

mb ✓ 1/2/90

## MINNESOTA STATE LOTTERY

In the Matter of the  
Proposed Adoption of  
Rules Relating to  
Lottery Retailers

STATEMENT OF  
NEED AND REASONABLENESS

### I. GENERAL

In an effort to ensure the integrity and security of the Minnesota State Lottery (hereinafter referred to as the "Lottery"), and also to ensure the efficient operation and administration of the lottery, the Director of the lottery (hereinafter referred to as the "Director") proposes rules relating to lottery retailers. The proposed rules more specifically define the duties of the Director, and the responsibilities of the lottery retailers. The Director believes that the proposed rules are necessary and that they are reasonable. The burdens imposed on lottery retailers by these rules are not undue but will result in more efficient operation of the lottery as far as both the lottery and lottery retailers are concerned.

### II. STATUTORY AUTHORITY

The Director is empowered by Minnesota Statutes, Section 349A.05(1989, Supplement) to adopt rules governing (1) the number and types of lottery retailers' locations; (2) qualification of lottery retailers and application procedures for lottery retailer contracts; (3) investigation of lottery retailer applicants; (4) appeal procedures for denial, suspension, or cancellation of lottery retailer contracts; (5) compensation of lottery retailers; (6) accounting for and deposit of lottery revenues by lottery retailers; (7) procedures for issuing lottery procurement contracts and for investigation of bidders on those contracts; (8) payment of prizes; (9) procedures needed to ensure the integrity and security of the lottery; and (10) other rules as necessary for the efficient operation and administration of the lottery.

### III. RULE-BY-RULE ANALYSIS

#### 7856.1000 Definitions

The subparts of this rule define certain terms that are used in Minnesota Statutes, Chapter 349A, and the rules in this chapter. The definitions set forth are reasonable in that they are either identical to the definitions under Minnesota Statutes, Section 349A.01, or are merely used for shorthand reference for certain terms used in these rules. To the

extent that a new term is used, such as for "bank" (subpart 2), and "settlement date" (subpart 12), those definitions will be explained in the part or subpart that they are used.

#### 7856.1010 Scope

The proposed rule explains the scope of this chapter. This rule is necessary and reasonable because it explains in general the scope of the rules in this chapter.

#### 7856.1020 Director; Power and Duties

The proposed rule sets out the powers and duties of the Director. This rule is necessary and reasonable in that the powers and duties set for in this rule are a summary of the powers and duties of the Director under Minnesota Statutes, Sections 349A.02, subdivision 3; 349A.04; 349.05; 349A.06, subdivision 1; 349A.10; and 349A.15 (1989, Supplement).

#### 7856.2010 Retailer Application

##### Subpart 1. Application

This rule requires that persons desiring to sell lottery tickets through a contract as permitted under Minnesota Statutes, Section 349A.06 (1989, Supplement) to submit an application to the lottery. This subpart requires that the application be in a form and manner prescribed by the lottery. This requirement is necessary so that applications may be processed in an efficient manner which can be more efficiently accomplished if the applications are uniform. Also, it is necessary for the lottery to prescribe the form of the application to ensure that sufficient information is supplied so that the lottery can ensure that the person is eligible to be a lottery retailer under part 7856.2020 and Minnesota Statutes, Section 349A.06, subdivision 2, (1989, Supplement). This requirement is reasonable in that it does not cause an undue burden to apply on forms prepared by the lottery. Further, this subpart requires that each location where lottery tickets are to be sold must submit a separate application. This requirement is necessary and reasonable in that the lottery desires to control for security and marketing reasons the locations where lottery tickets are sold. In order to monitor each location where tickets will be sold it is necessary that each location have a separate contract with the lottery. Since each location should have a separate contract, it is reasonable to require a separate application for each location.

## Subpart 2. Fee.

This subpart requires an applicant to pay a non-refundable fee of \$100.00. This fee is authorized under Minnesota Statutes, Section 349A.06, subdivision 9, (1989, Supplement).

That statute allows the lottery to charge a fee sufficient to cover the costs of making the investigation required to determine the eligibility of the applicant. The \$100.00 non refundable fee is reasonable to the extent that the lottery is required by Minnesota Statutes, Section 349A.06, subdivision 2 (1989, Supplement) to investigate an applicant to determine whether the retailer: 1) is under the age of 18; 2) is in business solely to sell lottery tickets; 3) owes more than \$500.00 in delinquent taxes to the state; 4) has been convicted of a felony, gross misdemeanor, a crime involving fraud or misrepresentation, a gambling-related offense within the previous five years or whether an owner, partner, director, or officers of the business has been convicted of any of these crimes; 5) is a member of the immediate family, resident in the same household, as an employee of the lottery, the Director, or a member of the Lottery Board; and 6) has the financial stability or responsibility to act as a lottery retailer. The Director is also required to examine an applicant to determine whether contracting with that person would adversely affect the public health, welfare, and safety, or endanger the security and integrity of the lottery.

## 7856.2020 Selection of Retailers

### Subpart 1. Eligibility.

This subpart sets forth the basic eligibility criteria that a person must pass in order for that person to be considered as a lottery retailer. This subpart is necessary and reasonable because these criteria are required qualifications for all lottery retailers under Minnesota Statutes, Section 349A.06, subdivision 2, (1989, Supplement).

### Subpart 2. Factors to be Considered.

This subpart sets out a number of factors which the Director will consider in determining whether to contract with an applicant to sell lottery tickets.

Factor A. is necessary and reasonable because the Director is prohibited from contracting with a person under Minnesota Statutes, Section 349A.06, subdivision 2, paragraph (a), clause (6) (1989, Supplement) who does not have the financial stability or responsibility to act as a lottery retailer.

Factor B. is necessary and reasonable because the Director is prohibited by Minnesota Statutes, Section 349A.06, subdivision 2, paragraph (a), clause (6) (1989, Supplement) from contracting with a person who in the Director's judgement will endanger the security or integrity of the lottery.

Factor C. is necessary in order for the Director to whether the location is accessible to the public desiring to purchase lottery tickets. This factor is reasonable because a certain expense of administration is involved in contracting with retailers to sell lottery tickets and if the location is not accessible to the public or is less accessible to the public that will be buying lottery tickets it may not be in the lottery's best interests to contract with that person.

Factor D. is necessary in order to take into consideration the number of existing lottery retailers to adequately serve the public. This factor is reasonable because the Director must take into consideration matters which may affect the efficient operation of the lottery. If contracting with too many persons will not better serve the public or will not be cost effective (not appreciable increase sales of lottery tickets in relation to the cost of servicing the retailer) it is reasonable for the Director to consider the number of existing retailers when determining whether to contract with additional persons.

Factor E is necessary in order for the Director to consider the viability of a particular retailer. The sales volume of a retailer can be a useful tool in determining whether sufficient traffic or business exists within an establishment to warrant the Director contracting with that business to sell lottery tickets.

Factor F is necessary in order for the Director to ensure the security and integrity of the lottery. This factor is reasonable since the material included in a person's application is not true then contracting with that person could very well adversely affect the integrity of the lottery.

Factor G is necessary in order for the Director to determine the financial viability of an applicant as required by Minnesota Statutes, Section 349A.06, subdivision 2, paragraph (a), clause (6) (1989, Supplement). This factor is reasonable since it seems prudent that the Director may need to know and consider how long the applicant has been in business in order to ensure financial responsibility of the lottery retailer.

Factor H is necessary because in order for the Director not to contract with an applicant that would adversely affect the public health, welfare, and safety, the nature and type of business involved in by the applicant should be considered. This factor is reasonable to the extent that the nature and type of business engaged by an applicant may be related to other factors listed in this subpart.

### Subpart 3. Residency Requirement.

This subpart is necessary to ensure the integrity of the lottery by requiring that all lottery retailers be residents or authorized to do business in the State of Minnesota. This requirement is reasonable since it does not cause any undue hardship on any applicant to be a resident or authorized to do business in this state prior to being authorized to sell lottery tickets for the Minnesota State Lottery.

### 7856.3010 Issuance of Contract

#### Subpart 1. General.

This subpart allows the Director to contract with as many retailers that the Director determines subject to the Director's determination that there are enough retailers within an area to adequately serve the public. This provision is necessary in order to allow the Director to limit the number of retailers, if justified, to improve the efficiency of the lottery. This requirement is reasonable since the Director may adopt rules that will assist the efficient operation of the lottery. When adding retailers will not result in an appreciable sales increase or offset the expense of servicing an additional location, adding that new retailer will not assist the efficient operation of the lottery.

#### Subpart 2. Issuance.

This requirement is necessary because the Director is required by law to ensure the integrity of the lottery. To the extent that the Director must decide who will be lottery retailers it is reasonable to grant contracts to persons that best serve the public convenience and promote the sales of ticket consistent with the experience, character, and fitness of the applicants.

#### Subpart 3. Contract.

This provision is necessary because the contracts entered into between the Director and a retailer are valid for one year as required under Minnesota Statutes, Section 349A.06, subdivision 1 (1989, Supplement). As provided under general contract law it is reasonable that the contract remain in effect until cancelled or suspended.

#### Subpart 4. Types of Contracts.

This requirement is necessary because the types of games that may be offered by the lottery vary greatly with regard to the types of players involved and the costs associated with the administration of the game. It is therefore necessary to distinguish contracts by the type of game involved and

authorize the Director to amend, alter, suspend, or cancel a retailer's contract depending on the types of games being sold by a particular retailer. This requirement is reasonable since it does not impose an undue hardship on any applicant, since a retailer will have the opportunity to apply to the lottery for the opportunity to sell tickets for the differing games.

#### 7856.3020 Certificate

##### Subpart 1. Issuance.

This requirement that the Director issue a certificate to retailers under contract is necessary and reasonable since each retailer is required by this subpart 2 and Minnesota Statutes, Section 349A.06, subdivision 5, paragraph (b), (1989, Supplement) to display a certificate issued by the Director.

##### Subpart 2. Display.

The requirement that retailer's display the certificate issued by the Director in a prominent place is necessary since it is required by Minnesota Statutes, Section 349A.06, subdivision 5, paragraph (b), (1989, Supplement) and it is necessary so that the public will be assured that a particular retailer is authorized to sell lottery tickets. The requirement is reasonable since it does not cause a retailer undue hardship to post this certificate in a similar fashion as the state sales tax permit or liquor license is required to be posted.

The requirement that the retailer also post a decal on the window or entrance to the business is necessary so that the public can easily determine if the retailer is authorized to sell lottery tickets. This requirement is reasonable since it does not cause an undue hardship on the retailer to post such a decal and it is a reasonable requirement for lottery retailers to so notify the public that lottery tickets can be purchased at its establishment.

##### Subpart 3. Surrender.

The requirement that the certificate be surrendered upon cancellation, suspension or nonrenewal of the retailer's contract is necessary since the lottery will not want to appear to have given the authority to sell lottery tickets to retailers that are no longer under contract. This requirement is reasonable because if the retailer is no longer under contract they do not have the authority to sell lottery tickets and they should not have in their possession a certificate which appears to give them that authority.

### 7856.3030 Temporary Licenses

This rule is necessary because the Director may need to authorize retailers to sell lottery tickets pending completion of the required background check on each applicant as authorized by Minnesota Statutes, Section 349A.06, subdivision 4 (1989, Supplement). This rule is reasonable to the extent that it may assist the lottery in signing up retailers to sell lottery tickets.

### 7856.4010 Conditions of Retailer Contract

#### Subpart 1. Terms.

The requirement that the terms specified in this part must be included in each lottery retailer contract is necessary to ensure that each retailer is subject to the same requirements and that the Director can enforce certain requirements against retailers that are necessary to ensure the integrity and security of the lottery and its efficient operation. The reasonableness of this provision is explained in each subpart relating to the specific required term.

#### Subpart 2. Rules and Law.

The requirement that lottery retailers agree to be bound by the lottery law, and rules, game procedures, instructions and orders issued by the Director is necessary in order to have retailers be bound by the rules procedures, etc. that the Director adopts to ensure the integrity and security of the lottery and to ensure the efficient operation of the lottery. This requirement is reasonable to be a term in the contract since failure to abide by the requirements is ground for cancellation or suspension of the retailers contract under part 7856.6010, subpart 2, and Minnesota Statutes, Section 349A.06, subdivision 11, paragraph (b), clause (4) (1989, Supplement).

#### Subpart 3. Sale of Lottery Tickets.

The requirement that lottery retailers agree to sell valid lottery tickets to the public during normal business hours is necessary to ensure that the retailers that are authorized to sell tickets actually make them available to the public when they are open. This requirement is reasonable since if a retailer has applied to be a lottery retailer they should, if a contract is entered to with the lottery, agree to sell valid tickets to the public when they are open.

#### Subpart 4. Displays.

The requirement that lottery retailer maintain displays, notices, and other materials supplied by the lottery is necessary to ensure that lottery policies, notices and

information is available to the public and that the information is obtained by the public. This requirement is reasonable because it does not pose any undue hardship on the retailer because the materials are supplied by the lottery and the public has a need for the information.

#### Subpart 5. Acceptance of Tickets.

The requirement that the retailer agrees that all tickets they accept are deemed purchased by them is necessary for the efficient operation of the lottery in that for accounting purposes once the tickets are consigned from the lottery to the retailer they are deemed to be purchased if not returned. The requirement is reasonable because if a person agrees to be a lottery retailer they should be responsible enough to accept the duty to pay for any lottery tickets received as with any other product that the retailer sells.

#### Subpart 6. Lost or Missing Tickets.

The requirement that the retailer agrees to be responsible for lost, stolen, or missing tickets, or loose tickets not returned in sequential order is necessary to enforce the previous provision relating to acceptance of tickets. Also loose tickets not returned in sequential order are difficult to account for so it is necessary for the lottery's efficient operation. This requirement is reasonable because subpart 5 provides that retailers all responsible for all tickets which they accept from the lottery.

#### Subpart 7. Records.

The requirement that the retailer agree to keep complete records is necessary so that the lottery can accurately determine the amount owed from each retailer. The requirement is reasonable since it is required under Minnesota Statutes, Section 349A.06, subdivision 5, paragraph (c)(1989, Supplement).

#### Subpart 8. Access to Records.

This requirement is necessary so that the lottery and the Department of Public Safety, Gambling Enforcement Division can perform their statutory duty to audit records of lottery retailers. This requirement is reasonable since it is required by Minnesota Statute, Sections 349A.06, subdivision 5, paragraph (c) and Section 299L.02, subdivision 1 (1989, Supplement).

#### Subpart 9. Payment of Prizes.

The requirement that lottery retailers validate and pay certain prizes is necessary so that lottery winners can receive payment for instant prizes as soon as possible. This



requirement is reasonable since payment of prizes will be subject to agreement between the lottery and the Retailer to conform with the retailer's security requirements.

#### Subpart 10. Liability for Proceeds.

The requirement that the retailer agree to be personally liable for proceeds from the sale of lottery tickets and those proceeds constitute a trust fund in favor of the lottery is necessary and reasonable since in it is required under Minnesota Statutes, Section 349A.06, subdivision 8 (1989, Supplement).

#### Subpart 11. Hold Harmless.

The requirement that the retailer agree to hold the state and the lottery harmless from any liability arising in connection with conducting the sale of tickets is necessary to protect the state from liability from causes of action over which the lottery will have no control since the retailer is an independent contractor. This requirement is reasonable since the retailer will have control over the sale of tickets in its establishment as an independent contractor so that they should hold the lottery harmless for any liability arising out of the sale by the retailer.

#### Subpart 12. Status.

The requirement that the retailer agrees that it is an independent contractor is necessary to clarify that the retailer is not acting on behalf of the lottery or is not an employee of the lottery. This requirement is reasonable since the lottery will not have direct control over the retailer's operation so that under the law the retailer is acting as an independent contractor.

#### Subpart 13. Liability.

The requirement that the liability of retailer incurred in connection with the sale of lottery tickets is the retailer's responsibility is necessary and reasonable for the reasons stated for Subpart 11.

#### Subpart 14. Renewal

The requirement that the retailer agree not to conduct any lottery business of their contract is not renewed is necessary to prevent a retailer who is no longer authorized to sell tickets from acting as a lottery retailer. This provision is reasonable because if a retailer is no longer under contract they are prohibited by law from conducting lottery business.

Subpart 15. Place tickets are sold.

The requirement that the retailer agree to only sell tickets on the premises described in the contract is necessary and reasonable since it is required under Minnesota Statutes, Section 349A.06, subdivision 5, paragraph (a)(1989, Supplement)

Subpart 16. Cash.

The requirement that the retailer agree to sell lottery tickets only for cash is necessary since it is required under Minnesota Statutes, Section 349A.06, subdivision 5, paragraph (e) (1989, Supplement). It is reasonable to define cash as currency, coin, money orders and checks since the standard common law definition of cash is "money in hand", either in current coin or other legal tender, or in bonds, bills or checks paid and received a money.

Subpart 17. Restrictions on the Sale of Tickets.

The requirement that the retailer agree not to condition the sale of tickets upon any other purchase is necessary to prevent retailers from indirectly charging more than the price fixed for a ticket by the Director. This requirement is reasonable because under Minnesota Statutes, Section 349A.12, subdivision 3, paragraph (b) (1989, Supplement) a retailer may not sell a lottery ticket at a price other than the price set by the Director.

#### 7856.4020 Bonding of Retailers

The requirement that the lottery retailer post a bond with the lottery to avoid monetary loss to the state is necessary and reasonable because all retailers are required to post a bond as the Director deems necessary to protect the financial interests of the state under Minnesota Statutes, Section 349A.06, subdivision 3, (1989, Supplement).

#### 7856.4030 Compensation

Subpart 1. Commission.

The setting of a commission for lottery retailers is necessary so that retailers may retain money from gross receipts for selling lottery tickets as authorized under Minnesota Statutes, Section 349A.06, subdivision 6, clause (2) (1989, Supplement). The commission of five percent is reasonable since the majority of states that have a lottery have set its commission at five percent.

## Subpart 2. Incentive Program.

The allowance of the establishment an incentive program is necessary to allow the Director to encourage the sale lottery tickets by rewarding retailers who are successful in selling tickets. This provision is reasonable because retailers who do a better job of selling lottery tickets should be rewarded for doing so.

## Subpart 3. Acceptance of Other Money Prohibited.

The prohibition of acceptance of other gratuities or other remuneration for the selling of lottery tickets is necessary to protect the integrity of the lottery. Compensation of retailers should be controlled by the Director. If retailers demand or receive other remuneration or gratuities from other sources, the integrity of the lottery could be damaged since players would in effect then receive less than the prize won on a ticket.

### 7856.4050 Nontransferability and Nonassignability of Contract

The requirement that a retailer's contract may not be transferred or assigned is necessary and reasonable since it is a statutory requirement under Minnesota Statute, Section 349A.06, subdivision 5, paragraph (d) (1989, Supplement).

The requirement that the retailer provide the lottery with 30 days notice of business change is necessary so that the lottery can evaluate the change in order to determine whether a new contract is to be issued under the law. This provision is reasonable because if a business is to change, 30 days notice to the lottery of the change does not cause any undue hardship to the retailer.

### 7856.5010 Location of Sales and Purchase

The requirement that the sales of lottery tickets be made pursuant to a retailer's contract and only at locations special in the contract is necessary and reasonable since it is required by Minnesota Statutes, Sections 349A.12, subdivision 3, paragraph (a) and 349A.06, subdivision 5, paragraph (a) (1989, Supplement).

### 7856.5020 Inspection of Premises

Inspection of the retailer's premises by the lottery is necessary in order to ensure that the retailer is complying with the lottery law, the rules and game procedures adopted by the Director, and the terms of the retailer's contract. This provision is reasonable since it is restricted to normal business hours of the business and will not cause an undue hardship on the retailer.

7856.6010 Cancellation, Suspension, and Nonrenewal of Contract

Subpart 1. Mandatory

The conduct by a retailer that are listed in this subpart which will result in an mandatory cancellation of a contract is necessary and reasonable since it is required under Minnesota Statutes, Section 349A.06, subdivision 11, paragraph (a) (1989, Supplement).

Subpart 2. Discretionary.

Items A to G and N are necessary and reasonable since under Minnesota Statutes, Section 349A.06, subdivision 11, paragraph (b) the Director has the authority to cancel, suspend, or not renew a contract for those reasons.

Item H permitting the Director to act on a contract if the retailer acts in a manner impairs the retailer's reputation for honesty and integrity is necessary for the lottery to ensure the integrity of the lottery as required under Minnesota Statutes, Section 349A.02, subdivision 3, clause (7) (1989, Supplement). This provision is reasonable since a retailer no longer has a reputation for honesty and integrity then the Director should sanction the retailer.

Item I is necessary and reasonable since it is a minimum requirement of the retailer's contract under Part 7856.4010, subpart 4, and under Part 7856.6010, subpart 2, item E the Director may act on the retailer's contract if the retailer fails to comply with a condition of the contract.

Items J and K are necessary and reasonable since under Minnesota Statutes, Section 349A.06, subdivision 2, paragraph (a), clause (6) (1989, Supplement) the Director may not contract with a retailer that does not have the financial stability or responsibility, or if contracting with that retailer would adversely affect the public health, welfare, and safety or would endanger the security and integrity of the lottery.

Item L is necessary in order to attempt to prevent persons who are not under contract with the lottery from selling lottery tickets. This provision is reasonable since it requires knowledge on the part of the retailer, and if the retailer knows or has reason to know that they are assisting another person in violating Minnesota Statutes, Section 349A.12, subdivision 3, paragraph (a) (1989, Supplement) then that retailer should be sanctioned.

Item M is necessary in order to safeguard the integrity and security of the lottery. This provision is reasonable since a person who has been convicted of a gambling-related offense

or crime involving moral turpitude should not be associated with the selling of lottery tickets, and if the retailer allows such conduct to occur the retailer should be sanctioned.

### Subpart 3. Material Change.

The provision allowing for cancellation, suspension, or nonrenewal if there is a material change in a retailer's qualifications is necessary and reasonable since it is permitted under Minnesota Statutes, Section 349A.06, subdivision 11, paragraph (c) (1989, Supplement).

#### 7856.7010 Deposit of Funds

The requirement that retailers deposit lottery proceeds in a separate account is necessary in order for the lottery to collect and transfer funds to and from retailer through electronic funds transfer, thus improving the efficiency of lottery operations. This requirement is reasonable in that proceeds from the sale of tickets constitute a trust fund in favor of the lottery under Minnesota Statutes, Section 349A.06, subdivision 8, (1989, Supplement) they should be segregated from the retailer's other funds.

#### 7856.7020 Interest

This provision setting an interest rate on delinquent amounts due is necessary because the Director is required to set such a rate under Minnesota Statutes, Section 349A.10, subdivision 4, paragraph (c) (1989, Supplement). The interest rate provided in this part is reasonable since it is the same interest rate provided for judgements under Minnesota Statutes, Section 549.09, subdivision 1, paragraph (c) (1988).

#### 7856.7030 Filing of Reports

The requirement that retailers file reports in a manner determined by the lottery is necessary in order for the reports to be uniform and to monitor sales by retailers. The requirement is reasonable to the extent that reports are required under Minnesota Statutes, Section 349A.06, subdivision 5, paragraph (c) (1989, Supplement).

#### 7856.7040 Agents Responsible for Tickets

The requirement that retailers are responsible for tickets is necessary and reasonable for the reasons specified for this to be a minimum contract term under part 7856.4010, Subparts 5 and 6.

7856.7050 Tickers Unaccounted For

This requirements is necessary in order to make a final accounting for all tickets delivered to the retailer. This requirement is reasonable since under part 7856.7040 retailers are responsible for all tickets accepted from the lottery.

7856.7060 Consignment of Tickets

The requirement that tickets be returned by retailers upon cancellation or suspension of a retailer's contract is necessary so that tickets will not be sold by a person not under contract as prohibited by Minnesota Statutes, Section 349A.12, subdivision 3, paragraph (a) (1989, Supplement). This provision is reasonable in that if the retailer is no longer under contract the retailer should return the tickets and be able to be credited by the lottery.

7856.7070 Price Restrictions

The requirement that retailers not sell tickets at a price other than set by the Director is necessary and reasonable since it is required under Minnesota Statutes, Section 349A.12, subdivision 3, paragraph (b) (1989, Supplement).

IV. OTHER STATUTORY REQUIREMENTS

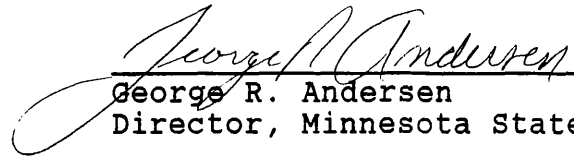
Minnesota Statute, Section 14.115 (1988) requires agencies, when proposing a new rule or amending an existing rule which may effect small businesses, to consider certain methods for reducing the impact of the rule on small businesses.

The proposed rules will have only negligible impact on small businesses. The rules do not affect small businesses disproportionately nor does the rule prevent small businesses from participating in the lottery. The Director has fully considered the impact of the rules on small businesses and has determined that because of the importance on maintaining the integrity and security of the lottery, the Director cannot be less rigorous in its regulation of one type of business over another.

Minnesota Statute, Section 14.11, subdivision 2, is inapplicable because the proposed rules will not have any direct and substantial adverse impact on agricultural land. Sections 115.43, subdivision 1, 116.07, subdivision 6, and 144A.29, subdivision 4 are not applicable. Likewise, a fiscal note is not required pursuant to Section 3.892 as the rule will not force any local agency or school district to incur costs.

CONCLUSION

Based on the foregoing, the Director's proposed rules are both necessary and reasonable.

  
\_\_\_\_\_  
George R. Andersen  
Director, Minnesota State Lottery

Date: January 2, 1989