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State of Minnesota • Gambling Control Board

Suite 300 South
1711 W. County Road B
Roseville, MN 55113
612/639-4000

January 19, 1995

Ms. Maryanne V. Hruby, Executive Director
Legislative Commission to Review Administrative Rules
55 State Office Building
100 Constitution Avenue
St Paul MN 55155

Re: In the Matter of Proposed Rules of the Minnesota Gambling Board
Relating To Cash Register Use by Organizations When Multiple Deals
of Pull-Tabs are in Play

Dear Ms. Hruby:

The Minnesota Gambling Control Board intends to adopt rules governing the use of cash registers by lawful gambling organizations when multiple deals of pull-tabs are in play. We plan to publish a Notice Of Intent To Adopt Rules in the January 30, 1995 State Register.

As required by Minnesota Statutes, sections 14.131 and 14.23, the Board has prepared a Statement of Need and Reasonableness which is now available to the public. Also as required, a copy of this Statement is enclosed with this letter.

For your information, we are also enclosing a copy of the Notice of Intent to Adopt Rules and a copy of the proposed Rules in this matter.

If you have any questions about these rules, please contact me at 630-4091.

Sincerely,

A handwritten signature in cursive script that reads "Sharon A. Beighley".

Sharon A. Beighley
Rules Coordinator

Enclosures: Statement of Need and Reasonableness
Notice Of Intent To Adopt Rules
Rules

STATE OF MINNESOTA

MINNESOTA GAMBLING CONTROL BOARD

IN THE MATTER OF THE PROPOSED ADOPTION OF THE RULES OF THE
MINNESOTA GAMBLING CONTROL BOARD GOVERNING
PULL-TABS, MINN. RULE PART 7861.0080

**NOTICE OF INTENT TO ADOPT A RULE WITHOUT A PUBLIC HEARING
UNLESS 25 OR MORE PERSONS REQUEST A HEARING;
NOTICE OF HEARING IF 25 OR MORE PERSONS REQUEST A HEARING
AND
NOTICE OF CANCELLATION OF HEARING IF 25 OR MORE PERSONS DO
NOT REQUEST A HEARING**

1. **INTRODUCTION.** The Minnesota Gambling Control Board intends to adopt permanent rules without a public hearing following the procedures set forth in the Administrative Procedures Act, Minnesota Statutes, sections 14.22 to 14.28. If, however, 25 or more persons submit a written request for a hearing on the rule within 30 days or by March 1, 1995, a public hearing will be held on April 17, 1995. To find out whether the rule will be adopted with a hearing or if the hearing will be held, you should contact the agency contact person after March 1, 1995, the end of the 30-day comment period, and before April 17, 1995, the scheduled hearing date.

2. **AGENCY CONTACT PERSON.** Comments or questions on the rule and written requests for a public hearing on the rule must be submitted to:

Sharon A. Beighley, Rules Coordinator
Minnesota Gambling Control Board
1711 West County Road B
Suite 300 South
Roseville MN 55113
612-639-4091

3. **SUBJECT OF RULE AND STATUTORY AUTHORITY.** The proposed rules relate to the use of cash registers by organizations conducting pull-tab games in Minnesota. The statutory authority of the Board to adopt the rule is Minnesota Statutes, 349.19, Subd. 10(b) (1994)

A copy of the proposed rule is published in the State Register on January 30, 1995 and attached to this notice as mailed. A copy is also available free of charge by contacting the agency contact person.

4. **COMMENTS.** You have until 4:30 P.M. on Wednesday, March 1, 1995 to submit written comment in support of or in opposition to the proposed rule or any part or subpart of the rule. Your comment must be in writing and received by the agency contact person by the due date. Comment is encouraged. Your comments should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

5. **REQUEST FOR A HEARING.** In addition to submitting comments, you may also request that a hearing be held on the rule. Your request for a public hearing must be in writing and must be received by the agency contact person by 4:30 PM on

Wednesday, March 1, 1994. Your written request for a public hearing must include your name, address, and telephone number. You are encouraged to identify the portion of the proposed rule which caused your request, the reason for the request, and any changes you want made to the proposed rule. If 25 or more persons submit a written request for a hearing, a public hearing will be held unless a sufficient number withdraw their requests in writing.

6. **MODIFICATIONS.** The proposed rule may be modified, either as a result of public comment or as a result of the rule hearing process. Modifications must not result in a substantial change in the proposed rule as attached and printed in the State Register, and must be supported by data and views submitted to the agency or presented at the hearing. If the proposed rule affects you in any way, you are encouraged to participate in the rulemaking process.

7. **CANCELLATION OF HEARING.** The hearing scheduled for April 17, 1995 will be cancelled if the Board does not receive requests from 25 or more persons that a hearing be held on the rule. If you requested a public hearing, the Board will notify you before the scheduled hearing whether or not the hearing will be held. You may also call Sharon A. Beighley at 612-639-4091 after March 1, 1995 to find out whether the hearing will be held.

8. **NOTICE OF HEARING.** If 25 or more persons submit written requests for a public hearing on the rule, a hearing will be held following the procedures in Minnesota Statutes, sections 14.14 to 14.20. The hearing will be held on Monday, April 17, 1995 at the Kelly Inn, I-94 & Marion Street, St. Paul, Minnesota beginning at 9:00 A.M. and continuing until all interested persons have been heard. The hearing will continue, if necessary, at additional times and places as determined by the Administrative Law Judge. The Administrative Law Judge assigned to conduct the hearing is Steve Mihalchick. Judge Mihalchick can be reached at the Office of Administrative Hearings, #1700 Washington Square, 100 Washington Avenue South, Minneapolis, Minnesota 55401, telephone number 612-349-2544.

9. **HEARING PROCEDURE.** If a hearing is held, you and all interested or affected persons including representatives of associations or other interested groups, will have an opportunity to participate. You may present your views either orally at the hearing or in writing at any time prior to the close of the hearing record. All evidence presented should relate to the proposed rule. You may also mail written material to the administrative law judge to be recorded in the hearing record for five working days after the public hearing ends. This five-day comment period may be extended for a longer period not to exceed 20 calendar days if ordered by the administrative law judge at the hearing. Comments received during this period will be available for review at the Office of Administrative Hearings. You and the agency may respond in writing within five days after the submission period ends to any new information submitted. All written materials and responses submitted to the administrative law judge must be received by the Office of Administrative Hearings no later than 4:30 P.M. on the due date. No additional evidence may be submitted during the five-day period. This rule hearing procedure is governed by Minnesota Rules, parts 1400.0200 to 1400.1200 and Minnesota Statutes, sections 14.14 to 13.20. Questions about procedure may be directed to the administrative law judge.

10. **STATEMENT OF NEED AND REASONABLENESS.** A statement of need and reasonableness is now available from the agency contact person. This statement describes the need for and reasonableness of each provision of the proposed rule. It also includes a summary of all the evidence and argument which the Board anticipates

presenting at the hearing, if one is held. The statement may also be reviewed and copies obtained at the cost of reproduction from the Office of Administrative Hearings.

11. **SMALL BUSINESS CONSIDERATIONS.** The Minnesota Gambling Control Board is subject to Minnesota Statutes, section 14.115 (1992), regarding small business considerations in rulemaking. The Board's evaluation of the applicability of the methods contained in Minnesota Statutes, section 14.115, subdivision 2, (1992) for reducing the impact of the proposed rules on small businesses have been considered and discussed in detail in the Statement of Need and Reasonableness.

12. **EXPENDITURE OF PUBLIC MONEY BY LOCAL PUBLIC BODIES.** This rule will not require the expenditure of public money by local public bodies, therefore Minnesota Statutes, section 14.11, subd. 1 is not applicable.

13. **IMPACT ON AGRICULTURAL LANDS.** This rule will have no impact on agricultural lands, therefore Minnesota Statutes, section 14.11, subd. 5 is not applicable.

14. **NOTICE TO DEPARTMENT OF FINANCE.** This rule does not set departmental fees or charges, therefore Minnesota Statutes 16A.1285, subd. 5 is not applicable.

15. **NOTICE TO CHAIRS OF CERTAIN LEGISLATIVE COMMITTEES.** This rule does not set departmental fees or charges, therefore it was not necessary to notify the Chairs of the House Ways and Means Committee and the Senate Finance Committee pursuant to Minnesota Statutes 16A.1285, subd. 5.

16. **LOBBYIST REGISTRATION.** Minnesota Statutes chapter 10A requires each lobbyist to register with the Ethical Practices Board. Questions regarding this requirement may be directed to the Ethical Practices Board at First Floor, Centennial Office Building, 658 Cedar Street, St. Paul, Minnesota 55155, telephone number 612-296-5148.

17. **ADOPTION PROCEDURE IF NO HEARING.** If no hearing is required, after the end of the comment period the Board may adopt the rule. The rule and supporting documents will then be submitted to the attorney general for review as to legality and form to the extent form relates to legality. You may request to be notified of the date the rule is submitted to the attorney general or to be notified of the attorney general's decision on the rule. If you want to be so notified, or wish to receive a copy of the adopted rule, submit your request to the agency contact person listed above.

18. **ADOPTION PROCEDURE AFTER THE HEARING.** If a hearing is held, after the close of the hearing record, the administrative law judge will issue a report on the proposed rule. You may request to be notified of the date on which the administrative law judge's report will be available, after which date the Board may not take any final action on the rule for a period of five working days. If you want to be notified about the report, you may so indicate at the hearing. After the hearing, you may request notification by sending a written request to the administrative law judge. You may also request notification of the date on which the rule is adopted and filed

with the secretary of state. The Board's Notice of Adoption must be mailed on the same day that the rule is filed. If you want to be notified of the adoption, you may so indicate at the hearing or send a request in writing to the agency contact person at any time prior to the filing of the rule with the secretary of state.

Date: 12/21/94


HARRY W. BALTZER, EXECUTIVE DIRECTOR
GAMBLING CONTROL BOARD

STATE OF MINNESOTA

MINNESOTA GAMBLING CONTROL BOARD

STATEMENT OF NEED AND REASONABLENESS

**In the Matter of the Proposed Adoption of the Rules
of the Minnesota Gambling Control Board Relating to
M.R. 7861.0080, PULL-TABS**

I. INTRODUCTION AND BACKGROUND

The nature of the proposed rules of the Gambling Control Board (Board) contained in Minnesota Rules, Part 7861.0080, is to allow lawful gambling organizations that may have multiple deals of pull-tabs in play simultaneously to commingle receipts in one cash drawer. Legislative authority to promulgate the rule is found in M.S. 349.19, subd. 4 (1994). The Legislature directed the Board to promulgate rules allowing organizations to use cash registers and commingle receipts for multiple deals of pull-tabs provided that the cash registers meet minimum technical standards established by the Board, and that the Board also promulgate rules establishing procedures for the use of cash registers in such circumstances, and to establish by rule a procedure for organizations to reconcile all pull-tab games in play at the end of every month.

A Notice of Solicitation of Outside Information and Opinion regarding the proposed rules relating to cash registers was published in the State Register on June 6, 1994.

The Board proposes to promulgate a rule requiring that any organization that plans to commingle receipts from one or more pull-tab games in play simultaneously do so only through the use of a cash register that meets the specifications outlined in the proposed rule. The proposed rule will also require that, if an organization elects to use a cash register, it shall not commingle pull-tab games. The Board proposes to adopt a rule outlining specific procedures for the use of a cash register in conjunction with pull-tab games, and which also establishes a method whereby the organization must conduct a monthly reconciliation of all pull-tab games in play during the immediately preceding month.

The Board also proposes to make minor changes to M.R. 7861.0080 that are unrelated to the use of cash registers specifically, but that are necessary in order to insure that the Board's rules are consistent with statutory changes made by the 1994 Legislature.

II. STATEMENT OF THE BOARD'S STATUTORY AUTHORITY

The Board's statutory authority to adopt these rules is set out in Minnesota Statutes, Section 349.151, subdivision 4(a) (1994), which lists the powers and duties of the Board. Section 349.151, subdivision 4(a), clause (1) authorizes the Board to regulate lawful gambling to ensure that it is conducted in the public interest; clause (5) authorizes the Board to make rules authorized by this chapter; and clause (17) authorizes the Board to take all necessary steps to ensure the integrity of and public

confidence in lawful gambling. M.S. 349.151, subd. 13 (1994) authorizes the Board to adopt rules when necessary or proper in discharging the Board's powers and duties.

M.S. 349.19, subdivision 4 (1994) directs the Board to promulgate rules that will allow organizations to use cash registers with single cash drawers to commingle receipts from multiple deals of pull-tabs in play simultaneously. M.S. 349.19, subdivision 4 (1994) also directs the Board to promulgate rules establishing procedures for the use of cash registers and procedures for monthly reconciliation of all pull-tab games in play during the month.

III. PUBLIC ADVISORY COMMITTEE

The Board formed a Public Advisory Committee to assist in researching the proposed cash register rule amendment. The Public Advisory Committee met, in conjunction with the Board's Rules Committee, on three occasions for the purpose of reviewing and suggesting revisions to the proposed rules drafts. Members of the Public Advisory Committee were as follows:

Stephen V. Baker
Accountax
PO Box 1613
St Cloud MN 66023
612-253-5175

Brad Johnson
Gambling Manager
Hopkins Jaycees
6 Sixth Avenue N
Hopkins MN 55343
612-931-0132

King Wilson
Executive Director
Allied Charities of Minnesota
PO Box 21264
Minneapolis MN 55421-0264
612-571-7495

Cecil Foster
Soft-Ease, Inc.
23 Empire Drive
St Paul MN 55103
612-222-0565

T. David Williams
Gambling Manager
Hopkins Raspberry Festival
PO Box 504
Hopkins MN 55343
612-931-0878

Tim Mueller
Metro Cash Register
2145 University Avenue
St Paul MN 55114
612-894-6453

Gambling Control Board members participating in the Advisory Committee Meetings were Mary McLeod, Chair of Rules Committee and Allan Fonfara, Board member and member of the Rules Committee. Gambling Board staff members participating were Harry Baltzer, Executive Director, Sharon Beighley, Rules Coordinator, and Lee Graczyk, Compliance Supervisor. Fabian Hoffner, Assistant Attorney General represented the Board as legal counsel at the meetings. Pat McCormack, Senate Research, and John Williams, House Research, were sent copies of all rule drafts and invited to attend meetings. The rule was also reviewed by the Department of Revenue prior to being approved for publication by the Board.

IV. SMALL BUSINESS CONSIDERATIONS

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

The proposed rule amendments may affect small charitable organizations, by requiring that cash registers used when conducting multiple deals of pull-tabs must meet the minimum technical standards established by the rule. The following indicators were considered by the Board in regard to the effect on small business if the proposed rule is successfully adopted.

The establishment of less stringent compliance or reporting requirements for small businesses. The Board carefully considered whether or not reporting and/or compliance requirements could be eased for small charitable organizations. Because the Board is charged with protecting the integrity of the charitable gambling industry in its entirety in Minnesota, the Board decided that compliance and reporting requirements for small charitable organizations could not be less than the requirements for large organizations. In practice, the use of programmable cash registers will make compliance and reporting much simpler for all charitable organizations conducting lawful gambling in Minnesota. By making use of existing technologies in electronic cash registers, organizations will have more accurate reporting and fewer errors in conducting pull-tabs, which will lead to better compliance by the organizations, and greater ease in "downloading" information from the cash register when preparing reports.

The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses. Again, the Board reviewed the ramifications on small charitable organizations in terms of reporting deadlines and schedules. Many of the deadlines and schedules are statutory in nature, and cannot be eased by rule. Also, as discussed above, organizations will be able to more quickly prepare required reports, so there is no need to relax schedules or deadlines for reporting.

The consolidation or simplification of compliance or reporting requirements for small businesses. One of the effects of the rule, if adopted, will be to make compliance

and reporting requirements much simpler for all lawful gambling organizations that use cash registers in the conduct of pull-tabs. The rule will have the desired effect of simplifying reporting and compliance requirements for all organizations, not just the small charitable organizations.

The establishment of performance standards for small businesses to replace design or operational standards required in the rule. The Board very carefully considered the minimum technical specifications for cash registers to be used in conducting multiple deals of pull-tabs. M.S. 349.19, subdivision 4 (1994) mandates that the Board establish minimum technical standards for cash registers. During the Public Advisory Committees, both Gambling Managers on the Committee and the Executive Director of Allied Charities, which represents all charitable gambling organizations in Minnesota, believed that the standards established in the proposed rule were the minimum requirements necessary. They also concurred with the Committee's belief that the cash registers will cost approximately \$800 to \$1000 and that organizations would not have a financial problem acquiring the necessary equipment. The expense of acquiring the cash register is an allowable expense pursuant to M.S. 349.12, subdivision 3(a), which means that organizations can pay for the cash registers out of gambling receipts. Other than the expense of acquiring the cash register and training personnel to operate it, there will be no additional costs to small organizations as a result of this rule. Again, the Board cannot ease the standards for small gambling organizations: to do so would threaten the integrity of charitable gambling in Minnesota.

The exemption of small businesses from any or all requirements of the rule. In order to protect the integrity of charitable gambling in Minnesota, the Board cannot be less stringent with its application of rules to small charitable organizations than it is to the larger charities. The Board's rules apply equally to all organizations who are licensed to conduct lawful gambling in Minnesota. To apply lesser standards to smaller charitable organizations would mean compromising the Board's ability to regulate lawful gambling in Minnesota and could harm the integrity of the entire industry in Minnesota.

In addition to considering the above indicators, the Board informed all lawful gambling organizations of this rulemaking proceeding through its monthly newsletter. Organizations were invited to participate in the Public Advisory Committee. Monthly updates on the status of the rulemaking proceeding were given at each month's Board meetings, which are attended by organizations. In addition, the Board provided public notice of all Advisory Committee meetings and encouraged comment and input from any affected persons.

V. COSTS TO LOCAL PUBLIC BODIES

The Dual Notice of Intent to Adopt A Rule does not contain a statement of estimated costs to local public bodies pursuant to Minnesota Statutes, section 14.11, subdivision 1, because there is no cost to local public bodies and, therefore, the reasonable estimate of the total cost to public bodies to implement the rule for the two years following the adoption of the rule is less than \$100,000 and section 14.11, subdivision 1 is not applicable.

VI. AGRICULTURAL LAND IMPACT

Minnesota Statutes, section 14.11, subdivision 1, is inapplicable because the proposed rule does not have a direct and substantial adverse impact on agricultural land.

VII. DEPARTMENTAL CHARGES IMPOSED BY THE RULES

Minnesota Statutes, Section 16A.128, subdivision 1 does not apply inasmuch as the rules do not set fees or departmental charges.

VIII. FISCAL IMPACT

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.

XI. WITNESSES

If these rules go to a public hearing, the witnesses listed below may testify on behalf of the Board in support of the need for and reasonableness of the rules. The witnesses will be available to answer questions about the development and the content of the rules.

Harry W. Baltzer, Executive Director, Gambling Control Board
Sharon A. Beighley, Rules Coordinator, Gambling Control Board
Lee Graczyk, Compliance Supervisor, Gambling Control Board

The Gambling Control Board will be represented by Fabian Hoffner, Assistant Attorney General, at the Rules Hearing.

X. DETAIL OF THE PROPOSED RULE AND STATEMENT OF NEED AND REASONABLENESS

M.R. 7861.0080, Subpart 1(A):

M.S. 349.151, subdivision 4(b) (1994) allows the Board to authorize, but not require the use of pull-tab dispensing devices. The proposed change in item (A) is technical in nature. It is necessary to change the rule to insure that it is consistent with existing statutory requirements. The proposed change is reasonable because it will have no impact on the cash register rule promulgation, it is technical in nature, and being done through this rulemaking process in order to save time and costs associated with a separate rulemaking promulgation.

M.R. 7861.0080, Subpart 1(E):

This is a proposed new item, which will prohibit organizations from using cash registers in the conduct of pull-tabs when commingling games. The rule is necessary because organizations may only commingle pull-tab games that are identical as to the particular type of game and number of pull-tabs in the deal. In addition, the flares for commingled deals must be identical as to the price per ticket, the amount of prizes, and the denomination of prizes. The only difference in commingled deals is the serial number appearing on the flare and ticket for each deal. Allowing organizations to use cash registers in conjunction with commingled deals would require the pull-tab seller to

use extreme caution in selling and redeeming pull-tabs in order to insure that the correct deal in the cash register's memory was being debited or credited. The rule is reasonable in that very few organizations commingle games so the impact of the rule will be negligible. The rule is also reasonable because the Board requires true and accurate reporting for each deal of pull-tabs in play; allowing organizations to commingle games and use a cash register simultaneously would enhance the opportunity for errors to occur.

M.R. 7861.0080, Subpart 1(F):

This is a new item and is intended to clearly explain the statutory requirements found in M.S. 349.19, subdivision 10(b) (1994). The rule, in conjunction with the statute, will prohibit organizations from commingling receipts from two or more pull-tab games in play unless the organization uses a cash register approved by the board, follows board-mandated procedures for use of the cash register, and performs a monthly reconciliation of all games in play during the month. The rule is necessary in order to fully inform licensees of the prohibition against commingling receipts without the use of a cash register, and of the reporting and reconciliation requirements connected with the use of the cash register. The rule is reasonable because it clearly defines the statutory requirements regarding the use of cash registers in conjunction with commingling receipts. The rule is reasonable because it does not exceed the Board's statutory authority, nor does it conflict with current statutory requirements.

M.R. 7861.0080, Subpart 2(B):

The changes in this item are technical in nature and intended to insure that the Board's rules are in conformance with existing statutes. The 1994 Legislature, in M.S. 349.162 (1994), made changes to the registration requirements for gambling equipment. The change in this rule is necessary to delete references to registration stamps and include references to the legislatively mandated use of bar codes. The rule is reasonable because it does not impact on the use of cash registers by organizations, is technical in nature, and amending the rule in this rulemaking process will save time and money on a separate rulemaking promulgation.

M.R. 7861.0080, Subpart 3(A):

The necessity for and reasonableness of this rule amendment is identical to the changes being proposed in M.R. 7861.0080, Subpart 2(B) above. The change is technical in nature and intended to insure that the Board's rules remain consistent with existing statutory requirements.

M.R. 7861.0080, Subpart 3(B):

It is necessary to amend this item to allow organizations to commingle receipts from multiple deals of pull-tabs in play. Existing rule requires the organizations to maintain separate cash drawers or cash banks for each deal in play at any time. The change is reasonable because it will allow the use of cash registers and insures that the cash registers being used will be approved by the Board insofar as minimum technical standards are concerned.

M.R. 7861.0080, Subpart 4(a):

This subpart is a new item and fully outlines the minimum technical specifications for cash registers in item (A), outlines the procedures for use of the cash

registers in item (B), and mandates a monthly reconciliation pursuant to the requirements of item (C). The subpart is necessary in order to fulfill the statutory mandate that the Board adopt rules allowing for the use of cash registers in conjunction with multiple deals of pull-tabs. M.S. 349.19, subdivision 10(b) (1994) also mandates that the Board establish a procedure for the use of cash registers under these circumstances, and establish a procedure for the monthly reconciliation of all deals in play during the month. The new subpart is reasonable because it fully outlines for organizations the minimum technical standards for cash registers and establishes clear and concise procedures for the use of cash registers and the requirements for a monthly reconciliation.

M.R. 7861.0080, Subpart 4(a)(1):

This item sets forth the basic operating and safety precautions that the cash registers must have in order to be approved by the Board. It is necessary to require that the cash register be protected by a surge protector in order to safeguard existing data stored by the cash register in the event of a power interruption or power surge. The requirement that the cash register withstand static electricity is also necessary, in order to insure that the cash register will operate as intended without interference from other power sources in close proximity to the cash register. Again, this item is intended to safeguard pull-tab game data that is stored within the cash register's programmable memory. The rule is reasonable because programmable cash registers currently on the market contain such safety devices, it does not add to the cost of the equipment, and it will assist the organization in maintaining and safeguarding data relative to pull-tab games in play through the register.

M.R. 7861.0080, Subpart 4(a)(2):

The requirement that the cash register be capable of restricting access to accounting and auditing functions of the cash register is necessary in order to insure that once game data is entered into the cash register's memory prior to placing a game into play, the data cannot be altered or deleted by an unauthorized person. If pull-tab sellers could readily change game data, they could affect the outcome of the game, thus harming the integrity of lawful gambling in Minnesota. Having restricted access functions is necessary to allow the organization to maintain the integrity of the pull-tab games it has in play. The rule is reasonable because the organization can decide who will have access to the accounting and auditing functions of the cash register. The rule is also reasonable because it merely requires that the cash register have this capability, while leaving the organization responsible for deciding how the feature is used.

M.R. 7861.0080, Subpart 4(a)(3):

This item is necessary because it will allow the organization to have knowledge of who is operating the cash register and at what times. In item (B) of this subpart, the organization will be required to assign unique identification codes to each person authorized to sell and redeem pull-tabs through the cash register. The cash register will not operate unless the identifying code has been entered. The cash register will print out the identifying code, thus enabling the organization to ascertain which employee sold and redeemed pull-tabs at a particular time. The rule is reasonable, because cash register technology is such that this feature is not expensive, cash registers already have this capability, and it will aid the organization in accountability reporting requirements. The rule is also reasonable because the organization will have control of assigning the codes, and deciding which employees will have access to various features of the cash register.

M.R. 7861.0080, Subpart 4(a)(4):

This requirement is necessary in order to insure that game records existing within the cash register's memory are preserved whenever power to the cash register is interrupted. It is essential that the organization be able to retrieve all data for a pull-tab game at any time. The rule is reasonable because the feature currently exists on most cash registers in use. The feature is inexpensive and will allow the organization to rely on a secure and safe method of retaining and printing pull-tab game records. The rule is reasonable because it places no undue burden on the organization or the employees using the cash register, and merely serves as an aid in the preservation of data.

M.R. 7861.0080, Subpart 4(a)(5):

This item is necessary in order to insure that the cash register is capable of creating a duplicate record of each transaction involving a sale or redemption of a pull-tab from a particular deal. The capability is present in cash registers, and serves as an added safeguard in the preservation of game data. The rule is necessary to insure that a failsafe backup method of retrieving and printing game data is available to the organization, and to the Board if necessary. The rule is reasonable because it serves to enhance the organization's ability to safeguard its game data, and will allow for accurate reporting of all pull-tab games.

M.R. 7861.0080, Subpart 4(a)(6):

This item will require the cash register to be capable of recording pull-tab sales, pull-tabs redemptions, and merchandise prize payouts as separate transactions for each deal of pull-tabs currently being accounted for in the cash register. Item (B) of this subpart will require the organization to enter certain game information into the cash register's programmable memory prior to offering the game for play. Included in that information will be the price per pull-tab, the total number and dollar amount of winning pull-tabs, and the dollar value of any merchandise prizes offered with the deal. This feature on the cash register will allow the organization to identify what type of transaction occurred, i.e., a sale, cash redemption, or merchandise prize payout. The rule is necessary to provide the organization with a way to have true and accurate reporting for each deal of pull-tabs in play at any time. The rule is reasonable because the feature is readily available on cash registers, the feature is inexpensive, and it will allow the organization to have greater accuracy in reporting game totals and fulfilling compliance requirements.

M.R. 7861.0080, Subpart 4(a)(7):

This item is necessary to insure that the cash register will be capable of accepting game information prior to the game being placed into play by the organization. The minimum information required to adequately account for a deal is the game's serial number and ticket price. The rule is reasonable because programmable cash registers have this feature, it will assist the organization in accountability and reporting requirements, and will aid in enhancing the integrity of pull-tab games in Minnesota.

M.R. 7861.0080, Subpart 4(a)(8):

This item is necessary in order to insure that the person purchasing the pull-tabs can make sure that they are obtaining the correct change or the correct amount of pull-

tabs from the pull-tab seller. It is also necessary in order to assist the seller with determining the correct amount of currency to return to a player when making change. The rule is reasonable because most cash registers on the market today have this feature, it increases public confidence in the game of pull-tabs, and will assist the organization in avoiding cash shorts or cash longs as a result of returning the incorrect amount of currency to a purchaser.

M.R. 7861.0080, Subpart 4(a)(9):

Subitems (a) through (e) of this rule detail the minimum amount of information that the cash register must record when an employee sells a pull-tab. The date of the sale is important and necessary so that the organization can track the record of the entire game. The operator's unique identification code is necessary so that the organization can easily identify which pull-tab seller was on duty at any given time during the history of the deal's play. The serial number of the game is necessary so that the amount of cash in the cash register can be correlated with the games in play at any time. The ticket price is necessary in order for the accounting and auditing functions of the game to be accurate. In Item (B) of this rule, the organization will be required to enter this information prior to the game being offered for play. The game will then be assigned a particular "department key" or other unique key on the cash register. When a person purchases or redeems a pull-tab from a particular deal, the employee will need to strike only one key on the cash register in order to accurately record the information in subitems (a) through (e). The rule is reasonable because cash register technology at the present time is easily capable of performing these tasks. The rule is reasonable because it assists the organization in maintaining accountability for each deal of pull-tabs, and allows the organization to have true and accurate reporting for each deal. The rule is also reasonable because it will enhance the Board's ability to effectively regulate pull-tabs, by insuring that the organizations will have true and accurate reporting for each deal of pull-tabs that it offers for play through a cash register.

M.R. 7861.0080, Subpart 4(a)(10):

This item is very similar to item (9) above. It details the minimum amount of information that the cash register must be capable of recording for pull-tab redemptions. Again, the date of the prize payout is necessary in order to verify that the prize was paid on the date reflected on the receipt prepared by the organization employee. The unique identification code is necessary in order for the organization to know who was operating the cash register at the time a certain pull-tab was redeemed. The serial number and the amount of the cash or merchandise prize payout are necessary in order for the organization to properly audit the game once the game is closed out or removed from play. As in item (9), the necessary information regarding the game will be entered prior to the game being placed into play. The pull-tab employee will need to strike only one key on the cash register in order to record any of the information required by subitems (a) through (d). The rule is reasonable because current technology in most cash registers already allow for such transactions. The rule is reasonable because it will aid the organization in auditing the pull-tab games, and insuring that pull-tab redemptions are made from the correct game of pull-tabs. The rule is also reasonable because it will enhance the integrity of lawful gambling in Minnesota by giving the organization greater accuracy in reporting and compliance requirements.

M.R. 7861.0080, Subpart 4(a)(11):

This item is necessary in order to insure that the cash register will record and maintain all required information for all pull-tab games in play, and that the organization can produce a paper printout of a particular pull-tab game record at any time. The rule is necessary in order to insure that the organization will be able to access the data at any time, by printing out a copy of a game record. The rule is reasonable because it insures that the organization will be able to retrieve pull-tab game data at any time for auditing or accounting purposes. The rule is reasonable because it will serve to enhance the integrity of pull-tab games in Minnesota by giving the organization a higher degree of accuracy in reporting pull-tab games, and discovering errors when necessary.

M.R. 7861.0080, Subpart 4(a)(12):

This rule is necessary in order to insure that once a game has been properly audited, accounted for, and closed by an organization it can be removed from the cash register's memory. The memory requirements of the cash register may require the organization to remove closed out games prior to entering game information for a new game of pull-tabs. The rule is necessary in order to insure that organizations will be able to add and remove game records from the cash register on an as-needed basis. The rule is reasonable because it allows the organization to decide when to close and remove a game, provided that the final game record has been printed and retained for auditing purposes. The rule is reasonable because it will allow the organization to purchase a cash register with sufficient capability to meet the requirements of the rule, but not with such a large memory that it must hold each game for a period of 3-1/2 years.

M.R. 7861.0080, Subpart 4(B)(1):

This rule is necessary to insure that the organization installs the cash register in the exclusive space that it leases for its lawful gambling operations, and to insure that the cash register will not be used by the organization in the conduct of other business not related to pull-tabs. Allowing other uses of the cash register could compromise the integrity of the pull-tab games in play, and could make it impossible for the organization to reconcile the games in play to the amount of cash in the cash register at any given time. The rule is reasonable because it does not place any undue burden on the organization, and will serve to enhance the integrity of lawful gambling in Minnesota. The rule is also reasonable because it will protect the organization from pressure by a lessor or other entities to share the use of a cash register for other purposes.

M.R. 7861.0080, Subpart 4(B)(2):

This item will work in conjunction with requirements proposed in item (A). This rule will require the organization to assign unique identification codes to all employees who are authorized to operate the cash register. The unique identification code will be entered by the operator prior to the beginning of a work period. The cash register will then be able to assign the identification code to each pull-tab sale or pull-tab redemption transaction performed during that employee's work period. The rule is reasonable because it will provide the organization with a tool to enhance the accuracy of its reporting and accountability requirements regarding the game of pull-tabs. The rule is reasonable because it imposes no undue burden on the organization. The rule is also reasonable because it will serve to enhance the integrity of the game of pull-tabs in Minnesota.

M.R. 7861.0080, Subpart 4(B)(3):

This rule will require that the organization assume full responsibility for all keys used to operate the cash register. The rule will not preclude the organization from distributing keys to anyone it deems necessary, but will require that the organization be responsible for the keys. The rule is necessary in order for the organization to be held accountable for keys to the cash registers, and problems that could possibly occur as a result of keys falling into the wrong hands. The rule is reasonable because it places no undue burden on the organization, it assigns responsibility to the organization where it rightly belongs, and will enhance the organization's ability to control its pull-tab games. The rule is also reasonable because it allows the organization to decide who should have keys to the cash register.

M.R. 7861.0080, Subpart 4(B)(4):

This item clearly spells out the game information that the organization must enter into the cash register's memory prior to placing a pull-tab deal in play. The serial number and ticket price are essential in order for the cash register to accurately perform the accounting functions the organization will expect of it. It will also require that the ticket prices for the individual pull-tabs in the deal be identical to the ticket prices appearing on the flare for that deal. The rule is necessary in order for the organization to properly and adequately account for and audit pull-tab games in play when the funds are commingled in a single cash register drawer. The rule is necessary in order to insure that the prices that are entered into the cash register are identical to the preset ticket prices appearing on the flare for the deal. The rule is reasonable because the entering of basic information is required in order for the cash register to perform up to its minimum technical standards. The rule is also reasonable because it imposes no undue burdens on the organization, it will enhance the organization's ability to account for and audit pull-tab games, and it will assist in insuring the integrity of pull-tab games in Minnesota.

M.R. 7861.0080, Subpart 4(B)(5):

This item outlines the necessary steps that a pull-tab seller must perform when selling a pull-tab through the use of a cash register. Specifically, it will require the seller to strike a specific department key which corresponds to a specific pull-tab game, for which the game information has already been entered; it will require the seller to enter a numeric value for the number of pull-tabs purchased, and to enter the dollar value of the currency tendered by the player. The rule is necessary because the seller will have to perform these entries in order to have the cash register record and maintain the appropriate game information. The rule is reasonable because it places no undue burden on the organization: the organization will merely have to insure that its employees are properly trained in the operation of the cash register. The rule is reasonable because it will assist the organization in accounting for and auditing each deal of pull-tabs in play through a cash register. The rule is also reasonable because it will increase public confidence in the game of pull-tabs by requiring the operator to enter the number of pull-tabs purchased and the amount of cash tendered by the player.

M.R. 7861.0080, Subpart 4(B)(6):

This rule clearly defines what an organization employee must do in order to redeem a winning pull-tab through a cash register. Again, the employee will be required to enter the specific department key on the cash register that corresponds to the deal from which the winning pull-tab is being redeemed. It will require the

employee to enter the cash value of the prize payout or the cash value of the merchandise prize being redeemed. Third, it will require the issuance of a prize receipt for any prize greater than \$50.00 or for a last sale sticker prize of \$20.00 or more. The prize receipts will be compared to the cash register totals when auditing or closing out the game. The rule is necessary in order to insure that winning pull-tabs are redeemed from the correct game, and that all prize payouts are made properly. The rule is reasonable because it places no new or undue burden on the organization. The prize receipt requirement is in effect in existing rule, and has not been a problem for organizations to comply with. The rule is reasonable because it will allow the organization to more quickly and accurately account for and audit any pull-tab game in play, and it will also enhance the integrity of the game of pull-tabs in Minnesota.

M.R. 7861.0080, Subpart 4a(B)(7):

There are many instances where a player will choose to redeem a winning pull-tab by receiving one or more new pull-tabs in lieu of cash. This rule will require the organization employee to record both the sale and the redemption of the pull-tab. The rule is necessary in order for the amount of cash in the cash register to reconcile to the number of pull-tabs sold and redeemed for that game. Without recording both the sale and the redemption, the cash will not reconcile to the cash register totals for the game in play. The rule is reasonable because it places no burden on the organization, it will ensure that the organization has the maximum opportunity to report accurately on pull-tab games in play, and will make it easier for the organization to identify in which games errors occurred. The rule is reasonable because it will add to the organization's efficiency in performing audits of pull-tab games, or closing games out.

M.R. 7861.0080, Subpart 4a(B)(8):

This rule will insure that each individual organization employee is responsible for the cash in the cash register during his or her work period. It will protect the next employee coming on duty from inheriting problems that occurred in the previous work period. The rule is necessary to insure accountability on the part of the organization and the individual operating the cash register. It is necessary to require that a cash count be performed on a form prescribed by the Board, in order that the organization can more easily and quickly identify the work period during which an error occurred. The rule is reasonable because it does not impose an undue burden on the organization, it will allow the organization to account for all cash receipts and pull-tab redemptions at the end of each work period, and will allow the organization to identify employees that need additional training in terms of making change or operation of the cash register. Subitems (a) through (g) are necessary in order to inform the organization of the information that will be required on the form. The subitems are reasonable in that they do not impose a hardship on the organization or the employee, they will enhance the organization's ability to identify and solve internal problems, and they will provide a mechanism for the Board to insure that the requirements of rule and statute are being met.

M.R. 7861.0080, Subpart 4a(B)(9):

This rule is similar to the requirements found in item (8). This item would more appropriately apply to smaller pull-tab operations that may have only one employee selling and redeeming pull-tabs during the course of a business day. This rule will allow for the cash count to be verified by another organization employee, rather than the next pull-tab seller coming on duty. The requirements for completion of the cash count form are the same as found in item (8). The rule is necessary in

order to allow smaller operations to use cash registers with only one employee on duty during a work day. The rule is necessary to insure that the smaller charities operate their pull-tab games with the same degree of responsibility as the larger charitable organizations. The rule is reasonable because it places no undue burden on the organization, and will enhance the organization's ability to account for and audit all pull-tab games in play to the amount of cash in the cash register at any given time. The rule is also reasonable because it will allow the organizations to identify problems quickly, and perform the necessary adjustments to the game record, rather than having to wait until the deal is completely sold out or closed and then attempting to do a true and accurate accounting for the deal.

M.R. 7861.0080, Subpart 4a(C)(1):

This rule will require the organization to prepare cash register tape printouts on the last day of each month for all pull-tab games currently in play, or played during that month. The rule is necessary in order for the organization to perform the required month-end reconciliation for all pull-tab games where the receipts have been commingled. The rule is reasonable because it does not impose a hardship on the organization, and is one of the required steps in performing the monthly reconciliation.

M.R. 7861.0080, Subpart 4a(C)(2):

As the next step in the monthly reconciliation process, the organization will be required to verify the ticket count for each game in play or played. This means that the organization must compare the cash register tapes for each game, which will reflect the number of pull-tabs sold and redeemed, to the total number of pull-tabs in the deal to insure that each pull-tab can be accounted for. The number of sold and unsold pull-tabs must equal the total number of tickets appearing on the flare for that deal. The rule is necessary in order for the organization to adequately perform a month-end reconciliation of all pull-tab games whose receipts have been commingled. The rule is reasonable because the organization is already required to accurately report for each pull-tab game in play. This rule merely spells out clearly that the ticket count must be verified. The rule is reasonable because it is a necessary step in the reconciliation process, and it imposes no undue hardship or burden on the organization.

M.R. 7861.0080, Subpart 4a(C)(3):

This rule will require the organization to determine the origin of any errors discovered in the monthly reconciliation process. The rule will require the organization, when performing the reconciliation, to compare any cash short/long slips prepared during the month during any particular work period, to the cash register tape printouts of the pull-tab games being reconciled. By comparing the cash short/long slips to the ticket count and cash register totals, the organization will be able to determine in which game an error occurred and make the necessary adjustments. The rule is necessary in order to insure that the monthly reconciliation is performed, and that errors are corrected and accounted for on a monthly basis. The rule is reasonable because it imposes no hardships, and will insure that the organization will have true and accurate reporting for each deal of pull-tabs it places out for play. The rule is reasonable because it will enhance the integrity of pull-tab games in Minnesota, and insure that the organization can account for all pull-tab sales and redemptions on a per-deal basis.

M.R. 7861.0080, Subpart 4a(C)(4):

This item will require the organization to complete a reconciliation report for all games in play during the month. The Board will prescribe what information must be included on the form. Subitems (a) through (g) detail the specifics of what must be included on the form. The rule is necessary in order to insure that organizations perform the monthly reconciliation required by statute and rule. The rule is reasonable because it details very clearly for the organization what type of information will be required on the form. The information can be ascertained by performing the monthly reconciliation. The rule is reasonable in that it will not impose any new requirements on the organization. The same information is required to be reported on the organization's schedule B's that are submitted to the Department of Revenue. The rule is reasonable because it will aid the organization in preparing their schedule B information, and will insure the integrity of the pull-tab games on a monthly basis.

M.R. 7861.0080, Subpart 4a(C)(5):

This item will require that the organization retain the monthly reconciliation report, cash register printouts, and cash short/long forms for a period of 3-1/2 years. This requirement is identical to the requirement that the organization retain all pull-tab records for a period of 3-1/2 years. The rule is necessary in order for the Board to verify tax reports submitted to the Department of Revenue, annual audits submitted to the Department of Revenue, and to conduct investigations. The rule is reasonable because it is identical to other requirements placed on organizations for the retention of documents. The rule is also reasonable because it will aid the Board in protecting and insuring the integrity of lawful gambling in Minnesota.

M.R. 7861.0080, Subpart 4a(D):

This item is necessary in order to allow the Board to carry out its mandate to protect the integrity of lawful gambling in Minnesota. The rule will allow the Board to prohibit an organization from using a cash register if the organization is unable to provide true and accurate reporting for each deal of pull-tabs. The rule is reasonable because it is not unlike the existing rule that allows the Board to prohibit organizations from commingling deals of pull-tabs if it determines that the organization cannot account for each deal on a separate basis. The rule is reasonable because it will protect the integrity of lawful gambling in Minnesota, and require the organization to be accountable for each deal of pull-tabs when using cash registers to commingle funds.

M.R. 7861.0080, Subpart 5(A):

This rule is a technical change, and will reflect a change in M.S. 349.211, subdivision 2a (1994). The statutory change allows for a maximum pull-tab prize of \$500. The change is being made in this item to insure that the Board's rules are consistent with statute. The change is reasonable because it will save time and taxpayer dollars in not instituting another rulemaking process to make technical changes to the rules.

M.R. 7861.0080, Subpart 6(B):

Again, this rule is a technical change and removes the reference to registration stamps while substituting the new bar code requirement. The rule change is necessary in order to insure that the Board's rules remain consistent with statute. The rule change is reasonable because it has no impact on the cash register rule, and will save considerable time and money in doing a separate rule promulgation.

M.R. 7861.0080, Subpart 6(C)(1)(b):

This item is a technical change, removing the reference to registration stamp numbers. The rule change is necessary to insure conformity between the Board's rules and the existing statute. The rule change is reasonable because it will negate the need for initiating a separate rulemaking process. The rule change is also reasonable because it will have no impact on the cash register rule being proposed.

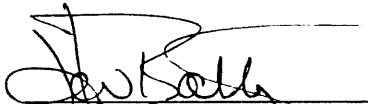
M.R. 7861.0080, Subpart 6(D)(5):

The deletion of the reference to the state registration stamp is a technical change, necessary in order to insure that the Board's rules are consistent with existing gambling statutes. The rule change is reasonable in that it will save the time and expense of initiating a separate rulemaking process on technical changes. The rule change is reasonable because it will have no impact on the cash register rule being proposed.

XI. CONCLUSION

Based on the foregoing, the proposed Minnesota Rules part 7861.0080 are both necessary and reasonable.

DATED: 1/6, 1994



HARRY W. BALTZER
EXECUTIVE DIRECTOR
MINNESOTA GAMBLING CONTROL BOARD