

Sections 1 and 2 are effective January 1, 1992.

Presented to the governor April 28, 1990

Signed by the governor May 4, 1990, 10:56 p.m.

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**CHAPTER 590—S.F.No. 2018**

*An act relating to lawful gambling; defining lawful purposes for expenditures of gambling profits; establishing licensing qualifications for organizations, distributors, and manufacturers; requiring organizations to report monthly on expenditures and contributions of gambling profits; authorizing the gambling control board to require recipients of contributions of gambling profits to register with the board; authorizing summary suspension of gambling licenses; requiring pull-tabs to be manufactured in Minnesota; requiring inspection and testing of gambling equipment; requiring permits for gambling premises; requiring gambling managers to be licensed; requiring that employees of organizations conducting lawful gambling be registered with the board; prescribing specifications for video games of chance and terminating all licenses for video games of chance on January 1, 1992; regulating incentive payments to lottery employees; prescribing qualifications for lottery retailers; increasing penalties for violations of lawful gambling statutes; providing for the disposal of seized gambling equipment; amending Minnesota Statutes 1988, sections 349.12, by adding subdivisions; 349.16; 349.17; 349.18; 349.19; 349.2123; 349.2125, subdivision 4; 349.2127, subdivisions 1, 3, and by adding subdivisions; 349.22, by adding a subdivision; 349.30, subdivision 2; 349.31; 349.32; 349.34; 349.35, subdivision 1; 349.36; 349.38; 349.39; 349.50, subdivision 8; 349.52, by adding a subdivision; 349.55; 349.59, subdivision 1; 609.75, subdivision 4; 349.59, subdivision 1; Minnesota Statutes 1989 Supplement, sections 299L.03, by adding subdivisions; 349.12, subdivisions 11 and 12; 349.15; 349.151, subdivision 4, and by adding a subdivision; 349.152, subdivision 2, and by adding subdivisions; 349.161; 349.162; 349.163; 349.164; 349.212, subdivision 2; 349.2122; 349.2125, subdivisions 1 and 3; 349.2127, subdivisions 2, 4, and 5; 349.213; 349.22, subdivision 1; 349.501, subdivision 1; 349.502, subdivision 1; 349A.02, subdivision 5; 349A.06, subdivisions 2 and 4; 609.76, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 299L; 349; repealing Minnesota Statutes 1988, sections 349.14; 349.214, subdivision 1, 1a, 3, and 4; Minnesota Statutes 1989 Supplement, sections 349.151, subdivision 4a; 349.20; 349.21; 349.22, subdivision 3; 349.502, subdivision 2; Minnesota Statutes Second 1989 Supplement, section 349.214, subdivision 2; Laws 1989 First Special Session, chapter 1, article 13, section 27.*

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

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**ARTICLE 1**  
**REGULATORY PROVISIONS**

Section 1. Minnesota Statutes 1989 Supplement, section 299L.03, is amended by adding a subdivision to read:

Subd. 9. VIDEO GAMES OF CHANCE. The commissioner shall exercise all powers and duties assigned to the commissioner relating to video games of chance under sections 349.50 to 349.60 through the division and director.

Sec. 2. Minnesota Statutes 1989 Supplement, section 299L.03, is amended by adding a subdivision to read:

Subd. 10. FINGERPRINTING. The director may require that any: (1) licensee under sections 349.11 to 349.23, (2) employee of such a licensee, or (3) shareholder or officer of such a licensee be fingerprinted by the director, or otherwise submit to fingerprinting in a form and manner acceptable to the director.

**Sec. 3. [299L.06] JURISDICTION.**

In any investigation or other enforcement activity where there is probable cause to believe that a criminal violation relating to gambling has occurred, except a violation relating only to taxation, the division rather than any other state department, agency, or office shall be the primary investigation entity where enforcement rests.

Sec. 4. Minnesota Statutes Second 1989 Supplement, section 349.12, subdivision 11, is amended to read:

Subd. 11. (a) "Lawful purpose" means one or more of the following:

(1) benefiting persons by enhancing their opportunity for religious or educational advancement; by relieving or protecting them from disease, suffering or distress; by contributing to their physical well-being; by assisting them in establishing themselves in life as worthy and useful citizens; or by increasing their comprehension of and devotion to the principles upon which this nation was founded;

(2) initiating, performing, or fostering worthy public works or enabling or furthering the erection or maintenance of public structures;

(3) lessening the burdens borne by government or voluntarily supporting, augmenting or supplementing services which government would normally render to the people;

(4) payment of local taxes authorized under this chapter; and taxes imposed by the United States on receipts from lawful gambling;

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(5) any expenditure by, or any contribution to, a hospital or nursing home exempt from taxation under section 501(c)(3) of the Internal Revenue Code;

(6) payment of reasonable costs incurred in complying with the performing of annual audits required under section 349.19, subdivision 9;

(7) payment of real estate taxes and assessments on licensed gambling premises wholly owned by the licensed organization; or

(8) if approved by the board, construction, improvement, expansion, maintenance, and repair of athletic fields and outdoor ice rinks and their appurtenances, owned by the organization or a public agency.

(b) "Lawful purpose" does not include the erection, acquisition, improvement, expansion, repair, or maintenance of any real property or capital assets owned or leased by an organization, other than a hospital or nursing home exempt from taxation under section 501(c)(3) of the Internal Revenue Code, unless the board has first specifically authorized the expenditures after finding: (1) that the property or capital assets will be used exclusively for one or more of the purposes specified in paragraph (a), clauses (1) to (3); or (2) with respect to expenditures for repair or maintenance only, that the property is or will be used extensively as a meeting place or event location by other nonprofit organizations or community or service groups and that no rental fee is charged for the use; or (3) with respect to expenditures for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building a building owned by the organization and destroyed or made uninhabitable by fire or natural disaster, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance. The board shall by rule adopt procedures and standards to administer this subdivision.

(1) any expenditure by or contribution to a 501(c)(3) organization, provided that the organization and expenditure or contribution are in conformity with standards prescribed by the board under section 16;

(2) a contribution to an individual or family suffering from poverty, homelessness, or physical or mental disability, which is used to relieve the effects of that poverty, homelessness, or disability;

(3) a contribution to an individual for treatment for delayed posttraumatic stress syndrome, or a contribution to a recognized program for the treatment of compulsive gambling on behalf of an individual who is a compulsive gambler;

(4) a contribution to or expenditure on a public or private nonprofit educational institution registered with or accredited by this state or any other state;

(5) a contribution to a scholarship fund for defraying the cost of education to individuals, where the funds are awarded through an open and fair selection process;

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(6) activities by an organization or a government entity which recognize humanitarian or military service to the United States, the state of Minnesota, or a community, subject to rules of the board;

(7) recreational, community, and athletic facilities and activities intended primarily for persons under age 21, provided that such facilities and activities do not discriminate on the basis of gender, as evidenced by (i) provision of equipment and supplies, (ii) scheduling of activities, including games and practice times, (iii) supply and assignment of coaches or other adult supervisors, (iv) provision and availability of support facilities, and (v) whether the opportunity to participate reflects each gender's demonstrated interest in the activity, provided that nothing in this clause prohibits a contribution to or expenditure on an educational institution or other entity that is excepted from the prohibition against discrimination based on sex contained in the Higher Education Act Amendments of 1976, United States Code, title 20, section 1681;

(8) payment of local taxes authorized under this chapter, taxes imposed by the United States on receipts from lawful gambling, the tax imposed by section 349.212, subdivisions 1 and 4, and the tax imposed on unrelated business income by section 290.05, subdivision 3;

(9) payment of real estate taxes and assessments on licensed gambling premises wholly owned by the licensed organization paying the taxes, not to exceed the amount which an organization may expend under board rule on rent for premises used for lawful gambling;

(10) a contribution to the United States, this state or any of its political subdivisions, or any agency or instrumentality thereof other than a direct contribution to a law enforcement or prosecutorial agency; or

(11) a contribution to or expenditure by a nonprofit organization, church, or body of communicants, gathered in common membership for mutual support and edification in piety, worship, or religious observances.

(b) Notwithstanding paragraph (a), "lawful purpose" does not include:

(1) any expenditure made or incurred for the purpose of influencing the nomination or election of a candidate for public office or for the purpose of promoting or defeating a ballot question;

(2) any activity intended to influence an election or a governmental decision-making process;

(3) the erection, acquisition, improvement, expansion, repair, or maintenance of real property or capital assets owned or leased by an organization, except as provided in clause (6), unless the board has first specifically authorized the expenditures after finding that (i) the real property or capital assets will be used exclusively for one or more of the purposes in paragraph (a); (ii) with respect to expenditures for repair or maintenance only, that the property is or

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will be used extensively as a meeting place or event location by other nonprofit organizations or community or service groups and that no rental fee is charged for the use; (iii) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building, a building owned by the organization and destroyed or made uninhabitable by fire or natural disaster, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance; or (iv) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building a building owned by the organization that was acquired from the organization by eminent domain or sold by the organization to a purchaser that the organization reasonably believed would otherwise have acquired the building by eminent domain, provided that the expenditure may be only for that part of the replacement cost that exceeds the compensation received by the organization for the building being replaced;

(4) an expenditure by an organization which is a contribution to a parent organization, foundation, or affiliate of the contributing organization, if the parent organization, foundation, or affiliate has provided to the contributing organization within one year of the contribution any money, grants, property, or other thing of value;

(5) a contribution by a licensed organization to another licensed organization unless the board has specifically authorized the contribution. The board must authorize such a contribution when requested to do so by the contributing organization unless it makes an affirmative finding that the contribution will not be used by the recipient organization for one or more of the purposes in paragraph (a); or

(6) the erection, acquisition, improvement, or expansion of real property or capital assets which will be used for one or more of the purposes in paragraph (a), clause (7), unless the organization making the expenditures notifies the board at least 15 days before making the expenditure.

Sec. 5. Minnesota Statutes 1989 Supplement, section 349.12, subdivision 12, is amended to read:

Subd. 12. **ORGANIZATION.** "Organization" means any fraternal, religious, veterans, or other nonprofit organization ~~which has at least 15 active members; and either has been duly incorporated as a nonprofit organization for at least three years; or has been recognized by the Internal Revenue Service as exempt from income taxation for the most recent three years.~~

Sec. 6. Minnesota Statutes 1988, section 349.12, is amended by adding a subdivision to read:

Subd. 30. **501(c)(3) ORGANIZATION.** "501(c)(3) organization" is an organization exempt from the payment of federal income taxes under section 501(c)(3) of the Internal Revenue Code.

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Sec. 7. Minnesota Statutes 1988, section 349.12, is amended by adding a subdivision to read:

**Subd. 31. AFFILIATE.** "Affiliate" is any person or entity directly or indirectly controlling, controlled by, or under common control or ownership with a licensee of the board or any officer or director of a licensee of the board.

Sec. 8. Minnesota Statutes 1988, section 349.12, is amended by adding a subdivision to read:

**Subd. 32. PERSON.** "Person" is an individual, firm, association, partnership, corporation, trustee, or legal representative.

Sec. 9. Minnesota Statutes 1988, section 349.12, is amended by adding a subdivision to read:

**Subd. 34. FLARE.** "Flare" is the posted display, with registration stamp affixed, that sets forth the rules of a particular game of pull-tabs or tipboards, and that is associated with a specific deal of pull-tabs or grouping of tipboards.

Sec. 10. Minnesota Statutes Second 1989 Supplement, section 349.15, is amended to read:

#### 349.15 USE OF GROSS PROFITS.

(a) Gross profits from lawful gambling may be expended only for lawful purposes or allowable expenses as authorized at a regular meeting of the conducting organization. Provided that no more than ~~55~~ 60 percent of the gross profit less the tax imposed under section 349.212, subdivision 1, from bingo, and no more than 50 percent of the gross profit less the ~~taxes tax~~ imposed by section 349.212, ~~subdivisions 1, 4, and subdivision 6,~~ from other forms of lawful gambling, may be expended for allowable expenses related to lawful gambling.

(b) The board shall provide by rule for the administration of this section, including specifying allowable expenses. The rules must specify that no more than one-third of the annual premium on a policy of liability insurance procured by the organization may be taken as an allowable expense. This expense shall be allowed by the board only to the extent that it relates directly to the conduct of lawful gambling and is verified in the manner the board prescribes by rule. The rules may provide a maximum percentage of gross profits which may be expended for certain expenses.

(c) Allowable expenses also include reasonable costs of bank account service charges, and the reasonable costs of an audit required by the board, except an audit required under section 349.19, subdivision 9.

(d) Allowable expenses include reasonable legal fees and damages that relate to the conducting of lawful gambling, except for legal fees or damages incurred in defending the organization against the board, attorney general, United States attorney, commissioner of revenue, or a county or city attorney.

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Sec. 11. Minnesota Statutes 1989 Supplement, section 349.151, is amended by adding a subdivision to read:

Subd. 3a. COMPENSATION. The compensation of board members is as provided in section 15.0575, subdivision 3.

Sec. 12. Minnesota Statutes 1989 Supplement, section 349.151, subdivision 4, is amended to read:

Subd. 4. **POWERS AND DUTIES.** (a) The board has the following powers and duties:

(1) to regulate lawful gambling to ensure it is conducted in the public interest;

(2) to issue, revoke, and suspend licenses to organizations, distributors, bingo halls, and manufacturers under sections 349.16, 349.161, 349.163, and 349.164, and gambling managers;

~~(2)~~ (3) to collect and deposit license, permit, and registration fees due under this chapter;

~~(3)~~ (4) to receive reports required by this chapter and inspect the all premises, records, books, and other documents of organizations and suppliers, distributors, manufacturers, and bingo halls to insure compliance with all applicable laws and rules;

(4) (5) to make rules required authorized by this chapter;

~~(5)~~ (6) to register gambling equipment and issue registration stamps under section 349.162;

~~(6)~~ (7) to provide by rule for the mandatory posting by organizations conducting lawful gambling of rules of play and the odds and/or house percentage on each form of lawful gambling;

~~(7)~~ (8) to report annually to the governor and legislature on its activities and on recommended changes in the laws governing gambling;

~~(8)~~ (9) to impose civil penalties of not more than \$500 per violation on organizations, distributors, and manufacturers, bingo halls, and gambling managers for failure to comply with any provision of sections 349.12 to 349.23 this chapter or any rule of the board;

~~(9)~~ to notify city councils, county boards, and town boards before issuing or renewing licenses to organizations and bingo halls as specified under section 349.213; and

(10) to issue premises permits to organizations licensed to conduct lawful gambling;

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(11) to delegate to the director the authority to issue licenses and premises permits under criteria established by the board;

(12) to suspend or revoke licenses and premises permits of organizations, distributors, manufacturers, bingo halls, or gambling managers as provided in this chapter;

(13) to register recipients of net profits from lawful gambling and to revoke or suspend the registrations;

(14) to register employees of organizations licensed to conduct lawful gambling;

(15) to require fingerprints from persons determined by board rule to be subject to fingerprinting; and

(16) to take all necessary steps to ensure the integrity of and public confidence in lawful gambling.

(b) Any organization, distributor, bingo hall operator, or manufacturer assessed a civil penalty may request a hearing before the board. Hearings conducted on appeals of imposition of penalties are not subject to the provisions of the administrative procedure act.

(c) All fees and penalties received by the board must be deposited in the general fund.

Sec. 13. Minnesota Statutes 1989 Supplement, section 349.152, subdivision 2, is amended to read:

Subd. 2. **DUTIES OF THE DIRECTOR.** The director has the following duties:

- (1) to carry out gambling policy established by the board;
- (2) to employ and supervise personnel of the board;
- (3) to advise and make recommendations to the board on rules;
- (4) to issue licenses and premises permits as authorized by the board;
- (5) to issue cease and desist orders;
- (6) to make recommendations to the board on license issuance, denial, suspension and revocation, and civil penalties the board imposes; and
- (7) to ensure that board rules, policy, and decisions are adequately and accurately conveyed to the board's licensees.

Sec. 14. Minnesota Statutes 1989 Supplement, section 349.152, is amended by adding a subdivision to read:

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**Subd. 3. CEASE AND DESIST ORDERS.** Whenever it appears to the director that any person has engaged or is about to engage in any act or practice constituting a violation of this chapter or any rule:

(a) The director has the power to issue and cause to be served upon the person an order requiring the person to cease and desist from violations of this chapter. The order must give reasonable notice of the rights of the person to request a hearing and must state the reason for the entry of the order. A hearing shall be held not later than seven days after the request for the hearing is received by the board after which and within 20 days of the date of the hearing the board shall issue an order vacating the cease and desist order or making it permanent as the facts require. All hearings shall be conducted in accordance with the provisions of chapter 14. If the person to whom a cease and desist order is issued fails to appear at the hearing after being duly notified, the person shall be deemed in default, and the proceeding may be determined against the person upon consideration of the cease and desist order, the allegations of which may be deemed to be true.

(b) The board may bring an action in the district court in the appropriate county to enjoin the acts or practices and to enforce compliance with this chapter or any rule and may refer the matter to the attorney general. Upon a proper showing, a permanent or temporary injunction, restraining order, or writ of mandamus shall be granted. The court may not require the board to post a bond.

Sec. 15. Minnesota Statutes 1989 Supplement, section 349.152, is amended by adding a subdivision to read:

**Subd. 4. EXECUTIVE ASSISTANT.** The director may appoint an executive assistant to the director, who is in the unclassified service.

**Sec. 16. [349.154] EXPENDITURE OF NET PROFITS FROM LAWFUL GAMBLING.**

**Subdivision 1. STANDARDS FOR CERTAIN ORGANIZATIONS.** The board shall by rule prescribe standards that must be met by any licensed organization that is a 501(c)(3) organization. The standards must provide:

(1) operating standards for the organization, including a maximum percentage or percentages of the organization's total expenditures that may be expended for the organization's administration and operation; and

(2) standards for any expenditure by the organization of net profits from lawful gambling, including a requirement that the expenditure be related to the primary purpose of the organization.

**Subd. 2. NET PROFIT REPORTS.** (a) Each licensed organization must report monthly to the board on a form prescribed by the board each expenditure

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and contribution of net profits from lawful gambling. The reports must provide for each expenditure or contribution:

(1) the name, address, and telephone number of the recipient of the expenditure or contribution;

(2) the date the contribution was approved by the organization;

(3) the date, amount, and check number of the expenditure or contribution;  
and

(4) a brief description of how the expenditure or contribution meets one or more of the purposes in section 349.12, subdivision 11, paragraph (a).

(b) Each report required under paragraph (a) must be accompanied by an acknowledgment, on a form the board prescribes, of each contribution of net profits from lawful gambling included in the report. The acknowledgment must be signed by the recipient of the contribution, or, if the recipient is not an individual, or other authorized representative of the recipient, by an officer. The acknowledgment must include the name and address of the contributing organization and each item in paragraph (a), clauses (1) to (3).

(c) The board shall provide the commissioners of revenue and public safety copies of each report received under this subdivision.

**Subd. 3. REGISTRATION OF LAWFUL GAMBLING NET PROFIT RECIPIENTS.** The board may by rule require that any individual, organization, or other entity must be registered with the board to receive a contribution of net profits from lawful gambling. The rules may designate and define specific categories of recipients that are subject to registration. The board may suspend or revoke the registration of any recipient the board determines has made an unlawful expenditure of net profits from lawful gambling.

Sec. 17. Minnesota Statutes 1988, section 349.16, as amended by Laws 1989, chapter 334, article 2, sections 20 and 21, and Laws 1989, First Special Session chapter 1, article 13, section 8, is amended to read:

#### 349.16 ORGANIZATION LICENSES.

**Subdivision 1. LICENSE REQUIRED.** An organization may conduct lawful gambling if it has a license to conduct lawful gambling and complies with this chapter.

**Subd. 2. ISSUANCE OF GAMBLING LICENSES.** (a) Licenses authorizing organizations to conduct lawful gambling may be issued by the board to organizations meeting the qualifications of ~~section 349.14~~, in paragraphs (b) to (h) if the board determines that the license is consistent with the purpose of sections 349.11 to 349.22.

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(b) The organization must have been in existence for the most recent three years preceding the license application as a registered Minnesota nonprofit corporation or as an organization designated as exempt from the payment of income taxes by the Internal Revenue Code.

(c) The organization at the time of licensing must have at least 15 active members.

(d) The organization must not be in existence solely for the purpose of conducting gambling.

(e) The organization must not have as an officer or member of the governing body any person who, within the five years before the issuance of the license, has been convicted in a federal or state court of a felony or gross misdemeanor or who has ever been convicted of a crime involving gambling or who has had a license issued by the board or director revoked for a violation of law or board rule.

(f) The organization has identified in its license application the lawful purposes on which it proposes to expend net profits from lawful gambling.

(g) The organization has identified on its license application a gambling manager and certifies that the manager is qualified under this chapter.

(h) The organization must not, in the opinion of the board after consultation with the commissioner of revenue, be seeking licensing primarily for the purpose of evading or reducing the tax imposed by section 349.212, subdivision 6.

Subd. 3. TERM OF LICENSE: SUSPENSION AND REVOCATION. Licenses issued under this section are valid for one year and may be suspended by the board for a violation of law or board rule or revoked for what the board determines to be a ~~pattern of willful violations~~ violation of law or board rule. A revocation or suspension is a contested case under sections 14.57 to 14.69 of the administrative procedure act.

Subd. 1a. RESTRICTIONS ON LICENSE ISSUANCE. On and after October 1, 1989, the board shall not issue an initial license to any organization if the board, in consultation with the department of revenue, determines that the organization is seeking licensing for the primary purpose of evading or reducing the tax imposed by section 349.212, subdivision 6.

Subd. 2 4. APPLICATION. All applications for a license under this section must be on a form prescribed by the board. The board may require the applying organization to submit a copy of its articles of incorporation and other documents it deems necessary.

Subd. 5. RENEWALS. The board shall not renew a license issued under this section unless it determines that the organization is in compliance with all laws and rules governing lawful gambling and is not delinquent in filing tax

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returns or paying taxes required under this chapter. The board may delegate to the director the authority to make determinations required under this subdivision.

Subd. 3 6. **FEES.** The board may issue four classes of organization licenses: a class A license authorizing all forms of lawful gambling; a class B license authorizing all forms of lawful gambling except bingo; a class C license authorizing bingo only; and a class D license authorizing raffles only. The ~~annual license fee for each class of license is:~~

(1) \$200 for a class A license;

(2) \$125 for a class B license;

(3) \$100 for a class C license; and

(4) \$75 for a class D license board shall not charge a fee for an organization license.

Subd. 7. PURCHASE OF GAMBLING EQUIPMENT. An organization may purchase gambling equipment only from a person licensed as a distributor.

Subd. 4 8. **LOCAL INVESTIGATION FEE.** A statutory or home rule charter city or county notified under section 349.213, subdivision 2, may assess an investigation fee on organizations or bingo halls applying for or renewing a license to conduct lawful gambling or operate a bingo hall. An investigation fee may not exceed the following limits:

(1) for cities of the first class, \$500;

(2) for cities of the second class, \$250;

(3) for all other cities, \$100; and

(4) for counties, \$375.

Sec. 18. Minnesota Statutes 1989 Supplement, section 349.161, as amended by Laws 1989, First Special Session chapter 1, article 13, section 9, is amended to read:

#### 349.161 DISTRIBUTOR LICENSES.

Subdivision 1. **PROHIBITED ACTS; LICENSES REQUIRED.** No person may:

(1) sell, offer for sale, or furnish gambling equipment for use within the state for gambling purposes, other than for lawful gambling exempt or excluded from licensing ~~under section 349.214~~, except to an organization licensed for lawful gambling;

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(2) sell, offer for sale, or furnish gambling equipment ~~to an organization licensed for lawful gambling without having obtained a distributor license under this section;~~

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

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

~~No licensed organization may purchase gambling equipment from any person not licensed as a distributor under this section.~~

Subd. 2. **LICENSE APPLICATION.** The board may issue licenses for the sale of gambling equipment to persons who meet the qualifications of this section if the board determines that a license is consistent with the purpose of sections 349.11 to 349.22. Applications must be on a form the board prescribes.

Subd. 3. **QUALIFICATIONS.** A license may not be issued under this section to a person, or to a corporation, firm, or partnership which has as an officer, director, other person in a supervisory or management position, or employee eligible to make sales on behalf of the distributor a person, who:

(1) has ever been convicted of a felony ~~within the past five years;~~

(2) has ever been convicted of a ~~felony involving fraud or misrepresentation or a crime involving gambling;~~

(3) has ever been convicted of (i) assault, (ii) a criminal violation involving the use of a firearm, or (iii) making terroristic threats;

(4) is or has ever been engaged in an illegal business;

~~(4)~~ (5) owes \$500 or more in delinquent taxes as defined in section 270.72;

~~(5)~~ (6) has had a sales and use tax permit revoked by the commissioner of revenue within the last two years; or

~~(6)~~ (7) after demand, has not filed tax returns required by the commissioner of revenue.

Subd. 4. **FEES.** The annual fee for a distributor's license is \$2,500.

Subd. 5. **PROHIBITION.** (a) No distributor, or employee of a distributor, may also be a wholesale distributor of alcoholic beverages or an employee of a wholesale distributor of alcoholic beverages.

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(b) No distributor, ~~distributor's~~ or any representative, agent, affiliate, or employee of a distributor, may be (1) involved ~~directly~~ in the ~~operation~~ conduct of lawful gambling ~~conducted~~ by an organization; (2) keep or assist in the keeping of an organization's financial records, accounts, and inventories; or (3) prepare or assist in the preparation of tax forms and other reporting forms required to be submitted to the state by an organization.

(c) No ~~manufacturer or~~ distributor or ~~person acting as a~~ any representative, agent, affiliate, or employee of a ~~manufacturer or~~ distributor may provide a lessor of gambling premises any compensation, gift, gratuity, premium, or other thing of value.

(d) No distributor, ~~distributor's~~ or any representative, agent, affiliate, or employee of a distributor may participate in any gambling activity at any gambling site or premises where gambling equipment purchased from that distributor is being used in the conduct of lawful gambling.

(e) No distributor, ~~distributor's~~ or any representative, agent, affiliate, or employee of a distributor may alter or modify any gambling equipment, except to add a "last ticket sold" prize sticker.

(f) No distributor or any representative, agent, affiliate, or employee of a distributor may: (1) recruit a person to become a gambling manager of an organization or identify to an organization a person as a candidate to become gambling manager for the organization; or (2) identify for an organization a potential gambling location.

(g) No distributor may purchase gambling equipment from any person not licensed as a manufacturer under section 349.163.

(h) No distributor may sell gambling equipment to any person in Minnesota other than (i) a licensed organization or organization exempt from licensing, or (ii) the governing body of an Indian tribe.

Subd. 6. **REVOCATION AND SUSPENSION.** A license under this section may be suspended by the board for a violation of law or board rule ~~or~~. A license under this section may be revoked for failure to meet the qualifications in subdivision 3 at any time or ~~revoked for what the board determines to be a~~ pattern of a willful violation of law or board rule. A revocation or suspension is a contested case under sections 14.57 to 14.69 of the administrative procedure act.

Subd. 7. **CRIMINAL HISTORY.** The board may request the assistance of the division of gambling enforcement in investigating the background of an applicant for a distributor's license and may reimburse the division of gambling enforcement for the costs thereof. The board has access to all criminal history data compiled by the division of gambling enforcement on licensees and applicants.

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Subd. 8. **EMPLOYEES OF DISTRIBUTORS.** Licensee distributors shall provide the board upon request with the names and home addresses of all employees. Each distributor; and employee of a distributor; ~~or a person making sales of gambling equipment on behalf of a distributor~~ must have in their possession a picture identification card approved by the board. No person other than an employee of a licensed distributor shall make any sales on behalf of a licensed distributor.

Sec. 19. Minnesota Statutes 1989 Supplement, section 349.162, is amended to read:

**349.162 EQUIPMENT REGISTERED.**

Subdivision 1. **STAMP REQUIRED.** (a) A distributor may not sell, transfer, furnish, or otherwise provide to a person, organization, or distributor, and no person, organization, or distributor may purchase, borrow, accept, or acquire from a distributor gambling equipment unless the equipment has been registered with the board and has a registration stamp affixed. The board shall charge a fee of five cents for each stamp. Each stamp must bear a registration number assigned by the board. A distributor is entitled to a refund for unused stamps and replacement for stamps which are defective or canceled by the distributor.

(b) From January 1, 1991, to June 30, 1992, no distributor, organization, or other person may sell a pull-tab which is not clearly marked "For Sale in Minnesota Only."

(c) On and after July 1, 1992, no distributor, organization, or other person may sell a pull-tab which is not clearly marked "Manufactured in Minnesota For Sale in Minnesota Only."

(d) Paragraphs (b) and (c) do not apply to pull-tabs sold by a distributor to the governing body of an Indian tribe.

Subd. 2. **RECORDS REQUIRED.** A distributor must maintain a record of all gambling equipment which it sells to organizations. The record must include:

- (1) the identity of the person or firm from whom the ~~equipment was~~ distributor purchased the equipment;
- (2) the registration number of the equipment;
- (3) the name ~~and~~, address, and license or exempt permit number of the organization to which the sale was made;
- (4) the date of the sale;
- (5) the name of the person who ordered the equipment; ~~and~~
- (6) the name of the person who received the equipment;

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(7) the type of equipment;

(8) the serial number of the equipment;

(9) the name, form number, or other identifying information for each game;  
and

(10) in the case of bingo cards sold on and after January 1, 1991, the individual number of each card.

The invoice for each sale must be retained for at least ~~two~~ 3-1/2 years after the sale is completed and a copy of each invoice is to be delivered to the board in the manner and time prescribed by the board. For purposes of this section, a sale is completed when the gambling equipment is physically delivered to the purchaser.

Each distributor must report monthly to the board, in a form the board prescribes, its sales of each type of gambling equipment. Employees of the division and the division of gambling enforcement may inspect the business premises, books, records, and other documents of a distributor at any reasonable time without notice and without a search warrant.

The board may require that a distributor submit the monthly report and invoices required in this subdivision via magnetic media or electronic data transfer.

Subd. 3. **EXEMPTION.** For purposes of this section, bingo cards or sheets need not be stamped.

Subd. 4. **PROHIBITION.** (a) No person other than a licensed distributor may possess unaffixed registration stamps ~~issued by the board.~~

(b) Unless otherwise provided in this chapter, no person may possess gambling equipment that has not been stamped and registered ~~with the board.~~

(c) On and after January 1, 1991, no distributor may:

(1) sell a bingo card that does not bear an individual number; or

(2) sell a package of bingo cards that does not contain bingo cards in numerical order.

Subd. 5. **SALES FROM FACILITIES.** (a) All gambling equipment purchased or possessed by a licensed distributor for resale in Minnesota must, prior to the equipment's resale, be unloaded into a sales or storage facility located in Minnesota which the distributor owns or leases; and which has been registered, in advance and in writing, with the division of gambling enforcement as a sales or storage facility of the distributor's. All unregistered gambling equipment and all unaffixed registration stamps owned by, or in the possession of, a licensed

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distributor in the state of Minnesota shall be stored at a sales or storage facility which has been registered with the division of gambling enforcement. No gambling equipment may be moved from the facility unless the gambling equipment has been first registered with the board.

(b) All sales and storage facilities owned, leased, used, or operated by a licensed distributor may be entered upon and inspected by the employees of the division of gambling enforcement or the director's authorized representatives during reasonable and regular business hours. Obstruction of, or failure to permit, entry and inspection is cause for revocation or suspension of a distributor's licenses and permits issued under this chapter.

(c) Unregistered gambling equipment and unaffixed registration stamps found at any location in Minnesota other than a registered sales or storage facility are contraband under section 349.2125. This paragraph does not apply to unregistered gambling equipment being transported in interstate commerce between locations outside this state, if the interstate shipment is verified by a bill of lading or other valid shipping document.

Subd. 6. REMOVAL OF EQUIPMENT FROM INVENTORY. Authorized employees of the board, the division of gambling enforcement of the department of public safety, and the commissioner of revenue may remove gambling equipment from the inventories of distributors and organizations and test that equipment to determine its compliance with all applicable laws and rules. A distributor or organization may return to the manufacturer thereof any gambling equipment which is determined to be in violation of law or rule. The cost to an organization of gambling equipment removed from inventory under this paragraph and found to be in compliance with all applicable law and rules is an allowable expense under section 349.15.

Sec. 20. Minnesota Statutes 1989 Supplement, section 349.163, as amended by Laws 1989, First Special Session chapter 1, article 13, section 10, is amended to read:

#### 349.163 LICENSING OF MANUFACTURERS.

Subdivision 1. **LICENSE REQUIRED.** No manufacturer of gambling equipment may sell any gambling equipment to any person unless the manufacturer has been issued a current and valid license by the board under ~~objective~~ this section and other criteria prescribed by the board by rule.

A manufacturer licensed under this section may not also be directly or indirectly licensed as a distributor under section 349.161, unless the manufacturer (1) does not manufacture any gambling equipment other than paddle-wheels, and (2) was licensed as both a manufacturer and distributor on May 1, 1990.

Subd. 1a. QUALIFICATIONS. A license may not be issued under this section to a person, or to a corporation, firm, or partnership that has as an

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officer, director, other person in a supervisory or management position, or employee eligible to make sales on behalf of the distributor, a person, who:

- (1) has ever been convicted of a felony;
- (2) has ever been convicted of a crime involving gambling;
- (3) has ever been convicted of (i) assault, (ii) a criminal violation involving the use of a firearm, or (iii) making terroristic threats;
- (4) is or has ever been engaged in an illegal business;
- (5) owes \$500 or more in delinquent taxes as defined in section 270.72;
- (6) has had a sales and use tax permit revoked by the commissioner of revenue within the last two years; or
- (7) after demand, has not filed tax returns required by the commissioner of revenue.

Subd. 1b. APPLICATIONS; INFORMATION. An applicant for a manufacturer's license must list on the license application the names and addresses of all subsidiaries, affiliates, and branches in which the applicant has any form of ownership or control, in whole or in part, without regard to whether the subsidiary, affiliate, or branch does business in Minnesota.

Subd. 2. **LICENSE; FEE.** A license under this section is valid for one year. The annual fee for the license is \$2,500.

Subd. 2a. LICENSES; SUSPENSION, REVOCATION. The board may suspend a license under this section for a violation of law or board rule. The board may revoke a license under this section for (1) a willful violation of law or board rule, or (2) a conviction in another jurisdiction for a criminal violation that is related to gambling, or that would be a felony or gross misdemeanor if committed in Minnesota.

Subd. 3. **PROHIBITED SALES.** (a) A manufacturer may not:

- (1) sell gambling equipment to any person not licensed as a distributor unless the manufacturer is also a licensed distributor; ~~or~~
- (2) sell gambling equipment to a distributor in this state that has the same serial number as another item of gambling equipment of the same type that is sold by that manufacturer for use in this state;
- (3) from January 1, 1991, to June 30, 1992, sell to any person in Minnesota, other than the governing body of an Indian tribe, a pull-tab on which the manufacturer has not clearly printed the words "For Sale in Minnesota Only";
- (4) on and after July 1, 1992, sell to any person in Minnesota, other than

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the governing body of an Indian tribe, a pull-tab on which the manufacturer has not clearly printed the words "Manufactured in Minnesota For Sale In Minnesota Only"; or

(5) sell a pull-tab marked as required in paragraphs (3) and (4) to any person inside or outside the state, including the governing body of an Indian tribe, who is not a licensed distributor.

(b) On and after July 1, 1992, all pull-tabs sold by a licensed manufacturer to a person in Minnesota must be manufactured in Minnesota.

(c) A manufacturer, affiliate of a manufacturer, or person acting as a representative or agent of a manufacturer, may not provide a lessor of gambling premises or an appointed official any compensation, gift, gratuity, premium, contribution, or other thing of value.

Subd. 4. **INSPECTION OF MANUFACTURERS.** Employees of the division and the division of gambling enforcement may inspect the books, records, inventory, and manufacturing operations business premises of a licensed manufacturer without notice during the normal business hours of the manufacturer.

Subd. 5. **PULL-TAB AND TIPBOARD FLARES.** (a) A manufacturer may not ship or cause to be shipped into this state any deal of pull-tabs or tipboards that does not have its own individual flare as required for that deal by rule of the board. A person other than a manufacturer may not manufacture, alter, modify, or otherwise change a flare for a deal of pull-tabs or tipboards except as allowed by this chapter or board rules.

(b) The flare of each deal of pull-tabs and tipboards sold by a manufacturer in Minnesota must have the Minnesota gambling stamp affixed. The flare, with the stamp affixed, must be placed inside the wrapping of the deal which the flare describes.

(c) Each pull-tab and tipboard flare must bear the following statement printed in letters large enough to be clearly legible:

"Pull-tab (or tipboard) purchasers — This pull-tab (or tipboard) game is not legal in Minnesota unless:

— a Minnesota gambling stamp is affixed to this sheet, and

— the serial number handwritten on the gambling stamp is the same as the serial number printed on this sheet and on the pull-tab (or tipboard) ticket you have purchased."

(d) The flare of each pull-tab and tipboard game must bear the serial number of the game, printed in numbers at least one-half inch high.

(e) The flare of each pull-tab and tipboard game must be imprinted at the bottom with a bar code that provides:

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- (1) the name of the game;
- (2) the serial number of the game;
- (3) the name of the manufacturer;
- (4) the number of tickets in the deal;
- (5) the odds of winning each prize in the deal; and
- (6) other information the board by rule requires.

The serial number included in the bar code must be the same as the serial number of the tickets included in the deal. A manufacturer who manufactures a deal of pull-tabs must affix to the outside of the box containing that game the same bar code that is imprinted at the bottom of a flare for that deal.

(f) No person may alter the bar code that appears on the outside of a box containing a deal of pull-tabs and tipboards. Possession of a box containing a deal of pull-tabs and tipboards that has a bar code different from the bar code of the deal inside the box is prima facie evidence that the possessor has altered the bar code on the box.

Subd. 6. SAMPLES OF GAMBLING EQUIPMENT. The board shall require each licensed manufacturer to submit to the board one or more samples of each item of gambling equipment the manufacturer manufactures for sale in this state. The board shall inspect and test all the equipment it deems necessary to determine the equipment's compliance with law and board rules. Samples required under this subdivision must be approved by the board before the equipment being sampled is sold in this state. The board may request the assistance of the commissioner of public safety and the director of the state lottery division in performing the tests.

Subd. 7. RECYCLED PAPER. The board may, after January 1, 1991, by rule require that all pull-tabs sold in Minnesota be manufactured using recycled paper.

Sec. 21. Minnesota Statutes 1989 Supplement, section 349.164, is amended to read:

#### 349.164 BINGO HALL LICENSES.

Subdivision 1. **LICENSE REQUIRED.** No person may lease a facility to more than one individual, corporation, partnership, or organization to conduct bingo without ~~having obtained~~ a current and valid bingo hall license under this section; ~~unless the lessor is a licensed organization.~~

Subd. 2. **LICENSE APPLICATION.** The board may issue a bingo hall license to persons who meet the qualifications of this section if the board deter-

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mines that a license is consistent with the purpose of sections 349.11 to 349.22. Applications must be on a form the board prescribes. The board may not issue or renew a bingo hall license unless the conditions of section 349.213, subdivision 2, have been satisfied.

Subd. 3. **QUALIFICATIONS.** A license may not be issued under this section to a person, ~~or to a~~ organization, corporation, firm, or partnership that is not the legal owner of the facility, or to a person, organization, corporation, firm, or partnership which has as an officer, director, or other person in a supervisory or management position a person, who:

- (1) has ever been convicted of a felony ~~within the past five years;~~
- (2) has ever been convicted of a felony ~~involving fraud or misrepresentation or a crime involving gambling; or~~
- (3) has ever been convicted of (i) assault, (ii) a criminal violation involving the use of a firearm, or (iii) making terroristic threats;
- (4) owes delinquent taxes in excess of \$500 as defined in section 270.72; or
- (5) after demand, has not filed tax returns required by the commissioner of revenue.

Subd. 4. **FEES.** The annual fee for a bingo hall license is \$2,500.

Subd. 5. **CRIMINAL HISTORY.** The board may request the assistance of the division of gambling enforcement in investigating the background of an applicant for a bingo hall license and may reimburse the division of gambling enforcement for the costs. The board has access to all criminal history data compiled by the bureau of criminal apprehension and the division of gambling enforcement on licensees and applicants.

Subd. 6. ~~**PROHIBITION**~~ **PROHIBITED ACTS.** No bingo hall licensee, person holding a financial or managerial interest in a bingo hall, or affiliate thereof may ~~also;~~

- (1) be a licensed distributor or licensed manufacturer or affiliate of the distributor or manufacturer under section 349.161 or 349.163 or a wholesale distributor of alcoholic beverages;

Subd. 7. ~~**RESTRICTIONS.**~~ A ~~bingo hall licensee or affiliate of the licensee~~ may ~~not;~~

- (1) ~~(2)~~ provide any staff to conduct or assist in the conduct of bingo or any other form of lawful gambling ~~during the bingo occasion on the premises;~~
- (2) ~~(3)~~ acquire, provide storage or inventory control, or report the use of any gambling equipment used by an organization that conducts bingo lawful gambling on the premises;

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~~(3)~~ (4) provide accounting services to an organization conducting ~~bingo~~ lawful gambling on the premises;

(4) ~~(5)~~ solicit, suggest, encourage, or make any expenditures of gross receipts of an organization from lawful gambling; ~~or~~

~~(5)~~ (6) charge any fee to a person ~~at a bingo occasion~~; without which the person could not play a bingo game or participate in another form of lawful gambling on the premises;

(7) provide assistance or participate in the conduct of lawful gambling on the premises; or

(8) permit more than 21 bingo occasions to be conducted on the premises in any week.

Subd. 8. **LEASES.** All of the remuneration to be received from the organization for the conduct of lawful gambling must be stated in the lease. No amount may be paid by the organization or received by ~~the operator of the bingo hall licensee~~ based on the number of participants attending the bingo occasion or participating in lawful gambling on the premises, or based on the gross receipts or profit received by the organization. All provisions of section 349.18 apply to lawful gambling conducted in bingo halls.

Subd. 9. **REVOCATION AND SUSPENSION.** A license under this section may be suspended by the board for a violation of law or board rule or revoked for (1) failure to meet the qualifications in subdivision 3 at any time; or ~~revoked for what the board determines to be~~ (2) a pattern of willful violations violation of law or board rule. A revocation or suspension is a contested case under sections 14.57 to 14.69 of the administrative procedure act.

## Sec. 22. [349.1641] LICENSES; SUMMARY SUSPENSION.

The board may (1) summarily suspend the license of an organization that is more than three months late in filing a tax return required under this chapter, and may keep the suspension in effect until all required returns are filed; and (2) summarily suspend for not more than 90 days any license issued by the board or director for what the board determines are actions detrimental to the integrity of lawful gambling in Minnesota. The board must notify the licensee at least 14 days before suspending the license under this paragraph. A contested case hearing must be held within 20 days of the summary suspension and the administrative law judge's report must be issued within 20 days after the close of the hearing record. In all cases involving summary suspension, the board must issue its final decision within 30 days after receipt of the report of the administrative law judge and subsequent exceptions and argument under section 14.61. When an organization's license is suspended or revoked under this subdivision, the board shall within three days notify all municipalities in which the organization's gambling premises are located, and all licensed distributors in the state.

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**Sec. 23. [349.165] PREMISES PERMITS.**

**Subdivision 1. PREMISES PERMIT REQUIRED; APPLICATION.** A licensed organization may not conduct lawful gambling at any site unless it has first obtained from the board a premises permit for the site. The board shall prescribe a form for permit applications, and each application for a permit must be submitted on a separate form. The board may by rule limit the number of premises permits that may be issued to an organization.

**Subd. 2. CONTENTS OF APPLICATION.** An application for a premises permit must contain:

(1) the name and address of the applying organization and of the organization's gambling manager;

(2) a description of the site for which the permit is sought, including its address and, where applicable, its placement within another premises or establishment;

(3) if the site is leased, the name and address of the lessor and information about the lease the board requires, including all rents and other charges for the use of the site; and

(4) other information the board deems necessary to carry out its purposes.

An organization holding a premises permit must notify the board in writing within ten days whenever any material change is made in the above information.

**Subd. 3. FEES.** The board may issue four classes of premises permits, corresponding to the classes of licenses authorized under section 349.16, subdivision 6. The annual fee for each class of permit is:

(1) \$200 for a class A permit;

(2) \$125 for a class B permit;

(3) \$100 for a class C permit; and

(4) \$75 for a class D permit.

**Subd. 4. IDENTIFICATION OF PREMISES.** No organization may seek or accept assistance from a manufacturer or distributor, or a representative, agent, affiliate, or employee of a manufacturer or distributor, in identifying potential locations for gambling conducted by the organization.

**Sec. 24. [349.166] EXCLUSIONS; EXEMPTIONS.**

**Subdivision 1. EXCLUSIONS.** (a) Bingo may be conducted without a license and without complying with sections 349.17, subdivision 1, and 349.18, if it is conducted:

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(1) in connection with a county fair, the state fair, or a civic celebration if it is not conducted for more than 12 consecutive days in a calendar year; or

(2) by an organization that conducts four or fewer bingo occasions in a calendar year.

An organization that holds a license to conduct lawful gambling under this chapter may not conduct bingo under this subdivision.

(b) Bingo may be conducted within a nursing home or a senior citizen housing project or by a senior citizen organization without compliance with sections 349.11 to 349.213 if the prizes for a single bingo game do not exceed \$10, total prizes awarded at a single bingo occasion do not exceed \$200, no more than two bingo occasions are held by the organization or at the facility each week, only members of the organization or residents of the nursing home or housing project are allowed to play in a bingo game, no compensation is paid for any persons who conduct the bingo, a manager is appointed to supervise the bingo, and the manager registers with the board. The gross receipts from bingo conducted under the limitations of this subdivision are exempt from taxation under chapter 297A.

(c) Raffles may be conducted by an organization without complying with sections 349.11 to 349.14 and 349.151 to 349.213 if the value of all raffle prizes awarded by the organization in a calendar year does not exceed \$750.

Subd. 2. EXEMPTIONS. (a) Lawful gambling may be conducted by an organization as defined in section 349.12, subdivision 12, without complying with sections 349.151 to 349.16; 349.167; 349.168; 349.18; 349.19; and 349.212 if:

(1) the organization conducts lawful gambling on five or fewer days in a calendar year;

(2) the organization does not award more than \$50,000 in prizes for lawful gambling in a calendar year;

(3) the organization pays a fee of \$25 to the board, notifies the board in writing not less than 30 days before each lawful gambling occasion of the date and location of the occasion, or 60 days for an occasion held in the case of a city of the first class, the types of lawful gambling to be conducted, the prizes to be awarded, and receives an exemption identification number;

(4) the organization notifies the local government unit 30 days before the lawful gambling occasion, or 60 days for an occasion held in a city of the first class;

(5) the organization purchases all gambling equipment and supplies from a licensed distributor; and

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(6) the organization reports to the board, on a single-page form prescribed by the board, within 30 days of each gambling occasion, the gross receipts, prizes, expenses, expenditures of net profits from the occasion, and the identification of the licensed distributor from whom all gambling equipment was purchased.

(b) If the organization fails to file a timely report as required by paragraph (a), clause (3) or (6), a \$250 penalty is imposed on the organization. Failure to file a timely report does not disqualify the organization as exempt under this paragraph if a report is later filed and the penalty paid.

(c) Merchandise prizes must be valued at their fair market value.

(d) Unused pull-tab and tipboard deals must be returned to the distributor within seven working days after the end of the lawful gambling occasion. The distributor must accept and pay a refund for all returns of unopened and undamaged deals returned under this paragraph.

(e) An organization that is exempt from taxation on purchases of pull-tabs and tipboards under section 349.212, subdivision 4, paragraph (c), must return to the distributor any tipboard or pull-tab deal no part of which is used at the lawful gambling occasion for which it was purchased by the organization.

Subd. 3. RAFFLES; CERTAIN ORGANIZATIONS. Sections 349.21 and 349.211, subdivision 3, and the membership requirements of sections 349.14 and 349.20 do not apply to raffles conducted by an organization that directly or under contract to the state or a political subdivision delivers health or social services and that is a 501(c)(3) organization if the prizes awarded in the raffles are real or personal property donated by an individual, firm, or other organization. The person who accounts for the gross receipts, expenses, and profits of the raffles may be the same person who accounts for other funds of the organization.

Subd. 4. TAXATION. An organization's receipts from lawful gambling that is exempt from licensing under this section are not subject to the tax imposed by section 297A.02 or 349.212.

## Sec. 25. [349.167] GAMBLING MANAGERS.

Subdivision 1. GAMBLING MANAGER REQUIRED. (a) All lawful gambling conducted by a licensed organization must be under the supervision of a gambling manager. A gambling manager designated by an organization to supervise lawful gambling is responsible for the gross receipts of the organization and for its conduct in compliance with all laws and rules. The organization must maintain, or require the person designated as a gambling manager to maintain, a fidelity bond in the sum or \$25,000 in favor of the organization and the state, conditioned on (1) the faithful performance of the manager's duties; and (2) the payment of all taxes due under this chapter on lawful expenditures of gross profits from lawful gambling. The terms of the bond must provide that notice

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be given to the board in writing not less than 30 days before its cancellation. In the case of conflicting claims against a bond a claim by the state has preference over a claim by the organization.

(b) A person may not act as a gambling manager for more than one organization.

(c) An organization may not conduct lawful gambling without having a gambling manager. The board must be notified in writing of a change in gambling managers. Notification must be made within ten days of the date the gambling manager assumes the manager's duties.

(d) An organization may not have more than one gambling manager at any time.

**Subd. 2. GAMBLING MANAGERS; LICENSES.** A person may not serve as a gambling manager for an organization unless the person possesses a valid gambling manager's license issued by the board. The board may issue a gambling manager's license to a person applying for the license who:

(1) has received training as required in subdivision 5;

(2) has never been convicted of a felony;

(3) within the five years before the date of the license application, has not committed a violation of law or board rule that resulted in the revocation of a license issued by the board;

(4) has never been convicted of a criminal violation involving fraud, theft, tax evasion, misrepresentation, or gambling;

(5) has never been convicted of (i) assault, (ii) a criminal violation involving the use of a firearm, or (iii) making terroristic threats; and

(6) has not engaged in conduct the board determines is contrary to the public health, welfare, or safety or the integrity of lawful gambling.

A gambling manager's license is valid for one year unless suspended or revoked. The annual fee for a gambling manager's license is \$100.

**Subd. 4. SUSPENSION; REVOCATION.** The board may suspend or revoke, as provided in board rules, a gambling manager's license for a violation of law or board rule. A suspension or revocation is a contested case under sections 14.57 to 14.69 of the administrative procedure act.

**Subd. 5. TRAINING OF GAMBLING MANAGERS.** (a) The board shall by rule require all persons licensed as gambling managers to receive periodic training in laws and rules governing lawful gambling. The rules must contain the following requirements:

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(1) each gambling manager must have received such training before being issued a new license;

(2) each gambling manager applying for a renewal of a license must have received training within the three years prior to the date of application for the renewal; and

(3) the training required by this subdivision may be provided by a person, firm, association, or organization authorized by the board to provide the training. Before authorizing a person, firm, association, or organization to provide training, the board must determine that:

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

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

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

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

The rules may provide for differing training requirements for gambling managers based on the class of license held by the gambling manager's organization.

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

Subd. 6. CRIMINAL HISTORY. The board may request the assistance of the division of gambling enforcement in investigating the background of an applicant for a gambling manager's license and may reimburse the division of gambling enforcement for the costs thereof. The board has access to all criminal history data compiled by the division of gambling enforcement on licensees and applicants.

Subd. 7. RECRUITMENT OF GAMBLING MANAGERS. No organization may seek or accept assistance from a manufacturer or distributor, or a representative, agent, affiliate, or employee of a manufacturer or distributor, in identifying or recruiting candidates to become a gambling manager for the organization.

## Sec. 26. [349.168] GAMBLING EMPLOYEES.

Subdivision 1. REGISTRATION OF EMPLOYEES. A person may not receive compensation for participating in the conduct of lawful gambling as an employee of a licensed organization unless the person has first registered with

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the board on a form the board prescribes. The form must require each registrant to provide: (1) the person's name, address, and social security number; (2) a current photograph; (3) the name, address, and license number of the employing organization; and (4) a listing of all employment in the conduct of lawful gambling within the previous three years, including the name and address of each employing organization and the circumstances under which the employment was terminated.

Subd. 2. IDENTIFICATION OF EMPLOYEES. The board shall issue to each person registering under subdivision 1 a registration number and identification card, which must include the employee's photograph. Each person receiving compensation for the conduct of lawful gambling must wear the identification card provided by the board at all times while conducting the lawful gambling.

Subd. 3. COMPENSATION. Compensation to persons who participate in the conduct of lawful gambling may be paid only to active members of the conducting organization or its auxiliary, or the spouse or surviving spouse of an active member, except that the following persons may receive compensation without being active members: (1) sellers of pull-tabs, tipboards, raffle tickets, paddlewheel tickets, and bingo paper; (2) accountants performing auditing or bookkeeping services for the organization; and (3) attorneys providing legal services to the organization. The board may by rule allow other persons not active members of the organization to receive compensation.

Subd. 4. AMOUNTS PAID. The amounts of compensation that may be paid under this section may be provided for in a schedule of compensation adopted by the board by rule. In adopting a schedule, the board must consider the nature of the participation and the types of lawful gambling participated in.

Subd. 5. COMPENSATION RECORDS. An organization paying compensation to persons who participate in the conduct of lawful gambling must maintain a compensation record. The record must be retained for at least two years after the month in which the compensation is paid. The record must itemize each payment made to each recipient of compensation and must include the amount and the full name, address, and membership status of each recipient.

Subd. 6. COMPENSATION PAID BY CHECK. Compensation paid by an organization in connection with lawful gambling must be in the form of a check drawn on the organization's gambling account, as specified in section 349.19, and paid directly to the employee.

Subd. 7. PENALTY. (a) An organization that makes payment of compensation, or causes compensation to be made, that violates subdivision 4 must be assessed a civil penalty not to exceed \$1,000 for each violation of subdivision 4. A second violation within 12 months of notification by the board to the organization of the first violation must result in suspension of the organization's gambling license for a period of three months, in addition to any civil penalty assessed. A third violation within 12 months of the board's notification to the

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organization of the second violation must result in revocation of the organization's gambling license in addition to any civil penalty assessed.

(b) Upon each violation, the director shall notify the organization in writing of its violation and of the penalties under this subdivision for future violations. Notification is effective upon mailing.

(c) For purposes of this subdivision, a violation consists of a payroll period or compensation date that includes payments made in violation of subdivision 4.

Subd. 8. PERCENTAGE OF GROSS PROFIT PAID. A licensed organization may pay a percentage of the gross profit from raffle ticket sales to a non-profit organization that sells raffle tickets for the licensed organization.

#### Sec. 27. [349.169] FILING OF PRICES.

Subdivision 1. FILING REQUIRED. All manufacturers and distributors must file with the director, not later than the first day of each month, the prices at which the manufacturer or distributor will sell all gambling equipment in that month. The filing must be on a form the director prescribes. Prices filed must include all charges the manufacturer or distributor makes for each item of gambling equipment sold, including all volume discounts, exclusive of transportation costs. All filings are effective on the first day of the month for which they are filed, except that a manufacturer or distributor may amend a filed price within five days of filing it.

Subd. 2. COPIES. The director shall provide copies of price filings to any person requesting them and may charge a reasonable fee for the copies. Any person may examine price filings in the division office at no cost, and the director shall make the filings available for that purpose.

Subd. 3. SALES AT FILED PRICES. No manufacturer may sell to a distributor, and no distributor may sell to an organization, any gambling equipment for any price other than a price the manufacturer or distributor has filed with the director under subdivision 1, exclusive of transportation costs.

Sec. 28. Minnesota Statutes 1988, section 349.17, as amended by Laws 1989, chapter 334, article 2, section 26, is amended to read:

#### 349.17 CONDUCT OF BINGO.

Subdivision 1. **BINGO OCCASIONS.** Not more than ~~six~~ seven bingo occasions each week may be conducted by an organization. At least 15 bingo games must be held at each occasion and a bingo occasion must continue for at least 1-1/2 hours but not more than four consecutive hours.

Subd. 2. **BINGO ON LEASED PREMISES.** ~~(a) A person or corporation, other than an organization, which leases any premises that it owns to two or~~

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more organizations for purposes including the conduct of bingo occasions; may not allow more than 18 bingo occasions to be conducted on the premises in any week.

(b) If an organization conducts bingo on premises it does not own, the organization must provide the board with the name of the owner and lessor of the premises; copies of all agreements between the organization and the owner or lessor; and the names of employees of the owner or lessor who will be responsible for the premises during the bingo occasion held by the organization.

(e) During any bingo occasion held ~~conducted~~ by an organization on premises it does not own, the organization shall be is directly responsible for the:

- (1) staffing of the bingo occasion;
- (2) conducting of lawful gambling during the bingo occasion;
- (3) acquiring, storage, inventory control, and reporting of all gambling equipment used by the organization; ~~and~~
- (4) receipt, accounting, and all expenditures of gross receipts from lawful gambling; and
- (5) preparation of the bingo packets.

Subd. 2a. **DISTRIBUTOR LICENSE EXEMPTION FOR LESSOR.** As part of a lease agreement on a leased bingo premises, the lessor may furnish bingo equipment without being a licensed distributor. For purposes of this section, "furnish" does not include the right to sell or offer for sale.

Subd. 3. Each bingo winner must be determined and every prize shall be awarded and delivered the same day on which the bingo occasion is conducted.

Subd. 4. **CHECKERS.** One or more checkers must be engaged for each bingo occasion. The checker or checkers must record, on a form the board provides, the number of cards played in each game and the prizes awarded to recorded cards. The form must provide for the inclusion of the registration number of each card and must include a checker's certification that the figures recorded are correct to the best of the checker's knowledge.

Subd. 5. BINGO CARD NUMBERING. (a) The board shall by rule require that all licensed organizations: (1) conduct bingo only using liquid daubers on cards that bear an individual number recorded by the distributor; (2) sell all bingo cards only in the order of the numbers appearing on the cards; and (3) use each bingo card for no more than one bingo occasion. In lieu of the requirements of clauses (2) and (3), a licensed organization may electronically record the sale of each bingo card at each bingo occasion using an electronic recording system approved by the board.

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(b) The requirements of paragraph (a) do not apply to a licensed organization that (1) has never received gross receipts from bingo in excess of \$150,000 in any year, and (2) does not pay compensation to any person for participating in the conduct of lawful gambling.

**Sec. 29. [349.172] PULL-TABS; INFORMATION REQUIRED TO BE POSTED.**

An organization selling pull-tabs must post for each deal of pull-tabs all major prizes that have been awarded for pull-tabs purchased from that deal. The information must be posted prominently at the point of sale of the deal. An easily legible pull-tab flare that lists prizes in that deal, and on which prizes are marked or crossed off as they are awarded, satisfies the requirement of this section that major prizes be posted, provided that a separate flare is posted for each deal of pull-tabs. An organization must post or mark off each major prize immediately upon awarding the prize. A "major prize" in a deal of pull-tabs is any prize that is at least 50 times the face value of any pull-tab in the deal.

**Sec. 30. [349.174] PULL-TABS; DEADLINE FOR USE.**

A deal of pull-tabs and tipboards received by an organization before September 1, 1989, must be put into play by that organization before September 1, 1990, unless the deal bears a serial number that allows it to be traced back to its manufacturer and to the distributor who sold it to the organization. An organization in possession on and after September 1, 1990, of a deal of pull-tabs and tipboards the organization received before September 1, 1989, may not put such a deal in play but must remove it from the organization's inventory and return it to the manufacturer.

Sec. 31. Minnesota Statutes 1988, section 349.18, as amended by Laws 1989, chapter 334, article 2, sections 27 and 28, is amended to read:

**349.18 PREMISES USED FOR GAMBLING.**

**Subdivision 1. LEASE OR OWNERSHIP REQUIRED.** An organization may conduct lawful gambling only on premises it owns or leases. Leases must be for a period of one year and must be in writing on a form prescribed by the board. Copies of all leases must be made available to employees of the division and the division of gambling enforcement on request. A lease may not provide for payments determined directly or indirectly by the receipts or profits from lawful gambling. The board may prescribe by rule limits on the amount of rent which an organization may pay to a lessor for premises leased for lawful gambling. Any rule adopted by the board limiting the amount of rent to be paid may only be effective for leases entered into, or renewed, after the effective date of the rule.

No person, distributor, manufacturer, lessor, or organization other than the licensed organization leasing the space may conduct any activity ~~in a~~ on the

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leased ~~space~~ premises during times when lawful gambling is being conducted ~~in the space on the premises.~~

Subd. 1a. **STORAGE OF GAMBLING EQUIPMENT.** (a) Gambling equipment owned by or in the possession of a ~~licensed~~ an organization must be kept at a licensed gambling premises owned or operated by the organization, or at other storage sites within the state that the organization has notified the board are being used as gambling equipment storage sites. At each storage site or licensed premises, the organization must have the invoices or true and correct copies of the invoices for the purchase of all gambling equipment at the site or premises. Gambling equipment owned by an organization may not be kept at a distributor's office, warehouse, storage unit, or other place of the distributor's business.

(b) Gambling equipment, other than devices for selecting bingo numbers, owned by a ~~licensed~~ an organization must be secured and kept separate from gambling equipment owned by other persons, organizations, distributors, or manufacturers ~~consistent with the organization's internal controls filed with the board.~~

(c) Gambling equipment kept in violation of this subdivision is contraband under section 349.2125.

(d) ~~A licensed~~ An organization may transport gambling equipment it owns or possesses between approved gambling equipment storage sites and to and from licensed distributors.

Subd. 2. **EXCEPTIONS.** (a) ~~A licensed~~ An organization may conduct raffles on a premise it does not own or lease.

(b) ~~A licensed~~ An organization may with the permission of the board, conduct bingo on premises it does not own or lease for up to ~~six~~ 12 consecutive days in a calendar year, in connection with a county fair, the state fair, or ~~even~~ a civic celebration.

(c) A licensed organization may, after compliance with section 349.213, conduct lawful gambling on premises other than the organization's licensed premise for one day per year for not more than 12 hours that day. A lease for that time period for the exempted premises must accompany the request to the board.

Subd. 3. **PROCEEDS FROM RENTAL.** Rental proceeds from premises owned by a ~~licensed~~ an organization and leased ~~or subleased~~ to one or more other ~~licensed~~ organizations for the purposes of conducting lawful gambling shall not be reported as gambling proceeds under this chapter.

**Subd. 4. PROHIBITION.** (a) An organization may not pay rent to itself or to any of its affiliates for use of space for conducting lawful gambling.

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(b) An organization may not pay rent for space for conducting lawful gambling from any account or fund other than the organization's separate gambling account.

Subd. 5. CERTAIN AGREEMENTS PROHIBITED. An organization may not enter into or be a party to a lending agreement under which any of the organization's receipts from lawful gambling are pledged as collateral for a loan.

Sec. 32. Minnesota Statutes 1988, section 349.19, as amended by Laws 1989, chapter 334, article 2, sections 29, 30, 32, and 33, and Laws 1989, First Special Session chapter 1, article 13, section 11, is amended to read:

#### 349.19 RECORDS AND REPORTS.

Subdivision 1. **REQUIRED RECORD OF RECEIPTS.** A licensed organization must keep a record of each occasion on which it conducts gambling, including each bingo occasion and each day on which other forms of lawful gambling are conducted. The record must include gross receipts, quantities of free plays if any, expenses, prizes, and profits gross profit. The board may by rule provide for the methods by which expenses are documented. ~~Gross receipts for bingo include any amount received by the organization which has been paid by a person at the bingo occasion to play the game, without which the player could not play the game.~~ In the case of bingo, gross receipts must be compared to the checkers' records for the occasion by a person who did not sell cards for the occasion. Separate records must be kept for bingo and all other forms of lawful gambling.

Subd. 2. **ACCOUNTS.** Gross receipts from lawful gambling by each organization at each licensed permitted premises must be segregated from all other revenues of the conducting organization and placed in a separate account. All expenditures for expenses, taxes, and lawful purposes must be made from the separate account except in the case of expenditures previously approved by the organization's membership for emergencies as defined by board rule. The name and address of the bank and the account number for that separate account for that licensed premises, and the names of organization members authorized as signatories on the separate account must be provided to the board when the application is submitted. Changes in the information must be submitted to the board at least ten days before the change is made. Gambling receipts must be deposited into the gambling bank account within ~~one business day~~ three days of completion of the bingo occasion, deal, or game from which they are received, and deposit records must be sufficient to allow determination of deposits made from each bingo occasion, deal, or game. The person who accounts for gambling gross receipts and profits may not be the same person who accounts for other revenues of the organization.

Subd. 3. **EXPENDITURES.** All expenditures of gross profits from lawful gambling must be itemized as to payee, purpose, amount, and date of payment, and must be in compliance with section 349.154. Authorization of the expendi-

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tures must be recorded in the ~~regular~~ monthly meeting minutes of the licensed organization. Checks for expenditures of gross profits must be signed by at least two persons authorized by board rules to sign the checks.

Subd. 4. **DISCREPANCIES.** If at a bingo occasion a discrepancy of more than \$20 is found between the gross receipts as reported by the checkers and the gross receipts determined by adding the cash receipts, the discrepancy must be reported to the board within five days of the bingo occasion.

Subd. 5. **REPORTS.** A licensed organization must report to the board and to its membership monthly, or quarterly in the case of a licensed organization which does not report more than \$1,000 in gross receipts from lawful gambling in any calendar quarter, on its gross receipts, expenses, profits, and expenditure of profits from lawful gambling. If the organization conducts both bingo and other forms of lawful gambling, the figures for both must be reported separately. In addition, a licensed organization must report to the board monthly on its purchases of gambling equipment and must include the type, quantity, and dollar amount from each supplier separately. The reports must be on a form the board prescribes. Submission of the report required by section 16 satisfies the requirement for reporting monthly to the board on expenditure of net profits.

Subd. 6. **PRESERVATION OF RECORDS.** Records required to be kept by this section must be preserved by a licensed organization for at least 3-1/2 years and may be inspected by the commissioner of revenue, the commissioner of gaming, or the commissioner of public safety at any reasonable time without notice or a search warrant.

Subd. 7. **TAX RECORDS.** The board may by rule require each licensed organization to provide copies of forms it files with the United States department of the treasury which are required for organizations exempt from income tax.

Subd. 8. **TERMINATION PLAN.** Upon termination of a license for any reason, a licensed organization must notify the board in writing within 15 calendar days of the license termination date of its plan for disposal of registered gambling equipment and distribution of remaining gambling proceeds. Before implementation, a plan must be approved by the board. The board may accept or reject a plan and order submission of a new plan or amend a proposed plan. The board may specify a time for submission of new or amended plans or for completion of an accepted plan.

Subd. 9. **ANNUAL AUDIT; FILING REQUIREMENT.** An organization licensed under this chapter must have an annual financial audit of its lawful gambling activities and funds performed by an independent auditor licensed by the state of Minnesota or performed by an independent accountant who has had prior approval of the board. The board shall by rule prescribe standards for the audit, which must provide for the reconciliation of the organization's gambling account or accounts with the organization's reports filed under subdivision 5

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and section 16. A complete, true, and correct copy of the audit report must be filed with the board upon completion of the audit.

Subd. 10. PULL-TAB RECORDS. The board shall by rule require a licensed organization to require each winner of a pull-tab prize of \$50 or more to present identification in the form of a drivers license, Minnesota identification card, or other identification the board deems sufficient to allow the identification and tracing of the winner. The rule must require the organization to retain winning pull-tabs of \$50 or more, and the identification of the winner of the pull-tab, for 3-1/2 years.

Subd. 11. INFORMATION MADE PART OF ORGANIZATION MINUTES. A licensed organization which receives a copy of a written audit under subdivision 9, or an audit or compliance report prepared by an agency of the state, must place the audit report or compliance report in the minutes of the next meeting of the organization following receipt of the report. Copies of such minutes must be made available to all members of the organization upon request.

**Sec. 33. [349.191] SALES ON CREDIT.**

Subdivision 1. CREDIT RESTRICTION. A manufacturer may not offer or extend to a distributor, and a distributor may not extend to an organization, credit for a period of more than 30 days for the sale of any gambling equipment. No right of action exists for the collection of any claim based on credit prohibited by this subdivision. The 30-day period allowed by this subdivision begins with the day immediately following the day of invoice and includes all successive days, including Sundays and holidays, to and including the 30th successive day.

Subd. 2. INVOICES. All invoices prepared by a manufacturer or distributor and presented as part of a credit transaction for the purchase of gambling equipment must clearly bear the words "Notice: State Law Prohibits the Extension of Credit For This Sale For More Than 30 Days."

Subd. 3. RULES. Any rule of the board which requires a manufacturer to report to the board any distributor who is delinquent in payment for gambling equipment must provide that a distributor is subject to the rule if the distributor is more than 30 days delinquent in payment to a manufacturer.

Subd. 4. CREDIT; POSTDATED CHECKS. For purposes of this subdivision, "credit" includes acceptance by a manufacturer or distributor of a post-dated check in payment for gambling equipment.

Sec. 34. Minnesota Statutes Second 1989 Supplement, section 349.212, subdivision 2, is amended to read:

Subd. 2. COLLECTION; DISPOSITION. The taxes imposed by this section are due and payable to the commissioner of revenue at the time when the

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gambling tax return is required to be filed. Returns covering the taxes imposed under this section must be filed with the commissioner of revenue on or before the 20th day of the month following the close of the previous calendar month. The commissioner may require that the returns be filed via magnetic media or electronic data transfer. The proceeds, along with the revenue received from all license fees and other fees under sections 349.11 to 349.21 and 349.211, 349.212, and 349.213, must be paid to the state treasurer for deposit in the general fund.

Sec. 35. Minnesota Statutes 1989 Supplement, section 349.2122, is amended to read:

**349.2122 MANUFACTURERS; REPORTS TO THE COMMISSIONER OF REVENUE; PENALTY.**

A manufacturer licensed ~~with~~ by the board who sells pull-tabs and tipboards to a licensed distributor ~~licensed by the board~~ must file with the commissioner of revenue, on a form prescribed by the commissioner, a report of pull-tabs and tipboards sold to ~~licensed distributors~~ any person in the state, including the established governing body of Indian tribes recognized by the United States Department of the Interior. The report must be filed monthly on or before the 25th day of the month succeeding the month in which the sale was made. The commissioner may require that the report be submitted via magnetic media or electronic data transfer. The commissioner of revenue may inspect the books, records, and inventory of a licensed manufacturer without notice during the normal business hours of the manufacturer. Any person violating this section shall be guilty of a misdemeanor.

Sec. 36. Minnesota Statutes 1988, section 349.2123, is amended to read:

**349.2123 CERTIFIED PHYSICAL INVENTORY.**

The board or commissioner of revenue may, upon request, require a ~~licensed~~ distributor to furnish a certified physical inventory of ~~the pull-tabs and tipboards~~ all gambling equipment in stock. The inventory must contain the information required by the board or the commissioner.

Sec. 37. Minnesota Statutes 1989 Supplement, section 349.213, is amended to read:

**349.213 LOCAL AUTHORITY.**

Subdivision 1. **LOCAL REGULATION.** (a) A statutory or home rule city or county has the authority to adopt more stringent regulation of ~~any form of~~ lawful gambling within its jurisdiction, including the prohibition ~~of any form of~~ lawful gambling, and may require a permit for the conduct of gambling exempt from licensing under section 349.214. The fee for a permit issued under this subdivision may not exceed \$100. The authority granted by this subdivision does not include the authority to require a license or permit to conduct gambling

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by organizations or sales by distributors licensed by the board. The authority granted by this subdivision does not include the authority to require an organization to make specific expenditures of more than ten percent from its net profits derived from lawful gambling. For the purposes of this subdivision, net profits are profits less amounts expended for allowable expenses. A statutory or home rule charter city or a county may not require an organization conducting lawful gambling within its jurisdiction to make an expenditure to the city or county as a condition to operate within that city or county, except as authorized under section 349.16, subdivision 4, or 349.212; provided, however, that an ordinance requirement that such organizations must contribute ten percent of their net profits derived from lawful gambling to a fund administered and regulated by the responsible local unit of government without cost to such fund, for disbursement by the responsible local unit of government of the receipts for lawful purposes, is not considered an expenditure to the city or county nor a tax under section 349.212, and is valid and lawful.

(b) A statutory or home rule city or county may by ordinance require that a licensed organization conducting lawful gambling within its jurisdiction expend all or a portion of its expenditures for lawful purposes on lawful purposes conducted or located within the city's or county's trade area. Such an ordinance must define the city's or county's trade area and must specify the percentage of lawful purpose expenditures which must be expended within the trade area. A trade area defined by a city under this subdivision must include each city contiguous to the defining city.

(c) A more stringent regulation or prohibition of lawful gambling adopted by a political subdivision under this subdivision must apply equally to all forms of lawful gambling within the jurisdiction of the political subdivision.

Subd. 2. **LOCAL APPROVAL.** Before issuing or renewing ~~an organization license~~ a premises permit or bingo hall license, the board must notify the city council of the statutory or home rule city in which the organization's premises or the bingo hall is located or, if the premises or hall is located outside a city, the county board of the county and the town board of the town where the premises or hall is located. The board may require organizations or bingo halls to notify the appropriate local government at the time of application. This required notification is sufficient to constitute the notice required by this subdivision. ~~If the city council or county board adopts a resolution disapproving the license and so informs the board within 60 days of receiving notice of the application, the license may not be issued or renewed. The board may not issue or renew a premises permit or bingo hall license unless the organization submits a resolution from the city council or county board approving the premises permit or bingo hall license. The resolution must have been adopted within 60 days of the date of application for the new or renewed permit or license.~~

Sec. 38. Minnesota Statutes 1988, section 349.30, subdivision 2, is amended to read:

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Subd. 2. "Gambling devices" means slot machines, roulette wheels, punch-boards, and pin ball machines which return coins or slugs, chips, or tokens of any kind, which are redeemable in merchandise or cash device has the meaning given it in section 609.75, subdivision 4.

Sec. 39. Minnesota Statutes 1988, section 349.31, is amended to read:

**349.31 GAMBLING DEVICE; POSSESSION OF.**

Subdivision 1. **INTENTIONAL POSSESSION; WILLFUL KEEPING.** The intentional possession or willful keeping of a gambling device on a licensed premises is cause for the suspension or revocation of any license under which the licensed business is carried on upon the premises where the gambling device is found, provided that possession of gambling equipment as defined in section 349.12, subdivision 17, which is used for lawful gambling authorized by this chapter, and the manufacture of gambling devices for use in jurisdictions where use of the gambling device is legal as provided for by section 349.40 shall not be cause for revocation of a license.

Subd. 2. **SUSPENSION AND REVOCATION OF LICENSES.** All licenses under which any licensed business is permitted to be carried on upon the licensed premises shall be suspended or revoked if the intentional possession or willful keeping of any such gambling devices upon the licensed premises is established, notwithstanding that it may not be made to appear that such devices have actually been used or operated for the purpose of gambling.

Sec. 40. Minnesota Statutes 1988, section 349.32, is amended to read:

**349.32 ISSUING AUTHORITY TO SUSPEND OR REVOKE.**

The proceedings for suspension or revocation ~~shall be had~~ are held before the issuing authority, which ~~shall have~~ has the power to suspend or revoke the license or licenses involved, as hereinafter provided.

Sec. 41. Minnesota Statutes 1988, section 349.34, is amended to read:

**349.34 PROCEEDINGS BEFORE ISSUING AUTHORITY; ORDER TO SHOW CAUSE.**

~~Upon the receipt of such information from any of the peace officers referred to in section 349.33, if any~~ If an issuing authority, on receipt of information from a peace officer described in section 349.33, is of the opinion that cause exists for the suspension or revocation of ~~any such a~~ license, ~~then that the~~ authority shall issue an order to show cause directed to the licensee of the premises, stating the ground upon which the proceeding is based and requiring the licensee to appear and show cause at a time and place, within the county in which the licensed premises are located, not less than ten days after the date of the order, why the license should not be suspended or revoked. That order to show cause shall be served upon the licensee in the manner prescribed by law for

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the service of summons in a civil action, or by certified mail, not less than eight days before the date fixed for the hearing thereof. A copy of the order shall forthwith be mailed to the owner of the premises, as shown by the records in the office of the county recorder, at the owner's last known post office address. A copy of the order shall at the same time be mailed to any other issuing authority, of which the authority issuing the order to show cause has knowledge, by which other license to that licensee may have been issued, and any such other authority may participate in the suspension or revocation proceedings after notifying the licensee and the officer or authority holding the hearing of its intention so to do on or before the date of hearing, and after the hearing take such action as it could have taken had it instituted the suspension or revocation proceedings in the first instance.

Sec. 42. Minnesota Statutes 1988, section 349.35, subdivision 1, is amended to read:

Subdivision 1. **SUSPENSION; REVOCATION; STAY; APPEAL.** If, upon the hearing of the order to show cause, it appears that the licensee intentionally possessed or willfully kept upon the licensed premises any gambling device, then the license or licenses under which the licensed business is operated on the licensed premises, shall be suspended or revoked. The order of suspension or revocation shall not be enforced during the period allowed by section 349.39 for taking an appeal.

Sec. 43. Minnesota Statutes 1988, section 349.36, is amended to read:

#### 349.36 DUTIES OF COUNTY ATTORNEY.

The county attorney of the county in which the hearing is held, or the city attorney if the issuing authority is the city, shall attend the hearing, interrogate the witnesses, ~~and~~ advise the issuing authority. ~~The county attorney shall also, and~~ appear for the issuing authority on any appeal taken pursuant to the provisions of section 349.39.

Sec. 44. Minnesota Statutes 1988, section 349.38, is amended to read:

#### 349.38 PROPERTY OWNERS LIABILITY.

When a license is suspended or revoked under the provisions of sections 349.30 to 349.39, the owner of the premises upon which any licensed business has been operated shall not be penalized by reason thereof unless it is established that the owner had knowledge of the existence of the gambling devices resulting in license suspension or revocation.

Sec. 45. Minnesota Statutes 1988, section 349.39, is amended to read:

#### 349.39 APPEAL TO DISTRICT COURT; STAY; CONTINUANCE UNDER BOND; HEARING UPON ONE YEAR LIMITATION ON PREMISES.

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Any licensee, or any owner of licensed premises, aggrieved by an order of an issuing authority suspending or revoking any license may appeal from that order to the district court of the county in which the licensee resides by serving a notice of the appeal upon the issuing authority or the clerk thereof. The notice of appeal shall state that the person appealing takes an appeal to that district court from the order suspending or revoking the license or licenses, describing them and identifying the order appealed from. This notice shall be served within 15 days from the date of service of the order appealed from, and the same, with proof of service thereof, shall be filed with the court administrator of the district court of the proper county. The appeal shall stand for trial at the next term of the district court following the filing of the notice of appeal, without the service of any notice of trial, and shall be tried in the district court de novo. The trial shall be by jury if the appellant shall so demand. The licensee may continue to operate the licensed business or businesses until the final disposition of such appeal. If the district court upon the appeal shall determine that any license involved in the appeal should be suspended or revoked, it may, nevertheless, in its discretion permit the continuance of the licensed business under a bond in the amount and in the form and containing the conditions prescribed by the court. The district court on the appeal, or in a separate proceeding, may permit the issuance of a new license to a different licensee before the expiration of the period of one year specified in section 349.35, subdivision 2, upon such terms and conditions imposed by the court as will insure that no gambling device shall thereafter be maintained upon the licensed premises.

Sec. 46. Minnesota Statutes 1988, section 349.50, subdivision 8, is amended to read:

Subd. 8. **VIDEO GAME OF CHANCE.** "Video game of chance" means games or devices that simulate games commonly referred to

as poker, blackjack, craps, hi-lo, roulette or other common gambling forms, though not offering any type of pecuniary award or gain to players. The term also includes any video game having one or more of the following characteristics:

(1) it is primarily a game of chance, and has no substantial elements of skill involved;

(2) it awards game credits or replays and contains a meter or device which records unplayed credits or replays ~~and contains a device that permits them to be canceled.~~

Sec. 47. Minnesota Statutes 1988, section 349.55, is amended to read:

**349.55 GAME SPECIFICATIONS.**

No payment may be made directly from any game or in connection with the

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operation of any device. Each game must contain a random character generator, and any internal meter must be nonresettable. ~~Any game canceling replays or credits must cancel them no more than one at a time. A video game of chance may not contain or have attached to it any switch, lever, button, or other device capable of canceling replays or credits in any way other than by playing the game offered by the machine. A video game of chance must be programmed and must operate in such a way that all credits accumulated on a game must automatically cancel within 60 seconds of the completion of a play. No person may cancel replays or credits on a video game of chance in any way other than by playing the game offered by the machine. A video game of chance may not be restarted after cancellation of all accumulated credits except on insertion of a coin.~~

Sec. 48. **[349.61] REPEAL; TERMINATION OF LICENSES.**

Subdivision 1. REPEAL. Section 1 and sections 349.50; 349.501; 349.502; 349.51; 349.52; 349.53; 349.54; 349.55; 349.56; 349.57; 349.58; 349.59; and 349.60 are repealed January 1, 1992. All licenses issued under sections 349.51 and 349.52 in effect on that date expire on that date. The commissioner of finance shall on that date transfer all money in the video gaming license account to the general fund.

Subd. 2. NOT TO AFFECT CERTAIN COMPACTS. Nothing in subdivision 1 is intended to affect the validity of any compact entered into before or after the effective date of this section between the state and the governing body of an Indian tribe that governs the conduct of any form of gambling on Indian lands.

Sec. 49. Minnesota Statutes 1989 Supplement, section 349A.02, subdivision 5, is amended to read:

Subd. 5. **COMPENSATION INCENTIVE PLAN.** ~~The compensation of employees in the division is as provided in chapter 43A. Subject to the provisions of section 43A.18, subdivision 1, the commissioner of employee relations director may, at the request of the director, develop and implement a plan for making incentive payments to employees of the division whose primary responsibilities are in marketing.~~

Sec. 50. Minnesota Statutes 1989 Supplement, section 349A.06, subdivision 2, is amended to read:

Subd. 2. **QUALIFICATIONS.** (a) The director may not contract with a retailer who:

- (1) is under the age of 18;
- (2) is in business solely as a seller of lottery tickets;
- (3) owes \$500 or more in delinquent taxes as defined in section 270.72;

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(4) has been convicted within the previous five years of a felony or gross misdemeanor, any crime involving fraud or misrepresentation, or a gambling-related offense;

(5) is a member of the immediate family, residing in the same household, as the director, board member, or any employee of the division; ~~or~~

(6) in the director's judgment does not have the financial stability or responsibility to act as a lottery retailer, or whose contracting as a lottery retailer would adversely affect the public health, welfare, and safety, or endanger the security and integrity of the lottery; or

(7) is a currency exchange, as defined in section 53A.01.

A contract entered into before August 1, 1990, which violates clause (7) may continue in effect until its expiration but may not be renewed.

(b) An organization, firm, partnership, or corporation that has a stockholder who owns more than five percent of the business or the stock of the corporation, an officer, or director, that does not meet the requirements of paragraph (a), clause (4), is not eligible to be a lottery retailer under this section.

(c) The restrictions under paragraph (a), clause (4), do not apply to an organization, partnership, or corporation if the director determines that the organization, partnership, or firm has terminated its relationship with the individual whose actions directly contributed to the disqualification under this subdivision.

Sec. 51. Minnesota Statutes 1989 Supplement, section 349A.06, subdivision 4, is amended to read:

Subd. 4. **CRIMINAL HISTORY.** The director may request the director of gambling enforcement to investigate all applicants for lottery retailer contracts to determine their compliance with the requirements of subdivision 2. The director may issue a temporary contract, valid for not more than 90 days, to an applicant pending the completion of the investigation or a final determination of qualifications under this section. The director has access to all criminal history data compiled by the director of gambling enforcement on any person (1) holding or applying for a retailer contract, (2) any person holding a lottery vendor contract or who has submitted a bid on such a contract, and (3) any person applying for employment with the lottery.

Sec. 52. Minnesota Statutes 1988, section 609.75, subdivision 4, is amended to read:

Subd. 4. **GAMBLING DEVICE.** A gambling device is a contrivance which for a consideration affords the player an opportunity to obtain something of value, other than free plays, automatically from the machine or otherwise, the award of which is determined principally by chance. "Gambling device" includes any video game of chance, as defined in section 349.50, subdivision 8, that is not in compliance with sections 349.50 to 349.60.

New language is indicated by underline, deletions by ~~strikeout~~.

**Sec. 53. TRANSPORTATION OF UNSTAMPED DEALS; APPLICABILITY.**

Until January 1, 1991, Minnesota Statutes, section 349.2127, subdivision 4, does not prevent the otherwise lawful transfer of gambling equipment to a licensed facility in Minnesota from a facility in an adjoining state which is owned and operated by the licensed Minnesota distributor who makes the transfer.

**Sec. 54. LEGISLATIVE FINDING.**

The legislature finds and determines that, because of (1) the difficulty of ensuring the security and integrity of pull-tabs when they are manufactured in another state, and (2) the enhanced inspection and regulation of the manufacture of pull-tabs, and the consequent enhancement of their security and integrity that would result from their manufacture in Minnesota, it is necessary and desirable that all pull-tabs sold in the state after June 30, 1992, be required to be manufactured in Minnesota.

**Sec. 55. REPEALER.**

(a) Minnesota Statutes 1988, sections 349.14; and 349.214, subdivisions 1, 1a, 3, and 4; Minnesota Statutes 1989 Supplement, section 349.151, subdivision 4a; and Minnesota Statutes Second 1989 Supplement, section 349.214, subdivision 2, are repealed.

(b) Minnesota Statutes 1989 Supplement, sections 349.20 and 349.21, are repealed.

(c) Laws 1989, First Special Session chapter 1, article 13, section 27, is repealed.

**Sec. 56. EFFECTIVE DATE.**

Section 55, paragraph (c), is effective the day following final enactment. Sections 23; 25; 26; 28, subdivision 5; 47; and 55, paragraph (b), are effective January 1, 1991.

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**ARTICLE 2**

**PENALTY PROVISIONS**

Section 1. Minnesota Statutes 1989 Supplement, section 349.2125, subdivision 1, is amended to read:

Subdivision 1. **CONTRABAND DEFINED.** The following are contraband:

New language is indicated by underline, deletions by ~~strikeout~~.

(1) all pull-tab or tipboard deals that do not have stamps affixed to them as provided in section 349.162;

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

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

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

(5) any device including, but not limited to, motor vehicles, trailers, snow-mobiles, airplanes, and boats used, with the knowledge of the owner or of a person operating with the consent of the owner, for the storage or transportation of more than five pull-tab or tipboard deals that are contraband under this subdivision. When pull-tabs and tipboards are being transported in the course of interstate commerce, or from one distributor to another, the pull-tab and tipboard deals are not contraband, notwithstanding the provisions of clause (1);

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

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

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

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

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

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

Sec. 2. Minnesota Statutes 1989 Supplement, section 349.2125, subdivision 3, is amended to read:

Subd. 3. **INVENTORY; JUDICIAL DETERMINATION; APPEAL; DISPOSITION OF SEIZED PROPERTY.** Within ~~two~~ ten days after the seizure of any alleged contraband, the person making the seizure shall ~~deliver~~ make available an inventory of the property seized to the person from whom the property was seized, if known, and file a copy with the commissioner of revenue or the director of gambling enforcement. Within ten days after the date of service of the inventory, the person from whom the property was seized or any person claiming an interest in the property may file with the seizing authority a demand for judicial determination of whether the property was lawfully subject

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to seizure and forfeiture. Within ~~30~~ 60 days after the date of filing of the demand, the seizing authority must bring an action in the district court of the county where seizure was made to determine the issue of forfeiture. The action must be brought in the name of the state and be prosecuted by the county attorney or by the attorney general. The court shall hear the action without a jury and determine the issues of fact and laws involved. When a judgment of forfeiture is entered, the seizing authority may, unless the judgment is stayed pending an appeal, either (1) cause the forfeited property to be destroyed; or (2) cause it to be sold at a public auction as provided by law.

If demand for judicial determination is made and no action is commenced by the seizing authority as provided in this subdivision, the property must be released by the seizing authority and delivered to the person entitled to it. If no demand is made, the property seized is considered forfeited to the ~~state~~ seizing authority by operation of law and may be disposed of by the seizing authority as provided where there has been a judgment of forfeiture. When the seizing authority is satisfied that a person from whom property is seized was acting in good faith and without intent to evade the tax imposed by section 349.2121, subdivision 4, the seizing authority shall release the property seized without further legal proceedings.

Sec. 3. Minnesota Statutes 1988, section 349.2125, subdivision 4, is amended to read:

Subd. 4. **DISPOSAL.** (a) The property described in subdivision 1, clauses (4) and (5), must be confiscated after conviction of the person from whom it was seized, upon compliance with the following procedure: the seizing authority shall file with the court a separate complaint against the property, describing it and charging its use in the specific violation, and specifying substantially the time and place of the unlawful use. A copy of the complaint must be served upon the defendant or person in charge of the property at the time of seizure, if any. If the person arrested is acquitted, the court shall dismiss the complaint against the property and order it returned to the persons legally entitled to it. Upon conviction of the person arrested, the court shall issue an order directed to any person known or believed to have any right, title or interest in, or lien upon, any of the property, and to persons unknown claiming any right, title, interest, or lien in it, describing the property and (1) stating that it was seized and that a complaint against it, charging the specified violation, has been filed with the court, (2) requiring the persons to file with the court administrator their answer to the complaint, setting forth any claim they may have to any right or title to, interest in, or lien upon the property, within 30 days after the service of the order, and (3) notifying them in substance that if they fail to file their answer within the time, the property will be ordered sold by the seizing authority. The court shall cause the order to be served upon any person known or believed to have any right, title, interest, or lien as in the case of a summons in a civil action, and upon unknown persons by publication, as provided for service of summons in a civil action. If no answer is filed within the time prescribed, the

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court shall, upon affidavit by the court administrator, setting forth the fact, order the property sold by the seizing authority. Seventy percent of the proceeds of the sale, after deducting the expense of keeping the property and fees and costs of sale, must be paid into the state treasury and credited to the general fund of forfeited property, after payment of seizure, storage, forfeiture and sale expenses, must be forwarded to the seizing authority for deposit as a supplement to its operating fund or similar fund for official use, and 20 percent must be forwarded to the county attorney or other prosecuting agency that handled the forfeiture for deposit as a supplement to its operating fund or similar fund for prosecutorial purposes. The remaining ten percent of the proceeds must be forwarded within 60 days after resolution of the forfeiture to the department of human services to fund programs for the treatment of compulsive gamblers. If answer is filed within the time provided, the court shall fix a time for a hearing, which shall be not less than ten nor more than 30 days after the time for filing answer expires. At the time fixed for hearing, unless continued for cause, the matter shall be heard and determined by the court, without a jury, as in other civil actions.

(b) If the court finds that the property, or any part of it, was used in the violation specified in the complaint, it shall order the property unlawfully used, sold as provided by law, unless the owner shows to the satisfaction of the court that the owner had no notice or knowledge or reason to believe that the property was used or intended to be used in the violation. The officer making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established at the hearing as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation specified in the order of the court, and shall pay the balance of the proceeds ~~into the state treasury to be credited to the general fund~~ to the seizing authority for official use and sharing in the manner provided in paragraph (a). A sale under this section shall free the property sold from any and all liens on it. Appeal from the order of the district court will lie as in other civil cases. At any time after seizure of the articles specified in this subdivision, and before the hearing provided for, the property must be returned to the owner or person having a legal right to its possession, upon execution of a good and valid bond to the state, with corporate surety, in the sum of not less than \$100 and not more than double the value of the property seized, to be approved by the court in which the case is triable, or a judge of it, conditioned to abide any order and the judgment of the court, and to pay the full value of the property at the time of the seizure. The seizing authority may dismiss the proceedings outlined in this subdivision when the seizing authority considers it to be in the ~~best interests of the state~~ public interest to do so.

Sec. 4. Minnesota Statutes 1988, section 349.2127, subdivision 1, is amended to read:

Subdivision 1. COUNTERFEITING. ~~No~~ A person ~~shall~~ is ~~guilty of a~~ felo-

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ny who, with intent to defraud the state, ~~make~~ makes, ~~alter~~ alters, ~~forge~~ forges, or ~~counterfeit~~ counterfeits any license or stamp provided for in this chapter, or ~~have~~ has in possession any forged, spurious, or altered stamps, with the intent, or with the result of, depriving the state of the tax imposed by this chapter.

Sec. 5. Minnesota Statutes 1988, section 349.2127, is amended by adding a subdivision to read:

Subd. 6. UNLAWFUL EXPENDITURES. (a) A person who knowingly or with reason to know makes an unlawful expenditure of gross profits from lawful gambling is guilty of a crime and may be sentenced as provided in this subdivision.

(b) If the unlawful expenditure is of \$200 or less, the penalty in section 349.22, subdivision 1, applies.

(c) If the unlawful expenditure is of more than \$200 but not more than \$2,500, the person is guilty of a gross misdemeanor.

(d) If the unlawful expenditure is of more than \$2,500, the person is guilty of a felony.

(e) For purposes of this subdivision, expenditures made within a six-month period may be aggregated and the defendant charged accordingly.

Sec. 6. Minnesota Statutes 1989 Supplement, section 349.2127, subdivision 2, is amended to read:

Subd. 2. PROHIBITION AGAINST POSSESSION. (a) ~~No~~ A person, other than a licensed distributor, ~~shall sell, offer~~ is guilty of a crime who sells, offers for sale, or have in possession with intent to sell or offer for sale, possesses a pull-tab or tipboard deal not stamped in accordance with the provisions of this chapter. A violation of this paragraph is a gross misdemeanor if it involves ten or fewer pull-tab or tipboard deals. A violation of this paragraph is a felony if it involves more than ten pull-tab or tipboard deals, or a combination of more than ten deals of pull-tabs and tipboards.

(b) ~~No~~ A person, other than a licensed distributor or ~~licensed or exempt~~ an organization under section 349.214 ~~may possess with the intent to sell or offer licensed or exempt or excluded from licensing under this chapter, is guilty of a crime who sells, offers to sell, or possesses~~ gambling equipment, ~~except (1) equipment exempt from taxation, or (2) equipment put into play by a licensed or exempt organization. A violation of this paragraph is a gross misdemeanor if it involves ten or fewer pull-tab or tipboard deals. A violation of this paragraph is a felony if it involves more than ten pull-tab or tipboard deals, or a combination of more than ten deals of pull-tabs and tipboards.~~

(c) ~~No~~ A person, firm, or organization ~~may possess~~ is guilty of a crime who alters, modifies, or counterfeits pull-tabs, tipboards, or tipboard tickets, or pos-

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~~esses altered, modified, or counterfeit pull-tabs or, tipboards, or tipboard tickets with intent to sell, redeem, or exchange them. A violation of this paragraph is a gross misdemeanor if the total face value for all such pull-tabs, tipboards, or tipboard tickets does not exceed \$200. A violation of this paragraph is a felony if the total face value exceeds \$200. For purposes of this paragraph, the face value of all pull-tabs, tipboards, and tipboard tickets altered, modified, or counterfeited within a six-month period may be aggregated and the defendant charged accordingly.~~

Sec. 7. Minnesota Statutes 1988, section 349.2127, subdivision 3, is amended to read:

Subd. 3. **FALSIFICATION OF RECORDS FALSE INFORMATION.** ~~No~~ (a) A person is guilty of a felony if the person is required by section 349.2121, subdivision 2, to keep records or to make returns shall falsify or fail and falsifies or fails to keep the records or falsify or fail falsifies or fails to make the returns.

(b) A person is guilty of a felony who:

(1) knowingly submits materially false information in any license application or other document or communication submitted to the board; or

(2) knowingly submits materially false information in any report, document, or other communication submitted to the commissioner of revenue in connection with lawful gambling or with any provision of this chapter.

Sec. 8. Minnesota Statutes Second 1989 Supplement, section 349.2127, subdivision 4, is amended to read:

Subd. 4. **TRANSPORTING UNSTAMPED DEALS.** ~~No~~ A person shall transport is guilty of a gross misdemeanor who transports into, or receive receives, carry carries, or move moves from place to place in this state, any deals of pull-tabs or tipboards not stamped in accordance with this chapter except in the course of interstate commerce. A person is guilty of a felony who violates this subdivision with respect to more than ten pull-tab or tipboard deals, or a combination of more than ten deals of pull-tabs and tipboards.

Sec. 9. Minnesota Statutes Second 1989 Supplement, section 349.2127, subdivision 5, is amended to read:

Subd. 5. **PROVIDING INFORMATION.** ~~No~~ (a) An employee of an organization shall may not provide any information to a player that would provide an unfair advantage to the player related to the potential winnings of any lawful gambling activity. For purposes of this subdivision, "employee" includes a volunteer.

(b) An employee may not provide, and a person may not receive, with expectation of pecuniary gain to either, any information that would provide an unfair advantage to the recipient of the information related to the potential

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winnings of any lawful gambling activity. A person who violates this paragraph is guilty of a gross misdemeanor. A person who violates this paragraph within five years after a previous conviction under this paragraph is guilty of a felony.

(c) For purposes of this subdivision, "employee" includes a volunteer.

Sec. 10. Minnesota Statutes 1988, section 349.2127, is amended by adding a subdivision to read:

Subd. 7. CHECKS FOR GAMBLING PURCHASES. An organization may not accept checks in payment for the purchase of any gambling equipment or for the chance to participate in any form of lawful gambling.

Sec. 11. Minnesota Statutes 1989 Supplement, section 349.22, subdivision 1, is amended to read:

Subdivision 1. **GROSS MISDEMEANOR PENALTY.** (a) A person who violates any provision of sections 349.11 to 349.23 for which another penalty is not provided is guilty of a misdemeanor.

(b) A person who violates any provision of sections 349.11 to 349.23 for which another penalty is not provided is guilty of a gross misdemeanor if the violation occurs within five years after a previous conviction under any provision of sections 349.11 to 349.23.

(c) A person who in any manner violates sections 349.11 to 349.23 to evade a tax imposed by a provision of this chapter, or who aids and abets the evasion of a tax, or hinders or interferes with a seizing authority when a seizure is made as provided by section 349.2125, is guilty of a gross misdemeanor.

Sec. 12. Minnesota Statutes 1988, section 349.22, is amended by adding a subdivision to read:

Subd. 3a. AGGREGATION. When the value of prizes or pull-tabs received within a six-month period is aggregated under this section and two or more offenses were committed by the same person in two or more counties, the accused may be prosecuted in any county in which one of the offenses was committed for all of the offenses aggregated under this section.

Sec. 13. Minnesota Statutes 1989 Supplement, section 349.501, subdivision 1, is amended to read:

Subdivision 1. **TO THE PUBLIC.** An operator must prominently post in the owner's business premises a brief description of the legal consequences of awarding or receiving cash instead of game credits or replays on video games of chance in violation of ~~section~~ sections 349.502 and 609.76, subdivision 1.

The information is prominently posted if it can be readily seen by a player immediately before the player participates in the video game of chance.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 14. Minnesota Statutes 1989 Supplement, section 349.502, subdivision 1, is amended to read:

Subdivision 1. **MISDEMEANOR.** A person who ~~awards or receives cash~~ instead of game credits or anything of value other than replays on a video game of chance is guilty of a misdemeanor. ~~An owner who directs an employee to violate this section is also considered to have violated this section. For purposes of this subdivision "cash" includes checks.~~

Sec. 15. Minnesota Statutes 1988, section 349.52, is amended by adding a subdivision to read:

Subd. 5. LOCAL REGULATION. A statutory or home rule charter city or county has the authority to adopt more stringent regulations concerning video games of chance, including regulations prohibiting video games of chance within its jurisdiction.

Sec. 16. Minnesota Statutes 1988, section 349.59, subdivision 1, is amended to read:

Subdivision 1. **PACKAGES DECLARED TO BE CONTRABAND.** The following are declared to be contraband:

(1) all video games of chance which do not have a licensing stamp affixed to them and all containers that contain contraband video games of chance;

(2) all video games of chance to which the commissioner or designated representatives have been denied access for the inspection of contents. In lieu of seizure, the commissioner or designated representatives may seal the game to prevent its use until inspection of contents is permitted;

(3) all video games of chance at a location at which there is no location agreement in force; ~~and~~

(4) all video games of chance illegally brought into the state; and

(5) all video games of chance that do not conform to the game specifications contained in section 349.55.

Sec. 17. Minnesota Statutes 1989 Supplement, section 609.76, subdivision 1, is amended to read:

Subdivision 1. **GROSS MISDEMEANORS.** (a) Whoever does any of the following may be sentenced to imprisonment for not more than one year or to payment of a fine of not more than \$3,000, or both:

(1) maintains or operates a gambling place or operates a bucket shop;

(2) intentionally participates in the income of a gambling place or bucket shop;

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(3) conducts a lottery, or, with intent to conduct a lottery, possesses facilities for doing so;

(4) sets up for use for the purpose of gambling, or collects the proceeds of, any gambling device or bucket shop;

(5) with intent that it shall be so used, manufactures, sells or offers for sale, in whole or any part thereof, any gambling device including those defined in section 349.30, subdivision 2, and any facility for conducting a lottery, except as provided by section 349.40;

(6) receives, records, or forwards bets or offers to bet or, with intent to receive, record, or forward bets or offers to bet, possesses facilities to do so; or

(7) pays any compensation for game credits earned on or otherwise rewards, with anything of value other than free plays, players of video games of chance as defined under in section 349.50, subdivision 8, or who directs an employee to pay any such compensation or reward.

(b) On conviction of a person for the crime established in paragraph (a), clause (7), the court shall impose a fine of not less than \$700.

**Sec. 18. REPEALER.**

Minnesota Statutes 1989 Supplement, sections 349.22, subdivision 3; and 349.502, subdivision 2, are repealed.

**Sec. 19. EFFECTIVE DATE; APPLICATION.**

Sections 1 to 18 are effective August 1, 1990. Sections 4 to 12, 14, 17, and 18 apply to violations committed on or after that date.

Presented to the governor April 28, 1990

Signed by the governor May 4, 1990, 11:02 p.m.

**CHAPTER 591—S.F.No. 2618**

*An act relating to public administration; appropriating money or reducing appropriations to the higher education coordinating board, regents of the University of Minnesota, state university board, state board for community colleges, and state board of vocational technical education, with certain conditions; clarifying the duties and powers of the higher education coordinating board; expanding authorization for tuition reciprocity agreements; regulating off-campus centers; establishing rural health programs, and a public safety officer's survivor benefits program; providing for planning, operations, and acquisitions; regulating public post-secondary education system plans; requiring reports; adjusting contributions to*

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