



State of Minnesota • Gambling Control Board

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

February 20, 1996

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

Dear Ms. Hruby:

In accordance with Minnesota Statutes 14.131 and 14.23, enclosed please find the following documents:

1. A copy of a Dual Notice of Intent to Adopt Rules, a copy of the Rule, and a copy of the Statement of Need and Reasonableness relating to proposed rules of the Gambling Control Board governing bingo;
2. A copy of a Dual Notice of Intent to Adopt Rules, a copy of the Rule, and a copy of the Statement of Need and Reasonableness relating to proposed rules of the Gambling Control Board governing gambling managers.

If you have questions or concerns, or need additional information, please call me at 639-4000.

Sincerely,

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

Sharon A. Beighley
Rules Program Coordinator

**STATE OF MINNESOTA
MINNESOTA GAMBLING CONTROL BOARD**

STATEMENT OF NEED AND REASONABLENESS

**In the Matter of the Proposed Adoption of Rules
of the Minnesota Gambling Control Board relating to
M.R. 7861.0030, GAMBLING MANAGER**

1. INTRODUCTION AND BACKGROUND

The nature of the proposed rules of the Gambling Control Board (Board) contained in Minnesota Rules part 7861.0030 is to amend the licensing qualifications for gambling managers to include statutory provisions enacted by the Legislature in 1995; to promulgate a rule regarding the appointment of emergency gambling managers; to amend the rule governing the length of a gambling manager license pursuant to legislative action in 1995; to amend the rule governing contents of and attachments to a gambling manager license application; to clarify the rule governing changes in a gambling manager license application; to amend the rule governing the license fee for a gambling manager; to amend the rules governing issuance and denial of a gambling manager license to insure that the rule is consistent with statute; to amend the rule governing renewal of a gambling manager license; to make amendments to the rule governing assistant gambling managers, and to promulgate a rule requiring proof of identification.

Two Notices of Solicitation of Outside Information and Opinion regarding this rule were published in the State Register; on March 6, 1995 and on June 26, 1995. Notice of membership in the Public Advisory Committee dealing with this rule promulgation was published in the State Register on June 26, 1995.

Legislation enacted in 1995 requires that the Board administer an examination to Gambling Manager license applicants prior to issuing a new or renewal license. The 1994 Legislature also enacted changes affecting the qualifications for licensure as a gambling manager. In addition, legislation was enacted in 1995 that changed the term of a gambling manager license. These legislative changes have been incorporated into the proposed rule amendments.

Interested parties should refer to the entire proposed rule amendment for the proposed language on specific rule amendments. The rules are published in the State Register on February 20, 1996 and are also being mailed to all persons on the Board's mailing list who have expressed an interest in the rulemaking activities of the Board.

The proposed amendments are necessary in order to insure that the Board's rules act in concert with law, and that no conflicts exists that could cause confusion within the lawful gambling industry. The Board, on a periodic basis, will undertake review and revision of different parts of its rules. The Board believes that such periodic review and revision are necessary to the viability of its rules, to ensure that rules remain consistent with statutory requirements, and to make sure that the rules continue to meet the needs of the lawful gambling industry as well as the regulatory mandates of the Board.

2. 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 insure 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. 349.167, subdivisions 2, 4, and 7 were amended by the Legislature in 1995, and those changes are included in the proposed rule amendments.

3. PUBLIC ADVISORY COMMITTEE

The Board formed a Public Advisory Committee to assist in researching the gambling manager rule amendments. The Public Advisory Committee met on four different occasions for the purpose of reviewing and suggesting revisions to the proposed rule drafts. Members of the Public Advisory Committee were as follows:

Brad Johnson, Gambling Manager

Hopkins Jaycees
6 Sixth Avenue North
Hopkins MN 55343
612-931-0132

David Kline

Mound VFW
2336 Chateau Lane
Mound MN 55364
612-472-1711

King Wilson, Executive Director

Allied Charities of Minnesota
PO Box 21264
Minneapolis MN 55421
612-571-7495

Roger Swanson

MN Dept of Revenue
10 River Park Plaza
St Paul MN 55146
612-297-2150

T. David Williams

Hopkins Raspberry Festival
6 Sixth Avenue No
Hopkins MN 55343
612-931-0878

Maureen Vachuska

Immaculate Conception Church
4930 Madison St NE
Columbia Hts MN 55421
612-572-1758

Dave Nelmark
City of St Paul
Lawful Gambling Enforcement
350 St Peter St
Suite 300
St Paul MN 55102
612-266-9113

Kris Schweinler
City of St Paul
Lawful Gambling Enforcement
350 St Peter St
Suite 300
St Paul MN 55102
612-266-9114

Gambling Control Board members participating in the Public Advisory Committee were Mary McLeod, Chair of the Rules Committee, Allen Fonfara, Rules Committee member, and Peggy Moon, Rules Committee member. Pat McCormack (Senate Research) and John Williams (House Research) were invited to attend all meetings and were furnished with all rule drafts and pertinent documents. Gambling Control Board staff members participating in the Committee were Harry Baltzer, Executive Director, Nan Connor, Compliance Officer, Chris Mau, Compliance Specialist, and Steve Pedersen, Licensing Supervisor. Joe Newton, Assistant Attorney General, also attended all meetings to represent the Board and staff.

Additional notice to interested and affected persons was provided throughout the course of the rule drafting effort. Monthly updates on the status of the rulemaking were published in the Gaming News, the Gambling Control Board's monthly newsletter which is furnished to all licensees of the Board. A mailing list specific to the gambling manager rules process was initiated at the first PAC meeting and maintained and updated throughout the course of the rule drafting process. Each person or entity on that list received all rule drafts and meeting notices.

4. 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 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 reporting requirements for small businesses. Subpart 8 of the proposed rule deals with reporting requirements

for gambling managers. The scope of duties that a gambling manager is responsible for is quite broad. Those duties include supervising the reporting requirements for the organization he or she is employed by. The Board cannot ease the reporting requirements based upon the size of the organization conducting lawful gambling. Lesser standards cannot be applied from one organization to another, without causing harm to the integrity of lawful gambling as a whole. Gambling managers are required by law to pass examinations which will insure proficiency in handling the reporting requirements for an organization; thus there is no need to consider lesser standards for certain organizations with regard to reporting requirements.

The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses. The Board reviewed the ramification of deadlines and schedules required by rule. Many of those deadlines and schedules are established by law, and cannot be changed in rule. All gambling manager licensees must be treated equally by the Board with regard to schedules and deadlines, and exceptions cannot be made based upon the size of the organization that the gambling manager is employed by.

The consolidation or simplification of compliance or reporting requirements for small businesses. As discussed in the two items above, the Board cannot be less stringent in its application of reporting requirements for small businesses, or allow consolidated or simplified reporting. Because of the nature of the lawful gambling industry, and the complex nature of the reporting requirements, it is simply not possible to allow consolidation or simplification of reporting requirements for smaller organizations. In addition, because gambling managers are required by law to pass an examination administered by the Board, all gambling managers will be proficient in accurately preparing the required reports.

The establishment of performance standards for small business to replace design or operational standards required in the rule. The Board reviewed the licensing criteria for gambling managers, as well as the reporting requirements contained in the proposed rule, and determined that no allowances could be made for gambling managers working for small organizations. As previously stated, many of the qualifications and reporting requirements are established by law and cannot be changed by the Board to accommodate small business. Gambling Managers are required to take continuing education classes sponsored by the Board during the term of their license, which helps to insure their continued ability to perform the duties of a gambling manager, and to insure that they are informed of all statute and rule changes.

The exemption of small business from any or all requirements of the rule. In order to protect the integrity of charitable gambling, the Board must apply its rules equally to all classes of licensees. To do otherwise would violate statute, and would compromise the Board's ability to effectively license and regulate gambling managers in the Minnesota.

5. 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.

6. AGRICULTURAL LAND IMPACT

Minnesota Statutes, section 14.11, subdivision 2, is inapplicable because the proposed rule does not have a direct and substantial adverse impact on agricultural land.

7. DEPARTMENTAL CHARGES IMPOSED BY THE RULE

Minnesota Statutes 16A.1285 is inapplicable because the proposed rule does not impose any departmental charges or fees.

8. 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.

9. WITNESSES

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

Harry W. Baltzer, Executive Director, Gambling Control Board
Nan Connor, Compliance Officer, Gambling Control Board
Chris Mau, Compliance Specialist, Gambling Control Board
Joe Newton, Assistant Attorney General

10. A DESCRIPTION OF THE CLASSES OF PERSONS WHO WILL PROBABLY BE AFFECTED BY THE PROPOSED RULE, INCLUDING CLASSES THAT WILL BEAR THE COSTS OF THE PROPOSED RULE AND CLASSES THAT WILL BENEFIT FROM THE PROPOSED RULE

The classes of persons who will be affected by the proposed rules include licensed gambling managers, assistant gambling managers, and applicants for new or renewal gambling manager licenses. Lawful gambling organizations will be affected because, by law, they cannot conduct lawful gambling without a licensed gambling manager. Emergency gambling managers will also be affected to some degree by the proposed rule.

The classes of persons who will bear the costs of the proposed rule include lawful gambling organizations. Any costs associated with compliance with the rule are considered "allowable expenses" for the organization, and can be paid for from gambling funds.

The classes of persons that will benefit from the proposed rule include lawful gambling organizations and the general public who participate in permitted lawful gambling activities. Benefits will include assurances that licensed gambling managers have passed a proficiency examination, and that they are fully informed on current laws and Board rules. Lawful gambling organizations conducting gambling in a licensed bingo hall will also benefit from proposed subpart 12, which will allow organizations who lease space in a bingo hall to "share" an assistant gambling manager. This personnel "sharing" concept will save the organizations money, and will allow for more accurate and efficient reporting by those organizations.

11. THE PROBABLE COSTS TO THE AGENCY AND TO ANY OTHER AGENCY OF THE IMPLEMENTATION AND ENFORCEMENT OF THE PROPOSED RULE AND ANY ANTICIPATED EFFECT ON STATE REVENUES

The following is a summary discussion of the probable costs associated with the rule. Please refer to section 16 of this Statement for more specific discussions of cost for each item.

There is a cost to the Board for preparation and administration of the gambling manager examination. Those costs are estimated to be \$15.00 for each gambling manager taking the examination. The cost to the Board for monitoring the license status of each new and renewal gambling manager application to insure that the examination has been taken and passed by the applicant is estimated to be \$10.00 per gambling manager. The cost for meeting room rental and Board staff time and travel expenses to conduct the examinations and continuing education classes is estimated to be \$250.00 per class and/or examination. Additional staff time will be needed to verify identification of persons taking the gambling manager examination, and identification verification of those individuals taking continuing education classes from the Board. Those costs are estimated to be \$100.00 per class, when identification cards are verified.

There is a cost to the Board to make adjustments to computer software and existing data bases to insure that expiration dates of gambling manager licenses concur with the expiration dates of the organization's licenses. This cost is not attributable to the rule, however, because the change was mandated by statute.

There will be no effect on State Revenues inasmuch as the Board does not recoup any of the costs associated with administering the examination or

conducting the continuing education classes. The statutorily established license fee for a gambling manager has not been increased.

12. A DETERMINATION OF WHETHER THERE ARE LESS COSTLY OR LESS INTRUSIVE METHODS FOR ACHIEVING THE PURPOSE OF THE PROPOSED RULE

The following is a summary discussion of any less costly or less intrusive methods for achieving the overall purpose of the rule. Please refer to Section 16. for any specific discussions of less costly or less intrusive methods considered by the Board.

The Board has determined that, for the most part, there are no less costly or less intrusive methods for achieving the purpose of the proposed rule. The requirement that the gambling manager pass an examination conducted by the Board is mandated by statute, and cannot be modified by Board rule or order.

13. A DESCRIPTION OF ANY ALTERNATIVE METHODS FOR ACHIEVING THE PURPOSE OF THE PROPOSED RULE THAT WERE SERIOUSLY CONSIDERED BY THE AGENCY AND THE REASONS WHY THEY WERE REJECTED IN FAVOR OF THE PROPOSED RULE

Please refer to Section 16. of this Statement for specific discussions of alternative methods considered or rejected. The following is a brief summary statement.

The Rules Committee and the PAC discussed and considered allowing private providers to conduct the continuing education classes on behalf of the Board. This was rejected because of cost considerations, and the overriding concern that the continuing education classes be provided at no cost to the industry other than the cost of transportation, lodging, and meals for the participants. Concerns were also raised about the quality of the education being provided, and the necessity of establishing criteria in rule for the selection of an education provider. The Board decided that the least costly and least intrusive method for achieving the purpose of the rule was for the Board staff to provide the continuing education classes and seminars.

14. THE PROBABLE COSTS OF COMPLYING WITH THE PROPOSED RULE

The following is a summary discussion of costs associated with compliance with the rule. Please refer to section 16 of this Statement for specific discussions relative to the cost of compliance.

There will be a cost to lawful gambling organizations to send their gambling managers to continuing education classes and seminars, and to take

the gambling manager examination. Those costs involve transportation, meals and lodging for the gambling managers. The costs can be counted as an allowable expense for the organization and, as such, paid for from gambling funds. There are also travel costs associated for gambling managers to attend the required continuing education classes sponsored by the Board. In the case of the examinations and the classes, the Board schedules these events at various sites throughout the State for the convenience of the industry. Travel costs associated with attending examinations, seminars, and classes will be minimal. It is difficult to estimate the cost for an individual gambling manager to attend a class or examination, inasmuch as food and lodging costs will vary depending on the area of the state in which the examination or class is being held, and the distance the individual gambling manager must travel in order to attend. The total cost per gambling manager per event will probably not exceed \$250.00.

A very minimal cost will be incurred by the gambling manager to comply with subpart 7. The cost to comply will be the cost of postage, most likely 32 cents, to inform the Board of any changes in the application information. This cost is considered negligible.

15. AN ASSESSMENT OF ANY DIFFERENCES BETWEEN THE PROPOSED RULE AND EXISTING FEDERAL REGULATIONS AND A SPECIFIC ANALYSIS OF THE NEED FOR AND REASONABLENESS OF EACH DIFFERENCE

There are no federal requirements regarding the rules governing gambling managers. Therefore, there are no differences between the proposed rules and federal requirements.

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

M.R. 7861.0030, Subpart 1 (License Required):

It is necessary to remove the word "annual" in the existing rule in order for the rule to conform to statute. Statutory changes made by the Legislature in 1995 changed the term of a gambling manager license to run concurrent with the organization license, which is two years.

The rule change is reasonable because it insures that the rule is not in conflict with statute, and it removes the potential for confusion when people are reading the rules and statutes pertaining to gambling managers.

The classes of persons who will be affected by the rule include gambling manager license applicants and current gambling managers. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because there are no costs associated with compliance, it was not necessary to consider or reject alternative methods for achieving the purpose of the rule. No less costly or less intrusive methods for

achieving the purpose of the rule were considered. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0030, Subpart 2 and 2(E) (License Qualifications):

It is necessary to clarify existing rule by including the words "or renew" in the opening sentence. It could possibly be implied from existing rule that the license qualifications pertain to first-time licensees only, and not to existing gambling managers who are renewing their licenses. Renewal applications need to be treated in the same fashion as first-time license applications, because during the term of the license, data and information about the individual could have changed which could result in a renewal license application being denied. It is also necessary to strike all but the last sentence existing item E. Continuing education requirements are now contained in a new item F. to this subpart.

The changes are reasonable because they serve to clarify existing rule, and to remove language that will no longer be pertinent if the proposed rule is successfully adopted. The changes are reasonable because they will have no new impact on gambling manager license applicants or renewal applicants, and they simply add clarity to the existing rule. The changes are also reasonable because they will insure that the Board's rules have a logical flow, and are as clear as possible to individuals using the rules.

The classes of persons who will be affected by the rule include gambling manager license applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because there are no costs associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0030, Subpart 2(F) License Qualifications:

The Board is proposing specific requirements for Board-provided continuing education which must be completed prior to a gambling manager's license being renewed. The proposed language establishes that 2.5 credit hour equivalents of Board-provided continuing education must be taken by a gambling manager during each year of the two year license term. Mn. Stat. 349.167, subd. 4 (1994) mandates that the Board must by rule establish the continuing education requirements for each year of a two year gambling manager license term. In subitem (2) the Board is also proposing requirements for Board-provided gambling manager seminars and an examination which must be taken and passed prior to a gambling manager's license being renewed. This is necessary because the statutory language in Mn. Stat. 349.167, subd. 7 (1994) mandates that the Board shall revoke the license of

any gambling manager who has not passed the examination by January 1, 1996.

The proposed rule is reasonable because it does not unduly burden individuals who must fulfill the requirements. It is also reasonable because it provides for a minimal requirement of time to be invested by the individual gambling managers each year, which will insure that each individual gambling manager receives appropriate training in areas which may have changed due to legislative or rule changes, or in specific areas identified by the Board as being in need of additional clarification. The proposed language in subitem (2) is reasonable because it requires proof of understanding of the rules and statutes governing the conduct of lawful gambling for which a licensed gambling manager is held responsible.

The classes of persons who will be affected by the rule include licensed gambling managers and gambling manager license applicants. The cost to the Board to implement and enforce the rule include preparation and administration of the gambling manager examination, which is estimated to be \$15.00 for each gambling manager. There is also a cost for staff time to monitor license requirements for gambling managers and to insure that the examination has been taken and passed prior to issuing or renewing a gambling manager license. This cost is estimated to \$10.00 per gambling manager. The cost for meeting room rental and Board staff time and travel expenses to conduct continuing education classes and administer the examinations is \$250.00 per class. This figure will vary depending upon what area of the State in which the class or exam is being conducted. Additional staff time will be needed to verify the identity of individuals taking gambling manager examinations, and to perform identification checks when time permits at continuing education classes. This cost is estimated to be \$100.00 per class or examination. The cost to the industry to comply with the rule involves travel, food, and lodging for gambling managers. This is estimated to be no more than \$400.00 per gambling manager, and may be paid for from the organization's gambling account as an allowable expense.

Because the requirements in rule are mandated by statute, no alternative methods were considered or rejected. It was determined that there are no less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0030, Subpart 2(G) (Licensing Qualifications):

Subitems (1) and (2) are contained in existing subpart 6 of the rule. They are being relocated to this subpart for the sake of continuity in the Board's rules, and insure that the subparts and information contained in the rules are arranged in a logical fashion. Existing subpart 6 is being repealed, and the information previously required to be filed as an "attachment" to the application will now become part of the application required by subpart 5.

Subitems (3), (4), (5), (6), (7), and (8) are necessary because of legislative changes to M.S. 349.155, subdivision 3(a) enacted in 1994 which set forth the mandatory disqualifications for a gambling manager license application. It is necessary to carry these items forward to the Board's rules to insure that license applicants are fully informed prior to completing an application for a gambling manager's license.

The rule is reasonable because it does not impose any stricter qualifications than those found in statute. The rule is also reasonable because it is informative in nature, and serves to insure that potential gambling manager license applicants are fully informed of the requirements prior to submitting an application for licensure. The rule is reasonable because it provides an effective tool for the Board to determine the qualifications of gambling manager license applicants, and thus insure the integrity of lawful gambling in Minnesota.

There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0030, Subpart 2a (Emergency Gambling Manager):

In part, this rule is necessary in order to replace stricken language in existing subpart 2(E). The rule is also necessary in order to allow an organization to continue its lawful gambling operations in the event its gambling manager dies, is disabled, or terminates employment with the organization. The rule is necessary so that the organization will not have to cease gambling while a new gambling manager is licensed and passes the required examination. The rule is necessary in order to make it clear that an emergency gambling manager must also pass the required examination and meet all the qualifications for licensure prescribed in Board rule and in statute. The rule is also necessary because M.S. 349.167, subdivision 7(b) mandates that replacement gambling managers pass the examination within 90 days of being issued a gambling manager's license.

The rule is reasonable because it will allow an organization to continue gambling with an emergency gambling manager while the new gambling manager's license application is being processed and prior to the examination being given to the applicant. The rule is reasonable because it does not harm the integrity of lawful gambling, and insures that an emergency gambling manager will meet the requirements of rule and statute.

There is no cost to state agencies to implement and enforce the rule. There is no new cost to the industry to comply with the rule, other than the costs discussed in the preceding item for the emergency gambling manager to attend the seminar and take the examination. Less costly and less intrusive methods for achieving the purpose of the rule include not allowing emergency gambling managers, in which case the organization would have to cease gambling entirely until a new gambling manager had been licensed. This is not practical from the organization's point of view. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0030, Subpart 4 (Length of License):

This rule is necessary in order to bring the rule into conformance with legislative changes to M.S. 349.167, subdivision 2(4). The rule is reasonable because it insures that statutes and Board rule are not in conflict, and reduces the potential for confusion between statute and rule.

There is no cost to state agencies to implement and enforce the rule, because the requirement is statutory. There is no cost to the industry to comply with the rule. No alternative methods for achieving the purpose of the rule were considered or rejected. There are no less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0030, Subpart 5 (Contents of Gambling Manager Application):

The rule changes are necessary because of the proposed repeal of subpart 6, relating to "attachments" to a gambling manager license application. The Board proposes to discontinue the use of attachments, and simply require all of the information on the license application form itself. This will negate the need for a separate notarized affidavit, thus saving time and expense. The additional language in item E. is necessary to make it clear that the training referred to must be provided by the Board. Item G. is necessary to make sure that the applicant attests to the fact that he or she meets all of the qualifications necessary for licensure as a gambling manager. The changes to items H. and I. are necessary to make these requirements part of the license application, and includes facts that the applicant must acknowledge in the license application. Item J. is necessary to be sure that the applicant has completed all required training, and item K. is necessary to insure that the applicant's signature has been notarized.

The rule is reasonable because it will insure that the Board has all the information necessary to issue or deny a gambling manager's license. The rule is reasonable because it deletes the existing requirement for a signed affidavit on a separate piece of paper, which saves time and money for everyone. The rule is reasonable because it imposes no undue burden on the applicant, and

many of the requirements are currently in use under the Board's existing rules. Further, the rule is reasonable because it will insure that the application forms used by the applicants are easy to understand, and all of the information can be included on one form.

There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as no costs are associated with compliance, it was not necessary to consider less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0030, Subpart 7 (Changes in Application Information):

The rule change is necessary to clearly state that changes that may occur during the term of the license must be reported to the Board. Current rule could be interpreted to mean that changes after the license has been issued do not have to be reported to the Board.

The rule change is reasonable because it adds clarity to the existing rule, and insures that the Board will receive all pertinent information from licensees on a timely basis. The rule is also reasonable because it does not cause an undue burden to the gambling manager, and can be easily complied with.

There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0030, Subpart 8 (License Fees):

It is necessary to remove the specific reference to the cost of the gambling manager license, and to refer to the statutorily mandated fee. The change is necessary in order to avoid rule changes whenever the statute changes, and to remove any potential confusion over the cost of a gambling manager license.

The rule change is reasonable because it does not change or alter the amount of the license fee; it merely refers the applicant to the applicable statute for the correct and current amount of license fee. The rule change is also reasonable because it negates the need for a costly and time-consuming rulemaking process simply to change the amount of the license fee in the event that the fee is changed by legislative action.

There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as no costs are associated with compliance, it was not necessary to consider less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0030, Subpart 10 (Issuance and Denial):

The proposed changes to this subpart are necessary to insure that the rules relating to the issuance and denial of a gambling manager's license are in conformity and consistent with the statutory requirements of Minn. Stat. 349.167, and are also consistent with other parts of the Board's rules. The proposed rules will insure that the procedures for a hearing on the denial of a license are consistent with Minn. Stat. chapter 14.

The proposed changes are reasonable because they cause no undue burden to the applicant, and are intended to be informational in nature regarding an applicant's rights to appeal a licensing decision made by the Board. The rule is reasonable because it insures that Board rules are consistent with statute. The rule is also reasonable because it insures that applicants whose license applications have been denied will be clearly advised of their rights to appeal that decision.

There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0030, Subpart 11 (Renewals):

The changes to items A, B, and C are necessary to insure that the rules relating to the issuance and denial of a gambling manager's license are in conformity and consistent with the statutory requirements of M.S. 349.167, and that they are consistent with other parts of the Board's rules. The proposed rules are also necessary to insure that the procedures for providing a hearing on the denial of a license are consistent with Minnesota Statutes, Chapter 14. The new language in item D is necessary to insure that an individual gambling manager who has had an application denied for failing to comply with the continuing education requirements contained in subpart 2(F) may not apply for a renewal of a gambling manager's license, or for an emergency replacement gambling manager's license. The proposed language in item E is required to set forth the procedures for notification to a gambling

manager if the complete renewal application is not received by the due date, and to outline the hearing procedures and remedies available to a gambling manager who desires to request a hearing on the issue of whether or not a complete renewal application was received on time.

The proposed rule is reasonable because it reflects statutory requirements, and provides an alternative that allows a gambling manager to apply for a new license if that individual takes the board-provided gambling manager's seminar and passes the examination within the last twelve months before a new license is issued. The rule is also reasonable because it provides information to gambling managers whose renewal applications have been denied on the basis of being incomplete, and outlines the hearing procedures and remedies available to those gambling managers. The rule is reasonable because it imposes no undue hardships or restraints on gambling managers. The rule is reasonable because it prescribes procedures for the Board to rely on with regard to renewal applications.

There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as no costs are associated with compliance, it was not necessary to consider less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0030, Subpart 12 (Assistant Gambling Managers):

Proposed item C. is necessary in order to allow organizations that lease space in a bingo hall to operate more efficiently, with less disruption to the players who come to the bingo hall. Many different organizations can lease space in the same bingo hall, and often on the same day but at different time periods during the day. Under the existing rules, each organization must have its own gambling manager or assistant gambling manager at the bingo hall. The proposed rule will allow organizations to "share" an assistant gambling manager for the conduct of gambling in a bingo hall setting. The rule will apply only to organizations that conduct gambling in a bingo hall. The rule will encourage consistency in operations from one organization to the next. The rule is necessary to allow the organizations some flexibility in personnel issues. It makes no sense for a whole new crew of employees to come in every time the bingo operation at the bingo hall switches from one organization to the next. This leads to confusion among the players, and could result in a lack of continuity and consistency between organizations. In order to be sure that the organization itself remains responsible for its gambling operations, it was necessary to limit the amount of authority this individual would have. Those restrictions are contained in subitems (1) through (6) of this item.

The rule is reasonable because it will allow organizations to save money in personnel costs by sharing the services of an assistant gambling manager.

The rule is reasonable because it will insure that bingo hall employees can be disciplined by the assistant gambling manager, while at the same time the organization's gambling manager retains ultimate disciplinary authority. The rule is reasonable because it does not diminish the organization's ultimate responsibility for the conduct of its gambling operations. The rule is also reasonable because it imposes no hardships on the organizations or the individuals who may act as assistant gambling managers in these types of situations. The rule is reasonable because it insures the integrity of lawful gambling operations in bingo halls, and provides a sense of continuity for persons playing bingo at the bingo hall. Further, the rule is reasonable because it establishes boundaries and restrictions for assistant gambling managers in this type of setting.

There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because no costs are associated with compliance, it was not necessary to consider less costly or less intrusive methods for achieving the purpose of the rule. The Board considered and discussed whether or not to broaden this rule to encompass all types of lawful gambling at settings other than bingo halls. This method was rejected because the Board believed this would weaken the integrity of charitable gambling overall, and tend to remove the organization from its gambling operations. The Board believed that "professional" gambling managers and large consulting firms would ultimately usurp the organization's responsibilities for conducting lawful gambling, thus placing the organization in a position to lose its license if irregularities should occur. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0030, Subpart 13 (Proof of Identification):

This rule is necessary to insure that the individual applying for licensure as a gambling manager is the same individual that actually takes the examination. Because the examination is mandated by statute, it is necessary to insure that the licensee has actually taken the examination. It is also necessary to state in the rule that attendees at seminars and continuing education classes should be prepared to present identification if requested. Many times the size of the classes will permit Board staff to verify identification for attendees. This is not always the case, however. For example, Board staff teaches continuing education classes at the annual Allied Charities of Minnesota convention. There are typically about 2,000 attendees at the convention, and it would be simply impossible to verify identification for classes made up of 100 or 200 people. Most of the allotted class time would be spent in verifying identification. In smaller settings where time permits, Board staff will verify the identification of individuals taking continuing education classes.

The rule is reasonable because it does not impose an undue hardship on persons taking the examination or attending Board-sponsored classes or seminars. All individuals will have at least one of the four types of

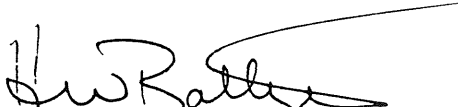
identification listed in subitems (1) through (4) of the proposed rule. The rule is reasonable because it will allow the Board to be sure that its licensed gambling managers have taken the examination required by law. The rule is reasonable because it insures the integrity of lawful gambling as a whole in Minnesota.

There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since no costs are associated with compliance, it was not necessary to consider less costly or less intrusive methods for achieving the purpose of the rule. The Board considered making proof of identification mandatory at all continuing education classes as well as the gambling manager examination. This method was rejected because in certain circumstances it would be impractical to verify the identification of all persons in attendance, such as the ACM convention discussed in the first paragraph. Making this an optional requirement will allow flexibility for Board staff to verify identification in situations where time permits. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

17. CONCLUSION

Based on the foregoing, the proposed Minnesota Rules Part 7861.0030 are both necessary and reasonable.

DATED: 2/16, 1996



HARRY W. BALTZER
EXECUTIVE DIRECTOR
MINNESOTA GAMBLING CONTROL BOARD