

S.F. No. 1949 – Sports Betting Legalization and Regulation (3rd engrossment)

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Article 1

Lawful Sports Betting

Overview of Authorized Sports Betting

SF 1949 authorizes the commissioner of public safety to regulate sports betting. Sports betting may be conducted through the internet (“mobile sports betting”) or on tribal lands, subject to new compacts negotiated by the governor with Indian Tribes.

Sports betting is allowed on professional, international, college, and amateur athletic events. 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.

Licensing - Sections 4-10, 12, and 20-21

The bill authorizes the commissioner of public safety to issue licenses to Indian Tribes to conduct mobile sports betting and engage in other related activities. To be eligible for an “operator” license, a tribe must lawfully conduct class III gaming in a casino in the state under a facility license approved by the National Indian Gaming Commission in accord with tribal gaming ordinances.

The commissioner may issue up to eleven licenses to mobile sports betting platform providers to provide a sports betting platform and associated technology, applications, hardware and software to an operator.

The commissioner may issue sports betting supplier licenses to provide operators with information and support necessary to offer mobile sports betting, including data feeds and 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
Mobile sports betting operator license	20 years	\$2,125 annually
Mobile sports betting platform provider and service provider	Three years	\$6,000 application fee; \$38,250 license fee; \$25,000 renewal fee
Supplier License	Three years	\$6,000 application fee; \$38,250 license fee; \$25,000 renewal fee

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

Other Provisions

Section 1 [Definitions] defines terms.

Section 2 [Scope] authorizes a person over 21 to participate in mobile sports betting by placing a wager with a licensed entity, unless the person is personally prohibited from wagering. States that it is unlawful to wager on sporting events except in accord with authorized sports wagering or sports wagering conducted by an Indian Tribe under a Tribal-state compact. Makes regulation inapplicable to sports wagering under Tribal-state compacts.

Section 3 [Powers and Duties of Commissioner] authorizes the commissioner of public safety to regulate sports wagering. The commissioner is authorized to adopt rules on specified topics. Rules for which notice is published before January 1, 2024, may be adopted using the expedited rulemaking process.

Section 11 [Partnership Allowed] authorizes a mobile sports betting operator to contract with one platform provider to provide, create, or operate sports betting platforms, sports betting technology, sports betting applications, or associated mobile sports betting hardware, software, or equipment. If the operator opts not to contract with a platform provider, the operator must comply with reporting and regulatory requirements imposed on platform providers. Requires a platform provider that has contracted with an operator to display a brand of the operator within its mobile application.

Section 13 [Advertising] specifies prohibited content in advertising related to sports betting and mobile sports betting.

Section 14 [Wagering] specifies certain details about the wager transaction, including types of wagers the commissioner may approve, types of wagers prohibited, 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. Requires that consideration for wagers must be from a mobile sports betting account that a person may fund from any location. Requires a mobile sports betting account to allow a person to set limits on use of their account for betting.

Section 15 [Prohibition on Push Notifications] prohibits operators and platform providers from sending a message through a betting application or website when the application or website is inactive unless a user opts in or for notice of fraudulent activity on the user's account.

Section 16 [Exclusion List and Prohibition on Wagering] requires the commissioner to maintain a list of people who are not eligible to wager. A person may voluntarily add his or her name to the list for a specified time; a legal guardian can place a person on the list; operators, platform providers and suppliers can place a person's name on the list for good cause; and sports governing bodies can submit names. This section specifies the data protection classification for the list data. This section precludes specified people from wagering on a sporting event. This section precludes a person from wagering on behalf of a person prohibited from wagering.

Section 17 [Financial Responsibility] makes operators or platform providers responsible for the risk of loss on wagers for one year after the outcome of the bet is determined. Requires that operators maintain cash reserves or 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 commissioner of public safety, other operators and platform providers, and the sports governing body that governs the implicated sporting event. Specifies how the information must be maintained and disclosed.

Section 19 [Record Keeping; Information Sharing] requires operators or platform providers to maintain records of wagers and abnormal betting activity for three years. Requires anonymization of specified information about wagerers and wagers. Provides for sharing certain information with sports governing bodies.

Section 20 [Inspection and Auditing] authorizes the commissioners of public safety and revenue and the director of the division of Alcohol and Gambling Enforcement to inspect accounting records of operators and platform providers related to mobile sports betting operations. Exempts records related to Tribal gaming operators, Tribal governmental records or class III sports betting operations conducted on Indian lands. Requires mobile operators and platform providers to submit annual financial audits to the commissioner of public safety.

Section 21 [License Violations; Enforcement] requires the commissioner to adopt rules that provide a graduated schedule of penalties for violations of license requirements. Authorizes the commissioner of public safety to take actions to enforce license requirements and penalize noncompliance.

Section 22 [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, expenses in enforcing sports betting restrictions; and the enforcement actions taken against license holders.

Section 23 [Data Protections] classifies certain data on individuals and authorizes the commissioner to revoke a license if the licensee sells data on individuals that is classified as private that is collected through the practice of sports betting.

Section 24 [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.

Section 25 [Indian Tribes; Compacts to the Negotiated] requires the governor to negotiate new Tribal-state compacts regulating the conduct of class III sports betting on Indian lands. Precludes modifying existing compact.

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 and the cash equivalent of noncash prizes paid out as winnings in the month. The tax is imposed on wagers placed online or through a mobile application. 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: up to 30 percent is annually appropriated to the Minnesota Racing Commission for grants to certain racetracks for various purposes, until \$20 million is appropriated in total and \$3 million for each year thereafter, and of the remaining amounts:

- 50 percent is appropriated to the commissioner of human services, half of which is allocated to the compulsive gambling treatment program established under section current law, and half of which is allocated for a grant to the state affiliate of the National Council on Problem Gambling to increase public awareness of problem gambling; and
- 50 percent is appropriated to the amateur sports integrity and participation account established under current law.

Mobile sports betting operators are required to maintain business records supporting sports wagering activity and taxes owed. The provisions of current law in the charitable gambling chapter relating to assessments of tax, civil and criminal penalties, and interest apply to sports wagering net revenue. Effective for sports betting net revenue received after June 30, 2024.

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 – Amateur Sports Grants; Appropriations

Section 1 [Grants for Promoting Integrity and Participation] establishes an account in the special revenue fund for amateur sports integrity and participation. Money is deposited into the account from certain taxes as provided in Article 2. Money in the account is appropriated to the Amateur Sports Commission. The commission may retain four percent of money to administer grants. 20 percent of money in the account must be awarded for grants for education regarding gambling and other measure to protect the integrity of sports and 80 percent must be awarded for

grants to promote and facilitate participation in youth sports in areas that have experienced a disproportionately high rate of juvenile crime.

Section 2 [Program] expands a compulsive gambling program to families of compulsive gamblers.

Section 3 [Study on Motivations and Beliefs of Young Adult Gamblers; Appropriation] appropriates \$150,000 in fiscal year 2024 from the sports betting revenue account in the special revenue fund to the commissioner of public safety for a grant to a nonprofit organization to conduct a study of the gambling motivations and beliefs of young adult gamblers. Provides requirements for the study.

Section 4 [Department of Public Safety; Appropriation] appropriates \$1,301,000 in fiscal year 2024 from the sports betting revenue account in the special revenue fund to the commissioner of public safety establish the regulation of sports betting.

Section 5 [Department of Revenue; Appropriation] appropriates \$328,000 in fiscal year 2024 from the sports betting revenue account in the special revenue fund to the commissioner of revenue to establish and enforce the taxation of mobile sports betting.

The appropriations in sections 3, 4, and 5 are made before required distributions of the money. They are onetime appropriations.

Article 5 Conforming Amendments

Section 1 [Advance deposit wager] modifies the definition of “advance deposit wager” to mean a wager placed through advance deposit wagering provider on a horse race. Current law limits advance deposit wager to those placed on horse races outside the state.

Section 2 [Historic Horse Racing] specifies that chapter 299L.47 authorizes the use of historic horse race operations either in person or by means of electronic terminals.