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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2785

03/12/2012 Authored by Hamilton, Gunther and Shimanski
The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform

1.1 A bill for an act
1.2 relating to gambling; authorizing the director of the State Lottery to establish
1.3 gaming machines at a licensed racetrack; imposing a fee on gaming machine
1.4 revenue; providing powers and duties to the director; dedicating money for
1.5 education; amending Minnesota Statutes 2010, sections 240.03; 240.13, by
1.6 adding a subdivision; 240.14, by adding a subdivision; 240.28, subdivision 2;
1.7 299L.07, subdivisions 2, 2a; 340A.410, subdivision 5; 349A.01, subdivision
1.8 10, by adding subdivisions; 349A.10, subdivision 3; 349A.13; 541.20; 541.21;
1.9 609.75, subdivision 3; 609.761, subdivision 2; proposing coding for new law in
1.10 Minnesota Statutes, chapters 297A; 349A; repealing Minnesota Statutes 2010,
1.11 section 240.30, subdivision 8.

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

1.13 ARTICLE 1

1.14 RACINO

1.15 Section 1. Minnesota Statutes 2010, section 240.03, is amended to read:

1.16 **240.03 COMMISSION POWERS AND DUTIES.**

1.17 The commission has the following powers and duties:

- 1.18 (1) to regulate horse racing in Minnesota to ensure that it is conducted in the public
- 1.19 interest;
- 1.20 (2) to issue licenses as provided in this chapter;
- 1.21 (3) to enforce all laws and rules governing horse racing;
- 1.22 (4) to collect and distribute all taxes provided for in this chapter;
- 1.23 (5) to conduct necessary investigations and inquiries and compel the submission of
- 1.24 information, documents, and records it deems necessary to carry out its duties;
- 1.25 (6) to supervise the conduct of pari-mutuel betting on horse racing;
- 1.26 (7) to employ and supervise personnel under this chapter;

2.1 (8) to determine the number of racing days to be held in the state and at each
 2.2 licensed racetrack;

2.3 (9) to take all necessary steps to ensure the integrity of racing in Minnesota; ~~and~~

2.4 (10) to impose fees on the racing and card playing industries sufficient to recover the
 2.5 operating costs of the commission with the approval of the legislature according to section
 2.6 16A.1283. Notwithstanding section 16A.1283, when the legislature is not in session, the
 2.7 commissioner of management and budget may grant interim approval for any new fees
 2.8 or adjustments to existing fees that are not statutorily specified, until such time as the
 2.9 legislature reconvenes and acts upon the new fees or adjustments. As part of its biennial
 2.10 budget request, the commission must propose changes to its fees that will be sufficient to
 2.11 recover the operating costs of the commission; and

2.12 (11) to take all necessary steps to ensure the security of all activities in a class A
 2.13 licensed racetrack. The duties and responsibilities of the commission include but are not
 2.14 limited to licensing employees of a class A licensee and vendors to the class A licensee
 2.15 involved in the conduct of gaming machines authorized by a location contract with the
 2.16 director of the State Lottery under section 349A.17 and overall surveillance and security
 2.17 of all conduct on all facilities of a licensed racetrack. The commission shall require that
 2.18 a class A licensed racetrack reimburse it for the commission's actual costs, including
 2.19 personnel costs, for conducting activities provided in this clause and amounts received
 2.20 must be deposited as provided in section 240.155, subdivision 1. The commission shall
 2.21 review procedures of the class A licensee to ensure compliance with section 240.13,
 2.22 subdivision 5a.

2.23 Sec. 2. Minnesota Statutes 2010, section 240.13, is amended by adding a subdivision
 2.24 to read:

2.25 Subd. 5a. **Equine industry improvement fund.** (a) To compensate the horse
 2.26 racing industry for the presence of lottery gaming machines at class A racing facilities, the
 2.27 commission shall establish and maintain an equine industry improvement fund into which
 2.28 the commission shall deposit the funds received pursuant to section 349A.17, subdivision
 2.29 1. The commission shall routinely transfer 80 percent of the fund allocated for purse
 2.30 supplements to a licensee conducting live racing for more than one breed of horse and
 2.31 20 percent to a licensee conducting live racing for only one breed of horse and direct the
 2.32 licensee to use the funds to supplement purses offered for live races. Purse supplements
 2.33 required under this subdivision are in addition to purse payments otherwise established
 2.34 by law or contract. The location contract holder and the organization representing the
 2.35 majority of horsepersons racing at the location contract holder's racetrack may, by written

3.1 contract, agree to use a portion of the transferred funds for racing-related purposes other
3.2 than purse supplementation.

3.3 (b) The commission shall allocate 20 percent of the fund for breeder's fund purposes
3.4 and shall transmit that amount to the breeder's fund for the benefit of each breed racing
3.5 at a class A licensed facility hosting lottery gaming machines. Amounts transferred for
3.6 each breed shall be in the same proportions established, under this subdivision, for purse
3.7 supplements. Amounts transferred to a breeder's fund shall be used for the purposes
3.8 of section 240.18, subdivisions 2, paragraph (d), and 3, paragraph (b), subject to the
3.9 proportionality requirement in section 240.18, subdivision 1.

3.10 (c) Five percent of the fund shall be placed in an equine industry enhancement fund
3.11 established by the commission. The commission shall award grants from this account
3.12 designed to support and improve the nonracing equine industry including, but not limited
3.13 to, construction of facilities and trails, production of shows, and issues related to retired
3.14 horses.

3.15 Sec. 3. Minnesota Statutes 2010, section 240.14, is amended by adding a subdivision
3.16 to read:

3.17 Subd. 5. **Lottery contract holder; minimum racing days.** Licensees holding
3.18 location contracts with the director of the lottery, who are authorized to conduct live racing
3.19 for more than one breed of horse, shall conduct thoroughbred and quarter horse racing.
3.20 In any year the licensee shall offer the equivalent of at least two quarter horse races for
3.21 each racing day granted to the licensee by the commission, however, the licensee and the
3.22 organization representing the majority of quarter horses owners licensed to race in the
3.23 state may agree to a different number of live races to be offered. Scheduling of quarter
3.24 horse races shall be as approved by the commission pursuant to section 240.03, clause (8).
3.25 Willful failure to offer the races required by this subdivision shall subject the licensee to
3.26 disciplinary action as deemed appropriate by the commission.

3.27 Sec. 4. Minnesota Statutes 2010, section 240.28, subdivision 2, is amended to read:

3.28 Subd. 2. **Betting.** No member or employee of the commission may bet or cause a
3.29 bet to be made on a race at a licensed racetrack while serving on or being employed by
3.30 the commission. No person appointed or approved by the director as a steward may bet
3.31 or cause a bet to be made at a licensed racetrack during a racing meeting at which the
3.32 person is serving as a steward. The commission shall by rule prescribe such restrictions on
3.33 betting by its licensees as it deems necessary to protect the integrity of racing. For the

4.1 purposes of this subdivision, a play on a gaming machine authorized by the director of the
 4.2 State Lottery at a licensed racetrack is deemed to be a bet.

4.3 **Sec. 5. [297A.651] LOTTERY GAMING MACHINES; IN-LIEU FEE.**

4.4 Adjusted gross revenue from the operation of gaming machines authorized under
 4.5 chapter 349A is exempt from the tax imposed under section 297A.62 and chapter 297E
 4.6 and any other tax, license, permit, or assessment for conducting a gambling activity that is
 4.7 not imposed by this section. The State Lottery must, on or before the 20th day of each
 4.8 month, transmit to the commissioner an amount equal to the adjusted gross gaming
 4.9 machine revenue from the operation of gaming machines, as defined in section 349A.01,
 4.10 for the previous month multiplied by: (1) 25 percent of annual adjusted gross gaming
 4.11 machine revenue generated by each person that has a location contract under section
 4.12 349A.17, subdivision 1, up to \$150,000,000; (2) 30 percent of annual adjusted gross
 4.13 gaming machine revenue generated by each person that has a location contract under
 4.14 section 349A.17, subdivision 1, between \$150,000,000 and \$200,000,000; and (3) 40
 4.15 percent of annual adjusted gross gaming machine revenue generated by each person that
 4.16 has a location contract under section 349A.17, subdivision 1, in excess of \$200,000,000.
 4.17 The commissioner shall deposit the money transmitted under this section in the state
 4.18 treasury as provided in article 2.

4.19 Sec. 6. Minnesota Statutes 2010, section 299L.07, subdivision 2, is amended to read:

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

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

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

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

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

5.1 (5) may be possessed by the State Lottery or a person who has entered into a location
5.2 contract with the State Lottery as authorized under chapter 349A.

5.3 Sec. 7. Minnesota Statutes 2010, section 299L.07, subdivision 2a, is amended to read:

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

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

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

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

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

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

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

5.18 Sec. 8. Minnesota Statutes 2010, section 340A.410, subdivision 5, is amended to read:

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

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

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

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

5.31 (e) This subdivision does not apply to a licensed racetrack holding a location
5.32 contract as authorized by chapter 349A.

6.1 Sec. 9. Minnesota Statutes 2010, section 349A.01, is amended by adding a subdivision
6.2 to read:

6.3 Subd. 1a. **Adjusted gross gaming machine revenue.** "Adjusted gross gaming
6.4 machine revenue" means the sum of all money received by the lottery for gaming machine
6.5 plays, other than promotional plays, less the amount paid out in prizes for gaming machine
6.6 games.

6.7 Sec. 10. Minnesota Statutes 2010, section 349A.01, is amended by adding a
6.8 subdivision to read:

6.9 Subd. 6a. **Gaming machine.** "Gaming machine" means any electronic device
6.10 which, upon insertion of money, coin, token, voucher, electronic card, or other
6.11 consideration, allows the play of a game, authorized by the director, the outcome of which
6.12 is determined entirely or partly by chance. A gaming machine may award a player a prize
6.13 in the form of money, tokens, prize slips, or other authorized consideration.

6.14 Sec. 11. Minnesota Statutes 2010, section 349A.01, is amended by adding a
6.15 subdivision to read:

6.16 Subd. 6b. **Gaming machine game.** "Gaming machine game" means a game
6.17 operated by a gaming machine as authorized by the director.

6.18 Sec. 12. Minnesota Statutes 2010, section 349A.01, is amended by adding a
6.19 subdivision to read:

6.20 Subd. 6c. **Gaming machine play.** "Gaming machine play" means an electronic
6.21 record that proves participation in a gaming machine game.

6.22 Sec. 13. Minnesota Statutes 2010, section 349A.01, subdivision 10, is amended to read:

6.23 Subd. 10. **Lottery procurement contract.** "Lottery procurement contract" means a
6.24 contract to provide lottery products, gaming machines, maintenance of gaming machines,
6.25 computer hardware and software used to monitor sales of lottery tickets and gaming
6.26 machine plays, and lottery tickets. "Lottery procurement contract" does not include
6.27 a contract to provide an annuity or prize payment agreement or materials, supplies,
6.28 equipment, or services common to the ordinary operation of a state agency.

6.29 Sec. 14. Minnesota Statutes 2010, section 349A.10, subdivision 3, is amended to read:

6.30 Subd. 3. **Lottery operations.** (a) The director shall establish a lottery operations
6.31 account in the lottery fund. The director shall pay all costs of operating the lottery,

7.1 including payroll costs or amounts transferred to the state treasury for payroll costs, but
 7.2 not including lottery prizes, from the lottery operating account. The director shall credit to
 7.3 the lottery operations account amounts sufficient to pay the operating costs of the lottery.

7.4 (b) Except as provided in paragraph (e), the director may not credit in any fiscal
 7.5 year thereafter amounts to the lottery operations account which when totaled exceed
 7.6 nine percent of gross revenue to the lottery fund in that fiscal year. In computing total
 7.7 amounts credited to the lottery operations account under this paragraph the director shall
 7.8 disregard amounts transferred to or retained by lottery retailers as sales commissions or
 7.9 other compensation and amounts transferred or retained by a racetrack under a location
 7.10 contract under section 349A.17.

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

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

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

7.21 Sec. 15. Minnesota Statutes 2010, section 349A.13, is amended to read:

7.22 **349A.13 RESTRICTIONS.**

7.23 Nothing in this chapter:

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

7.27 (2) authorizes the director to install or operate a lottery device operated by coin or
 7.28 currency which when operated determines the winner of a game, except as authorized
 7.29 under section 349A.17; and

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

7.32 Sec. 16. **[349A.17] GAMING MACHINES.**

7.33 Subdivision 1. Location contract. (a) The director may enter into a contract with
 7.34 a person to provide locations for gaming machines. Contracts entered into under this

8.1 section are not subject to chapter 16C. The director may only enter a contract under this
8.2 subdivision with a person who holds a class A license under chapter 240. The gaming
8.3 machines may only be placed at the racetrack for which the class A license under chapter
8.4 240 was issued. Contracts entered into under this section are void if the racetrack: (1) has
8.5 not hosted at least 75 days of live racing, authorized by the Minnesota Racing Commission,
8.6 during the previous year, or (2) has not been approved, unless approval is pending, for at
8.7 least 75 days of live racing during the present year. In the case of licensees authorized to
8.8 conduct racing for only one breed of horse, the live racing requirement is 50 days.

8.9 (b) The director may cancel, suspend, or refuse to renew the location contract
8.10 if the person:

8.11 (1) fails to account for proceeds from the gaming machines;

8.12 (2) fails to remit funds to the director in accordance with the location contract;

8.13 (3) violates a law, rule, or order of the director;

8.14 (4) fails to comply with a material term of the location contract; or

8.15 (5) has acted in a manner prejudicial to the public confidence in the integrity of the
8.16 operation of the gaming machines.

8.17 The cancellation, suspension, or refusal to renew the location contract is a contested
8.18 case under sections 14.57 to 14.69.

8.19 (c) Contracts entered into under this section must provide for compensation to the
8.20 racetrack and its horsepersons in recognition of goods, services, and facilities provided
8.21 expenses, risk factors, and losses. Compensation shall be in an amount equal to at least the
8.22 following percentages of adjusted gross gaming machine revenue generated at the track:

8.23 (1) of the first \$150,000,000 of annual adjusted gross gaming machine revenue,
8.24 52.8 percent to the licensee and 7.2 percent to the Minnesota Racing Commission to be
8.25 deposited in the equine industry improvement fund established under section 240.13,
8.26 subdivision 5a;

8.27 (2) of annual adjusted gross gaming machine revenue between \$150,000,000 and
8.28 \$200,000,000, 48.4 percent to the licensee and 6.6 percent to the Minnesota Racing
8.29 Commission to be deposited in the equine industry improvement fund established under
8.30 section 240.13, subdivision 5a; and

8.31 (3) of annual adjusted gross gaming machine revenue in excess of \$200,000,000,
8.32 39.6 percent to the licensee and 5.4 percent to the Minnesota Racing Commission to be
8.33 deposited in the equine industry improvement fund established under section 240.13,
8.34 subdivision 5a.

9.1 (d) A licensee must annually remit one percent of the compensation it receives
9.2 pursuant to this section to the city, and one percent to the county in which the licensee
9.3 conducts racing.

9.4 Subd. 2. **Operation.** (a) All gaming machines that are placed at a racetrack under
9.5 subdivision 1 must be operated and controlled by the director.

9.6 (b) Gaming machines must be owned or leased by the director, however, the financial
9.7 responsibility for all other activities related to the gaming facility including, but not
9.8 limited to, advertising, marketing, facility expenses, staffing, security, and surveillance,
9.9 shall be borne by the holder of the location contract.

9.10 (c) Gaming machines must be maintained by the lottery, or by a vendor that is under
9.11 the control and direction of the director.

9.12 (d) The director must have a central communications system that monitors activities
9.13 on each gaming machine. The central communications system must be located at a
9.14 lottery office.

9.15 (e) The director must approve and oversee the general security arrangements
9.16 associated with and relating to the operation of the gaming machines and implement
9.17 procedures as deemed appropriate.

9.18 (f) Advertising and promotional material produced by the racetrack relating to
9.19 gaming machines located at the facility must be approved by the director.

9.20 (g) The director may implement such other controls as are deemed necessary for the
9.21 operation of gaming machines under this section.

9.22 Subd. 3. **Specifications.** Gaming machines must be capable of being linked
9.23 electronically to a central communications system to provide auditing program information
9.24 as required by the director.

9.25 Subd. 4. **Games.** The director shall specify the games that may be placed on
9.26 a gaming machine as provided in section 349A.04. Gaming machines may conduct
9.27 pari-mutuel wagering and display horse races under specifications provided by the director.

9.28 Subd. 5. **Examination of machines.** The director shall examine prototypes of
9.29 gaming machines and require that the manufacturer of the machine pay the cost of the
9.30 examination. The director may contract for the examination of gaming machines.

9.31 Subd. 6. **Testing of machines.** The director may require working models of a
9.32 gaming machine to be transported to the locations the director designates for testing,
9.33 examination, and analysis. The manufacturer shall pay all costs for testing, examination,
9.34 analysis, and transportation of the machine model.

9.35 Subd. 7. **Prizes.** A person who plays a gaming machine agrees to be bound by the
9.36 rules and game procedures applicable to that particular gaming machine game. The player

10.1 acknowledges that the determination of whether the player has won a prize is subject to
 10.2 the rules and game procedures adopted by the director, claim procedures established by
 10.3 the director for the game, and any confidential or public validation tests established by
 10.4 the director for the game. A person under 18 years of age may not claim a prize from the
 10.5 operation of a gaming machine. A prize claimed from the play of a gaming machine game
 10.6 is not subject to section 349A.08, subdivision 8.

10.7 Subd. 8. **Prohibitions.** (a) A person under the age of 18 years may not play a
 10.8 game on a gaming machine.

10.9 (b) The director or any employee of the lottery, or a member of the immediate family
 10.10 residing in the same household, may not play a game on a gaming machine or receive a
 10.11 prize from the operation of a gaming machine.

10.12 Subd. 9. **Compulsive gambling notice.** The director shall prominently post, in the
 10.13 area where the gaming machines are located, the toll-free telephone number established
 10.14 by the commissioner of human services in connection with the compulsive gambling
 10.15 program established under section 245.98. The director and the location provider shall
 10.16 establish a responsible gambling plan in consultation with the National Council on
 10.17 Problem Gambling or the Minnesota affiliate. By January 15 of each year, the director
 10.18 shall submit a report to the legislature, of not more than five pages in length, setting forth
 10.19 the status of the responsible gambling plan.

10.20 Subd. 10. **Local licenses.** Except as provided in subdivision 1, paragraph (d),
 10.21 no political subdivision may require a license to operate a gaming machine, restrict or
 10.22 regulate the placement of gaming machines, or impose a tax or fee on the business of
 10.23 operating gaming machines.

10.24 Sec. 17. Minnesota Statutes 2010, section 541.20, is amended to read:

10.25 **541.20 RECOVERY OF MONEY LOST.**

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

11.1 Sec. 18. Minnesota Statutes 2010, section 541.21, is amended to read:

11.2 **541.21 COMMITMENTS FOR GAMBLING DEBT VOID.**

11.3 Every note, bill, bond, mortgage, or other security or conveyance in which the whole
11.4 or any part of the consideration shall be for any money or goods won by gambling or
11.5 playing at cards, dice, or any other game whatever, or by betting on the sides or hands
11.6 of any person gambling, or for reimbursing or repaying any money knowingly lent or
11.7 advanced at the time and place of such gambling or betting, or lent and advanced for any
11.8 gambling or betting to any persons so gambling or betting, shall be void and of no effect
11.9 as between the parties to the same, and as to all persons except such as hold or claim
11.10 under them in good faith, without notice of the illegality of the consideration of such
11.11 contract or conveyance. The provisions of this section shall not apply to: (1) pari-mutuel
11.12 wagering conducted under a license issued pursuant to chapter 240; (2) purchase of tickets
11.13 in the state lottery or other wagering authorized under chapter 349A; (3) gaming activities
11.14 conducted pursuant to the Indian Gaming Regulatory Act, United States Code, title 25,
11.15 section 2701 et seq.; or (4) lawful gambling activities permitted under chapter 349.

11.16 Sec. 19. Minnesota Statutes 2010, section 609.75, subdivision 3, is amended to read:

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

11.18 (1) a contract to insure, indemnify, guarantee or otherwise compensate another for a
11.19 harm or loss sustained, even though the loss depends upon chance;

11.20 (2) a contract for the purchase or sale at a future date of securities or other
11.21 commodities;

11.22 (3) offers of purses, prizes or premiums to the actual contestants in any bona fide
11.23 contest for the determination of skill, speed, strength, endurance, or quality or to the bona
11.24 fide owners of animals or other property entered in such a contest;

11.25 (4) the game of bingo when conducted in compliance with sections 349.11 to 349.23;

11.26 (5) a private social bet not part of or incidental to organized, commercialized, or
11.27 systematic gambling;

11.28 (6) the operation of equipment or the conduct of a raffle under sections 349.11 to
11.29 349.22, by an organization licensed by the Gambling Control Board or an organization
11.30 exempt from licensing under section 349.166;

11.31 (7) pari-mutuel betting on horse racing when the betting is conducted under chapter
11.32 240; and

11.33 (8) the purchase and sale of state lottery tickets and activities conducted at a
11.34 licensed racetrack pursuant to a gaming machine location contract as authorized under
11.35 chapter 349A.

12.1 Sec. 20. Minnesota Statutes 2010, section 609.761, subdivision 2, is amended to read:

12.2 Subd. 2. **State lottery.** Sections 609.755 and 609.76 do not prohibit the operation of
12.3 the state lottery or the sale, possession, or purchase of tickets for the state lottery under
12.4 chapter 349A, or the manufacture, possession, sale, or operation of a gaming machine
12.5 under chapter 349A.

12.6 Sec. 21. **LOTTERY BUDGET.**

12.7 The director of the State Lottery shall submit a budget for the operation and control
12.8 of gaming machines to the commissioner of management and budget. Notwithstanding
12.9 Minnesota Statutes, section 349A.10, subdivision 6, the director of the State Lottery
12.10 may expend amounts necessary to operate and control the gaming machines. Amounts
12.11 expended by the director of the State Lottery for the operation and control of the gaming
12.12 machines in fiscal years 2013 and 2014 are not subject to the maximum amount set in law
12.13 for the operation of the lottery.

12.14 Sec. 22. **REPEALER.**

12.15 Minnesota Statutes 2010, section 240.30, subdivision 8, is repealed.

12.16 ARTICLE 2

12.17 EDUCATION

12.18 Section 1. **RACINO REVENUE.**

12.19 Subdivision 1. **Allocation.** One percent of the revenue transmitted to the
12.20 commissioner under Minnesota Statutes, section 297A.651, must be deposited in a
12.21 compulsive gambling treatment and education account in the special revenue fund. The
12.22 remainder of the revenue must be deposited in a special account in the state treasury as
12.23 provided in subdivision 3.

12.24 Subd. 2. **Compulsive gambling; appropriations.** One-half of the money in
12.25 the compulsive gambling treatment and education account is annually appropriated to
12.26 the commissioner of human services for the compulsive gambling treatment program
12.27 established under Minnesota Statutes, section 245.98. One-half of the money in the
12.28 compulsive gambling treatment and education account is annually appropriated to the
12.29 Gambling Control Board for a grant to the state affiliate recognized by the National Council
12.30 on Problem Gambling to increase public awareness of problem gambling, education
12.31 and training for individuals and organizations providing effective treatment services to
12.32 problem gamblers and their families, and research relating to problem gambling.

13.1 Subd. 3. **Education.** A special account is established in the state treasury, consisting
13.2 of money deposited under Minnesota Statutes, section 297A.651, and any interest earned
13.3 thereon. Money in this account may not be spent unless appropriated by law and is
13.4 dedicated:

13.5 (1) to increase the aid payment schedule for school district aids and credits payments
13.6 in section 127A.45, to not more than 90 percent rounded to the nearest tenth of a percent
13.7 without exceeding the amount available and with any remaining funds deposited in the
13.8 budget reserve; and

13.9 (2) to restore all or a portion of the net aid reduction under section 127A.441, and to
13.10 reduce the property tax revenue recognition shift under section 123B.75, subdivision 5,
13.11 paragraph (a).

13.12 **ARTICLE 3**

13.13 **MISCELLANEOUS**

13.14 Section 1. **SEVERABILITY; SAVINGS.**

13.15 If any provision of this act is found to be invalid because it is in conflict with a
13.16 provision of the Minnesota Constitution or the Constitution of the United States, or for any
13.17 other reason, all other provisions of this act shall remain valid and any rights, remedies,
13.18 and privileges that have been otherwise accrued by this act, shall remain in effect and may
13.19 be proceeded with and concluded under this act.

13.20 Sec. 2. **EFFECTIVE DATE.**

13.21 This act is effective the day following final enactment.

APPENDIX
Article locations in 12-5282

ARTICLE 1	RACINO	Page.Ln 1.13
ARTICLE 2	EDUCATION	Page.Ln 12.16
ARTICLE 3	MISCELLANEOUS	Page.Ln 13.12