

1 Minnesota State Lottery

2

3 Adopted Permanent Rules Relating to Lottery Retailers

4

5 Rules as Adopted

6 7856.1000 DEFINITIONS.

7 Subpart 1. **Terms.** For purposes of this chapter and  
8 chapter 7857, the terms defined in this part have the meanings  
9 given them.

10 Subp. 2. **Bank.** "Bank" means a bank, banking association,  
11 savings and loan association, trust company, or credit union,  
12 organized under the authority of this state or the United States  
13 with a place of business within this state.

14 Subp. 3. **Board.** "Board" means the Minnesota State Lottery  
15 Board.

16 Subp. 4. **Director.** "Director" means the director of the  
17 Minnesota State Lottery.

18 Subp. 5. **Division.** "Division" means the Division of  
19 Lottery of the Minnesota Department of Gaming created to  
20 administer and operate the lottery.

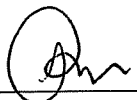
21 Subp. 6. **Law or state lottery law.** "Law" or "state  
22 lottery law" means Minnesota Statutes, chapter 349A.

23 Subp. 7. **Lottery.** "Lottery" means the Minnesota state  
24 lottery operated pursuant to the law.

25 Subp. 8. **Lottery retailer or retailer.** "Lottery retailer"  
26 or "retailer" means a person who has entered into a contract  
27 with the director authorizing the retailer to sell lottery  
28 tickets.

29 Subp. 9. **Lottery retailer contract.** "Lottery retailer  
30 contract" means the contract entered into between a retailer and  
31 the director that authorizes the retailer to sell lottery  
32 tickets.

33 Subp. 10. **Lottery ticket or ticket.** "Lottery ticket" or  
34 "ticket" means a lottery ticket issued by the Minnesota State  
35 Lottery for sale to the general public.



1 Subp. 11. Person. "Person" means an individual,  
2 association, corporation, club, trust, estate, society, company,  
3 owner or operator of a business, joint stock company, receiver,  
4 trustee, assignee, referee, or any other person acting in a  
5 fiduciary capacity, whether appointed by a court or otherwise,  
6 and any other combination of individuals. The term includes  
7 agencies and instrumentalities of the state, including counties  
8 and municipalities and agencies and instrumentalities of these  
9 entities.

10 Subp. 12. Settlement date. "Settlement date" means the  
11 date, designated by the director, by which the retailer is to  
12 return unsold instant tickets for a particular game.

13 Subp. 13. State. "State" means the state of Minnesota.

14 7856.1010 SCOPE.

15 This chapter is adopted by the director for the operation  
16 of the lottery and other matters pertinent to its administration.

17 7856.1020 DIRECTOR; POWERS AND DUTIES.

18 The director shall have the power and duty to operate and  
19 administer the lottery and to have the overall supervisory  
20 authority and responsibility of the lottery, including the  
21 adoption of rules and game procedures governing its  
22 establishment and operation, subject to review and comment by  
23 the board as provided by law. Those powers and duties include,  
24 but are not limited to, the administration of the following:

- 25 A. the types of lottery games to be conducted;  
26 B. the price, or prices of tickets;  
27 C. the number and sizes of prizes on the winning  
28 tickets;  
29 D. the manner of selecting winning tickets;  
30 E. the manner of payment of prizes to holders of  
31 winning tickets;  
32 F. the frequency of drawings on selections of winning  
33 tickets;  
34 G. the types and numbers of locations at which  
35 tickets may be sold;

1 H. the manner and amount of compensation to be paid  
2 to retailers necessary to provide for adequate availability of  
3 tickets to prospective buyers and for the convenience of the  
4 public;

5 I. the methods to be used in selling tickets;

6 J. the contracting with retailers to sell tickets  
7 pursuant to the law;

8 K. the apportionment of total revenues accruing from  
9 the sale of tickets and from other sources as provided by law;

10 L. reporting annually to the governor and legislature  
11 as required by law;

12 M. maintaining full and complete records of the  
13 lottery; and

14 N. other matters necessary or desirable for the  
15 efficient operation and administration of the lottery, for the  
16 convenience of the purchasers of tickets and holders of winning  
17 tickets, and to ensure the integrity and public confidence in  
18 the lottery.

19 7856.2010 RETAILER APPLICATION.

20 Subpart 1. **Application.** A person interested in obtaining  
21 a contract as a retailer for the sale of lottery tickets shall  
22 file an application to become a lottery retailer with the  
23 lottery in the form and manner prescribed by the lottery. A  
24 separate application must be submitted for each location at  
25 which the retailer desires to sell tickets.

26 Subp. 2. **Fee.** Each retailer application for an initial  
27 contract ~~and-renewal-of-the-contract~~ must be accompanied by a  
28 nonrefundable fee of \$100. The initial application fee is valid  
29 for persons who reapply to be retailers and who have not  
30 previously contracted with the lottery absent any material  
31 change in the information contained in the initial application.  
32 A renewal of a contract must be accompanied by a nonrefundable  
33 fee of \$20.

34 7856.2020 SELECTION OF RETAILERS.

35 Subpart 1. **Eligibility.** An applicant for a lottery

1 retailer contract must:

2 A. be at least 18 years of age;

3 B. not propose to be in business solely as a seller  
4 of lottery tickets;

5 C. not own \$500 or more in delinquent taxes as  
6 defined in Minnesota Statutes, section 270.72;

7 D. not be convicted within the previous five years of  
8 a felony, gross misdemeanor, a crime involving fraud or  
9 misrepresentation, or a gambling related offense;

10 E. not have an officer, director, or person who owns  
11 more than five percent of the business of the applicant who has  
12 within the previous five years been convicted of a felony, gross  
13 misdemeanor, or crime involving fraud or misrepresentation, or a  
14 related offense except as provided under Minnesota Statutes,  
15 section 349A.06, subdivision 2, clause (c); and

16 F. not a member of the immediate family residing in  
17 the same household as the director, board member, or employee of  
18 the division.

19 Subp. 2. **Factors to be considered.** Before selecting a  
20 lottery retailer, the director shall consider:

21 A. the financial responsibility of the retailer;

22 B. the honesty and integrity of the retailer;

23 C. the accessibility of the place of business of the  
24 retailer;

25 D. the sufficiency of existing lottery retailers to  
26 serve the public convenience;

27 E. the volume of expected retailer sales;

28 F. the veracity of the information supplied in the  
29 application;

30 G. the length of time the retailer has been in  
31 business; and

32 H. the nature and type of business engaged in by the  
33 retailer.

34 Subp. 3. **Residency requirements.** Contracts shall be  
35 issued only to any of the following:

36 A. residents of the state;

- 1           B. corporations incorporated in this state, or  
2 authorized to do business in this state;
- 3           C. partnerships authorized to do business in this  
4 state; and
- 5           D. unincorporated businesses or other entities which  
6 are authorized to do business in this state.

7 7856.3010 ISSUANCE OF CONTRACT.

8           Subpart 1. **General.** Retailer contracts may be entered  
9 into by the director without limitation, except that the  
10 director may, at the director's discretion, determine that a  
11 sufficient number of retailers exists within a given marketing  
12 area to adequately serve the public convenience and necessity or  
13 that the addition of lottery retailers would not result in a  
14 sales increase sufficient to warrant contracting with that  
15 retailer.

16          Subp. 2. **Issuance.** The director will, according to the  
17 law and rules of this chapter, contract with retailers to sell  
18 lottery tickets to persons who in the director's opinion will  
19 best serve the public convenience and promote the sale of  
20 tickets consistent with the experience, character, and general  
21 fitness of the applicant.

22          Subp. 3. **Contract.** A retailer's contract will remain in  
23 full force and effect until the termination date as provided by  
24 law, unless the contract is previously canceled or suspended by  
25 the director according to the provisions of the law and the  
26 rules of this chapter. The director may renew any contract at  
27 the end of a term for an additional term.

28          Subp. 4. **Types of contracts.** Contracts entered into  
29 between the lottery and a retailer under this part may be  
30 distinguished by game type, as determined by the director. The  
31 contract may be altered, amended, suspended, or canceled, in  
32 whole or in part, pursuant to the law, this chapter, game  
33 procedures, and the terms of the contract.

34 7856.3011 DENIAL OF APPLICATION; RECONSIDERATION.

35          If an application is denied, the lottery shall notify the

1 applicant in writing of the denial along with a brief statement  
2 of the reason for denial. The applicant will be notified that  
3 the applicant may, within 30 days, request reconsideration of  
4 the application. The application may be reconsidered by filing  
5 with the lottery a written statement setting forth the  
6 applicant's legal, factual, or equitable arguments, along with  
7 any supporting documents. The lottery may request that the  
8 applicant submit additional facts or documents prior to making a  
9 decision within 45 days after receiving all necessary  
10 information. The director, after considering any additional  
11 facts or documents submitted by the applicant, will make a  
12 decision whether to deny or grant a contract to the applicant.

13 7856.3020 CERTIFICATE.

14 Subpart 1. **Issuance.** Upon issuance of a contract  
15 authorizing a retailer to sell lottery tickets, the director  
16 shall issue a certificate to the retailer.

17 Subp. 2. **Display.** A lottery retailer shall prominently  
18 display the certificate issued under this part in an area  
19 visible to the general public. The lottery retailer shall also  
20 mount a decal provided by the lottery in a prominent place on  
21 the window or entrance to the business.

22 Subp. 3. **Surrender.** The certificate issued under this  
23 part must be surrendered by the retailer upon cancellation,  
24 suspension, or nonrenewal of the retailer's contract.

25 7856.3030 TEMPORARY LICENSES.

26 Pending final determination of any criteria under this  
27 chapter, the director may enter into a temporary contract for a  
28 period not to exceed 90 days.

29 7856.4010 CONDITIONS OF RETAILER CONTRACT.

30 Subpart 1. **Terms.** A lottery retailer contract must  
31 include, but is not limited to, the conditions specified in this  
32 part.

33 Subp. 2. **Rules and law.** The lottery retailer shall agree  
34 to be bound by and comply with the provisions of the law, and

1 any rules, instructions, and orders issued by the director.

2 Subp. 3. **Sale of lottery tickets.** The lottery retailer  
3 shall agree to make available for sale to the public valid  
4 lottery tickets during normal business hours.

5 Subp. 4. **Displays.** The lottery retailer shall agree to  
6 maintain displays, notices, and materials supplied by the  
7 lottery according to instructions issued by the lottery.

8 Subp. 5. **Acceptance of tickets.** The lottery retailer  
9 shall agree that all lottery tickets accepted from the lottery  
10 or its distributor are considered to have been purchased by the  
11 lottery retailer at the price established by the lottery, less  
12 appropriate retailer commission, unless unsold tickets are  
13 returned to the lottery on or before the final settlement date.

14 Subp. 6. **Lost or missing tickets.** The lottery retailer  
15 shall agree to be responsible for lost, stolen, missing, or  
16 loose tickets not returned in sequential order.

17 Subp. 7. **Records.** The lottery retailer shall agree to  
18 maintain current and accurate records of all lottery operations  
19 in conformance with the law and as further directed by the  
20 lottery.

21 Subp. 8. **Access to records.** The lottery retailer shall  
22 agree to make available to employees of the lottery, and to  
23 employees of the Department of Public Safety, Gambling  
24 Enforcement Division upon their request, for inspection and  
25 audit, the records the retailer maintains relating to lottery  
26 operations.

27 Subp. 9. **Payment of prizes.** The lottery retailer agrees  
28 to validate and pay winning tickets consistent with normal  
29 business hours or as agreed to between the lottery and the  
30 retailer.

31 Subp. 10. **Liability for proceeds.** The lottery retailer  
32 shall agree to be personally liable for all proceeds from the  
33 sale of lottery tickets and that the proceeds constitute a trust  
34 fund in favor of the lottery until paid to the lottery.

35 Subp. 11. **Hold harmless.** The lottery retailer shall agree  
36 to hold the lottery and the state of Minnesota harmless from any

1 liability arising in connection with conducting the sale of  
2 lottery tickets.

3 Subp. 12. **Status.** The lottery retailer shall agree that,  
4 in its capacity as a contractor to sell lottery tickets, the  
5 retailer is not acting on behalf of the lottery or the state as  
6 an agent, officer, or employee, but is acting in the capacity of  
7 an independent contractor.

8 Subp. 13. **Liability.** The lottery retailer shall agree  
9 that any contractual or tortious liability incurred by the  
10 retailer in connection with the sale of lottery tickets shall be  
11 the retailer's sole responsibility.

12 Subp. 14. **Renewal.** The lottery retailer shall not conduct  
13 any business or hold itself out as a lottery retailer unless a  
14 renewal contract is timely granted.

15 Subp. 15. **Place tickets are sold.** The lottery retailer  
16 agrees to sell lottery tickets only on the premises described in  
17 the contract.

18 Subp. 16. **Cash.** The lottery retailer shall agree to sell  
19 lottery tickets only for cash. For the purposes of this  
20 subpart, "cash" means coin, currency, money orders, and checks.

21 Subp. 17. **Restrictions on sale of tickets.** The lottery  
22 retailer shall agree not to condition the sale of lottery  
23 tickets upon the purchase of any other item or service, or  
24 impose any similar restriction upon the sale of a lottery ticket.

25 7856.4020 BONDING OF RETAILERS.

26 The lottery shall require a bond from each lottery retailer  
27 in an amount the lottery determines, consistent with its  
28 conclusion of the financial stability of the retailer, to avoid  
29 monetary loss to the state because of the activities of a  
30 retailer in the sale of lottery tickets. The bond must be in a  
31 form provided by the lottery and through a company authorized to  
32 do business in this state and approved by the director, to take  
33 effect within 90 days of the initial contract and subsequent  
34 renewals.

35 7856.4030 COMPENSATION.



1 Subpart 1. **Commission.** Retailers shall receive a  
2 commission of five percent of the price of each ticket sold by  
3 that retailer.

4 Subp. 2. **Incentive program.** The director may establish  
5 lottery retailer incentive programs for retailers and their  
6 employees.

7 Subp. 3. **Acceptance of other money prohibited.** A lottery  
8 retailer, or employee of a retailer may not request, demand, or  
9 accept gratuities or similar remuneration in exchange for the  
10 performance of duties authorized under the lottery retailer's  
11 contract with the lottery other than as specifically authorized  
12 by the director.

13 7856.4050 NONTRANSFERABILITY AND NONASSIGNABILITY OF CONTRACT.

14 A retailer contract issued under this chapter may not be  
15 transferred or assigned. If the nature of the business or  
16 location to which a contract is issued or the ownership  
17 substantially changes, the director reserves the right to  
18 approve or cancel the contract. The retailer must notify the  
19 director in writing at least 30 days before any proposed  
20 business or location change or change in ownership. A  
21 substantial change in ownership under this part means a transfer  
22 of 50 percent or more of the equity of the retailer. If the  
23 business to which a contract is issued changes its business  
24 location, the contract must terminate as of the date of the  
25 change and a new application for contract must be filed and  
26 acted upon by the director.

27 7856.5010 LOCATION OF SALES AND PURCHASE.

28 The sale of lottery tickets may be made only pursuant to a  
29 contract of a lottery retailer and only at the specific location  
30 named in the contract or at other locations as the director may  
31 determine under the law.

32 7856.5020 INSPECTION OF PREMISES.

33 Retailers shall allow inspection of their premises at any  
34 time upon request of the lottery to determined whether the

1 retailer is complying with the provisions of the law, rules,  
2 game procedures of the lottery, and terms of the contract.  
3 Inspection may be made with or without notice to the retailer  
4 during normal business hours.

5 7856.6010 CANCELLATION, SUSPENSION, AND NONRENEWAL OF CONTRACT.

6 Subpart 1. **Mandatory.** A contract must be canceled if the  
7 retailer has been determined by the director to have:

8 A. been convicted of a felony or gross misdemeanor or  
9 a gambling related offense;

10 B. committed fraud, misrepresentation, or deceit;

11 C. provided false or misleading information to the  
12 lottery; or

13 D. acted in a manner prejudicial to the public  
14 confidence in the integrity of the lottery.

15 Subp. 2. **Discretionary.** A contract may be canceled,  
16 suspended, or not renewed if it is determined by the director  
17 that the retailer:

18 A. changed business location;

19 B. failed to account for lottery tickets received;

20 C. failed to account for proceeds from the sale of  
21 lottery tickets;

22 D. violated a provision of the law, rule, game  
23 procedures, or any order issued by the director;

24 E. failed to comply with any term or condition of the  
25 lottery retailer's contract;

26 F. failed to comply with the bond requirements of  
27 part 7856.4020;

28 G. failed to maintain assigned minimum levels of  
29 sales;

30 H. committed an act which impairs the retailer's  
31 reputation for honesty and integrity;

32 I. failed to properly display lottery point-of-sale  
33 material;

34 J. did not have the financial stability or  
35 responsibility to act as a lottery retailer;

1 K. acted in a manner that the director finds that the  
2 retailer's participation as a lottery retailer is inconsistent  
3 with the public interest, convenience, and necessity;

4 L. sold lottery tickets to a person who the retailer  
5 knows or has reason to know will resell the tickets to other  
6 persons;

7 M. had an employee who has been involved in the sales  
8 of lottery tickets who has been convicted of a gambling-related  
9 offense or crime of moral turpitude, if contracting with that  
10 retailer would endanger the security or integrity of the  
11 lottery; or

12 N. sold, bartered, furnished, or given alcoholic  
13 beverages to a person under 21 years of age in violation of  
14 Minnesota Statutes, section 349A.06, subdivision 2, clause (1),  
15 two or more times within a two-year period.

16 Subp. 3. **Material change.** A retailer may be canceled,  
17 suspended, or not renewed if it is determined by the director  
18 that there has been a material change in any of the  
19 qualifications for a retailer's contract or factors to be  
20 considered under part 7856.2020.

21 7856.7010 DEPOSIT OF FUNDS.

22 Lottery retailers shall deposit in a separate account in a  
23 designated bank, to the credit of the lottery, all money  
24 received by the retailer from the sale of lottery tickets, less  
25 the amount retained as compensation for the sale of tickets,  
26 credit for direct payment of prizes, and money authorized to be  
27 retained for payment of prizes. The retailer will use, if  
28 possible, an account with a bank that can accept electronic  
29 funds transfer (EFT). If there is not a bank in the retailer's  
30 area that can accept electronic funds transfer, the retailer may  
31 pay the lottery in a manner agreed to by the lottery and the  
32 retailer.

33 7856.7020 INTEREST.

34 If a retailer fails to pay any amount due to the lottery  
35 within the time required, the retailer shall owe interest on the

1 unpaid amount due during each fiscal year at the rate of five  
2 percent in excess of the discount rate on 90-day commercial  
3 paper in effect on the previous July 1 at the Federal Reserve  
4 Bank in the Federal Reserve District encompassing Minnesota.

5 7856.7030 FILING REPORTS.

6 Lottery retailers shall file with the lottery, or its  
7 designated representatives, reports of the retailer's receipts  
8 and transactions in the sale of lottery tickets on a form or in  
9 a manner as the lottery may require.

10 7856.7040 AGENTS RESPONSIBLE FOR TICKETS.

11 Tickets accepted by the retailer from the lottery, or its  
12 authorized representatives, are considered to have been  
13 purchased by the retailer, unless returned within the time  
14 specified. The retailer is responsible for lost, stolen,  
15 missing, or loose tickets not returned in sequential order.

16 7856.7050 TICKETS UNACCOUNTED FOR.

17 Tickets that are not accounted for by the retailer on the  
18 final settlement date, regardless of reason, shall be deemed to  
19 have been sold to the retailer.

20 7856.7060 CONSIGNMENT OF TICKETS.

21 Lottery tickets delivered by the lottery on consignment to  
22 the retailer must be returned to the lottery upon cancellation,  
23 suspension, or nonrenewal of the contract, or upon demand by the  
24 director.

25 7856.7070 PRICE RESTRICTIONS.

26 A retailer may not sell a lottery ticket at a price other  
27 than the price set by the director under the game procedures for  
28 the game.