

STATE OF MINNESOTA

MINNESOTA LAWFUL GAMBLING CONTROL BOARD

In the Matter of the Proposed  
Adoption of Rules of the Minnesota  
Lawful Gambling Control Board  
Regarding Minnesota Rules,  
Minnesota Rules, parts 7861.0010,  
7861.0060, 7861.0100, 7863.0020.

STATEMENT OF NEED  
AND REASONABLENESS

I. GENERAL

In an effort to improve the regulation of lawful gambling in this state, the Minnesota Lawful Gambling Control Board (Board) proposes to adopt rules governing the conduct of lawful gambling in the form of paddlewheels.

The proposed rules would result in a clearer understanding and better compliance by licensed organizations. The Board believes that the proposed rules are reasonable and are necessary. The burdens imposed on the participants of lawful gambling are not undue. The proposed rules will result in better compliance with the law.

II. STATUTORY AUTHORITY

The Board is empowered by Minnesota Statutes, section 349.151, subdivision 4(a) (1990):

- Subd. 4. **Powers and duties.** (a) The board has the following powers and duties:
- (1) to regulate lawful gambling to ensure it is conducted in the public interest;
  - (2) to issue licenses to organizations, distributors, bingo halls, manufacturers, and gambling managers;
  - (3) to collect and deposit license, permit, and registration fees due under this chapter;
  - (4) to receive reports required by this chapter and inspect all premises, records, books, and other documents of organizations, distributors, manufacturers, and bingo halls to insure compliance with all applicable laws and rules;
  - (5) to make rules authorized by this chapter;
  - (6) to register gambling equipment and issue registration stamps;
  - (7) to provide by rule for the mandatory posting by organizations conducting lawful gambling of rules of play and the odds and/or house percentage on each form of lawful gambling;
  - (8) to report annually to the governor and legislature on its activities and on recommended changes in the laws governing gambling;
  - (9) to impose civil penalties of not more than \$500 per violation on organizations, distributors, manufacturers, bingo halls, and gambling managers for failure to comply with any provision of this chapter or any rule of the board;
  - (10) to issue premises permits to organizations licensed to conduct lawful gambling;
  - (11) to delegate to the director the authority to issue licenses and premises permits under criteria established by the board;

(12) to suspend or revoke licenses and premises permits of organizations, distributors, manufacturers, bingo halls, or gambling managers as provided in this chapter;

(13) to register recipients of net profits from lawful gambling and to revoke or suspend the registrations;

(14) to register employees or organizations licensed to conduct lawful gambling;

(15) to require fingerprints from persons determined by board rule to be subject to fingerprinting; and

(16) to take all necessary steps to ensure the integrity of and public confidence in lawful gambling.

III. RULE-BY-RULE ANALYSIS AND STATEMENT OF NEED AND REASONABLENESS

**7861.0010 - Definitions.** This part contains some subparts that exist in statute or current rule but need additional clarification and some new subparts that pertain to terms used throughout the rules that are not defined in statute.

Subp. 4. **Gambling equipment.** "Gambling equipment" means bingo cards and sheets, devices for selecting bingo numbers, pull-tabs, jar tickets, paddlewheels, paddlewheel tables, paddletickets, paddleticket cards, tipboards, and tipboard tickets.

**This subpart exists in current statute and is an addition to the current rules. The statutory language does not include the terms "paddlewheel tables," "paddletickets," and "paddleticket cards."**

**This change is necessary to include those terms within the definition of gambling equipment. The inclusion in this definition is necessary to ensure that only licensed manufacturers and licensed distributors supply these items to organizations conducting paddlewheel games. This is necessary to provide regulatory control of the equipment and the conduct of the game. It is reasonable because it does not unduly burden the licensed organizations nor does it negatively impact the suppliers of this equipment.**

Subp. 4- **5. Lawful gambling.** "Lawful gambling" is the operation, conduct, or sale of bingo, raffles, paddlewheels, tipboards, and pull-tabs. Lawful gambling does not include the conduct of a combination of any of the five activities listed in this subpart where the outcome of one of the activities is dependent on the outcome of one of the other activities. Lawful gambling does not include betting related to the outcome of an athletic event.

Subp. 5- **6. Leased premises.** "Leased premises" means a building or place of business, or a portion of a building or place of business not owned by a gambling organization, that is leased in its entirety by a gambling organization for the sole purpose of conducting lawful gambling.

Subp. 6- **7. Master flare.** "Master flare" is used in conjunction with sealed groupings of up-to 100 paddleticket cards. The master flare must describe the paddletickets in the group, ~~have a list of all the paddleticket card numbers in that group,~~ state the first paddleticket card number in the group, state the price per play of a paddleticket in the group, describe the wagers that may be placed with a paddleticket in the group, and have a state registration stamp affixed to it bearing the number of the first paddleticket card in the group.

**This term is not defined in statute. It is needed to describe the flare used in conjunction with a sealed grouping of paddleticket cards. The definition is necessary to control the regulation of the game of paddlewheels. It eliminates the necessity of having the state registration stamp on each series of paddletickets, but provides for the requirement of the state registration stamp on each master flare. The changes indicated are necessary to further increase regulatory control and the ability to audit the use of these paddleticket cards.**

Subp. 7- **8. Net receipts.** "Net receipts" are gross receipts less prizes actually paid out.

Subp. 8- 9. **Other nonprofit organization.** "Other nonprofit organization" means one of the following:

A. an organization other than a fraternal, religious, or veterans organization, whose nonprofit status is evidenced by a current letter of exemption from the Internal Revenue Service recognizing it as a nonprofit organization exempt from payment of income taxes or which is incorporated as a nonprofit corporation and registered with the secretary of state under Minnesota Statutes, chapter 317A; or

B. an affiliate, subordinate, or chapter of a statewide parent organization that meets the criteria of item A. This type of other nonprofit organization is recognized only for purposes of conducting lawful gambling pursuant to Minnesota Statutes, section 349.166.

Subp. 9- 10. **Paddleticket.** A "Paddleticket" is a preprinted detachable ticket on a paddleticket card that has ~~printed~~ preprinted on it a paddleticket card number and either (i) one or more numbers corresponding to the numbers on a paddlewheel used without a paddlewheel table, or (ii) every available wager for a paddlewheel used with a paddlewheel table.

**This term is not defined in statute but is used throughout the rules. It is necessary to define this term clearly so that rules relating to paddlewheels and the conduct of paddlewheel games are clear and complete. The changes to this term are necessary to clarify the information that must be preprinted on each paddleticket including information to be used when the game is conducted without a paddlewheel table and when the game is conducted with the use of a paddlewheel table.**

Subp. 10- 11. **Paddleticket card.** "Paddleticket card" means a card to which is attached either (i) paddletickets bearing all the numbers on a paddlewheel used without a paddlewheel table, or (ii) paddletickets which each bear every available wager for a paddlewheel used with a table. A paddleticket card must have a stub attached that has preprinted on it a paddleticket card number, the ~~cost~~ price per paddleticket, space for the date played, a facsimile of a state registration stamp ~~which has the distributor's~~ with the license number printed in place of the paddleticket card number of the card's manufacturer, and a space in which the winning number is written.

**This term is not defined in statute. The term is used throughout the rules to regulate and control the conduct of lawful gambling using a paddlewheel. The changes and additions to this term are necessary to reflect the requirement that the manufacturer preprint the information on the paddleticket card and to clarify the information that must be preprinted on each paddleticket including information to be used when the game is conducted without a paddlewheel table and when the game is conducted with the use of a paddlewheel table. Requiring the manufacturer's license number to be preprinted on the paddleticket card provides both the manufacturers and distributors with increased flexibility without decreasing regulatory control.**

Subp. 11- 12. **Paddleticket card number.** "Paddleticket card number" means the unique serial number preprinted by the manufacturer on a paddleticket card and its paddletickets.

**The addition of the word "serial" is necessary to clarify the number that must be preprinted on the paddleticket card and its paddletickets.**

Subp. 13. Paddlewheel. "Paddlewheel" is a mechanical vertical wheel marked off into sections containing numbers and which, after being spun, uses a pointer to indicate the winning number.

This term is defined in statute. Minnesota Statutes, section 349.12, subdivision 29. The inclusion of this term is necessary to provide a clear and complete understanding of the rules. This provision clarifies the statutory definition by specifying that paddlewheels must be mechanical and vertical. This provision is reasonable because it puts into definition what is in existing practice.

Subp. 14. Paddlewheel table. "Paddlewheel table" is the table described in part 7861.0100, subpart 7, and used in the game of paddlewheels governed by part 7861.0100, subparts 2 to 5 and 7 to 14.

This term is not defined in statute but is used throughout the rules. It is necessary to include this term because the game of paddlewheels is played in one of two variations. One of those variations includes the use of a paddlewheel table.

~~Subp. 13.~~ 15. Religious organization. "Religious organization" means a nonprofit organization, church, body of communicants, or group gathered in common membership for mutual support and edification in piety, worship, and religious observances.

~~Subp. 13.~~ 16. Veterans organization. "Veterans organization" means any congressionally chartered organization within this state, or any branch, lodge, or chapter of a nonprofit national or state organization within this state, the membership of which consists of individuals who were members of the armed services or forces of the United States.

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7861.0060:

Subp. 3. **Posting of flare.** The odds, house percentages, or number of tickets must be displayed on the flare accompanying each deal of pull-tabs, tipboards, or the master flare for a group of up to 100 paddleticket cards.

The change to the language of the existing rule is necessary for internal consistency within the rules. This is a result of the change to the definition of master flare in part 7861.0010, subpart 7.

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7861.0100 PADDLEWHEELS.

~~Subpart 1.--Restrictions.--No gambling employee of an organization shall purchase paddletickets at the site of the employee's place of employment.--For purposes of this subpart, the term "employee" includes a volunteer.~~

This term is deleted as subpart 1 and added back and expanded on as subpart 4.

Subpart 1. Two versions of paddlewheel game. The game of paddlewheels may be conducted with or without a paddlewheel table. The game of paddlewheels without a paddlewheel table must be conducted in accordance with subparts 2 to 6 and 13 to 14 of this

part. The game of paddlewheels with a paddlewheel table must be conducted in accordance with subparts 2 to 5 and 7 to 14 of this part.

The addition of this language is necessary to clarify that there are two versions of the paddlewheel game. It clearly sets out which provisions of the rules apply to the two different versions of the game. It is necessary to clarify that both versions of the games must be conducted within the requirements of these rules.

The following subpart contains provisions that currently exist in rule. It also contains new provisions. This is necessary to ensure that all paddlewheel games, both those conducted with a table and those conducted without a table, are regulated appropriately.

The statute does not describe the actual conduct of the paddlewheel game so this subpart is necessary to provide a uniform set of basic requirements for conducting the game so that the players can be treated fairly and the regulators can maintain the integrity of the conduct of the game.

Subp. 2. Conducting General conduct of paddlewheels. The following items apply to the ~~game of paddlewheels~~ conduct of all paddlewheel games:

~~A. The playing of Paddlewheels must always be played using paddletickets, paddleticket cards, and a paddlewheel.~~

~~B. An organization may not use a paddlewheel that has not been approved by the board pursuant to Minnesota Statutes, section 349.163, subdivision 6, or that does not have a state registration stamp affixed to it.~~

~~B. C. Each paddleticket card must have a paddleticket card number preprinted on the stub and on each individual ticket paddleticket. Each paddleticket card must have a different number. An organization may not have two paddleticket cards with the same number in its possession at the same time.~~

~~C. D. Each paddleticket stub card must have a facsimile of the state registration stamp imprinted preprinted on the stub. The facsimile must bear the license number of the distributor who sells manufacturer who manufactured the paddleticket card.~~

~~D. All the paddletickets on a paddleticket card must be sold prior to the spinning of the wheel. A new paddleticket card must be sold for every spin of the wheel.~~

~~E. Each sealed grouping of up to 100 paddleticket cards must have a state registration stamp affixed to the master flare accompanying the group with the paddleticket card numbers written in by the distributor on the space provided first paddleticket card number in the group stated on the master flare. No paddleticket card will may be played unless the master flare for that card is posted in a conspicuous place in on the immediate area of the permitted premises where for the paddlewheel being played is located.~~

~~F. An organization may not use paddletickets:~~

~~(1) that which do not have a state registration stamp affixed to the master flare accompanying the group;~~

~~(2) when the paddleticket card number written on the master flare differs from the actual paddleticket card number preprinted on the tickets does not correspond to one of the paddleticket card numbers indicated on the master flare;~~

~~(3) when the paddleticket card number preprinted on the stub does not match the paddleticket card number preprinted on the individual tickets; and or~~

~~(4) that which are not attached to the paddleticket card.~~

~~F. The organization must post house rules on the play of paddlewheels. The wheel must make at least four revolutions before stopping at the winning number. If four revolutions are not made, a non-spin must be declared and the wheel must be spun again.~~

G. An organization must deface all unsold paddletickets and all winning paddletickets which have been redeemed.

The changes to item A are necessary to clarify minimum requirements for conducting either version of the paddlewheel game.

Item B is necessary to clarify that a licensed organization may not use a paddlewheel unless it has been approved by the board and registered with the board.

Item C is necessary to provide regulatory control of the paddlewheel game. Each series of paddletickets has a paddleticket card number and licensed organizations must employ this number in the same manner as series numbers with pull-tabs and tipboards.

The changes to item D are necessary to clarify that it is now the manufacturer who must be responsible for printing this information on each paddleticket card. The language stricken from the existing item D has been moved to subpart 6, items C and G(2).

Item E is taken from current rules language. It requires the use of registration stamps on a master flare which would also indicate the paddleticket card numbers of each series of paddletickets. This serves as further controls which are necessary for the accurate reporting of paddlewheel activity. The changes to this language are necessary to reflect the requirement that all paddleticket cards must be sold in a group of 100. This is necessary for regulatory control. It is reasonable because it reflects current practices and does not unduly burden the manufacturers or distributors. The other changes to this language are necessary for added clarity.

Item F is language currently in the rules. The minor changes in that language are added for clarity. The language deleted from the existing item F has been moved to subpart 6, item G, and subpart 9L.

Item G prevents the unlawful reuse of paddletickets by requiring that all unsold paddletickets and winning paddletickets be defaced. This parallels the similar requirement for pull-tabs.

Subp. 3. Paddlewheel Prize value and cost-per ticket limits price restrictions. The following prize value of the prizes and the amount of bets are limited as follows and paddleticket price restrictions apply to all paddlewheel games:

A. Bets The prize awarded for a winning paddleticket may not exceed \$2-per paddleticket \$70 in value.

B. Prizes may not exceed \$70 in value An organization may not sell a paddleticket for more than \$2. All the paddletickets on a paddleticket card must be sold for the same price. No person shall be required to purchase more than one paddleticket, or pay for anything other than the ticket, in order to play.

Subpart 3 includes changes to existing rules. The changes are necessary for added clarity, and to reflect the statutory language that was enacted during the last legislative session.

~~Subp. 4. Retention of played paddletickets. Paddleticket stubs and the accompanying master flare with the state registration stamp affixed must be retained for 3-1/2 years.~~

**Stricken subpart 4 above has been moved to subpart 13.**

~~Subp. 5. Records. The use of paddletickets must be recorded in the same manner as for pull tabs according to part 7861.0080, subpart 6.~~

**Stricken subpart 5 above has been moved to subpart 14.**

Subp. 4. General restrictions. The following restrictions apply to all paddlewheel games:

A. No gambling employee of an organization shall purchase paddletickets at the site of the employee's place of employment. For purposes of this subpart, the term "employee" includes a volunteer.

B. No organization may have a direct interest in the outcome of the spin of a paddlewheel.

Item A is necessary to avoid any possibility or appearance of collusion by gambling employees. Item B is necessary to avoid any possibility or appearance that the organization itself may benefit by controlling the indication of a winning number.

The following subpart contains provisions that provide regulatory requirements for operating paddlewheels in a manner which ensures that the equipment will be in appropriate operating condition. The items in subpart 5 are reasonable because they provide necessary regulatory controls and do not unduly burden the organizations licensed to conduct the game of paddlewheels.

Subp. 5. Balancing, opening, closing, maintenance, and inspection of paddlewheels. The following requirements for the balancing, opening, closing, maintenance, and inspection of paddlewheels apply to all paddlewheel games:

A. To open a paddlewheel on a day when it will be used, an organization's paddlewheel operator must inspect each peg or pin and the pointer for uneven wear and immediately replace any worn peg or pin or worn pointer, and shall evaluate the balance of the paddlewheel by:

(1) inspecting the back of the paddlewheel for a foreign object that may affect the paddlewheel's balance; and

(2) positioning the pointer so it does not interfere with the spin of the paddlewheel. The paddlewheel must be slowly rotated 45 to 90 degrees at a time in one direction. While the paddlewheel is spinning, the paddlewheel operator shall determine whether there is any abnormality in the rotation or any reverse rotation after the paddlewheel stops. The wheel must continue to be rotated until the entire wheel has been evaluated by this method in both directions. If the paddlewheel is out of balance, the organization shall balance the paddlewheel prior to conducting paddlewheels.

B. To close a paddlewheel at the conclusion of its use on a day, an organization's paddlewheel operator shall place a cover over the paddlewheel or otherwise make it inoperable for use.

C. For each month in which an organization uses a paddlewheel, it shall complete a paddlewheel maintenance record on a form prescribed by the board. The record shall contain spaces for the name of the person conducting the maintenance, the date of the



maintenance, the type of paddlewheel, and the number of the state registration stamp affixed to the paddlewheel, and shall contain a list of maintenance checks to be performed to ensure that the paddlewheel is in balance.

D. An organization shall make its paddlewheel maintenance records available to employees of the board for inspection and shall permit employees of the board to inspect its paddlewheels to determine whether they are in balance.

E. An organization may not use a paddlewheel that is out of balance.

**Item A is necessary to ensure that a paddlewheel will be inspected each day prior to the opening of the paddlewheel games and that the paddlewheel will not be used if it is not in operating condition to ensure that the game will be conducted fairly.**

**Item B is necessary to ensure that appropriate action is taken by the organization at the close of the game as required by MS 349.18, subdivision 1A(c).**

**Item C is necessary for regulatory control. It provides for records which can be used for auditing purposes.**

**Item D is necessary for regulatory control.**

**Item E is necessary to ensure that an organization does not use a paddlewheel that is out of balance and would therefore not provide that the game would be conducted with a fair chance of winning for all of the players.**

**Subpart 6 contains items that are currently in the rules and have been moved to this subpart and also new items. These are necessary requirements to describe how the game of paddlewheels without the use of a paddlewheel table will be conducted. The items in subpart 6 are necessary to provide adequate regulatory control of the game and are reasonable because they do not unduly burden the licensed organizations.**

Subp. 6. Conduct of paddlewheels without a paddlewheel table. The following items apply to the conduct of paddlewheels without a paddlewheel table:

A. The paddlewheel must be marked off into equally spaced sections which each contain a different number. A protruding peg or pin must be located, on the circumference of the paddlewheel, at least at the dividing line between each of the sections of the wheel. There must be positioned above the paddlewheel a pointer which stops the spin of the wheel and determines the winning number.

B. The paddletickets must contain one or more numbers corresponding to the numbers on the paddlewheel. The one or more numbers on a paddleticket may not be duplicated on any other paddleticket with the same paddleticket card number. Each paddleticket must be sold separately and must constitute a separate and equal chance to win with all other paddletickets with the same paddleticket card number.

C. All the paddletickets sold for a spin of the paddlewheel must bear the same paddleticket card number. All the paddletickets on a paddleticket card must be sold prior to the spinning of the paddlewheel. If all the paddletickets on the card cannot be sold, the organization shall refund the gross proceeds to the players in exchange for the unplayed paddletickets.

D. The paddlewheel must be spun by the organization's paddlewheel operator. The winning number is determined by the position of the pointer when the paddlewheel stops

spinning. The paddlewheel must make at least four revolutions before stopping at the winning number. If four revolutions are not made, the spin is void and the paddlewheel must be spun again. An organization may not have multiple spins of the paddlewheel to award multiple prizes for one paddleticket card.

E. The paddletickets must be sold by the organization on the permitted premises for the paddlewheel being played and must be sold on the same day the paddlewheel game is conducted. No person may be required to be present when the paddlewheel is spun in order to be eligible for the prize. Nor may a person be required to keep a paddleticket on the permitted premises in order to be eligible for the prize. However, the player with the winning paddleticket must claim the prize by redeeming the ticket on the permitted premises before the conclusion of the organization's lawful gambling activity for that day on the premises. Otherwise, the player forfeits the prize.

F. The prize awarded may be cash or merchandise. No cash prize amount may be a variable multiple of the standard price of a paddlewheel ticket. Merchandise prizes must be valued at actual market value or suggested market value, whichever is less. An organization must pay for in full or otherwise become the owner, without lien or interest of others, of merchandise to be awarded as a prize prior to the sale of paddletickets eligible for the prize. The organization must keep records showing its ownership of the merchandise, the actual and suggested market value of the merchandise, and its complete inventory of paddlewheel prize merchandise. An organization may not substitute cash for merchandise prizes which have been won.

G. For all winning paddletickets which have been redeemed, an organization shall keep records of the date played, the winner number, and the cash prize amount or merchandise prize awarded.

H. An organization must post clear and legible house rules on the play of paddlewheels in a conspicuous place on the permitted premises for the paddlewheel being played. The rules must include the following information:

(1) A paddlewheel is used for the selection of the winner.

(2) All paddletickets on a card must be sold prior to the spinning of the paddlewheel.

(3) No person shall be required to purchase more than one paddleticket, or pay for anything other than the ticket, in order to play.

(4) The paddlewheel must make at least four revolutions, or pay for anything other than the ticket, in order to play.

(5) The winner is not required to be present when the paddlewheel is spun; however, the winner must claim the prize by the conclusion of the lawful gambling activity for the day.

I. An organization must post in a conspicuous place on the permitted premises for the paddlewheel being played a clear and legible sign stating the prize to be awarded to the winning paddleticket. The sign must be at least 18 inches by 24 inches in size.

**Item A describes the paddlewheel. This is necessary to give a clear guidance as to the exact specifications required for the use of the paddlewheel.**

**Item B is necessary to provide regulatory control for the paddlewheel games and to ensure that paddletickets with duplicate numbers will not be used. Item B also provides that each ticket must be sold separately and provide a separate and equal chance to win with all other paddletickets used for that game. This is necessary because the statute does not describe the actual conduct of the game. It provides a uniform method of conducting this game so that players can be treated fairly and regulators can maintain the integrity of the game.**

**Item C is necessary because it provides for additional regulatory control and establishes a clear record for auditing of the games played.**

**Item D is necessary to ensure a uniform method of conducting the game and to protect the integrity of the game by requiring that four revolutions must be made before the paddlewheel stops at the winning number.**

**Item E is necessary because it gives additional requirements for the conduct of the game and provides that all winning tickets must be redeemed on the day the game is played. This will provide for uniform conduct of the game and provide additional regulatory control.**

**Item F is necessary to ensure that regulators will be able to determine the actual market or suggested value of prizes awarded and that all prizes will be paid in full by the organization prior to the conduct of the game. It also provides that the organizations must keep adequate records so that this information can be verified.**

**Item G is necessary for regulatory control. It ensures that information on winning tickets can be verified.**

**Item H provides specific information on the posting of house rules for the conduct of the game at the site the game is conducted at. This requirement is necessary to ensure that players of the game will have a clear understanding of how the game will be conducted at that site.**

**Subpart 7 contains language which provides for standards for paddlewheels, paddletickets, and chips used with paddlewheel tables and standards for the paddlewheel tables. The statute does not describe these standards. The rules are necessary to ensure that games conducted with a paddlewheel will be conducted uniformly and fairly. This language provides for regulatory control in maintaining the integrity of the conduct of paddlewheel games. These requirements are reasonable because they reflect the current practice and the legislative intent and do not place an undue burden on the providers of the equipment or the licensed organizations using them.**

**Subp. 7. Standards for paddlewheels and paddletickets used with a paddlewheel table, and for paddlewheel tables and chips. Paddlewheels with a paddlewheel table must be conducted with a paddlewheel, paddlewheel tables, and paddlewheel chips which conform to the following standards:**

**A. The paddlewheel must be divided into three concentric circles. Each circle must be a different color and must be marked off into equally spaced sections. Each section in a circle must contain a different number. The outer circle may contain up to 40 numbers. Each inner circle may contain up to one-half of the number of numbers as that circle's adjacent outer circle. The numbers in each circle must be sequential starting with the number "one" but may be placed randomly in that circle. The paddlewheel may have specifically designated "house numbers" in regard to an "odd" or "even" bet. A protruding peg or pin must be located, on the circumference of the paddlewheel, at least at the dividing line between each of the sections of the outside concentric circle. There must be positioned above the paddlewheel a pointer that stops the spin of the wheel and determines the winning colored number or set of colored numbers.**

B. Each paddleticket must have preprinted on it all the colored numbers on the paddlewheel and every available wager expressed by a colored number or set of colored numbers.

C. A paddlewheel table must have a state registration stamp affixed to its front and must conform to the following standards:

(1) The table playing surface must be permanently and clearly imprinted with the colored numbers which correspond to the colored numbers in each concentric circle of the paddlewheel. The table playing surface may also contain letters, each of which corresponds to a set of numbers of the same color representing a line bet. The table playing surface may also contain statements of "ODD" and "EVEN" for placing a bet that any number of a designated concentric circle of the paddlewheel will be odd or even. The letters and the statements must also be permanently and clearly imprinted on the table playing surface.

(2) The table playing surface must have a slot for the placing of paddletickets for each single colored number, each letter that corresponds to a set of colored numbers representing a line bet, each statement of "ODD," and each statement of "EVEN."

(3) The table must be equipped with a double-locking or triple-locking removable metal container known as a "drop box" into which must be deposited all issuance of duplicate fill slips, issuance of original credit slips, and coin or currency received from players for the purchase of paddlewheel chips. The drop box must have one lock that secures the drop box to the table and one or two separate locks which secure the contents placed into the drop box. The key to each of the two or three locks must be different from each of the other locks.

(4) The table must accommodate the placement of bets by players on the front and both sides of the table. The table must also have a rail for holding a player's paddlewheel chips. Inclusive of the rail, the table may be no longer than nine feet and no wider than four feet.

D. Paddlewheel chips may not be made of plastic, wood, or paper. An organization may issue paddlewheel chips in denominations of \$1, \$2, \$5, and \$25. One dollar chips must be white, \$2 chips must be yellow, \$5 chips must be red, and \$25 chips must be green. Each chip must have permanent edge spots which are different in color than the rest of the chip. Each paddlewheel chip must also be clearly and permanently impressed, engraved, or imprinted on at least one side with the license number of the organization holding the premises permit for the premises at which the chips are being used and on at least the opposite side with the specific dollar value of the chip.

**Item A is necessary to describe the requirements for a paddlewheel that is used in a game played with a paddlewheel table. This description is not included in statute. It helps ensure that the game will be played within regulatory parameters intended by the legislature.**

**Item B is necessary because it describes the requirements for the paddleticket which is used with this game. It provides that the tickets will be uniform and regulation will be efficient.**

**Item C is necessary because it provides standards of the table and provides that this piece of gambling equipment will have a state registration stamp affixed to it.**

**Item D is necessary because it describes the standards for paddlewheel chips. The requirement that these standards be used ensures that the chips will be used in denominations and colors that are uniform throughout the state. This will ensure that the chips are used in a uniform manner throughout the state. The requirement that the chips be impressed, engraved, or imprinted with the license number of the organization provides for regulatory control.**

**Subpart 8 provides for uniform procedures for the closing of paddlewheel tables. This is necessary so that the game is conducted uniformly throughout the state. It is reasonable because it provides for protection of the integrity of the game and is not unduly burdensome to the organizations.**

**Subp. 8. Opening and closing of paddlewheel tables.**

A. To open a paddlewheel table for use, a gambling employee or volunteer of the organization shall lift the top of the table and inspect the cavity for any paddleticket, paddlewheel chip, or foreign object that may have fallen through the slots, and shall secure a paddlewheel chip tray and paddlewheel drop box to the table.

B. To close a paddlewheel table after its use, a gambling employee or volunteer of the organization shall notify the players that their paddlewheel chips must be redeemed through the cash bank cashier, and shall collect all outstanding identification cards from the players.

**The following subpart describes the manner in which the game of paddlewheels conducted with a table may be played. The statute does not describe the conduct of this game so this is necessary to provide a uniform method of conducting the game so that the players can be treated fairly and regulators can maintain the integrity of the game. It is reasonable because it does not unduly burden the organizations.**

**Subp. 9. Conduct of paddlewheels with a paddlewheel table.** The following items apply to the conduct of paddlewheels with a paddlewheel table:

A. Only cash prizes may be awarded. No cash prize amount may be a variable multiple of the standard price of a paddleticket.

B. The paddlewheel must be spun by the organization's paddlewheel operator. The winning number or set of colored numbers is determined by the position of the pointer when the paddlewheel stops spinning. The paddlewheel must make at least four revolutions before stopping at the winning number or set of colored numbers.

C. Paddlewheel chips must be purchased only at the paddlewheel table from the organization's paddlewheel operator. Paddletickets must be purchased only at the paddlewheel table from the organization's paddlewheel operator, and must be purchased only with paddlewheel chips except that paddletickets for the immediate next spin may be purchased directly with cash in an amount equal to the value of the tickets.

D. All paddletickets must be sold on the permitted premises for the paddlewheel being played and must be sold immediately preceding a spin to be valid for that spin. Each paddleticket must be sold separately and must constitute a separate and equal chance to win with all other paddletickets sold for the spin. There may be no partially sold paddleticket cards for a spin. If all the tickets on a card cannot be sold, the organization shall refund the gross proceeds to the players in exchange for the unplayed tickets of that card.

E. When a player first purchases paddlewheel chips, the organization's paddlewheel operator shall provide the player with a card containing a unique identification number. The player shall return the card to the paddlewheel operator immediately after the player stops playing. Each player must write the player's assigned identification number on the back of the player's paddletickets prior to placing the tickets in a betting slot on the paddlewheel table.

F. A player shall bet all the player's purchased paddletickets on the immediate next spin. If a player purchases a paddleticket and does not bet the ticket on the immediate next spin, the ticket is void, the ticket may not be wagered on any other spin of the

paddlewheel, and the player shall surrender the ticket to the organization's paddlewheel operator who shall treat it as a losing ticket.

G. To bet, a player shall place the player's paddleticket in a betting slot on the paddlewheel table. A player's paddleticket is void and must be treated as a losing ticket if the player forces it all the way through the slot into the cavity of the table. The organization's paddlewheel operator may assist a player provided that the operator first verbally announces to all the players at the table that the operator is assisting the player and what assistance is being rendered.

H. A player may bet a paddleticket while another player is purchasing a ticket.

I. An organization's paddlewheel operator shall sequentially number each spin of the paddlewheel for each day of activity beginning with "one" for the first spin of the day and progressing with each spin. The spin number must be written either on the face of the first paddleticket card stub for which paddletickets have been sold for a particular spin or on the back of the last stub from which tickets have been sold for a particular spin. All spin numbers must be consistently recorded in the same location on the stub for all spins of the day. However, when the sale of tickets for a particular spin continues into a new sealed grouping of paddleticket cards, then the sequential spin number must be written on the face of the first stub of the group from which tickets are continuing to be sold. For each subsequent spin of the same group of paddleticket cards, the spin number must be recorded consistent with the organization's standard practice--written either on the face of the first stub for which paddletickets have been sold or on the back of the last stub from which tickets have been sold. The paddlewheel operator may not continue the sale of tickets for any particular spin into a new group of paddleticket cards unless the master flare for the group reflects the same prize payout as the master flare associated with the previous group. The master flare of the new group for which the sale of tickets is continuing and the master flare of the finished group from which tickets were sold for the same spin must be posted until the end of the spin, after which the old master flare must be removed. The paddlewheel operator must initial each paddleticket card stub. Both this initialing and the recording of spin numbers on card stubs must be done with a non-erasable marker.

J. When the organization's paddlewheel operator has determined that no other player desires to purchase a paddleticket for the immediate next spin of the paddlewheel, that there is no partially sold paddleticket card, and that the players have bet all their tickets, the operator shall announce "bets closed." Thereafter, no player may bet a paddleticket, change a bet of a previously placed ticket, touch any ticket, or place the player's hands on top of the paddlewheel table.

K. After the winning colored number or set of colored numbers is determined, the organization's paddlewheel operator shall record with a non-erasable marker the winning colored number and set of colored numbers on the face of the lowest serial-numbered paddleticket card stub or on the back of the highest serial-numbered paddleticket card stub of the cards related to that spin of the paddlewheel. The paddlewheel operator shall then remove all losing paddletickets from the slots on the paddlewheel table and visibly tear in half and discard the tickets in a container that is not easily accessible by a player. The operator shall next pay off the winning tickets slot by slot. To pay off the winning tickets, the operator shall (1) circle or record the winning colored number or set of colored numbers on the face or on the back of the winning ticket with a non-erasable marker, (2) pay off the winning ticket directly to the player who has the card containing the unique identification number written on the back of the ticket, and (3) record on the face or on the back of the winning ticket the prize amount with a non-erasable marker.

L. An organization must post clear and legible house rules on the play of paddlewheels in a conspicuous place on the permitted premises for the paddlewheel being played. The rules must include the following information:

(1) The cash denominations at which paddlewheel chips issued by the organization are sold and redeemed.

(2) A player must first purchase paddlewheel chips from the paddlewheel operator.

(3) Chips must be safeguarded. A chip dropped into a table betting slot must be retrieved by authorized personnel.

(4) Purchase, with chips, only as many paddletickets as the player desires to bet on the immediate next spin of the paddlewheel.

(5) A player is assigned a unique identification number that the player must write on the back of purchased paddletickets.

(6) Place a bet by carefully inserting a paddleticket in a selected betting slot on the paddlewheel table. Jammed tickets are void.

(7) No player may touch a paddleticket after the paddlewheel operator announces "bets closed" and until the operator announces "place bets."

(8) A paddlewheel must make at least four revolutions.

(9) If the pointer stops directly on top of a peg or pin, the number preceding the peg or pin is the winning number.

(10) A winning "odd" or "even" bet is determined by a winning number of only the designated colored circle. However, a player loses all "odd" and "even" bets if the pointer stops on a specially designated "house number" (this rule must be posted only if an "odd" or "even" bet is accepted).

(11) A prize payout is made in chips which may be redeemed through the cashier.

(12) A player must be present to win.

**Item A provides that only cash prizes may be awarded and those prizes cannot be a variable multiple of the standard price of tickets. This is necessary to provide adequate regulatory control and to ensure that the prizes awarded are within the limits allowed by statute.**

**Item B provides that the paddlewheel must be spun by the paddlewheel operator and that the winning number or set of numbers is determined by the position of the pointer after the paddlewheel has made at least four revolutions. This requirement is necessary to protect the integrity of the game and ensure that it is conducted in a uniform manner throughout the state.**

**Item C provides that paddlewheel chips must be purchased only from the organization's paddlewheel operator. It also provides that paddletickets must be purchased only at the paddlewheel from the paddlewheel operator and only with paddlewheel chips except that paddletickets may be purchased directly with cash in an amount equal to the value of the tickets for the immediate next spin. These requirements are necessary to ensure that the game is conducted uniformly and that adequate internal controls exist to provide that cash receipts can be determined.**

**Item D is necessary to provide that the game will be played uniformly and that adequate records will be available for verification of proceeds.**

**Item E is necessary to ensure that each player will be assigned a unique identification card and that that number will be used when the player places tickets in the betting slot of the table. This requirement provides for uniform conduct of the game and protects the integrity of the game. It also provides for regulatory control and verification of winning tickets.**

Item F is necessary to provide for uniform conduct of the game and to ensure that all paddleticket purchased for an immediate next spin of the wheel are wagered on that spin.

Items G, H, and J describe how a player shall place a paddleticket in the betting slot of the paddlewheel table. This is necessary to provide uniform conduct of the game.

Items I and K are necessary to provide adequate records for regulatory control.

Item L provides specific information on the posting of house rules for the conduct of the game at the site the game is conducted at. This requirement is necessary to ensure that players of the game will have a clear understanding of how the game will be conducted at that site.

The following subpart contains requirements for the operating procedures and internal controls which must be used by organizations who conduct paddlewheel games with a paddlewheel table. These procedures and controls are not included in the statutes. They are necessary to protect the integrity of the game and ensure that the appropriate profits are being withheld for lawful purpose expenditures. These requirements are reasonable because they do not unduly burden the organization licensed to conduct lawful gambling and they provide necessary records for regulatory verification and control.

Subp. 10. Operating procedures and internal controls. The following operating procedures and internal controls apply to the conduct of paddlewheels with a paddlewheel table:

A. An organization must keep records adequate to account for the cash won or lost for each sealed grouping of 100 paddleticket cards and records adequate to account for the paddletickets, paddleticket cards, paddlewheel chips, gross receipts, actual net receipts, actual cash profit, and cash long or short for each accounting period. For purposes of this subpart, an "accounting period" is a continuous time period during which a paddlewheel table is open for play.

B. For each accounting period for a paddlewheel table, an organization must maintain a record form with the following information:

(1) the premises permit number for the premises at which the table is located;

(2) the state registration stamp numbers for the table, the paddlewheel, and the paddleticket cards used;

(3) the date and time of the accounting period;

(4) the starting and ending cash bank amounts;

(5) the starting and ending paddlewheel chip inventories by denomination and total dollar value; and

(6) the denomination and total dollar value of paddlewheel chips taken to the table from inventory, taken from the table to inventory, and redeemed for cash.

C. An organization is responsible for the safeguarding and secure storage of paddleticket cards and paddlewheel chips.

D. Paddlewheel chips shall be redeemed only through an organization's paddlewheel chip and cash bank cashier. The cash bank used by the organization to redeem its paddlewheel chips must be kept completely separate and apart from all other cash of the organization. Paddlewheel chips shall be redeemed for cash at the value for which they were



sold, except when the chips were obtained or being used unlawfully. Redeemed chips must be kept completely separate and apart from the chip bank until after the organization completes the records for the accounting period during which the chips were redeemed.

E. An organization's paddlewheel operator shall redeem the actual paddlewheel chips received as tips through the organization's paddlewheel chip and cash bank cashier and shall not exchange those chips for other chips from any chip tray. This item does not preclude the pooling of tips.

F. The organization's paddlewheel chip and cash bank cashier must prepare a fill slip whenever paddlewheel chips are distributed to a paddlewheel table from the chip bank. An organization may not transfer or make change of chips directly from one table to another table. The fill slip must be at least a two-part carbonless form. On the original and duplicate fill slip, at least the following information must be recorded:

- (1) the date and time;
- (2) the denomination of chips;
- (3) the quantity and total dollar value, by denomination, of chips;
- (4) the total dollar value of chips; and
- (5) the table identification number if required by subpart 2A.

The original copy of the fill slip must be retained by the cashier. The duplicate copy of the fill slip must be deposited in the paddlewheel table drop box by the paddlewheel operator.

G. The organization's paddlewheel operator must prepare a credit slip whenever paddlewheel chips are returned from the paddlewheel table to the chip bank. The credit slip must be at least a two-part carbonless form. The same information must be recorded on the original and duplicate credit slip as on a fill slip under item F. The original copy of the credit slip must be deposited in the paddlewheel table drop box by the paddlewheel operator. The duplicate copy of the credit slip must be retained by the cashier.

H. After play has commenced, a money plunger must remain in the paddlewheel table drop box slot while the drop box is attached to the table except when coin, currency, or forms are inserted into the drop box. All cash taken in on paddlewheel chips must be placed immediately into the drop box. No person may access the contents of the drop box prior to the drop box cash count under item I.

I. During an accounting period, the key to at least one lock securing the contents of the paddlewheel drop box must be maintained and controlled by a person who is not acting as a paddlewheel operator or paddlewheel chip and cash bank cashier during that period. At the close of an accounting period, the drop box shall be opened and counted by two persons, at least one of whom did not act as a paddlewheel operator or paddlewheel chip and cash bank cashier during that period.

**Items A and B are necessary to ensure that adequate records will be maintained by the organization.**

**Item C is necessary to ensure that the organization is responsible for safeguarding and storing paddleticket cards and paddlewheel chips.**

**Items D and E are necessary to ensure that paddlewheel chips will be redeemed only through the organization's paddlewheel chip and cash bank cashier.**

**Items F and G are necessary to ensure that adequate records will be kept on the distribution and use of paddlewheel chips.**

**Items H and I are necessary to ensure that the paddlewheel table drop box will be used in a manner which provides for adequate internal controls of the cash exchanged for chips.**

The following subpart is necessary to provide a uniform regulation of bet and prize payoff restrictions which apply to the conduct of paddlewheels with a paddlewheel table. This language provides that statutory restrictions on bet and prize limitations will not be violated. This language is not included in the statutes.

Subp. 11. Bet and prize payoff restrictions. The following bet and prize payoff restrictions apply to the conduct of paddlewheels with a paddlewheel table:

A. No person may place a bet that exceeds one or more of the following limits:

- (1) \$50 in aggregate for a spin of the paddlewheel.
- (2) \$10 on a single colored number.
- (3) \$25 for a line bet.
- (4) \$25 on either "odd" or "even."

A bet is void to the extent it exceeds one or more of these limits. The paddletickets used to make the excess portion of the bet must be treated as losing tickets.

B. The prize payoff to a player is the value of paddlewheel chips to be paid out for a winning paddleticket per dollar spent on the ticket. An organization must post near the paddlewheel table a clear and legible sign stating the prize payoff and the bet restrictions for the paddlewheel game being conducted. The sign must be at least 18 inches by 24 inches in size.

C. The prize payoff must be a predetermined variable multiple of the amount wagered and must be in the form of paddlewheel chips. The prize payoff may not exceed the following ratios:

- (1) 40 to 1 for a bet on a single colored number in the outer concentric circle of the paddlewheel.
- (2) 20 to 1 for a bet on a single colored number in the middle concentric circle of the paddlewheel.
- (3) 10 to 1 for a bet on a single colored number in the inner concentric circle of the paddlewheel.
- (4) 5 to 1 for a line bet.
- (5) 2 to 1 for an "odd" or "even" bet.

Items A through C are necessary to adequately and completely describe the possible variations of allowable bets and payoffs.

The following subpart provides for specific restrictions which apply to the conduct of paddlewheels with a paddlewheel table. This language is not included in the statutes. It is necessary to protect the integrity of the game and provide for adequate regulatory control.

Subp. 12. Restrictions. The following restrictions apply to the conduct of paddlewheels with a paddlewheel table:

A. No more than two paddlewheel tables may be located at a lawful gambling site. If there are two paddlewheel tables at a site, each table and its paddlewheel drop boxes must bear a paddlewheel table identification number that distinguishes them from the other table and its drop boxes.

B. All tips must be made only with paddlewheel chips.

C. An organization shall not redeem, exchange, or allow to be used as a paddlewheel wager or a tip any paddlewheel chip that does not bear the organization's license number.

Item A is necessary to ensure that no more than two paddlewheel tables may be located at any one lawful gambling site. This restriction prevents the commercialization of lawful gambling and the proliferation of casino-type operations. It is reasonable because it reflects current practice and would not unduly burden any organization currently licensed to conduct lawful gambling.

Item B is necessary to provide adequate regulatory control and verification of proceeds.

Item C is necessary to provide adequate regulatory control and verification of proceeds and to protect the integrity of each licensed organization's operation.

The following subpart includes existing rule requirements for retention of records that have been stricken from the current rules 7860.0100, subpart 4, and adds the additional requirement that all winning paddletickets that have been redeemed and all unsold tickets must be retained. This language clarifies existing statutory requirements that all records must be maintained for 3-1/2 years. It is necessary for adequate regulatory control. It is reasonable because it does not unduly burden the organizations.

Subp. 13. Retention of records.

A. The records required to be kept by an organization pursuant to this part must be retained by the organization for at least 3-1/2 years.

B. An organization must retain for at least 3-1/2 years all paddleticket card stubs and the accompanying master flares, all unsold paddletickets, and all winning paddletickets which have been redeemed.

The following subpart includes language in the current rules requiring that the use of paddletickets must be recorded in the same manner as for pull-tabs according to part 7861.0800, subpart 6, that was stricken from part 7860.0100, subpart 5, and adds additional language. This subpart is necessary to provide adequate regulatory control and to clarify the requirements of the monthly report which must be submitted to the Department of Revenue. It clarifies statutory reporting requirements for the licensed organizations. This is reasonable because it reflects statutory requirements and does not unduly burden the organizations.

Subp. 14. Reports. The use of paddletickets must be reported in the same manner as for pull-tabs under part 7861.0080, subpart 6. An organization must complete a detailed monthly report in a standard format approved by the commissioner of revenue for each sealed grouping of paddleticket cards from which paddletickets were sold that month. The reports must provide sufficient detail to determine the actual net receipts, actual cash profit, and the cash long and short for each sealed grouping of paddleticket cards.

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7863.0020, subp. 3:

C. For gambling equipment received by a distributor from a manufacturer on or after August 1, 1990, a distributor shall place a state registration stamp on each master flare for a group of up to 100 paddleticket cards, on the front of each paddlewheel, on the front of

each paddlewheel table, and on each device for selecting bingo numbers. This requirement does not apply to sales by distributors to out-of-state customers for use out of state.

D. The board shall furnish consecutively numbered state registration stamps to each distributor at the cost of five cents each. For equipment that the distributor is required to register, the distributor shall write legibly in ink the manufacturer's game serial number and state registration number on the stamp and affix the stamp directly to the front of the flare of a pull-tab game, the flare for a tipboard, and the master flare for all paddleticket cards before making delivery to any organization.

E. Registration stamps must be placed by a distributor on items that are authorized for use within Minnesota.

F. A distributor may not transfer or furnish Minnesota registration stamps to any person, distributor, or manufacturer.

G. The distributor shall return any and all unused state registration stamps in its possession to the board within five days after the distributor ceases doing business.

**The change to the existing language eliminating the words "up to" is necessary for internal consistency of the rules. It relates to the change in the definition of master flare in part 7861.0010, subpart 7. The addition of the language "on the front of each paddlewheel table" is necessary because paddlewheel table is defined in 7861.0010, subpart 4, as gambling equipment.**

#### IV. OTHER STATUTORY REQUIREMENTS

Minnesota Statutes, section 14.115 (1990), requires agencies, when proposing a new rule or amending an existing rule which may affect small businesses, to consider certain methods of reducing the impact of the rule on small businesses.

The proposed paddlewheel rules may impact certain small businesses including manufacturers and distributors of paddlewheels. However, the rules do not unduly burden these businesses. The Board has fully considered the impact of the rules on small businesses and has determined that because of the importance of maintaining integrity in the industry, the Board cannot be less rigorous in its regulation of one type of business over another.

Minnesota Statutes, 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 114A.29, subdivision 4, are not applicable. Likewise, a fiscal note is not required pursuant to section 3.892 as the rules will not force any local agency or school district to incur costs.

Minnesota Statutes, section 16A.128, requires that any rules setting fees receive the approval of the Commissioner of Finance prior to the promulgation of the rule. These rules do not require setting of fees.

#### V. CONCLUSION

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

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Harry W. Baltzer  
Executive Director  
Minnesota Gambling Control Board