

A bill for an act

relating to the State Lottery; establishing lottery facility games; imposing a tax on and providing for facility revenues; providing powers and duties to the director; making clarifying, conforming, and technical changes; amending Minnesota Statutes 2010, sections 297A.94; 299L.02, subdivision 1; 299L.07, subdivisions 2, 2a; 340A.404, by adding a subdivision; 340A.410, subdivision 5; 349A.01, subdivisions 10, 11, 12, by adding subdivisions; 349A.02, subdivision 3; 349A.04; 349A.06, subdivision 8; 349A.08, subdivisions 1, 5, 8; 349A.10, subdivisions 2, 5; 349A.11, subdivision 1; 349A.13; 541.20; 541.21; 609.75, subdivision 3; 609.761, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 297A; 349A.

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

Section 1. **[297A.651] LOTTERY FACILITY GAMES; IN-LIEU TAX.**

Lottery gaming facility revenues authorized under section 349A.17 are exempt from the tax imposed under section 297A.62. The State Lottery must on or before the 20th day of each month transmit to the commissioner an amount equal to the lottery gaming facility revenues as defined in section 349A.01, for the previous month multiplied by 20 percent. The commissioner shall deposit the money transmitted under this section in the state treasury to be credited as provided in section 297A.94.

Sec. 2. Minnesota Statutes 2010, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

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(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of management and budget shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(e) For fiscal year 2001, 97 percent; for fiscal years 2002 and 2003, 87 percent; and for fiscal year 2004 and thereafter, 72.43 percent of the revenues, including interest and penalties, transmitted to the commissioner under section 297A.65, must be deposited by the commissioner in the state treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

(4) three percent of the receipts must be deposited in the natural resources fund, and may be spent only on local trail grants; and

(5) two percent of the receipts must be deposited in the natural resources fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

(f) Revenues transmitted to the commissioner under section 297A.651 must be deposited by the commissioner in the state treasury in the general fund.

~~(f)~~ (g) The revenue dedicated under paragraph (e) may not be used as a substitute for traditional sources of funding for the purposes specified, but the dedicated revenue shall supplement traditional sources of funding for those purposes. Land acquired with money deposited in the game and fish fund under paragraph (e) must be open to public hunting and fishing during the open season, except that in aquatic management areas or on lands where angling easements have been acquired, fishing may be prohibited during certain times of the year and hunting may be prohibited. At least 87 percent of the money deposited in the game and fish fund for improvement, enhancement, or protection of fish and wildlife resources under paragraph (e) must be allocated for field operations.

~~(g)~~ (h) The revenues deposited under paragraphs (a) to (f) do not include the revenues, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

Sec. 3. Minnesota Statutes 2010, section 299L.02, subdivision 1, is amended to read:

Subdivision 1. **Lottery.** (a) The director shall when required under chapter 349A or when requested by the director of the lottery conduct background checks on employees of the State Lottery, lottery retailers, and bidders of lottery procurement contracts.

(b) The director shall, when so requested by the director of the State Lottery or when the director believes it to be reasonable and necessary, conduct investigations of lottery retailers, applicants for lottery retailer contracts, suppliers of goods or services to the State Lottery, and persons bidding on contracts for goods or services with the State Lottery.

(c) The director shall conduct an annual security audit of the State Lottery, or arrange for such an audit by an outside agency or person, firm, or corporation. The director shall report to the director of the lottery on the results of the audit.

(d) The director shall deposit in a separate account in the state treasury all money received from the director of the State Lottery for charges for investigations and background checks relating to the lottery gaming facility management contract, the lottery gaming facility manager and vendor licenses under chapter 349A. Money in the account is appropriated to the director for the purpose of carrying out the director's powers and duties under this subdivision.

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Sec. 4. Minnesota Statutes 2010, section 299L.07, subdivision 2, is amended to read:

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

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

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

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

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

(5) may be operated by the State Lottery or by the lottery gaming facility manager authorized by the State Lottery, as authorized under chapter 349A.

Sec. 5. Minnesota Statutes 2010, section 299L.07, subdivision 2a, is amended to read:

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

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

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

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

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

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

(5) the State Lottery or the lottery gaming facility manager authorized by the State Lottery, as authorized under chapter 349A.

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Sec. 6. Minnesota Statutes 2010, section 340A.404, is amended by adding a subdivision to read:

Subd. 2c. **City of Minneapolis; lottery gaming enterprise; lottery gaming facility.** (a) Notwithstanding any other law, local ordinance or charter provision, the city of Minneapolis may issue one or more on-sale intoxicating liquor licenses to the owner, manager or operator of the lottery gaming enterprise or lottery gaming facility, or to an entity holding a concessions contract with the owner, manager, or operator for use on the premises of the lottery gaming enterprise or lottery gaming facility.

(b) The licenses shall authorize sales on all days of the week.

(c) The licenses authorized by this subdivision may be issued for space that is not compact and contiguous, provided that all such space is within or adjacent to the lottery gaming enterprise and is included in the description of the licensed premises on the approved license application.

(d) The licenses are in addition to the number authorized by law.

Sec. 7. Minnesota Statutes 2010, section 340A.410, subdivision 5, is amended to read:

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

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

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

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

(e) Gambling devices may be operated and gambling permitted in a lottery gaming facility as authorized by chapter 349A.

Sec. 8. Minnesota Statutes 2010, section 349A.01, is amended by adding a subdivision to read:

Subd. 1a. **Ancillary lottery gaming facility enterprise operations.** "Ancillary lottery gaming facility enterprise operations" means additional nonlottery gaming facility products and services not owned, operated, or managed by the State Lottery which may

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6.1 be included in the overall development associated with the lottery gaming facility.
6.2 Such operations may include, but are not limited to, restaurants, hotels, motels, parking
6.3 structures, retail, spas, museums, or entertainment facilities.

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

6.6 Subd. 1b. **Card club.** "Card club" means a lottery gaming facility or portion of a
6.7 lottery gaming facility where the director has authorized a lottery gaming facility manager
6.8 to conduct card games.

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

6.11 Subd. 1c. **Card game.** "Card game" means a game or activity wherein individuals
6.12 compete and wager utilizing a 52-unit system comprised of a series of numbers, numbered
6.13 two through ten, and the letters J, Q, K, and A, combined with four symbols commonly
6.14 known as hearts, diamonds, spades, and clubs, wherein each individual unit constitutes the
6.15 display of one of the 52 possible combinations. The symbol commonly known as a joker
6.16 may be incorporated into the system. Card game also includes the tile game of pai gow.

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

6.19 Subd. 5a. **Electronic lottery credit.** "Electronic lottery credit" means the basic unit
6.20 of play for an electronic lottery terminal.

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

6.23 Subd. 5b. **Electronic lottery credit receipt.** "Electronic lottery credit receipt"
6.24 means a receipt generated by an electronic lottery terminal that provides evidence of cash
6.25 payment due a player from play on an electronic lottery terminal.

6.26 Sec. 13. Minnesota Statutes 2010, section 349A.01, is amended by adding a
6.27 subdivision to read:

6.28 Subd. 5c. **Electronic lottery game.** "Electronic lottery game" means a game
6.29 authorized by the director that is played on an electronic lottery terminal.

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7.1 Sec. 14. Minnesota Statutes 2010, section 349A.01, is amended by adding a
7.2 subdivision to read:

7.3 Subd. 5d. **Electronic lottery terminal.** "Electronic lottery terminal" means any
7.4 mechanical, electrical, electromechanical, video, or other device, contrivance, or machine
7.5 that, upon insertion of cash, tokens, credits, electronic cards, or similar objects therein,
7.6 or upon payment of any consideration whatsoever, is available to play or operate, the
7.7 play or operation of which, whether by reason of the skill of the operator or application
7.8 of the element of chance, or both, may deliver or entitle the person playing or operating
7.9 the machine to receive cash, tokens, merchandise, electronic lottery credit receipts or
7.10 credits that may be redeemed for cash, whether the payoff is made automatically from the
7.11 machine or in any manner whatsoever. Electronic lottery terminals may use bill validators
7.12 and may be single-position multigame video electronic games, including, but not limited
7.13 to, poker, blackjack, and slot machines. Electronic lottery terminals shall be directly
7.14 linked to a central communications system at a location determined by the director for
7.15 purposes of security, monitoring, and auditing.

7.16 Sec. 15. Minnesota Statutes 2010, section 349A.01, is amended by adding a
7.17 subdivision to read:

7.18 Subd. 5e. **Electronic lottery game revenues.** "Electronic lottery game revenues"
7.19 means the total of all amounts wagered through the operation of electronic lottery games
7.20 at a lottery gaming facility, but excluding noncashable credits, including those in the
7.21 form of free play, and other promotional items, less the total of all cash, credits, whether
7.22 redeemed or unredeemed, or other prizes paid out as winnings to players.

7.23 Sec. 16. Minnesota Statutes 2010, section 349A.01, is amended by adding a
7.24 subdivision to read:

7.25 Subd. 9a. **Lottery facility game.** "Lottery facility game" means any electronic
7.26 lottery game, card game, or nonelectronic game that is authorized by the director to be
7.27 conducted at the lottery gaming facility.

7.28 Sec. 17. Minnesota Statutes 2010, section 349A.01, is amended by adding a
7.29 subdivision to read:

7.30 Subd. 9b. **Lottery gaming enterprise.** "Lottery gaming enterprise" means an
7.31 entertainment enterprise which includes a lottery gaming facility, authorized pursuant to
7.32 section 349A.17 and ancillary lottery gaming facility enterprise operations that have a
7.33 coordinated business or marketing strategy.

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8.1 Sec. 18. Minnesota Statutes 2010, section 349A.01, is amended by adding a
8.2 subdivision to read:

8.3 Subd. 9c. **Lottery gaming facility.** "Lottery gaming facility" means that portion of
8.4 a lottery gaming enterprise used for the purposes of operating, managing, and maintaining
8.5 lottery facility games.

8.6 Sec. 19. Minnesota Statutes 2010, section 349A.01, is amended by adding a
8.7 subdivision to read:

8.8 Subd. 9d. **Lottery gaming facility management contract.** "Lottery gaming
8.9 facility management contract" means a contract or agreement between the director and
8.10 the lottery gaming facility manager that authorizes the management, or construction and
8.11 management, of a lottery gaming facility, the business of which is owned and operated by
8.12 the Minnesota Lottery, negotiated and signed by the director on behalf of the state.

8.13 Sec. 20. Minnesota Statutes 2010, section 349A.01, is amended by adding a
8.14 subdivision to read:

8.15 Subd. 9e. **Lottery gaming facility manager.** "Lottery gaming facility manager"
8.16 means an individual, corporation, limited liability company, or other business entity
8.17 authorized to construct and manage, or manage alone, a lottery gaming facility pursuant
8.18 to a lottery gaming facility management contract with the Minnesota Lottery, on behalf
8.19 of the state. A lottery gaming facility manager does not constitute a lottery vendor or a
8.20 lottery retailer under this chapter.

8.21 Sec. 21. Minnesota Statutes 2010, section 349A.01, is amended by adding a
8.22 subdivision to read:

8.23 Subd. 9f. **Lottery gaming facility revenues.** "Lottery gaming facility revenues"
8.24 means the total of all amounts wagered through the operation of lottery facility games at a
8.25 lottery gaming facility, but excluding noncashable credits, including those in the form of
8.26 free play, and other promotional items, less the total of all cash; credits, whether redeemed
8.27 or unredeemed; or other prizes paid out as winnings to players.

8.28 Sec. 22. Minnesota Statutes 2010, section 349A.01, subdivision 10, is amended to read:

8.29 Subd. 10. **Lottery procurement contract.** "Lottery procurement contract" means
8.30 a contract to provide lottery products, computer hardware and software used to monitor
8.31 sales of lottery tickets, and lottery tickets, and play on or maintenance of lottery facility
8.32 games. A lottery gaming facility management contract is a lottery procurement contract.

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9.1 "Lottery procurement contract" does not include a contract to provide an annuity or prize
9.2 payment agreement or materials, supplies, equipment, or services common to the ordinary
9.3 operation of a state agency.

9.4 Sec. 23. Minnesota Statutes 2010, section 349A.01, subdivision 11, is amended to read:

9.5 Subd. 11. **Lottery retailer.** "Lottery retailer" means a person with whom the
9.6 director has contracted to sell lottery tickets to the public. A lottery retailer does not
9.7 include a lottery gaming facility manager.

9.8 Sec. 24. Minnesota Statutes 2010, section 349A.01, subdivision 12, is amended to read:

9.9 Subd. 12. **Lottery ticket or ticket.** "Lottery ticket" or "ticket" means any tangible
9.10 evidence issued by the lottery to prove participation in a lottery game other than an
9.11 electronic lottery game.

9.12 Sec. 25. Minnesota Statutes 2010, section 349A.01, is amended by adding a
9.13 subdivision to read:

9.14 Subd. 14. **Nonelectronic game.** "Nonelectronic game" means any game other
9.15 than an electronic lottery game which is authorized by the director to be operated at the
9.16 lottery gaming facility.

9.17 Sec. 26. Minnesota Statutes 2010, section 349A.01, is amended by adding a
9.18 subdivision to read:

9.19 Subd. 15. **Nonelectronic game revenues.** "Nonelectronic game revenues" means
9.20 the total of all amounts wagered through the operation of nonelectronic games at a lottery
9.21 gaming facility, but excluding noncashable credits, including those in the form of free
9.22 play, and other promotional items, less the total of all cash; credits, whether redeemed or
9.23 unredeemed; or other consideration paid out as winnings to players.

9.24 Sec. 27. Minnesota Statutes 2010, section 349A.02, subdivision 3, is amended to read:

9.25 Subd. 3. **Powers and duties.** In operating the lottery the director shall exercise
9.26 the following powers and duties:

9.27 (1) adopt rules and game procedures;

9.28 (2) issue lottery retailer contracts and rule on appeals of decisions relating to those
9.29 contracts;

9.30 (3) enter into lottery procurement contracts for the provision of goods and services
9.31 to the lottery;

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- 10.1 (4) employ personnel as are required to operate the lottery;
- 10.2 (5) enter into written agreements with one or more government-authorized lotteries,
- 10.3 or with an organization created and controlled by those lotteries, for the operation,
- 10.4 marketing, and promotion of a joint lottery;
- 10.5 (6) adopt and publish advertising and promotional materials consistent with section
- 10.6 349A.09; ~~and~~
- 10.7 (7) operate a lottery gaming facility, consistent with section 349A.17; and
- 10.8 ~~(7)~~ (8) take all necessary steps to ensure the integrity of, and public confidence
- 10.9 in, the State Lottery.

10.10 Sec. 28. Minnesota Statutes 2010, section 349A.04, is amended to read:

10.11 **349A.04 LOTTERY GAME PROCEDURES.**

10.12 The director may adopt game procedures governing the following elements of the

10.13 lottery:

- 10.14 (1) lottery games;
- 10.15 (2) ticket prices;
- 10.16 (3) number and size of prizes;
- 10.17 (4) methods of selecting winning tickets; ~~and~~
- 10.18 (5) frequency and method of drawings; and
- 10.19 (6) lottery facility games.

10.20 The adoption of lottery game procedures is not subject to chapter 14.

10.21 Sec. 29. Minnesota Statutes 2010, section 349A.06, subdivision 8, is amended to read:

10.22 Subd. 8. **Proceeds of sales.** All proceeds from the sale of lottery tickets received by

10.23 a lottery retailer, and proceeds from the management of lottery facility games received by

10.24 a lottery gaming facility manager constitute a trust fund until paid to the director. The

10.25 lottery retailer or lottery gaming facility manager is personally liable for all proceeds.

10.26 Sec. 30. Minnesota Statutes 2010, section 349A.08, subdivision 1, is amended to read:

10.27 Subdivision 1. **Agreement by players.** A person who buys a lottery ticket or plays

10.28 any lottery facility game agrees to be bound by the rules and game procedures applicable

10.29 to the that particular lottery game for which the ticket is purchased, or a lottery facility

10.30 game. The player acknowledges that the determination of whether a ticket or electronic

10.31 lottery credit receipt is a valid winning ticket is subject to the rules ~~of~~ and game procedures

10.32 adopted by the director, claims procedures established by the director for that game, and

10.33 any confidential or public validation tests established by the director for that game.

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11.1 Sec. 31. Minnesota Statutes 2010, section 349A.08, subdivision 5, is amended to read:

11.2 Subd. 5. **Payment; unclaimed prizes.** (a) Except as provided in this subdivision, a
11.3 prize in the state lottery must be claimed by the winner within one year of the date of the
11.4 drawing at which the prize was awarded or the last day sales were authorized for a game
11.5 where a prize was determined in a manner other than by means of a drawing. If a valid
11.6 claim is not made for a prize payable directly by the lottery by the end of this period, the
11.7 prize money is considered unclaimed and the winner of the prize shall have no further
11.8 claim to the prize.

11.9 (b) An electronic lottery credit receipt from an electronic lottery terminal must be
11.10 presented to a lottery gaming facility manager for payment within six months of the
11.11 date the electronic lottery credit receipt was printed. If a valid claim for an electronic
11.12 lottery credit receipt is not made within six months, the electronic lottery credit receipt
11.13 is considered unclaimed and the player shall have no further claim to the amount due
11.14 from the electronic lottery credit receipt.

11.15 (c) A prize won by a person who purchased the winning ticket or played an
11.16 electronic lottery game in violation of section 349A.12, subdivision 1, or won by a person
11.17 ineligible to be awarded a prize under subdivision 7 must be treated as an unclaimed
11.18 prize under this section.

11.19 (d) The director must transfer all unclaimed prize money and money from unclaimed
11.20 electronic lottery credit receipts under paragraph (b) at the end of each fiscal year from the
11.21 lottery cash flow account to the general fund.

11.22 Sec. 32. Minnesota Statutes 2010, section 349A.08, subdivision 8, is amended to read:

11.23 Subd. 8. **Withholding of delinquent state taxes or other debts.** The director
11.24 shall report the name, address, and Social Security number of each winner of a lottery
11.25 prize of \$600 or more, to the Department of Revenue to determine whether the person
11.26 who has won the prize is delinquent in payment of state taxes or owes a debt as defined in
11.27 section 270A.03, subdivision 5. If the person is delinquent in payment of state taxes or
11.28 owes a debt as defined in section 270A.03, subdivision 5, the director shall withhold the
11.29 delinquent amount from the person's prize for remittance to the Department of Revenue
11.30 for payment of the delinquent taxes or distribution to a claimant agency in accordance
11.31 with chapter 270A. Section 270A.10 applies to the priority of claims. In the case of a prize
11.32 won at a lottery gaming facility under section 349A.17, the director shall report winners of
11.33 prizes to the Department of Revenue as required by federal law.

11.34 Sec. 33. Minnesota Statutes 2010, section 349A.10, subdivision 2, is amended to read:

12.1 Subd. 2. **Deposit in prize fund.** (a) The director shall establish a lottery prize
12.2 fund outside the state treasury. The fund consists of all money deposited in it under this
12.3 subdivision and all interest earned thereon.

12.4 (b) The director shall deposit in the lottery prize fund, from gross receipts from the
12.5 sale of lottery tickets, an amount sufficient to pay lottery prizes, other than prizes and
12.6 winnings from a lottery gaming facility under section 349A.17, from the lottery prize
12.7 fund according to the following provisions:

12.8 (1) for games which require online terminal connections, the prizes paid in any fiscal
12.9 year must be at least 45 percent of gross receipts from those games in that fiscal year;

12.10 (2) for games which do not require online terminal connections, the prizes paid in any
12.11 fiscal year must be at least the following percentages of gross receipts from those games:

12.12 (i) 50 percent through fiscal year 1991;

12.13 (ii) 55 percent from July 1, 1991, to June 30, 1992; and

12.14 (iii) 60 percent thereafter.

12.15 Sec. 34. Minnesota Statutes 2010, section 349A.10, subdivision 5, is amended to read:

12.16 Subd. 5. **Deposit of net proceeds.** Within 30 days after the end of each month, the
12.17 director shall deposit in the state treasury the net proceeds of the lottery, which is the
12.18 balance in the lottery fund after transfers to the lottery prize fund and credits to the lottery
12.19 operations account and the balance in the lottery fund from the operation of the lottery
12.20 gaming facility after transfers required under section 349A.17, subdivision 12. Of the net
12.21 proceeds, 40 percent must be credited to the Minnesota environment and natural resources
12.22 trust fund and the remainder must be credited to the general fund.

12.23 Sec. 35. Minnesota Statutes 2010, section 349A.11, subdivision 1, is amended to read:

12.24 Subdivision 1. **Lottery ticket; retailer.** The director, an employee of the lottery,
12.25 a member of the immediate family of the director or employee residing in the same
12.26 household may not:

12.27 (1) purchase a lottery ticket or participate in gambling at the lottery gaming facility
12.28 established under section 349A.17; provided, except in cases where a lottery gaming
12.29 facility manager has actual knowledge, a lottery gaming facility manager shall not bear
12.30 any liability for violations of this subdivision by the director, an employee of the lottery,
12.31 a member of the immediate family of the director or employee residing in the same
12.32 household; or

12.33 (2) have any personal pecuniary interest in any vendor holding a lottery procurement
12.34 contract, or in any lottery retailer; or

13.1 (3) receive any gift, gratuity, or other thing of value, excluding food or beverage,
13.2 from any lottery vendor or lottery retailer, or person applying to be a retailer or vendor, in
13.3 excess of \$100 in any calendar year.

13.4 Sec. 36. Minnesota Statutes 2010, section 349A.13, is amended to read:

13.5 **349A.13 RESTRICTIONS.**

13.6 Nothing in this chapter:

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

13.10 ~~(2) authorizes the director to install or operate a lottery device operated by coin or~~
13.11 ~~currency which when operated determines the winner of a game; and~~

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

13.14 Sec. 37. **[349A.17] OPERATION OF LOTTERY GAMING FACILITY.**

13.15 Subdivision 1. Purpose. (a) The legislature hereby recognizes that gaming
13.16 operations and activities are appropriate social and economic activities for state
13.17 government to operate and regulate.

13.18 (b) The legislature hereby finds and declares to be the public policy of this state that:

13.19 (1) the development of a controlled gaming industry is important to the development
13.20 of the economy of the state of Minnesota in that it will assist in the continuing growth of
13.21 the tourism industry and thus will benefit the general welfare of our citizens;

13.22 (2) the growth and success of gaming is dependent upon public confidence and trust
13.23 that gaming activities and, in particular, lottery gaming facility activities are conducted
13.24 honestly and are free from criminal and corruptive elements; and

13.25 (3) public confidence and trust can only be maintained by strict regulation of all
13.26 persons, practices, associations, and activities related to the operation of the gaming
13.27 establishment and the manufacture, supply, and distribution of gaming devices and
13.28 supplies.

13.29 (c) The legislature hereby finds and determines to be the public policy of the state:

13.30 (1) to authorize the Minnesota lottery director to solicit bids and negotiate and
13.31 enter into contracts for the conduct and management of gaming activities at a lottery
13.32 gaming facility as provided in this section as a useful economic development tool which
13.33 can promote general economic development, increase employment, produce direct and

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indirect state and local revenues, and otherwise stimulate the overall economy of the state and the tourism and hospitality industries therein;

(2) that all persons involved with the proposed lottery gaming facility, including the lottery gaming facility manager and manufacturers, suppliers, and distributors of certain gaming devices and equipment, shall therefore be licensed, regulated, and controlled in such a manner as to accomplish and promote the above public policies and, in general, to protect the public health, safety, morale, good order, and general welfare of our citizens; and

(3) that the most effective method of obtaining and furthering the public policies and objectives described in this section and to minimize competition with existing facilities is to provide for the operation of a single official gaming establishment which is state-operated and permits the management to be publicly bid to a nongovernmental entity, thus allowing the state to derive revenues from the controlled gaming operation.

(d) This section and amendments to it shall be known and cited as the "Minnesota Lottery Gaming Facility Act." The Minnesota Lottery Gaming Facility Act shall be part of and supplemental to the Minnesota State Lottery.

Subd. 2. **Location.** The director may operate one lottery gaming facility, to be located in a lottery gaming facility enterprise on Hennepin Avenue in the downtown entertainment billboard district of the city of Minneapolis, such location to be approved by the city of Minneapolis. The location must be suitable for both the permanent and an interim lottery gaming facility. The permanent facility must have a gaming floor plate of not less than 60,000 square feet. The lottery gaming facility is a nonsmoking facility.

Subd. 3. **Types of gaming.** The director shall provide for the types of gaming to be conducted at the lottery gaming facility and game procedures subject to section 349A.04. Lottery facility games are permitted to the extent consistent with law. The director may permit the operation of up to 3,200 electronic gaming positions at the lottery gaming facility.

Subd. 4. **Electronic lottery terminals.** (a) All electronic lottery terminals at a lottery gaming facility may be owned or leased by the lottery gaming facility manager for the benefit of the director.

(b) Electronic lottery terminals must be maintained by the lottery, or by the manager of a lottery gaming facility pursuant to this section, who is under the control and direction of the director.

(c) The director must have a central communications system that monitors activities and provides auditing program information on each electronic lottery terminal at a lottery gaming facility.

(d) The director must approve the general security arrangements associated with and relating to the operation of the electronic lottery terminals at a lottery gaming facility.

(e) The director must own or be the licensee of the software for the electronic lottery terminals at the lottery gaming facility.

(f) The director may implement other controls as are deemed necessary to ensure and maintain the integrity of electronic lottery terminals at a lottery gaming facility operated under this section.

(g) The director shall examine prototypes of electronic lottery terminals and require that the manufacturer of the terminal pay the cost of the examination. The director may contract for the examination of electronic lottery terminals. The director may require working models of an electronic lottery terminal transported to the locations the director designates for testing, examination, and analysis. The manufacturer shall pay all costs of any testing, examination, analysis, and transportation of the terminal model.

(h) Deactivation of terminal. The director may deactivate an electronic lottery terminal without notice if the lottery gaming facility manager has violated any provision of this chapter, rule, or provision of its contract with the director.

Subd. 5. **Card club.** (a) The director may authorize a card club or clubs to be operated at the lottery gaming facility authorized in this section.

(b) The lottery gaming facility manager is responsible for conducting and supervising the card games, providing all necessary equipment, services, and personnel, and reimbursing the director for costs related to card club regulation and enforcement.

(c) The lottery gaming facility manager may charge players for card games by deducting and retaining money from wagers, by charging a fee based on playing time, or by any other means authorized by the director.

(d) The director may not authorize the lottery gaming facility manager to operate a card club unless the lottery gaming facility manager has submitted, and the director has approved, a plan of operation for card games. The director may withdraw authorization for operation of a card club at any time for a violation of a law or rules governing card club operations. The plan must set forth all necessary details for conducting card games, including, among other things:

(1) specifying and defining all card games to be played, including all governing aspects of each game;

(2) amount and method by which players will be charged for card games;

(3) arrangements to ensure the security of card games;

(4) designation of all employees of the operator who undertake supervisory positions related to card games; and

(5) internal control systems for card games.

Subd. 6. **Nonelectronic games.** Nonelectronic games may be played at the lottery gaming facility as authorized by the director.

Subd. 7. **Lottery gaming facility management contract; procedure.** (a) Not more than 60 days after the effective date of this act, the director shall publish in the Minnesota State Register a notice regarding the process for soliciting proposals and approval of a lottery gaming facility management contract.

(b) In selecting a lottery gaming facility manager the director must consider, at a minimum, the following factors:

(1) the experience of the applicant in managing gaming facilities;

(2) the competence, experience, and timely performance of an applicant in order to promote and ensure the security, honesty, fairness, and integrity of the operation and administration of the lottery gaming facility;

(3) the financial and gaming controls proposed by the applicant;

(4) the financial resources available to the applicant to support the required activities;

(5) the proposed infrastructure, design, construction, and equipment proposed to be utilized for the lottery gaming facility;

(6) the total investment that the applicant will make to the project;

(7) the proposed start date for the operation of the lottery gaming facility in order to expedite the flow of revenues to the state;

(8) the number and types of games proposed to be conducted at the lottery gaming facility;

(9) the estimate of the total revenue to be received by the state from the operation of the lottery gaming facility under the management of the applicant;

(10) the applicant's responsible gaming plan for the lottery gaming facility;

(11) the applicant's experience and record in implementing a responsible gaming plan for a gaming facility;

(12) any agreements or prospective agreements related to ancillary lottery gaming facility enterprise operations; and

(13) the manner in which the applicant proposes that the lottery gaming facility will promote tourism and economic development.

(c) The director shall select a lottery gaming facility manager within 90 days after the deadline for receipt of proposals, unless the director determines that no applicant who has submitted a proposal satisfies the standards contained in subdivision 8, paragraph (a) and accomplishes the policies of this act considering the factors contained in subdivision 7, paragraph (b).

(d) Each application for a lottery gaming facility management contract must be accompanied by an application fee in the amount of \$150,000. The director may use this fee for costs associated with the evaluation of the application. Any balance remaining after the evaluation and approval of a lottery gaming facility management contract shall be refunded to all of the applicants on a pro rata basis.

Subd. 8. **Lottery gaming facility management contract.** (a) The director shall not enter into a lottery gaming facility management contract unless:

(1) the prospective lottery gaming facility manager, or any of its principals, at a minimum:

(i) has sufficient access to financial resources to support the activities required of a lottery gaming facility manager under the Minnesota lottery act;

(ii) is current in filing all applicable tax returns and in payment of all taxes, interest, and penalties owed to the state of Minnesota and any taxing subdivision where the prospective manager is located in the state of Minnesota, excluding items under formal appeal pursuant to applicable statutes;

(iii) has experience developing projects of at least 100,000 square feet and at a cost which exceeds \$100,000,000 in Minnesota within the last five years; and

(iv) is comprised of owners the majority of whom are residents of Minnesota at the time of initial application, or are business entities that have been incorporated or organized in Minnesota for at least three years;

(2) the director determines that the proposed lottery gaming enterprise consists of an investment in infrastructure, design construction, improvement and equipment, including the cost of electronic lottery terminals, and including ancillary lottery gaming facility enterprise operations, of at least \$200,000,000. The director, in determining whether the minimum investment required by this subdivision is met, shall not include any amounts derived from or financed by state or local retailers' sales tax revenues; and

(3) the director determines that the prospective lottery gaming facility manager will have site control over a facility to house the lottery gaming facility. The lottery gaming facility manager and the facility owner must negotiate terms for the occupation and use of the facility.

(b) Any lottery gaming facility management contract approved by the director under this section must:

(1) require the lottery gaming facility manager to design, construct, finance, improve, and equip the lottery gaming facility and lottery gaming facility enterprise;

(2) have an initial term of 15 years from the date of opening of the lottery gaming facility, with at least two five-year automatic extensions, provided that there has been no

18.1 uncured, material breach or default of the lottery gaming facility management contract. At
18.2 the end of the term, the parties may negotiate in good faith for an additional term;

18.3 (3) establish a mechanism to facilitate payment of lottery gaming facility expenses
18.4 and payment of expenses of the State Lottery, and distribution of the state's share of the
18.5 lottery gaming facility revenues;

18.6 (4) establish the types of lottery facility games to be installed in the lottery gaming
18.7 facility and the replacement schedule and cycle;

18.8 (5) provide for the prospective lottery gaming facility manager, upon approval of
18.9 the proposed lottery gaming facility management contract, to pay to the commissioner
18.10 of management and budget a privilege fee of \$50,000,000. Such fee shall be deposited
18.11 in the general fund and may be paid in two equal installments. The first installment
18.12 of \$25,000,000 is due upon full execution of the lottery gaming facility management
18.13 agreement, and the second installment of \$25,000,000 is due on or before June 30, 2013;

18.14 (6) incorporate terms and conditions for the ancillary lottery gaming facility
18.15 enterprise operations;

18.16 (7) provide that the director must approve the electronic lottery terminals; however,
18.17 the lottery gaming facility manager may select the electronic lottery terminals to be placed
18.18 in operation from those approved by the director and determine the mix and schedule for
18.19 replacement, subject to the director's approval;

18.20 (8) provide that the hours of operation for the lottery gaming facility shall be at
18.21 the direction of the lottery gaming facility manager, and may be operated 24 hours per
18.22 day, seven days per week;

18.23 (9) provide that the lottery gaming facility manager may hire personnel, consistent
18.24 with the provisions of subdivision 9;

18.25 (10) designate as key employees, subject to approval of the director, any employees
18.26 or contractors providing services or functions which are related to lottery gaming facility
18.27 games authorized by a lottery gaming facility management contract;

18.28 (11) include financing commitments for construction;

18.29 (12) include a development agreement with the city governing body;

18.30 (13) include a provision requiring prominent posting in the area where electronic and
18.31 nonelectronic games are conducted, in a manner approved by the director, of the toll-free
18.32 telephone number established by the commissioner of human services in connection with
18.33 the compulsive gambling program established under section 245.98;

18.34 (14) require the director and lottery gaming facility manager to establish a
18.35 responsible gambling plan in consultation with the National Council on Problem
18.36 Gambling or the Minnesota affiliate, and by January 15 of each year to submit a report

19.1 to the legislature of not more than five pages setting forth the status of the responsible
19.2 gambling plan;

19.3 (15) allow the lottery gaming facility manager to manage the lottery gaming facility
19.4 in a manner consistent with this act and applicable law, but shall place full, complete and
19.5 ultimate ownership and operational control of the gaming operation of the lottery gaming
19.6 facility with the Minnesota lottery. The Minnesota lottery shall not delegate and shall
19.7 explicitly retain the power to overrule any action of the lottery gaming facility manager
19.8 affecting the gaming operation without prior notice. The Minnesota lottery shall retain full
19.9 control over all decisions concerning lottery gaming facility games;

19.10 (16) include provisions for the director to oversee all lottery gaming facility
19.11 operations, including, but not limited to: oversight of internal controls; oversight
19.12 of security of facilities; performance of background investigations; determination of
19.13 qualifications and credentialing of employees, contractors, and agents of the lottery
19.14 gaming facility manager and of ancillary lottery gaming facility enterprise operations,
19.15 auditing of lottery gaming facility revenues; enforcement of all state laws and maintenance
19.16 of the integrity of gaming operations;

19.17 (17) include enforceable provisions and liquidated damages to recover the privilege
19.18 fee paid under this subdivision, plus interest on such amount, compounded annually at the
19.19 statutory rate of interest if (i) for any reason other than a material breach of the lottery
19.20 gaming facility manager's obligations under the lottery gaming facility management
19.21 contract the lottery gaming facility manager is enjoined or otherwise prevented from
19.22 constructing or conducting operations at the lottery gaming facility as provided for in this
19.23 section, or (ii) the state authorizes the operation of a lottery gaming facility or a similar
19.24 gaming facility prior to August 1, 2036;

19.25 (18) include provisions requiring that contracts for construction and operation of
19.26 the lottery gaming facility must include programs to provide for participation by small
19.27 local businesses and minority communities in the workforces of contractors and the lottery
19.28 gaming facility manager. The lottery gaming facility manager shall make good faith
19.29 efforts to recruit and employ women and members of minority communities. The lottery
19.30 gaming facility manager shall make good faith efforts to use minority and women-owned
19.31 businesses;

19.32 (19) include a provision with respect to the extension of credit by the lottery gaming
19.33 facility manager;

19.34 (20) include provisions allowing the director to approve the plan of operation,
19.35 advertising, and the budget for the lottery gaming facility on a schedule to be agreed
19.36 upon by the parties;

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(21) include accounting procedures to determine the lottery gaming facility revenues, promotional games, unclaimed prizes, and credits;

(22) include minimum requirements for a lottery gaming facility manager to provide qualified oversight, security, and supervision of the lottery gaming facility games including the use of qualified personnel with experience in applicable technology;

(23) include eligibility requirements for employees, contractors, or agents of a lottery gaming facility manager who will have responsibility for or involvement with actual gaming activities or for the handling of cash or tokens;

(24) include background investigations to be performed by the lottery director or the director's agent;

(25) include requirements for any employee, contractor, or agent of the lottery gaming facility manager or of any ancillary lottery gaming enterprise operation;

(26) include provisions for termination of the management contract by either party for cause; and

(27) include any other provision deemed necessary by the parties, including such other terms and restrictions as necessary to conduct any lottery gaming facility game in a legal and fair manner.

(c) If a lottery gaming facility manager does not pay the first installment of the privilege fee within 30 days of execution of the lottery gaming facility management contract, the lottery gaming facility management contract shall be null and void.

(d) A lottery gaming facility management contract shall not be transferred or encumbered without the approval of the director. The lottery facility management contract may be assignable for benefit of lenders, subject to the approval of the director, which shall not be unreasonably withheld.

(e)(1) The Minnesota lottery shall be the licensee or owner of all software programs used at a lottery gaming facility for any lottery facility game.

(2) A lottery gaming facility manager, on behalf of the state, shall purchase or lease for the Minnesota lottery all electronic lottery games. All electronic lottery games shall be subject to the ultimate control of the Minnesota lottery in accordance with this act.

(f) The director may authorize the operation of an interim lottery gaming facility at the location selected in subdivision 2 pending completion of the permanent facility and may establish reasonable conditions for the interim operation. The operation of the interim lottery gaming facility shall be treated in the same manner as if it were conducted in the permanent facility, and must be managed by the lottery gaming facility manager.

(g) The establishment and development of a lottery gaming enterprise is not subject to sections 116D.04, 473.165, and 473.173. Section 116J.994 does not apply to any

transactions of any governmental entity related to the lottery gaming facility or public infrastructure, or to any tenant or other users of them.

Subd. 9. **Personnel, vendors.** (a) No person or entity that holds a lottery gaming facility management contract or a contract for the provision of goods or services to the director, may employ in any capacity that relates directly to lottery gaming facility operations, use as a vendor to the lottery gaming facility or have as an owner, officer, or director, any person who has been convicted within the previous five years of a felony or any crime involving fraud or misrepresentation or gambling-related offenses except that if an owner is a publicly traded company, this provision applies only to shareholders of such publicly traded companies holding five percent or more of such company's issued and outstanding equity securities.

(b) The director shall investigate each employee or vendor under this subdivision to the extent the director considers necessary and may request the assistance of and may reimburse the Division of Alcohol and Gambling Enforcement in the investigation. All employees of the lottery gaming facility manager must be fingerprinted or furnish their fingerprints to the director. The director may determine classifications of vendors from which employees and owners of such vendors providing goods or services relating to the operation of the lottery gaming facility must be fingerprinted or furnish their fingerprints to the director. The director may charge an applicant an investigation fee to cover the cost of the investigation and shall from this fee reimburse the Division of Alcohol and Gambling Enforcement for its share of the cost of the investigation. The director may cooperate with national and international organizations and agencies in conducting investigations. The director has access to all criminal history data compiled by the Division of Alcohol and Gambling Enforcement on applicants and licensees under this subdivision.

Subd. 10. **Prizes.** A person who plays a lottery facility game at the lottery gaming facility agrees to be bound by the game procedures applicable to that game. The player acknowledges that the determination of winnings is subject to the rules of the director, game procedures and claim procedures established for that game, and any confidential or public validation procedures established by the director for that game.

Subd. 11. **Restrictions.** No person under age 21 shall play or make a wager on an electronic lottery terminal or any lottery facility games.

Subd. 12. **Disposition of lottery gaming facility revenues.** The lottery gaming facility manager shall transmit all lottery gaming facility revenue to the director. The director shall dispose of the lottery gaming facility revenues as follows:

(1) 20 percent of the lottery gaming facility revenue shall be disposed of as provided in section 297A.651;

(2) three percent of the lottery gaming facility revenues shall be paid to the city of Minneapolis, which amount shall be in lieu of any local tax, imposition, or fee in connection with the operation of the lottery gaming facility;

(3) 72 percent of the lottery gaming facility revenue to the lottery gaming facility manager, subject to the terms of the lottery gaming facility management contract, to cover the operating expenses of the lottery gaming facility which include, but are not limited to, salaries and wages, fringe benefits, security, maintenance and repair, rent, occupancy expenses, debt service, ongoing capital expenditures, capital reserves, equipment purchase and replacement, and other purposes as provided in the lottery gaming facility management contract;

(4) \$1,000,000 shall be paid annually to the general fund and is appropriated to the commissioner of human services for the compulsive gambling treatment program established under section 245.98, provided that funds appropriated under this clause shall supplement and not replace existing state funding for these programs;

(5) \$500,000 shall be paid annually to the general fund and is appropriated to the gambling control board for a grant to the state affiliate recognized by the National Council on Problem Gambling to increase public awareness of problem gambling, education and training for individuals and organizations providing effective treatment services to problem gamblers and their families, and research relating to problem gambling, provided that funds appropriated under this clause shall supplement and not replace existing state funding for these programs; and

(6) the remainder shall be considered net proceeds from the operation of the lottery gaming facility, from which the expenses of the lottery must be paid.

Subd. 13. Restrictions on lottery gaming facility manager. (a) A lottery gaming facility manager must keep a complete set of books of account, correspondence, and all other records necessary to show fully the manager's transactions, and make them available for inspection by employees of the lottery at all times during business hours. The director may require a lottery gaming facility manager to furnish information as the director deems necessary to carry out the purposes of this chapter. The lottery gaming facility manager will provide for an annual financial audit, at its own expense, and will provide the audited financial statements to the director.

(b) A lottery gaming facility management agreement issued under this section may not be transferred or assigned without the approval of the director, such approval not to be unreasonably withheld.

(c) Sale or transfer of ownership of the facility in which the lottery gaming facility is housed is permissible with the approval of the director, such approval not to be unreasonably withheld.

(d) A lottery gaming facility manager must prominently post in the area where electronic lottery terminals are located, in a manner approved by the commissioner of human services, the toll-free telephone number established by the commissioner of human services in connection with the compulsive gambling program established under section 245.98.

Subd. 14. **Charter limitation.** Notwithstanding any law, charter, or ordinance to the contrary, it is hereby found and declared that the development, construction, and operation of a lottery gaming facility and lottery gaming facility enterprise within the area specified in this section is consistent with the adopted area plan, is the preferred site location, is a permitted land use, and constitutes lawful gambling.

Subd. 15. **Local tax.** No new or additional local sales or use tax shall be imposed on lottery facility gaming revenues at the lottery gaming facility unless the tax is applicable throughout the taxing jurisdiction. Notwithstanding charter or ordinance to the contrary, a local gambling tax may not be applied to the lottery gaming facility operations nor may any license fee, benefits, contribution, or disposition of revenues of a lottery gaming facility be assessed or determined by the city in which the lottery gaming facility is located other than as specifically set forth in this section. The admissions and amusements tax pursuant to Laws 1969, chapter 1092, may not be imposed on lottery facility gaming revenues, but may be imposed as authorized by law on ancillary lottery gaming facility enterprise operations.

Subd. 16. **Local restrictions.** A political subdivision may not require a license to operate a gaming machine or a lottery facility game, or to conduct other gambling devices under section 299L.07, restrict or regulate the placement of gaming machines, the conducting of other lottery facility games, or the hours of operation, or impose a tax or fee on the business of operating gaming machines or the conducting of other lottery facility games at the lottery gaming facility.

Sec. 38. Minnesota Statutes 2010, section 541.20, is amended to read:

541.20 RECOVERY OF MONEY LOST.

Every person who, by playing at cards, dice, or other game, or by betting on the hands or sides of such as are gambling, shall lose to any person so playing or betting any sum of money or any goods, and pays or delivers the same, or any part thereof, to the winner, may sue for and recover such money by a civil action, before any court of competent

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24.1 jurisdiction. For purposes of this section, gambling shall not include pari-mutuel wagering
24.2 conducted under a license issued pursuant to chapter 240, purchase or sale of tickets in
24.3 the state lottery, participation in any lottery facility game at a lottery gaming facility
24.4 authorized under section 349A.17, or gambling authorized under chapters 349 and 349A.

24.5 Sec. 39. Minnesota Statutes 2010, section 541.21, is amended to read:

24.6 **541.21 COMMITMENTS FOR GAMBLING DEBT VOID.**

24.7 Every note, bill, bond, mortgage, or other security or conveyance in which the whole
24.8 or any part of the consideration shall be for any money or goods won by gambling or
24.9 playing at cards, dice, or any other game whatever, or by betting on the sides or hands
24.10 of any person gambling, or for reimbursing or repaying any money knowingly lent or
24.11 advanced at the time and place of such gambling or betting, or lent and advanced for any
24.12 gambling or betting to any persons so gambling or betting, shall be void and of no effect
24.13 as between the parties to the same, and as to all persons except such as hold or claim under
24.14 them in good faith, without notice of the illegality of the consideration of such contract or
24.15 conveyance. The provisions of this section shall not apply to: (1) pari-mutuel wagering
24.16 conducted under a license issued pursuant to chapter 240; (2) purchase of tickets in the
24.17 state lottery and participation in lottery facility games under chapter 349A; (3) gaming
24.18 activities conducted pursuant to the Indian Gaming Regulatory Act, United States Code,
24.19 title 25, section 2701 et seq.; or (4) lawful gambling activities permitted under chapter 349.

24.20 Sec. 40. Minnesota Statutes 2010, section 609.75, subdivision 3, is amended to read:

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

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

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

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

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

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

24.32 (6) the operation of equipment or the conduct of a raffle under sections 349.11 to
24.33 349.22, by an organization licensed by the Gambling Control Board or an organization
24.34 exempt from licensing under section 349.166;

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25.1 (7) pari-mutuel betting on horse racing when the betting is conducted under chapter
25.2 240; and

25.3 (8) the purchase and sale of state lottery tickets and participation in lottery facility
25.4 games at the state-operated lottery gaming facility under chapter 349A.

25.5 Sec. 41. Minnesota Statutes 2010, section 609.761, subdivision 2, is amended to read:

25.6 Subd. 2. **State lottery.** Sections 609.755 and 609.76 do not prohibit the operation
25.7 of the state lottery or the sale, possession, or purchase of tickets for the state lottery or
25.8 participation in lottery facility games at the state-operated lottery gaming facility under
25.9 chapter 349A.

25.10 Sec. 42. **FEDERAL EXEMPTION.**

25.11 (a) Pursuant to section 2 of the federal act entitled "An Act to Prohibit Transportation
25.12 of Gambling Devices in Interstate and Foreign Commerce," United States Code, title 15,
25.13 sections 1171 to 1177, the state of Minnesota, acting by and through the duly elected and
25.14 qualified members of the legislature, does hereby in this section, and in accordance and
25.15 compliance with the provisions of section 2 of such federal act, declare and proclaim that
25.16 it is exempt from the provision of section 2 of such federal act to the extent that such
25.17 gambling devices as described therein are being transported to or from the Minnesota State
25.18 Lottery or to or from a lottery gaming facility or a location within the state of Minnesota
25.19 where such gambling devices are authorized pursuant to Minnesota Statutes, chapter 349A.

25.20 (b) All shipments of gambling devices, including slot machines, into any county of
25.21 the state of Minnesota within which gaming operations are authorized, the registering,
25.22 recording, and labeling of which has been duly had by the manufacturer or dealer thereof
25.23 in accordance with United States Code, title 15, sections 1171 to 1177, sections 4 and 5
25.24 of this act, shall be deemed legal shipments thereof into any such county within which
25.25 gaming operations are authorized.

25.26 Sec. 43. **LOCAL APPROVAL.**

25.27 Sections 1 to 42 are effective the day after compliance with Minnesota Statutes,
25.28 section 645.021, subdivision 3, by the city council of the city of Minneapolis.

25.29 Sec. 44. **LOTTERY BUDGET; LOTTERY GAMING FACILITY.**

25.30 The director of the State Lottery shall submit a budget for the operation and
25.31 regulation of the lottery gaming facility authorized under Minnesota Statutes, section
25.32 349A.17, to the commissioner of management and budget. Notwithstanding Minnesota

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26.1 Statutes, section 349A.10, subdivision 6, the director of the State Lottery may expend
26.2 amounts necessary to operate and regulate the lottery gaming facility. Amounts expended
26.3 by the director of the State Lottery for the operation and regulation of the lottery gaming
26.4 facility in fiscal years 2013 and 2014 are not subject to the maximum amount set in law
26.5 for the operation of the lottery.

26.6 Sec. 45. **SEVERABILITY; SAVINGS.**

26.7 If any part of this act is found to be invalid because it is in conflict with a provision
26.8 of the Constitution of the State of Minnesota or for any other reason, all other provisions
26.9 of this act shall remain valid and any rights, remedies, and privileges that have been
26.10 otherwise accrued by this act shall remain in effect and may be proceeded with and
26.11 concluded under the provisions of this act.

26.12 Sec. 46. **EFFECTIVE DATE.**

26.13 This act is effective the day following final enactment.