

This Document can be made available  
in alternative formats upon request

State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-FIFTH  
SESSION

**HOUSE FILE No. 3351**

February 25, 2008

Authored by Tillberry

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 lawful gambling; providing for certain penalties; modifying licensing  
1.3 and other regulatory provisions; modifying provisions relating to prizes; making  
1.4 technical, clarifying, and conforming changes; requiring a report; amending  
1.5 Minnesota Statutes 2006, sections 349.12, subdivisions 18, 31; 349.15, by  
1.6 adding a subdivision; 349.161, subdivision 1; 349.1641; 349.167, subdivisions 2,  
1.7 4, 7; 349.18, subdivision 1; 349.19, subdivision 10; 349.191, subdivisions 1a,  
1.8 1b; 349.2113; 349.2125, subdivision 1; Minnesota Statutes 2007 Supplement,  
1.9 section 349.211, subdivisions 2c, 3, 4, by adding a subdivision.

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

1.11 Section 1. Minnesota Statutes 2006, section 349.12, subdivision 18, is amended to read:

1.12 Subd. 18. **Gambling equipment.** "Gambling equipment" means: bingo hard cards  
1.13 or paper sheets, linked bingo paper sheets, devices for selecting bingo numbers, electronic  
1.14 bingo devices, pull-tabs, jar tickets, paddlewheels, paddlewheel tables, paddletickets,  
1.15 paddleticket cards, tipboards, tipboard tickets, promotional tickets that mimic a pull-tab or  
1.16 tipboard, and pull-tab dispensing devices.

1.17 Sec. 2. Minnesota Statutes 2006, section 349.12, subdivision 31, is amended to read:

1.18 Subd. 31. **Promotional ticket.** A pull-tab or tipboard ticket created and printed by a  
1.19 licensed manufacturer with the words "no purchase necessary" and "for promotional use  
1.20 only" and for which no consideration is given is a promotional ticket.

1.21 Sec. 3. Minnesota Statutes 2006, section 349.15, is amended by adding a subdivision  
1.22 to read:

2.1 Subd. 5. **Civil penalty.** (a) If an organization exceeds the expense limitation  
2.2 contained in subdivision 1, the board may suspend the organization's license or impose a  
2.3 civil penalty as follows:

2.4 (1) up to five percent of the reimbursement amount for the first violation;

2.5 (2) up to ten percent of the reimbursement amount for a second consecutive  
2.6 violation; and

2.7 (3) up to 25 percent of the reimbursement amount for subsequent consecutive  
2.8 violations.

2.9 (b) In determining any suspension or penalty for a violation of subdivision 1, the  
2.10 board must consider any unique factors or extraordinary circumstances that directly  
2.11 caused the organization to exceed the expense limitation. Unique factors or extraordinary  
2.12 circumstances include, but are not limited to: the purchase of capital assets necessary to  
2.13 conduct lawful gambling; road or other construction causing impaired access to the lawful  
2.14 gambling premise; and flood, tornado, or other catastrophe that had a direct impact on  
2.15 the continuing lawful gambling operation.

2.16 (c) Notwithstanding section 349.151, subdivision 4, paragraph (a), clause (10), the  
2.17 board may impose a civil penalty under this subdivision that exceeds \$500.

2.18 Sec. 4. Minnesota Statutes 2006, section 349.161, subdivision 1, is amended to read:

2.19 Subdivision 1. **Prohibited acts; licenses required.** (a) No person may:

2.20 (1) sell, offer for sale, or furnish gambling equipment for use within the state other  
2.21 than for lawful gambling exempt or excluded from licensing, except to an organization  
2.22 licensed for lawful gambling;

2.23 (2) sell, offer for sale, or furnish gambling equipment for use within the state  
2.24 without having obtained a distributor license or a distributor salesperson license under  
2.25 this section except that an organization authorized to conduct bingo by the board may  
2.26 loan bingo hard cards and devices for selecting bingo numbers to another organization  
2.27 authorized to conduct bingo;

2.28 (3) sell, offer for sale, or furnish gambling equipment for use within the state that is  
2.29 not purchased or obtained from a manufacturer or distributor licensed under this chapter; or

2.30 (4) sell, offer for sale, or furnish gambling equipment for use within the state that  
2.31 has the same serial number as another item of gambling equipment of the same type sold  
2.32 or offered for sale or furnished for use in the state by that distributor.

2.33 (b) No licensed distributor salesperson may sell, offer for sale, or furnish gambling  
2.34 equipment for use within the state without being employed by a licensed distributor or  
2.35 owning a distributor license.

3.1 Sec. 5. Minnesota Statutes 2006, section 349.1641, is amended to read:

3.2 **349.1641 LICENSES; SUMMARY SUSPENSION.**

3.3 The board may (1) summarily suspend the license of an organization that is more  
 3.4 than three months late in filing a tax return or in paying a tax required under chapter 297E  
 3.5 and may keep the suspension in effect until all required returns are filed and required taxes  
 3.6 are paid; ~~and~~ (2) summarily suspend for not more than 90 days any license issued by the  
 3.7 board or director for what the board determines are actions detrimental to the integrity  
 3.8 of lawful gambling in Minnesota; and (3) summarily suspend the license of a gambling  
 3.9 manager who has failed to receive the training required under section 349.167, subdivision  
 3.10 4, clause (2), and may keep the suspension in effect until the gambling manager passes an  
 3.11 examination prepared and administered by the board. The examination does not qualify  
 3.12 as continuing education credit for the next calendar year. The board must notify the  
 3.13 licensee at least 14 days before suspending the license under this section. If a license is  
 3.14 summarily suspended under this section, a contested case hearing on the merits must be  
 3.15 held within 20 days of the issuance of the order of suspension, unless the parties agree  
 3.16 to a later hearing date. The administrative law judge's report must be issued within 20  
 3.17 days after the close of the hearing record. In all cases involving summary suspension,  
 3.18 the board must issue its final decision within 30 days after receipt of the report of the  
 3.19 administrative law judge and subsequent exceptions and argument under section 14.61.  
 3.20 When an organization's license is suspended under this section, the board shall within  
 3.21 three days notify all municipalities in which the organization's gambling premises are  
 3.22 located and all licensed distributors in the state.

3.23 Sec. 6. Minnesota Statutes 2006, section 349.167, subdivision 2, is amended to read:

3.24 Subd. 2. **Gambling managers; licenses.** A person may not serve as a gambling  
 3.25 manager for an organization unless the person possesses a valid gambling manager's  
 3.26 license issued by the board. In addition to the disqualifications in section 349.155,  
 3.27 subdivision 3, the board may not issue a gambling manager's license to a person applying  
 3.28 for the license who:

3.29 (1) has not complied with subdivision 4, ~~clause~~ clauses (1) and (2);

3.30 (2) within the five years before the date of the license application, has committed  
 3.31 a violation of law or board rule that resulted in the revocation of a license issued by the  
 3.32 board;

3.33 (3) has ever been convicted of a criminal violation involving fraud, theft, tax  
 3.34 evasion, misrepresentation, or gambling; or

4.1 (4) has engaged in conduct the board determines is contrary to the public health,  
4.2 welfare, or safety or the integrity of lawful gambling.

4.3 A gambling manager's license runs concurrent with the organization's license unless  
4.4 the gambling manager's license is suspended or revoked. The annual fee for a gambling  
4.5 manager's license is \$100.

4.6 Sec. 7. Minnesota Statutes 2006, section 349.167, subdivision 4, is amended to read:

4.7 Subd. 4. **Training of gambling managers.** ~~The board shall by rule require~~ All  
4.8 persons licensed as gambling managers ~~to~~ must receive ~~periodic~~ training in laws and  
4.9 rules governing lawful gambling. ~~The rules must contain~~ to comply with the following  
4.10 requirements:

4.11 (1) each gambling manager must receive training within the last six months before  
4.12 being issued a new license, except that in the case of the death, disability, resignation, or  
4.13 termination of a gambling manager, a replacement gambling manager must receive the  
4.14 training within 90 days of being issued a license;

4.15 (2) each gambling manager ~~applying for a renewal of a license~~ must ~~have received~~  
4.16 receive continuing education training, ~~as required by board rule~~, at least once during each  
4.17 calendar year of the two-year license period, ~~or pass a gambling manager examination~~  
4.18 ~~as required in subdivision 7~~; and

4.19 (3) the training required by this subdivision may be provided by a person authorized  
4.20 by the board to provide the training. Before authorizing a person to provide training,  
4.21 the board must determine that:

4.22 (i) the provider and all of the provider's personnel conducting the training are  
4.23 qualified to do so;

4.24 (ii) the curriculum to be used fully and accurately covers all elements of lawful  
4.25 gambling law and rules that the board determines are necessary for a gambling manager  
4.26 to know and understand;

4.27 (iii) the fee to be charged for participants in the training sessions is fair and  
4.28 reasonable; and

4.29 (iv) the training provider has an adequate system for documenting completion of  
4.30 training.

4.31 The board or the director may provide the training required by this subdivision using  
4.32 employees of the board.

4.33 Sec. 8. Minnesota Statutes 2006, section 349.167, subdivision 7, is amended to read:

5.1 Subd. 7. **Gambling manager examination.** Each applicant for a new gambling  
5.2 manager's license, ~~and each renewing applicant that has failed to receive training as~~  
5.3 ~~required in subdivision 4,~~ must pass an examination prepared and administered by the  
5.4 board that tests the applicant's knowledge of the responsibilities of gambling managers,  
5.5 and of gambling procedures, laws, and rules before being issued the license. In the case of  
5.6 the death, disability, resignation, or termination of a gambling manager, a replacement  
5.7 gambling manager must pass the examination within 90 days of being issued a gambling  
5.8 manager's license. The board shall revoke the replacement gambling manager's license  
5.9 if the replacement gambling manager fails to pass the examination as required in this  
5.10 subdivision.

5.11 Sec. 9. Minnesota Statutes 2006, section 349.18, subdivision 1, is amended to read:

5.12 Subdivision 1. **Lease or ownership required; rent limitations.** (a) An organization  
5.13 may conduct lawful gambling only on premises it owns or leases. Leases must be on a  
5.14 form prescribed by the board. The term of the lease may not begin before the effective date  
5.15 of the premises permit and must expire on the same day that the premises permit expires.  
5.16 Leases approved by the board must specify that the board may authorize an organization  
5.17 to withhold rent from a lessor for a period of up to 90 days if the board determines that  
5.18 illegal gambling occurred on the premises and that the lessor or its employees participated  
5.19 in the illegal gambling or knew of the gambling and did not take prompt action to stop the  
5.20 gambling. The lease must authorize the continued tenancy of the organization without  
5.21 the payment of rent during the time period determined by the board under this paragraph.  
5.22 Copies of all leases must be made available to employees of the board and the Division of  
5.23 Alcohol and Gambling Enforcement on request. The board may prescribe by rule limits  
5.24 on the amount of rent which an organization may pay to a lessor for premises leased for  
5.25 bingo. Any rule adopted by the board limiting the amount of rent to be paid may only be  
5.26 effective for leases entered into, or renewed, after the effective date of the rule.

5.27 (b) Rent paid by an organization for leased premises for the conduct of pull-tabs,  
5.28 tipboards, and paddlewheels is subject to the following limits:

5.29 (1) for booth operations, including booth operations where a pull-tab dispensing  
5.30 device is located, booth operations where a bar operation is also conducted, and booth  
5.31 operations where both a pull-tab dispensing device is located and a bar operation is also  
5.32 conducted, the maximum rent is:

5.33 (i) in any month where the organization's gross profit at those premises does not  
5.34 exceed \$4,000, up to \$400; and

6.1 (ii) in any month where the organization's gross profit at those premises exceeds  
6.2 \$4,000, up to \$400 plus not more than ten percent of the gross profit for that month in  
6.3 excess of \$4,000;

6.4 (2) for bar operations, including bar operations where a pull-tab dispensing device  
6.5 is located but not including bar operations subject to clause (1), and for locations where  
6.6 only a pull-tab dispensing device is located:

6.7 (i) in any month where the organization's gross profit at those premises does not  
6.8 exceed \$1,000, up to \$200; and

6.9 (ii) in any month where the organization's gross profit at those premises exceeds  
6.10 \$1,000, up to \$200 plus not more than 20 percent of the gross profit for that month  
6.11 in excess of \$1,000;

6.12 (3) a lease not governed by clauses (1) and (2) must be approved by the board  
6.13 before becoming effective;

6.14 (4) total rent paid to a lessor from all organizations from leases governed by clause  
6.15 (1) may not exceed \$1,750 per month. Total rent paid to a lessor from all organizations  
6.16 from leases governed by clause (2) may not exceed \$2,500 per month.

6.17 (c) Rent paid by an organization for leased premises for the conduct of bingo is  
6.18 subject to either of the following limits at the option of the parties to the lease:

6.19 (1) not more than ten percent of the monthly gross profit from all lawful gambling  
6.20 activities held during bingo occasions excluding bar bingo or at a rate based on a cost per  
6.21 square foot not to exceed 110 percent of a comparable cost per square foot for leased space  
6.22 as approved by the director; and

6.23 (2) no rent may be paid for bar bingo.

6.24 (d) Amounts paid as rent under leases are all-inclusive. No other services or  
6.25 expenses provided or contracted by the lessor may be paid by the organization, including,  
6.26 but not limited to, trash removal, janitorial and cleaning services, snow removal, lawn  
6.27 services, electricity, heat, security, security monitoring, storage, other utilities or services,  
6.28 and, in the case of bar operations, cash shortages, unless approved by the director. Any  
6.29 other expenditure made by an organization that is related to a leased premises must be  
6.30 approved by the director. An organization may not provide any compensation or thing of  
6.31 value to a lessor or the lessor's employees from any fund source other than its gambling  
6.32 account. Rent payments may not be made to an individual.

6.33 (e) Notwithstanding paragraph (b), an organization may pay a lessor for food or  
6.34 beverages or meeting room rental if the charge made is comparable to similar charges  
6.35 made to other individuals or groups.

7.1 (f) No entity other than the licensed organization may conduct any activity within  
7.2 a booth operation on a leased premises.

7.3 (g) Employees of a lessor not involved in the conduct of lawful gambling on the  
7.4 premises or nongambling employees of an organization conducting lawful gambling on  
7.5 the premises may participate in lawful gambling on the premises provided if pull-tabs or  
7.6 tipboards are sold, the organization posts the major prizes awarded.

7.7 (h) A gambling employee may purchase pull-tabs or tipboards at the site of the  
7.8 employee's place of employment provided:

7.9 (1) the organization posts the major prizes for pull-tab or tipboard games; and

7.10 (2) the employee is not involved in the sale of pull-tabs or tipboards at that site.

7.11 (i) At a leased site where an organization uses a paddlewheel consisting of ~~30~~ 32  
7.12 numbers or less or a tipboard consisting of ~~30~~ 32 tickets or less, tickets may be sold  
7.13 throughout the permitted premises, but winning tickets must be redeemed, the paddlewheel  
7.14 must be located, and the tipboard seal must be opened within the leased premises.

7.15 Sec. 10. Minnesota Statutes 2006, section 349.19, subdivision 10, is amended to read:

7.16 Subd. 10. **Pull-tab records.** (a) The board shall by rule require a licensed  
7.17 organization to require each winner of a pull-tab prize of \$50 or more to present  
7.18 identification in the form of a driver's license, Minnesota identification card, or other  
7.19 identification the board deems sufficient to allow the identification and tracing of the  
7.20 winner. The rule must require the organization to retain winning pull-tabs of \$50 or more,  
7.21 and the identification of the winner of the pull-tab, for 3-1/2 years.

7.22 (b) An organization must maintain separate cash banks for each deal of pull-tabs  
7.23 unless (1) ~~two or more deals are commingled in the licensed organization uses a pull-tab~~  
7.24 dispensing device, or (2) the organization uses a cash register, of a type approved by the  
7.25 board, which records all sales of pull-tabs by separate deals.

7.26 (c) The board shall:

7.27 (1) by rule adopt minimum technical standards for cash registers that may be used  
7.28 by organizations, and shall approve for use by organizations any cash register that meets  
7.29 the standards; and

7.30 (2) before allowing an organization to use a cash register that commingles receipts  
7.31 from several different pull-tab games in play, adopt rules that define how cash registers  
7.32 may be used and that establish a procedure for organizations to reconcile all pull-tab  
7.33 games in play at the end of each month.

7.34 Sec. 11. Minnesota Statutes 2006, section 349.191, subdivision 1a, is amended to read:

8.1 Subd. 1a. **Credit and sales to delinquent organizations.** (a) If a distributor or  
8.2 linked bingo game provider does not receive payment in full from an organization within  
8.3 ~~35~~ 30 days of the day immediately following the date of the invoice, the distributor or  
8.4 linked bingo game provider must notify the board in writing of the delinquency on the  
8.5 next business day.

8.6 (b) If a distributor or linked bingo game provider who has notified the board under  
8.7 paragraph (a) has not received payment in full from the organization within 60 days of the  
8.8 notification under paragraph (a), the distributor or linked bingo game provider must notify  
8.9 the board of the continuing delinquency.

8.10 (c) On receipt of a notice under paragraph (a), the board shall order all distributors  
8.11 and linked bingo game providers that until further notice from the board, they may sell  
8.12 gambling equipment to the delinquent organizations only on a cash basis with no credit  
8.13 extended. On receipt of a notice under paragraph (b), the board shall order all distributors  
8.14 and linked bingo game providers not to sell any gambling equipment to the delinquent  
8.15 organization.

8.16 (d) No distributor or linked bingo game provider may extend credit or sell gambling  
8.17 equipment to an organization in violation of an order under paragraph (c) until the board  
8.18 has authorized such credit or sale.

8.19 Sec. 12. Minnesota Statutes 2006, section 349.191, subdivision 1b, is amended to read:

8.20 Subd. 1b. **Credit and sales to delinquent distributors.** (a) If a manufacturer does  
8.21 not receive payment in full from a distributor within ~~35~~ 30 days of the day immediately  
8.22 following the date of invoice, the manufacturer must notify the board in writing of the  
8.23 delinquency on the next business day.

8.24 (b) If a manufacturer who has notified the board under paragraph (a) has not received  
8.25 payment in full from the distributor within 60 days of the notification under paragraph (a),  
8.26 the manufacturer must notify the board of the continuing delinquency.

8.27 (c) On receipt of a notice under paragraph (a), the board shall order all manufacturers  
8.28 that until further notice from the board, they may sell gambling equipment to the  
8.29 delinquent distributor only on a cash basis with no credit extended. On receipt of a notice  
8.30 under paragraph (b), the board shall order all manufacturers not to sell any gambling  
8.31 equipment to the delinquent distributor.

8.32 (d) No manufacturer may extend credit or sell gambling equipment to a distributor in  
8.33 violation of an order under paragraph (c) until the board has authorized such credit or sale.

9.1 Sec. 13. Minnesota Statutes 2007 Supplement, section 349.211, subdivision 2c,  
9.2 is amended to read:

9.3 Subd. 2c. **Tipboard prizes.** The maximum prize which may be awarded for a  
9.4 tipboard ticket is \$599, not including any cumulative or carryover prizes. Cumulative or  
9.5 carryover prizes in tipboard games shall not exceed \$2,500. An organization may not  
9.6 sell any tipboard ticket for more than \$5.

9.7 Sec. 14. Minnesota Statutes 2007 Supplement, section 349.211, is amended by adding  
9.8 a subdivision to read:

9.9 Subd. 2d. **Raffle prizes.** The board may not impose an annual limit on the value of  
9.10 raffle prizes awarded by licensed organizations but the total value of an individual raffle  
9.11 prize may not exceed \$50,000.

9.12 Sec. 15. Minnesota Statutes 2007 Supplement, section 349.211, subdivision 3, is  
9.13 amended to read:

9.14 Subd. 3. **Other gambling.** The board by rule shall establish a schedule of prize  
9.15 limits for all other forms of gambling consistent with the purposes set out in section  
9.16 349.11. The schedule may include daily ~~and annual~~ prize limits and prize limits for each  
9.17 game, raffle or operation of a gambling device.

9.18 Sec. 16. Minnesota Statutes 2007 Supplement, section 349.211, subdivision 4, is  
9.19 amended to read:

9.20 Subd. 4. **Prize value.** (a) Merchandise prizes must be valued at their fair market  
9.21 value. For purposes of sections 349.11 to 349.22 "prizes" do not include free plays  
9.22 awarded.

9.23 (b) Merchandise prizes for a paddlewheel consisting of ~~30~~ 32 numbers or less or a  
9.24 tipboard consisting of ~~30~~ 32 tickets or less may be paid for by the organization up to 30  
9.25 days after the prize is received by the organization.

9.26 Sec. 17. Minnesota Statutes 2006, section 349.2113, is amended to read:

9.27 **349.2113 PRIZE PAYOUT LIMIT.**

9.28 On or after January 1, 2004, a licensed organization may not put into play a pull-tab  
9.29 or tipboard ~~deal game~~ that provides for a prize payout of greater than 85 percent of the  
9.30 ideal gross of the deal.

9.31 Sec. 18. Minnesota Statutes 2006, section 349.2125, subdivision 1, is amended to read:

10.1 Subdivision 1. **Contraband defined.** The following are contraband:

10.2 (1) all pull-tab or tipboard deals or paddleticket cards or promotional tickets not bar  
10.3 coded in accordance with this chapter or chapter 297E;

10.4 (2) all pull-tab or tipboard deals in the possession of any unlicensed person, firm, or  
10.5 organization;

10.6 (3) any container used for the storage and display of any contraband pull-tab or  
10.7 tipboard deals as defined in clauses (1) and (2);

10.8 (4) all currency, checks, and other things of value used for pull-tab or tipboard  
10.9 transactions not expressly permitted under this chapter, and any cash drawer, cash register,  
10.10 or any other container used for illegal pull-tab or tipboard transactions including its  
10.11 contents;

10.12 (5) any device including, but not limited to, motor vehicles, trailers, snowmobiles,  
10.13 airplanes, and boats used, with the knowledge of the owner or of a person operating with  
10.14 the consent of the owner, for the storage or transportation of more than five pull-tab or  
10.15 tipboard deals that are contraband under this subdivision. When pull-tabs and tipboards  
10.16 are being transported in the course of interstate commerce between locations outside this  
10.17 state, the pull-tab and tipboard deals are not contraband, notwithstanding the provisions  
10.18 of clauses (1) and (12);

10.19 (6) any unaffixed registration stamps except as provided in section 349.162,  
10.20 subdivision 4;

10.21 (7) any prize used or offered in a game utilizing contraband as defined in this  
10.22 subdivision;

10.23 (8) any altered, modified, or counterfeit pull-tab or tipboard ticket;

10.24 (9) any unregistered gambling equipment except as permitted by this chapter;

10.25 (10) any gambling equipment kept in violation of section 349.18;

10.26 (11) any gambling equipment not in conformity with law or board rule;

10.27 (12) any pull-tab or tipboard deal in the possession of a person other than a licensed  
10.28 distributor or licensed manufacturer for which the person, upon demand of a licensed  
10.29 peace officer or authorized agent of the commissioner of revenue or director of alcohol and  
10.30 gambling enforcement, does not immediately produce for inspection the invoice or a true  
10.31 and correct copy of the invoice for the acquisition of the deal from a licensed distributor;

10.32 (13) any pull-tab or tipboard deals or portions of deals on which the tax imposed  
10.33 under chapter 297E has not been paid; and

10.34 (14) any device prohibited by section 609.76, subdivisions 4 to 6.

10.35 Sec. 19. **REPORT.**

11.1           The Gambling Control Board shall convene a public advisory committee to review  
11.2 operational and regulatory procedures, accounting functions, tax structure, and recent  
11.3 trends in lawful purpose contributions and allowable expenses incurred by licensed  
11.4 charitable organizations relating to lawful gambling activities. The board must provide  
11.5 a report with recommendations to the chairs of the senate and house of representatives  
11.6 standing committees with jurisdiction over lawful gambling by February 1, 2009.

11.7           Sec. 20. **EFFECTIVE DATE.**

11.8           Sections 1 to 19 are effective the day following final enactment.