

MINNESOTA STATE LOTTERY

In the Matter of the
Proposed Adoption of
Rules Relating to
Prize Drawing Procedures

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 prize drawing procedures. The proposed rules fulfill the requirements of a court order issued by District Court Judge Lawrence T. Gallagher in Smith v. State of Minnesota, MN Dist. Ct, 3rd Judicial District, File No. C-91-451,(Dec. 18, 1991), that approves the parties settlement agreement. The rules are designed to eliminate confusion and misunderstanding on the part of retailers and persons purchasing instant game lottery tickets concerning deadlines for sending in any instant game lottery tickets for additional prize drawings and to specify whether the odds of winning on a ticket are for non-cash or cash prizes. The Director believes that the proposed rules are necessary and that they are reasonable. The burdens imposed on the public by these rules are not undue but will result in more efficient operation of the lottery as far as both the lottery and the public are concerned.

II. STATUTORY AUTHORITY

The Director is empowered by Minnesota Statutes, section 349A.05 (1992) 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. 7858.0100 Prize Drawing Procedure

The requirement that lottery retailers must be notified to cease selling instant tickets at least seven days prior to the date tickets must be received by the Lottery for a prize drawing is necessary according to the requirements of a court order approving a settlement agreement in Smith v. State of Minnesota, and to avoid the sale of tickets that would not be eligible for a final grand prize drawing. This requirement

is reasonable because seven days provides adequate time to mail in a ticket for a final grand prize drawing and to that extent avoids undue hardship.

SUBPART 2.

This provision is necessary and reasonable according to the requirements of a court order approving a settlement agreement in Smith v. State of Minnesota, and to ensure that lottery instant ticket players are fully informed about the date when lottery tickets must be received by the lottery to be eligible for a final grand prize drawing.

SUBPART 3.

This provision is necessary and reasonable according to the requirements a court order approving a settlement agreement in Smith v. State of Minnesota, and to ensure that retailers and instant ticket players are fully informed about the date when lottery tickets must be received by the lottery to be eligible for a final grand prize drawing.

IV. 7858.0200 Statement of Odds

This provision is necessary and reasonable according to the requirements of a court order approving a settlement agreement in Smith v. State of Minnesota, and to ensure that lottery players are fully informed concerning the odds of winning a cash or non-cash prize associated with an instant ticket game.

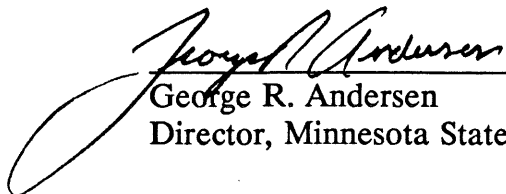
IV. OTHER STATUTORY REQUIREMENTS

Minnesota Statute, section 14.115 (1992) requires agencies, when proposing a new rule or amending an existing rule which may effect small business, to consider certain methods for reducing the impact of the rule on small businesses. The proposed rules do not impact small businesses.

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. Section 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: June 30, 1993

MINNESOTA STATE LOTTERY

In the Matter of the
Proposed Adoption of
Rules Relating to
Lottery Prize Payments

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 a rule relating to acceleration of prize payments. The proposed rule addresses the adverse estate tax consequences of a lottery winner's estate when the death of the lottery winner occurs during the lottery payment period. The Director believes that the proposed rule is necessary and that it is reasonable. The burdens imposed on the public by these rules are not undue but will result in more efficient operation of the lottery as far as both the lottery and the public are concerned.

II. STATUTORY AUTHORITY

The Director is empowered by Minnesota Statutes, section 349A.05 (1992) 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. 7857.6000. subpart 4. ACCELERATION OF PAYMENT

This provision is necessary in order to allow a deceased winner's estate to accelerate future prize payments in order to pay the estate taxes due on the lottery winnings. Without an acceleration of payment there could be adverse cash flow consequences resulting from the IRS taxing the estate on the present value of future winnings which would be greater than an annual payment due from the lottery. This provision is reasonable because it allows acceleration of payment of the remaining prize winnings to the lottery winner's estate to prevent undue hardship on the estate.

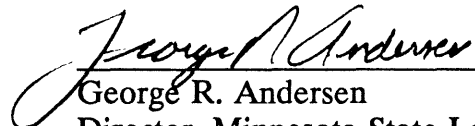
IV. OTHER STATUTORY REQUIREMENTS

Minnesota Statute, section 14.115 (1992) requires agencies, when proposing a new rule or amending an existing rule which may effect small business, to consider certain methods for reducing the impact of the rule on small businesses. The proposed rules do not impact small businesses.

Minnesota Statute, Section 14.11, subdivision 2 (1992), is inapplicable because the proposed rules will not have any direct and substantial adverse impact on agricultural land. Section 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: June 30, 1993

MINNESOTA STATE LOTTERY

In the Matter of the
Proposed Adoption of
Rules Relating to
Nonsubstantive Corrections

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 a rule amendment. The proposed rule amendment relates to the repeal of Minn. Stat. sec. 349.01, subs. 3 and 4 by Laws 1991, c. 233, sec. 110 (c), eff. July 1, 1991. The 1991 amendment in subd. 5 deleted "division" following "state lottery"; and in subd. 9 deleted "operated by the state lottery division of the department" following "state lottery". Accordingly, the lottery proposes that references in the rules to the lottery as a division of gaming must be deleted. The Director believes that the proposed rule amendment is necessary and that it is reasonable. The burdens imposed on the public by these rules are not undue but will result in more efficient operation of the lottery as far as both the lottery and the public are concerned.

II. STATUTORY AUTHORITY

The Director is empowered by Minnesota Statutes, section 349A.05 (1992) 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. 7856.1000. subpart 5. DIVISION-DELETE

This deletion is necessary and reasonable in order to accord the Rules with the deletion of "division" in the Minnesota Statutes by Laws 1991, c.233, sec. 110 (c), eff. July 1, 1991.

IV. OTHER STATUTORY REQUIREMENTS

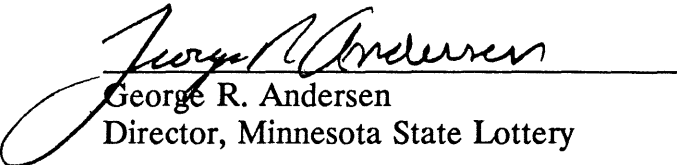
Minnesota Statute, section 14.115 (1992) requires agencies, when proposing a new

rule or amending an existing rule which may effect small business, to consider certain methods for reducing the impact of the rule on small businesses. The proposed amendment does not impact small businesses.

Minnesota Statute, Section 14.11, subdivision 2 (1992), is inapplicable because the proposed rules will not have any direct and substantial adverse impact on agricultural land. Section 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 amendments are both necessary and reasonable.


George R. Andersen
Director, Minnesota State Lottery

Date: June 30, 1993