiscal year;

13.16 (2) for games which do not require on-line terminal connections, the prizes paid in  
 13.17 any fiscal year must be at least ~~the following percentages of gross receipts from those~~  
 13.18 ~~games:~~

13.19 ~~(i) 50 percent through fiscal year 1991;~~

13.20 ~~(ii) 55 percent from July 1, 1991, to June 30, 1992; and~~

13.21 ~~(iii) 60 percent thereafter of gross receipts from those games in that fiscal year.~~

13.22 (c) For lottery games played on a video lottery terminal, the win percentage in any  
 13.23 fiscal year will be the win percentage established by the game procedures adopted for the  
 13.24 game, but shall be at least 80 percent but not more than 95 percent.

13.25 Sec. 33. Minnesota Statutes 2006, section 349A.10, subdivision 3, is amended to read:

13.26 Subd. 3. **Lottery operations.** (a) The director shall establish a lottery operations  
 13.27 account in the lottery fund. The director shall pay all costs of operating the lottery,  
 13.28 including payroll costs or amounts transferred to the state treasury for payroll costs, but  
 13.29 not including lottery prizes, from the lottery operating account. The director shall credit to  
 13.30 the lottery operations account amounts sufficient to pay the operating costs of the lottery.

13.31 (b) Except as provided in paragraph (e), the director may not credit in any fiscal year  
 13.32 ~~thereafter~~ amounts to the lottery operations account which when totaled exceed nine  
 13.33 percent of gross revenue, exclusive of net terminal income, and 12 percent of net terminal  
 13.34 income to the lottery fund in that fiscal year. In computing total amounts credited to

14.1 the lottery operations account under this paragraph the director shall disregard amounts  
 14.2 transferred to or retained by lottery retailers as sales commissions or other compensation.

14.3 (c) The director of the lottery may not expend ~~after July 1, 1991~~, more than 2-3/4  
 14.4 percent of gross revenues in a fiscal year for contracts for the preparation, publication, and  
 14.5 placement of advertising.

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

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

14.13 Sec. 34. Minnesota Statutes 2006, section 349A.10, subdivision 4, is amended to read:

14.14 Subd. 4. **Deposit of receipts.** (a) The director may require lottery retailers to:

14.15 (1) deposit in a separate account to the credit of the lottery fund, in banks designated  
 14.16 by the director, all money received by the lottery retailer from the sale of lottery tickets  
 14.17 and video lottery terminal plays, less money retained as the lottery retailer's commission  
 14.18 and for payment of prizes;

14.19 (2) file with the director reports of the lottery retailer's receipts and transactions in  
 14.20 ticket sales and video lottery terminal plays in a form that the director prescribes; and

14.21 (3) allow money deposited by the lottery retailer from the sale of lottery tickets and  
 14.22 video lottery terminal plays to be transferred to the lottery through electronic fund transfer.

14.23 (b) The director may make arrangements for any person, including a financial  
 14.24 institution, to perform functions, activities, or services in connection with the receipt and  
 14.25 distribution of lottery revenues.

14.26 (c) A lottery retailer who fails to pay any money due to the director within the time  
 14.27 prescribed by the director shall pay interest on the amount owed at the rate determined by  
 14.28 rule.

14.29 Sec. 35. Minnesota Statutes 2006, section 349A.10, subdivision 6, is amended to read:

14.30 Subd. 6. **Budget; plans.** The director shall prepare and submit a biennial budget  
 14.31 plan to the commissioner of finance. The governor shall recommend the maximum  
 14.32 amount available for the lottery in the budget the governor submits to the legislature under  
 14.33 section 16A.11. The maximum amount available to the lottery for operating expenses and  
 14.34 capital expenditures shall be determined by law. Operating expenses shall not include

15.1 expenses that are a direct function of lottery sales, which include the cost of lottery prizes,  
15.2 amounts paid to lottery retailers as sales commissions or other compensation, amounts  
15.3 paid to produce and deliver scratch lottery games, ~~and~~ amounts paid to an outside vendor  
15.4 to operate and maintain an on-line gaming system, amounts paid to an outside vendor to  
15.5 operate and maintain a central system for video lottery terminals, and amounts paid to  
15.6 acquire and maintain video lottery terminals. In addition, the director shall appear at least  
15.7 once each fiscal year before the senate and house of representatives committees having  
15.8 jurisdiction over gambling policy to present and explain the lottery's plans for future games  
15.9 and the related advertising and promotions and spending plans for the next fiscal year.

15.10 Sec. 36. Minnesota Statutes 2006, section 349A.11, subdivision 1, is amended to read:

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

15.14 (1) purchase a lottery ticket or play a game on a video lottery terminal; or

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

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

15.20 Sec. 37. Minnesota Statutes 2006, section 349A.12, subdivision 1, is amended to read:

15.21 Subdivision 1. **Purchase by minors.** A person under the age of 18 years may not  
15.22 buy or redeem for a prize a ticket in the state lottery and a person under the age of 21 years  
15.23 may not play a game or redeem a video lottery credit receipt from a video lottery terminal.

15.24 Sec. 38. Minnesota Statutes 2006, section 349A.12, subdivision 2, is amended to read:

15.25 Subd. 2. **Sale to minors.** A lottery retailer may not sell and a lottery retailer or other  
15.26 person may not furnish or redeem for a prize a ticket in the state lottery to any person  
15.27 under the age of 18 years, or allow a person under the age of 21 years to play a game or  
15.28 redeem a video lottery credit receipt from a video lottery terminal. It is an affirmative  
15.29 defense to a charge under this subdivision for the lottery retailer or other person to prove  
15.30 by a preponderance of the evidence that the lottery retailer or other person reasonably and  
15.31 in good faith relied upon representation of proof of age described in section 340A.503,  
15.32 subdivision 6, in making the sale or furnishing or redeeming the ticket or allowing the

16.1 play of a video lottery game or redeem a video lottery credit receipt from a video lottery  
 16.2 terminal.

16.3 Sec. 39. Minnesota Statutes 2006, section 349A.13, is amended to read:

16.4 **349A.13 RESTRICTIONS.**

16.5 Nothing in this chapter:

16.6 (1) authorizes the director to conduct a lottery game or contest the winner or winners  
 16.7 of which are determined by the result of a sporting event other than a horse race conducted  
 16.8 under chapter 240; or

16.9 ~~(2) authorizes the director to install or operate a lottery device operated by coin or~~  
 16.10 ~~currency which when operated determines the winner of a game; and~~

16.11 ~~(3)~~ authorizes the director to sell pull-tabs as defined under section 349.12,  
 16.12 subdivision 32.

16.13 Sec. 40. Minnesota Statutes 2006, section 541.20, is amended to read:

16.14 **541.20 RECOVERY OF MONEY LOST.**

16.15 Every person who, by playing at cards, dice, or other game, or by betting on the  
 16.16 hands or sides of such as are gambling, shall lose to any person so playing or betting  
 16.17 any sum of money or any goods, and pays or delivers the same, or any part thereof, to  
 16.18 the winner, may sue for and recover such money by a civil action, before any court  
 16.19 of competent jurisdiction. For purposes of this section, gambling shall not include  
 16.20 pari-mutuel wagering conducted under a license issued pursuant to chapter 240, purchase  
 16.21 or sale of tickets in the state lottery, purchase of video lottery plays as authorized under  
 16.22 chapter 349A, or gambling authorized under chapters 349 and 349A.

16.23 Sec. 41. Minnesota Statutes 2006, section 541.21, is amended to read:

16.24 **541.21 COMMITMENTS FOR GAMBLING DEBT VOID.**

16.25 Every note, bill, bond, mortgage, or other security or conveyance in which the whole  
 16.26 or any part of the consideration shall be for any money or goods won by gambling or  
 16.27 playing at cards, dice, or any other game whatever, or by betting on the sides or hands  
 16.28 of any person gambling, or for reimbursing or repaying any money knowingly lent or  
 16.29 advanced at the time and place of such gambling or betting, or lent and advanced for any  
 16.30 gambling or betting to any persons so gambling or betting, shall be void and of no effect  
 16.31 as between the parties to the same, and as to all persons except such as hold or claim  
 16.32 under them in good faith, without notice of the illegality of the consideration of such

17.1 contract or conveyance. The provisions of this section shall not apply to: (1) pari-mutuel  
 17.2 wagering conducted under a license issued pursuant to chapter 240; (2) purchase of tickets  
 17.3 in the state lottery or other wagering authorized under chapter 349A; (3) gaming activities  
 17.4 conducted pursuant to the Indian Gaming Regulatory Act, 25 U.S.C. 2701 et seq.; or (4)  
 17.5 lawful gambling activities permitted under chapter 349.

17.6 Sec. 42. Minnesota Statutes 2006, section 609.651, subdivision 1, is amended to read:

17.7 Subdivision 1. ~~Felony-Fraud.~~ A person is guilty of a felony and may be sentenced  
 17.8 under subdivision 4 if the person does any of the following with intent to defraud the  
 17.9 State Lottery:

17.10 (1) alters or counterfeits a state lottery ticket or a video lottery credit receipt from a  
 17.11 State Lottery video lottery terminal;

17.12 (2) knowingly presents an altered or counterfeited state lottery ticket or video lottery  
 17.13 credit receipt from a State Lottery video lottery terminal for payment;

17.14 (3) knowingly transfers an altered or counterfeited state lottery ticket or video lottery  
 17.15 credit receipt from a State Lottery video lottery terminal to another person; ~~or~~

17.16 (4) tampers with or manipulates the outcome, prize payable, or operation of a State  
 17.17 Lottery video lottery terminal; or

17.18 (5) otherwise claims a lottery prize by means of fraud, deceit, or misrepresentation.

17.19 Sec. 43. Minnesota Statutes 2006, section 609.75, subdivision 3, is amended to read:

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

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

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

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

17.28 (4) The game of bingo when conducted in compliance with sections 349.11 to  
 17.29 349.23.

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

17.32 (6) The operation of equipment or the conduct of a raffle under sections 349.11 to  
 17.33 349.22, by an organization licensed by the Gambling Control Board or an organization  
 17.34 exempt from licensing under section 349.166.

18.1 (7) Pari-mutuel betting on horse racing when the betting is conducted under chapter  
18.2 240.

18.3 (8) The purchase and sale of state lottery tickets and plays on a video lottery terminal  
18.4 under chapter 349A.

18.5 Sec. 44. Minnesota Statutes 2006, section 609.75, subdivision 4, is amended to read:

18.6 Subd. 4. **Gambling device.** A gambling device is a contrivance which for a  
18.7 consideration affords the player an opportunity to obtain something of value, other than  
18.8 free plays, automatically from the machine or otherwise, the award of which is determined  
18.9 principally by chance. "Gambling device" also includes a video game of chance, as  
18.10 defined in subdivision 8, but does not include a video lottery terminal operated by the  
18.11 State Lottery under chapter 349A.

18.12 Sec. 45. Minnesota Statutes 2006, section 609.761, subdivision 2, is amended to read:

18.13 Subd. 2. **State lottery.** Sections 609.755 and 609.76 do not prohibit the operation  
18.14 of the state lottery ~~or~~; the sale, possession, or purchase of tickets for the state lottery; or  
18.15 the manufacture, possession, or operation of a video lottery terminal for the state lottery  
18.16 under chapter 349A.

18.17 Sec. 46. **LOTTERY BUDGET; VIDEO LOTTERY TERMINALS.**

18.18 The director of the State Lottery shall submit a budget for the operation of video  
18.19 lottery terminals as authorized under Minnesota Statutes, section 349A.071, to the  
18.20 commissioner of finance. Notwithstanding Minnesota Statutes, section 349A.10,  
18.21 subdivision 6, the director of the State Lottery may expend amounts necessary to operate  
18.22 video lottery terminals. Amounts expended by the director of the State Lottery for the  
18.23 conduct of video lottery terminals in fiscal year 2007 are not subject to the maximum  
18.24 amount set in law for the operation of the lottery.

18.25 Sec. 47. **REPEALER.**

18.26 Minnesota Statutes 2006, sections 297E.01, subdivision 7; and 297E.02, subdivisions  
18.27 4, 6, and 7, are repealed.

18.28 **EFFECTIVE DATE.** This section is effective July 1, 2008.

18.29 Sec. 48. **EFFECTIVE DATE.**

18.30 Except as otherwise provided, this act is effective the day following final enactment.