

CHAPTER 7861
GAMBLING CONTROL BOARD
GAMBLING; GENERAL PROVISIONS

7861.0010	DEFINITIONS.	7861.0090	TIPBOARDS.
7861.0020	LICENSED ORGANIZATION.	7861.0100	PADDLEWHEELS.
7861.0030	GAMBLING MANAGER.	7861.0110	RAFFLES.
7861.0040	PREMISES PERMITS.	7861.0120	ORGANIZATION OPERATIONS, ACCOUNTS, AND REPORTS.
7861.0050	ILLEGAL GAMBLING.	7861.0130	EXCLUDED BINGO AND RAFFLES.
7861.0060	CONDUCT OF LAWFUL GAMBLING.	7861.0140	EXEMPTED LAWFUL GAMBLING.
7861.0070	BINGO.	7861.0150	TECHNICAL ASSISTANCE REQUIREMENTS.
7861.0080	PULL-TABS.		

7861.0010 DEFINITIONS.

Subpart 1. **Scope.** The terms used in this chapter have the meanings given them in this part. Where not otherwise defined in this chapter, terms have the meanings given them in Minnesota Statutes, sections 349.11 to 349.23.

Subp. 1a. **Bar bingo.** "Bar bingo" means a game or games of bingo, conforming to all applicable statutes and rules, that is conducted at a place of business where a licensed organization leases space to conduct lawful gambling, where the lessor's business is the sale of intoxicating liquor or 3.2 percent malt beverages, and where the organization conducts another form of lawful gambling on the premises for which it could pay rent under part 7861.0060, subpart 2, item D.

Subp. 2. **Bingo.** "Bingo" means a game where each player has a bingo hard card or bingo paper sheet, for which a consideration has been paid, which is played according to rules of the board for the conduct of bingo.

The term bingo does not include any game which is played via television, telephone, satellite dish, or any other telecommunications transmission or receiving device. Nothing in this definition prohibits an organization from using closed circuit television at its leased or owned premises in the conduct of its bingo occasions, provided that the closed circuit television signal shall not be capable of being transmitted between sites leased or owned by an organization.

Subp. 3. **Bingo leased premises.** "Bingo leased premises" means the area leased by an organization solely for the conduct of bingo and other forms of lawful gambling that an organization may be authorized to conduct. Bingo leased premises include bingo paper sheet and hard card sales areas, lawful gambling receipts accounting areas, participant playing areas, prize display areas, areas for the organization to draw, display, and post bingo numbers, restrooms, and the organization's gambling equipment storage areas. Other areas not used exclusively by bingo patrons or the organization's gambling employees are not included in bingo leased premises. Measurements of leased areas are to be taken from internal wall to internal wall.

Subp. 4. **Bingo occasion.** "Bingo occasion" means a single gathering at which 15 or more bingo games must be held, and which must continue for at least 1-1/2 hours but not more than four consecutive hours. A bingo occasion may have intermissions.

Subp. 5. **Bingo paper package.** "Bingo paper package" means a bingo paper sheet packet to which an organization has added individual bingo paper sheets or bingo paper sheets that an organization has fastened together to form a bingo paper package.

Subp. 6. **Bingo paper sheet.** "Bingo paper sheet" means a bingo sheet containing a face or faces that is manufactured from paper with or without preprinted numbers. A breakopen bingo paper sheet is considered a bingo paper sheet. The following also apply to bingo paper sheets:

A. Each bingo face must have 25 squares arranged in five vertical and five horizontal rows. The letters "B, I, N, G, O" must be preprinted above the five vertical columns, with one letter appearing above each column. The center space must be marked "free." Except for bingo paper sheets manufactured without preprinted

numbers, the printed numbers on the bingo paper sheet face must correspond with the numbers and letters of the bingo balls, as follows:

- (1) numbers 1 to 15 in the "B" column;
- (2) numbers 16 to 30 in the "I" column;
- (3) numbers 31 to 45 in the "N" column;
- (4) numbers 46 to 60 in the "G" column; and
- (5) numbers 61 to 75 in the "O" column.

B. "Face number" refers to the number appearing on each bingo paper sheet face in a series, and allows for the verification of a winning bingo paper sheet face against a master book containing all of the faces in the series.

C. "Series" means a specific group of cards or faces that have been assigned consecutive card or face numbers by a manufacturer. Series are typically identified by the first and last card number in the group of cards, such as "1 to 9,000 series."

D. "ON's" means the number of bingo faces contained on a bingo paper sheet. For example, the term "twelve on" in reference to a bingo paper sheet means that the bingo paper sheet contains 12 bingo faces.

Subp. 7. **Bingo paper sheet packet.** "Bingo paper sheet packet" means a group of bingo paper sheets that is manufactured, collated, and sold by the manufacturer as a unit. Bingo paper sheet packets shall not be sold as individual bingo paper sheets. UP's apply to bingo paper sheet packets. "UP's" means the number of bingo paper sheets contained in a bingo paper sheet packet. For example, the term "twelve up" in reference to a bingo paper sheet packet means that the packet contains 12 bingo paper sheets.

Subp. 8. **Bingo pattern.** "Bingo pattern" means a predetermined and preannounced arrangement of spaces to be filled in on a bingo hard card or bingo paper sheet face by a player to win a game of bingo.

Subp. 9. **Bingo program.** "Bingo program" means a printed listing of all bingo games offered by an organization for a specific bingo occasion and includes the information required by part 7861.0070, subpart 5a, items A, subitem (4); and B, subitem (4).

Subp. 10. **Bingo session.** "Bingo session" means a group of bingo games conducted within a single bingo occasion that may be separated by an intermission.

Subp. 11. **Breakopen bingo.** "Breakopen bingo" means a form of bingo in which the organization calls and posts, either by hand or by use of a flashboard, a predetermined quantity of randomly selected bingo balls from a bingo ball selection device, a separate tray within a bingo ball selection device, or a separate bingo ball container before the actual playing of the game. Only sealed breakopen bingo paper sheets are sold and used for breakopen bingo games.

Subp. 12. **Case paper.** "Case paper" means uncollated bingo paper sheets provided by the manufacturer in case lots. Case paper may be provided in either single bingo paper sheets or in a tablet from which the organization removes single bingo paper sheets.

Subp. 13. **Cash.** "Cash" means currency, money orders, or traveler's checks. Cash does not include personal checks or credit cards.

Subp. 14. **Column.** "Column" means a container in the interior of a pull-tab dispensing device that holds pull-tabs prior to dispensing.

Subp. 15. **Compensation.** "Compensation" means wages, salaries, and all other forms of remuneration for services rendered.

Subp. 16. **Consultant.** "Consultant" means a person, who is not an employee, who provides expert or professional advice on behalf of a licensed distributor or licensed manufacturer, or who receives compensation in any fashion from a licensed distributor or licensed manufacturer, for the sale or design of its lawful gambling equipment in Minnesota.

Subp. 17. **Continuation bingo game.** "Continuation bingo game" means a bingo game where more than one pattern may be played concurrently on one bingo paper sheet face or bingo hard card, with the requirement that all completed winning patterns must be verified independently and no restrictions shall be placed on the order of completing the required patterns.

Subp. 18. **Control number.** "Control number" means a unique alphanumeric or numeral code assigned by the organization which serves to identify a bingo paper sheet, bingo paper sheet packet, or bingo paper package as required by the board in part 7861.0070, subpart 7. The control number of the bingo paper sheet may be the serial number printed on the bingo paper sheet by the manufacturer. The control number of the bingo paper sheet packet may be the serial number printed on the top sheet of the bingo paper sheet packet by the manufacturer. The control number of the bingo paper package may be the serial number printed by the manufacturer on the top sheet of the bingo paper sheet packet used to assemble the bingo paper package, provided that the serial number on the top sheet of the bingo paper packet used to assemble the bingo paper package has not been previously used as a control number by the organization.

Subp. 19. **E-PROM microchip.** "E-PROM microchip" means an erasable programmable read only memory microchip which holds a pull-tab dispensing device's complete programming code.

Subp. 20. **Electronic currency validator.** "Electronic currency validator" means an electronic device in the interior of a pull-tab dispensing device that accepts valid currency, rejects invalid currency, and transmits the value of all currency accepted to the pull-tab dispensing device which permits the vending of pull-tabs from the pull-tab dispensing device.

Subp. 21. **Fair market value.** "Fair market value" is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. Fair market value for purposes of merchandise prizes must be related to the manufacturer's suggested retail price, list price, advertised price, or actual cost. For purposes of this subpart, the price or cost is determined at the time the merchandise prize was purchased by the organization.

Subp. 22. **Family.** "Family" means a group of pull-tab, tipboard, or jar ticket games with the same name.

Subp. 23. **Family member.** "Family member" means a pull-tab, tipboard, or jar ticket game with the same name as another family member but with a different form number.

Subp. 24. **Flashboard.** "Flashboard" means an electronic device which displays the numbers and letters of called bingo balls.

Subp. 25. **Form number or part number.** "Form number" or "part number" means an alphanumeric code assigned by the manufacturer which serves to uniquely identify those characteristics of a game as required by the commissioner of revenue.

Subp. 26. **Fraternal organization.** "Fraternal organization" means a nonprofit organization which is a branch, lodge, or chapter of a national or state organization and exists for the common business, fraternal, or other interests of its members. The term does not include college and high school fraternities and sororities.

Subp. 27. **Fund raising costs.** "Fund raising costs" has the meaning given it in Minnesota Statutes, section 309.50, subdivision 12.

Subp. 28. **Gambling bank account.** "Gambling bank account" means all the accounts maintained by an organization at any banks, savings and loans, or credit unions located within Minnesota in which the organization deposits all gambling receipts and over which the organization has any control, including checking and savings accounts, certificates of deposit, and trust and escrow accounts.

Subp. 29. **Gambling equipment.** "Gambling equipment" means bingo hard cards, bingo paper sheets, bingo paper packages, bingo paper sheet packets, devices for selecting bingo numbers, pull-tabs, jar tickets, paddlewheels, paddlewheel tables, pad-

MINNESOTA RULES 2001

dletickets, paddleticket cards, tipboards, tipboard tickets, and pull-tab dispensing devices. Permanent gambling equipment consists of devices for selecting bingo numbers, paddlewheels, paddlewheel tables, and pull-tab dispensing devices.

Subp. 30. **Gambling volunteer.** "Gambling volunteer" means an individual not compensated by an organization but who performs activities in the conduct of that organization's lawful gambling.

Subp. 31. **Immediate family.** "Immediate family" means spouse, children, parents, siblings.

Subp. 32. **Jar ticket.** "Jar ticket" means a single pull-tab ticket which is folded and banded.

Subp. 33. **Lawful gambling.** "Lawful gambling" is the operation, conduct, or sale of bingo, raffles, paddlewheels, tipboards, and pull-tabs. Lawful gambling does not include the conduct of a combination of any of the five activities listed in this subpart where the outcome of one of the activities is dependent on the outcome of one of the other activities, except as otherwise permitted by law or rule. Lawful gambling does not include betting related to the outcome of an athletic event.

Subp. 34. **Leased premises.** "Leased premises" means a building or place of business, or a portion of a building or place of business not owned by a gambling organization, that is leased in its entirety by a gambling organization for the sole purpose of conducting lawful gambling.

Subp. 35. **Limiting ball count.** "Limiting ball count" means a bingo game in which a bingo player must complete an announced bingo pattern within a predetermined number of bingo balls drawn and called by the organization, and which conforms to the requirements of part 7861.0070, subpart 5a, item F.

Subp. 36. **Management and general costs.** "Management and general costs" has the meaning given it in Minnesota Statutes, section 309.50, subdivision 11.

Subp. 37. **Master flare.** "Master flare" has the meaning given it in Minnesota Statutes, section 349.12.

Subp. 37a. **Merchandise prize.** "Merchandise prize" means a tangible good, existing and moveable, other than cash or real property, awarded by an organization to a winner or winners of a bingo game, pull-tab game, tipboard game, paddlewheel game conducted without a paddlewheel table, or raffle. Merchandise prize includes merchandise, certificates for merchandise, and donated prizes. Merchandise prize does not include services or service-related items, except that raffle prizes may consist of certificates for services.

Subp. 38. **Net receipts.** "Net receipts" are gross receipts less prizes actually paid out.

Subp. 39. **Other nonprofit organization.** "Other nonprofit organization" means one of the following:

A. an organization other than a fraternal, religious, or veterans organization, whose nonprofit status is evidenced by a current letter of exemption from the Internal Revenue Service recognizing it as a nonprofit organization exempt from payment of income taxes or which is incorporated as a nonprofit corporation and registered with the secretary of state under Minnesota Statutes, chapter 317A; or

B. an affiliate, subordinate, or chapter of a statewide parent organization that meets the criteria of item A. This type of other nonprofit organization is recognized only for purposes of conducting lawful gambling pursuant to Minnesota Statutes, section 349.166.

Subp. 40. **Paddleticket.** "Paddleticket" has the meaning given it in Minnesota Statutes, section 349.12.

Subp. 41. **Paddleticket card.** "Paddleticket card" has the meaning given it in Minnesota Statutes, section 349.12.

Subp. 42. **Paddleticket card number.** "Paddleticket card number" has the meaning given it in Minnesota Statutes, section 349.12.

Subp. 43. **Paddlewheel.** "Paddlewheel" is a mechanical vertical wheel marked off into sections containing numbers and which, after being spun, uses a pointer to indicate the winning number.

Subp. 44. **Paddlewheel table.** "Paddlewheel table" is the table described in part 7864.0030, subpart 1, item G, and used in the game of paddlewheels governed by part 7861.0100, subparts 2 to 7 and 9 to 16.

Subp. 45. **Progressive bingo game.** "Progressive bingo game" is a bingo game in which a prize level is established, and during which the prize level may be increased according to part 7861.0070, subpart 6a, item E.

Subp. 46. **Pull-tab dispensing device.** "Pull-tab dispensing device" has the meaning given it in Minnesota Statutes, section 349.12.

Subp. 47. **RAM microchip.** "RAM microchip" means a random access memory chip which holds a pull-tab dispensing device's accounting and game information.

Subp. 48. **Religious organization.** "Religious organization" means a nonprofit organization, church, body of communicants, or group gathered in common membership for mutual support and edification in piety, worship, and religious observances.

Subp. 49. **Stacker box.** "Stacker box" means a component of the electronic currency validator that holds currency that has been accepted and validated by the electronic currency validator in the interior of a pull-tab dispensing device.

Subp. 50. **Test vend.** "Test vend" means the intentional accepting of currency or vending of pull-tabs through a pull-tab dispensing device in order to properly calibrate a pull-tab dispensing device's columns to accept currency and vend paper pull-tabs of varying lengths, widths, and thicknesses.

Subp. 51. **Veterans organization.** "Veterans organization" means any congressionally chartered organization within this state, or any branch, lodge, or chapter of a nonprofit national or state organization within this state, the membership of which consists of individuals who were members of the armed services or forces of the United States.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 17 SR 1279; 17 SR 2711; 17 SR 2712; 19 SR 156; 19 SR 1854; 19 SR 2380; 20 SR 2624; 23 SR 831*

7861.0020 LICENSED ORGANIZATION.

Subpart 1. **License required.** No person shall engage in the conduct of lawful gambling without having obtained a license under this part. An organization shall make application to the board to be licensed to conduct lawful gambling. An application shall be considered by the director pursuant to the provisions of this part.

Subp. 2. **Licensing qualifications.** In addition to the qualifications contained in Minnesota Statutes, section 349.16, subdivision 2, the director shall not issue a license to:

A. an organization that has not been licensed to conduct lawful gambling within the preceding 12 months if its current chief executive officer and individual who will be its gambling manager have not completed a gambling manager seminar;

B. an organization which has not established a permanent location in Minnesota where the gambling records required to be maintained by this chapter will be kept and which has not established a gambling bank account within Minnesota;

C. an organization which has as an officer or member of its governing body who (i) within the last five years has been convicted in federal or state court of a felony or gross misdemeanor, (ii) has ever been convicted of a crime involving gambling, or (iii) has had a license issued by the board revoked for a violation of law or rule;

MINNESOTA RULES 2001

21

GAMBLING; GENERAL PROVISIONS 7861.0020

D. an organization whose conduct of lawful gambling is or would be inconsistent with Minnesota Statutes, sections 349.11 to 349.23, as indicated by (i) lack of financial responsibility, (ii) demonstrated lack of control of lawful gambling, or (iii) consent order requirements that have not been completed;

E. an organization that does not have a gambling manager who will be licensed by the board at the time the organization obtains its license; or

F. an organization that will not obtain at least one premises permit at the time the organization obtains its license.

Subp. 3. Contents of organization application. The application must contain the following information with respect to the applicant:

A. the official legal name of the organization and any other names used;

B. the business address and telephone number of the organization;

C. a Minnesota tax identification number, if any;

D. the full names, titles, dates of birth, and business telephone numbers of the organization's chief executive officer, treasurer, and other members of the organization's governing body;

E. the home address of the organization's chief executive officer;

F. a designation of whether the organization is a fraternal, veterans, religious, or other nonprofit organization and the number of years the organization has been in existence;

G. the name and home or business address of the gambling manager;

H. the class of license for which application is made;

I. the number of active members in the organization;

J. the current status of the organization's license, if any;

K. a list of lawful purpose expenditures for which the organization proposes to expend net gambling funds;

L. a list of the organization's other sources of income and income activities;

M. the day and time of the regular meetings of the organization;

N. an acknowledgment that a membership list of the organization will be available within seven days after it is requested by the board;

O. an acknowledgment that the organization will file an appropriate license termination plan in the event the organization terminates lawful gambling; and

P. such additional information as is necessary to properly identify the applicant and to ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 4. Attachments to application. The applicant must attach the following to the application:

A. a copy of its internal control system on a form provided by the board;

B. proof of Minnesota or Internal Revenue Service income tax exempt status or a current certificate of nonprofit status from the secretary of state;

C. a copy of a charter of the parent organization, if chartered;

D. a compensation schedule identifying duties and rate of compensation for each duty in the conduct of lawful gambling on a form provided by the board;

E. a registration form and current photograph for each employee receiving compensation for the conduct of lawful gambling;

F. a statement listing the permanent location within Minnesota of the organization's gambling records and the bank in Minnesota where the organization will maintain a separate gambling account; and

G. a signed, notarized affidavit of the chief executive officer, treasurer, and members of the governing body of the organization on a form provided by the board.

Subp. 5. Changes in application information. If any information submitted in the application changes, the organization must notify the board within ten days of the change.

MINNESOTA RULES 2001

7861.0020 GAMBLING; GENERAL PROVISIONS

22

Subp. 6. **Fees.** There is no application fee for an organization license.

Subp. 7. **Issuance and denial.** The following items apply to the issuance and denial of licenses:

A. The director shall issue a license to an organization which submits the information required by subparts 3 and 4 and is eligible to receive a license pursuant to subpart 2 and Minnesota Statutes, section 349.16. The license must be issued at the same time as any premises permits being renewed or applied for at the time the organization is applying for a license. Licenses issued by the director pursuant to this part are effective on the first day of a month.

B. The director shall deny the application of an organization ineligible to hold a license pursuant to subpart 2 or Minnesota Statutes, section 349.16.

C. An organization that has never been licensed to conduct lawful gambling or an organization whose application for renewal of its license was submitted after the expiration of its license may appeal the denial of a license application by notifying the board within 15 days of the date it receives notice that its application has been denied. The appeal must be made in writing and must contain a complete copy of the application and a statement describing the reasons the license should not be denied. The appeal is not a contested case under Minnesota Statutes, chapter 14.

The board shall refer the appeal to the executive committee which shall review the appeal within ten days of receipt. The executive committee shall issue a written decision within ten days of its consideration of the appeal. If the committee reverses the director's decision, it shall instruct the director to issue a license to the organization effective the first day of the month following the committee's written decision. The executive committee's decision is a final agency decision.

Subp. 8. **Renewals.** The following items apply to license renewals:

A. To renew a license at the end of a term, an organization must submit to the board a complete renewal application on a form prescribed by the board at least 60 days before the expiration of the organization's existing license. A renewal application is not complete until it contains the information required by subparts 3 and 4.

Complete applications received by the board less than 60 days before the expiration of the applicant's existing license will be considered pursuant to this part but, if the applicant is entitled to a renewed license, the license will not be renewed by the director until the first day of the month following the expiration of 30 days after the board has received the complete application. An organization shall not continue gambling after the expiration of its license unless and until it receives a renewed license.

B. An application for renewal of a license must be denied if:

(1) the applicant is ineligible for a license pursuant to subpart 2 or Minnesota Statutes, section 349.16, subdivision 2;

(2) the applicant has expended a greater portion of its gross profits from lawful gambling on allowable expenses than is permitted by Minnesota Statutes, section 349.15;

(3) the director determines that the organization applying for renewal is:

(a) not in compliance with a law or rule governing lawful gambling;

or

(b) delinquent in filing tax returns or paying taxes required by Minnesota Statutes, chapter 349; or

(4) it remains incomplete for more than 90 days after its initial submission.

C. An organization that has had its application denied pursuant to item B may reapply for renewal of its license once it has remedied that portion of its renewal application which resulted in the denial. In the case of a renewal application that has been denied because the organization has expended a greater portion of its gross profits from gambling on allowable expenses than is permitted by Minnesota Statutes,

MINNESOTA RULES 2001

section 349.15, the organization may remedy the problem by transferring sufficient nongambling funds into its gambling account to bring it into compliance with Minnesota Statutes, section 349.15. Nothing in this subpart prevents the board from pursuing disciplinary action against a licensee for violations of law or rule which warranted the denial of a renewal application but were subsequently remedied in a sufficient manner to allow renewal of the organization's license.

D. The board may not delay the renewal of an organization license under Minnesota Statutes, section 349.16, because of the licensee's failure to submit a complete application by a specified date before the expiration of the license, unless the board has first:

(1) sent the applicant by registered mail a written notice of the incomplete application; and

(2) given the applicant at least five business days from the date of receipt of the notice to submit a complete application or the information necessary to complete the application.

E. An organization that the director determines has failed to submit a complete renewal application at least 60 days before the expiration of its existing license may appeal that determination by filing a written request for a contested case hearing with the board before the expiration of the organization's existing license. The director shall schedule a contested case hearing before an administrative law judge pursuant to Minnesota Statutes, chapter 14. The hearing must be held less than 30 days after the service of a Notice and Order for Hearing if allowed by the chief administrative law judge pursuant to part 1400.5600, subpart 3. The board must issue its final decision within 30 days after receipt of the administrative law judge's report and subsequent exceptions and argument under Minnesota Statutes, section 14.61. The sole issue at the hearing is whether the applicant submitted a complete application at least 60 days before the expiration of the applicant's existing license.

An organization whose renewal application has been denied may appeal that denial by requesting a contested case hearing pursuant to Minnesota Statutes, chapter 14. The request must be made in writing and received by the board no later than ten days after the organization receives the denial of its renewal application. Upon receipt of the request, the director shall schedule a contested case hearing before an administrative law judge pursuant to Minnesota Statutes, chapter 14. The hearing must be held less than 30 days after the service of Notice and Order for Hearing if allowed by the chief administrative law judge pursuant to part 1400.5600, subpart 3. The board must issue its final decision within 30 days after receipt of the administrative law judge's report and subsequent exceptions and argument under Minnesota Statutes, section 14.61.

Subp. 9. License termination. If an organization voluntarily or involuntarily terminates all of its gambling activities, it shall submit a license termination plan to the board for approval on a form provided by the board. The plan must be submitted within 15 days of the termination date of all gambling activities. The plan must provide for the disposal of all registered gambling equipment in the organization's possession and for the distribution of profit carryover in its general gambling bank account. The board shall require the organization to revise the plan if it does not meet with board approval. Board approval must be based on the following criteria:

A. documentation accounting for the lawful expenditure of all remaining funds in the gambling account; and

B. documentation of the return or disposal of all unused registered gambling equipment in the possession of the organization.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 18 SR 1189; 22 SR 291*

MINNESOTA RULES 2001

7861.0030 GAMBLING; GENERAL PROVISIONS

24

7861.0030 GAMBLING MANAGER.

Subpart 1. **License required.** No person shall act as a gambling manager without having obtained a license under this part. An individual shall make application to the board to be licensed as a gambling manager. Applications must be considered by the director pursuant to this part.

Subp. 2. **Licensing qualifications.** In addition to the qualifications in Minnesota Statutes, section 349.167, the director shall not issue or renew a gambling manager's license to:

A. a member of the immediate family or an employee of a person from whom the organization leases a gambling premises;

B. a person who is not an active member of the organization;

C. a person who is the treasurer of the organization;

D. a person who is the chief executive officer of the organization;

E. a person who is the gambling manager or an assistant gambling manager for another organization;

F. on or after January 1, 1996, to a person who has not completed at least one of the following education requirements:

(1) for gambling manager license renewal applications, 2.5 credit hour equivalents of board-provided continuing education during each year of the individual's two-year license period; or

(2) for new gambling manager license applications, within the last 12 months attended a board-provided, two-day gambling manager training seminar and passed an examination prepared and administered by the board that tests the gambling manager's knowledge of the responsibilities of gambling managers and lawful gambling procedures, laws, and rules; or

G. a person who:

(1) has ever been convicted of a felony or a crime involving gambling;

(2) has ever been convicted of:

(a) assault;

(b) a criminal violation involving the use of a firearm; or

(c) making terroristic threats;

(3) is or has ever been connected with or engaged in an illegal business;

(4) owes \$500 or more in delinquent taxes to the state of Minnesota;

(5) had a sales and use tax permit revoked by the commissioner of revenue within the past two years;

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

(7) has not complied with Minnesota Statutes, section 349.167, subdivision 4, clause (1);

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

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

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

Subp. 2a. **Emergency gambling manager.** In the case of the death, disability, or termination of a gambling manager, a replacement gambling manager must receive the board-provided gambling manager training seminar and pass the examination within 90 days of being issued a gambling manager's license. The board shall revoke the replacement gambling manager's license if the replacement gambling manager fails to

MINNESOTA RULES 2001

25

GAMBLING; GENERAL PROVISIONS 7861.0030

pass the examination as required in this subpart or fails to comply with the licensing qualifications of subpart 2.

Subp. 3. **Nontransferable.** A gambling manager's license is not transferable to another organization or an individual.

Subp. 4. **Length of license.** The gambling manager's license runs concurrently with the license of the organization unless the gambling manager's license is suspended or revoked. If a licensed gambling manager discontinues employment with the licensed organization, the gambling manager's license expires on the date that the employment terminates.

Subp. 5. **Contents of gambling manager application.** The application must contain the following information with respect to the applicant:

- A. the applicant's full name, date of birth, and social security number;
- B. the applicant's full home or business address and business telephone number;
- C. the date the applicant became a member of the organization;
- D. the name, address, and telephone number of the organization;
- E. the current status of the gambling manager's license and the dates of attendance at the board-provided gambling manager's training seminar;
- F. the name of the insurance company and the bond number for the gambling manager's \$10,000 fidelity bond;
- G. a statement attesting that the applicant is in compliance with the restrictions in subpart 2;
- H. an acknowledgment that the applicant agrees that suits and actions related to the gambling manager's license, or acts or omissions, may be commenced against the gambling manager;
- I. an acknowledgment that the applicant authorizes the department of public safety to conduct a criminal background check;
- J. for renewal applications, the date the applicant completed the board-provided continuing education classes for each license year of the gambling manager's current license; and
- K. the notarized signature of the gambling manager.

Subp. 6. [Repealed, 20 SR 2625]

Subp. 7. **Changes in application information.** If any information submitted in the application changes after the application has been filed or during the term of the license, the organization must notify the board within ten days of the change.

Subp. 8. **License fees.** The fee for a gambling manager's license is as provided in Minnesota Statutes, section 349.167; subdivision 2. License fees are not prorated, refundable, or transferable.

Subp. 9. **Gambling manager duties.** A gambling manager's duties include but are not limited to:

- A. determining the product to be purchased and put into play;
- B. reviewing and monitoring the conduct of games;
- C. supervising, hiring, firing, and disciplining all gambling employees;
- D. verifying all receipts and disbursements;
- E. verifying all inventory;
- F. supervising all licensing and reporting requirements;
- G. assuring that the licensed organization is in compliance with all laws and rules related to lawful gambling; and
- H. assuring that illegal gambling is not conducted at any premises where the organization is permitted to conduct lawful gambling.

Subp. 10. **Issuance and denial.** The following items apply to the issuance and denial of a gambling manager's license:

MINNESOTA RULES 2001

7861.0030 GAMBLING; GENERAL PROVISIONS

26

A. The director shall issue a gambling manager's license to a person who submits the information required by subpart 5 and pays the fee as provided in Minnesota Statutes, section 349.167, subdivision 2, pursuant to subpart 8 if that person is eligible to receive a license pursuant to subpart 2, Minnesota Statutes, section 349.167, and board rules. A license issued by the director pursuant to this part is effective on the first day of a month.

B. The director shall deny the issuance of a license to a person ineligible to hold a gambling manager's license pursuant to subpart 2, Minnesota Statutes, section 349.167, or board rules.

C. A person who has never been licensed as a gambling manager or a person whose application for renewal of a gambling manager's license was submitted after the expiration of the license may appeal the denial of a gambling manager's license by notifying the board within 15 days of the date the person receives notice that the issuance of the license has been denied. The appeal must be in writing and must contain a complete copy of the application and a statement describing the reasons the license should not be denied. The appeal is not a contested case under Minnesota Statutes, chapter 14.

The board shall refer the appeal to the executive committee which shall review the appeal within ten days of receipt. The executive committee shall issue a written decision within ten days of its consideration of the appeal. If the committee reverses the director's decision, it shall instruct the director to issue a license to the organization effective the first day of the month following the committee's written decision. The executive committee's decision is a final agency decision.

D. When the board, or director if authorized to act on behalf of the board, determines that issuance of a license renewal should be denied under Minnesota Statutes, section 349.167, and board rules, the board or director shall promptly give a written notice to the licensee stating grounds for the action and giving reasonable notice of the rights of the licensee or applicant to request a hearing. A hearing must be held not later than 30 days after the board receives the request for the hearing unless the licensee or applicant and the board agree on a later date. If no hearing is requested within 30 days of the service of the notice, the denial becomes final. Hearings under this subpart must be conducted according to Minnesota Statutes, chapter 14. After the hearing, the board may enter an order making a disposition as the facts require. If the applicant fails to appear at the hearing after having been notified of it under this subpart, the applicant is considered in default and the proceeding may be determined against the person on consideration of the written notice of denial, the allegations of which may be considered to be true. All fees accompanying the license or renewal application are considered earned and are not refundable.

Subp. 11. **Renewals.** Items A to E apply to renewals of a gambling manager's license.

A. To renew a license at the end of a term, a licensed gambling manager must submit a complete renewal application on a form prescribed by the board to the board at least 60 days before the expiration of the gambling manager's existing license. A renewal application is not complete until it contains the information required by subpart 5, and the fee required by subpart 8 and Minnesota Statutes, section 349.167, subdivision 2.

Complete applications received by the board less than 60 days before the expiration of the applicant's existing gambling manager's license will be considered pursuant to this part but, if the applicant is entitled to a renewed license, the license will not be renewed by the director until the first day of the month following the expiration of 30 days after the board has received the complete application. A person shall not continue acting as a gambling manager after the expiration of the person's license unless and until the person has received a renewed license.

B. The issuance of a renewal of a license must be denied if:

MINNESOTA RULES 2001

27

GAMBLING; GENERAL PROVISIONS 7861.0030

(1) the applicant is ineligible for a license pursuant to subpart 2 or Minnesota Statutes, section 349.167;

(2) the organization which employs the gambling manager is no longer licensed or is being denied a renewed license; or

(3) the application remains incomplete for more than 90 days after its initial submission.

C. A gambling manager who has had the issuance of a renewal license denied pursuant to item B may reapply for renewal of the license once the portion of the renewal application which resulted in denial has been remedied. The reapplication must be accompanied by an additional fee pursuant to subpart 8. Nothing in this part prevents the board from pursuing disciplinary action against a licensee for violations of law or rule which warranted the denial of a renewal application but were later remedied in a sufficient manner to allow renewal of the gambling manager's license.

D. A gambling manager who has had an application denied for failing to comply with the requirements in subpart 2, item F, may not apply for a renewal of a gambling manager's license or for an emergency replacement gambling manager's license, but may apply for a new gambling manager's license provided the individual has taken the board-provided gambling manager's seminar and passed the examination within the last 12 months before the new license is issued.

E. The board may not deny or delay the renewal of a gambling manager's license under Minnesota Statutes, section 349.167, because of the licensee's failure to submit a complete application by a specified date before the expiration of the license or permit, unless the board has first:

(1) sent the applicant by registered mail a written notice of the incomplete application; and

(2) given the applicant at least five business days from the date of receipt of the notice to submit a complete application or the information necessary to complete the application.

A gambling manager whom the director determines has failed to submit a complete renewal application may appeal that determination by filing a written request for a contested case hearing with the board before the expiration of the gambling manager's existing license. The director shall schedule a contested case hearing before an administrative law judge according to Minnesota Statutes, chapter 14. The hearing must be held less than 30 days after the service of a notice and order for hearing if allowed by the chief administrative law judge according to part 1400.5600, subpart 3. The board must issue its final decision within 30 days after receipt of the administrative law judge's report and subsequent exceptions and argument under Minnesota Statutes, section 14.61. The sole issue at the hearing is whether the applicant submitted a complete application after being duly notified of the incomplete application and prior to the director determining the application was incomplete.

Subp. 12. Assistant gambling managers. The following items apply to assistant gambling managers:

A. An assistant gambling manager is a person who performs the duties specified in subpart 9, item C, or performs three or more of the other duties for which a gambling manager is responsible in subpart 9.

B. An organization may employ one or more assistant gambling managers if:

(1) each assistant gambling manager is subject to the direct supervision and direction of the organization's licensed gambling manager;

(2) each assistant gambling manager is an active member or employee of the organization; and

(3) no assistant gambling manager participates in the conduct of lawful gambling for more than one organization except as provided in item C.

C. An assistant gambling manager may be employed by more than one organization provided that the organizations concurrently lease space for the conduct

of bingo in the same licensed bingo hall, and provided that the assistant gambling manager is not compensated directly or indirectly by the licensed bingo hall or its owner. Assistant gambling managers employed by more than one organization according to this item may oversee gambling employees of organizations during bingo occasions, and assist organizations' gambling managers with the duties contained in subpart 9. Nothing in this item diminishes the responsibilities and ultimate supervisory authority of a gambling manager contained in subpart 9.

An organization employing an assistant gambling manager according to this part shall submit to the board a list of the duties that the assistant gambling manager is authorized to perform on behalf of the organization. The list must be signed by the organization's chief executive officer and gambling manager, and must reflect that it conforms to the requirements of this part. Any changes to the list of authorized duties must be submitted to the board in writing 24 hours in advance of implementation of the change.

Notwithstanding items A and B, assistant gambling managers employed by more than one organization according to this item shall not:

- (1) supervise licensing and reporting requirements as required by statute and rule for the organization;
- (2) hire, fire, or impose permanent discipline on gambling employees of the organization, except for temporary disciplinary action that may be necessary during a bingo occasion and recommendations to the gambling manager regarding permanent disciplinary action;
- (3) determine the program content or prize level requirements for the organization;
- (4) determine the product to be purchased and put into play;
- (5) be a gambling employee or volunteer at any other site where the organization by which the assistant gambling manager is employed conducts lawful gambling; or
- (6) be a gambling employee or volunteer for any other organization conducting lawful gambling.

D. No license is required for an assistant gambling manager.

Subp. 13. **Proof of identification.** Proof of identification shall be required for all gambling manager examinations. Attendees at all board-provided seminars and continuing education classes shall be prepared to present proof of identification. Proof of identification may be established only by one of the following:

- A. a valid driver's license or identification card issued by Minnesota, another state, or province of Canada, that includes the photograph and date of birth of the licensed person;
- B. a valid passport;
- C. a board-issued identification card; or
- D. a valid military identification card issued by the United States Department of Defense.

Statutory Authority: *MS s 349.151; 349.167*

History: *16 SR 2116; 18 SR 1189; 20 SR 2625; 22 SR 291*

7861.0040 PREMISES PERMITS.

Subpart 1. **Premises permit required.** An organization may conduct lawful gambling only on premises it owns or leases. A permit must be obtained for each premises where lawful gambling is to be conducted. An application must be considered by the director pursuant to this part.

Subp. 2. **Length of permit.** A premises permit expires on the expiration date of the organization's license. An organization may apply for additional premises permits at any time during the term of its license.

MINNESOTA RULES 2001

29

GAMBLING; GENERAL PROVISIONS 7861.0040

Subp. 3. **Contents of premises permit application.** A premises permit application must include:

- A. the legal name, business address, and telephone number of the organization;
- B. the name, title, home or business address, and business telephone number of the organization's chief executive officer;
- C. the name and home or business address of the organization's gambling manager;
- D. the class of premises permit, which must correspond to the organization's class of license;
- E. the current status of the premises permit;
- F. the name and street address of the proposed gambling premises;
- G. the city and county or township and county where the proposed gambling premises is located;
- H. the name and business or home address of the lessor;
- I. the name of the legal owner of the premises;
- J. one or both of the following:
 - (1) the amount of monthly rent; and
 - (2) *rent per bingo occasion and the total square footage leased;*
- K. the number of pull-tab dispensing devices to be located at the proposed gambling premises;
- L. the days and hours of each bingo occasion, if any;
- M. the address of any storage space for gambling equipment, if different than the leased premises;
- N. the bank name, address, and account number for the bank account into which gross receipts from gambling are deposited, and the name, title, and address of all persons authorized to make deposits into and withdrawals from the account;
- O. an authorization permitting the board to inspect the bank records of the gambling account;
- P. a statement providing consent to local law enforcement officers, the board or its agents, and the commissioners of revenue and public safety and their agents to enter the premises to inspect and enforce the law;
- Q. an acknowledgment signed by the chief executive officer; and
- R. an acknowledgment that the appropriate local unit of government under Minnesota Statutes, section 349.213, subdivision 2, received the premises permit application.

Subp. 4. **Attachments to application.** The following must be attached to the premises permit application:

- A. A copy of the lease must be submitted. A lease must be on a form prescribed by the board and must contain at a minimum the following information:
 - (1) the name, business address, and telephone number of the lessor;
 - (2) the name, business address, and license number of the licensed organization;
 - (3) the name and street address of the leased premises;
 - (4) the term of the agreement, which must be concurrent with the term of the premises permit, unless terminated sooner by mutual consent of the parties or pursuant to subitem (13);
 - (5) the type of gambling activity to be conducted;
 - (6) the monetary consideration, if any, expressed in terms of number of dollars per month or number of dollars per bingo occasion, whichever is applicable;
 - (7) the dimensions of the leased premises and the total number of square feet leased;

(8) the days and hours of each bingo occasion, if any;

(9) for bingo leased premises an itemized listing, including the cost of any goods or services that the lessee purchases from the lessor or purchases from a third-party vendor pursuant to the items of the lease, including but not limited to, trash removal, snow removal, parking lot maintenance, or building maintenance. All goods or services included in the lease agreement shall be valued at their fair market value;

(10) the days and hours that each pull-tab dispensing device will be in operation, if any;

(11) all obligations between the organization, its employees or agents, and the lessor and its employees or agents;

(12) an irrevocable consent from the lessor that:

(a) the board and its agents, the commissioners of revenue and public safety and their agents, and law enforcement personnel have access to the permitted premises at any reasonable time during the business hours of the lessor;

(b) the organization has access to the permitted premises during any time reasonable and when necessary for the conduct of lawful gambling on the premises;

(c) the owner of the premises or the lessor will not manage the conduct of gambling at the premises;

(d) the lessor, the lessor's immediate family, and any agents or gambling employees of the lessor will not participate as players in the conduct of lawful gambling on the premises;

(e) the lessor, the lessor's immediate family, and any agents or employees of the lessor will not require the organization to perform any action that would violate statute or rule;

(f) if there is a dispute as to whether a violation of unit (e) has occurred, the lease will remain in effect pending a final determination by the compliance review group;

(g) the lessor agrees to arbitration when a violation of unit (e) is alleged. For purposes of this subpart, the arbitrator shall be the compliance review group of the board; and

(h) in addition to the requirements of subitem (9), the lessor shall maintain a record of all money received from the organization, and make the record available to the board and its agents, the commissioners of revenue and public safety and their agents upon demand. The record shall be maintained for a period of 3-1/2 years;

(13) notwithstanding part 7861.0050, subpart 3, a clause that requires an organization to continue making rent payments, pursuant to the terms of the lease, if the organization or its agents are found to be solely responsible for any illegal gambling conducted at the site that is prohibited by part 7861.0050, subpart 1, or Minnesota Statutes, section 609.75, unless the organization's agents responsible for the illegal gambling activity are also agents or employees of the lessor;

(14) a clause stating that the lessor shall not modify or terminate the lease in whole or in part because the organization reported to a state or local law enforcement authority or the board the occurrence at the site of illegal gambling activity in which the organization did not participate;

(15) a clause stating that the lessor shall not modify or terminate the lease in whole or in part because of a violation of subitem (12), unit (e);

(16) a clause stating that the lessor is aware of the prohibition against illegal gambling in Minnesota Statutes, section 609.75, and the penalties for illegal gambling violations in part 7861.0050, subpart 3;

(17) a clause stating that, to the best of the lessor's knowledge, the lessor affirms that any and all games or devices located on the premises are not being used, and are not capable of being used, in a manner that violates the prohibitions against

MINNESOTA RULES 2001

illegal gambling in Minnesota Statutes, section 609.75, and the penalties for illegal gambling violations in part 7861.0050, subpart 3; and

(18) any other agreements between the organization and the lessor.

B. A copy of the sketch of the floor plan with dimensions showing what portion is being leased, the total square footage, and the specific location of any pull-tab dispensing devices to be located at the site.

C. If pull-tab dispensing devices are to be installed and operated at the site, an irrevocable consent from the lessor that:

(1) the pull-tab dispensing device shall be located within the leased space, in a location other than a hallway, and where alcoholic beverages are regularly dispensed and consumed;

(2) the lessor shall prohibit persons from tampering with or interfering with the normal operation or play of the pull-tab dispensing device;

(3) the lessor/organization shall ensure that the pull-tab dispensing device is inoperable whenever an organization employee is not present to redeem a winning pull-tab; and

(4) except for the provisions in part 7861.0080, the lessor or the lessor's employees shall not access or attempt to access the interior of a pull-tab dispensing device. The lessor or the lessor's employees shall not permit any person, other than authorized employees or representatives of the organization, to access the interior of a pull-tab dispensing device.

D. A copy of the resolution from the appropriate local unit of government under Minnesota Statutes, section 349.213, subdivision 2, approving the premises permit.

Subp. 5. Changes in application information. If any information submitted in the application changes, the organization must notify the board and the appropriate local unit of government under Minnesota Statutes, section 349.213, subdivision 2, in writing within ten days of the change.

Subp. 6. Renegotiated leases. A lease that is renegotiated during the term of the premises permit must be furnished to the board at least ten days before the effective date of the lease.

Subp. 7. Premises permit fees. The fees for a premises permit are as follows:

A. A class A permit, bingo, raffles, paddlewheels, tipboards, and pull-tabs, is \$400.

B. A class B permit, raffles, paddlewheels, tipboards, and pull-tabs, is \$250.

C. A class C permit, bingo only, or a combination of bingo and pull-tabs if the gross receipts for a combination of bingo and pull-tabs does not exceed \$50,000 per year, is \$200.

D. A class D permit, raffles only, is \$150.

Premises permit fees are not prorated, refundable, or transferable.

Subp. 8. Local approval or denial. The following items apply to local approval or denial of premises permits:

A. The organization must take the premises permit application to the appropriate local unit of government under Minnesota Statutes, section 349.213, subdivision 2, and request that the local unit of government pass a resolution approving the premises permit application.

B. The resolution must have been adopted no more than 60 days before the date the application is received by the board.

C. The organization must attach a copy of the resolution approving the premises permit to the application when submitting the application to the board.

D. The director shall not issue a premises permit to an applicant that has been denied by the local unit of government.

Subp. 9. **Issuance and denial.** The following items apply to the issuance or denial of premises permits:

A. The director shall issue a premises permit to any organization that submits the information required in subparts 3 and 4, pays the premises permit fee required by subpart 7, and obtains local approval in the manner required by subpart 8. A permit issued by the director pursuant to this part is effective on the first day of a month. An organization which applies for a class A organization license may apply for a class A, B, C, or D premises permit. An organization which applies for a class B organization license may apply for class B, C, or D premises permits. An organization which applies for a class C organization license may apply only for class C premises permits. An organization which applies for a class D organization license may apply only for class D premises permits.

B. Notwithstanding the provisions of item A, the director shall deny a premises permit application when:

(1) the applying organization does not have a licensed gambling manager or person who will be issued a gambling manager's license at the time the premises permit is issued;

(2) the applying organization does not have a license to conduct lawful gambling or will not have a license to conduct lawful gambling at the time the premises permit is issued;

(3) illegal gambling was conducted at the proposed site within the 90 days immediately preceding the date of the premises permit application, and at a time when no licensed organization had a premises permit for the site;

(4) another organization's premises permit for the proposed site is under suspension or revocation pursuant to part 7861.0050;

(5) a prior premises permit for the proposed site would have been subject to suspension or revocation under part 7861.0050 and the suspension period or revocation that could have been imposed for that site has not elapsed; or

(6) a violation of subpart 4, item A, subitem (12), unit (e), has occurred. If a premises permit application is denied for a violation of subpart 4, item A, subitem (12), unit (e), no premises permit applications, other than a renewal application from an organization at the site when a violation of subpart 4, item A, subitem (12), unit (e), occurred, shall be considered for that site for a period of up to one year from the date of the board's final decision on the matter for a first violation of subpart 4, item A, subitem (12), unit (e), and up to two years from the date of the board's final decision on the matter for a second violation of subpart 4, item A, subitem (12), unit (e), unless a complete change of ownership of the site occurs. For purposes of this part, the term "complete change of ownership" means that no person or member of the immediate family of the person who, at the time the violation occurred, was the owner or lessor of the site or otherwise held a direct or indirect financial interest in the site. An appropriately recorded contract for deed does not constitute a prohibited direct or indirect financial interest for purposes of this part. The existence of a complete change of ownership is an affirmative defense of an organization that has, or is applying for, a premises permit for the site.

C. An organization that has never obtained a premises permit for the proposed site or whose application for renewal of a premises permit was submitted after the expiration of its permit may appeal the denial of a permit application by notifying the board within ten days of the date it receives notice that its application has been denied. The appeal must be made in writing and must contain a complete copy of the application and a statement describing the reasons the permit should not be denied. The appeal is not a contested case under Minnesota Statutes, chapter 14.

The board shall refer the appeal to the executive committee which shall review the appeal within ten days of receipt. The executive committee shall issue a written decision within ten days of its consideration of the appeal. If the committee reverses the director's decision, it shall instruct the director to issue a premises permit to the

MINNESOTA RULES 2001

organization effective the first day of the month following the committee's written decision. The executive committee's decision is a final agency decision.

D. When the board, or director, if authorized to act on behalf of the board, determines that a license or premises permit application or renewal should be denied under Minnesota Statutes, section 349.155, subdivision 4, the board or director shall promptly give a written notice to the licensee or applicant stating the grounds for the action and giving reasonable notice of the rights of the licensee or applicant to request a hearing. A hearing must be held no later than 30 days after the board receives the request for the hearing, unless the licensee or applicant and the board agree on a later date. If no hearing is requested within 30 days of the service of the notice, the denial becomes final. Hearings under this item must be conducted in accordance with Minnesota Statutes, chapter 14. After the hearing, the board may enter an order making the disposition the facts require. If the applicant fails to appear at the hearing after having been notified of it under this item, the applicant is considered in default and the proceeding may be determined against the person on consideration of the written notice of denial, the allegations of which may be considered to be true. All fees accompanying the license or renewal application are considered earned and are not refundable.

Subp. 10. **Renewals.** The following items apply to renewals of premises permits:

A. To renew a permit at the end of a term, an organization must submit to the board a complete renewal application on a form prescribed by the board at least 60 days before the expiration of the organization's existing permit. A renewal application is not complete until it contains the information required by subparts 3 and 4, the fee required by subpart 7, and local approval in the manner required by subpart 8. A renewal application need not include the information required by subpart 4, item B, unless a change has occurred in the dimensions or location of the leased area.

Complete applications received by the board less than 60 days before the expiration of the applicant's existing permit will be considered pursuant to this part but the permit will not be renewed by the director until the first day of the month following the expiration of 30 days after the board has received the complete application. An organization shall not conduct gambling at a site where an existing permit has expired unless and until it receives a renewed permit.

B. An application for renewal of a premises permit must be considered in the same manner as an application for an initial permit pursuant to subpart 9. In addition, any application for renewal of a premises permit must be denied if it remains incomplete for more than 90 days after its initial submission.

C. An organization that has had a premises permit renewal application denied pursuant to item B may reapply for a renewal of its permit once it has remedied that portion of its renewal application which resulted in its denial. A reapplication must be accompanied by an additional fee as provided in subpart 7 and new local approval pursuant to subpart 8.

D. The board may not delay the renewal of a premises permit under Minnesota Statutes, section 349.165, because of the licensee's failure to submit a complete application by a specified date before the expiration of the premises permit, unless the board has first:

(1) sent the applicant by registered mail a written notice of the incomplete application; and

(2) given the applicant at least five business days from the date of receipt of the notice to submit a complete application or the information necessary to complete the application.

E. Appeals:

(1) An organization that the board determines has failed to submit a complete renewal application at least 60 days before the expiration of its existing premises permit may appeal that determination by filing a written request for a contested case hearing with the board no later than 30 days before the expiration of the

organization's existing premises permit. The director shall schedule a contested case hearing before an administrative law judge pursuant to Minnesota Statutes, chapter 14. The hearing must be held less than 30 days after the service of a Notice and Order for Hearing if allowed by the chief administrative law judge pursuant to part 1400.5600, subpart 3. The board must issue its final decision within 30 days after receipt of the administrative law judge's report and subsequent exceptions and argument under Minnesota Statutes, section 14.61. The sole issue at the hearing is whether the applicant submitted a complete application at least 60 days before the expiration of the applicant's existing premises permit.

(2) An organization whose renewal application has been denied may appeal that denial by requesting a contested case hearing pursuant to Minnesota Statutes, chapter 14. The request must be made in writing and received by the board no later than ten days after the organization receives the denial of its renewal application. Upon receipt of the request, the director shall schedule a contested case hearing before an administrative law judge pursuant to Minnesota Statutes, chapter 14. The hearing must be held less than 30 days after the service of a Notice and Order for Hearing if allowed by the chief administrative law judge pursuant to part 1400.5600, subpart 3. The board must issue its final decision within 30 days after receipt of the administrative law judge's report and subsequent exceptions and argument under Minnesota Statutes, section 14.61.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 18 SR 1189; 19 SR 156; 19 SR 2380; 20 SR 2624; 22 SR 291*

7861.0050 ILLEGAL GAMBLING.

Subpart 1. **Prohibition.** Illegal gambling may not be conducted at a site for which a licensed organization has a premises permit to conduct lawful gambling.

Subp. 2. **Discipline against license.** The board shall suspend or revoke an organization's license if the organization or its agents participated in the illegal gambling prohibited by subpart 1, or knowingly permitted it at a site owned or on premises leased by an organization.

Subp. 3. **Discipline against premises permit.** The suspension or revocation of a premises permit is a contested case under Minnesota Statutes, chapter 14. For violations of subpart 1, the board shall suspend or revoke an organization's premises permit as follows:

A. for the first violation of subpart 1 at a site, the board shall suspend each premises permit for the site for a period of up to 90 days from the date of the board's final resolution or determination on the violation. No organization shall pay rent for the site, or pay any other costs contained in the lease agreement, during the term of the suspension. When suspending an organization's premises permit pursuant to this item, the board shall consider the following factors:

(1) whether or not the organization notified the lessor, in writing, that illegal gambling was being conducted on the premises, including providing specific information regarding the conduct of the illegal gambling, and requesting that the lessor take appropriate action;

(2) whether or not the organization knew, or had reason to know, that the game or device that violated subpart 1 was used, or was designed to be capable of being used, in a manner that violates subpart 1 or Minnesota Statutes, section 609.75;

(3) the degree to which the organization cooperated with law enforcement authorities, the Department of Public Safety gambling enforcement division, or the board;

(4) whether the organization participated in the illegal gambling; and

(5) the nature or severity of the violation.

B. for the second violation of subpart 1 at a site, the board shall suspend each premises permit for the site for a period of two years from the date of the board's final resolution or determination on the violation. No organization shall pay rent for the site,

or pay any other costs contained in the lease agreement, during the term of the suspension. If a complete change of ownership of the site occurred between the first and second violations, the second violation is considered a first violation for purposes of this subpart and the board shall suspend each premises permit for the site for a period of up to 90 days in accordance with item A and prohibit any organization from paying rent, or paying any other costs contained in the lease agreement, during the term of the suspension; and

C. for the third violation of subpart 1 at a site, the board shall revoke each premises permit for the site for a minimum period of five years from the date of the board's final resolution or determination on the violation, which permanent revocation shall continue unless and until a complete change of ownership occurs after the third violation. No organization shall pay rent for the site, or pay any other costs contained in the lease agreement, during the term of the revocation. If a complete change of ownership occurred between the second and third violations, the third violation is considered a first violation for purposes of this subpart and the board shall suspend each premises permit for the site for a period of up to 90 days in accordance with item A and prohibit any organization from paying rent for the site, or paying any other costs contained in the lease agreement, during the term of the suspension.

Subp. 4. **Complete change of ownership.** For purposes of this part, the term "complete change of ownership" means that no person or member of the immediate family of the person who, at the time of the prior violation was an owner or lessor of the site or otherwise held a direct or indirect financial interest in the site, is at the time of the subsequent violation an owner or lessor of the site, holds a direct or indirect financial interest of more than five percent in the site, or is a participant in business or employment activity at and for the licensed site. An appropriately recorded contract for deed does not constitute a prohibited direct or indirect financial interest for purposes of this part. The existence of a complete change of ownership is an affirmative defense of an organization that has, or is applying for, a premises permit for the site.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 19 SR 156; 22 SR 291*

7861.0060 CONDUCT OF LAWFUL GAMBLING.

Subpart 1. **General restrictions.** The following items are general restrictions on the conduct of lawful gambling:

A. No person under the age of 18 may conduct or participate in playing the games of pull-tabs, tipboards, or paddlewheels and no person under the age of 18 may purchase a raffle ticket or purchase a chance to participate in a bingo game unless the organization conducting the bingo occasion is exempt or excluded from licensing.

B. All playing of lawful gambling must be on a cash basis, in advance of any play. Traveler's checks and money orders are considered cash.

C. The conduct of lawful gambling, including the redemption of prizes related to lawful gambling, must occur exclusively on the permitted premises.

D. At each permitted premises, the organization shall have:

(1) a current inventory list of gambling equipment;

(2) a sketch with dimensions of the leased premises, including the specific locations of pull-tab dispensing devices, available for review;

(3) a clear, physical separation or a tangible divider between the organization's gambling equipment and the lessor's business equipment; and

(4) the invoices or true and correct copies of the invoices for the purchase of all gambling equipment at the premises.

E. An organization shall require its compensated gambling employees to wear the identification card required by Minnesota Statutes, section 349.168, subdivision 2, at all times when conducting lawful gambling. Wearing the identification card means that:

(1) the card shall be worn on the employee's clothing in such a manner as to be clearly visible at all times to the majority of the players; or

(2) the card shall be prominently displayed in the space used by the organization to sell pull-tabs, in such a manner as to be clearly visible at all times to the majority of the players.

Subitem (2) shall only apply to compensated employees who sell pull-tabs.

Subp. 2. **Restrictions for gambling on leased premises.** The following items are restrictions for gambling on leased premises:

A. An organization shall not enter into a lease agreement which imposes restrictions on the organization with respect to providers of gambling-related equipment and services or in the use of net profits for lawful purposes.

B. An organization may not pay rent to itself for the conduct of gambling on premises which is owned by the organization or its affiliates.

C. No amount may be paid by an organization to a lessor based on the number of participants attending a bingo occasion or on the gross receipts or profit received by the organization.

D. The amount of rent an organization may pay for the conduct of lawful gambling may not exceed:

(1) \$1,000 per month for all forms of lawful gambling other than bingo;

(2) for bingo and all other gambling activities which occur during that bingo occasion, \$200 for leased premises of not more than 6,000 square feet, \$300 for leased premises of not more than 12,000 square feet, \$400 for leased premises of more than 12,000 square feet, and \$25 per occasion for bar bingo; and

(3) an organization may not use nongambling funds to directly or indirectly supplement rent above the amounts provided in this subpart.

E. Food and beverages may be dispensed within the bingo leased or permitted premises. Gambling employees of the organization working during that bingo occasion shall not provide this service. The organization shall not pay for the cost of the food and beverages from the organization's gambling accounts.

F. An organization shall not permit the lessor's business activities to be conducted on the leased premises, except for those activities permitted under item E.

G. An organization shall not permit the lessor, the lessor's immediate family, or the lessor's employees to participate as players in the conduct of lawful gambling on the leased premises.

H. An organization may not employ as a gambling manager the lessor, a member of the lessor's family, or an employee of the lessor.

I. No more than three pull-tab dispensing devices shall be installed or operated at any permitted premises. For purposes of this part, "permitted premises" means an establishment where lawful gambling is conducted.

J. Pull-tab dispensing devices shall not be installed or operated at a permitted premises that does not have a valid license for on-premises sales of intoxicating liquor or 3.2 percent malt beverages.

K. Pull-tab dispensing devices shall not be installed or operated at licensed bingo halls that lease their premises to exempt or excluded organizations for the conduct of lawful gambling.

L. Pull-tab dispensing devices shall not be installed or operated at any permitted premises where lessors or employees of lessors sell pull-tabs as employees of an organization.

M. If the organization is a sublessee, the restrictions also apply to the sublessee.

Subp. 3. **Posting of flare.** The odds, house percentages, or number of tickets must be displayed on the flare accompanying each deal of pull-tabs, tipboards, or the master flare for a group of 100 paddleticket cards.

Subp. 4. **Posting of information.** A licensed organization must prominently post the following information at the permitted premises:

- A. the name of the licensed organization;
- B. the license number of the licensed organization and the premises permit number;
- C. the expiration date of the premises permit;
- D. the notice of compulsive gambling information which must at a minimum include the toll-free telephone number established by the commissioner of human services for the Minnesota hotline for compulsive gambling;
- E. a statement, on a form prescribed by the board, that illegal gambling is prohibited; and
- F. the house rules governing the conduct of gambling at the premises. The sign on which this information is posted must be adequately lighted, legible, and must be at least 18 inches by 24 inches in size.

Subp. 5. **Advertising.** Any promotional material, sign, or advertising of lawful gambling must identify the licensed organization permitted to conduct gambling at the premises, its license number, and the premises permit number for the premises.

Subp. 6. **Storage of equipment.** Gambling equipment may be stored on the leased premises. The gambling equipment must be stored in an area that is under the control of the organization.

Subp. 7. **Exchange or transfer of gambling equipment prohibited.** A licensed organization may not exchange, sell, or otherwise provide gambling equipment, with the exception of a bingo ball selection device, to any other organization. An organization shall not transfer a pull-tab dispensing device from site to site without prior written notification to the board.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 17 SR 2711; 19 SR 156; 19 SR 2380; 20 SR 2624; 23 SR 831*

7861.0070 BINGO.

Subpart 1. **Restrictions.** The following items are restrictions on the conduct of bingo. For purposes of this part, the term "employee" includes a "volunteer." The requirements of item B shall not apply to a bingo volunteer who works for an organization with gross receipts from bingo of less than \$150,000 in its last fiscal year. For purposes of this part, the term "gross receipts from bingo of less than \$150,000" means the gross receipts from bingo after any coupon discounts have been applied by the organization.

A. A gambling employee of an organization shall not participate as a player at a bingo occasion during which the employee works. An organization may adopt in its house rules, internal controls, or otherwise, broader restrictions regarding employee participation as a player in bingo occasions conducted by the organization.

B. A gambling employee who works during a bingo occasion may not communicate or have direct contact regarding the play of bingo with the employee's immediate family members who participate as players during the bingo occasion.

C. An organization shall not duplicate or otherwise make copies of bingo hard cards or bingo paper sheet faces.

D. An organization shall not cut bingo paper sheets (case paper), and an organization shall not separate or cut bingo paper sheet packets (collated paper).

E. An organization with annual gross receipts from bingo exceeding \$150,000 in its last fiscal year shall not use bingo hard cards, except for braille bingo hard cards as authorized in item F.

F. An organization may permit a legally blind player to bring and use a braille hard card. A braille hard card must reflect the letters and numbers required pursuant to Minnesota Statutes, section 349.17, subdivision 6, paragraph (a), in braille, and in a form that can be verified by sight by a person who is not able to read braille. An

organization may disallow the use of a braille hard card which does not comply with applicable requirements for bingo hard cards. An organization may charge a blind person the same price for the use of a personal braille hard card as that which is charged for use of a bingo hard card or bingo paper sheet face provided by the organization.

G. An organization shall not reserve bingo hard cards, bingo paper sheets, bingo paper sheet packets, or bingo paper packages for any person.

H. An organization shall not use two or more sets of bingo paper sheets or bingo paper sheet packets during a single bingo game if they have identical faces, except that identical faces may occur on breakopen bingo paper sheet faces during a breakopen bingo game.

I. An organization shall not offer for sale any bingo paper sheets, bingo paper sheet packets, or bingo paper packages that were sold at a previous bingo occasion or bingo session.

J. An organization shall not offer free or discounted bingo hard cards, bingo paper sheets, bingo paper sheet packets, or bingo paper packages and an organization shall not offer or redeem coupons for bingo hard cards, bingo paper sheets, bingo paper sheet packets, or bingo paper packages except as provided in subpart 5a.

K. An organization or employee of an organization shall not engage in or permit any person on its premises to engage in any act, practice, or course of operation that manipulates the outcome of any bingo game.

Subp. 2. **Bingo equipment to be used.** The conduct of bingo must include the following items:

A. A bingo ball selection device approved by the board pursuant to part 7864.0030, subpart 2, item E.

B. A set of 75 bingo balls bearing the numbers 1 to 75 and the letters B, I, N, G, O. Bingo balls bearing the letter "B" may only bear numbers 1 through 15; bingo balls bearing the letter "I" may only bear numbers 16 through 30; bingo balls bearing the letter "N" may only bear numbers 31 through 45; bingo balls bearing the letter "G" may only bear numbers 46 through 60; and bingo balls bearing the letter "O" may only bear numbers 61 through 75. Each bingo ball may bear no more than one letter and one number. The 75 bingo balls must be available for inspection and inspected by at least one player before a bingo occasion begins to determine that all are present and in operating condition. Each bingo ball in the set must be equal in size, weight, shape, balance, and all other characteristics that control their selection, and must be free from any defects. Except for continuation bingo games, each bingo ball must be present in the bingo ball selection device before each bingo game begins.

C. Video cameras and displays may be utilized.

D. An organization shall purchase all bingo hard cards, bingo paper sheets, and bingo paper sheet packets from a licensed distributor.

E. All equipment used in the conduct of a bingo game shall be maintained in sound working condition.

Subp. 3. [Repealed, 20 SR 2624]

Subp. 4. [Repealed, 20 SR 2624]

Subp. 5. [Repealed, 20 SR 2624]

Subp. 5a. **Manner of conducting bingo.** A bingo game must be conducted in the following manner.

A. For organizations using bingo hard cards, the following shall apply.

(1) An organization shall prominently post a notice on each premises where bingo is conducted which includes the price for each bingo hard card and a statement indicating that only cash sales are permitted. The notice must be printed in letters large enough to be clearly legible.

MINNESOTA RULES 2001

(2) An organization shall prominently post its house rules. In addition to the requirements of part 7861.0060, subpart 4, the house rules must be clearly legible and include, at a minimum, the following information:

(a) the organization's policy on declaring bingo and last number called;

(b) the reasons for potentially canceling bingo occasions; and

(c) a statement indicating the state agencies from which a player may obtain a copy of the Gambling Control Board's rules governing bingo.

House rules must be posted in such a manner that players have access to the house rules prior to purchasing any bingo hard cards.

(3) An organization shall obtain, maintain, and keep the most recent copy of the applicable statutes and the Gambling Control Board's rules governing bingo, on each premises used for the conduct of bingo at all times that bingo is conducted there.

(4) Bingo programs for each bingo occasion or bingo session must be made available to all players prior to the start of the first game at each bingo occasion or bingo session and include, at a minimum, the following information:

(a) a written description of each bingo game to be offered, including an illustration of each winning pattern;

(b) the prizes to be offered, including consolation prizes, and any determining factors used by an organization in determining the prize payout structure for the occasion; and

(c) the date of implementation of the program.

An organization with gross receipts from bingo of less than \$150,000 in its last fiscal year shall include in its bingo programs the methods used to determine the value of prizes when the value of prizes will be less than the values listed in the program.

Each bingo program, including the list of occasions or sessions at which that program will be used, must be approved in advance by the membership of the organization. A copy of the approved bingo program, including the list of occasions or sessions at which that program will be used must be included with the minutes of the meeting. A copy of the approved bingo program, including the list of occasions or sessions at which that program will be used must also be submitted to the board and postmarked or delivered to the board office at least 24 hours in advance of implementation of the program. For all organizations, in the event of reduced attendance caused by bad weather, an organization may implement a substitute bingo program, if the substitute bingo program has been previously approved by the board, and the organization notifies the board within 48 hours of making the bingo program substitution.

(5) An organization may make changes to approved bingo programs, provided that:

(a) the board must be notified in advance by the organization, which must submit to the board a copy of the amended bingo program, including any changes to the list of occasions or sessions at which the amended program will be used. The notification must be postmarked or delivered to the board office at least 24 hours in advance of implementation of the changes; and

(b) the amended bingo program, including any changes to the list of occasions or sessions at which the amended program will be used, must be approved by the organization's membership in advance of the changes, or at the next membership meeting, and included in the minutes of the meeting.

(6) An organization with gross receipts from bingo of less than \$150,000 in its last fiscal year may adjust the price of bingo hard cards through the use of coupons, provided that the organization retains all redeemed coupons for a period of 3-1/2 years. All redeemed coupons must bear the printed name and signature of the person redeeming the coupon. Any coupon issued by an organization shall bear a specific dollar value.

MINNESOTA RULES 2001

7861.0070 GAMBLING; GENERAL PROVISIONS

40

(7) All sales of bingo hard cards must be on a cash basis and take place during or immediately preceding the bingo occasion or bingo session for which the bingo hard cards are being sold. All sales of bingo hard cards must occur at the organization's leased or owned premises. Bingo hard cards must be paid for prior to the start of a specific game. Bingo hard cards shall be used during the bingo occasion or bingo session for which they were purchased.

(8) If an organization has duplicate bingo hard cards in play, the organization shall conspicuously post that fact or notify all players before their purchase of bingo hard cards for a game or number of games.

(9) An organization shall use one or more checkers for each bingo occasion or session. The checker or checkers shall record on a form prescribed by the board the number of bingo hard cards played in each game, the face number of each winning bingo hard card, and the prizes awarded to the recorded bingo hard cards. Each checker shall certify that the figures are correct to the best of the checker's knowledge.

B. For organizations using bingo paper sheets, bingo paper sheet packets, or bingo paper packages, the following shall apply.

(1) An organization shall prominently post a notice on each premises where bingo is conducted which includes the price for each bingo paper sheet, bingo paper sheet packet, or bingo paper package, and a statement indicating that only cash sales are permitted. The notice must be printed in letters large enough to be clearly legible.

(2) An organization shall prominently post its house rules. In addition to the requirements of part 7861.0060, subpart 4, the house rules must be clearly legible and include, at a minimum, the following information:

- (a) the organization's policy on declaring bingo and last number called;
- (b) the reasons for potentially canceling bingo occasions; and
- (c) a statement indicating the state agencies from which a player may obtain a copy of the Gambling Control Board's rules governing bingo.

House rules must be posted in such a manner that players have access to the house rules prior to purchasing any bingo paper sheets, bingo paper sheet packets, or bingo paper packages.

(3) An organization shall obtain, maintain, and keep the most recent copy of the applicable statutes and the Gambling Control Board's rules governing bingo, on each premises used for the conduct of bingo at all times that bingo is conducted there.

(4) Bingo programs for each bingo occasion or bingo session must be made available to all players prior to the start of the first game at each bingo occasion or bingo session, and must include, at a minimum, the following information:

- (a) a written description of each bingo game to be offered, including an illustration of each winning pattern;
- (b) a description of the bingo paper sheets, bingo paper sheet packets, and bingo paper packages to be used, including:
 - i. the color of the paper, and a description of the border, if any;
 - ii. the number of bingo faces on each sheet;
 - iii. for bingo paper sheet packets, the number of sheets in each packet; and

iv. for bingo paper packages, the number and type of bingo paper sheets added by the organization to the bingo paper sheet packets;

(c) the prizes to be offered, including consolation prizes, and any determining factors used by an organization in determining the prize payout structure for the occasion; and

- (d) the date of implementation of the program.

MINNESOTA RULES 2001

An organization with gross receipts from bingo of less than \$150,000 in its last fiscal year shall include in its bingo programs the methods used to determine the value of prizes when the value of prizes will be less than the values listed in the program.

Each bingo program, including the list of occasions or sessions at which that program will be used, must be approved in advance by the membership of the organization. A copy of the approved bingo program, including the list of occasions or sessions at which that program will be used, must be included with the minutes of the meeting. A copy of the approved bingo program, including the list of occasions or session at which that program will be used, must also be submitted to the board and postmarked or delivered to the board office at least 24 hours in advance of implementation of the program. For all organizations, in the event of reduced attendance caused by bad weather, an organization may implement a substitute bingo program, if the substitute bingo program has been previously approved by the board, and the organization notifies the board within 48 hours of making the bingo program substitution.

(5) An organization may make changes to approved bingo programs, provided that:

(a) the board must be notified in advance by the organization, which must submit to the board a copy of the amended bingo program, including any changes to the list of occasions or sessions at which the amended program will be used. The notification must be postmarked or delivered to the board office at least 24 hours in advance of implementation of the changes; and

(b) the amended bingo program, including any changes to the list of occasions or sessions at which the amended bingo program will be used, must be approved by the organization's membership in advance of the changes, or at the next membership meeting, and included in the minutes of the meeting.

(6) An organization with gross receipts from bingo of less than \$150,000 in its last fiscal year may adjust the price of bingo paper sheets, bingo paper sheet packets, or bingo paper packages through the use of coupons, provided that the redeemed coupons bear the printed name and signature of the person redeeming the coupon, and the organization retains all redeemed coupons for a period of 3-1/2 years. All other organizations may adjust the price of bingo paper sheets, bingo paper sheet packets, or bingo paper packages through the use of coupons provided that the organization maintains a record of each person redeeming a coupon for each bingo occasion that it conducts. Any coupon issued by an organization shall bear a specific dollar value. The record shall be maintained for a period of 3-1/2 years. The record shall include, at a minimum, the following information:

(a) an impression or photocopy of the person's driver's license or other form of picture identification including the person's full name and full address. If the person does not have a driver's license or other form of picture identification, an impression or photocopy of a driver's license or other form of picture identification, including the full name and full address, telephone number, and the signature of another person playing bingo during that occasion or session shall be obtained to verify the identity of the person redeeming the coupon;

(b) the monetary difference between the price of the bingo paper sheets or bingo paper sheet packets appearing on the distributor's invoice for that bingo paper sheet or bingo paper sheet packets and the price being paid by the person redeeming the coupon; and

(c) the printed name and signature of the person redeeming the coupon.

(7) All sales of bingo paper sheets, bingo paper sheet packets, or bingo paper packages must be on a cash basis and take place during or immediately preceding the bingo occasion or bingo session for which the bingo paper sheets, bingo paper sheet packets, or bingo paper packages are being sold. All sales of bingo paper sheets, bingo paper sheet packets, or bingo paper packages must occur at the organization's leased or owned premises. Bingo paper sheets, bingo paper sheet packets, or bingo paper packages must be paid for prior to the start of a specific bingo

game, except in the case of a breakopen bingo game as authorized by subpart 8, item D. An organization which sells bingo paper sheet packets or bingo paper packages after the first game in a bingo occasion or bingo session has begun shall deface those games contained in the bingo paper sheet packets or bingo paper packages for the games which have already been played or are in play, prior to the sale of the bingo paper sheet packet or bingo paper package.

(8) Bingo paper sheets, bingo paper sheet packets, and bingo paper packages shall be used during the bingo occasion or bingo session for which they were purchased. An organization shall not allow a player to carry over purchased but unused bingo paper sheets, bingo paper sheet packets, or bingo paper packages to a subsequent bingo occasion or bingo session.

C. An organization shall require a predetermined pattern to be completed in order to win a bingo game. The particular arrangement of spaces to be covered on a bingo hard card or marked with a liquid dauber on a bingo paper sheet face which must be completed in order to win the bingo game must be clearly described and verbally announced to the players immediately before each game is begun. In bingo games where players fill in the numbers on bingo paper sheet faces sold by the organization, the numbers filled in by the players must correspond to the appropriate columns on a bingo paper sheet face and the required pattern as designated by the organization. Only the numbers 1 to 15 can be placed in the "B" column, 16 to 30 in the "I" column, 31 to 45 in the "N" column, 46 to 60 in the "G" column, and 61 to 75 in the "O" column.

D. Continuation bingo games are permitted. For example, up to three patterns may be played on one bingo face. Each portion of the continuation game shall be considered a single bingo game, even though the bingo balls are not returned to the receptacle after a winner has been determined and verified.

E. Progressive bingo games are permitted. A progressive bingo game is one in which the established prize levels and/or number of bingo balls called may be increased from one occasion to the next occasion if no player completes the required pattern within the specified number of bingo balls drawn.

F. Bingo games with limiting ball counts are permitted. Limiting ball counts may be used by an organization for bingo games to establish prize levels in compliance with subpart 6a. All limiting ball counts must be prominently displayed prior to the start of the particular bingo occasion, announced prior to the start of the particular bingo game, and an explanation for the limiting ball counts must be included in the organization's bingo program for that bingo occasion or session. Bingo games which use limiting ball counts to determine prize levels must be played until a player declares bingo, the winning bingo hard card, or winning bingo paper sheet face is verified, and a prize is awarded.

G. Except for breakopen bingo games, a game of bingo begins with the first letter and number called. Each player must cover on the bingo hard card or mark with a liquid dauber the numbers on the bingo paper sheet face when bingo balls, similarly numbered, are randomly drawn, announced, and displayed to the players, either manually or with a flashboard or monitor. A bingo game is completed and won when:

- (1) a previously designated arrangement of numbers on a bingo hard card or bingo paper sheet face has been completed;
- (2) one or more players have declared bingo;
- (3) the winning bingo hard card or bingo paper sheet face has been verified by an organization employee; and
- (4) a prize has been awarded.

H. The letter and number of a drawn bingo ball must be called out before the drawing of the next bingo ball, except when conducting bingo games where the drawn bingo ball does not pertain to the pattern of the bingo game being played. When conducting bingo games where the letter and number of a drawn ball may not pertain to the pattern being played, the caller shall verbally state before the drawing of the first

MINNESOTA RULES 2001

ball that drawn bingo balls not pertaining to the pattern being played will not be called. Once a bingo ball has been drawn, the bingo ball shall not be returned to the receptacle until after the conclusion of the game or continuation game. Bingo balls that are drawn but not called shall not be returned to the receptacle until they have been made available for inspection by at least one neutral player after the conclusion of the game or continuation game.

I. All numbers and letters announced shall be clearly and audibly called.

J. Immediately following the drawing of each bingo ball in a bingo game, the caller shall display that portion of the bingo ball which shows the letter and the number to the participants in the game. The organization shall ensure that the majority of players are at all times able to see the letter and number of each drawn bingo ball.

K. If the bingo caller discovers that a wrong letter or number has been called, the caller shall announce that a wrong letter or number has been called, shall call the correct letter or number, then correct the flashboard, if any, and continue with the game.

L. After the letter and number are called, the corresponding letter and number on the flashboard, if any, must be lit for player viewing.

M. When a bingo player declares a winning pattern of letters and numbers on a bingo hard card or bingo paper sheet face for a bingo game, the serial number and face number of the bingo paper sheet face, or the face number of the winning bingo hard card shall be read aloud by an employee of the organization. Every winning bingo hard card or bingo paper sheet face shall be verified by an organization employee, and:

- (1) at least one neutral player; or
- (2) an electronic verification device.

A neutral player is another player who is not an immediate family member of the player declaring bingo.

N. Each bingo game shall be closed with the following procedure:

- (1) the game shall be stopped after a player has declared bingo;
- (2) when a bingo player declares a bingo, the next bingo ball out of the machine shall be removed from the machine before shutting the machine off, and shall be the next bingo ball called in the event the bingo is declared not valid. In the case of a continuation bingo game, the bingo ball shall be held and used as the first bingo ball drawn for the next game. In the case of a bingo game where a drawn ball may not pertain to the pattern being played, the bingo ball shall be removed from the machine before shutting the machine off and, if the drawn ball pertains to the pattern being played, shall be the next bingo ball called in the event the bingo is declared not valid;

(3) the organization shall verify that the declared bingo is valid;

(4) the organization shall require an organization employee on the floor to read off the manufacturer's serial number and face number on the winning bingo paper sheet or the face number on the winning bingo hard card. A prize shall not be awarded unless the serial number and face number of the winning bingo paper sheet or the face number on the winning bingo hard card was among those offered for sale at that occasion; and

(5) the bingo caller shall then ask the players at least twice if there are any other bingos. If no one answers, the caller shall announce that the game is completed and the prize shall be immediately awarded to the winner.

Subp. 6. [Repealed, 20 SR 2624]

Subp. 6a. **Bingo prizes.** Prizes for games won at a bingo occasion or session shall be awarded at that bingo occasion or session according to Minnesota Statutes, section 349.211, and the following procedures.

A. Prizes for a bingo game may consist of cash, a merchandise prize, or coupons used to redeem bingo hard cards, bingo paper sheets, bingo paper sheet packets, and bingo paper packages. A merchandise prize may include a certificate for merchandise, which must include the following information:

MINNESOTA RULES 2001

7861.0070 GAMBLING; GENERAL PROVISIONS

44

(1) a complete description of the merchandise to be redeemed by the certificate;

(2) the name of the vendor from whom the certificate must be redeemed;

(3) the value of the merchandise described on the certificate; and

(4) a statement expressly prohibiting the substitution of cash or another item or type of merchandise for the merchandise described on the certificate.

B. Except for bingo games conducted pursuant to item G, the dollar amount of a cash prize or the fair market value of a merchandise prize which may be won in a bingo game must be verbally announced to players prior to the start of a bingo game and included in the bingo program for that occasion. Value means the dollar amount of the cash prize or the fair market value for merchandise prizes. For purposes of subpart 7, the organization must use the actual cost paid by the organization for the merchandise prizes. All merchandise prizes must be accounted for in a format prescribed by the board. For all merchandise prizes, the organization must maintain documentation on how the fair market value was determined. The fair market value of a merchandise prize must not be established at an amount less than the organization paid for the merchandise prize. Unless a prize receipt is completed pursuant to items G and M, a bingo prize shall not have its value established by any method where the value of the bingo prize cannot be determined and verbally announced to players at the beginning of a bingo game. A bingo prize shall not consist of lawful gambling equipment, except as provided in this subpart.

C. A bingo prize shall only be awarded after a player has successfully completed a preannounced pattern of spaces on a bingo hard card or bingo paper sheet face with the letters and numbers called by an organization employee.

D. A prize for a single bingo game shall not exceed \$200.

E. A prize for a cover-all bingo game may exceed \$200 provided that the aggregate value of all cover-all prizes in any bingo occasion does not exceed \$1,000.

F. A prize for a progressive bingo game may start at up to \$300 and be increased by up to \$100 for each occasion during which the progressive bingo game is played. If the progressive prize is not awarded at a particular bingo occasion, the progressive bingo game shall be continued at a future bingo occasion until such time as a winner is determined. The winning prize in a progressive bingo game does not have to be the full amount of the jackpot, but may be a consolation prize of up to \$100. If the progressive prize is not awarded at a particular occasion, it may be carried over to a future bingo occasion and increased in value, provided that the prize never exceeds \$2,000 for any progressive bingo game.

G. In bingo games where players have the opportunity to win one of various, alternative prize levels, the organization will not be able to identify and announce at the beginning of the bingo game the value of the prize that will be won until the game is completed. Such bingo games are permitted only if the organization completes a prize receipt form upon completion of the bingo game. According to subpart 5a, items A, subitem (4), and B, subitem (4), the organization must describe in its bingo program any bingo games where players have the opportunity to win one of various, alternative prize levels, including the factors that will be used to determine the prize level that is won and the value of the alternative prize levels.

H. Merchandise prizes awarded in any bingo game must be displayed in full view of the players in the immediate vicinity of the bingo game. When the winner of a merchandise prize is determined, the organization shall immediately remove the prize from the display and award it to the winner.

I. Merchandise prizes purchased by the organization at a discount and prizes donated to an organization shall be valued at their fair market value and shall be included in the determination of compliance with the prize limitations in Minnesota Statutes, section 349.211.

J. An organization conducting bingo in which any merchandise prizes are awarded shall have paid for in full or otherwise become the owner without lien or

MINNESOTA RULES 2001

interest of others of all the merchandise prizes prior to the time when the winners of the merchandise prizes are determined. For purposes of this subpart, savings bonds are not considered merchandise prizes and must be reported and announced at their purchase price value.

K. All prizes available to be won at a bingo occasion or session shall be won by a player based upon winning a bingo game and not by any other method which incorporates an element of chance. No prizes based on the result of a bingo game shall be awarded to anyone other than a player who has achieved the winning pattern of letters and numbers in the bingo game. An organization shall not award a secondary prize to a person based upon an outcome other than the selection of letters and numbers in a bingo game.

L. If there are multiple winners in any bingo game, the following shall apply:

(1) If the designated prize consists of cash, the total amount of the prize shall be divided equally, with an equal amount being awarded for each verified winning bingo face. The organization has the option of rounding fractional dollars to the nearest higher dollar. The total amount of the awarded prizes shall not exceed limits in Minnesota Statutes, section 349.211.

(2) If the designated prize consists of a merchandise prize and the designated prize cannot be divided, the organization shall award substitute prizes to each verified winning bingo face. The substitute prizes must be of equal value to one another, with an equal prize awarded for each verified winning bingo face. The total value of the prizes must not exceed the prize limitations in Minnesota Statutes, section 349.211.

M. A prize receipt form shall be completed for a winning bingo prize valued at \$100 or more. A prize receipt form shall also be completed for all bingo games where the value of the prize is determined by the selling price of the bingo paper sheet packet or bingo paper package, and for all bingo games where players have the opportunity to win various, alternative prize levels. The prize receipt form shall include, at a minimum, the following information:

(1) an impression or photocopy of the winner's driver's license or other form of picture identification including the person's full name and full address. If the winner does not have a driver's license or other form of picture identification, an impression or photocopy of a driver's license or other form of picture identification, including the full name and full address, and the signature of another person playing bingo during that occasion or session shall be obtained to verify the receipt of the prize;

(2) the face number of the winning bingo hard card, or the serial number and face number of the winning bingo paper sheet face;

(3) the dollar amount of the cash prize;

(4) the fair market value for a merchandise prize;

(5) the signature of the organization employee or volunteer making the payment;

(6) the signature of the winner; and

(7) the name, address, license number, and premises permit number or exempt number of the organization sponsoring the occasion.

Subp. 7. General bingo records and reports. The following records and reports shall be completed by the organization, and maintained for a period of 3-1/2 years. The records and reports shall be made available to the board, the commissioner of revenue, the commissioner of public safety, or their agents upon demand:

A. Inventory records.

(1) Each organization using bingo paper sheets, bingo paper sheet packets, or bingo paper packages shall maintain inventory records in a format prescribed by the board in accordance with subitems (1) to (5). A computer-generated form may be used with the approval of the board director if it complies with the

requirements of this part. An organization using bingo paper sheets, bingo paper sheet packets, or bingo paper packages shall:

(a) record the serial number of each bingo paper sheet for case paper and the serial number of each bingo paper sheet in a bingo paper packet; or

(b) assign a control number to each case of bingo paper sheets and each bingo paper sheet packet;

(c) if the serial numbers of the bingo paper sheets in a bingo paper sheet packet are not tracked on the distributor's invoice, attach a bingo paper sheet packet from that shipment to the distributor's invoice. The distributor's invoice, with the bingo paper sheet packet attached, shall be retained by the organization according to Minnesota Statutes, section 349.18, subdivision 1a, paragraph (a).

(2) For each case of bingo paper sheets (case paper), the inventory records shall include, at a minimum, the following information:

(a) the serial number of the bingo paper sheets in the case;

(b) the color;

(c) the series;

(d) the number of faces per sheet (ON's);

(e) a description of the face patterns;

(f) the organization name and premises permit number;

(g) the distributor's name, invoice number, and date of invoice;

(h) the distributor's invoiced bingo paper price, and number of bingo paper sheets being invoiced;

(i) the retail selling price for each bingo paper sheet; and

(j) perpetual inventory information for each case of bingo paper sheets (case paper).

(3) For each set of bingo paper sheet packets, the inventory records shall include, at a minimum, the following information:

(a) the serial number of each bingo sheet in the bingo paper packet, or the serial number from the top sheet in each bingo paper sheet packet if the distributor's invoice indicates that only the serial number from the top sheet is provided, and the control number the organization may have assigned to the bingo paper sheet packet;

(b) the organization's name and premises permit number;

(c) the distributor's name, invoice number, and date of invoice;

(d) the distributor's invoiced bingo paper price, and number of bingo paper sheet packets being invoiced;

(e) the number of sheets per packet (UP's);

(f) the number of faces per sheet (ON's);

(g) the color of each sheet in the packet, in the order of collation;

(h) the retail selling price for each bingo paper sheet packet; and

(i) perpetual inventory information for each set of bingo paper sheet packets.

(4) For each bingo paper package, if the organization uses bingo paper packages, a control number shall be assigned and all components of the bingo paper package shall be accounted for. The inventory records for bingo paper packages shall include, at a minimum, the following information:

(a) the serial number of each bingo paper sheet in the bingo paper sheet packet used to build the bingo paper package, or the control number assigned to the bingo paper sheet packet, or the serial number from the top sheet in the bingo paper sheet packet used to build the bingo paper package if the distributor's invoice indicates that only the top serial number is being tracked;

(b) the color of each component of the bingo paper package;

MINNESOTA RULES 2001

47

GAMBLING; GENERAL PROVISIONS 7861.0070

- (c) the series number of each component of the bingo paper package;
- (d) the number of faces per sheet (ON's) for each component of the bingo paper package;
- (e) the number of sheets per packet (UP's) for each component of the bingo paper package;
- (f) the distributor's invoiced cost for each component of the bingo paper package;
- (g) the organization's retail selling price for the bingo paper package;
- (h) the organization's name and premises permit number;
- (i) the control number assigned to the bingo paper package; and
- (j) perpetual inventory information for each type of bingo paper package.

(5) For bingo paper sheets, bingo paper sheet packets, and bingo paper packages, a monthly physical inventory control summary including, at a minimum, the following information:

- (a) quantity, by type, of bingo paper sheets, bingo paper sheet packets, and bingo paper packages;
- (b) control numbers, if assigned, or the serial number from the top sheet in every case of bingo paper sheets;
- (c) the control number, if assigned, or the serial number of each bingo paper sheet in each bingo paper packet, or the serial number from the top sheet in each bingo paper package;
- (d) distributor invoiced cost for bingo paper sheets and bingo paper sheet packets; and
- (e) organization name and premises permit number.

B. The following information shall be recorded for each bingo occasion conducted by an organization.

- (1) For organizations using bingo hard cards:
 - (a) a copy of the caller verification form shall be attached to the bingo occasion record;
 - (b) a copy of the occasion's bingo program shall be attached to the bingo occasion record;
 - (c) the total number of players in attendance;
 - (d) the total number of bingo hard cards available in the organization's inventory;
 - (e) the total number of bingo hard cards sold for the occasion and the selling price of each card;
 - (f) the total amount of cash collected for all sales of bingo hard cards at the occasion;
 - (g) the dollar amount of the cash prize, or the actual cost of merchandise prizes awarded for each bingo game, and the face number and series number of each winning bingo hard card;
 - (h) for any bingo game with a prize valued at \$100 or more that is awarded to one individual, a prize receipt as provided in subpart 6a, item M;
 - (i) cash on hand at the beginning of the occasion, and cash on hand at the end of the occasion;
 - (j) all coupons redeemed at the occasion;
 - (k) signature of the checker for the occasion; and
 - (l) the name of each volunteer or employee working at the occasion.

(2) For organizations using bingo paper sheets, bingo paper sheet packets, or bingo paper packages, the following information shall be recorded in a format

prescribed by the board for each bingo occasion conducted by an organization. A computer-generated form may be used with the approval of the board director if it complies with the requirements of this part:

(a) the total amount, by control number, of bingo paper packages available for sale at the occasion and the total amount, by control number, of bingo paper packages which are returned to inventory at the end of the occasion. A separate form must be completed by each seller working at the bingo occasion;

(b) the total amount, by control number or serial number, of bingo paper sheets and/or bingo paper sheet packets available for sale at the bingo occasion and the total amount, by control number or serial number, of bingo paper sheets and/or bingo paper sheet packets which are returned to inventory at the end of the occasion. A separate form must be completed by each seller working at the bingo occasion;

(c) a summary of total admission sales for the occasion, including total cash on hand at the beginning of the occasion, total cash receipts from admission sales, the quantity by dollar value of all coupons redeemed at the occasion, and the net admission sales for each occasion;

(d) for each bingo game conducted, the number of bingo paper sheets and the selling price of each bingo paper sheet, sold by each floor seller;

(e) the total value of prizes awarded for each game, including the dollar amount of the cash prizes and the actual cost for merchandise prizes, and the serial number and face number of each winning bingo paper sheet face;

(f) a copy of the caller verification form;

(g) a copy of the occasion's bingo program shall be attached to the bingo occasion record;

(h) a bingo occasion summary, including the total number of players in attendance, total gross and net sales, total value of coupons redeemed, and total value including the dollar amount of the cash prizes and the actual cost for merchandise prizes awarded at the occasion;

(i) for any bingo game with a cash or merchandise prize valued at \$100 or more, a prize receipt as required in subpart 6a, item M; and

(j) for any bingo game where the value of the prize is determined by the selling price of the packet of bingo paper sheets or bingo paper package, a prize receipt as required in subpart 6a, item M.

C. A gross receipt and discrepancy report must be prepared for each bingo occasion conducted by an organization. The report shall be prepared on a form prescribed by the board, in accordance with the following procedures:

(1) For organizations using bingo hard cards, the gross receipts of each bingo occasion shall be compared to the checker's records by an employee or volunteer of the organization and verified by the organization's gambling manager. If a discrepancy of more than \$20 is found between the gross receipts as reported by the checkers and the gross receipts, reduced by the value of coupons redeemed, if any, determined by totaling the cash receipts, a discrepancy report shall be provided to the board, on a form prescribed by the board, within five days of the bingo occasion.

(2) For organizations using bingo paper sheets, bingo paper sheet packets, or bingo paper packages, the gross receipts of each bingo occasion shall be reconciled to the occasion records by an employee or volunteer of the organization, and verified by the organization's gambling manager. If a discrepancy of more than \$20 is found between the gross receipts as verified, reduced by the value of coupons redeemed, if any, and the gross receipts determined by totaling the cash receipts, a discrepancy report shall be provided to the board, on a form prescribed by the board, within five days of the bingo occasion.

Subp. 8. **Breakopen bingo.** In addition to complying with subparts 1 to 7, breakopen bingo is a bingo game that must also comply with the following:

MINNESOTA RULES 2001

49

GAMBLING; GENERAL PROVISIONS 7861.0070

A. A sealed bingo paper sheet is lawful gambling equipment in which the bingo face or faces are concealed by being sealed in a manner that prevents revealing any part of the bingo face. Breakopen bingo paper sheets must be constructed so that all 24 numbers on each face cannot be determined from the outside of a breakopen bingo paper sheet using a high intensity lamp of up to and including 500 watts.

B. Only individually sealed bingo paper sheets may be sold for a breakopen bingo game.

C. A breakopen bingo game begins when, in the presence of players attending the bingo occasion, the conducting organization calls and posts, either manually or by use of a flashboard, a predetermined quantity of randomly selected bingo balls from a bingo ball selection device or a separate bingo ball container. The organization shall use a separate set of bingo balls and either a separate bingo ball selection device, separate tray within a bingo ball selection device, or a separate bingo ball container for a breakopen bingo game. If an organization uses a separate tray within a bingo ball selection device or a separate bingo ball container, the bingo balls must be in view of the players at all times during the conduct of the breakopen bingo game.

D. Sealed bingo paper sheets for a breakopen game may be sold throughout the bingo occasion, however no additional sealed bingo paper sheets may be sold after the conducting organization resumes calling letters and numbers after the predetermined quantity has been called and posted.

E. After the predetermined quantity of randomly selected bingo balls has been called and posted, and immediately prior to the selection of the next bingo ball from the bingo ball selection device, a conducting organization shall ask if any player has completed the required bingo pattern. All players who complete the game pattern within the predetermined number of balls called are considered winners, regardless of the last ball called. If a player or players declare bingo based on the predetermined quantity of balls selected and the bingo is verified, the player or players must be awarded the designated prize and the game ends. If no bingo is declared and verified, the organization shall resume calling letters and numbers, and continue calling until one or more players declare bingo and the bingo is verified and the designated prize or consolation prize is awarded.

F. A breakopen bingo game shall be played in its entirety within the bingo occasion except for progressive breakopen bingo games played in accordance with subpart 5a, item E.

G. A conducting organization must mark each breakopen bingo sheet to be used during the bingo occasion by validating the sheet with a unique symbol or the date of the occasion by using a device, rubber stamp, or other marking method. The symbol must be placed on the breakopen bingo paper sheet in such a manner that the symbol appears on the part of the breakopen bingo paper sheet that is in play. If the organization uses a unique symbol, the organization must maintain a record that identifies a unique symbol with the particular date and bingo occasion for which the symbol was used.

H. A conducting organization may allow players to trade in breakopen bingo paper sheets. The conducting organization must account for the trade-in of breakopen bingo paper sheets in the following manner:

(1) The conducting organization shall maintain two sets of breakopen bingo paper sheets for each breakopen bingo game conducted. One set, known as the "original set," shall be a different color than the second set, known as the "trade-in set."

(2) All breakopen bingo paper sheets in the original set are of equal value and must be sold to players for the same price as other breakopen bingo paper sheets in the original set. All breakopen bingo paper sheets in the trade-in set are of equal value and must be sold to players for the same price as other breakopen bingo paper sheets in the trade-in set.

(3) After purchasing a breakopen bingo paper sheet from the original set, players may continue to purchase breakopen bingo paper sheets from the original set.

Players may trade in breakopen bingo paper sheets from the original set for breakopen bingo paper sheets from the trade-in set. Players may also trade in breakopen bingo paper sheets from the trade-in set for more trade-in breakopen bingo paper sheets.

(4) An organization shall post a notice in its house rules stating that identical breakopen bingo paper sheet faces may occur during the breakopen bingo game.

(5) An organization shall announce at the start of the breakopen bingo game and state in its house rules the color of all original breakopen bingo paper sheets. The organization shall also announce and state in its house rules the price at which the original and trade-in, if any, breakopen bingo paper sheets must be sold.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 18 SR 1848; 20 SR 2624; 23 SR 831*

7861.0080 PULL-TABS.

Subpart 1. **Restrictions.** The following items are restrictions on pull-tabs:

A. Pull-tabs must not be dispensed from any coin-operated or mechanical dispensing device, except as may otherwise be permitted by law or rule.

B. A gambling employee of an organization may purchase pull-tabs at the site of the employee's place of employment if:

(1) the organization posts the major prizes for pull-tab or tipboard games pursuant to Minnesota Statutes, section 349.172; and

(2) the gambling employee is not involved in the sale of pull-tabs at the site of the employee's place of employment. For purposes of this part, the sale of pull-tabs includes, but is not limited to, auditing pull-tab games, redeeming winning pull-tabs, performing inventory of pull-tab games, making deposits of receipts from pull-tab games, and the sale of pull-tabs to players.

For purposes of this subpart, the term "employee" includes a volunteer.

C. An organization may not change the flare or use a flare that it receives in an altered or defaced condition. A pull-tab deal may not be placed out for play when the value of the prizes or the cost of the pull-tabs differs from the flare.

D. The pull-tab seller shall not assist players in the opening of purchased pull-tabs.

E. An organization using cash registers shall not commingle pull-tab games, unless the games are commingled in a pull-tab dispensing device.

F. An organization shall not commingle receipts from two or more pull-tab games in play at one time unless the organization uses a cash register approved by the board pursuant to subpart 4a, item A, follows the procedures for use of a cash register in subpart 4a, item B, and performs a monthly reconciliation pursuant to the requirements of subpart 4a, item C.

G. An organization shall not store any unplayed or closed games of pull-tabs in a storage compartment inside a pull-tab dispensing device.

H. An organization shall not modify the assembly or operational functions of a pull-tab dispensing device or its electronic currency validator, E-PROM microchip, RAM microchip, or resettable or nonresettable accounting meters.

I. Pull-tab games offering free plays or pull-tab games with a last sale feature shall not be dispensed through pull-tab dispensing devices.

Subp. 2. **Operation of pull-tab game.** The following rules apply to the game of pull-tabs:

A. An organization may not purchase deals of pull-tabs that have the same game serial number, or obtain, possess, or allow upon a site a deal of pull-tabs or portion thereof with the same serial number and color trim combinations as any other deal of pull-tabs or portion thereof in its possession. This does not prevent an

MINNESOTA RULES 2001

51

GAMBLING; GENERAL PROVISIONS 7861.0080

organization from retaining upon the site pull-tabs remaining from a deal removed from play for the purposes of complying with state statute or rule if the organization:

(1) has defaced each pull-tab removed and retained immediately upon removal of the pull-tabs from play;

(2) has made a written record of the game serial number, color trim, and the number of pull-tabs remaining in the deal immediately upon removing the deal from play; and

(3) the written record is maintained upon the site while the deal is in play, and available on demand, for a period of 3-1/2 years once the deal is removed from play.

B. No organization shall place a deal of pull-tabs in play unless the game serial number of the deal of pull-tabs corresponds to the game serial number appearing on the bar code. If the game serial number does not correspond to the number appearing on the bar code, the organization shall return the deal of pull-tabs to the distributor. The bar code must not be altered or removed from the flare.

C. No deal of pull-tabs may be placed out for play in the original package, box, or other container in which it was received. When a deal of pull-tabs is received in two or more packages, boxes, or other containers, all of the pull-tabs from the respective packages, boxes, or other containers must be placed out for play at the same time. The entire deal of pull-tabs must be dumped into the container and mixed, except for pull-tabs dispensed through a pull-tab dispensing device.

D. An organization shall not put into play any pull-tab that has been marked, defaced, altered, tampered with, or otherwise operated in a manner which tends to deceive the public or affects the chances of winning or losing.

E. No deal of pull-tabs may be placed out for play unless the cost to the player for each pull-tab is clearly posted on the flare.

F. Each pull-tab must be sold for the single ticket price indicated on the flare and no pull-tab may be provided to a player free of charge or for any other consideration. This item does not apply to the winning of a free play.

G. The organization must clearly identify the play of pull-tabs as a single deal or a commingled deal.

H. House rules governing the sale of pull-tabs must be posted in such a manner that players have access to the house rules before buying any pull-tabs.

I. An organization may not pay a player any prize unless the player redeems an actual winning pull-tab. A prize payout must not be made to any player for a lost, marked, defaced, or altered pull-tab.

J. An organization may not pay a player a prize when the winning pull-tab has left the site where the deal is in play.

K. The pull-tab seller shall deface each winning pull-tab which is redeemed.

L. The prize receipt form must be completed according to subpart 6, item C.

M. At each permitted premises the organization shall maintain a copy of the distributor's invoice for each pull-tab deal in play and for each pull-tab deal on the premises and shall make the invoices available for inspection by the board and its agents and the commissioners of revenue and public safety and their agents.

N. When a pull-tab dispensing device is used, the following shall apply:

(1) The pull-tab dispensing device shall be located within the organization's leased space and within view of an organization employee.

(2) An organization shall assign a unique identification code to every person authorized to access a pull-tab dispensing device.

(3) An organization allowing a lessor to redeem winning pull-tabs dispensed through a pull-tab dispensing device shall enter into a formal agreement with the lessor regarding the operation of the pull-tab dispensing device. The agreement must be on a form prescribed by the board and conform to the requirements of part 7861.0040.

(4) An organization shall identify for players the pull-tab games that are placed in the individual columns of each pull-tab dispensing device.

(5) When adding games to a pull-tab dispensing device, an organization shall place the pull-tabs for each game into a minimum of two columns within the pull-tab dispensing device. When adding games to a pull-tab dispensing device, the pull-tabs being added shall be divided equally among the columns to which the game is being added.

(6) When adding games to a pull-tab dispensing device, the entire deal shall be placed out for play at one time.

(7) An organization shall maintain complete control of its pull-tab dispensing devices, including maintaining control of all keys to each pull-tab dispensing device as follows:

(a) the organization's gambling manager shall be responsible for all keys to each pull-tab dispensing device operated by the organization;

(b) the organization shall maintain a key log on a form prescribed by the board. The key log shall contain, at a minimum, the following information:

(i) the names, complete home addresses, and home telephone numbers of any organization employees who are assigned custody of a key, or keys, to a pull-tab dispensing device;

(ii) the dates that the keys were assigned to the organization employees; and

(iii) any instance in which the custody of a key or keys to a pull-tab dispensing device changes from one organization employee to another, including the date of the change of custody, and the complete home address and telephone number of the organization employee accepting custody of the key or keys to a pull-tab dispensing device;

(c) if one or more keys to a pull-tab dispensing device is lost, misplaced, or stolen, the organization shall have the entire lockset replaced by a licensed distributor or the licensed manufacturer of the pull-tab dispensing device;

(d) no key or keys to any compartment of a pull-tab dispensing device shall be assigned to more than one organization employee at a time;

(e) an organization shall not make, or cause to have made, duplicate keys to any exterior door or interior compartment of a pull-tab dispensing device.

(8) In the event of a catastrophic failure of a pull-tab dispensing device, the organization shall notify and receive approval from the board prior to clearing, erasing, or replacing the pull-tab dispensing device's RAM microchip, or nonresettable accounting meters required by part 7864.0030, subpart 1, item I, subitems (21) to (26).

(9) The organization shall clearly post the Minnesota compulsive gambling hotline telephone number on the front of each pull-tab dispensing device.

(10) An organization employee entering the cash compartment of a pull-tab dispensing device shall remove all the cash from the dispenser and enter the currency meter readings in the access log required by subpart 6, item F.

Subp. 3. Single deals. The following items apply to single deals of pull-tabs:

A. The flare, with the bar code affixed, for the deal of pull-tabs in play shall be affixed to the receptacle containing the entire deal of pull-tabs, or pull-tab dispensing device, or posted in close proximity to the pull-tab dispensing device so that the information contained on the flare can be clearly identified with the pull-tab tickets in the dispenser.

B. Separate cash banks must be maintained for each deal, unless the organization is using a cash register approved by the board pursuant to subpart 4a, or unless the deal is dispensed through a pull-tab dispensing device.

Subp. 4. Commingled deals. The following items apply to commingled deals of pull-tabs:

MINNESOTA RULES 2001

53

GAMBLING; GENERAL PROVISIONS 7861.0080

A. Two or more single deals of pull-tabs may be commingled in one receptacle, or pull-tab dispensing device, subject to the following:

(1) the deals must be identical as to a particular type of game and as to the number of pull-tabs per game;

(2) each deal must have a separate flare displaying the bar code and manufacturer's serial number; and

(3) the flares must be identical as to the price per ticket, the amount of prizes, and the denominations of prizes.

B. The flares of all the deals in play must be affixed to the receptacle containing the pull-tabs, attached to the pull-tab dispenser containing the pull-tabs, or posted in close proximity to the pull-tab dispensing device so that the information contained on the flare can be clearly identified with the pull-tabs in the dispenser.

C. Commingled deals must be removed from play at the end of each month for the purpose of reporting the result of the games in the same month's tax return. Commingled deals may be returned to play once the information required has been determined.

D. The board may prohibit an organization from commingling deals of pull-tabs if it determines that the organization cannot account for the amount of actual cash profit from each commingled deal of pull-tabs.

Subp. 4a. **Use of cash registers.** An organization using a cash register in the conduct of pull-tabs shall use a cash register that meets the technical standards established in item A, follows the procedures in item B, and performs a monthly reconciliation pursuant to the requirements in item C.

A. Cash registers used by organizations to conduct pull-tab games shall meet, at a minimum, the technical standards in subitems (1) to (12).

(1) The cash register shall have an electrical power cord with a three-prong ground at the male end of the cord. The cash register must be protected by a surge protector. The cash register must safely and operatively withstand static electricity.

(2) The cash register shall have at least one keyed lock with a multiple function position which is capable of restricting access to accounting and auditing functions of the cash register.

(3) The cash register shall have an operating switch, or lock, that will allow the cash register to operate only when a unique identification code has been entered.

(4) The cash register shall preserve all existing data whenever electrical power to the cash register is interrupted.

(5) The cash register shall create a paper or magnetic media duplicate transaction journal following each transaction.

(6) The cash register shall separately record all pull-tab sales, cash prize payouts, and merchandise prize payouts for each game of pull-tabs in play.

(7) The cash register shall be capable of accepting a game's serial number and ticket price before that game is put into play by the organization.

(8) The cash register shall have a display screen that will display the value of currency tendered, and the amount of currency to be returned to the purchaser, if any.

(9) For each transaction involving the sale of a pull-tab, the cash register shall record the following information:

(a) the date of the sale;

(b) the operator's unique identification code;

(c) the serial number of the game from which the pull-tab is being purchased;

(d) the number of pull-tabs purchased; and

(e) the preset ticket price.

(10) For each transaction in redeeming a winning pull-tab, the cash register shall record the following information:

(a) the date of the prize payout;

(b) the operator's unique identification code;

(c) the serial number of the winning pull-tab; and

(d) the amount of the cash prize payout or the fair market value for merchandise prizes.

(11) The cash register shall record and maintain the information required in subitems (5) to (10) for each game of pull-tabs in play, and be capable of producing a printout for any or all of the games in play at any time.

(12) Once a pull-tab game is closed by the organization, the cash register shall be capable of printing out the final game record and deleting the game from the cash register's memory.

B. This item contains the procedure for use of a cash register.

(1) The cash register shall be located in the space leased or owned by the organization, and shall be used exclusively for the conduct of lawful gambling.

(2) The organization shall assign a unique identification code to each organization employee authorized by the organization to sell and/or redeem pull-tabs through the use of a cash register.

(3) The organization shall have sole responsibility for all keys used to operate the cash register.

(4) The organization shall enter the serial number of the game and the preset game pricing, which must be identical to the ticket prices appearing on the flare for that game, into the cash register's programmable memory before placing a pull-tab game into play.

(5) When selling a pull-tab through the use of a cash register, the organization employee shall:

(a) enter the specific key on the cash register that corresponds to the pull-tab deal from which the player is purchasing the pull-tab;

(b) enter the number of pull-tabs purchased; and

(c) enter the dollar value of the currency tendered by the player.

(6) When redeeming a winning pull-tab through the use of a cash register, the organization employee shall:

(a) enter the specific key code on the cash register that corresponds to the pull-tab game from which the winning pull-tab is being redeemed;

(b) enter the cash prize payout amount or the fair market value of the merchandise prize of the winning pull-tab; and

(c) complete a prize receipt form, pursuant to subpart 6, item C, for any winning pull-tab valued at \$50 or more or for any prize for redeeming the last ticket sold in a pull-tab game for which the distributor has modified the flare to contain a last sale value of \$20 or more.

(7) The organization shall record as both a pull-tab sale and a pull-tab redemption any transaction in which a player chooses to receive a pull-tab in lieu of a cash prize payout.

(8) If more than one organization employee sells and redeems pull-tabs through the same cash register during any business day, the cash must be counted at the end of each work period, and in the presence of the next pull-tab seller coming on duty. The cash count must be recorded on a form prescribed by the board. If the amount of cash does not reconcile to the cash register totals for each game in play, the pull-tab seller who operated the cash register during the work period when the error was made shall prepare a cash short/long form, on a form prescribed by the board. The form shall contain the following information:

MINNESOTA RULES 2001

55

GAMBLING; GENERAL PROVISIONS 7861.0080

- (a) the cash count;
- (b) the totals as indicated on the cash register for each game in play;
- (c) the amount of cash long or short;
- (d) the serial number of the game in which the error was made, if known;
- (e) the unique identification code of the pull-tab seller;
- (f) the signature of the pull-tab seller; and
- (g) the signature of the organization employee verifying the reconciliation.

(9) If only one organization employee sells and redeems pull-tabs through the same cash register during a business day, the cash must be counted at the time the cash is removed from the cash register. The cash count must be recorded on a form prescribed by the board, and verified by another organization employee. If the amount of cash does not reconcile to the cash register totals for each game in play, the organization employee who operated the cash register during the time when the error was made shall prepare a cash short/long form, as prescribed by the board. The form shall contain the information as required in subitem (8).

C. On the last day of each month the organization must perform a reconciliation of all pull-tab games in play or played during the month. The following procedure shall be used to perform the reconciliation:

(1) The organization shall prepare cash register tape printouts for each game in play or played showing all activity for each game.

(2) The organization shall perform a ticket count for each game remaining in play at the end of the month. The organization shall verify that the number of sold and unsold tickets for each game equal the total number of tickets in the game.

(3) If a discrepancy in ticket count is discovered, the organization shall compare all completed cash short/long forms to the cash register totals of pull-tabs sold and redeemed for each game to determine the game in which the error occurred.

(4) The organization shall prepare a reconciliation report for all games in play during the month, on a form prescribed by the board. The form shall contain at a minimum the following information:

- (a) the form number of the game;
- (b) the serial number of the game;
- (c) the total value of remaining unsold pull-tabs in the game;
- (d) the total value of cash prizes paid out in the game and/or the total fair market value of merchandise prizes paid out in the game;
- (e) total cash receipts for the game from the cash register printout;
- (f) the amount of cash long or short; and
- (g) an explanation of adjustments made to the record of any game in order to bring the game into balance with the cash register totals.

(5) The organization shall retain the reconciliation report, the cash register printouts for each deal, and all cash short/long forms, along with all other records of the game required by subpart 6, for a period of 3-1/2 years.

D. The board may prohibit an organization from using a cash register if it determines that the organization cannot account for the amount of cash short or cash long from each deal of pull-tabs.

Subp. 5. Pull-tab prize and cost per ticket limits. Prizes and bets must be limited, awarded, and controlled in the following manner:

A. The maximum value of a prize for a winning pull-tab must not exceed \$500. If two or more winning combinations are possible, including the last sale prize on a single pull-tab, the total value of all winning combinations must not exceed \$500. "Value" means the dollar amount of a cash prize or the fair market value for a merchandise prize. For purposes of subpart 6, the organization must use the actual cost

paid by the organization for the merchandise prizes. All merchandise prizes must be accounted for in a format prescribed by the board. The organization must maintain documentation on how the fair market value was determined for all merchandise prizes. The fair market value of a merchandise prize must not be established at an amount less than the organization paid for the merchandise prize.

B. Each pull-tab must not be sold for more than \$2.

C. All prizes must be awarded in cash, merchandise, or in free plays as designated on the flare. A merchandise prize may include a certificate for merchandise, which must contain the following information:

- (1) a complete description of the merchandise to be redeemed by the certificate;
- (2) the name of the vendor from whom the certificate must be redeemed;
- (3) the value of the merchandise described on the certificate; and
- (4) a statement expressly prohibiting the substitution of cash or another item or type of merchandise for the merchandise described on the certificate.

All merchandise prizes must be displayed in full view of the players in the immediate vicinity of the pull-tab game.

When a winner of a merchandise prize is determined, the organization shall remove that prize from any display and award it to the winner immediately.

D. When a player wins a cash prize of \$50 or more or receives a cash prize for redeeming the last ticket sold in a pull-tab game for which the distributor has modified the flare to contain a last sale value of \$20 or more, the organization shall record the win according to subpart 6, item C.

E. An organization conducting pull-tab games in which any merchandise prizes are awarded shall have paid for in full or otherwise become the owner without lien or interest of others of all the merchandise prior to the time when the winners of the prizes are determined.

Subp. 6. **Records.** An organization shall maintain the following information for a period of 3-1/2 years.

A. All records, reports, and receipts relating to a deal of pull-tabs in play must be retained at the gambling premises and thereafter retained by the organization and made available on demand to the board.

B. For each deal of pull-tabs the flare, with the bar code affixed, and all winning, unopened, and unsold pull-tabs segregated by game serial number. Commingled deals of pull-tabs are not required to be segregated by game serial number. The organization shall not open any unsold or defective pull-tabs.

C. All completed prize receipt forms for any winning pull-tab valued at \$50 or more or for any prize for redeeming the last ticket sold in a pull-tab game for which the distributor has modified the flare to contain a last sale value of \$20 or more. A prize receipt form prescribed by the board shall include at a minimum the following information:

- (1) The pull-tab seller must legibly print in ink on the receipt the following:
 - (a) the name of the gambling premises;
 - (b) the game serial number of the deal of pull-tabs from which the prize was won;
 - (c) the name of the game of that deal of pull-tabs;
 - (d) the date the prize was won;
 - (e) the dollar amount of the cash prize won or the fair market value for a merchandise prize won; and
 - (f) the winner's name and driver's license number including state of license registration, unless the winner does not have a driver's license, in which case the winner's full name and full address obtained from a picture identification.

MINNESOTA RULES 2001

57

GAMBLING; GENERAL PROVISIONS 7861.0090

(2) The receipt must be legibly signed in ink by the pull-tab seller paying the winner.

D. An organization must complete a detailed monthly report in a standard format approved by the commissioner of revenue for each deal of pull-tabs removed from play during that month, as required by part 7861.0120, subpart 3, item D. The report must contain the following information:

- (1) the premises permit number and name of the premises;
- (2) the month and year the report is prepared;
- (3) the name of the preparer;
- (4) the name of each deal of pull-tabs and the number of pull-tabs in the deal;
- (5) the game serial number;
- (6) the date put into play;
- (7) the date removed from play;
- (8) the cost of each pull-tab;
- (9) the ideal gross receipts;
- (10) the ideal prizes which includes last sale;
- (11) the dollar amount of unsold and defective pull-tabs;
- (12) the actual gross receipts;
- (13) the actual prizes paid, including the dollar amount of the cash prize and the actual cost for merchandise prizes;
- (14) the net receipts;
- (15) the actual cash profit or loss resulting from each deal of pull-tabs removed from play; and
- (16) the cash long or short stated numerically.

E. Reports must provide sufficient detail to determine the actual net receipts, actual cash profit, and the cash long and short for each deal of pull-tabs.

F. An organization shall maintain an access log, on a form provided by the board, for each pull-tab dispensing device that it operates. The active access log shall be kept in an interior compartment of the pull-tab dispensing device and an access log, when completed, shall be removed and stored in compliance with this part.

Subp. 7. **Disposal of pull-tabs.** The organization may dispose of played deals of pull-tabs when the retention period of 3-1/2 years expires, unless the organization is notified to retain the pull-tabs because an audit, compliance review, or investigation is being conducted. The disposal must result in complete destruction such as shredding or burning.

Statutory Authority: *MS s 349.151; 349.19*

History: *16 SR 2116; 19 SR 2222; 19 SR 2380; 23 SR 831*

7861.0090 TIPBOARDS.

Subpart 1. **Restrictions.** The following items are restrictions on tipboards:

A. No gambling employee of an organization shall purchase tipboards at the site of the employee's place of employment. For purposes of this subpart, the term "employee" includes a volunteer.

B. No organization shall sell or put out for play any tipboard which does not have the tipboard tickets for that tipboard attached to it.

C. An organization may not purchase tipboards that have the same game serial number, or obtain, possess, or allow upon a site a tipboard or portion thereof with the same serial number as any other tipboard or portion thereof in its possession.

D. Each tipboard must have a serial number with the same serial number on each ticket attached to the tipboard.

MINNESOTA RULES 2001

7861.0090 GAMBLING; GENERAL PROVISIONS

58

E. An organization shall not pay a player unless the player redeems an actual winning tipboard ticket. A prize may not be awarded to any player for a lost, marked, defaced, or altered ticket.

F. A tipboard may not be played unless the flare for that tipboard is posted in the area of the permitted premises where the tipboard tickets are offered for sale.

G. An organization shall not modify the designation of prizes printed on the tipboard or use a tipboard that is altered or defaced. The prize awarded must be the prize printed on the tipboard.

Subp. 2. **Operation of tipboards.** The following items apply to the game of tipboards:

A. All tipboard tickets must be placed out for play at the same time.

B. The tipboard must have printed on it the cost per ticket, the value of the prizes for the winning tickets, the number of prizes, the seal prize and consolation, prize or prizes, and the number of total tickets.

C. House rules governing the conduct of the sale of tipboards must be posted in such a manner that the players have access to the house rules before buying a tipboard ticket.

D. At each permitted premises a copy of the distributor's invoice for each tipboard deal in play and for each tipboard on the premises must be available for inspection by the board and its agents and the commissioners of revenue and public safety and their agents.

E. A tipboard may not be put out for play unless the serial number on the individual flare for that tipboard matches the serial number printed on the tipboard and the tipboard tickets. If the serial numbers do not correspond, the organization shall return the tipboard to the distributor.

Subp. 3. **Tipboard prize and cost per ticket limits.** The cost per ticket and the value of the prizes must be as follows:

A. Each tipboard ticket may not be sold for more than \$2.

B. Each tipboard ticket must be sold for the single ticket price indicated on the flare and no tipboard ticket may be provided to a player free of charge or for any other consideration.

C. A prize or any combination of prizes may not have a value exceeding \$500. The winner is determined by removing the seal on the tipboard.

D. A prize must be awarded in cash, merchandise, or free plays as indicated on the tipboard and the flare. A merchandise prize may include a certificate for merchandise, which must contain the following information:

(1) a complete description of the merchandise to be redeemed by the certificate;

(2) the name of the vendor from whom the certificate must be redeemed;

(3) the value of the merchandise described on the certificate; and

(4) a statement expressly prohibiting the substitution of cash or another item or type of merchandise for the merchandise described on the certificate.

“Value” means the dollar amount of a cash prize or the fair market value for a merchandise prize. For purposes of subpart 4, the organization must use the actual cost paid by the organization for the merchandise prizes.

All merchandise prizes must be accounted for in a format prescribed by the board. The organization must maintain documentation on how the fair market value was determined for all merchandise prizes. The fair market value of a merchandise prize must not be established at an amount less than the organization paid for the merchandise prize.

E. Merchandise prizes awarded in any tipboard game must be displayed in full view of the players in the immediate vicinity of the tipboard game. When the winner of

MINNESOTA RULES 2001

a merchandise prize is determined, the organization shall immediately remove the prize from the display and award it to the winner.

F. Merchandise prizes purchased by the organization at a discount shall be valued at their fair market value and shall be included in the determination of compliance with Minnesota Statutes, section 349.211.

G. An organization conducting tipboard games in which any merchandise prizes are awarded shall have paid for in full or otherwise become the owner without lien or interest of others of all the merchandise prizes prior to the time when the winners of the prizes are determined.

Subp. 4. **Records.** At each permitted premises the organization shall maintain a copy of the distributor's invoice for each tipboard in play and for each tipboard on the premises and shall make the invoices available for inspection by the board and its agents and the commissioners of revenue and public safety and their agents. Information pertaining to the sale of tipboards must be recorded in the same manner as for pull-tabs, according to part 7861.0080, subpart 6.

Subp. 5. **Disposal of played tipboards.** A played tipboard and the accompanying flare must be retained for 3-1/2 years following the end of the month in which the tipboard was played and reported. The organization may dispose of a played tipboard when the retention period expires, unless the organization is notified to retain the tipboard because an audit, compliance review, or investigation is being conducted. The disposal must result in complete destruction, such as by shredding or burning.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 23 SR 831*

7861.0100 PADDLEWHEELS.

Subpart 1. [Repealed, 17 SR 2711]

Subp. 1a. **Two versions of paddlewheel game.** The game of paddlewheels may be conducted with or without a paddlewheel table. The game of paddlewheels without a paddlewheel table must be conducted in accordance with subparts 2 to 8 and 15 and 16. The game of paddlewheels with a paddlewheel table must be conducted in accordance with subparts 2 to 7 and 9 to 16.

Subp. 2. **General conduct of paddlewheels.** The following items apply to the conduct of all paddlewheel games:

A. Paddlewheels must be played using paddletickets, paddleticket cards, and a paddlewheel.

B. An organization may not use a paddlewheel that has not been approved by the board pursuant to Minnesota Statutes, section 349.163, subdivision 6, or that does not have a state registration stamp affixed to it.

C. Each paddleticket card must have a paddleticket card number preprinted on the stub and on each individual paddleticket. Each paddleticket card must have a different number. An organization may not have two paddleticket cards with the same number in its possession.

D. No paddleticket card may be played unless the master flare for that card is posted in a conspicuous place on the permitted premises for the paddlewheel being played.

E. An organization may not use paddletickets:

(1) when the actual paddleticket card number preprinted on the tickets does not correspond to one of the paddleticket card numbers indicated on the master flare;

(2) when the paddleticket card number preprinted on the stub does not match the paddleticket card number preprinted on the individual tickets; or

(3) which are not attached to the paddleticket card.

F. An organization must deface all unsold paddletickets and all winning paddletickets which have been redeemed.

Subp. 3. **Prize value and ticket price restrictions.** The following prize value and paddleticket price restrictions apply to all paddlewheel games:

A. The prize awarded for a winning paddleticket may not exceed \$70 in value.

B. An organization may not sell a paddleticket for more than \$2. All the paddletickets on a paddleticket card must be sold for the same price. No person shall be required to purchase more than one paddleticket, or pay for anything other than the ticket, in order to play.

Subp. 4. [Repealed, 17 SR 2711]

Subp. 5. [Repealed, 17 SR 2711]

Subp. 6. **General restrictions.** The following restrictions apply to all paddlewheel games:

A. No gambling employee of an organization shall purchase paddletickets at the site of the employee's place of employment. For purposes of this subpart, the term "employee" includes a volunteer.

B. No organization may have a direct interest in the outcome of the spin of a paddlewheel.

Subp. 7. **Balancing, opening, closing, maintenance, and inspection of paddlewheels.** The following requirements for the balancing, opening, closing, maintenance, and inspection of paddlewheels apply to all paddlewheel games:

A. To open a paddlewheel on a day when it will be used, an organization's paddlewheel operator must inspect each peg or pin and the pointer for uneven wear and immediately replace any worn peg or pin or worn pointer, and shall evaluate the balance of the paddlewheel by:

(1) inspecting the back of the paddlewheel for a foreign object that may affect the paddlewheel's balance; and

(2) positioning the pointer so it does not interfere with the spin of the paddlewheel. The paddlewheel must be slowly rotated 45 to 90 degrees at a time in one direction. While the paddlewheel is spinning, the paddlewheel operator shall determine whether there is any abnormality in the rotation or any reverse rotation after the paddlewheel stops. The wheel must continue to be rotated until the entire wheel has been evaluated by this method in both directions. If the paddlewheel is out of balance, the organization shall balance the paddlewheel before conducting paddlewheels.

B. To close a paddlewheel at the conclusion of its use on a day, an organization's paddlewheel operator shall place a cover over the paddlewheel or otherwise make it inoperable for use.

C. For each month in which an organization uses a paddlewheel, it shall complete a paddlewheel maintenance record on a form prescribed by the board. The record shall contain spaces for the name of the person conducting the maintenance, the date of the maintenance, the type of paddlewheel, and the number of the state registration stamp affixed to the paddlewheel, and shall contain a list of maintenance checks to be performed to ensure that the paddlewheel is in balance.

D. An organization shall make its paddlewheel maintenance records available to employees of the board for inspection and shall permit employees of the board to inspect its paddlewheels to determine whether they are in balance.

E. An organization may not use a paddlewheel that is out of balance.

Subp. 8. **Conduct of paddlewheels without a paddlewheel table.** The following items apply to the conduct of paddlewheels without a paddlewheel table:

A. Each paddleticket must be sold separately and must constitute a separate and equal chance to win with all other paddletickets with the same paddleticket card number.

B. All the paddletickets sold for a spin of the paddlewheel must bear the same paddleticket card number. All the paddletickets on a paddleticket card must be sold before the spinning of the paddlewheel. If all the paddletickets on the card cannot be

sold, the organization shall refund the gross proceeds to the players in exchange for the unplayed paddletickets, which shall be defaced by the organization.

C. The paddlewheel must be spun by the organization's paddlewheel operator. The winning number is determined by the position of the pointer when the paddlewheel stops spinning. The paddlewheel must make at least four revolutions before stopping at the winning number. If four revolutions are not made, the spin is void and the paddlewheel must be spun again. An organization may not have multiple spins of the paddlewheel to award multiple prizes for one paddleticket card.

D. The paddletickets must be sold by the organization on the permitted premises for the paddlewheel being played and must be sold on the same day the paddlewheel is spun. No person may be required to be present when the paddlewheel is spun in order to be eligible for the prize. No person may be required to keep a paddleticket on the permitted premises in order to be eligible for the prize. However, the player with the winning paddleticket must claim the prize by redeeming the ticket on the permitted premises before the conclusion of the organization's lawful gambling activity for that day on the premises. Otherwise, the player forfeits the prize.

E. A prize must be awarded in cash or merchandise. No cash prize amount may be a variable multiple of the standard price of a paddlewheel ticket. Merchandise prizes must be valued at their fair market value. An organization must pay for in full or otherwise become the owner, without lien or interest of others, of merchandise to be awarded as a prize prior to the sale of paddletickets eligible for the prize. The organization must keep records showing its ownership of the merchandise, the fair market value of the merchandise, and its complete inventory of paddlewheel prize merchandise. An organization may not substitute cash for merchandise prizes which have been won. A merchandise prize may include a certificate for merchandise, which must contain the following information:

- (1) a complete description of the merchandise to be redeemed by the certificate;
- (2) the name of the vendor from whom the certificate must be redeemed;
- (3) the value of the merchandise described on the certificate; and
- (4) a statement expressly prohibiting the substitution of cash or another item or type of merchandise for the merchandise described on the certificate.

"Value" means the dollar amount of a cash prize or the fair market value for merchandise prizes. For purposes of subpart 16, the organization must use the actual cost paid by the organization for the merchandise prizes.

All merchandise prizes must be accounted for in a format prescribed by the board. The organization must maintain documentation on how the fair market value was determined for all merchandise prizes. The fair market value of a merchandise prize must not be established at an amount less than the organization paid for the merchandise prize.

F. Merchandise prizes awarded in any paddlewheel game must be displayed in full view of the players in the immediate vicinity of the paddlewheel game and shall not be redeemed for cash or converted into cash. When the winner of a merchandise prize is determined, the organization shall immediately remove the prize from the display and award it to the winner.

G. Merchandise prizes purchased by the organization at a discount and merchandise prizes donated to the organization shall be valued at their fair market value and shall be included in the determination of compliance with Minnesota Statutes, section 349.211.

H. For all winning paddletickets which have been redeemed, an organization shall keep records of the date played, the winner number, and the cash prize amount or merchandise prize awarded.

I. An organization must post clear and legible house rules on the play of paddlewheels in a conspicuous place on the permitted premises for the paddlewheel being played. The rules must include the following information:

- (1) A paddlewheel is used for the selection of the winner.
- (2) All paddletickets on a card must be sold before the spinning of the paddlewheel.
- (3) No person shall be required to purchase more than one paddleticket, or pay for anything other than the ticket, in order to play.
- (4) The paddlewheel must make at least four revolutions.
- (5) The winner is not required to be present when the paddlewheel is spun; however, the winner must claim the prize by the conclusion of the lawful gambling activity for the day.

J. An organization must post in a conspicuous place on the permitted premises for the paddlewheel being played a clear and legible sign stating the prize to be awarded to the winning paddleticket. The sign must be at least 18 inches by 24 inches in size.

Subp. 9. **Standards for paddlewheels and paddletickets used with a paddlewheel table, and for paddlewheel tables and chips.** Paddlewheels with a paddlewheel table must be conducted with a paddlewheel and paddlewheel tables manufactured according to part 7864.0030, subpart 1, items F and G, and with paddletickets manufactured according to part 7864.0030, subpart 1, item H. Each paddlewheel and paddlewheel table must have a state registration stamp affixed to its front.

Paddlewheel chips may not be made of plastic, wood, or paper. An organization may issue paddlewheel chips in denominations of \$1, \$2, \$5, and \$25. One dollar chips must be white, \$2 chips must be yellow, \$5 chips must be red, and \$25 chips must be green. Each chip must have permanent edge spots which are different in color than the rest of the chip. Each paddlewheel chip must also be clearly and permanently impressed, engraved, or imprinted on at least one side with the license number of the organization holding the premises permit for the premises at which the chips are being used and on at least the opposite side with the specific dollar value of the chip.

Subp. 10. **Opening and closing of paddlewheel tables.**

A. To open a paddlewheel table for use, a gambling employee or volunteer of the organization shall lift the top of the table and inspect the cavity for any paddleticket, paddlewheel chip, or foreign object that may have fallen through the slots, and shall affix a paddlewheel chip tray to the table and lock a paddlewheel drop box to the table.

B. To close a paddlewheel table after its use, a gambling employee or volunteer of the organization shall notify the players that their paddlewheel chips must be redeemed through the cash bank cashier, and shall collect all outstanding identification cards from the players.

Subp. 11. **Conduct of paddlewheels with a paddlewheel table.** The following items apply to the conduct of paddlewheels with a paddlewheel table:

A. Only cash prizes may be awarded. No cash prize amount may be a variable multiple of the standard price of a paddleticket.

B. The paddlewheel must be spun by the organization's paddlewheel operator. The winning colored number or set of colored numbers is determined by the position of the pointer when the paddlewheel stops spinning. The paddlewheel must make at least four revolutions before stopping at the winning colored number or set of colored numbers.

C. Paddlewheel chips must be purchased only at the paddlewheel table from the organization's paddlewheel operator. Paddletickets must be purchased only at the paddlewheel table from the organization's paddlewheel operator, and must be purchased only with paddlewheel chips except that paddletickets for the immediate next spin may be purchased directly with cash in an amount equal to the value of the tickets.

D. All paddletickets must be sold on the permitted premises for the paddlewheel being played and must be sold immediately preceding a spin to be valid for that spin. Each paddleticket must be sold separately and must constitute a separate and

equal chance to win with all other paddletickets sold for the spin. There may be no partially sold paddleticket cards for a spin. If all the tickets on a card cannot be sold, the organization shall refund the gross proceeds to the players in exchange for the unplayed tickets of that card, which shall be defaced by the organization.

E. When a player first purchases paddlewheel chips, the organization's paddlewheel operator shall provide the player with a card containing a unique identification number. The player shall return the card to the paddlewheel operator immediately after the player stops playing. Each player must write the player's assigned identification number on the back of the player's paddletickets prior to placing the tickets in a betting slot on the paddlewheel table.

F. A player shall bet all the player's purchased paddletickets on the immediate next spin. If a player purchases a paddleticket and does not bet the ticket on the immediate next spin, the ticket is void, the ticket may not be wagered on any other spin of the paddlewheel, and the player shall surrender the ticket to the organization's paddlewheel operator who shall treat it as a losing ticket.

G. To bet, a player shall place the player's paddleticket in a betting slot on the paddlewheel table. A player's paddleticket is void and must be treated as a losing ticket if the player forces it all the way through the slot into the cavity of the table. The organization's paddlewheel operator may assist a player provided that the operator first verbally announces to all the players at the table that the operator is assisting the player and what assistance is being rendered.

H. A player may bet a paddleticket while another player is purchasing a ticket.

I. An organization's paddlewheel operator shall sequentially number each spin of the paddlewheel for each day of activity beginning with "one" for the first spin of the day and progressing with each spin. The spin number must be written either on the face of the first paddleticket card stub for which paddletickets have been sold for a particular spin or on the back of the last stub from which tickets have been sold for a particular spin. All spin numbers must be consistently recorded in the same location on the stub for all spins of the day. However, when the sale of tickets for a particular spin continues into a new sealed grouping of paddleticket cards, then the sequential spin number must be written on the face of the first stub of the group from which tickets are continuing to be sold. For each subsequent spin of the same group of paddleticket cards, the spin number must be recorded consistent with the organization's standard practice, written either on the face of the first stub for which paddletickets have been sold or on the back of the last stub from which tickets have been sold. The paddlewheel operator may not continue the sale of tickets for any particular spin into a new group of paddleticket cards unless the master flare for the group reflects the same prize payout as the master flare associated with the previous group. The master flare of the new group for which the sale of tickets is continuing and the master flare of the finished group from which tickets were sold for the same spin must be posted until the end of the spin, after which the old master flare must be removed. The paddlewheel operator must initial each paddleticket card stub. Both this initialing and the recording of spin numbers on card stubs must be done with a nonerasable marker.

J. When the organization's paddlewheel operator has determined that no other player desires to purchase a paddleticket for the immediate next spin of the paddlewheel, that there is no partially sold paddleticket card, and that the players have bet all their tickets, the operator shall announce "bets closed." Thereafter, no player may bet a paddleticket, change a bet of a previously placed ticket, touch any ticket, or place the player's hands on top of the paddlewheel table.

K. After the winning colored number or set of colored numbers is determined, the organization's paddlewheel operator shall record with a nonerasable marker the winning colored number and set of colored numbers on the face of the paddleticket card stub with the lowest serial number, or on the back of the paddleticket card stub with the highest serial number, of the cards related to that spin of the paddlewheel. The paddlewheel operator shall then remove all losing paddletickets from the slots on the paddlewheel table and visibly tear in half and discard the tickets in a container that

MINNESOTA RULES 2001

7861.0100 GAMBLING; GENERAL PROVISIONS

64

is not easily accessible by a player. The operator shall next pay off the winning tickets slot by slot. To pay off the winning tickets, the operator shall:

- (1) circle or record the winning colored number or set of colored numbers on the face or on the back of the winning ticket with a nonerasable marker;
- (2) pay off the winning ticket directly to the player who has the card containing the unique identification number written on the back of the ticket; and
- (3) record on the face or on the back of the winning ticket the prize amount with a nonerasable marker.

L. An organization must post clear and legible house rules on the play of paddlewheels in a conspicuous place on the permitted premises for the paddlewheel being played. The rules must include the following information:

- (1) The cash denominations at which paddlewheel chips issued by the organization are sold and redeemed.
- (2) A player must first purchase paddlewheel chips from the paddlewheel operator.
- (3) Chips must be safeguarded. A chip dropped into a table betting slot must be retrieved by authorized personnel.
- (4) Purchase, with chips, only as many paddletickets as the player desires to bet on the immediate next spin of the paddlewheel.
- (5) A player is assigned a unique identification number that the player must write on the back of purchased paddletickets.
- (6) Place a bet by carefully inserting a paddleticket in a selected betting slot on the paddlewheel table. Jammed tickets are void.
- (7) No player may touch a paddleticket after the paddlewheel operator announces "bets closed" and until the operator announces "place bets."
- (8) A paddlewheel must make at least four revolutions.
- (9) If the pointer stops directly on top of a peg or pin, the number preceding the peg or pin is the winning number.
- (10) A winning "odd" or "even" bet is determined by a winning number of only the designated colored circle. However, a player loses all "odd" and "even" bets if the pointer stops on a specially designated "house number." This rule must be posted only if an "odd" or "even" bet is accepted.
- (11) A prize payout is made in chips which may be redeemed through the cashier.
- (12) A player must be present to win.

Subp. 12. **Operating procedures and internal controls.** The following operating procedures and internal controls apply to the conduct of paddlewheels with a paddlewheel table:

A. An organization must keep records adequate to account for the cash won or lost for each sealed grouping of 100 or fewer sequentially numbered paddleticket cards and records adequate to account for the paddletickets, paddleticket cards, paddlewheel chips, gross receipts, actual net receipts, actual cash profit, and cash long or short for each accounting period. For purposes of this subpart, an "accounting period" is a continuous time period during which a paddlewheel table is open for play.

B. For each accounting period for a paddlewheel table, an organization must maintain a record form with the following information:

- (1) the premises permit number for the premises at which the table is located;
- (2) the state registration stamp numbers for the paddlewheel table and the paddlewheel used;
- (3) the date and time of the accounting period;
- (4) the starting and ending cash bank amount;

MINNESOTA RULES 2001

65

GAMBLING; GENERAL PROVISIONS 7861.0100

(5) the starting and ending paddlewheel chip inventories by denomination and total dollar value; and

(6) the denomination and total dollar value of paddlewheel chips taken to the table from inventory, taken from the table to inventory, and redeemed for cash.

C. An organization is responsible for the safeguarding and secure storage of paddleticket cards and paddlewheel chips.

D. Paddlewheel chips shall be redeemed only through an organization's paddlewheel chip and cash bank cashier. The cash bank used by the organization to redeem its paddlewheel chips must be kept completely separate and apart from all other cash of the organization. Paddlewheel chips shall be redeemed for cash at the value for which they were sold, except when the chips were obtained or being used unlawfully. Redeemed chips must be kept completely separate and apart from the chip bank until after the organization completes the records for the accounting period during which the chips were redeemed.

E. An organization's paddlewheel operator shall redeem the actual paddlewheel chips received as tips through the organization's paddlewheel chip and cash bank cashier and shall not exchange those chips for other chips from any chip tray. This item does not preclude the pooling of tips.

F. The organization's paddlewheel chip and cash bank cashier must prepare a fill slip whenever paddlewheel chips are distributed to a paddlewheel table from the chip bank. An organization may not transfer or make change of chips directly from one table to another table. The fill slip must be at least a two-part carbonless form. On the original and duplicate fill slip, at least the following information must be recorded:

- (1) the date and time;
- (2) the denomination of chips;
- (3) the quantity and total dollar value, by denomination, of chips;
- (4) the total dollar value of chips; and
- (5) the table identification number if required by subpart 14, item A.

The original copy of the fill slip must be retained by the cashier. The duplicate copy of the fill slip must be deposited in the paddlewheel table drop box by the paddlewheel operator.

G. The organization's paddlewheel operator must prepare a credit slip whenever paddlewheel chips are returned from the paddlewheel table to the chip bank. The credit slip must be at least a two-part carbonless form. The same information must be recorded on the original and duplicate credit slip as on a fill slip under item F. The original copy of the credit slip must be deposited in the paddlewheel table drop box by the paddlewheel operator. The duplicate copy of the credit slip must be retained by the cashier.

H. After play has commenced, a money plunger must remain in the paddlewheel table drop box slot while the drop box is attached to the table except when coin, currency, or forms are inserted into the drop box. All cash taken in on paddlewheel chips must be placed immediately into the drop box. No person may access the contents of the drop box prior to the drop box cash count under item I.

I. During an accounting period, the key to at least one lock securing the contents of the paddlewheel drop box must be maintained and controlled by a person who is not acting as a paddlewheel operator or paddlewheel chip and cash bank cashier during that period. At the close of an accounting period, the drop box shall be opened and counted by two persons, at least one of whom did not act as a paddlewheel operator or paddlewheel chip and cash bank cashier during that period.

Subp. 13. **Bet and prize payoff restrictions.** The following bet and prize payoff restrictions apply to the conduct of paddlewheels with a paddlewheel table:

A. No person may place a bet that exceeds one or more of the following limits:

- (1) \$50 in aggregate for a spin of the paddlewheel;

MINNESOTA RULES 2001

7861.0100 GAMBLING; GENERAL PROVISIONS

66

- (2) \$10 on a single colored number;
- (3) \$25 for a line bet; and
- (4) \$25 on either "odd" or "even."

A bet is void to the extent it exceeds one or more of these limits. The paddletickets used to make the excess portion of the bet must be treated as losing tickets.

B. The prize payoff to a player is the value of paddlewheel chips to be paid out for a winning paddleticket per dollar spent on the ticket. An organization must post near the paddlewheel table a clear and legible sign stating the prize payoff and the bet restrictions for the paddlewheel game being conducted. The sign must be at least 18 inches by 24 inches in size.

C. The prize payoff must be a predetermined variable multiple of the amount wagered and must be in the form of paddlewheel chips. The prize payoff may not exceed the following ratios:

- (1) 40 to 1 for a bet on a single colored number in the outer concentric circle of the paddlewheel;
- (2) 20 to 1 for a bet on a single colored number in the middle concentric circle of the paddlewheel;
- (3) 10 to 1 for a bet on a single colored number in the inner concentric circle of the paddlewheel;
- (4) 5 to 1 for a line bet; or
- (5) 2 to 1 for an "odd" or "even" bet.

Subp. 14. **Restrictions.** The following restrictions apply to the conduct of paddlewheels with a paddlewheel table:

A. No more than two paddlewheel tables may be located at a lawful gambling site. If there are two paddlewheel tables at a site, each table and its paddlewheel drop boxes must bear a paddlewheel table identification number that distinguishes them from the other table and its drop boxes.

B. All tips must be made only with paddlewheel chips.

C. An organization shall not redeem, exchange, or allow to be used as a paddlewheel wager or a tip any paddlewheel chip that does not bear the organization's license number.

Subp. 15. **Retention of records.**

A. The records required to be kept by an organization pursuant to this part must be retained by the organization for at least 3-1/2 years.

B. An organization must retain for at least 3-1/2 years all paddleticket card stubs and the accompanying master flares, all unsold paddletickets, and all winning paddletickets which have been redeemed.

Subp. 16. **Reports.** The use of paddletickets must be reported in the same manner as for pull-tabs under part 7861.0080, subpart 6. An organization must complete a detailed monthly report in a standard format approved by the commissioner of revenue for each sealed grouping of 100 or fewer sequentially numbered paddleticket cards from which paddletickets were sold that month. The reports must provide sufficient detail to determine the actual net receipts, actual cash profit, and the cash long and short for each sealed grouping of 100 or fewer sequentially numbered paddleticket cards.

Subp. 17. [Repealed, 23 SR 831]

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 17 SR 2711; 23 SR 831*

7861.0110 RAFFLES.

Subpart 1. **Conducting raffles.** The following items apply to the conduct of raffles:

A. Each ticket for entry in a raffle must constitute an equal chance to win in the raffle.

B. No person shall be required to purchase more than one ticket, or to pay for anything other than the ticket, in order to enter a raffle.

C. No person shall be required to be present at a raffle drawing in order to be eligible for the prize drawing.

D. Each ticket seller shall return to the organization all unsold tickets and the stubs or other detachable section of all tickets sold before the drawing.

E. No tickets may be sold after the first drawing.

F. Before drawing, the organization shall place each stub or other detachable section of each ticket sold into a receptacle from which the winning tickets are to be drawn.

G. The receptacle must be designed so that each ticket placed in it has an equal chance to be drawn.

Subp. 2. Raffle prizes.

A. A prize must be awarded in cash, merchandise, a certificate for merchandise, a certificate for services, or real property as indicated on the raffle ticket. "Value" means the dollar amount of the cash prize, the fair market value for merchandise, the fair market value for certificates for merchandise, and the fair market value for certificates for service. For real property prizes, "value" means the assessed tax value or the actual cost paid by the organization. For purposes of subpart 6, the organization must use the actual cost paid by the organization for the merchandise, certificates for merchandise, certificates for services, or real property prizes. A merchandise or service prize may include a certificate for merchandise or a certificate for services provided that the certificate for merchandise or services contains the following information:

(1) a complete description of the merchandise or services to be redeemed by the certificate;

(2) the name of the vendor from whom the merchandise or services must be redeemed;

(3) the value of the merchandise or services described on the certificate; and

(4) a statement expressly prohibiting the substitution of cash or another type of merchandise or services for the merchandise or services described on the certificate.

B. All merchandise and service prizes must be accounted for in a format prescribed by the board. For all merchandise and service prizes, the organization must maintain documentation on how the fair market value was determined. The fair market value of a merchandise or service prize must not be established at an amount less than the organization paid for the merchandise or service prize.

C. Merchandise or service prizes purchased by the organization at a discount and any merchandise or service prizes donated to an organization shall be valued at their fair market value and shall be included in the determination of compliance with Minnesota Statutes, section 349.211. Real property prizes shall be valued at their assessed tax value and shall be included in the determination of compliance with Minnesota Statutes, section 349.211.

D. An organization conducting raffles in which any merchandise, service, or real property prizes are awarded shall have paid for in full or otherwise become the owner without lien or interest of others of all the merchandise, services, or real property prior to the time when the winners of the prizes are determined. An organization conducting raffles in which any merchandise or service prizes are awarded is responsible for insuring that the merchandise or service prize is delivered to the winner of the prize.

MINNESOTA RULES 2001

7861.0110 GAMBLING; GENERAL PROVISIONS

68

Subp. 3. **Raffle ticket requirements.** The following items are raffle ticket requirements:

A. Raffle tickets shall have a detachable section and be consecutively numbered. The detachable section of the ticket must bear a duplicate number corresponding to the number on the ticket and must contain the purchaser's name, complete address, and telephone number. Both parts must be imprinted with sequential numbers commencing with the number "1" through the maximum number of tickets to be sold. The following information must be printed upon each ticket:

- (1) the date and time of the drawing;
- (2) the location of the drawing;
- (3) the name of the organization conducting the raffle;
- (4) the license number, if any, or exemption number;
- (5) the price of the ticket; and
- (6) the prize or prizes to be awarded.

B. A log book must be maintained, which at a minimum includes the following:

- (1) the name of the organization;
- (2) the total number of tickets printed;
- (3) the price per ticket;
- (4) the date of the raffle drawing;
- (5) the names and telephone numbers of all persons to whom tickets were given to be sold;
- (6) the number of tickets given to each person for sale;
- (7) the consecutive numbers of the tickets given to each person for sale;
- (8) the number of tickets each person sold;
- (9) the number of tickets each person returned unsold;
- (10) the actual gross proceeds reported by each person to whom tickets were given to be sold;
- (11) the actual cash received from each person to whom tickets were given to be sold; and
- (12) the cash long or short reported by each person to whom tickets were given to be sold.

Subp. 4. **Prize and cost per ticket limits.** Prizes and cost per ticket for a raffle may not exceed the following limits:

A. Total prizes for all raffles conducted by a licensed organization may not exceed a total value of \$100,000 per organization in a calendar year, for exempted organizations may not exceed a total of \$50,000 in a calendar year for all lawful gambling prizes, and for excluded organizations may not exceed \$750 a year.

B. Cash prizes may not exceed \$12,000, which may be awarded:

- (1) as the total amount of cash prizes for a single raffle; or
- (2) as the total amount of prizes for several complete raffles, the drawings for which are conducted on the same day.

C. Cash is defined for purposes of this subpart as currency, coinage, and negotiable instruments.

D. Each ticket must be sold for the same price and no ticket may be provided free of charge or for any other consideration.

Subp. 5. **Prizes must be awarded.** All raffle prizes must be awarded on the date indicated on the raffle ticket unless a different date is approved by the board. The board shall extend the date for the drawing if:

A. weather has caused a postponement of the event at which the drawing was to occur; or

B. not enough tickets were sold to cover the cost of the prizes, and an extension will enable the organization conducting the raffle to sell enough tickets to

MINNESOTA RULES 2001

69

GAMBLING; GENERAL PROVISIONS 7861.0120

cover the cost of the prizes. The fact that a desired level of profit will not be attained is not a basis for an extension of the date of the drawing.

Subp. 6. **Records.** An organization shall maintain the following records for each raffle conducted for a period of 3-1/2 years:

- A. the total amount of proceeds received from a raffle;
- B. all allowable expenses deducted from the net receipts of a raffle;
- C. the winning ticket stubs;
- D. the log book showing to whom the tickets were given to be sold;
- E. a copy of the detachable section of the ticket, displaying the information required by subpart 3, item A, subitem (1);
- F. all unsold tickets from the raffle; and
- G. the total value of all prizes awarded in each raffle, including the dollar amount of the cash prizes, the actual cost for merchandise prizes, the actual cost for certificates for merchandise and certificates for services, and the assessed tax value or actual cost paid by the organization for real property prizes.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 23 SR 831*

7861.0120 ORGANIZATION OPERATIONS, ACCOUNTS, AND REPORTS.

Subpart 1. **Internal accounting and administrative controls required.**

A. An organization must establish, implement, and have available for review a written system of internal accounting and administrative controls relative to its lawful gambling operations, which includes procedures for:

- (1) inventory acquisition and control;
- (2) gaming operations control;
- (3) fund control and records; and
- (4) accounting and monthly reports.

The board shall require that the organization revise its internal accounting and administrative control system if it is not sufficient to protect the integrity of the lawful gambling operation or does not meet accounting control system objectives of item B or the administrative control objectives of item C. Failure to respond to the board's notice that the organization must revise its internal accounting and administrative control system shall result in the board taking disciplinary action.

B. The system of accounting control for the gambling operations must provide a description of the procedures and records so that the following objectives will be met:

- (1) that transactions are made with management's authorization;
- (2) that gambling revenue transactions are recorded as necessary to record gambling revenue and properly maintain accountability for assets;
- (3) that access to assets is only permitted with management's authorization; and
- (4) that the recorded gambling funds and equipment are monitored on an on-going basis and discrepancies are resolved.

C. The system of administrative control relative to gambling operations must include a complete plan of organization that will provide appropriate segregation of functional responsibilities and sound practices to be followed in the performance of these duties by competent and qualified personnel. The plan of organization must include a diagram and a narrative which describe the interrelationship of functions and the division of responsibilities upon which the system of internal control of the gambling operations is based.

D. Changes in internal controls must be submitted to the board ten days before their effective date.

MINNESOTA RULES 2001

7861.0120 GAMBLING; GENERAL PROVISIONS

70

Subp. 2. **Method of accounting.** The following items are general accounting considerations:

A. Gross receipts must be determined using the cash basis method.

B. Allowable expenses must be determined using the cash basis method, except:

(1) Deals of pull-tabs, paddletickets, and tipboards must be determined on the accrual basis.

(2) The tax imposed by Minnesota Statutes, section 349.212, must be deducted on the accrual basis.

Subp. 3. **Records and reports required.** The following items apply to records and reports:

A. Each organization shall maintain complete, accurate, and legible general accounting records with detailed supporting subsidiary records sufficient to furnish information regarding all gambling transactions. All inventory records, including perpetual, physical, and site inventory records, and all prize accounting records must be recorded on forms prescribed by the board or in a format approved by the board. The monthly accounting records must be sufficient to adequately reflect gross receipts, prizes, net receipts, expenses, and all other accounting transactions.

B. A monthly report must be made to the members of the organization. The monthly report must contain the following information:

(1) the gross receipts from each form of lawful gambling conducted;

(2) the cost of all prizes paid out for each form of lawful gambling conducted;

(3) full details on all expenses related to each form of lawful gambling conducted;

(4) records that show in detail how the profit from gambling activity was expended for lawful purpose;

(5) detailed records of gambling equipment purchases, which include type, quantity, unit cost, and from whom purchased;

(6) a physical inventory, prepared according to item A, taken at the end of each month, which includes a list of all games, identified by manufacturer's identification number, part number, serial number, name of game, and cost for each game (any games in play are considered in inventory); and

(7) a bank reconciliation done each month, which lists outstanding checks and electronic transfers, deposits in transit, and beginning and ending bank balances for the month which correspond to the profit carryover.

C. The following information must be filed with the board monthly on forms prescribed by the board or quarterly in the case of a licensed organization that does not report more than \$1,000 in gross receipts from lawful gambling in any calendar quarter:

(1) a record of lawful purpose expenditures (schedule C); and

(2) a record of board-approved expenditures (schedule D).

The reports required by this item are due on or before the 20th day of the month following the close of the month in which the activity being reported took place.

D. The following tax return and schedules must be filed monthly with the Department of Revenue on forms prescribed by the commissioner of revenue:

(1) monthly lawful gambling activity summary and tax return (form G-1);

(a) The unpaid liabilities of the licensee on allowable expenses shall be reported to the commissioner of revenue on its monthly gambling tax return.

(b) The gambling manager and the chief executive officer of the organization, or their respective designees, and the person who completed the tax return must sign the tax return. The organization shall inform the commissioner of revenue in writing of the identity of the designees;

MINNESOTA RULES 2001

71

GAMBLING; GENERAL PROVISIONS 7861.0120

- (2) summary of receipts and expenses per site (schedule A);
- (3) summary of pull-tab or tipboard games played or paddleticket groupings played and receipts per game; and
- (4) combined receipts tax schedule (schedule E).

E. When an organization has a fund loss by questionable means of its inventory or cash, the organization shall comply with subitems (1) to (7).

(1) Within five days of discovery of the loss, the organization shall file a report with local law enforcement authorities. If the loss occurred from a pull-tab dispensing device, the local law enforcement report must be filed within 24 hours of the discovery of the loss.

(2) Within 60 days of discovery of the loss, the organization shall either:

(a) provide documentation to the board demonstrating that its gambling account was reimbursed for the amount of the fund loss with nongambling funds pursuant to subpart 4, item A, subitem (4); or

(b) file a fund loss request with the board requesting an adjustment to its profit carryover.

(3) The fund loss request shall be submitted within 60 days of discovery of the loss, or the request will not be considered by the board. The request shall be filed on a form prescribed by the board and contain, at a minimum, the following information:

(a) the name and address of the organization;

(b) the organization's license number, premises permit number, and effective date of the premises permit;

(c) the monetary value of the loss;

(d) a complete description of how and when the loss occurred;

(e) a statement describing how the assets were secured;

(f) whether the current status of the law enforcement investigation is active, inactive, or closed;

(g) whether any portion of the loss has been, or will be, paid by insurance or restitution and, if so, the anticipated amount to be paid and the anticipated dates of payment;

(h) a description of the internal controls in place at the time of the loss and any changes made to the organization's internal controls and personnel to prevent future losses;

(i) the date the loss was reported to the membership; and

(j) signatures of the chief executive officer and the gambling manager.

(4) The following units shall be included as attachments to the fund loss request:

(a) a copy of the local law enforcement report required by subitem (1);

(b) a copy of the organization's completed Schedule B-2 that describes how the amount of the loss was verified by the organization;

(c) a copy of the organization's completed Schedule F that describes how the loss was reported to the Department of Revenue; and

(d) a copy of the minutes from the meeting at which the fund loss was reported to the membership.

(5) The board shall consider, at a minimum, the following items when approving or denying fund loss requests:

(a) the security procedures in effect at the time the loss occurred;

(b) how the assets were secured when the loss occurred;

(c) the internal controls in effect at the time the loss occurred;

MINNESOTA RULES 2001

7861.0120 GAMBLING; GENERAL PROVISIONS

72

(d) whether or not the internal controls were followed by the organization's employees;

(e) the timely filing of the local law enforcement report;

(f) the completeness of the information submitted on and with the fund loss request;

(g) if the fund loss consisted of cash:

i. whether or not an organization employee was in control of the cash at the time the loss occurred;

ii. how the cash was protected;

iii. whether or not the cash was accessible to nonorganization employees; and

iv. if the loss occurred after business hours, how the cash was protected and controlled by the organization;

(h) if the fund loss consisted of inventory:

i. whether or not an organization employee was in control of the inventory at the time the loss occurred;

ii. whether the inventory was in play or locked in a secured area;

iii. whether or not the inventory was accessible to nonorganization employees; and

iv. if the loss occurred after business hours, whether the inventory was protected in a secured area controlled by the organization.

(6) The board shall approve or deny the organization's request for an adjustment to its profit carryover. If the board makes a determination that the request should be denied, the organization must reimburse its gambling account for the amount of the fund loss. Proof of reimbursement shall be submitted within 90 days of the board's final determination or resolution on the matter, pursuant to subpart 4, item A, subitem (4).

(7) The board shall reconsider fund loss requests when an organization presents new information or facts that the organization could not, by due diligence, have discovered prior to the board's initial consideration of the fund loss request.

F. Each licensed organization that files with the United States Department of the Treasury any forms that are required for organizations exempt from the payment of income tax shall retain a copy of those forms for 3-1/2 years, and make them available to the board or the Department of Revenue upon request.

Subp. 4. **Bank accounts.** The following items apply to bank accounts:

A. Each organization must maintain a separate gambling bank account at banks, savings and loans, or credit unions located within Minnesota.

(1) All expenditures of gambling funds must be made from the checking account or accounts included in the separate gambling bank account, except in case of expenditures previously approved by the organization's membership for emergencies. For the purposes of this item, "emergencies" means a financial obligation due and payable which if not met would require the organization to cease gambling.

(2) The checking account or accounts included in an organization's gambling bank account must consist of one of the following:

(a) a checking account into which the organization deposits all gambling receipts and from which the organization makes all expenditures of gambling gross profits;

(b) a checking account for each of the organization's permitted premises into which the organization deposits all gambling receipts received at that premises and from which the organization makes all expenditures of gambling gross profits from that premises; or

(c) a checking account for each permitted premises as described in unit (b) and one additional checking account into which the organization transfers all

or a portion of its gambling receipts from the other checking accounts and from which the organization makes all or a portion of its expenditures of gambling gross profits. This subitem does not prevent an organization from transferring gambling gross profits to a nonchecking account included in its gambling bank account in the period between the deposit and expenditure of the gambling gross profits.

(3) Except for lawful purpose expenditures by a 501(c)(3) organization pursuant to subpart 5, item C, subitem (2), gambling funds may not be transferred to the organization's general bank accounts for any expenditures without prior board approval.

(4) Nongambling funds shall not be deposited in the gambling bank account unless the organization is required by the board to deposit nongambling funds in the account to reimburse the account for unlawful expenditures or expenses, to otherwise bring the organization into compliance with Minnesota Statutes, section 349.15, to reimburse the account for gambling receipts that the organization failed to deposit in the account, or to reimburse the account for a fund loss pursuant to subpart 3, item E, subitem (1).

(5) All checks for expenditures from the gambling bank account must contain two signatures of active members of the organization. The treasurer of the organization may not sign the checks.

(6) Interest income from gambling proceeds must be included in gross receipts.

(7) Each organization shall furnish to the board on a form prescribed by the board an "Authorization to Inspect Bank Records," which authorizes the board and its agents, and the commissioners of revenue and public safety and their agents, to inspect the bank records of the organization's gambling bank account.

B. Deposits of gambling receipts:

(1) Deposit tickets showing receipts from deals of pull-tabs and tipboards must contain the game serial number, the amount of actual cash profit for each game, and the permit number of the premises. Deposit tickets showing receipts from the day's paddlewheel activity must contain the series numbers of all paddletickets sold during that day's paddlewheel activity and the permit number of the premises.

(2) Deposit tickets showing receipts from bingo occasions must contain the date of each separate bingo occasion, the amount of actual cash profit generated by each occasion, and the permit number of the premises.

(3) Deposit tickets showing receipts from raffles must contain the date of the raffle, actual cash profit from the sale of raffle tickets, and the permit number of the premises.

Subp. 5. Expenditures. The following items apply to expenditures of gambling funds:

A. The expenditure of gambling funds, including electronic transfers made pursuant to Minnesota Statutes, sections 349.168, subdivision 6, and 349.19, subdivision 3, must be authorized by the members of the organization at a regular meeting of the organization and recorded in the minutes of that meeting before the expenditure or electronic transfer is made. Copies of the authorization must be sent to the board upon request.

B. Allowable expenses:

(1) Except as provided in this subpart, an organization may expend gambling gross profits for expenses directly related to the conduct of lawful gambling, provided the total percentage does not exceed the percentages specified in this subpart and Minnesota Statutes, section 349.15.

(2) Percentage of profit to be used for allowable expenses:

(a) Not more than 65 percent of the gross profit, less the tax imposed by Minnesota Statutes, section 349.212, subdivision 1, from bingo, and not

more than 55 percent of the gross profit may be expended for allowable expenses related to lawful gambling.

(b) A licensed organization must maintain an allowable expense calculation report, on a form prescribed by the board. Compliance is determined for the organization as a whole based on the organization's cumulative past expenditures for allowable expenses. Compliance with the maximum percentage of profits expended for allowable expenses shall be determined by the board using the information reported to the commissioner of revenue according to subpart 3, item D, subitem (1), for the 12th month of the organization's current license.

If the organization is not in compliance, then beginning on the day the report is required to be filed with the commissioner of revenue, the organization must notify the board and cease its conduct of lawful gambling until it has deposited sufficient nongambling funds in its gambling bank account to bring the organization into compliance with the percentage limits on allowable expenses and until the organization has provided the board with proof of reimbursement to its gambling bank account by providing a copy of the check and a copy of the bank generated deposit receipt showing proof of the deposit.

(c) In order to renew its license, the organization's compliance with the maximum percentage of profits expended for allowable expenses must be determined using the information reported to the commissioner of revenue according to subpart 3, item D, subitem (1), covering the period ending with the 21st month after the effective date of the organization's current license. Compliance is determined for the organization as a whole based on the organization's cumulative past expenditures for allowable expenses. If the organization's expense calculation is negative, it must submit the allowable expense calculation report completed through the 21st month of its current license by the end of the 22nd month of its current license. The organization must provide proof of compliance prior to its renewal license being issued.

C. "Lawful purpose" means any one of the following:

(1) A contribution to an organization which:

(a) is classified as tax exempt under United States Code, title 26, section 501(c)(3);

(b) spent in its most recently completed calendar or fiscal year, whichever is the year basis on which its books are kept, 30 percent or less of its total revenue on fundraising costs and management and general costs, provided that for purposes of this subitem, total revenue shall not include the organization's own gambling gross profits, if any;

(c) does not exist primarily for the purpose of receiving and distributing gambling profits;

(d) does not have more than 49 percent of its membership in common with the contributing organization; and

(e) does not have an officer, director, or other person in a managerial position who is also an officer, director, or management person in the contributing organization.

(2) Expenditures of gambling gross profits, excluding allowable expenses, made by a licensed organization which is classified as tax exempt under United States Code, title 26, section 501(c)(3), to the extent that during the calendar or fiscal year, whichever is the year basis on which the organization's books are kept, in which the expenditures are made, at least 70 percent of the expenditures are for program services related to the organization's primary purpose and 30 percent or less of the expenditures are for fundraising costs and management and general costs, provided that for purposes of this subitem, expenditures for program services shall include expenditures that are otherwise lawful purpose under this subpart.

(3) A contribution to an individual or family suffering from poverty, homelessness, or physical or mental disability, provided the contribution is reasonably calculated to relieve the effects of that poverty, homelessness, or disability, or a

MINNESOTA RULES 2001

75

GAMBLING; GENERAL PROVISIONS 7861.0120

contribution to a nonprofit corporation that exists exclusively for these relief purposes, provided the corporation uses the entire amount of the contribution to relieve one or more of these effects. Disability for purposes of this subitem includes, but is not limited to, physical or mental difficulties in accomplishing daily tasks and activities such as personal care, meal preparation, cleaning, transportation, or athletic activities.

(4) A contribution to an individual for treatment of delayed posttraumatic stress syndrome if the individual has documentation that the individual has been diagnosed by a licensed medical doctor as suffering from posttraumatic stress syndrome.

(5) A contribution to a recognized program for the treatment of compulsive gambling on behalf of an individual who is a compulsive gambler. For purposes of this item, a recognized program is a program which has:

(a) qualified health and addictions treatment personnel as recognized by a state or national licensing body; or

(b) met the minimum standards set by the National Council on Problem Gambling Certification Board and the Minnesota Council on Compulsive Gambling.

(6) A contribution to or an expenditure on a public or private nonprofit educational institution registered with or accredited in Minnesota or any other state provided the contribution, if made to a public educational institution, is documented on a form prescribed by the board showing the request form or acknowledgment of the institution to expend gambling funds and attached to the monthly schedule C report.

(7) A contribution to a scholarship fund for defraying the cost of education to individuals, if:

(a) the funds are awarded through an open and fair selection process that does not discriminate based on race, gender, religion, national origin, marital status, disability, or age;

(b) the scholarship is not limited to members of the organization or their immediate families;

(c) the criteria for the selection process is communicated to all participants and to all members of the organization; and

(d) the names of the individuals awarded scholarships are public and communicated to all members of the sponsoring organization.

(8) A contribution to an organization or governmental entity, or an expenditure by an organization, for the cost of activities recognizing humanitarian or military service to the United States, the state of Minnesota, or a community provided:

(a) the contribution or expenditure does not result in any member of the organization making the contribution or expenditure, or any person in the member's immediate family, receiving any money or money equivalent, or receiving any goods or services with:

i. a market value greater than \$10; or

ii. a market value greater than \$100 based on the aggregate of contributions and expenditures in any 12-month period; and

(b) the contribution, if made to a unit of government, must be documented on a form prescribed by the board showing the request from or acknowledgment of the unit of government to expend gambling funds and attached to the monthly schedule C report; and

(c) for purposes of this subitem, activities recognizing humanitarian service include the provision of transportation, food, and beverages to persons making blood donations.

(9) A contribution of recreational, community, and athletic facilities and activities intended primarily for the use of persons under the age of 21, if the following conditions have been met:

(a) the facilities and activities do not discriminate on the basis of gender and the opportunity to participate reflects each gender's demonstrated interest in the activity;

(b) equal opportunity is provided for:

i. the provision of equipment and supplies;

times;

ii. the scheduling of activities, including games and practice

sors;

iii. the supply and assignment of coaches or other adult supervisors;

iv. the provision and availability of support facilities; and

v. demonstrated interest in the activity;

(c) for purposes of this item, "primarily" must be demonstrated by written documentation that programs for persons under the age of 21 are given priority scheduling consideration;

(d) educational institutions or other entities are excepted from the above requirements as identified in the Higher Education Act amendments of 1976, United States Code, title 20, section 1681; and

(e) the board is notified 15 days prior to the expenditure of the gambling funds for the erection, acquisition, improvement, or expansion of real property or capital assets which will be used for recreational, community, or athletic facilities.

(10) Local gambling taxes paid to a statutory or home rule city or county, provided the tax does not exceed three percent of the gross receipts less prizes actually paid out by the organization at the permitted premises.

(11) Taxes imposed by the United States on receipts from lawful gambling, but not including the federal tax stamp required for gambling employees.

(12) Taxes imposed by Minnesota Statutes, section 349.212, subdivisions 1, 4, and 6.

(13) Taxes imposed on unrelated business income by Minnesota Statutes, section 290.05, subdivision 3.

(14) Real estate taxes and assessments on permitted gambling premises wholly owned by the licensed organization, provided the expenditure does not exceed:

(a) for organizations which conduct pull-tabs, tipboards, raffles, and/or paddlewheels, \$15,000 per year; or

(b) for organizations which conduct bingo, \$200 for premises of not more than 6,000 square feet, \$300 for owned bingo premises of not more than 12,000 feet, and \$400 for premises of more than 12,000 square feet times the number of bingo occasions conducted in a calendar year, based on the space actually used for bingo.

(15) A contribution to the United States, the state of Minnesota or any of its political subdivisions, or any agency or instrumentality thereof, provided the contribution is documented on a form prescribed by the board showing the request from or acknowledgment of the unit of government to expend gambling funds and attached to the monthly schedule C report.

(16) Expenditures approved by the commissioner of natural resources for grooming and maintaining snowmobile trails that are designated as grant-in-aid trails by the commissioner of natural resources under Minnesota Statutes, section 85.019, or other snowmobile trails open to public use. This includes the repair of equipment used exclusively for the grooming and maintenance of public use snowmobile trails not within the Department of Natural Resources grant-in-aid program or other reimbursement program. Lawful purpose expenditures made pursuant to Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (14), and paragraph (b), clause (3)(i), are not eligible for reimbursement under the grant-in-aid program administered by the commissioner of natural resources under Minnesota Statutes, section 85.019, or other reimbursement program.

MINNESOTA RULES 2001

77

GAMBLING; GENERAL PROVISIONS 7861.0120

(17) 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.

(18) Repair or maintenance of real property or capital assets when 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 no rental fee is charged for the use, provided:

(a) "extensively" must be demonstrated by written documentation that the facility has been used free of charge by at least one group as described in this subitem and that the facility's availability for this purpose has been communicated to the community at large; this documentation shall include, but is not limited to, examples of public service announcements, public notices printed in local newspapers, and flyers displayed or distributed throughout the community;

(b) a board-prescribed form is completed; and

(c) approval of the board is obtained before making the expenditure.

(19) The erection or acquisition of a comparable building to replace a building owned by the organization which was destroyed or made uninhabitable by fire or natural disaster, provided the expenditure, mortgage payment, or other debt service payment is only for that part of the replacement cost not reimbursed by insurance and the building was insured at least at replacement cost value, and:

(a) a board-prescribed form is completed;

(b) board approval is obtained;

(c) the replacement structure:

i. is used for the same or similar purposes as the original building;

ii. has essentially the same square footage as the original building; and

(d) the following may be included:

i. additional costs for building code requirements enacted by the local unit of government after the original building was built; and

ii. additional costs for landscaping and parking lot code requirements enacted by the local unit of government after the original building was built.

(20) The erection or acquisition of a comparable building to replace a building owned by the organization taken by eminent domain or sold under the threat of eminent domain, provided the expenditure, mortgage payment, or other debt service payment is only for that part of the replacement cost that exceeds the compensation received by the organization for the building being replaced, and:

(a) a board-provided form is completed;

(b) approval of the board is obtained;

(c) the replacement structure:

i. is used for the same purposes as the original building;

ii. has the same square footage; and

iii. cost is substantially the same as the value of the original building except for additional costs for building code requirements enacted by the local unit of government after the original building was built and additional costs for landscaping and parking lot code requirements enacted by the local unit of government after the original building was built.

(21) An organization that has received board approval to make an expenditure of gambling gross profits for debt service or other payments under subitem (18), (19), or (20) must obtain prior board approval for any increase in the expenditure, including any increase due to a refinancing or other restructuring of a debt that results in an increase in the present value of the balance of the debt. Any equity withdrawn from real property or a capital asset as part of the refinancing or other restructuring of

MINNESOTA RULES 2001

7861.0120 GAMBLING; GENERAL PROVISIONS

78

the debt constitutes gambling gross profits and must be deposited in the organization's gambling bank account. No closing costs are included within subitem (18), (19), or (20).

(22) An organization that has received board approval to make an expenditure of gambling gross profits under subitem (18) to bring an existing building into compliance with the Americans with Disabilities Act may apply the amount of the board-approved expenditure to the erection or acquisition of a replacement building, provided that the replacement building is in compliance with the Americans with Disabilities Act.

(23) Payment of one-half of the reasonable costs of an audit required in Minnesota Statutes, section 349.19, subdivision 9.

D. Lawful purpose does not include any of the following:

(1) an expenditure made or incurred for the purpose of influencing the nomination or election of a candidate for public office;

(2) a contribution for promoting or defeating a ballot question;

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

(4) a direct contribution to a law enforcement or prosecutorial agency;

(5) any contribution under item C, subitem (15), involving an environmental project or any contribution to or expenditure by a 501(c)(3) organization involving an environmental project, unless the contribution or expenditure is documented on a form prescribed by the board and attached to the monthly schedule C report showing prior review by the state agencies with authority over the project;

(6) interest on taxes, tax penalties, or interest on tax penalties;

(7) any expenditure, contribution, or other disposition of gambling gross profits by an organization after which the organization retains any control over the funds, except for expenditures by a 501(c)(3) organization pursuant to item C, subitem (2);

(8) a contribution to a 501(c)(3) organization that does not meet the criteria in item C, subitem (1);

(9) expenditures by a licensed organization that is a 501(c)(3) organization if the expenditures do not meet the criteria in item C, subitem (2);

(10) any contribution or expenditure to the extent it results in any net monetary gain or other pecuniary benefit to the organization making the contribution or expenditure; and

(11) any contribution or expenditure that is void or voidable under the conflict of interest provisions of the Minnesota Nonprofit Corporation Act, Minnesota Statutes, section 317A.255.

E. A contribution by a licensed organization to a parent organization, foundation, or affiliate of the contributing licensed organization is allowed under the following conditions: the contributing licensed organization must submit a written statement that the parent organization, foundation, or affiliate has not provided to the contributing licensed organization a contribution of any money, grants, property, or other thing of value within one year of the contribution.

F. Notwithstanding item E, a licensed organization may contribute gambling gross profits to a parent organization at the Minnesota state level provided:

(1) the parent organization has submitted to the board a comprehensive list of the lawful purposes for which the parent organization will use the contributions; and

(2) the parent organization uses the entire amount of the contributions for one or more of the lawful purposes listed in item C.

G. A licensed organization may not contribute gross gambling profits to another licensed organization unless:

(1) the contributing organization receives the prior approval of the board;

MINNESOTA RULES 2001

79

GAMBLING; GENERAL PROVISIONS 7861.0140

(2) a board-prescribed form is completed; and

(3) the contributing organization demonstrates that the contribution meets one or more of the lawful purposes identified in item C and that the contribution is not for the purpose of avoiding taxes or circumventing the restrictions placed on lawful purpose expenditures by item C.

H. An organization shall maintain documentation sufficient to show that each of its expenditures of gambling gross profits constitute either an allowable expense or a lawful purpose under this subpart.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 16 SR 2945; 17 SR 2712; 19 SR 2380; 22 SR 291; 23 SR 831.*

7861.0130 EXCLUDED BINGO AND RAFFLES.

Subpart 1. **Registration.** An organization that conducts excluded bingo or raffles as allowed by Minnesota Statutes, section 349.166, must register with the board before the conduct of the lawful gambling, and, for bingo conducted pursuant to Minnesota Statutes, section 349.166, subdivision 1, paragraph (a), clause (1) or (2), must obtain prior approval of the local governing body of the township, city, or county in which the bingo will be conducted. The registration must be on a form prescribed by the board, which must include the following information:

A. the name and address of the organization;

B. the name of the person in charge of the bingo occasion and/or raffles and that person's phone number;

C. the type of organization (fraternal, veterans, religious, or other nonprofit);

D. the number of bingo occasions conducted by the organization in the present calendar year;

E. whether the bingo occasion is to be held in connection with a county fair, the state fair, or a civic celebration, and if so, the number of consecutive days bingo will be played;

F. the dates of the raffle drawing, if any;

G. the total market value of the raffle prizes;

H. the signature of the organization's chief executive officer; and

I. the local government approval form.

Subp. 2. **Restrictions.** An organization may not conduct excluded bingo if it has been licensed to conduct lawful gambling in the current calendar year. The director shall deny an excluded bingo application when the premises permit for the site of the proposed excluded bingo is subject to suspension or revocation pursuant to part 7861.0050.

The organization conducting lawful gambling must comply with Minnesota Statutes, section 349.166.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 19 SR 156*

7861.0140 EXEMPTED LAWFUL GAMBLING.

Subpart 1. **Registration required.** An organization that conducts exempted lawful gambling must submit an application to the board at least 30 days before the gambling activity is to be conducted. The application fee for each activity is \$25. The application must be on a form prescribed by the board and must contain the following information:

A. the name and address of the organization;

B. the current or previous license number or exempt number, if any;

C. the name and telephone number of the chief executive officer;

D. the name and telephone number of the treasurer;

E. the type of organization (fraternal, veterans, religious, or other nonprofit);

F. the dates of activity;

G. the types of lawful gambling to be conducted;

H. the name, address, including city or township, and county where the activity will be conducted; and

I. a completed local government notification form.

Subp. 2. **Required attachment.** The applicant must attach to the application form proof of nonprofit status and, if the organization is an other nonprofit organization, proof of compliance with part 7861.0010, subpart 8.

Subp. 3. **Financial report required.** The organization must complete and file with the board the financial report portion of the exemption application within 30 days of the lawful gambling activity.

Subp. 4. **Restrictions.** An organization conducting exempted lawful gambling must comply with Minnesota Statutes, section 349.166, subdivision 2. An organization that is licensed may not receive an exemption permit during the same calendar year it has a license. The director shall deny an exempted lawful gambling application when the premises permit for the site of the proposed exempted lawful gambling is subject to suspension or revocation pursuant to part 7861.0050.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 19 SR 156*

7861.0150 TECHNICAL ASSISTANCE REQUIREMENTS.

Subpart 1. **Gambling managers.** Gambling managers are required to satisfactorily complete a gambling managers seminar conducted by the board.

Subp. 2. **Additional training.** The board may require the gambling manager of a licensed organization to attend up to two additional seminars a year conducted or approved by the board if the gambling manager has demonstrated insufficient knowledge of the laws and rules governing lawful gambling to perform properly the duties for which the gambling manager is responsible under part 7861.0030, subpart 9.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*