

This Document can be made available in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2056

02/01/2012 Authored by Kahn, Atkins, Kriesel, Petersen, B., Buesgens and others
The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform

1.1 A bill for an act
1.2 relating to gambling; permitting wagering on the results of certain professional or
1.3 collegiate sports or athletic events; proposing coding for new law as Minnesota
1.4 Statutes, chapter 349C.

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

1.6 Section 1. **[349C.01] DEFINITIONS.**

1.7 (a) As used in this chapter, the following terms have the meanings given them.

1.8 (b) "Collegiate sport or athletic event" means a sport or athletic event offered or
1.9 sponsored by or played in connection with a public or private institution that offers
1.10 educational services beyond the secondary level.

1.11 (c) "Commissioner" means the commissioner of public safety.

1.12 (d) "Lottery" means the State Lottery created under chapter 349A.

1.13 (e) "Professional sport or athletic event" means an event at which two or more
1.14 persons participate in sports or athletic events and receive compensation in excess of
1.15 actual expenses for their participation in the event.

1.16 (f) "Prohibited sports event" means a collegiate sport or athletic event that takes
1.17 place in Minnesota or a sport or athletic event in which any Minnesota college team
1.18 participates regardless of where the event takes place.

1.19 (g) "Sports event" means a professional sport or athletic event or a collegiate sport
1.20 or athletic event, except a prohibited sports event.

1.21 (h) "Sports pool" means the business of accepting wagers on a sports event by a
1.22 system or method of wagering.

1.23 (i) "Sports wagering lounge" means an area where a sports pool is operated.

1.24 **EFFECTIVE DATE.** This section is effective July 1, 2012.

2.1 Sec. 2. **[349C.02] SPORTS WAGERING.**

2.2 Subdivision 1. **Operation.** Interested parties may operate a sports pool upon
2.3 the approval of the commissioner of public safety in accordance with this chapter and
2.4 applicable rules adopted under this chapter. The commissioner shall hear and decide
2.5 promptly and in a reasonable order all applications for a license to operate a sports pool,
2.6 shall have the general responsibility for the implementation of this chapter, and shall have
2.7 all other duties specified in this chapter with regard to the operation of a sports pool.
2.8 The license to operate a sports pool shall be in addition to any other license required to
2.9 be issued. No license to operate a sports pool shall be issued by the commissioner to
2.10 an entity unless it has established its financial stability, responsibility, good character,
2.11 honesty, and integrity.

2.12 Subd. 2. **State Lottery.** The State Lottery may choose to independently operate
2.13 a sports pool or pools, and shall be granted licenses to do so by the commissioner. All
2.14 other licensees must have a joint operations agreement with the lottery, and must operate
2.15 under that joint agreement. Terms of the agreement are to be determined by the lottery.
2.16 The lottery shall be consulted by the commissioner on all rules adopted under this chapter.

2.17 Subd. 3. **Renewal of license.** No later than five years after the date of the issuance of
2.18 a license and every five years thereafter or within such lesser periods as the commissioner
2.19 may direct, a licensee shall submit to the commissioner documentation or information the
2.20 commissioner may by rule require, to demonstrate to the satisfaction of the commissioner
2.21 that the licensee continues to meet the requirements of law and rule.

2.22 Subd. 4. **Lounges; requirements.** A sports pool shall be operated in a sports
2.23 wagering lounge located at a site allowed by the commissioner, which may include a
2.24 racetrack. The lounge shall conform to all requirements concerning square footage,
2.25 design, equipment, security measures, and related matters that the commissioner
2.26 prescribes by rule.

2.27 The operator of a sports pool shall establish or display the odds at which wagers
2.28 may be placed on sports events.

2.29 An operator shall accept wagers on sports events from persons physically present in
2.30 the sports wagering lounge. A person placing a wager shall be at least 21 years of age.

2.31 An operator shall not admit into the sports wagering lounge, or accept wagers from,
2.32 any person whose name appears on an exclusion list maintained by the commissioner or
2.33 on a self-exclusion list maintained by the commissioner.

2.34 Subd. 5. **Contract with entity.** The holder of a license to operate a sports pool
2.35 may contract with an entity to conduct a sports pool according to the rules of the
2.36 commissioner. The entity shall obtain a license as a sports pool operator prior to the

3.1 execution of a contract, and the license shall be issued under the requirements adopted by
3.2 the commissioner and the lottery.

3.3 **EFFECTIVE DATE.** This section is effective July 1, 2012.

3.4 Sec. 3. **[349C.03] EMPLOYEES.**

3.5 All employees who are working in the sports wagering lounge may be required
3.6 to be registered, if appropriate, in accordance with rules of the commissioner adopted
3.7 in consultation with the lottery.

3.8 Each operator of a sports pool shall designate one or more key employees who shall
3.9 be responsible for the operation of the sports pool. At least one such key employee shall
3.10 be on the premises whenever sports wagering is conducted.

3.11 **EFFECTIVE DATE.** This section is effective July 1, 2012.

3.12 Sec. 4. **[349C.04] AUTHORITY; RULES.**

3.13 Except as otherwise provided by this chapter, the State Lottery and the commissioner
3.14 shall jointly have the authority to regulate sports pools and the conduct of sports wagering
3.15 under this chapter. No organization shall be authorized to operate a sports pool unless
3.16 it has produced information, documentation, and assurances concerning its financial
3.17 background and resources, including cash reserves, that are sufficient to demonstrate
3.18 that it has the financial stability, integrity, and responsibility to operate a sports pool.
3.19 In developing rules applicable to sports wagering, the commissioner shall examine the
3.20 rules implemented in other states where sports wagering is conducted and shall, as far as
3.21 practicable, adopt a similar regulatory framework. The commissioner, in consultation with
3.22 the State Lottery, shall adopt rules necessary to carry out this chapter including, but not
3.23 limited to, rules governing the:

3.24 (1) amount of cash reserves to be maintained by operators to cover winning wagers;

3.25 (2) acceptance of wagers on a series of sports events;

3.26 (3) maximum wagers that may be accepted by an operator from any one patron
3.27 on any one sports event;

3.28 (4) type of wagering tickets that may be used;

3.29 (5) method of issuing tickets;

3.30 (6) method of accounting to be used by operators;

3.31 (7) types of records that shall be kept;

3.32 (8) use of credit and checks by patrons;

3.33 (9) type of system for wagering;

- 4.1 (10) protections for a person placing a wager; and
4.2 (11) making of problem gambling resources available to gamblers.

4.3 **EFFECTIVE DATE.** This section is effective July 1, 2012.

4.4 Sec. 5. **[349C.05] OPERATORS.**

4.5 Each operator shall adopt comprehensive house rules governing sports wagering
4.6 transactions with its patrons. The rules shall specify the amounts to be paid on winning
4.7 wagers and the effect of schedule changes. The house rules, together with any other
4.8 information the commissioner deems appropriate, shall be conspicuously displayed in the
4.9 sports wagering lounge and included in the terms and conditions of the account wagering
4.10 system, and copies shall be made readily available to patrons.

4.11 **EFFECTIVE DATE.** This section is effective July 1, 2012.

4.12 Sec. 6. **[349C.06] JOINT OPERATIONS.**

4.13 Subdivision 1. **Lottery role in operations.** The State Lottery must have a role in
4.14 the operation of any sports betting lounge, in a manner to be negotiated between the
4.15 lottery and the licensee. This role may be oversight and monitoring, joint operation,
4.16 or sole operation by the lottery.

4.17 Subd. 2. **Joint agreements; revenues.** When a licensee and the lottery enter into an
4.18 agreement to jointly establish a sports wagering lounge, and to operate and conduct sports
4.19 wagering under this chapter, the agreement shall specify the distribution of revenues from
4.20 the joint sports wagering operation among the parties to the agreement. The sums received
4.21 by the licensee from the joint sports wagering operation shall be considered gross revenue.
4.22 The sums actually received by the licensee from any sports wagering operation, either
4.23 jointly established with the lottery or established semi-independently or with nonlottery
4.24 partners, less only the total of all sums actually paid out as winnings to patrons, shall be
4.25 subject to an eight percent tax to be collected by the commissioner and paid to the State
4.26 Lottery fund.

4.27 A percentage of the fee paid for a license to operate a sports pool shall be deposited
4.28 into the state general fund for appropriation by the legislature to the Department of
4.29 Human Services to provide funds for prevention, education, and treatment programs for
4.30 compulsive gambling programs. The percentage shall be determined by the commissioner.

4.31 **EFFECTIVE DATE.** This section is effective July 1, 2012.

4.32 Sec. 7. **[349C.07] REVENUES.**

5.1 "Gross revenue" means the total of all sums actually received by a licensee from
5.2 operation of a sports pool, less only the total of all sums actually paid out as winnings to
5.3 patrons; provided, however, that the cash equivalent value of any merchandise or thing of
5.4 value included in a jackpot or payout shall not be included in the total of all sums paid out
5.5 as winnings to patrons for purposes of determining gross revenue.

5.6 **EFFECTIVE DATE.** This section is effective July 1, 2012.

5.7 Sec. 8. **[349C.08] INTERNET.**

5.8 A licensee that has been issued a permit to conduct a sports pool shall not knowingly
5.9 make its premises available for placing wagers using the Internet or advertise that its
5.10 premises may be used for that purpose. A licensee that is determined by the commissioner
5.11 to have knowingly violated this section shall be subject to a penalty of \$1,000 per player
5.12 per day for making its premises available for placing wagers using the Internet and of
5.13 \$10,000 per violation for advertising that its premises may be used for that purpose.

5.14 **EFFECTIVE DATE.** This section is effective July 1, 2012.