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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2197

02/13/2012 Authored by Eken, Gunther and Pelowski

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; authorizing the operation of lottery gaming machines and
1.3 conduct of other nonlottery games at a gaming facility; licensing and regulating
1.4 the gaming facility; imposing a gaming transaction fee on gaming at the gaming
1.5 facility; appropriating money; amending Minnesota Statutes 2010, sections
1.6 240.135; 299L.07, subdivisions 2, 2a; 340A.410, subdivision 5; 349A.01,
1.7 subdivision 10, by adding subdivisions; 349A.04; 349A.10, subdivisions 3,
1.8 6; 349A.13; 541.20; 541.21; 609.75, subdivision 3; 609.761, by adding a
1.9 subdivision; proposing coding for new law in Minnesota Statutes, chapters
1.10 299L; 349A.

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

1.12 ARTICLE 1
1.13 LOTTERY OPERATIONS

1.14 Section 1. PURPOSE.

1.15 The purpose of articles 1 to 5 is to:

1.16 (1) recognize the significant inequities created by the current status of casino gaming
1.17 in Minnesota given the extreme disparity in revenues generated by tribal casinos for
1.18 Minnesota's Indian tribes and tribal members and the lack of any significant direct revenue
1.19 to the state of Minnesota;

1.20 (2) provide an opportunity for increased economic development and tribal
1.21 self-sufficiency to tribal governments which, because of their locations and tribal
1.22 populations, have not benefited significantly from gaming opportunities under the federal
1.23 Indian Gaming Regulatory Act, United States Code, title 25, sections 2701 to 2721;

1.24 (3) provide for the generation of revenues to the state, including proceeds for
1.25 distribution as set forth in the Minnesota Constitution, article XI, section 14;

- 2.1 (4) establish a structure that promotes tribal sovereignty and self-governance and
2.2 that provides revenues from casino gaming to tribal governments for the development of
2.3 programs to alleviate persistent poverty conditions and to advance tribal goals; and
2.4 (5) provide for a 30-year moratorium against gambling expansion in this state.

2.5 Sec. 2. Minnesota Statutes 2010, section 349A.01, subdivision 10, is amended to read:

2.6 Subd. 10. **Lottery procurement contract.** "Lottery procurement contract" means a
2.7 contract to provide lottery products, gaming machines, maintenance of gaming machines,
2.8 computer hardware and software used to monitor sales of lottery tickets, and gaming
2.9 machine plays, equipment used to conduct and monitor other lottery games at a gaming
2.10 facility, equipment used for the conduct of other lottery games, and lottery tickets.
2.11 "Lottery procurement contract" does not include a contract to provide an annuity or prize
2.12 payment agreement or materials, supplies, equipment, or services common to the ordinary
2.13 operation of a state agency.

2.14 Sec. 3. Minnesota Statutes 2010, section 349A.01, is amended by adding a subdivision
2.15 to read:

2.16 Subd. 14. **Gaming facility.** "Gaming facility" means the site selected for the
2.17 location of gaming machines and the conduct of other lottery games pursuant to a location
2.18 contract under section 349A.17 and nonlottery casino games pursuant to a plan of
2.19 operation approved under section 299L.094.

2.20 Sec. 4. Minnesota Statutes 2010, section 349A.01, is amended by adding a subdivision
2.21 to read:

2.22 Subd. 15. **Gaming machine.** "Gaming machine" means any machine, system, or
2.23 device which, upon payment of consideration in order to play a game, may award or
2.24 entitle a player to a prize by reason of skill of the player or application of the element
2.25 of chance, or both.

2.26 Sec. 5. Minnesota Statutes 2010, section 349A.01, is amended by adding a subdivision
2.27 to read:

2.28 Subd. 16. **Gaming machine game.** "Gaming machine game" means a game
2.29 operated by a gaming machine as authorized by the director.

2.30 Sec. 6. Minnesota Statutes 2010, section 349A.01, is amended by adding a subdivision
2.31 to read:

3.1 Subd. 17. **Gaming machine play.** "Gaming machine play" means a record that
 3.2 proves participation in a gaming machine game.

3.3 Sec. 7. Minnesota Statutes 2010, section 349A.01, is amended by adding a subdivision
 3.4 to read:

3.5 Subd. 18. **Adjusted gross gaming machine revenue.** "Adjusted gross gaming
 3.6 machine revenue" means the sum of all money received for gaming machine plays less the
 3.7 amount paid out in prizes and for gaming machine games and promotional allowances
 3.8 approved by the director under section 349A.17.

3.9 Sec. 8. Minnesota Statutes 2010, section 349A.04, is amended to read:

3.10 **349A.04 LOTTERY GAME PROCEDURES.**

3.11 The director may adopt game procedures governing the following elements of the
 3.12 lottery:

- 3.13 (1) lottery games;
- 3.14 (2) ticket prices;
- 3.15 (3) number and size of prizes;
- 3.16 (4) methods of selecting winning tickets; ~~and~~
- 3.17 (5) frequency and method of drawings;
- 3.18 (6) gaming machine games;
- 3.19 (7) cost of gaming machine plays;
- 3.20 (8) other lottery games; and
- 3.21 (9) cost to participate in other games.

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

3.23 Sec. 9. Minnesota Statutes 2010, section 349A.10, subdivision 3, is amended to read:

3.24 Subd. 3. **Lottery operations.** (a) The director shall establish a lottery operations
 3.25 account in the lottery fund. The director shall pay all costs of operating the lottery,
 3.26 including payroll costs or amounts transferred to the state treasury for payroll costs, but
 3.27 not including lottery prizes, from the lottery operating account. The director shall credit to
 3.28 the lottery operations account amounts sufficient to pay the operating costs of the lottery.

3.29 (b) Except as provided in paragraph (e), the director may not credit in any fiscal
 3.30 year thereafter amounts to the lottery operations account which when totaled exceed
 3.31 nine percent of gross revenue to the lottery fund in that fiscal year. In computing total
 3.32 amounts credited to the lottery operations account under this paragraph the director shall
 3.33 disregard amounts transferred to or retained by lottery retailers as sales commissions or

4.1 other compensation and amounts transferred to or retained by the tribal entity pursuant to
4.2 a location contract under section 349A.17.

4.3 (c) The director of the lottery may not expend after July 1, 1991, more than 2-3/4
4.4 percent of gross revenues in a fiscal year for contracts for the preparation, publication, and
4.5 placement of advertising.

4.6 (d) Except as the director determines, the lottery is not subject to chapter 16A
4.7 relating to budgeting, payroll, and the purchase of goods and services.

4.8 (e) In addition to the amounts credited to the lottery operations account under
4.9 paragraph (b), the director is authorized, if necessary, to meet the current obligations of
4.10 the lottery and to credit up to 25 percent of an amount equal to the average annual amount
4.11 which was authorized to be credited to the lottery operations account for the previous three
4.12 fiscal years but was not needed to meet the obligations of the lottery.

4.13 (f) Notwithstanding the provisions of this subdivision, the director may not credit, in
4.14 any fiscal year, to the lottery operation account which when totaled exceed ten percent of
4.15 adjusted gross revenue from the operation of gaming machines.

4.16 Sec. 10. Minnesota Statutes 2010, section 349A.10, subdivision 6, is amended to read:

4.17 Subd. 6. **Budget; plans.** The director shall prepare and submit a biennial budget
4.18 plan to the commissioner of management and budget. The governor shall recommend
4.19 the maximum amount available for the lottery in the budget the governor submits to
4.20 the legislature under section 16A.11. The maximum amount available to the lottery for
4.21 operating expenses and capital expenditures shall be determined by law. Operating
4.22 expenses shall not include expenses that are a direct function of lottery sales, which
4.23 include the cost of lottery prizes, amounts paid to lottery retailers as sales commissions
4.24 or other compensation, amounts paid to produce and deliver scratch lottery games, ~~and~~
4.25 amounts paid to an outside vendor to operate and maintain an online gaming system,
4.26 amounts paid to an outside vendor to operate and maintain a central system for gaming
4.27 machines and for other lottery games, and amounts paid to acquire and maintain gaming
4.28 machines and equipment used to conduct other lottery games. In addition, the director
4.29 shall appear at least once each fiscal year before the senate and house of representatives
4.30 committees having jurisdiction over gambling policy to present and explain the lottery's
4.31 plans for future games and the related advertising and promotions and spending plans for
4.32 the next fiscal year.

4.33 Sec. 11. Minnesota Statutes 2010, section 349A.13, is amended to read:

4.34 **349A.13 RESTRICTIONS.**

5.1 Nothing in this chapter:

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

5.5 (2) authorizes the director to install or operate a lottery device operated by coin or
5.6 currency which when operated determines the winner of a game except as authorized
5.7 under section 349A.17; and

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

5.10 Sec. 12. **[349A.17] GAMING FACILITY.**

5.11 Subdivision 1. Definitions. (a) For the purposes of this section, the terms defined in
5.12 this subdivision have the meanings given them.

5.13 (b) "Fiscal year" means the period between July 1 and June 30.

5.14 (c) "Tribal entity" means one or more entities, whether tribally or federally chartered
5.15 corporations, or other legal entities, wholly owned by a tribal government that is a party
5.16 to the location contract under this section.

5.17 (d) "Tribal government" means the governmental entity that represents a federally
5.18 recognized Indian tribe within the state of Minnesota.

5.19 (e) "Site" means a parcel or contiguous parcels of land, and may be enlarged by the
5.20 addition of contiguous parcels of land over time.

5.21 Subd. 2. Location contract. (a) The director may enter into a contract with a tribal
5.22 entity to provide locations for the operation of gaming machines and other lottery games.
5.23 The director may not enter into more than two location contracts for the operation of
5.24 gaming machines and other lottery games under this section.

5.25 (b) The director may enter a location contract with a tribal entity that meets the
5.26 following criteria:

5.27 (1) the tribal entity will operate a single gaming facility at one site; and

5.28 (2) the tribal entity must be comprised of a tribal government which is a federally
5.29 recognized tribe which operates current casino gaming operations under the federal Indian
5.30 Gaming Regulatory Act, United States Code, title 25, sections 2701 to 2721, pursuant
5.31 to a compact with the state of Minnesota;

5.32 (i) the tribal government intends to participate in a tribal entity which will enter a
5.33 contract that complies with the requirements of this act;

5.34 (ii) the tribal government meets the eligibility criteria set forth in this paragraph and
5.35 provides adequate documentation to supports its eligibility to participate in the tribal entity;

6.1 (iii) a statement of the tribal government's intent to participate in a tribal entity that
6.2 waives the entity's sovereign immunity relating to disputes arising out of the location
6.3 contract or the construction, management, or operation of the gaming facility and that the
6.4 tribal government expressly consents that the tribal entity will be subject to the jurisdiction
6.5 of the state court and the administrative and regulatory jurisdiction of the state;

6.6 (iv) a limited waiver of sovereign immunity and consent by the tribal government
6.7 to the jurisdiction of state court solely to resolve disputes alleging that assets have been
6.8 transferred from the tribal entity to the tribe in violation of the location contract or other
6.9 applicable law and limited to any improperly transferred assets; and

6.10 (v) states the intention of the tribal government to ensure that revenues provided
6.11 to the participating tribal governments from the tribal entity will be distributed between
6.12 the participating tribal government in a fair and equitable manner as determined solely
6.13 by the participating tribal governments.

6.14 (c) The location contract with the tribal entity shall have no legal effect on the
6.15 validity of existing tribal-state gaming compacts.

6.16 (d) A location contract entered into under this section must provide for the following
6.17 provisions:

6.18 (1) that the contract shall run for not more than 30 years and shall be negotiable
6.19 and renewable every 15 years thereafter. The director, tribal entity, and participating
6.20 tribal government, that intends to not renegotiate and renew a location contract must, if
6.21 reasonably possible, provide notice of its intent to the other parties at least one year before
6.22 the location contract expires;

6.23 (2) liquidated damages to recover the initial investment by the tribal entity in
6.24 the event the state, through legislation or constitutional amendment, revokes all or
6.25 substantially all of the forms of gambling authorized under this section. The liquidated
6.26 damages may not be greater than the unpaid balance of any debt incurred by the tribal
6.27 entity or the racetrack after the location contract has been executed and is limited to the
6.28 debt incurred by the tribal entity for the gaming facility license, initial construction, or
6.29 acquisition of the gaming facility less the present market value of the property or other
6.30 assets related to the debt. Any liquidated damages provision must expire within ten years;

6.31 (3) all costs associated with managing the routine day-to-day activity of gaming
6.32 machines, other lottery games including, but not limited to, routine and minor service and
6.33 maintenance, security monitoring, verifying winners, paying winners, collecting money
6.34 from gaming machines, collecting wagers from the operation of other lottery games, and
6.35 advertising and marketing of gaming machines and other lottery games shall be borne
6.36 by the tribal entity;

7.1 (4) all costs associated with purchase or lease of gaming machines, major
7.2 maintenance of the gaming machines, and monitoring the activity of the gaming machines
7.3 through a central system shall be borne by the lottery;

7.4 (5) the tribal entity must maintain adequate liability and casualty insurance for
7.5 the gaming facility;

7.6 (6) payment by each entity that has entered into a location contract to the
7.7 commissioner of human services in an annual amount equal to the lesser of 0.5 percent of
7.8 adjusted gross gaming machine revenue not to exceed \$2,500,000 at that gaming facility,
7.9 for problem and compulsive gambling treatment or programs;

7.10 (7) payment by each entity that has entered into a location contract to the city and
7.11 county where the gaming facility is located in an annual amount equal to one percent of
7.12 adjusted gross gaming machine revenue, other lottery games' adjusted gross income, and
7.13 nonlottery casino games' adjusted gross revenue at that gaming facility;

7.14 (8) any controversy or claim between the parties to a location contract that arises
7.15 out of a location contract may be settled by arbitration except as provided in paragraphs
7.16 (j) and (k);

7.17 (9) authorization for the operation of gaming machines and the conduct of other
7.18 lottery games at a temporary facility pending completion of a permanent facility subject to
7.19 reasonable conditions for the operation of the temporary facility set by the director. The
7.20 operation of gaming machines and the conduct of other lottery games at a temporary
7.21 facility shall be treated in the same manner as if it was conducted in a permanent facility;
7.22 and

7.23 (10) if the legislature authorizes the operation of gaming machines as defined in
7.24 section 349A.01, subdivision 15, other than at a gaming facility authorized under this
7.25 act, within 30 years of issuing a gaming facility license to a tribal entity under this act,
7.26 the state must refund all of the license fees paid by the tribal entity pursuant to section
7.27 299L.09, subdivision 4, and notwithstanding article 4, section 1, the gaming facility
7.28 licensees will be relieved of any obligation to pay a gaming transaction fee for the conduct
7.29 of nonlottery casino games for the remainder of the 30-year period or for five years from
7.30 the date that the other gaming machines are operated within the state, whichever period is
7.31 longer, and the lottery will be relieved of any obligation to pay a gaming transaction fee
7.32 for the conduct of gaming machines and bingo at the gaming facility for the remainder
7.33 of the 30-year period or for five years from the date that the other gaming machines are
7.34 operated within the state, whichever period is longer, and the lottery will be required to
7.35 pay the amount that would have been due as a gaming transaction fee to the tribal entity
7.36 respectively. This provision does not apply to the authorization of the operation of any

8.1 gaming machines pursuant to the federal Indian Gaming Regulatory Act, United States
8.2 Code, title 25, sections 2701 to 2721.

8.3 (e) In addition to the provisions required under paragraph (d), the location contract
8.4 with the tribal entity must contain the following provisions:

8.5 (1) the waiver of sovereign immunity by the tribal entity and the limited waiver of
8.6 sovereign immunity by the tribal governments consistent with paragraph (c);

8.7 (2) in the construction of the gaming facility, and the subsequent repair and
8.8 maintenance of the facility, the tribal entity shall make good faith efforts to contract with
8.9 American Indian and minority-owned businesses;

8.10 (3) in operating the gaming facility, the tribal entity shall make good faith efforts to
8.11 ensure that American Indians and other minorities are employed in entry level, middle
8.12 management, and upper management positions;

8.13 (4) if a tribal government participating in the tribal entity opts out of the tribal entity
8.14 as part of the renewal process, it does not affect the ability of the tribal entity to renew the
8.15 location contract with the participation of any remaining tribal governments; and

8.16 (5) payment of a fee by the lottery to the tribal entity in an amount equal to ...
8.17 percent of the adjusted gross gaming machine revenue and other lottery games' adjusted
8.18 gross revenue. Provided that beginning on January 1 following the first full year that the
8.19 tribal entity's permanent facility has been in operation, (i) if the adjusted gross revenue
8.20 from the conduct of gaming machines and other lottery games is less than \$50,000,000
8.21 for that quarter, the fee due to the tribal entity from the lottery will be increased to ...
8.22 percent for that quarter; and (ii) if the adjusted gross revenue from the conduct of gaming
8.23 machines and other lottery games is less than \$25,000,000 for that quarter, the fee due
8.24 to the tribal entity from the lottery will be increased to ... percent for that quarter. The
8.25 lottery will pay an adjustment to the tribal entity to reflect the increased fee payments
8.26 within 30 days after the end of the quarter.

8.27 (f) No gaming facility may be located within a home rule charter or statutory city, or
8.28 town, unless the governing body of the city or town adopts a resolution approving the site
8.29 of the gaming facility within the city or town.

8.30 (g) The tribal entity may establish reasonable standards for payment of promotional
8.31 allowances to players and the proportional allocation of promotional allowances between
8.32 revenue generated from gaming machines, other lottery games, and nonlottery casino
8.33 games. Upon approval of the standards for promotional allowances, the director shall
8.34 reimburse the tribal entity for the cost of promotional allowances paid by the tribal entity.

8.35 (h) The director may by administrative action cancel or suspend a location contract
8.36 if the director reasonably determines that the tribal entity has materially breached

9.1 any material provision of the location contract and has failed to cure that breach in a
9.2 reasonable time, or if the tribal entity's gaming facility license has been suspended or
9.3 revoked by the commissioner of public safety. A contract cancellation or suspension under
9.4 this paragraph is a contested case under sections 14.57 to 14.69 and is in addition to any
9.5 criminal penalties provided for a violation of law or rule.

9.6 (i) The director may by administrative action impose a civil penalty, issue correction
9.7 orders, or resolve in any other manner as determined appropriate by the director, if the
9.8 director determines that the tribal entity has breached any term of the location contract.
9.9 The imposition of a civil penalty is a contested case under sections 14.57 to 14.69 and is in
9.10 addition to any criminal penalties provided for a violation of law or rule.

9.11 (j) The rights and interests provided by a location contract are specific to the parties
9.12 to the location contract and are not transferable without the written approval of the director.

9.13 (k) Gaming machines may only be placed and other lottery games may only be
9.14 conducted at a gaming facility that is owned or leased by the tribal entity.

9.15 (l) A contract entered into under this subdivision is not subject to chapter 16C.

9.16 (m) The amounts paid by the tribal entity to the commissioner of human services
9.17 pursuant to a location contract under this section are annually appropriated to the
9.18 commissioner of human services for problem and compulsive gambling treatment or
9.19 programs, including programs that are designed to address compulsive gambling in
9.20 American Indian and minority communities.

9.21 Subd. 3. **Operation.** (a) All gaming machines that are placed at a gaming facility or
9.22 other lottery games conducted at a gaming facility must be operated and controlled by
9.23 the director. The director and the commissioner shall cooperate with a designated tribal
9.24 liaison in regards to any decision that is not criminal or regulatory in nature.

9.25 (b) Gaming machines must be owned or leased by the director.

9.26 (c) Major maintenance of the gaming machines shall be controlled by the director or
9.27 by a vendor that is under the control and direction of the director.

9.28 (d) The director must establish and control a central communications system that
9.29 monitors activities on each gaming machine.

9.30 (e) Equipment used to conduct other lottery games at a gaming facility must be
9.31 owned or leased by the director.

9.32 (f) The director must approve the security plans and implementation of security
9.33 measures associated with and relating to the operation of the gaming machines and the
9.34 conduct of other lottery games at a gaming facility.

10.1 (g) Advertising and promotional material produced by a gaming facility relating to
10.2 gaming machines and the conduct of other lottery games at a gaming facility must be
10.3 approved by the director in a timely manner.

10.4 (h) The director may authorize the tribal entity gaming machines and the conduct of
10.5 other lottery games at a gaming facility, provided that the director shall maintain overall
10.6 control of the operation of the gaming machines and the conduct of other lottery games at
10.7 the gaming facility.

10.8 (i) The costs associated with procuring and maintaining gaming machines and
10.9 equipment involved in operating other lottery games, and costs associated with acquiring,
10.10 maintaining, and operating the central system used to monitor the activity of gaming
10.11 machines, shall be borne by the lottery.

10.12 (j) All proceeds from the operation of gaming machines and conduct of other lottery
10.13 games received by the tribal entity constitute a trust fund until transmitted to the director.

10.14 (k) The director may require the tribal entity to deposit in a trust account or other
10.15 agreed upon form of account, in a designated bank, all money received by the tribal entity
10.16 from the operation of gaming machines and the conduct of other lottery games.

10.17 (l) If the tribal entity fails to pay any money due the director within the time
10.18 prescribed by the director, the tribal entity shall pay interest on the amount owed at the
10.19 rate set for lottery retailers under Minnesota Rules, part 7856.7020.

10.20 (m) The director may implement policies, procedures, and other controls that are
10.21 determined to be necessary by the director for the operation of gaming machines and the
10.22 conduct of other lottery games pursuant to this section.

10.23 Subd. 4. **Games.** The director shall specify the games that may be played on a
10.24 gaming machine and the manner in which other lottery games are conducted at a gaming
10.25 facility as set forth under section 349A.04.

10.26 Subd. 5. **Specifications.** The requirements for gaming machines are as follows:

10.27 (1) gaming machines must maintain on nonresettable meters a permanent record,
10.28 capable of being printed out, of all transactions by the machine and all entries into the
10.29 machine. There must be a reasonable number of gaming machines placed at a gaming
10.30 facility which afford players the option to receive winnings in the form of tickets;

10.31 (2) gaming machines must be capable of being linked to a central communications
10.32 system to provide auditing program information as required by the director; and

10.33 (3) there must be a reasonable number of gaming machines at the facility which
10.34 are accessible to individuals with disabilities. For the purposes of this subdivision,
10.35 "individuals with disabilities" includes any person who has a physical or sensory
10.36 impairment which materially limits one or more life activities.

11.1 Subd. 6. Examination of machines. The director shall examine prototypes of
11.2 gaming machines and require that the manufacturer of the machine pay the cost of the
11.3 examination. The director may contract for the examination of gaming machines. The
11.4 director may require working models of a gaming machine transported to the locations the
11.5 director designates for testing, examination, and analysis. The manufacturer shall pay all
11.6 costs of any testing, examination, analysis, and transportation of the machine model.

11.7 Subd. 7. Prizes. A person who plays a gaming machine or plays any other lottery
11.8 game at the gaming facility agrees to be bound by the rules and game procedures
11.9 applicable to that particular game. The player acknowledges that the determination of
11.10 whether the player has won a prize is subject to the rules and game procedures adopted
11.11 by the director, claim procedures established by the director for that game, and any
11.12 confidential or public validation tests established by the director for that game. A person
11.13 under 18 years of age may not claim a prize from the operation of a gaming machine or
11.14 the conduct of any other lottery game at the gaming facility. A prize claimed from the
11.15 play of a gaming machine game or the conduct of any other lottery game is not subject to
11.16 section 349A.08, subdivision 8.

11.17 Subd. 8. Prohibitions. A person under the age of 18 years may not play a game on
11.18 a gaming machine or participate in any other lottery game at the gaming facility.

11.19 Subd. 9. Compulsive gambling notice. The tribal entity shall prominently post, in
11.20 areas of the gaming facility where gaming machines are located or where other lottery
11.21 games are conducted, the toll-free telephone number established by the commissioner of
11.22 human services in connection with the problem and compulsive gambling program. The
11.23 tribal entity shall establish, with the approval of the director, a proactive plan relating to
11.24 problem and compulsive gambling.

11.25 Subd. 10. Local licenses; local fees. A political subdivision shall not require a
11.26 license to operate a gaming machine or conduct other lottery games or nonlottery casino
11.27 games as defined under section 299L.094, restrict or regulate the placement of gaming
11.28 machines or the conduct of other lottery or nonlottery casino games, or impose a fee or
11.29 charge on the business of operating gaming machines or the conduct of other lottery or
11.30 nonlottery casino games at the gaming facility.

11.31 **Sec. 13. LOTTERY BUDGET; GAMING FACILITY.**

11.32 The director of the State Lottery shall submit a budget for the operation of
11.33 gaming machines and for the conduct of other lottery games at a gaming facility as
11.34 authorized under Minnesota Statutes, section 349A.17, to the commissioner of finance.
11.35 Notwithstanding Minnesota Statutes, section 349A.10, subdivision 6, the director of the

12.1 State Lottery may expend amounts necessary to operate gaming at a gaming facility.
12.2 Amounts expended by the director of the State Lottery for the conduct of gaming at the
12.3 gaming facility in fiscal years 2013 and 2014 are not subject to the maximum amount
12.4 set in law for the operation of the lottery.

12.5 Sec. 14. **EFFECTIVE DATE.**

12.6 This article is effective the day following final enactment.

12.7 **ARTICLE 2**

12.8 **DEPARTMENT OF PUBLIC SAFETY**

12.9 Section 1. **[299L.091] GAMING FACILITY.**

12.10 Subdivision 1. **Definitions.** For the purposes of this section and sections 299L.091
12.11 to 299L.095, the following terms have the meanings given them.

12.12 (a) "Direct financial interest" means ownership or control of at least five percent
12.13 interest in the tribal entity or management entity, or other financial interest in the tribal
12.14 entity or management entity.

12.15 (b) "Gaming facility" is as defined in section 349A.01.

12.16 (c) "Lottery director" means the director of the Minnesota State Lottery under
12.17 chapter 349A.

12.18 (d) "Management entity" means the entity applying for or holding a management
12.19 license under section 299L.092.

12.20 (e) "Tribal entity" is as defined in section 349A.17.

12.21 Subd. 2. **License required.** The tribal entity that will own and operate, whether
12.22 directly or through another tribal or management entity, a gaming facility under section
12.23 349A.17 must obtain a gaming facility license from the commissioner.

12.24 Subd. 3. **Application.** An application for a license under this section must be on
12.25 a form prescribed by the commissioner. The commissioner may issue a gaming facility
12.26 license to the tribal entity that will operate the gaming facility.

12.27 Subd. 4. **License issuance.** (a) The commissioner shall issue a license under
12.28 this section unless information obtained from the comprehensive background check
12.29 establishes that issuance of the license would be adverse to the public interest or to the
12.30 effective regulation of gaming. If a license application is denied, the applicant may
12.31 reapply for a license.

12.32 (b) The commissioner may only issue a gaming facility license to a tribal entity that,
12.33 through a valid limited waiver of sovereign immunity, is subject to the jurisdiction of the
12.34 Minnesota state courts and the administrative jurisdiction and regulation of the state.

13.1 (c) A license issued under this section may not be transferred without the written
13.2 approval of the commissioner.

13.3 Subd. 5. **Background investigation.** Before issuing a gaming facility license, the
13.4 commissioner shall conduct a comprehensive background and financial investigation
13.5 of the applicant, including its officers, directors, managers, supervisory personnel, and
13.6 persons with a direct financial interest in the applicant. The commissioner may charge the
13.7 applicant an investigation fee to cover the cost of the investigation. The commissioner
13.8 may require that fingerprints be taken from officers, directors, managers, supervisory
13.9 personnel, and persons with a direct financial interest in the applicant. The commissioner
13.10 may forward the fingerprints to the Federal Bureau of Investigation for a national criminal
13.11 history check. As to the tribal entity applying for a license under this section, the
13.12 provisions of this subdivision do not apply or include the officers and employees of tribal
13.13 governments who are not officers or employees of the tribal entity.

13.14 Subd. 6. **License refusal; suspension and revocation.** (a) The commissioner may
13.15 refuse to issue, or may revoke or suspend, the gaming facility license if the applicant or
13.16 licensee or its officers, directors, managers, supervisory personnel, and persons with
13.17 a direct financial interest in the applicant or licensee has:

13.18 (1) engaged in a material violation of law, order, or rule relating to gambling within
13.19 any jurisdiction;

13.20 (2) operated a gaming facility in violation of approved game procedures or an
13.21 approved security plan, which in the commissioner's opinion adversely and materially
13.22 affects the public interest of the state in the effective regulation and control of gaming;

13.23 (3) made an intentional false statement in a license application related to gaming;

13.24 (4) failed to perform material covenants or representations made in a license
13.25 application; or

13.26 (5) failed to notify the commissioner of a material change in the information
13.27 provided in the application.

13.28 (b) The commissioner may not revoke or suspend a license under this subdivision
13.29 unless the commissioner has given the licensee, and as to a tribal entity, each participating
13.30 tribal government, express written notice of the reason for the proposed revocation
13.31 or suspension and has granted the licensee a reasonable amount of time to cure the
13.32 violation giving rise to the proposed revocation or suspension, and, in the commissioner's
13.33 reasonable judgment, the tribal entity has failed to do so. The commissioner is not required
13.34 to provide a reasonable time to cure the violation before a license suspension if, in the
13.35 commissioner's reasonable judgment, the violation cannot be cured by the licensee before
13.36 significant harm will result to the public health, safety, or welfare. The ability to cure may

14.1 include creation of a reorganized or reformed licensee, provided that the reorganized or
14.2 reformed licensee is approved by the commissioner and the lottery director.

14.3 (c) A license revocation or suspension under this subdivision is conducted as a
14.4 contested case under sections 14.57 to 14.69 of the Administrative Procedure Act, and is
14.5 in addition to any other civil, administrative, or criminal penalties imposed for a violation
14.6 of law or rule.

14.7 Subd. 7. **Other license actions.** (a) The commissioner may not issue the gaming
14.8 facility license under this section or may by administrative action impose a civil penalty
14.9 upon the licensee, issue correction orders, or take other administrative action if the
14.10 commissioner determines that the licensee, or officer, director, manager, supervisory
14.11 personnel, or other person with a direct financial or management interest in the licensee:

14.12 (1) has been convicted of a felony or of a crime in another jurisdiction, which would
14.13 be a felony in Minnesota;

14.14 (2) has been convicted of any crime related to gaming;

14.15 (3) has been found by a court, the lottery director, the commissioner, or other state or
14.16 governmental body to have engaged in fraud, misrepresentation, or deceit;

14.17 (4) has provided false or misleading information to the commissioner;

14.18 (5) has violated or failed to comply with this section or any provision of this chapter
14.19 or chapter 349A;

14.20 (6) is permanently or temporarily enjoined by any gambling regulatory agency from
14.21 engaging in or continuing any conduct or practice involving any aspect of gambling;

14.22 (7) has had a gambling-related license revoked or suspended, or has paid or been
14.23 required to pay a monetary penalty of \$10,000 or more by a gambling regulator in another
14.24 state or jurisdiction;

14.25 (8) has been the subject of any of the following actions by the commissioner:

14.26 (i) has had a license under this chapter denied, suspended, or revoked;

14.27 (ii) has been censured or reprimanded, or has paid or been required to pay a
14.28 monetary penalty or fine; or

14.29 (iii) has been the subject of any other discipline by the commissioner; or

14.30 (9) based on past activities or criminal record, poses a threat to the public interest or
14.31 to the effective regulation and control of gambling, or creates or enhances the dangers of
14.32 unsuitable, unfair, or illegal practices, methods, and activities in the conduct of gambling
14.33 or the management of the business and financial arrangements incidental to the conduct of
14.34 gambling.

14.35 (b) Any conduct in violation of this section, or failure by the licensee to take
14.36 reasonable action to cure a violation of this section, may be considered by the

15.1 commissioner in determining whether to order revocation or suspension of the gaming
15.2 facility license. Any proposed revocation or suspension is subject to the notice and process
15.3 requirements of subdivision 6, paragraph (b).

15.4 (c) Administrative action, including, but not limited to, imposition of a civil penalty,
15.5 corrective order, or other administrative action under this paragraph, is a contested case
15.6 under sections 14.57 to 14.69 of the Administrative Procedure Act and is in addition to
15.7 any other civil, administrative, or criminal penalties provided for a violation of law or rule.

15.8 Subd. 8. **Required notification.** (a) The licensee has the obligation to immediately
15.9 report to the commissioner any substantial change in its management or ownership. Any
15.10 individual who later becomes an officer, director, or other individual with a direct financial
15.11 or management interest in the licensee must undergo a comprehensive background and
15.12 financial investigation as set forth in subdivision 5. Prior to assuming any duties or
15.13 responsibilities for the licensee the individual must file the appropriate license application
15.14 information with the commissioner.

15.15 (b) Following issuance of a gaming facility license, the licensee must annually
15.16 certify to the commissioner its compliance with this section.

15.17 Subd. 9. **License review.** The gaming facility license must be reviewed by the
15.18 commissioner every five years. An application for review must be on a form prescribed
15.19 by the commissioner. The commissioner shall review the application and conduct the
15.20 comprehensive background investigation pursuant to subdivision 5.

15.21 Subd. 10. **Audit; investigation.** (a) The licensee shall have an annual certified audit
15.22 conducted of the licensee's operation of the gaming facility in accordance with generally
15.23 accepted accounting principles. The licensee shall file a copy of each audit report with
15.24 the commissioner.

15.25 (b) The commissioner has the right to conduct additional reasonable audits or
15.26 investigations relating to the operation of the gaming facility. The commissioner shall
15.27 have access to all information, records, and accounts pertaining to the operation of the
15.28 gaming facility. The commissioner may recover the reasonable costs of additional audits
15.29 and investigations from the licensee.

15.30 Subd. 11. **Sale of intoxicating liquor.** Notwithstanding any other law, local
15.31 ordinance, or charter provision, the host community shall issue to the licensee an on-sale
15.32 license for the sale of intoxicating liquor at the gaming facility pursuant to chapter 340A.
15.33 The annual fee for the license issued pursuant to this subdivision shall be set by the
15.34 host community at an amount comparable to the fee charged by municipalities in the
15.35 surrounding area for a similar license. Chapter 340A applies to the sale of intoxicating
15.36 liquor at the gaming facility, except that the licensed premises need not be compact and

16.1 contiguous if the licensed premises are limited to the interior and grounds of the gaming
16.2 facility.

16.3 Subd. 12. **Detention of suspects.** (a) The commissioner may designate specific
16.4 employees of the department, the lottery, or the gaming facility as persons authorized to
16.5 detain a person if they have probable cause to believe that the person detained has violated
16.6 section 609.651 or 609.76 while at the gaming facility.

16.7 (b) A person authorized to detain an individual under paragraph (a) is not criminally
16.8 or civilly liable for any detention authorized by this subdivision if the person has a
16.9 good faith belief that probable cause exists for the detention, and the detention was not
16.10 conducted with unreasonable force or in bad faith.

16.11 (c) A peace officer or person authorized by the commissioner under paragraph (a)
16.12 may exclude a person from the gaming facility or remove that person from the gaming
16.13 facility if the person is suspected to have violated section 609.651 or 609.76 or possesses
16.14 contraband as provided in section 609.762, subdivision 1.

16.15 (d) The licensee may establish a self-exclusion program by which persons, at their
16.16 request, may be excluded from the gaming facility.

16.17 Subd. 13. **Reimbursement of costs.** The commissioner shall impose a fee on
16.18 the licensee sufficient to recover the operating costs of the commissioner to license
16.19 and regulate the gaming facility under this section and sections 299L.091 to 299L.094
16.20 with the approval of the legislature according to section 16A.1283. Notwithstanding
16.21 section 16A.1283, when the legislature is not in session, the commissioner of finance
16.22 may grant interim approval for any new fee or adjustment to existing fees that are not
16.23 statutorily specified, until such time as the legislature reconvenes, and acts upon the
16.24 new fees or adjustments. Money received by the commissioner under this subdivision
16.25 must be deposited in the state treasury and credited to the commissioner reimbursement
16.26 account and is annually appropriated to the commissioner to pay the costs of regulating
16.27 activities at the gaming facility.

16.28 Sec. 2. **[299L.092] GAMING MANAGEMENT.**

16.29 Subdivision 1. **License required.** The tribal entity or any entity formed by or
16.30 engaged by the tribal entity to manage the operations of the gaming facility under section
16.31 349A.17, must obtain a gaming management license from the commissioner.

16.32 Subd. 2. **Application.** An application for a license under this section must be
16.33 on a form prescribed by the commissioner. The commissioner may issue a gaming
16.34 management license to the management entity that will manage or operate the gaming

17.1 facility or gaming operations for the tribal entity. The term of this license shall be adjusted
17.2 to be consistent with the date of the tribal-state agreement.

17.3 Subd. 3. **License issuance.** (a) The commissioner shall issue a license under
17.4 this section unless information obtained from the comprehensive background check
17.5 establishes that issuance of the license would be adverse to the public interest or to the
17.6 effective regulation of gaming.

17.7 (b) The commissioner may only issue a gaming management license to an entity
17.8 that is subject to the jurisdiction of the Minnesota state courts and the administrative
17.9 jurisdiction and regulation of the state.

17.10 (c) Any license issued under this section is nontransferable.

17.11 Subd. 4. **Background investigation.** (a) Before issuing a gaming management
17.12 license, the commissioner must conduct a comprehensive background and financial
17.13 investigation of the applicant including its officers, directors, managers, supervisory
17.14 personnel, and persons with a direct financial interest in the management entity, provided
17.15 that if the management entity applying for the gaming management license and the gaming
17.16 facility licensee are the same, the commissioner shall utilize the background investigation
17.17 conducted as part of the application for a gaming facility license. The commissioner may
17.18 require that fingerprints be taken and the commissioner may forward the fingerprints to
17.19 the Federal Bureau of Investigation for a national criminal history check on the officers,
17.20 directors, managers, supervisory personnel, and persons with a direct financial interest in
17.21 the management entity, not including the tribal governments that have an interest in the
17.22 management entity. The provisions of this paragraph do not apply or include the tribal
17.23 government having an interest in the management entity.

17.24 (b) The commissioner may charge an applicant for a gaming management
17.25 license a reasonable fee to cover the costs of the investigation. Money received by
17.26 the commissioner under this subdivision must be deposited in the state treasury and
17.27 credited to the commissioner reimbursement account and is annually appropriated to the
17.28 commissioner to pay for costs incurred under this subdivision.

17.29 Subd. 5. **License actions.** (a) The commissioner may not issue a license under this
17.30 section, or may by administrative action revoke, suspend, or refuse to renew the gaming
17.31 management license, impose a civil penalty upon the licensee, or issue correction orders,
17.32 if the commissioner determines that the management entity, or officer, director, manager,
17.33 supervisory personnel, or other person with a direct financial interest in the management
17.34 entity, not including the tribal government that have an interest in the management entity
17.35 financial or management interest in the licensee:

- 18.1 (1) has been convicted of a felony or of a crime in another jurisdiction, which would
18.2 be a felony in Minnesota;
- 18.3 (2) has been convicted of any crime related to gaming;
- 18.4 (3) has been found by a court, the lottery director, the commissioner, or other state or
18.5 governmental body to have engaged in fraud, misrepresentation, or deceit;
- 18.6 (4) has provided false or misleading information to the commissioner;
- 18.7 (5) has violated or failed to comply with this chapter or chapter 349A;
- 18.8 (6) is permanently or temporarily enjoined by any gambling regulatory agency from
18.9 engaging in or continuing any conduct or practice involving any aspect of gambling;
- 18.10 (7) has had a gambling related license revoked or suspended, or has paid or been
18.11 required to pay a monetary penalty of \$10,000 or more, by a gambling regulator in another
18.12 state or jurisdiction;
- 18.13 (8) has been the subject of any of the following actions by the commissioner:
- 18.14 (i) has had a license under this chapter denied, suspended, or revoked;
- 18.15 (ii) has been censured or reprimanded or has paid or been required to pay a monetary
18.16 penalty or fine; or
- 18.17 (iii) has been the subject of any other discipline by the commissioner;
- 18.18 (9) has engaged in conduct that is contrary to the public health, safety, or welfare,
18.19 or to the integrity of gambling;
- 18.20 (10) based on past activities or criminal record, poses a threat to the public interest or
18.21 to the effective regulation and control of gambling, or creates or enhances the dangers of
18.22 unsuitable, unfair, or illegal practices, methods, and activities in the conduct of gambling
18.23 or the management of the business and financial arrangements incidental to the conduct of
18.24 gambling;
- 18.25 (11) has engaged in a material violation of law, order, or rule relating to gambling
18.26 within any jurisdiction;
- 18.27 (12) has operated gaming in violation of approved game procedures or an approved
18.28 security plan, which in the commissioner's opinion adversely and materially affects the
18.29 public interest of the state in the effective regulation and control of gaming;
- 18.30 (13) has made an intentional false statement in a license application;
- 18.31 (14) has failed to perform material covenants or representations made in a license
18.32 application; or
- 18.33 (15) has failed to notify the commissioner of a material change in the information
18.34 provided in a license application.
- 18.35 (b) A license revocation, suspension, or imposition of a civil penalty under this
18.36 paragraph is a contested case under sections 14.57 to 14.69 of the Administrative

19.1 Procedure Act and is in addition to any criminal penalties provided for a violation of
 19.2 law or rule.

19.3 (c) The commissioner shall provide notice of any license revocation, suspension, or
 19.4 imposition of a civil penalty to the tribal entity.

19.5 Subd. 6. **Required notification.** (a) The gaming management licensee has the
 19.6 obligation to immediately report to the commissioner any change in its management or
 19.7 ownership. Any individual who later becomes an officer, director, or other individual with
 19.8 a direct financial or management interest in the licensee must undergo a comprehensive
 19.9 background and financial investigation as set forth in subdivision 4. Prior to assuming any
 19.10 duties or responsibilities for the licensee, the individual must file the appropriate license
 19.11 application information with the commissioner.

19.12 (b) Following issuance of a gaming management license, the licensee must annually
 19.13 certify to the commissioner its compliance with this section.

19.14 Subd. 7. **License renewal.** The gaming management license must be renewed
 19.15 every five years. The commissioner must review an application for renewal of a gaming
 19.16 management license in the same manner as set forth in this section for issuance of a
 19.17 license, including the assessment of costs related to the background investigation.

19.18 Sec. 3. **[299L.093] EMPLOYEES LICENSES.**

19.19 Subdivision 1. **Authority.** The commissioner may issue employee licenses for
 19.20 persons employed at a gaming facility. All persons employed at a gaming facility must
 19.21 have the appropriate license issued by the commissioner. The gaming facility licensee
 19.22 must ensure that an employee has a valid employee license before the employee begins
 19.23 work at the gaming facility.

19.24 Subd. 2. **Application information.** An application for an employee license must
 19.25 be on a form prescribed by the commissioner and include an affidavit of qualification
 19.26 that the applicant:

19.27 (1) does not have a felony conviction of record in a state or federal court and does
 19.28 not have a state or federal felony charge pending;

19.29 (2) is not and never has been connected with or engaged in an illegal business;

19.30 (3) has never been found guilty of fraud or misrepresentation in connection with
 19.31 gambling; and

19.32 (4) has never been found guilty of a violation of law or rule relating to gambling
 19.33 within any jurisdiction.

19.34 Subd. 3. **Background investigations.** The commissioner shall investigate each
 19.35 applicant for an employee license to the extent the commissioner deems necessary.

20.1 The commissioner must require the applicant to be fingerprinted or to furnish the
20.2 applicant's fingerprints. The commissioner may require the tribal entity to pay the
20.3 costs of processing employee licenses, renewing employee licenses, and conducting
20.4 background investigations on the employee. Money received by the commissioner under
20.5 this subdivision must be deposited in the state treasury and credited to the commissioner
20.6 reimbursement account and are annually appropriated to the commissioner to pay for costs
20.7 incurred under this subdivision.

20.8 Subd. 4. **License issuance and renewal.** If the commissioner determines that
20.9 the applicant is qualified for the occupation for which licensing is sought and will
20.10 not adversely affect the public health, safety, and welfare or the integrity of gambling
20.11 in Minnesota, the commissioner may issue an employee license to the applicant. If
20.12 the commissioner makes a similar finding for a renewal of an employee license, the
20.13 commissioner may renew the license. Employee licenses are effective for one year.

20.14 Subd. 5. **Revocation and suspension.** (a) The commissioner may revoke an
20.15 employee license for a violation of law or rule which in the commissioner's opinion
20.16 adversely affects the integrity of gambling in Minnesota, or for an intentional false
20.17 statement made in a license application. The commissioner may suspend an employee
20.18 license for up to one year or refuse to renew the license or impose a civil penalty for a
20.19 violation of law, order, or rule. A license revocation or suspension is a contested case
20.20 under sections 14.57 to 14.69 of the Administrative Procedure Act and is in addition to
20.21 criminal penalties imposed for a violation of law or rule.

20.22 (b) The commissioner may summarily suspend an employee license prior to a
20.23 contested case hearing where it is necessary to ensure the integrity of gambling. A
20.24 contested case hearing must be held within 20 days of the summary suspension and the
20.25 administrative law judge's report must be issued within 20 days from the close of the
20.26 hearing record. In all cases involving summary suspension, the commissioner must issue a
20.27 final decision within 30 days from receipt of the report of the administrative law judge and
20.28 subsequent exceptions and argument under section 14.61.

20.29 **Sec. 4. [299L.094] VENDOR LICENSES.**

20.30 Subdivision 1. **Issuance.** The commissioner may issue a vendor license for any
20.31 person or entity that sells or distributes products or provides services at a gaming facility.
20.32 No person may sell or distribute products or provide a service at a gaming facility unless
20.33 the person has obtained a license from the commissioner. All employees of the vendor
20.34 whose work requires attendance at a gaming facility must obtain license under section
20.35 299L.093.

21.1 Subd. 2. **Application information.** An application for a vendor license must be on
21.2 a form prescribed by the commissioner and include an affidavit of qualification that the
21.3 applicant, and any officer, director, or person with direct financial interest in the applicant:

21.4 (1) does not have a felony conviction of record in a state or federal court and does
21.5 not have a state or federal felony charge pending;

21.6 (2) is not and never has been connected with or engaged in an illegal business;

21.7 (3) has never been found guilty of fraud or misrepresentation in connection with
21.8 gambling; and

21.9 (4) has never been found guilty of a violation of law or rule relating to gambling
21.10 within any jurisdiction.

21.11 Subd. 3. **Background investigation.** The commissioner shall investigate each
21.12 applicant for a vendor license to the extent the commissioner deems necessary. The
21.13 commissioner must require the applicant be fingerprinted or furnish the applicant's
21.14 fingerprints. The commissioner may require the vendor to pay the costs of processing
21.15 employee licenses, renewing vendor licenses, and conducting background investigations
21.16 on the vendor. Money received by the commissioner under this subdivision must be
21.17 deposited in the state treasury and credited to the commissioner reimbursement account,
21.18 and are annually appropriated to the commissioner to pay for costs incurred under this
21.19 subdivision.

21.20 Subd. 4. **License issuance and renewal.** If the commissioner determines that the
21.21 applicant is qualified and the issuance of the license will not adversely affect the public
21.22 health, safety, and welfare or the integrity of gambling in Minnesota, the commissioner
21.23 may issue a vendor license to the applicant. If the commissioner makes a similar finding
21.24 for a renewal of a vendor license, the commissioner may renew the license. Vendor
21.25 licenses are effective for one year.

21.26 Subd. 5. **Revocation and suspension.** (a) The commissioner may revoke a vendor
21.27 license for a violation of law or rule that, in the commissioner's opinion, adversely affects
21.28 the integrity of gambling in Minnesota, or for an intentional false statement made in a
21.29 license application. The commissioner may suspend a vendor license for up to one year or
21.30 refuse to renew the license or impose a civil penalty for a violation of law, order, or rule.
21.31 A license revocation or suspension is a contested case under sections 14.57 to 14.69 of
21.32 the Administrative Procedure Act and is in addition to criminal penalties imposed for a
21.33 violation of law or rule.

21.34 (b) The commissioner may summarily suspend a vendor license for not more than
21.35 90 days prior to a contested case hearing where it is necessary to ensure the integrity
21.36 of gambling. A contested case hearing must be held within 20 days of the summary

22.1 suspension and the administrative law judge's report must be issued within 20 days
 22.2 from the close of the hearing record. In all cases involving summary suspension, the
 22.3 commissioner must issue a final decision within 30 days from receipt of the report of the
 22.4 administrative law judge and subsequent exceptions and argument under section 14.61.

22.5 **Sec. 5. [299L.095] NONLOTTERY CASINO GAMES.**

22.6 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms
 22.7 have the meanings given them.

22.8 (b) "Nonlottery casino games" means any game authorized by the commissioner
 22.9 to be conducted by a gaming facility licensee at the gaming facility that is not a gaming
 22.10 machine or other lottery game as defined by section 349A.01.

22.11 (c) "Nonlottery casino games' adjusted gross revenue" means the sum of all money
 22.12 received from the operation of nonlottery casino games, less the amounts paid out to
 22.13 players in prizes or winnings and promotional allowances approved by the lottery director
 22.14 under section 349A.17 in the nonlottery casino games.

22.15 Subd. 2. **Operation.** Nonlottery casino games may be operated by the gaming
 22.16 facility licensee in conformance with a plan of operation approved by the commissioner.
 22.17 The plan of operation must include, at a minimum:

22.18 (1) specifying and defining all nonlottery games to be played, including all governing
 22.19 aspects of each nonlottery casino game;

22.20 (2) arrangements to ensure the security of nonlottery casino gaming;

22.21 (3) internal control systems for play of nonlottery casino games; and

22.22 (4) a plan for the training of nonlottery casino games personnel in identification of
 22.23 problem gamblers and appropriate action to prevent or control problem gambling.

22.24 Subd. 3. **Plan amendment.** The plan of operation may be amended only with
 22.25 the approval of the commissioner.

22.26 Subd. 4. **Actions.** The commissioner may revoke, suspend, refuse to renew, or
 22.27 impose a civil penalty upon the gaming facility or the gaming management licensee for
 22.28 violation of the plan of operation. An action under this subdivision shall be conducted as a
 22.29 contested case under sections 14.57 to 14.69 of the Administrative Procedure Act and is in
 22.30 addition to criminal penalties imposed for violation of the plan of operation.

22.31 Subd. 5. **Prizes.** A person who plays a nonlottery casino game at a gaming facility
 22.32 agrees to be bound by the rules and game procedures applicable to that particular game.
 22.33 The player acknowledges that the determination of whether the player has won a prize
 22.34 is subject to the rules and game procedures adopted by the plan of operation, claim
 22.35 procedures established by the plan of operation for that game, and any confidential or

23.1 public validation tests established by the plan of operation for that game. A person under
 23.2 18 years of age may not claim a prize from a nonlottery casino game at a gaming facility.

23.3 **Sec. 6. [299L.096] EMPLOYMENT RESTRICTIONS; CIVIL PENALTY.**

23.4 (a) The lottery director, the commissioner, or any manager, director, or supervisor
 23.5 employed by the lottery or the Department of Public Safety whose job responsibilities
 23.6 include the oversight, audit, investigation, or regulation of gaming at a gaming facility
 23.7 licensed by the commissioner must not, while employed with or within one year after
 23.8 leaving employment, receive compensation directly or indirectly from, or enter into a
 23.9 contractual relationship with the tribal entity, or any management entity licensed by the
 23.10 commissioner pursuant to section 299L.091 or 299L.092.

23.11 (b) The tribal entity, or management entity licensed by the commissioner must not
 23.12 negotiate with or offer to employ or compensate the lottery director, commissioner, or
 23.13 any manager, director, or supervisor employed by the lottery or the Department of Public
 23.14 Safety whose job responsibilities include the oversight, audit, investigation, or regulation
 23.15 of gaming at a gaming facility licensed by the commissioner pursuant to section 299L.091
 23.16 or 299L.092 while the person is employed by the lottery or the Department of Public
 23.17 Safety or within one year after the person's employment has ended.

23.18 (c) A state employee who violates this section is subject to a civil penalty not to
 23.19 exceed \$10,000 for each violation. The attorney general may bring an action in district
 23.20 court to pursue a violation of this section.

23.21 (d) The commissioner may take administrative action in relation to the gaming
 23.22 facility license or management license for a violation of this section by a tribal entity, or
 23.23 management entity.

23.24 **Sec. 7. EFFECTIVE DATE.**

23.25 This article is effective the day following final enactment.

23.26 **ARTICLE 3**

23.27 **CARD CLUBS**

23.28 Section 1. Minnesota Statutes 2010, section 240.135, is amended to read:

23.29 **240.135 CARD CLUB REVENUE.**

23.30 (a) From the amounts received from charges authorized under section 240.30,
 23.31 subdivision 4, or from revenue received from the conduct of nonlottery casino games
 23.32 under section 299L.04, the licensee shall set aside the amounts specified in this section to

24.1 be used for purse payments. These amounts are in addition to the breeders fund and purse
 24.2 requirements set forth elsewhere in this chapter.

24.3 (1) For amounts between zero and \$6,000,000, the licensee shall set aside ten
 24.4 percent to be used as purses.

24.5 (2) For amounts in excess of \$6,000,000, the licensee shall set aside 14 percent to
 24.6 be used as purses.

24.7 (b) From all amounts set aside under paragraph (a), the licensee shall set aside
 24.8 ten percent to be deposited in the breeders fund. The licensee and the horseperson's
 24.9 organization representing the majority of horsepersons who have raced at the racetrack
 24.10 during the preceding 12 months may negotiate percentages different from those stated in
 24.11 this section if the agreement is in writing and filed with the Racing Commission.

24.12 (c) It is the intent of the legislature that the proceeds of the card playing activities
 24.13 authorized by this chapter be used to improve the horse racing industry by improving
 24.14 purses. The commission shall annually review the financial details of card playing
 24.15 activities and determine if the present use of card playing proceeds is consistent with the
 24.16 policy established by this paragraph. If the commission determines that the use of the
 24.17 proceeds does not comply with the policy set forth herein, then the commission shall direct
 24.18 the parties to make the changes necessary to ensure compliance. If these changes require
 24.19 legislation, the commission shall make the appropriate recommendations to the legislature.

24.20 Sec. 2. **EFFECTIVE DATE.**

24.21 This article is effective the day following final enactment.

24.22 **ARTICLE 4**

24.23 **GAMING TRANSACTION FEE**

24.24 Section 1. **REVENUES.**

24.25 Subdivision 1. **Tribal entity.** A tribal entity authorized to conduct nonlottery casino
 24.26 games at a gaming facility under section 299L.094, shall pay a gaming transaction fee at
 24.27 the rate of ten percent of nonlottery casino games' adjusted gross revenue, as defined in
 24.28 section 299L.095. The tribal entity authorized to conduct nonlottery casino games at the
 24.29 gaming facility must make the payments due under this subdivision to the commissioner
 24.30 on or before the 20th day of each month for the adjusted gross revenue received for the
 24.31 previous month. Provided that beginning on January 1 following the first full year that the
 24.32 tribal entity's permanent gaming facility has been in operation, there shall be an adjustment
 24.33 in the fee due under this subdivision if (1) the adjusted gross revenue from the conduct
 24.34 of gaming machines at the gaming facility is less than \$50,000,000 for that quarter, the

25.1 gaming transaction fee shall be at the rate of ... percent of nonlottery casino games'
 25.2 adjusted gross revenue, as defined in section 299L.095, and (2) the adjusted gross revenue
 25.3 from the conduct of gaming machines at the gaming facility is less than \$25,000,0000 for
 25.4 that quarter, the gaming transaction fee shall be at the rate of six percent of nonlottery
 25.5 casino games' adjusted gross revenue, as defined in section 299L.095.

25.6 Subd. 2. **Deposit of receipts.** The commissioner shall deposit the money transmitted
 25.7 under this section in the state treasury to be credited to the general fund.

25.8 Sec. 2. **EFFECTIVE DATE.**

25.9 This article is effective the day following final enactment.

25.10 **ARTICLE 5**

25.11 **MISCELLANEOUS PROVISIONS**

25.12 Section 1. Minnesota Statutes 2010, section 299L.07, subdivision 2, is amended to read:

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

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

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

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

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

25.27 (5) may be possessed by the State Lottery as authorized under chapter 349A.

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

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

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

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

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

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

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

26.9 (5) the State Lottery as authorized under chapter 349A.

26.10 Sec. 3. Minnesota Statutes 2010, section 340A.410, subdivision 5, is amended to read:

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

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

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

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

26.23 (e) Gambling devices may be operated and gambling permitted at a gaming facility
 26.24 as authorized by chapters 299L and 349A.

26.25 Sec. 4. Minnesota Statutes 2010, section 541.20, is amended to read:

26.26 **541.20 RECOVERY OF MONEY LOST.**

26.27 Every person who, by playing at cards, dice, or other game, or by betting on the hands
 26.28 or sides of such as are gambling, shall lose to any person so playing or betting any sum of
 26.29 money or any goods, and pays or delivers the same, or any part thereof, to the winner,
 26.30 may sue for and recover such money by a civil action, before any court of competent
 26.31 jurisdiction. For purposes of this section, gambling shall not include pari-mutuel wagering
 26.32 conducted under a license issued pursuant to chapter 240, purchase or sale of tickets in
 26.33 the state lottery, purchase of gaming machine plays as authorized under chapter 349A,

27.1 conduct of any lottery or nonlottery casino games at a gaming facility as authorized under
 27.2 chapters 299L and 349A, or gambling authorized under chapters 349 and 349A.

27.3 Sec. 5. Minnesota Statutes 2010, section 541.21, is amended to read:

27.4 **541.21 COMMITMENTS FOR GAMBLING DEBT VOID.**

27.5 Every note, bill, bond, mortgage, or other security or conveyance in which the whole
 27.6 or any part of the consideration shall be for any money or goods won by gambling or
 27.7 playing at cards, dice, or any other game whatever, or by betting on the sides or hands
 27.8 of any person gambling, or for reimbursing or repaying any money knowingly lent or
 27.9 advanced at the time and place of such gambling or betting, or lent and advanced for any
 27.10 gambling or betting to any persons so gambling or betting, shall be void and of no effect
 27.11 as between the parties to the same, and as to all persons except such as hold or claim
 27.12 under them in good faith, without notice of the illegality of the consideration of such
 27.13 contract or conveyance. The provisions of this section shall not apply to: (1) pari-mutuel
 27.14 wagering conducted under a license issued pursuant to chapter 240; (2) purchase of tickets
 27.15 in the state lottery or other wagering authorized under chapter 299L or 349A; (3) gaming
 27.16 activities conducted pursuant to the Indian Gaming Regulatory Act, United States Code,
 27.17 title 25, section 2701 et seq.; or (4) lawful gambling activities permitted under chapter 349.

27.18 Sec. 6. Minnesota Statutes 2010, section 609.75, subdivision 3, is amended to read:

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

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

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

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

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

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

27.30 (6) the operation of equipment or the conduct of a raffle under sections 349.11 to
 27.31 349.22, by an organization licensed by the Gambling Control Board or an organization
 27.32 exempt from licensing under section 349.166;

27.33 (7) pari-mutuel betting on horse racing when the betting is conducted under chapter
 27.34 240; ~~and~~

28.1 (8) the purchase and sale of state lottery tickets under chapter 349A; and
28.2 (9) plays on a gaming machine, or purchase or participating in any lottery or
28.3 nonlottery casino game at a gaming facility authorized under chapter 299L or 349A.

28.4 Sec. 7. Minnesota Statutes 2010, section 609.761, is amended by adding a subdivision
28.5 to read:

28.6 Subd. 6. **Gaming facility.** Sections 609.755 and 609.76 do not prohibit the
28.7 manufacture, possession, sale, or operation of a gaming machine at a gaming facility
28.8 under chapter 349A, or the conduct of any other lottery or nonlottery casino game at a
28.9 gaming facility under chapters 299L and 349A.

28.10 Sec. 8. **SEVERABILITY; SAVINGS.**

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

28.16 Sec. 9. **EFFECTIVE DATE.**

28.17 This article is effective the day following final enactment.

APPENDIX
Article locations in 12-4971

ARTICLE 1	LOTTERY OPERATIONS	Page.Ln 1.12
ARTICLE 2	DEPARTMENT OF PUBLIC SAFETY	Page.Ln 12.7
ARTICLE 3	CARD CLUBS	Page.Ln 23.26
ARTICLE 4	GAMING TRANSACTION FEE	Page.Ln 24.22
ARTICLE 5	MISCELLANEOUS PROVISIONS	Page.Ln 25.10