

**CHAPTER 205—S.F.No. 2953**

*An act relating to gambling; providing for breeders' fund distribution; making various clarifying, technical, and conforming changes to lawful gambling provisions; modifying expenditure restriction requirements; providing for conduct of certain pull-tab games; requiring a report; amending Minnesota Statutes 2004, sections 240.18, subdivision 3a; 349.12, subdivisions 4, 18, 21; 349.1635, subdivision 3; 349.168, subdivision 10; 349.17, subdivision 6; 349.19, subdivisions 2, 3; 349.211, subdivision 2a; Minnesota Statutes 2005 Supplement, sections 349.12, subdivisions 12a, 25; 349.15, subdivision 1; 349.151, subdivision 4c; 349.153; 349.16, subdivision 2; 349.162, subdivisions 4, 5; 349.1635, subdivision 4; 349.166, subdivisions 1, 2; 349.167, subdivision 1; 349.17, subdivisions 5, 7; 349.173; 349.18, subdivision 1; 349.213, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 349.*

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

Section 1. Minnesota Statutes 2004, section 240.18, subdivision 3a, is amended to read:

Subd. 3a. **Other categories.** Available money apportioned to breeds other than breeds contained in subdivisions 2 and 3 must be distributed as financial incentives to encourage horse racing and horse breeding for such breeds. Available money apportioned for the Arabian breed may be distributed to owners who are Minnesota residents racing at licensed Minnesota racetracks or at racetracks of border states.

Sec. 2. Minnesota Statutes 2004, section 349.12, subdivision 4, is amended to read:

Subd. 4. **Bingo.** "Bingo" means a game where each player has a bingo hard card ~~or~~ bingo paper sheet, or facsimile of a bingo paper sheet when used in conjunction with an electronic bingo device, for which a consideration has been paid, and played in accordance with this chapter and with rules of the board for the conduct of bingo. "Bingo" also includes a linked bingo game.

Sec. 3. Minnesota Statutes 2005 Supplement, section 349.12, subdivision 12a, is amended to read:

Subd. 12a. **Electronic bingo device.** "Electronic bingo device" means an electronic device used by a bingo player to monitor bingo paper sheets or facsimile of a bingo paper sheet when purchased at the time and place of an organization's bingo occasion and which (1) provides a means for bingo players to input numbers announced by a bingo caller; (2) compares the numbers entered by the player to the bingo faces previously stored in the memory of the device; and (3) identifies a winning bingo pattern.

Electronic bingo device does not mean any device into which coin, currency, or tokens are inserted to activate play.

Sec. 4. Minnesota Statutes 2004, section 349.12, subdivision 18, is amended to read:

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

Sec. 5. Minnesota Statutes 2004, section 349.12, subdivision 21, is amended to read:

Subd. 21. **Gross receipts.** "Gross receipts" means all receipts derived from lawful gambling activity including, but not limited to, the following items:

(1) gross sales of bingo hard cards ~~and~~, paper sheets, facsimiles of bingo paper sheets when used in conjunction with an electronic bingo device, and rental of electronic bingo devices before reduction for prizes, expenses, shortages, free plays, or any other charges or offsets;

(2) the ideal gross of pull-tab and tipboard deals or games less the value of unsold and defective tickets and before reduction for prizes, expenses, shortages, free plays, or any other charges or offsets;

(3) gross sales of raffle tickets and paddletickets before reduction for prizes, expenses, shortages, free plays, or any other charges or offsets;

(4) admission, commission, cover, or other charges imposed on participants in lawful gambling activity as a condition for or cost of participation; and

(5) interest, dividends, annuities, profit from transactions, or other income derived from the accumulation or use of gambling proceeds.

Gross receipts does not include proceeds from rental under section ~~349.164~~ or 349.18, subdivision 3.

Sec. 6. Minnesota Statutes 2005 Supplement, section 349.12, subdivision 25, is amended to read:

Subd. 25. **Lawful purpose.** (a) "Lawful purpose" means one or more of the following:

(1) any expenditure by or contribution to a 501(c)(3) or festival organization, as defined in subdivision 15a, provided that the organization and expenditure or contribution are in conformity with standards prescribed by the board under section 349.154, which standards must apply to both types of organizations in the same manner and to the same extent;

(2) a contribution to or expenditure for goods and services for an individual or family suffering from poverty, homelessness, or disability, which is used to relieve the effects of that suffering;

(3) a contribution to a program recognized by the Minnesota Department of Human Services for the education, prevention, or treatment of problem gambling;

(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~~ an individual, public or private nonprofit educational institution registered with or accredited by this state or any other state, or to a scholarship fund of a nonprofit organization whose primary mission is to award scholarships, for defraying the cost of education to individuals where the funds are awarded through an open and fair selection process;

(6) activities by an organization or a government entity which recognize military service to the United States, the state of Minnesota, or a community, subject to rules of the board, provided that the rules must not include mileage reimbursements in the computation of the per diem reimbursement limit and must impose no aggregate annual limit on the amount of reasonable and necessary expenditures made to support:

(i) members of a military marching or color guard unit for activities conducted within the state;

(ii) members of an organization solely for services performed by the members at funeral services;

(iii) members of military marching, color guard, or honor guard units may be reimbursed for participating in color guard, honor guard, or marching unit events within the state or states contiguous to Minnesota at a per participant rate of up to \$35 per diem; or

- (iv) active military personnel and their immediate family members in need of support services;
- (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 and the organization complies with section 349.154;
- (8) payment of local taxes authorized under this chapter, taxes imposed by the United States on receipts from lawful gambling, the taxes imposed by section 297E.02, subdivisions 1, 4, 5, and 6, and the tax imposed on unrelated business income by section 290.05, subdivision 3;
- (9) payment of real estate taxes and assessments on permitted gambling premises owned by the licensed organization paying the taxes, or wholly leased by a licensed veterans organization under a national charter recognized under section 501(c)(19) of the Internal Revenue Code;
- (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;
- (11) a contribution to or expenditure by a nonprofit organization which is a church or body of communicants gathered in common membership for mutual support and edification in piety, worship, or religious observances;
- (12) payment of the reasonable costs of an audit required in section 297E.06, subdivision 4, provided the annual audit is filed in a timely manner with the Department of Revenue and paid prior to June 30, 2006;
- (13) a contribution to or expenditure on projects or activities approved by the commissioner of natural resources for:
  - (i) wildlife management projects that benefit the public at large;
  - (ii) grant-in-aid trail maintenance and grooming established under sections 84.83 and 84.927, and other trails open to public use, including purchase or lease of equipment for this purpose; and
  - (iii) supplies and materials for safety training and educational programs coordinated by the Department of Natural Resources, including the Enforcement Division;
- (14) conducting nutritional programs, food shelves, and congregate dining programs primarily for persons who are age 62 or older or disabled;
- (15) a contribution to a community arts organization, or an expenditure to sponsor arts programs in the community, including but not limited to visual, literary, performing, or musical arts;
- (16) an expenditure by a licensed veterans organization for payment of water, fuel for heating, electricity, and sewer costs for a building wholly owned or wholly leased by and used as the primary headquarters of the licensed veterans organization;
- (17) expenditure by a licensed veterans organization of up to \$5,000 in a calendar year in net costs to the organization for meals and other membership events, limited to members and spouses, held in recognition of military service. No more than \$5,000 can be expended in total per calendar year under this clause by all licensed veterans organizations sharing the same veterans post home;
- (18) payment of fees authorized under this chapter imposed by the state of Minnesota to conduct lawful gambling in Minnesota; or
- (19) a contribution or expenditure to honor an individual's humanitarian service as demonstrated through philanthropy or volunteerism to the United States, this state, or local community.
- (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, 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 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 catastrophe, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance; (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; or (v) with respect to an expenditure to bring an existing building into compliance with the Americans with Disabilities Act under item (ii), an organization has the option to apply the amount of the board-approved expenditure to the erection or acquisition of a replacement building that is in compliance with the Americans with Disabilities Act;

(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) a contribution to a statutory or home rule charter city, county, or town by a licensed organization with the knowledge that the governmental unit intends to use the contribution for a pension or retirement fund.

Sec. 7. Minnesota Statutes 2005 Supplement, section 349.15, subdivision 1, is amended to read:

Subdivision 1. **Expenditure restrictions.** Gross profits from lawful gambling may be expended only for lawful purposes or allowable expenses as authorized by the membership of the conducting organization at a monthly meeting of the organization's membership. Provided that no more than 70 percent of the gross profit less the tax imposed under section 297E.02, subdivision 1, from bingo, and no more than 60 percent of the gross profit from other forms of lawful gambling, may be expended biennially during the term of the license for allowable expenses related to lawful gambling. For licenses issued after June 30, 2006, compliance with this subdivision will be measured on a biennial basis that is concurrent with the term of the license. Compliance with this subdivision is a condition for the renewal of any license beginning on July 1, 2008. For licenses renewed with an effective date between July 1, 2006, and June 30, 2008, an organization shall carry forward an amount equal to 15 percent of any positive allowable expense carryover amount. This balance must be used to offset any future negative expense balance at the time of license renewal.

Sec. 8. Minnesota Statutes 2005 Supplement, section 349.151, subdivision 4c, is amended to read:

Subd. 4c. **Electronic bingo.** (a) The board may by rule authorize but not require the use of electronic bingo devices.

(b) Rules adopted under paragraph (a):

(1) must limit the number of bingo faces that can be played using an electronic bingo device to 36;

(2) must require that an electronic bingo device be used with corresponding bingo paper sheets or a facsimile, printed at the point of sale, as approved by the board;

(3) must require that the electronic bingo device site system have dial-up capability to permit the board to remotely monitor the operation of the device and the internal accounting systems; and

(4) must prohibit the price of a face played on an electronic bingo device from being less than the price of a face on a bingo paper sheet sold at the same occasion.

Sec. 9. Minnesota Statutes 2005 Supplement, section 349.153, is amended to read:

**349.153 CONFLICT OF INTEREST.**

(a) A person may not serve on the board, be the director, or be an employee of the board who has an interest in any corporation, association, limited liability company, or partnership that is licensed by the board as a distributor, manufacturer, or linked bingo game provider ~~under section 349.164.~~

(b) A member of the board, the director, or an employee of the board may not accept employment with, receive compensation directly or indirectly from, or enter into a contractual relationship with an organization that conducts lawful gambling, a distributor, a linked bingo game provider, or a manufacturer while employed with or a member of the board or within one year after terminating employment with or leaving the board.

(c) A distributor, manufacturer, linked bingo game provider, or organization licensed to conduct lawful gambling may not hire a former employee, director, or member of the Gambling Control Board for one year after the employee, director, or member has terminated employment with or left the Gambling Control Board.

(d) A member of the board, the director, or an employee of the board may not purchase any chance in a lawful gambling game unless it is part of an investigation.

Sec. 10. Minnesota Statutes 2005 Supplement, section 349.16, subdivision 2, is amended to read:

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 in paragraphs (b) to (h) if the board determines that the license is consistent with the purpose of sections 349.11 to 349.22.

(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 has identified in its license application the lawful purposes on which it proposes to expend net profits from lawful gambling and has identified an annual goal for charitable contributions, expressed as a percentage of gross profits.

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

(g) 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 297E.02, subdivision 6.

(h) The organization has not exceeded the expenditure restrictions imposed under section 349.15, subdivision 1, or if the organization has exceeded the expenditure restrictions under section 349.15, subdivision 1, the organization has reimbursed any excess expenses from a source of nongambling funds. Reimbursement of excess expenses is a condition for license renewal. The board may by rule impose sanctions or penalties on organizations that exceed the expenditure restrictions under section 349.15, subdivision 1.

Sec. 11. Minnesota Statutes 2005 Supplement, section 349.162, subdivision 4, is amended to read:

Subd. 4. **Prohibition.** (a) No person other than a licensed distributor may possess unaffixed registration stamps issued by the board for the purpose of registering gambling equipment.

(b) Unless otherwise provided in this chapter, no person may possess gambling equipment that has not been registered.

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

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

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

Sec. 12. Minnesota Statutes 2005 Supplement, section 349.162, subdivision 5, is amended to read:

Subd. 5. **Sales from facilities.** (a) All gambling equipment purchased or possessed by a licensed distributor for resale to any person for use in Minnesota must, prior to the equipment's resale, be unloaded into a 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 Alcohol and Gambling Enforcement as a storage facility of the distributor. All unregistered gambling equipment and all unaffixed registration stamps owned by, or in the possession of, a licensed distributor in the state of Minnesota shall be stored at a storage facility which has been registered with the Division of Alcohol and Gambling Enforcement. No gambling equipment may be moved from the facility unless the gambling equipment has been first registered with the board or the Department of Revenue.

(b) Notwithstanding section 349.163, subdivisions 5, 6, and 8, a licensed manufacturer may ship into Minnesota approved or unapproved gambling equipment if the licensed manufacturer ships the gambling equipment to a Minnesota storage facility that is: (1) owned or leased by the licensed manufacturer; and (2) registered, in advance and in writing, with the Division of Alcohol and Gambling Enforcement as a manufacturer's storage facility. No gambling equipment may be shipped into Minnesota to the manufacturer's registered storage facility unless the shipment of the gambling equipment is reported to the Department of Revenue in a manner prescribed by the department. No gambling equipment may be moved from the storage facility unless the gambling equipment is sold to a licensed distributor and is otherwise in conformity with this chapter, is shipped to an out-of-state site and the shipment is reported to the Department of Revenue in a manner prescribed by the department, or is otherwise sold and shipped as permitted by board rule.

(c) All storage facilities owned, leased, used, or operated by a licensed distributor or manufacturer may be entered upon and inspected by the employees of the Division of Alcohol and Gambling Enforcement, the Division of Alcohol and Gambling Enforcement director's authorized representatives, employees of the

Gambling Control Board or its authorized representatives, employees of the Department of Revenue, or authorized representatives of the director of the Division of Special Taxes of the Department of Revenue during reasonable and regular business hours. Obstruction of, or failure to permit, entry and inspection is cause for revocation or suspension of a manufacturer's or distributor's licenses and permits issued under this chapter.

(d) Unregistered gambling equipment ~~and unaffixed registration stamps~~ found at any location in Minnesota other than the manufacturing plant of a licensed manufacturer or a registered storage facility are contraband under section 349.2125. This paragraph does not apply:

(1) 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; and

(2) to gambling equipment registered with the Department of Revenue for distribution to the tribal casinos.

Sec. 13. Minnesota Statutes 2004, section 349.1635, subdivision 3, is amended to read:

Subd. 3. **Attachments to application.** An applicant for a linked bingo game provider license must attach to its application:

(1) evidence of a bond in the principal amount of ~~\$250,000~~ \$100,000 payable to the state of Minnesota conditioned on the payment of all linked bingo prizes and any other money due and payable under this chapter;

(2) detailed plans and specifications for the operation of the linked bingo game and the linked bingo system; and

(3) any other information required by the board by rule.

Sec. 14. Minnesota Statutes 2005 Supplement, section 349.1635, subdivision 4, is amended to read:

Subd. 4. **Prohibition.** (a) Except for services associated exclusively with a linked bingo game, a linked bingo game provider may not participate or assist in the conduct of lawful gambling by an organization. No linked bingo game provider or employee, representative, agent, affiliate, or other employee of a linked bingo game provider may:

(1) hold any financial or managerial interest in a premises leased for the conduct of bingo;

(2) also be licensed as a distributor or hold any financial or managerial interest in a distributor;

(3) sell or lease linked bingo game equipment to any person not licensed as an organization;

(4) purchase gambling equipment to be used exclusively in a linked bingo game from any person not licensed as a manufacturer under section 349.163; ~~and~~

(5) provide ~~an organization,~~ a lessor of gambling premises; or an appointed official any compensation, gift, gratuity, premium, or contribution; ~~and~~

(6) provide an employee or agent of the organization any compensation, gift, gratuity, premium, or other thing of value greater than \$25 per organization in a calendar year.

(b) Employees of the board and the Division of Alcohol and Gambling Enforcement may inspect the books, records, inventory, and business premises of a licensed linked bingo game provider without notice during the normal business hours of the linked bingo game provider. The board may charge a linked bingo game provider for the actual cost of conducting scheduled or unscheduled inspections of the licensee's facilities.

Sec. 15. Minnesota Statutes 2005 Supplement, section 349.166, subdivision 1, is amended to read:

Subdivision 1. **Exclusions.** (a) Bingo, with the exception of linked bingo games, may be conducted without a license and without complying with sections 349.168, subdivisions 1 and 2; 349.17, subdivisions 1, 4, and 5; 349.18, subdivision 1; and 349.19, if it is conducted:

(1) by an organization in connection with a county fair, the state fair, or a civic celebration and is not conducted for more than 12 consecutive days and is limited to no more than four separate applications for activities applied for and approved in a calendar year; or

(2) by an organization that conducts bingo on four or fewer ~~bingo occasions~~ days 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 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, and a manager is appointed to supervise the bingo. Bingo conducted under this paragraph is exempt from sections 349.11 to 349.23, and the board may not require an organization that conducts bingo under this paragraph, or the manager who supervises the bingo, to register or file a report 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 registering with the board if the value of all raffle prizes awarded by the organization in a calendar year does not exceed \$1,500.

(d) Except as provided in paragraph (b), the organization must maintain all required records of excluded gambling activity for 3-1/2 years.

Sec. 16. Minnesota Statutes 2005 Supplement, section 349.166, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** (a) Lawful gambling, with the exception of linked bingo games, may be conducted by an organization without a license and without complying with sections 349.168, subdivisions 1 and 2; 349.17, subdivisions 4 and 5; 349.18, subdivision 1; and 349.19 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 \$50 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

(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), the board shall not issue any authorization, license, or permit to the organization to conduct lawful gambling on



an exempt, excluded, or licensed basis until the report has been filed and the organization may be subject to penalty as determined by the board. The board may refuse to issue any authorization, license, or permit if a report or application is determined to be incomplete or knowingly contains false or inaccurate information.

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

(d) Organizations that qualify to conduct exempt raffles under paragraph (a), are exempt from section 349.173, paragraph (b), clause (2), if the raffle tickets are sold only in combination with an organization's membership or a ticket for an organization's membership dinner and are not included with any other raffle conducted under the exempt permit.

(e) 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.

(f) An organization that is exempt from taxation on purchases of pull-tabs and tipboards under section 297E.02, subdivision 4, paragraph (b), clause (4), 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.

(g) The organization must maintain all required records of exempt gambling activity for 3-1/2 years.

Sec. 17. Minnesota Statutes 2005 Supplement, section 349.167, subdivision 1, is amended to read:

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 gambling gross receipts of the organization and for its conduct in compliance with all laws and rules. A person designated as a gambling manager shall maintain a dishonesty bond in the sum of \$10,000 in favor of the organization conditioned on the faithful performance of the manager's duties. The terms of the bond must provide that notice be given to the board in writing not less than 30 days before its cancellation.

(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.

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

Sec. 18. Minnesota Statutes 2004, section 349.168, subdivision 10, is amended to read:

Subd. 10. **Employment of certain persons.** An organization that ~~sells pull-tabs and tip boards on leased premises within a booth operation may not employ, other than as a seller of pull-tabs and tip boards, the lessor of those premises or a person who is employed by the lessor of those premises~~ leases a premises may not pay compensation to the lessor, a member of the lessor's immediate family, or lessor's employees, other than as a seller of pull-tabs and tipboards within a booth operation on the premises. A member of the lessor's immediate family may be compensated by an organization for the conduct of gambling at other sites not owned by the lessor.

Sec. 19. Minnesota Statutes 2005 Supplement, section 349.17, subdivision 5, is amended to read:

Subd. 5. **Bingo cards and sheets.** (a) The board shall by rule require that all licensed organizations: (1) conduct bingo only using ~~liquid daubers on a bingo paper sheets sheet or facsimile of a bingo face that bear bears~~ an individual number recorded by the distributor or linked bingo game provider; and (2) use each bingo paper sheet for no more than one bingo occasion. In lieu of the requirements of clause (2), a licensed organization may electronically record the sale of each bingo hard card or paper sheet at each bingo occasion using an electronic recording system approved by the board.

(b) The requirements of paragraph (a) shall only apply to a licensed organization that received gross receipts from bingo in excess of \$150,000 in the organization's last fiscal year.

Sec. 20. Minnesota Statutes 2004, section 349.17, subdivision 6, is amended to read:

Subd. 6. **Conduct of bingo.** (a) Each bingo hard card and paper sheets must have five horizontal rows of spaces with each row except one having five numbers. The center row must have four numbers and the center space marked "free." Each column must have one of the letters B-I-N-G-O in order at the top. Bingo paper sheets may also have numbers that are not preprinted but are filled in by players.

(b) A game of bingo begins with the first letter and number called. Each player must cover or mark ~~with a liquid dauber~~ the numbers when bingo ~~balls, similarly numbered, numbers~~ are randomly ~~drawn~~ selected, announced, and displayed to the players, either manually or with a flashboard and monitor. The game is won when a player has covered or marked a previously designated arrangement of numbers on the card or sheet and declared bingo. The game is completed when a winning card or sheet is verified and a prize awarded, except that prizes won in linked bingo games may be awarded pursuant to subdivision 3.

Sec. 21. Minnesota Statutes 2005 Supplement, section 349.17, subdivision 7, is amended to read:

Subd. 7. **Bar bingo.** An organization may conduct bar bingo subject to the following restrictions:

(1) the bingo is conducted at a site the organization owns or leases and which has a license for the sale of intoxicating beverages on the premises under chapter 340A;

(2) the bingo is conducted using only bingo paper sheets purchased from a licensed distributor; and

(3) no rent may be paid for a bar bingo occasion; ~~and~~

~~(4) linked bingo games may not be conducted at a bar bingo occasion.~~

Sec. 22. [349.1721] CONDUCT OF PULL-TABS.

Subdivision 1. Cumulative or carryover games. The board shall by rule permit pull-tab games with multiple seals. The board shall also adopt rules for pull-tab games with cumulative or carryover prizes.

Subd. 2. Event games. The board shall by rule permit pull-tab games in which certain winners are determined by the random selection of one or more bingo numbers or by another method approved by the board.

Sec. 23. Minnesota Statutes 2005 Supplement, section 349.173, is amended to read:

**349.173 CONDUCT OF RAFFLES.**

(a) Raffle tickets or certificates of participation at a minimum must list the three most expensive prizes to be awarded. If additional prizes will be awarded, a complete list of additional prizes must be publicly posted at the event and copies of the complete prize list made available upon request. Notwithstanding section 349.12, subdivision 33, raffles conducted under the exemptions in section 349.166 may use tickets that contain only the sequential number of the raffle ticket and no other information if the organization makes a list of prizes and a statement of other relevant information required by rule available to persons purchasing tickets and if tickets are only sold at the event and on the date when the tickets are drawn.

(b) Raffles must be conducted in a manner that ensures:

(1) all entries in the raffle have an equal chance of selection;

(2) entry in the raffle is not conditioned upon any other purchase, except that a certificate of participation may be a button with a nominal value of less than \$5;

- (3) the method of selection is conducted in a public forum;
  - (4) the method of selection cannot be manipulated or based on the outcome of an event not under the control of the organization;
  - (5) physical presence at the raffle is not a requirement to win; and
  - (6) all sold and unsold tickets or certificates of participation are accounted for.
- (c) Methods of selecting winning entries from a raffle other than prescribed in rule may be used with the prior written approval of the board.

Sec. 24. Minnesota Statutes 2005 Supplement, section 349.18, subdivision 1, is amended to read:

Subdivision 1. **Lease or ownership required; rent limitations.** (a) An organization may conduct lawful gambling only on premises it owns or leases. Leases must be on a form prescribed by the board. ~~Except for leases entered into before August 1, 1994,~~ The term of the lease may not begin before the effective date of the premises permit and must expire on the same day that the premises permit expires. Leases approved by the board must specify that the board may authorize an organization to withhold rent from a lessor for a period of up to 90 days if the board determines that illegal gambling occurred on the premises and that the lessor or its employees participated in the illegal gambling or knew of the gambling and did not take prompt action to stop the gambling. The lease must authorize the continued tenancy of the organization without the payment of rent during the time period determined by the board under this paragraph. Copies of all leases must be made available to employees of the board and the Division of Alcohol and Gambling Enforcement on request. The board may prescribe by rule limits on the amount of rent which an organization may pay to a lessor for premises leased for bingo. 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~(f) No person, distributor, manufacturer, lessor, linked bingo game provider, or organization other than the licensed organization leasing the space may conduct any activity other than the sale or serving of food and beverages on the leased premises during times when lawful gambling is being conducted on the premises. No entity other than the licensed organization may conduct any activity within a booth operation on a leased premises.~~

~~(g) At a site where the leased premises consists of an area on or behind a bar at which alcoholic beverages are sold and employees of the lessor are employed by the organization as pull-tab sellers at the site, pull-tabs and tipboard tickets may be sold and redeemed by those employees at any place on or behind the bar, but the tipboards and receptacles for pull-tabs and cash drawers for lawful gambling receipts must be maintained only within the leased premises.~~

~~(h) (g) Employees of a lessor not involved in the conduct of lawful gambling on the premises or nongambling employees of an organization conducting lawful gambling on the premises may participate in lawful gambling on the premises provided (1) if pull-tabs or tipboards are sold, the organization voluntarily posts, or is required to post, posts the major prizes as specified in section 349.172, and (2) any employee participating in lawful gambling is not a gambling employee for the organization conducting lawful gambling on the premises awarded.~~

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

~~(1) the organization voluntarily posts, or is required to post, the major prizes for pull-tab or tipboard games as specified in section 349.172; and~~

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

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

~~(k) A member of the lessor's immediate family may not be a compensated employee of an organization leasing space at the premises. For purposes of this paragraph, a "member of the immediate family" is a spouse, parent, child, or sibling.~~

Sec. 25. Minnesota Statutes 2004, section 349.19, subdivision 2, is amended to read:

Subd. 2. **Accounts.** Gross receipts from lawful gambling by each organization 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 (1) in the case of expenditures previously approved by the organization's membership for emergencies as defined by board rule, ~~or~~ (2) as provided in subdivision 2a, or (3) when restricted to one electronic fund transaction for the payment of taxes for the organization as a whole, the organization may transfer the amount of taxes related to the conduct of gambling to the general account at the time when due and payable. The name and address of the bank, the account number for the separate account, 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 four business days of completion of the bingo occasion, deal, or game from which they are received. A deal of pull-tabs is considered complete when either the last pull-tab of the deal is sold or the organization does not continue the play of the deal during the next scheduled period of time in which the organization will conduct pull-tabs. A tipboard game is considered complete when the seal on the game flare is uncovered. Deposit records must be sufficient to allow determination of deposits made from each bingo occasion, deal, or game at each permitted premises. The person who accounts for gambling gross receipts and profits may not be the same person who accounts for other revenues of the organization.

Sec. 26. Minnesota Statutes 2004, section 349.19, subdivision 3, is amended to read:

Subd. 3. **Expenditures.** (a) 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 expenditures must be recorded in the monthly meeting minutes of the licensed organization. Checks or authorizations for electronic fund transfers for expenditures of gross profits must be signed by at least two persons authorized by board rules to sign the checks. Expenditures of gross profits from lawful gambling for local, state, and federal taxes as identified in section 349.12, subdivision 25, paragraph (a), clause (8), may be: (1) transferred electronically from the organization's gambling account directly to bank accounts identified by local, state, or federal agencies if the organization's gambling account monthly bank statement specifically identifies the payee by name, the amount transferred, and the date of the transaction; or (2) transferred electronically to and from the account of a payroll processing firm that meets the criteria for such a firm established under section 349.168, subdivision 6. Expenditures of gross profits from lawful gambling as identified in section 349.12, subdivision 3a, and as authorized by section 349.15, subdivision 1, for payments for ~~utilities, insurance, and payroll processing charges~~ taxes and allowable expenses may be transferred electronically from the organization's gambling account directly to bank accounts identified by the vendor if the organization's gambling account monthly bank statement specifically identifies the payee by name, the amount transferred, the account number of the account into which the funds were transferred, and the date of the transaction. Electronic payments of ~~local, state, and federal taxes and utility, payroll processing, or insurance payments~~ allowable expenses are permitted only if they have been authorized by the membership, the organization maintains supporting documentation, and the expenditures can be verified.

(b) Expenditures authorized by the board according to section 349.12, subdivision 25, paragraph (b), clause (3), must be 51 percent completed within two years of the date of board approval. "Fifty-one percent completed" means that the work completed must represent at least 51 percent of the value of the project as documented by the contractor or vendor. An organization that fails to comply with this paragraph shall reapply to the board for approval of the project.

Sec. 27. Minnesota Statutes 2004, section 349.211, subdivision 2a, is amended to read:

Subd. 2a. **Pull-tab prizes.** The maximum prize which may be awarded for any single pull-tab is \$599, not including any cumulative or carryover prizes. Cumulative or carryover prizes in a pull-tab game shall not exceed \$2,500. An organization may not sell any pull-tab for more than \$2.

Sec. 28. Minnesota Statutes 2005 Supplement, section 349.213, subdivision 1, is amended to read:

Subdivision 1. **Local regulation.** (a) A statutory or home rule city or county has the authority to adopt more stringent regulation of lawful gambling within its jurisdiction, including the prohibition of lawful gambling, and may require a permit for the conduct of gambling exempt from licensing under section 349.166. The fee for a permit issued under ~~this subdivision~~ section 349.166 may not exceed \$100. The authority granted by this subdivision does not include the authority to require a license or fee for a license or permit to conduct gambling by organizations, gambling managers, gambling employees, or sales by distributors or linked bingo game providers licensed by or registered with 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 per year from its net profits derived from lawful gambling. For the purposes of this subdivision, net profits are gross profits less amounts expended for allowable expenses and paid in taxes assessed on lawful gambling. 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 8, or 297E.02; provided, however, that an ordinance requirement that such organizations must contribute ten percent per year of their net profits derived from lawful gambling conducted at premises within the city's or county's jurisdiction 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 (i) ~~lawful purposes~~ charitable contributions as defined in section 349.12, subdivision 7a, or (ii) police, fire, and other emergency or public safety-related services, equipment, and training, excluding pension obligations, is not considered an expenditure to the city or county nor a tax under section 297E.02, and is valid and lawful. A city or county making expenditures authorized under this paragraph must by March 15 of each year file a report with the board, on a form the board prescribes, that lists all such revenues collected and expenditures for the previous calendar year.

(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 be limited to lawful purpose expenditures of gross profits derived from lawful gambling conducted at premises within the city's or county's jurisdiction, 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 and township 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, except a political subdivision may prohibit the use of paddlewheels.

Sec. 29. **REPORT ON AUTOMATION OF REPORTING REQUIREMENTS FOR LAWFUL GAMBLING.**

The commissioner of revenue and the executive director of the Gambling Control Board shall conduct a feasibility study pertaining to consolidation and automation of reporting requirements for lawful gambling activities and shall submit a report with findings and recommendations to the legislature and the governor by January 31, 2007.

Sec. 30. **EFFECTIVE DATE.**

This act is effective the day following final enactment.

Presented to the governor May 15, 2006

Signed by the governor May 18, 2006, 6:50 p.m.