

H.F. No. 778 – Sports Wagering – as proposed to be amended by the A22-0482 delete everything amendment

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Article 1 – Lawful Sports Betting

Overview of Authorized Sports Betting

HF 778, as proposed to be amended by the A22-0482 delete-everything amendment, authorizes the commissioner of public safety to regulate sports betting. Sports betting may be conducted through the internet (“mobile sports betting”) or in person at a horse racetrack. Sports betting is allowed on professional and college athletic events, esports, the selection of players by professional sports organizations, and the nomination and selection of winners of awards in the arts or sports. The commissioner is authorized to approve events on which wagers can be placed and the types of wagers that can be accepted. Wagerers must be at least 21 years old.

Sports betting is allowed on tribal lands, subject to new compacts negotiated by the governor with Indian Tribes. The bill does not specify terms or parameters for the compacts.

Licensing – Sections 4-14 and 20

The bill authorizes the commissioner to license various entities to provide or support sports betting. Two master licenses may be issued to Tribal entities representing specified Indian bands and communities. These master licensees are authorized to coordinate mobile sports betting in the state. Eleven licenses may be issued to entities owned and controlled by one or more Indian Tribes to offer mobile sports betting under a contract with one of the master licensees. In addition, the state’s two horse racetracks may be licensed to offer in-person betting on sporting events on the premises of the racetracks or mobile sports betting. Entities must be licensed to provide mobile sports betting platforms or to supply information and support necessary to offer mobile sports betting, such as data feeds, odds services, risk management, and integrity monitoring. The bill specifies requirements for

obtaining and renewing licenses and provides administrative procedures and penalties for license violations.

The terms and fees for licenses are as follows:

Type of License	Term	Fee
Master sports betting license	Twenty years	Unspecified
Mobile sports betting operator license	One year	\$2,125
Racetrack license	One year	\$2,125
Mobile sports betting platform provider and service provider	One year	\$6,000 application fee; \$38,250 license fee; \$8,500 annual renewal fee
Supplier License	One year	\$6,000 application fee; \$38,250 license fee; \$8,500 annual renewal fee

Fees are deposited in a sports betting revenue account in the special revenue fund.

Other Provisions

Section 14 [Advertising] precludes sports betting advertising directed at people under 21 or targeting people who are excluded from wagering through advertising or marketing through e-mail, text, or direct messaging. Precludes false advertising for sports betting.

Section 15 [Wagering] specifies certain details about the wager transaction, including information that must be provided to the wagerer before accepting a wager, the required forms of consideration and information that must be provided on a receipt for the wager.

Section 16 [Exclusion List and Prohibition on Wagering] requires the commissioner to maintain a list of people who are not eligible to wager. People may voluntarily add their name to the list for a specified time; a legal guardian can place a person on the list; and mobile sports operators, betting platforms and vendors can place a person's name on the list.

This section precludes people from wagering on a sporting event in which the person has a participatory role, has access to nonpublic information regarding the event, or is in a position of authority to exert influence over the participants in the event.

Section 17 [Financial Responsibility] makes mobile sports betting operators responsible for the risk of loss on wagers. The bill requires that racetracks and mobile sports betting operators maintain cash reserves and provide collateral in the form of a bond, securities, or a letter of credit to protect the financial interests of wagerers.

Section 18 [Integrity Monitoring] requires those offering sports betting to contract with an integrity monitoring provider to identify unusual betting activity or patterns and to report suspicious wagering to the state or federal authorities.

Section 19 [Inspection and Auditing of Licensees] authorizes the commissioners of public safety and revenue and the director of the division of Alcohol and Gambling Enforcement to inspect

accounting records of licensees related to sports betting operations. Requires mobile operators and racetracks to submit annual financial audits to the commissioner of public safety.

This section prohibits certain advertising directed to people younger than 21 or to people who are excluded from betting for various reasons.

Section 21 [Reporting] requires the commissioner of public safety to report to the legislature on the sports wagering activities with financial summary information on sports betting and on the sports betting industry. The commissioner must also report to the legislature on licensing metrics, an overview of the sports betting market, revenue generated by sports betting, the commissioner expenses in enforcing sports betting restrictions; and the enforcement actions taken against license holders.

Section 22 [Data Protections] makes it a license violation to sell private data on individuals collected through sports betting. Classifies certain data on individuals.

Section 23 [Local Restrictions; Prohibition on Local Taxes or Fees] precludes political subdivisions from requiring a license or imposing a tax or fee to conduct sports betting.

Article 2 – Taxation of Sports Betting

Article 2 imposes a ten percent tax on sports wagering net revenue, defined as all cash and cash equivalents received in a month by a mobile sports betting operator from wagers on sporting events, less cash paid out as winnings in the month, the cash equivalent of noncash prizes paid out as winnings in the month, and all excise taxes required under federal law. The tax is imposed on wagers placed online or through a mobile application or in person at a racetrack. The tax is in lieu of income, sales, and charitable gambling taxes.

Tax revenues are deposited in the special revenue fund and are distributed as follows: 1/3 to the commissioner of human services for adult mental health initiatives and compulsive gambling treatment; 1/3 to the commissioner of revenue for payments to charitable gambling organizations; and 1/3 to a new sports marketing and awareness account for grants to promote sports and other events in Minnesota.

Article 3 – Crimes Related to Sports Betting

Article 3 establishes various penalties for illegal sports wagering ranging from a misdemeanor to a felony.

Article 4 – Conforming Amendments

Article 4 requires racetracks to apply a portion of revenue from sports betting to purse payments for horse racing and a portion for deposit into the breeders fund.