

- (iii) certification authority disclosure records for licensed certification authorities;
  - (iv) all orders or advisory statements published by the secretary in regulating certification authorities; and
  - (v) other information adopted by rule by the secretary;
- (3) operates by means of a trustworthy system;
- (4) contains no significant amount of information that is known or likely to be untrue, inaccurate, or not reasonably reliable;
- (5) contains certificates published by certification authorities that conform to legally binding requirements that the secretary finds to be substantially similar to, or more stringent toward the certification authorities, than those of this state; and
- (6) keeps an archive of certificates that have been suspended or revoked, or that have expired, within at least the past three years; and
- (7) complies with other reasonable requirements adopted by rule by the secretary.

**Sec. 30. [325K.27] COURT RULES.**

Nothing in this chapter shall be construed to limit the authority of the supreme court to adopt rules of pleading, practice or procedure, or of the court of appeals or district courts to adopt supplementary local rules, governing the use of electronic messages and documents, including, but not limited to, rules governing the use of digital signatures in judicial proceedings.

**Sec. 31. REPEALER.**

Minnesota Statutes 1997 Supplement, sections 325K.05, subdivision 3; 325K.06, subdivisions 3, 4, and 5; 325K.13, subdivisions 2 and 3; and 325K.14, subdivision 7, are repealed.

Presented to the governor March 19, 1998

Signed by the governor March 23, 1998, 10:51 a.m.

**CHAPTER 322—S.F.No. 2911**

*An act relating to lawful gambling; allowing expenditures as lawful purposes of compliance with the Americans with Disabilities Act; authorizing organizations to make certain expenditures and contributions through electronic fund transfers; allowing an employee to participate in lawful gambling under certain circumstances; allowing locally administered funds receiving contributions from gambling profits to be spent for certain public safety purposes; amending Minnesota Statutes 1996, sections 349.168, subdivision 6; 349.19, subdivision 3; and 349.213, subdivision 1; Minnesota Statutes 1997 Supplement, sections 349.12, subdivision 25; 349.154, subdivision 2; and 349.18, subdivision 1.*

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

Section 1. Minnesota Statutes 1997 Supplement, section 349.12, subdivision 25, is amended to read:

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

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

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

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

(3) a contribution to an individual for treatment for delayed posttraumatic stress syndrome or a contribution to a program recognized by the Minnesota department of human services for the education, prevention, or treatment of compulsive gambling;

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

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

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

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

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

(7) recreational, community, and athletic facilities and activities intended primarily for persons under age 21, provided that such facilities and activities do not discriminate on the basis of gender and the organization complies with section 349.154;

(8) payment of local taxes authorized under this chapter, taxes imposed by the United States on receipts from lawful gambling, the taxes imposed by section 297E.02, subdivisions 1, 4, 5, and 6, and the tax imposed on unrelated business income by section 290.05, subdivision 3;

(9) payment of real estate taxes and assessments on permitted gambling premises wholly owned by the licensed organization paying the taxes, not to exceed:

(i) for premises used for bingo, the amount that an organization may expend under board rules on rent for bingo; and

(ii) \$35,000 per year for premises used for other forms of lawful gambling;

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

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

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(12) payment of one-half of the reasonable costs of an audit required in section 297E.06, subdivision 4;

(13) a contribution to or expenditure on a wildlife management project that benefits the public at-large, provided that the state agency with authority over that wildlife management project approves the project before the contribution or expenditure is made;

(14) expenditures, approved by the commissioner of natural resources, by an organization for grooming and maintaining snowmobile trails that are (1) grant-in-aid trails established under section 85.019, or (2) other trails open to public use, including purchase or lease of equipment for this purpose; or

(15) conducting nutritional programs, food shelves, and congregate dining programs primarily for persons who are age 62 or older or disabled.

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

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

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

(3) the erection, acquisition, improvement, expansion, repair, or maintenance of real property or capital assets owned or leased by an organization, unless the board has first specifically authorized the expenditures after finding that (i) the real property or capital assets will be used exclusively for one or more of the purposes in paragraph (a); (ii) with respect to expenditures for repair or maintenance only, that the property is or will be used extensively as a meeting place or event location by other nonprofit organizations or community or service groups and that no rental fee is charged for the use; (iii) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building, a building owned by the organization and destroyed or made uninhabitable by fire or natural disaster, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance; ~~or~~ (iv) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building a building owned by the organization that was acquired from the organization by eminent domain or sold by the organization to a purchaser that the organization reasonably believed would otherwise have acquired the building by eminent domain, provided that the expenditure may be only for that part of the replacement cost that exceeds the compensation received by the organization for the building being replaced; or (v) with respect to an expenditure to bring an existing building into compliance with the Americans with Disabilities Act under item (ii), an organization has the option to apply the amount of the board-approved expenditure to the erection or acquisition of a replacement building that is in compliance with the Americans with Disabilities Act;

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

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

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

Sec. 2. Minnesota Statutes 1997 Supplement, section 349.154, subdivision 2, is amended to read:

Subd. 2. **NET PROFIT REPORTS.** (a) Each licensed organization must report monthly to the board on a form prescribed by the board each expenditure and contribution of net profits from lawful gambling. The reports must provide for each expenditure or contribution:

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

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

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

(4) a brief description of how the expenditure or contribution meets one or more of the purposes in section 349.12, subdivision 25; and

(5) in the case of expenditures authorized under section 349.12, subdivision 25, paragraph (a), clause (7), whether the expenditure is for a facility or activity that primarily benefits male or female participants.

(b) The board shall make available to the commissioners of revenue and public safety copies of reports received under this subdivision and requested by them.

(c) The report required under this subdivision must provide for a separate accounting for all expenditures made from the reporting organization's tax refund or credit authorized under section 297E.02, subdivision 4, paragraph (d).

Sec. 3. Minnesota Statutes 1996, section 349.168, subdivision 6, is amended to read:

Subd. 6. **COMPENSATION PAID BY CHECK OR ELECTRONIC TRANSFER.** Compensation paid by an organization in connection with lawful gambling must either be: (1) in the form of a check drawn on the organization's gambling account, as specified in section 349.19, and paid directly to the person being compensated; (2) transferred electronically from the organization's gambling account, as specified in section 349.19, subdivision 3, directly to the employee's bank account; or (3) transferred electronically to and from the account of a payroll processing firm for payment to the employee's account and for the payment of local, state, and federal withholding taxes, provided that the payroll processing firm is (i) currently registered with and meets the criteria of the department of revenue as a third-party bulk filer under section 290.92, subdivision 30, (ii) is able to provide proof of a third-party audit and an annual report and statement of financial condition, (iii) is able to provide evidence of a fidelity bond, and (iv) can pro-

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vide proof of having been in business as a third-party bulk filer for the most recent three years.

Sec. 4. Minnesota Statutes 1997 Supplement, section 349.18, subdivision 1, is amended to read:

Subdivision 1. **LEASE OR OWNERSHIP REQUIRED.** (a) An organization may conduct lawful gambling only on premises it owns or leases. Leases must be on a form prescribed by the board. Except for leases entered into before August 1, 1994, the term of the lease may not begin before the effective date of the premises permit and must expire on the same day that the premises permit expires. Copies of all leases must be made available to employees of the board and the division of alcohol and gambling enforcement on request. A lease may not provide for payments determined directly or indirectly by the receipts or profits from lawful gambling. The board may prescribe by rule limits on the amount of rent which an organization may pay to a lessor for premises leased for lawful gambling provided that no rule of the board may prescribe a limit of less than \$1,000 per month on rent paid for premises used for lawful gambling other than bingo. Any rule adopted by the board limiting the amount of rent to be paid may only be effective for leases entered into, or renewed, after the effective date of the rule.

(b) No person, distributor, manufacturer, lessor, or organization other than the licensed organization leasing the space may conduct any activity other than the sale or serving of food and beverages on the leased premises during times when lawful gambling is being conducted on the premises.

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

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

(e) A gambling employee may purchase pull-tabs at the site of the employee's place of employment provided:

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

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

Sec. 5. Minnesota Statutes 1996, section 349.19, subdivision 3, is amended to read:

Subd. 3. **EXPENDITURES.** (a) All expenditures of gross profits from lawful gambling must be itemized as to payee, purpose, amount, and date of payment, and must be in compliance with section 349.154. Authorization of the expenditures must be recorded in the monthly meeting minutes of the licensed organization. Checks for expenditures of gross profits must be signed by at least two persons authorized by board rules to sign the

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checks. Expenditures of gross profits from lawful gambling for local, state, and federal taxes as identified in section 349.12, subdivision 25, paragraph (a), clause (8), may be: (1) transferred electronically from the organization's gambling account directly to bank accounts identified by local, state, or federal agencies if the organization's gambling account monthly bank statement specifically identifies the payee by name, the amount transferred, the account number of the account into which the funds were transferred, and the date of the transaction; or (2) transferred electronically to and from the account of a payroll processing firm that meets the criteria for such a firm established under section 349.168, subdivision 6. Expenditures of gross profits from lawful gambling as authorized by section 349.15, subdivision 1, for utility payments may be transferred electronically from the organization's gambling account directly to bank accounts identified by the utility vendor if the organization's gambling account monthly bank statement specifically identifies the payee by name, the amount transferred, the account number of the account into which the funds were transferred, and the date of the transaction. Electronic payments of local, state, and federal taxes and utility payments are permitted only if they have been authorized by the membership, the organization maintains supporting documentation, and the expenditures can be verified.

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

Sec. 6. Minnesota Statutes 1996, section 349.213, subdivision 1, is amended to read:

Subdivision 1. **LOCAL REGULATION.** (a) A statutory or home rule city or county has the authority to adopt more stringent regulation of lawful gambling within its jurisdiction, including the prohibition of lawful gambling, and may require a permit for the conduct of gambling exempt from licensing under section 349.166. The fee for a permit issued under this subdivision may not exceed \$100. The authority granted by this subdivision does not include the authority to require a license or permit to conduct gambling by organizations or sales by distributors licensed by the board. The authority granted by this subdivision does not include the authority to require an organization to make specific expenditures of more than ten percent from its net profits derived from lawful gambling. For the purposes of this subdivision, net profits are gross profits less amounts expended for allowable expenses and paid in taxes assessed on lawful gambling. A statutory or home rule charter city or a county may not require an organization conducting lawful gambling within its jurisdiction to make an expenditure to the city or county as a condition to operate within that city or county, except as authorized under section 349.16, subdivision 8, or 297E.02; provided, however, that an ordinance requirement that such organizations must contribute ten percent of their net profits derived from lawful gambling conducted at premises within the city's or county's jurisdiction to a fund administered and regulated by the responsible local unit of government without cost to such fund, for disbursement by the responsible local unit of government of the receipts for (i) lawful purposes, or (ii) police, fire, and other emergency or public safety-related services, equipment, and training, excluding pension obligations, is not considered an expenditure to the city or county nor a tax under section 297E.02, and is valid and lawful. A city or county making expenditures authorized under this paragraph must by March 15 of each

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year file a report with the board, on a form the board prescribes, that lists all such revenues collected and expenditures for the previous calendar year.

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

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

**Sec. 7. EFFECTIVE DATE.**

This act is effective the day following final enactment.

Presented to the governor March 20, 1998

Signed by the governor March 23, 1998, 10:55 a.m.

**CHAPTER 323—S.F.No. 2262**

*An act relating to insurance; regulating reinsurance intermediary-brokers; providing for the investment of funds held or collected; amending Minnesota Statutes 1996, section 60A.715.*

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

Section 1. Minnesota Statutes 1996, section 60A.715, is amended to read:

**60A.715 REQUIRED CONTRACT PROVISIONS; REINSURANCE INTERMEDIARY-BROKERS.**

Transactions between a RB and the insurer it represents in this capacity shall only be entered into pursuant to a written authorization, specifying the responsibilities of each party. The authorization must, at a minimum, provide that:

- (1) the insurer may terminate the RB's authority at any time;
- (2) the RB will render accounts to the insurer accurately detailing all material transactions, including information necessary to support all commissions, charges, and other fees received by, or owing to the RB, and remit all funds due to the ceding insurer or the assuming reinsurer within 30 days of the month of receipt;
- (3) all funds collected for the ceding insurer's or the assuming reinsurer's account will be held by the RB in a fiduciary capacity;

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