



Suite 300 South
1711 W. County Road B
Roseville, MN 55113
651-639-4000

December 2, 2010

Legislative Reference Library
645 State Office Building
100 Constitution Avenue
St. Paul, Minnesota 55155

Re: In The Matter of the Proposed Rules of the Minnesota Gambling Control Board
Governing Lawful Gambling; Governor's Tracking #AR515

Dear Librarian:

The Minnesota Gambling Control Board (Board) intends to adopt rules governing lawful gambling. We published a Notice of Intent to Adopt Rules without a Public Hearing in the November 1, 2010, State Register.

The Board previously prepared a Statement of Need and Reasonableness [SONAR] dated October 14, 2010. On October 19, 2010, the Board submitted the SONAR to the Library, as required by Minnesota Statutes, sections 14.131 and 14.23.

The Board is now amending the SONAR to include information regarding the fiscal impact on small business and cities. On December 2, 2010, the Board is sending the Library an electronic copy of the amendment to the Statement of Need and Reasonableness.

If you have questions, please contact me at 651-639-4030.

Sincerely,

A handwritten signature in black ink that reads "Bernice Caruth". The signature is written in a cursive, flowing style.

Bernice Caruth,
Education and Rules Coordinator

Enclosure: Amended Statement of Need and Reasonableness

AMENDMENT

STATE OF MINNESOTA
MINNESOTA GAMBLING CONTROL BOARD
STATEMENT OF NEED AND REASONABLENESS
In the Matter of the Proposed Amendment, Repeal, and Adoption
Of the Rules of the
Minnesota Gambling Control Board Governing:

- M.R. 7861.0210 – DEFINITIONS
- M.R. 7861.0220 – LICENSED ORGANIZATION
- M.R. 7861.0230 – GAMBLING MANAGER
- M.R. 7861.0240 – PREMISES PERMIT
- M.R. 7861.0250 – ILLEGAL GAMBLING
- M.R. 7861.0260 – CONDUCT OF LAWFUL GAMBLING
- M.R. 7861.0270 – BINGO
- M.R. 7861.0280 – PULL-TABS
- M.R. 7861.0290 – TIPBOARDS
- M.R. 7861.0300 – PADDLEWHEELS
- M.R. 7861.0310 – RAFFLES
- M.R. 7861.0320 – ORGANIZATION OPERATIONS, ACCOUNTS AND REPORTS
- M.R. 7861.0330 – EXCLUDED BINGO AND RAFFLES
- M.R. 7861.0340 – EXEMPTED LAWFUL GAMBLING
- M.R. 7863.0210 – DISTRIBUTORS, DISTRIBUTOR SALESPERSONS
- M.R. 7863.0220 – DISTRIBUTOR OPERATIONS, ACCOUNTS, AND REPORTS
- M.R. 7863.0250 – LINKED BINGO GAME PROVIDER LICENSES
- M.R. 7863.0260 – LINKED BINGO GAME PROVIDER OPERATIONS, ACCOUNTS, AND REPORTS
- M.R. 7864.0210 – MANUFACTURER LICENSES
- M.R. 7864.0230 – MANUFACTURER STANDARDS FOR LAWFUL GAMBLING EQUIPMENT
- M.R. 7864.0240 – MANUFACTURER OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS
- M.R. 7865.0210 – COMPLIANCE REVIEW GROUP
- M.R. 7865.0220 – SUSPENSIONS OR REVOCATIONS OF LICENSES OR PERMITS
- M.R. 7865.0225 – REIMBURSEMENTS TO GAMBLING BANK ACCOUNT
- M.R. 7865.0230 – FINES AND OTHER SANCTIONS
- M.R. 7865.0240 – STAYS OF IMPOSITION FOR SUSPENSION, REVOCATION, OR CIVIL FINE
- M.R. 7865.0250 – VARIANCES TO BOARD RULES
- M.R. 7865.0260 – HEARINGS AND APPEALS OF INCOMPLETE OR DENIED LICENSE AND PERMIT APPLICATIONS

**The following is an amendment to the
Statement of Need and Reasonableness [SONAR] dated October 14, 2010,
of the Minnesota Gambling Control Board [Board].**

CONSULTATION WITH MMB ON LOCAL GOVERNMENT IMPACT

As required by Minnesota Statutes, section 14.131, the Board consulted with Minnesota Management and Budget (MMB). MMB was consulted by letter on September 15, 2010, to help evaluate the fiscal impact and benefits of proposed rules on local governments.

Included at the time of consultation were:

- (1) a copy of the SONAR form dated September 13, 2010;
- (2) a copy of the Board's draft proposed rules dated September 13, 2010 (same language contained in the Revisor's draft RD3969, dated October 14, 2010 and published on the Board's web site); and
- (3) a copy of the Governor's Office Proposed Rule and SONAR Form.

This was done on the same day that the documents were submitted to the Governor's Office for review and approval.

MMB Determination - On October 29, 2010, MMB provided their comments regarding the financial impact of the rules. MMB determined that the proposed changes would not have a financial impact on local governments.

A copy of the cover correspondence and the response received from MMB will be included with the documents the Board submits for review by the Administrative Law Judge (in Exhibit P2).

DETERMINATION ABOUT RULES REQUIRING LOCAL IMPLEMENTATION

As required by Minnesota Statutes, section 14.128, subdivision 1, the Board has considered whether these proposed rules will require a local government [town, county, or home rule charter or statutory city] to adopt or amend any ordinance or other regulation in order to comply with these rules.

The Board has determined that they do not because Minnesota Statutes, section 349.213 prescribes the authority that a local government has over lawful gambling in their jurisdiction. The Board does not prescribe in rule any requirements for local governments.

It is noted that the statutory amendments in 2009 to change the terms of an organization's license, gambling manager license, and premises permit from a two-year term to a perpetual term with no renewal may have required possible changes to ordinances based on the statutory amendments, not a rule change. Rules changes are being made to be in conformance with the statutory language pertaining to the term of licenses and permits, i.e. perpetual terms that do not require *renewal* applications.

Previously, local government authority to approve or deny premises permit applications pertained to both initial applications and renewal applications. In 2009, the statutory authority was changed, giving local government the opportunity to approve or deny only an organization's initial premises permit application [Minn. Stat. 349.213]. Renewal applications were eliminated due to the statutory change in 2009.

In the Request for Comments on Possible Amendments published in the State Register on October 26, 2009, the Request included the following language under Persons Affected: "Local units of government would most likely not be affected as ordinance mandates are contained in *Minnesota Statutes*, section 349.213 and are not addressed in the Board's rules."

COST OF COMPLYING FOR SMALL BUSINESS OR CITY

Agency Determination of Cost

As required by Minnesota Statutes, section 14.127, the Board has considered whether the cost of complying with the proposed rules in the first year after the rules take effect will exceed \$25,000 for any small business or small city. The Board has determined that the cost of complying with the proposed rules in the first year after the rules take effect will not exceed \$25,000 for any small business or small city.

The Board has made this determination based on the probable costs of complying with the proposed rule, as described in the Regulatory Analysis section on pages 13 and 14 of the SONAR dated October 14, 2010. The Board requested in writing information from Advisory Committee members (listed on Page 17 of the SONAR dated October 14, 2010) and again at the Public Advisory Committee meeting on August 18, 2010, whether these costs would exceed \$25,000 during the first year. No response was received from members of the Public Advisory Committee.

As previously stated in this SONAR amendment, the Minnesota Management and Budget department determined that the proposed changes would not have a financial impact on local governments.



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October 19, 2010

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Re: In The Matter of the Proposed Rules of the Minnesota Gambling Control Board
Governing Lawful Gambling; Governor's Tracking #AR515

Dear Librarian:

The Minnesota Gambling Control Board (Board) intends to adopt rules governing lawful gambling. We plan to publish a Notice of Intent to Adopt Rules without a Public Hearing in the November 1, 2010, State Register.

The Board has prepared a Statement of Need and Reasonableness. As required by Minnesota Statutes, sections 14.131 and 14.23, the Board is sending the Library an electronic copy of the Statement of Need and Reasonableness at the same time we are mailing our Notice of Intent to Adopt Rules.

If you have questions, please contact me at 651-639-4030.

Sincerely,

A handwritten signature in black ink that reads "Bernice Caruth". The signature is written in a cursive, flowing style.

Bernice Caruth,
Education and Rules Coordinator

Enclosure: Statement of Need and Reasonableness

STATE OF MINNESOTA
MINNESOTA GAMBLING CONTROL BOARD
STATEMENT OF NEED AND REASONABLENESS
In the Matter of the Proposed Amendment, Repeal, and Adoption
of the Rules of the
Minnesota Gambling Control Board Governing:

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- M.R. 7865.0260 - HEARINGS AND APPEALS OF INCOMPLETE OR DENIED LICENSE AND PERMIT APPLICATIONS**

INTRODUCTION AND BACKGROUND

The nature of the proposed rules of the Minnesota Gambling Control Board (Board) contained in Minnesota Rules, 7861.0210, 7861.0220, 7861.0230, 7861.0240, 7861.0260, 7861.0270, 7861.0280, 7861.0290, 7861.0300, 7861.0310, 7861.0320, 7861.0330, 7861.0340, 7863.0210, 7863.0220, 7863.0250, 7863.0260, 7864.0210, 7864.0230, 7864.0240, 7865.0210, 7865.0220, 7865.0225, 7865.0230, 7865.0240, 7865.0250, and 7865.0260 is as follows.

The purpose of this rules process is to address statutory changes that occurred in 2007, 2008, and 2009, primarily the changes pertaining to perpetual terms of licenses and permits for organizations, gambling managers, and premises permits. Those changes affect a significant portion of the Board's rules, as outlined in the Board's *Obsolete Rules Report* (December 28, 2009). The rules process also includes changes relating to allowable expenses, lawful purpose expenditures, advertising, conduct of lawful gambling, consolidation of manufacturing standards, repeal of obsolete rule language, and changes to make rule language consistent with all statutory changes that have occurred since 2007. The Board will also include minor throughout rules language where appropriate to delete "director" and replace it with "board." Also included are proposed changes or additions based on comments received from the public pertaining to paddlewheels, pull-tab dispensing devices, electronic bingo devices, programmable electronic devices, and gambling equipment sold or leased on an exclusive basis. The Board is also amending rule language at the request of the Department of Revenue to include licensee identification information, i.e. Minnesota tax identification number and federal employer identification number.

In **7861.0210 Definitions**, two significant changes are the deletion of the current definition of "immediate family" and a new definition of "lessor's immediate family." This change will allow licensed organizations greater flexibility in who may participate (play) in lawful gambling and is explained in more detail in the SONAR for 7861.0210, Subpart 27 and new Subpart 31a. Other changes are primarily devoted to clarification of definitions based on statutory changes, repeal of obsolete language, and grammatical changes.

In **7861.0220 Licensed Organization**, the proposed changes include removing obsolete language that reference the term of an organization license and license renewal. With statutory changes that became effective July 1, 2009, the term of an organization license is perpetual with no license renewal required. [It is noted that if an organization license is terminated or becomes lapsed, according to Minnesota Statutes, section 349.16, Subdivision 3a, the term of the license expires.] Training requirements for a new organization's gambling manager and chief executive officer are clarified to be consistent with statutory requirements. Several changes are made to the required contents and attachments of an organization license application by deleting information that has been deemed to be unnecessary for licensing purposes or by clarifying existing language. A change is also being made to clarify the existing criteria for denying an application.

In **7861.0230 Gambling Manager and Assistant Gambling Manager**, the changes primarily address statutory changes that eliminate license renewals (gambling manager license term is now perpetual, in conjunction with the organization license), clarify training requirements (obsolete language), and clarify emergency gambling manager replacement (statutory change now allows an organization to continue operations without a licensed gambling manager for a brief time). A change is also made to clarify the existing criteria for denying an application.

In **7861.0240 Premises Permits**, changes are primarily to address statutory changes that eliminate permit renewals (terms now perpetual in conjunction with the organization license). Other changes include a simplification of the resolution process (no attachment required, just local government acknowledgment); creating a separate subpart for the contents of a lease by using existing rule language; and in the new lease subpart deleting the reference to the lessor's immediate family so that it is consistent with the language of new 7861.0210, subpart 31a (any person residing in the same residence as the lessor). A change is also made to clarify existing criteria for denying an application.

In **7861.0260 Conduct of Lawful Gambling**, changes are primarily to address statutory changes and remove obsolete language pertaining to who may participate in lawful gambling, as that is now primarily addressed in Minnesota Statutes, section 349.181 but at the same time require organizations to post additional restrictions on who may not play; to clarify language in Subpart 3 pertaining to advertising; to remove obsolete language in Subpart 4, item C (raffle prize limit now contained in statute); and make grammatical changes to clarify rule language. The Board is proposing to amend prize language to allow an organization that conducts raffles with \$60 or less in gross receipts to pay for the prizes within 30 days of the raffle (typically meat raffles). The Board is proposing to amend language to allow an organization to purchase from the lessor a certificate for merchandise or gift card to be redeemed for food or beverages at the premises with certain restrictions.

In **7861.0270 Bingo**, changes are primarily to address statutory changes, remove obsolete language, and clarify existing language. The restriction pertaining to gambling employees not playing at a bingo occasion is being removed, as Minnesota Statutes, section 349.181 [effective July 1, 2009] clarifies who may and may not participate in lawful gambling. The Board is proposing to remove the restriction that prohibits a gambling employee from having direct communication during the bingo occasion with an immediate family member regarding the play of bingo. Originally the intent was to provide a perception to prevent cheating, i.e. between a bingo employee and their immediate family members. The Board is proposing to delete this outdated rule--given the internal controls and bingo forms that are required and the fact that organizations may impose restrictions through their house rules and procedures.

Other changes pertain to clarification of terms (such as facsimiles) used in conjunction with electronic bingo devices; clarifying bingo games that may be played with the use of an electronic bingo device and removing restrictions (breakopen, you pick 'em, and linked bingo games); creating new subpart for use of electronic bingo devices by using existing language, amending language to allow audio function for electronic bingo devices, clarifying that bingo sales must take place at the permitted premises, removing advertising restrictions (mandate to prevent commercialization was removed from Minnesota Statutes, section 349.11, effective July 1, 2009); deleting the reference to "immediate family member" for bingo game verification; removing obsolete language based on statutory changes; clarifying that a bingo player may win a game based on game requirements instead of a winning pattern (statutory change); moving linked bingo game provider requirements for the conduct of linked bingo to 7863.0260 (linked bingo game provider); and clarifying records for gift certificates.

In **7861.0280 Pull-tabs**, language pertaining to who may participate is being deleted, because Minnesota Statutes, section 349.181 establishes those restrictions and allowances (effective July 1, 2009). The Board is proposing to clarify the restrictions for transferring games at a site, i.e. bar operation and booth operation at owned and leased sites.

The Board is proposing to make two significant changes pertaining to the use of pull-tab dispensing devices based on comments received from the industry. The proposed changes would allow pull-tab tickets remaining in one column to be dispensed until all tickets are sold, and to allow games that can fit entirely into one column to be loaded and dispensed from only one column. Currently, Board rule requires a game to be placed into at least two columns when put in play, and that game to be closed when tickets are remaining in only one column. This proposed change will allow organizations greater flexibility in conducting those games and maximizing their profits and minimizing losses. The Board is also proposing to clarify that "seals" on a flare or prize pool board are either opened or "uncovered." This change is made in conjunction with a modification to manufacturing standards that will allow flares and prize pool boards (but not tickets) to have latex-type seals. The remaining rule changes are technical and grammatical in nature.

In **7861.0290 Tipboards**, language pertaining to who may participate is being deleted, because Minnesota Statutes, section 349.181 establishes those restrictions and allowances, effective July 1, 2009. The Board is proposing to clarify the restrictions for transferring games at a site, i.e. bar operation and booth operation at owned and leased sites. The Board is proposing to delete obsolete ticket price language, as the ticket price is now established in statute. The Board is also proposing to clarify that "seals" on a flare or prize pool board are either opened or "uncovered." This change is made in conjunction with a modification to manufacturing standards that will allow flares and prize pool boards (but not tickets) to have latex-type seals.

In **7861.0300 Paddlewheels**, the Board is proposing to delete language pertaining to who may participate, because Minnesota Statutes, section 349.181 establishes those restrictions and allowances, effective July 1, 2009. Based on public comments received AFTER the last rules process was completed in 2007, the Board is proposing to clarify and change the language once again pertaining to the requirements for determining a paddlewheel winner, i.e. if the pointer stops directly on top of a peg, the number preceding the peg is the winning number. The Board is proposing to establish a paddlewheel training requirement for replacement gambling managers. Currently, a licensed organization is required to have its gambling manager attend a "paddlewheel with table" training class prior to implementing the conduct of a paddlewheel with table game. The new requirement for a replacement gambling manager will help to ensure the integrity of game and that the replacement gambling manager understands the game requirements. The Board is proposing to delete the reference to "lessor's immediate family" and clarify it with "person residing in the same residence as the lessor." Other proposed changes are grammatical or technical in nature, including the clarification that the surveillance system is a "video" surveillance system.

In **7861.0310 Raffles**, the Board is proposing to clarify that when alcohol is included in the raffle prize structure, that a person must be at least 21 to be awarded a raffle prize that consists of alcoholic beverages. The mandate to prevent the commercialization of lawful gambling was removed from Minnesota Statutes, section 349.11 [effective July 1, 2009], thereby allowing organizations to pursue commercial advertising in conjunction with the conduct of lawful gambling. The Board therefore is proposing to remove the existing advertising restriction for button raffles and to allow the button to be used to obtain merchandise for a reduced price or free, whether it is redeemed at the event or at some other time. The Board is proposing to simplify record retention for button raffles by allowing unsold buttons to be discarded as long as the corresponding unsold ticket is retained. Other proposed changes are technical and grammatical in nature.

In **7861.0320 Organization Operations, Accounts, Reports, and Records**, the Board is proposing to clarify language and to repeal obsolete language in this part.

- The Board is proposing to require licensed organizations to use a board-prescribed form to document their internal controls, something that organizations already do.
- The Board is proposing to clarify organization duties pertaining to illegal gambling, i.e. monitoring the permitted premises.
- Effective July 1, 2009, statutory changes eliminated the allowable expense calculation requirements, and the Board is proposing to delete and repeal obsolete language referencing allowable expense calculations throughout this part, including the repeal of Subparts 10, 11, and 12.
- The Board is proposing to clarify language pertaining to the gambling bank account, and amend the language to clarify that all expenditures may be made electronically (or by check).
- The Board is proposing to amend gambling receipt language to clarify that it includes "all income derived" from lawful gambling, including advertising and sponsorship income.
- To address problems encountered with restitution, usually when games are conducted after hours (a practice that is not allowed), the Board is proposing to clarify that fund losses include "prizes paid from a game not conducted in compliance with statute and rule."
- Based on a statutory change effective July 1, 2009, references to "renewing" licenses are being deleted, as organization licenses now have a perpetual term.
- Based on a statutory change that requires annual reporting to the Board effective July 1, 2009, the Board is proposing to clarify standards for 501(c)(3) organizations and 501(c)(4) festival organizations. Previously the reporting was done on a biennial basis when the license was renewed. Organization licenses now have a perpetual term.
- The Board is proposing to clarify requirements for expenditures made for active military personnel, by clarifying the definition of "immediate family members."
- Effective July 1, 2009, a new statutory provision allows lawful purpose expenditures to be made for citizen monitoring of surface water quality. The Board is clarifying in rule that organizations proposing to make such expenditures must first notify the Minnesota Pollution Control Agency (MPCA) by using a board-prescribed acknowledgment form. It is noted that this requirement was coordinated with MPCA during the 2009 legislative process when the language was proposed and later implemented when the legislation passed.
- A significant portion of Subpart 16 *Lawful Purpose Expenditures Requiring Board or Director Approval* is being deleted because effective July 1, 2009, Minnesota Statutes, section 349.12, subdivision 25, established and clarified these expenditures for the most part.
- The Board is proposing to change statute cites where necessary due to statutory changes.

In **7861.0330 Excluded Bingo** and **7861.0340 Exempted Lawful Gambling** the Board is making minor changes to delete "director" and insert "board" and to include, at the request of the Department of Revenue, organization tax identification information, if any.

In **7863.0210 Distributors; Distributor Salespersons Licenses**, the Board is proposing to delete language that is redundant of statutory language (board-prescribed form). The Board is proposing to include, at the request of the Department of Revenue, distributor tax identification information as part of the application information. The Board is proposing to establish in Subpart 5 (*Attachments to distributor license application*) a new subitem C that clarifies and reduces existing application information required for nonsales employees. The Board is proposing to clarify existing criteria for denying an application.

In **7863.0220 Distributor Operations, Accounts, Reports, and Records**, the Board is proposing changes that are technical and grammatical in nature, based on statutory changes pertaining to “lapsed” organization licenses, organization licenses not required to be renewed, and delinquency report requirements. The Board is also proposing to clarify the requirements for the lease of electronic bingo devices, and to include new language pertaining to gambling equipment that is sold or leased on an exclusive basis. The Board is also proposing to include new language pertaining to sales invoices for promotional tickets. At the request of the Department of Revenue, the Board is proposing to amend the sales invoice requirement for licensee identification, i.e. Minnesota tax identification number and federal identification number. The Board is also proposing to clarify that pricing reports are submitted to the director as required by statute, and not to the board.

In **7863.0250 Linked Bingo Game Provider Licenses**, the Board is proposing to delete language that is redundant of statutory language (board-prescribed form), and to delete the advertising restriction (based on statutory elimination of board-mandate to prevent commercialization). The Board is proposing to relocate the requirements of a linked bingo game system from existing 7863.0250, Subpart 5, item F to 7863.0260, Subpart 1a, where the language is more logically placed. At the request of the Department of Revenue, the Board is proposing to amend license application information for licensee identification, i.e. Minnesota tax identification number and federal identification number. The Board is proposing to clarify existing criteria for denying an application. Other proposed changes are minor, either technical or grammatical in nature.

In **7863.0260 Linked Bingo Game Provider Operations, Accounts, Reports, and Records**, the Board is proposing to create new Subpart 1a *Linked bingo game system requirements*, by moving existing language from existing 7863.0250, Subpart 5, item F. The Board is proposing changes that are technical and grammatical in nature, based on statutory changes pertaining to “lapsed” organization licenses, organization licenses not required to be renewed, fee structure required by Minnesota Statutes, section 349.1635, and delinquency report requirements. The Board is proposing to establish new Subpart 2a *Conduct of linked bingo* by moving existing language from existing 7861.0270, Subpart 10, item K. This proposed change places the language where it is logically located. The Board is also clarifying the director’s role pertaining to game system changes and for agreements between a linked bingo game provider and licensed organizations. At the request of the Department of Revenue, the Board is proposing to amend sales invoice information for licensee identification, i.e. Minnesota tax identification number and federal identification number.

In **7863.0210 Manufacturer Licenses**, the Board is proposing to delete language that is redundant of statutory language (board-prescribed form) and to clarify sales employee. The Board is also proposing to clarify existing criteria for denying an application. At the request of the Department of Revenue, the Board is proposing to amend license application information for licensee identification, i.e. Minnesota tax identification number and federal identification number.

In **7863.0230 Manufacturer Standards for Lawful Gambling Equipment**, the Board is proposing to simplify the language in this extensive part by consolidating language where possible and to amend standards to be proactive for pull-tab dispensing devices and electronic bingo devices.

For **pull-tab and tipboard standards**, the Board is proposing to:

- consolidate the existing language because of the significant similarities of the two games,
- delete obsolete ticket price language that is now established in statute,
- allow latex-type seals for flares and prize pool boards (but not for tickets),
- clarifying the heat-seal process, and
- for new members of a previously approved family of games, require the manufacturer to provide the date when that family of games was previously approved by the board.

For **promotional tickets that mimic a pull-tab and tipboard**, the Board is proposing to include new language that establishes and clarifies manufacturing standards for these unique tickets that are authorized by statute as lawful gambling equipment but are not used in the conduct of lawful gambling, as there is no consideration paid.

For **pull-tab dispensing devices**, the Board is proposing to:

- delete the advertising restriction (commercial advertising now allowed by statute);
- allow an electronic display screen;
- delete the randomization requirement for dispensing of tickets;
- allow tickets to be dispensed until all tickets are sold;
- allow tickets for entire (small ticket) game to be dispensed from one column;
- remove restriction of United States currency in denominations of \$20 or less; and
- allow any denomination of US currency to be used.

For **electronic bingo devices**, the Board is proposing to:

- allow these devices to be used for breakopen bingo games;
- allow these devices to be used for bingo games in which the bingo player selects bingo numbers in advance and the numbers are secured at the point of sale (you pick'em games);
- remove the advertising restriction;
- make technical clarifications for facsimiles of bingo faces;
- allow the devices to be used with an audio component for all players, and
- remove language pertaining to electronic daubing that has been clarified in statute.

For **programmable electronic devices** (defined in Minn. Stat. 349.12, subdivision 18), the Board is proposing to:

- establish manufacturing standards, and
- clarify that they require prior Board approval before sale or lease in Minnesota.

In **7864.0240 Manufacturer Operations, Accounts, Reports, and Records**, the Board is proposing to clarify delinquency reports based on a statutory clarification in 2008. The Board is proposing to establish a new subpart devoted to lawful gambling equipment restrictions and agreements when the equipment is sold or leased on an exclusive basis. The Board is also proposing to clarify the requirements for the lease of electronic bingo devices. At the request of the Department of Revenue, the Board is proposing to amend sales invoice information for licensee identification, i.e. Minnesota tax identification number and federal identification number.

The Board is also proposing to clarify that pricing reports are submitted to the director as required by statute and not to the board.

In **7865.0210 Compliance Review Group (CRG)**, the Board is proposing to clarify in Subpart 2 the existing process, including the contents in a consent order proposed and negotiated by the CRG. In Subpart 3, the Board is proposing to delete language in conjunction with proposed changes to the definition of immediate family and lessor's immediate family in 7861.0210, and to also remove unnecessary and confusing language pertaining to "ownership rights" of a license or premises permit, which is a privilege not a right.

In **7865.0220 Suspension or Revocation of Licenses or Permits**, the Board is proposing clarify that if an organization does not enter into a consent order with the Board when it has determined that a violation of illegal gambling occurred based on Minnesota Statutes 349.155, subdivision 4a, paragraph (a), that the suspension or revocation becomes a contested case.

In **7865.0225 Reimbursements to Gambling Account**, the Board is proposing to clarify that if a licensee does not enter into a consent order with the Board for a required reimbursement, the reimbursement then becomes a contested case.

In **7865.0230 Fines and Other Sanctions**, the Board is proposing to clarify and amend Subpart 1 based on statutory changes that increased fine amounts that may be imposed, i.e. up to \$1,000 for statute and rule violations, and up to \$10,000 for violations of the five-star rating system for expenditures of gross profits. The Board is proposing to repeal Subpart 2 *Imposition of fines and sanctions by board or director for violation of Minnesota Statutes, section 349.15, subdivision 1 (expense calculations)*, because allowable expense calculation requirements were deleted from statute effective July 1, 2009.

There are no proposed changes in **7865.0240 Stays of Imposition for Suspension, Revocation, or Civil Fine**.

In **7865.0250 Variances to Board Rules**, the Board is proposing to clarify the rule variance language based on public comment received and provide a reference to Minn. Stat. 14.056.

In **7865.0260 Hearings and Appeals of Incomplete or Denied License and Permit Applications**, the Board is proposing to delete obsolete language referencing organization license renewals.

ALTERNATIVE FORMAT

Upon request, this Statement of Need and Reasonableness can be made available in alternative format, such as large print or Braille. To make a request, contact Bernice Caruth at Minnesota Gambling Control Board, 1711 West County Road B, Suite 300 South, Roseville, Minnesota 55113; telephone 651-639-4030; fax 651-639-4032; or e-mail Bernice.caruth@gcb.state.mn.us.

STATUTORY AUTHORITY

RULE MAKING AUTHORITY

The Board's statutory authority to adopt these rules is in:

- Minnesota Statutes, section 349.151, subdivision 13, which states that in addition to any authority to adopt rules specifically authorized by chapter 349, the Board may adopt, amend, or repeal rules under chapter 14, when necessary or proper in discharging the Board's powers and duties.
- Minnesota Statutes, section 349.151, subdivision 4, paragraph (a) which lists the powers and duties of the Board:
 - Clause (5) authorizes the Board to make rules authorized by this chapter; and
 - Clause (20) authorizes the Board to take all necessary steps to insure the integrity of and public confidence in lawful gambling.

RULE MAKING AUTHORITY IS ALSO INCLUDED IN THE FOLLOWING:

ORGANIZATIONS

- Minnesota Statutes, section 349.155, subdivision 1, allows the Board to prescribe a form for all license applications.
- Minnesota Statutes, section 349.168, subdivision 1 requires the Board to prescribe a form used for the registration of paid gambling employees.
- Minnesota Statutes, section 349.19, subdivision 8 requires the Board to approve licensed organization termination plans as provided in board rules.

GAMBLING MANAGERS

- Minnesota Statutes, section 349.12, subdivision 19, gives the Board the authority to establish by rule other gambling manager qualifications.
- Minnesota Statutes, section 349.155, subdivision 1, allows the Board to prescribe a form for all license applications.

PREMISES PERMITS

- Minnesota Statutes, section 349.165, subdivision 1 requires the Board to prescribe a form for permit applications, and that each permit application must be submitted on a separate form.
- Minnesota Statutes, section 349.165, subdivision 1 gives the Board the authority to limit by rule the number of premises permits that may be issued to an organization. [To date the Board has not used this authority, nor does it propose to use it in this rules process.]
- Minnesota Statutes, section 349.165, subdivision 2 authorizes the Board to require other information deemed necessary to complete a premises permit application, including lease information for leased sites.
- Minnesota Statutes, section 349.18, subdivision 1, paragraph (a) requires the Board to prescribe a lease form for leased premises.

GENERAL CONDUCT OF LAWFUL GAMBLING

- Minnesota Statutes, section 349.151, subdivision 4, paragraph (a), clause (7) requires the Board to provide by rule for the mandatory posting by organizations conducting lawful gambling of rules of play and the odds and/or house percentage on each form of lawful gambling.
- Minnesota Statutes, section 349.211, subdivision 3, requires the Board to develop rules pertaining to certain prize limits.

CONDUCT OF BINGO; ELECTRONIC BINGO DEVICES; LINKED BINGO

- Minnesota Statutes, section 349.12, subdivision 4, provides the Board with the authority to adopt rules for the conduct of bingo.
- Minnesota Statutes, section 349.151, subdivision 4c, paragraph (a) states that the Board may by rule authorize but not require the use of electronic bingo devices, and paragraph (b) provides specific requirements that the Board must include in its rules for electronic bingo devices.
- Minnesota Statutes, section 349.17, subdivision 5 requires the Board to establish by rule the mandatory requirements for the use of bingo cards, sheets, and facsimiles.
- Minnesota Statutes, section 349.17, subdivision 8, paragraph (d) gives the Board the authority to adopt rules governing the play of linked bingo games and how prizes are awarded.

CONDUCT OF PULL-TABS AND PULL-TAB DISPENSING DEVICES

- Minnesota Statutes, section 349.13 states that "...A pull-tab dispensing device permitted by board rule is not a gambling device within the meaning of sections 609.75 to 609.76 and chapter 299L."
- Minnesota Statutes, section 349.151, subdivision 4b, paragraphs (a), (b), and (c) authorizes the Board to adopt rules governing the sale of pull-tabs through pull-tab dispensing devices and requires that, if adopted, the rules must contain certain limits.
- Minnesota Statutes, section 349.163, subdivision 5, paragraph (a) states that a manufacturer may not ship into Minnesota any deal of pull-tabs or tipboards that do not have an individual flare as required by this subdivision or Board rule, and that no person other than a manufacturer may manufacture, alter, modify, or otherwise change a flare for a deal of pull-tabs or tipboards, except as allowed by Minnesota Statutes, section 349 or Board rule.
- Minnesota Statutes, section 349.1721, subdivision 1 requires the Board to permit by rule pull-tab games with multiple seals and pull-tab games with cumulative or carryover prizes.
- Minnesota Statutes, section 349.1721, subdivision 2 requires the Board to permit by rule pull-tab event games in which certain winners are determined by the random selection of one or more bingo numbers or by another method approved by the Board.
- Minnesota Statutes, 349.19, subdivision 10, paragraph (a) requires the Board to adopt rules regarding the identification of pull-tab winners and to require organizations to maintain records of winning pull-tabs over \$50 and the identification of those winners for 3-1/2 years.
- Minnesota Statutes, 349.19, subdivision 10, paragraph (c) requires the Board to adopt rules regarding the standards for cash registers by organizations conducting pull-tabs, and to define by rule how cash registers may be used, including procedures for reconciling games in play at month end.

CONDUCT OF TIPBOARDS

- Minnesota Statutes, section 349.1711, subdivision 5 requires the Board to adopt rules governing tipboard games with multiple seals, and tipboard games with cumulative or carryover prizes.

CONDUCT OF PADDLEWHEELS

- Minnesota Statutes, section 349.151, subdivision 4a requires the Board to promulgate rules governing paddlewheels, including operation procedures, internal control standards, posted information, records, and reports.

CONDUCT OF RAFFLES

- Minnesota Statutes, section 349.173, paragraph (a) states that "Raffles conducted under the exemptions in section 349.166 may use tickets that contain only the sequential number of the raffle ticket and no other information if the organization makes a list of prizes and a statement of other relevant information *required by rule* available to persons purchasing tickets and if tickets are only sold at the event and on the date when the tickets are drawn.
- Minnesota Statutes, section 349.173, paragraph (c) states that methods of selecting winning entries from a raffle other than *prescribed in rule* may be used with the prior written approval of the Board.

EXPENDITURES AND REPORTS (ORGANIZATIONS)

- Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (6) requires the Board to establish rules for lawful purpose expenditures made in recognition of military service.
- Minnesota Statutes, section 349.154, subdivision 1, requires the Board by rule to prescribe operating standards for licensed 501(c)(3) organizations and 501(c)(4) festival organizations, and standards for expenditures.
- Minnesota Statutes, section 349.19, subdivision 1 gives the Board the authority to provide by rule for the methods by which expenses are documented.
- Minnesota Statutes, section 349.19, subdivision 2, paragraph (b) allows the Board to define emergency expenditures by rule.
- Minnesota Statutes, section 349.19, subdivision 3, paragraph (b) allows the Board to prescribe a form used by organizations to report on each expenditure and contribution of net profits from lawful gambling.
- Minnesota Statutes, section 349.19, subdivision 3, paragraph (d) requires the Board to designate by rule at least two persons who are authorized to sign required checks or authorizations for electronic fund transfers for expenditures of gross profits.
- Minnesota Statutes, section 349.19, subdivision 5 requires the Board to prescribe the format in which a licensed organization reports annually a financial summary report to its membership and to the Board.
- Minnesota Statutes, section 349.19, subdivision 7 states that the Board by rule may require each licensed organization to provide copies of forms it files with the United States Department of the Treasury (IRS), forms which are required for organizations exempt from income tax.

LICENSES - DISTRIBUTORS, LINKED BINGO GAME PROVIDERS, AND MANUFACTURERS

- Minnesota Statutes, section 349.155, subdivision 1, allows the Board to prescribe a form for all license applications.
- Minnesota Statutes, section 349.161, subdivision 2 authorizes the Board to prescribe a license application form for distributors.
- Minnesota Statutes, section 349.163, subdivision 1, gives the Board the authority to prescribe additional manufacturer licensing criteria.
- Minnesota Statutes, section 349.1635, subdivision 2 states the Board may issue a license to a linked bingo game provider who meets the qualifications of Minnesota Statutes, chapter 349 and the rules promulgated by the Board, and the application must be on a form prescribed by the Board.
- Minnesota Statutes, section 349.1635, subdivision 3, clause (3) gives the Board authority to require by rule other information necessary for a linked bingo game provider license application.
- Minnesota Statutes, section 349.17, subdivision 8, paragraph (d), clause (4) gives the Board authority to adopt rules to establish the qualifications required to be licensed as a linked bingo game provider.

OPERATIONS – DISTRIBUTORS, LINKED BINGO GAME PROVIDERS, AND MANUFACTURERS

- Minnesota Statutes, section 349.162, subdivision 5, paragraph (b) gives the Board rule authority to prescribe the method of sale and shipment of gambling equipment, in addition to requirements of the Department of Revenue.
- Minnesota Statutes, section 349.163, subdivision 5, paragraph (a) states that a manufacturer may not ship into Minnesota any deal of pull-tabs or tipboards that do not have an individual flare as required by this subdivision or Board rule, and that no person other than a manufacturer may manufacture, alter, modify, or otherwise change a flare for a deal of pull-tabs or tipboards, except as allowed by Minnesota Statutes, section 349 or Board rule.
- Minnesota Statutes, section 349.163, subdivision 6, requires that the Board inspect and test all gambling equipment it deems necessary to determine the equipment's compliance with law and Board rules and allows the Board to require that gambling equipment be tested by an independent laboratory prior to submission to the Board for approval.
- Minnesota Statutes, section 349.163, subdivision 7 gives the Board the authority to require by rule that all pull-tabs sold in Minnesota be manufactured using recycled paper. [It is noted that to date the Board has not used this authority and does not propose to use it in this rules process.]
- Minnesota Statutes, section 349.163, subdivision 9 gives the Board the authority by rule to prohibit a manufacturer from selling gambling equipment to a licensed distributor under certain conditions, including gambling equipment sold or leased on an exclusive basis, sales prohibited by statute or Board rule, or sales to a licensee that is delinquent in payment to the manufacturer.
- Minnesota Statutes, section 349.169 gives the Board authority to require pricing reports from manufacturers, distributors, and linked bingo game providers and that the pricing reports be submitted to the director in a format that the director prescribes.
- Minnesota Statutes, section 394.17, subdivision 8, authorizes the Board to adopt rules regarding the play of a linked bingo game and how prizes are awarded, the records to be maintained by a linked bingo game provider, to require the submission of periodic reports by the linked bingo game provider and specify the report contents, and any other matter involving the operation of a linked bingo game.
- Minnesota Statutes, section 349.191, subdivision 3 allows the Board to develop rules regarding distributors and linked bingo game providers who are delinquent in payment for more than 30 days to manufacturers.

DISCIPLINARY ACTIONS

- Minnesota Statutes, section 349.151, subdivision 4, paragraph (a), clause (10) provides authority to the Board to impose civil penalties to licensees for violating or failing to comply with any provisions of chapter 349, chapter 297E, or any rule or Board order.
- Minnesota Statutes, section 349.151, subdivision 4, paragraph (a), clause (15), unit (ii) provides authority to the Board to consider rule variance requests.
- Minnesota Statutes, section 349.151, subdivision 4, paragraph (a), clause (18) provides authority to the Board to delegate to a compliance review group (CRG) the authority to investigate alleged violations, issue consent orders, and initiate contested cases on behalf of the board.
- Minnesota Statutes, 349.151, subdivision 4, paragraph (a), clause (20) authorizes the Board to take all necessary steps to ensure the integrity of and public confidence in lawful gambling.
- Minnesota Statutes, section 349.151, subdivision 4, paragraph (b) provides the Board and Director the authority to assess a civil penalty for violation of chapter 349, chapter 297E, or any Board rule or order, and provides a licensee the opportunity to request a hearing before the board.

REGULATORY ANALYSIS

Describe the classes of persons who will probably be affected by the rules, including those who will bear the cost of the rules, and those who will benefit from the rules.

In general, the rule amendments will primarily affect licensed nonprofit organizations and licensed manufacturers. However, the rules will have a minor affect on all segments of the lawful gambling industry in Minnesota. This includes persons employed in the industry, lessors of lawful gambling premises, gambling managers, distributors, distributor salespersons, linked bingo game providers, and players of the games. The rules also affect other state agencies, i.e. the Departments of Revenue and Public Safety. There is no impact on the Minnesota Pollution Control Agency (MPCA) for a minor provision pertaining to lawful purpose expenditures for surface water testing, as that requirement has already been implemented under statutory authority in conjunction with MPCA.

Benefit: These same entities will also benefit from the proposed rules. Some information requirements of the licensing process have been eliminated as it was determined the information was not relevant to the license application process. The proposed rules have been reorganized where necessary so that readers can more easily locate information. Advertising restrictions are being deleted in conjunction with a statutory change that will allow organizations to seek commercial advertising, including sponsorships, in conjunction with lawful gambling.

In general, the entire industry will benefit from the proposed rules. The industry will benefit from the deletion of obsolete and unnecessary rules and the deletion of rules that are duplicative of statute. New rules will allow organizations to have greater flexibility in who may participate in lawful gambling (clarifying "immediate family") and for pull-tab dispensing devices that can be used to dispense all game tickets and accept all U.S. currency with no limit on the denomination. Manufacturers and distributors will be able to market those pull-tab dispensing devices with additional features that will be allowed but not required. Restrictions are being removed so that electronic bingo devices can be used for "you pick'em" and "breakopen" bingo games.

Costs: There are no costs attributable to this rules process for the industry, as the bulk of rule changes are primarily technical in nature as related to perpetual organization and gambling manager licenses and premises permits for nonprofit organizations and as related to statutory changes imposed and implemented since 2007. Manufacturers will have greater flexibility in developing pull-tab dispensing devices with *optional* features that allow all tickets to be dispensed and to accept all U.S. currency. Manufacturers are not required to manufacture pull-tab dispensing devices--that is a marketing option they may pursue. Electronic bingo devices may be enhanced with *optional* features (audio notification for player, new games) that a manufacturer may incorporate, if they choose.

The Board requested information from the industry in writing and at the Public Advisory Committee meeting regarding any costs attributed to the proposed rules, but no information was received by the Board.

Discuss 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.

There are costs to the Board to edit the Lawful Gambling Manual, forms, continuing education class materials, the Board's web site, gambling manager seminar materials, and gambling manager examinations. These costs are estimated to be about \$10,000+ and will be absorbed by the Board. There will be training costs for staff to become familiar with rule changes, and to provide training and mentoring to the industry. This cost is estimated to be about \$5,000+ and will also be absorbed by the Board.

Department of Revenue staff attended the Public Advisory Committee meetings, participated in rule edits, and are aware of the proposed changes. Department of Public Safety staff (Alcohol and Gambling Enforcement) was advised regarding the proposed rules and are aware of the changes. It is anticipated that there will be no effect on state revenues as a result of these changes.

Discuss whether there are less costly or less intrusive methods for achieving the purpose of the rules.

A significant portion of the proposed rules changes was to make technical changes to conform to statutory changes, with some existing requirements being deleted. As outlined previously, the Board has extensive authority to promulgate rules and in many cases is required by statute to promulgate rules. There was no other method to achieve the purpose of the rules, as the Board is complying with and clarifying statutory changes and deleting obsolete or conflicting rule language.

Estimate the probable costs of complying with the proposed rules.

Most of the rule changes carry no financial impact that can be identified, as many of the changes are technical in nature to conform to statutory changes and the licensed entities have already made changes in their processes to comply with the statutory changes that override obsolete rules.

Discuss the probable costs or consequences of not adopting the proposed rule, including those costs or consequences borne by identifiable categories or affected parties, such as separate classes of government units, businesses, or individuals.

One consequence of not adopting the rules would be that a significant portion of rules pertaining to licensed organizations would be greatly obsolete and confusing to the reader because of the many statutory changes that have occurred since 2007. A second consequence would be that manufacturers of gambling equipment would not be able to offer enhanced pull-tab dispensing devices and electronic bingo devices to licensed organizations that rely on lawful gambling receipts to fund charitable purposes.

Discuss any differences between the rules and existing federal regulations.

Federal regulations exist with regard to organizations that are classified as 501(c)(3) organizations or 501(c)(4) festival organizations (exempt from income tax). Federal requirements exist pertaining to bank checks, and those requirements were previously incorporated into the rules in 2007 under 7861.0320, Subpart 3, item A, which references Department of Revenue requirements that are based on the federal requirements. There is no difference between these rules and federal regulations.

The Board reviewed the Social Security Act (USC405) to ensure that the Board was in compliance with that Act and with Minnesota Statutes, chapter 349. As a result the Board will be making a modification to the application requirements for distributor nonsales employees, i.e. deleting the requirement to include the nonsales employee's Social Security number in the application.

PERFORMANCE BASED RULES

The Board believes that these rules are performance based rules as they provide flexibility for the regulated party in meeting the regulatory goals as required by statute and clarified in rules and, and at the same time in achieving the Board's regulatory objectives. For example:

- The proposed changes throughout rule to remove advertising and commercialization restrictions, based on a statutory change, will help organizations to promote their lawful gambling operations, solicit commercial advertising or sponsorships in conjunction with lawful gambling, and maximize profits so that more dollars are available for charitable purposes.
- Proposed changes to reduce the amount of information required for certain license applications lessens the reporting burden on the applicant to provide information at the time of the initial license application and to keep that information up-to-date with the Board.
- The proposed change and clarification of "immediate family" will allow organizations greater flexibility in who may participate in lawful gambling at their permitted sites.
- The proposed change to manufacturing standards for pull-tab and tipboard flares to allow the use of a latex-type seal for flares and prize pool boards (but not tickets) will help to reduce or minimize the manufacturing costs for flares and prize boards that contain seals, thereby reducing the costs incurred by the manufacturer and for subsequent sales of those games to distributors and organizations.
- The proposed modification to manufacturing standards for pull-tab dispensing devices for single column games or for play out of two or more column for a game will allow organizations to better maximize the use of the devices to play out games and achieve an increase in profits for charitable purposes and minimize losses.
- The proposed elimination of the currency restriction for pull-tab dispensing devices, i.e. currently limited to currency of \$20 or less, places the play of games from pull-tab dispensing devices on the same playing field as regular games dispensed from a booth or bar operation, i.e. no currency restriction or limit on number of tickets purchased (unless limit is imposed by organization).
- The proposed (optional) manufacturing changes for electronic bingo devices will allow additional bingo games (you pick 'em and breakopen) to be played on the devices, and as a result organizations can better maximize profits from the conduct of bingo.

ADDITIONAL NOTICE

The Board developed and implemented an extensive Additional Notice Plan that was approved by the Office of Administrative Hearings on October 23, 2009. The Board provided additional notice to persons who may be affected by the proposed rules by:

- publishing the Request for Comments and draft copies of the proposed rule changes on the Board's web site at www.gcb.state.mn.us;
- publishing updates for the rules process on the Board's web site at www.gcb.state.mn.us. A summary of rule changes will also be published on the web site when the rules become effective;
- publishing in the Board's bi-monthly newsletter, *Gaming News*, the following:
 - the Request for Comments in the November/December 2009 issue,
 - a notice that the Requests are on the Board's web site,
 - a notice that the draft copy of the rules is on the Board's web site, and
 - a rules process update in the September/October 2010 issue.

It is noted that updates will continue to be provided in *Gaming News* throughout the process. Also, a summary of the rule changes will be provided in *Gaming News* when the rules become effective;

- notifying lawful gambling trade associations:
 - Allied Charities of Minnesota, an association comprised of organizations licensed to conduct lawful gambling in Minnesota, and requesting that they publish all notices in their newsletter and on their website,
 - National Association of Fundraising Ticket Manufacturers, a national trade association of manufacturers of gambling equipment,
 - Electronic Bingo Manufacturers Association, a national association of electronic bingo device manufacturers, and
 - Minnesota Licensed Beverage Association;
- notifying the licensed linked bingo game provider, distributors of lawful gambling equipment, and manufacturers of lawful gambling equipment;
- notifying independent laboratories certified by the Minnesota Gambling Control Board to test gambling equipment;
- giving notice to the Legislature as required by Minnesota Statutes, section 14.116,; and
- mailing the Notice of Intent to everyone who registered to be on the Board's rulemaking mailing list under Minnesota Statutes, section 14.14, subdivision 1a.

We believe our Additional Notice Plan complies with the statute because it comprehensively covers all affected parties in the lawful gambling industry.

PUBLIC ADVISORY COMMITTEE (PAC)

A Public Advisory Committee (PAC) was formed to assist in researching and discussing the issues and providing comments on the draft rules language. The Committee was composed of a wide spectrum of industry representatives and state of Minnesota regulators, and included:

1. Michael Capen, GLI (independent testing laboratory), Las Vegas, NV
2. Rob Davis, Pulltabs Plus (distributor), Fridley, MN
3. Roger Franke, Arrow International, (manufacturer) Brooklyn, Ohio
4. Fabian Hoffner, attorney, Minneapolis, MN
5. Laurie Gluesing, CLIMB Theatre (licensed organization), St. Paul, MN
6. Jon Latcham, Three Diamond (distributor), Shoreview, MN
7. Mary Magnuson, National Association of Fundraising Ticket Manufacturers (NAFTM), St. Paul, MN
8. Robert Matson, North Suburban Youth Foundation (licensed organization), Roseville, MN
9. David VanBurkleo, Bass Gambling (distributor), Spring Lake Park, MN
10. Anna Vogt, Land of Lakes Choirboys (licensed organization), Big Lake, MN (also board member of Allied Charities of Minnesota; accountant)
11. Brian Walter, GameTech/Plains Gaming, (representing manufacturer; electronic bingo devices) Reno NV
12. King Wilson, Allied Charities of Minnesota (ACM, lobbying association for licensed organizations), St. Paul, MN
13. Karen Wirkus, (St. Paul, MN) representing MegaBingo (linked bingo game provider), Austin, TX

State of Minnesota regulatory staff:

14. Tom Barrett, Executive Director, Gambling Control Board
15. Bernice Caruth, Rules Writer, Gambling Control Board
16. Gary Danger, Compliance Officer, Gambling Control Board
17. Chris Mau, Compliance Supervisor, Gambling Control Board
18. Steve Pedersen, Licensing Supervisor, Gambling Control Board
19. Glen Kleven, Lawful Gambling Tax Unit, Department of Revenue
20. Tom Heinz, Lawful Gambling Tax Unit, Department of Revenue
21. Kelly Chad, Lawful Gambling Tax Unit, Department of Revenue
22. Doug Forsman, Alcohol and Gambling Enforcement, Department of Public Safety

RULE-BY-RULE ANALYSIS - OVERVIEW

This rule-by-rule analysis was simplified in the following manner. Unless otherwise mentioned specifically in each rule-by-rule analysis, the regulatory analysis earlier in this document contains information related to:

- classes of persons affected,
- costs to affected parties,
- other methods to achieve the purpose of the rule,
- costs for compliance with proposed rule, and
- differences between proposed rules and federal statutes.

RULE-BY-RULE ANALYSIS: 7861.0210 DEFINITIONS

7861.0210 - No changes proposed to subparts 1 to 4.

7861.0210, Subpart 5. Bingo paper sheet.

- In **item B**, the Board is proposing to make a technical correction by deleting the reference to “cards” as this definition pertains to bingo paper sheets, not bingo cards. Bingo paper sheets contain faces in a series. It is necessary and reasonable to clarify rule language to ensure that it is technically correct.

7861.0210 – No changes proposed to subparts 6 and 7.

7861.0210, Subpart 8. Breakopen bingo game.

- In **Subpart 8**, the Board is proposing to amend the definition to include “facsimiles of sealed bingo paper sheets played with an electronic bingo device.” It is necessary and reasonable to amend the language in conjunction with proposed changes in 7861.0270, Subpart 9, items D and H and in 7864.0230, Subpart 6. Those changes will allow the use of electronic bingo devices, containing facsimiles, for breakopen bingo games. [SEE also 7861.0270, Subpart 3, items F and G for related language.]

7861.0210 – No changes proposed to subpart 9.

7861.0210, Subpart 10. Cash.

- In **Subpart 10**, the Board is proposing to repeal the language pertaining to “cash” and restore it in 7861.0260, Subpart 1, item B [conduct of lawful gambling]. It is necessary and reasonable to move the defining language to where it is logically placed with related requirements pertaining to the play of lawful gambling being on a cash basis.
- It is also noted that the term “cash” has a different meaning in relation to payments made for delinquent invoices in:
 - 7863.0220, Subpart 16, item D, subitem (2),
 - 7863.0260, Subpart 7, item D, subitem (2), and
 - 7864.0240 Subpart 7, item D, subitem (2).Placing the different definitions of cash where they are appropriately used in rule ensures that the reader clearly understands the differences and restrictions.

7861.0210 – No changes proposed in Subparts 11 to 15.

7861.0210, Subp. 16. Event game.

- In **Subpart 16**, the Board is proposing to amend the definition to include “uncovering” of a seal or seals. This is necessary and reasonable to be consistent with proposed rule changes in manufacturing standards that will allow the use of latex-type seals on flares and prize pool boards (but not tickets) and that those seals are “uncovered” by the organization’s seller.

7861.0210, Subp. 17, Facsimile of a bingo paper sheet.

- In **item B, existing third sentence**, the Board is proposing to delete the third sentence. As currently written, the third sentence is technically incorrect, i.e. requiring the “range of the series” for facsimiles to be recorded. A manufacturer typically produces bingo faces in a series of 1 to 9,000 bingo faces. A player obviously would not be purchasing a series of up to 9,000 faces. The Board is proposing to clarify the point of sale requirements in 7864.0230, Subpart 6, new item J, subitem (2), where the language is more logically placed, as the manufacturer is required to include minimum point-of-sale information for the printed sales receipt. It is also noted that the technically incorrect language will be removed from existing 7861.0270, Subpart 3, item L, subitem (3) i.e. requiring the “range of the series sold”. It is necessary and reasonable to delete this technically incorrect language because the Board is clarifying the requirement in rule where it is logically placed as noted above.

7861.0210 – No changes proposed to Subparts 18 to 22.

7861.0210, Subp. 23, Fraternal organization.

- In **Subpart 23**, the Board is proposing to repeal the definition of fraternal organization. Effective August 1, 2007, the definition of “fraternal organization” was established in Minnesota Statutes, chapter 349.12, Subdivision 16a. Therefore, it is necessary and reasonable to delete redundant and obsolete rule language.

7861.0210 – No changes proposed to Subparts 24 to 26.

7861.0210, Subpart 27. Immediate family.

- In **Subpart 27**, the Board is proposing to repeal this definition and amend rule language with a definition in new Subpart 31a for “lessor’s immediate family.” [Refer to the SONAR statement for new Subpart 31a for an expanded explanation.] It is necessary and reasonable to delete this definition and replace it in new Subpart 31a with an updated definition pertaining to the *lessor’s immediate family*.

It is noted that elsewhere in Board rules the term “immediate family” will be clarified or deleted where necessary, as the term has different connotations and requirements:

- 7861.0230, Subpart 2, item A [gambling manager licensing qualifications],
- 7861.0240, Subpart 3, item F, subitem (4) [premises permit lease – restrictions in play of games],
- 7861.0240, Subpart 3, item F, subitem (5) [premises permit lease – not requiring violations of statute or rule]
- 7861.0300, Subp. 7, item H [paddlewheel game with table, definition of “independent person”],
- 7861.0320, Subp. 15, item F, subitem (1) [clarifying “active military personnel”],
- 7865.0210, Subpart 3, item C [Compliance review group: definition of “complete change of ownership”].

7861.0210, Subpart. 28. Jar ticket.

- The Board is proposing to amend the definition of jar ticket to clarify that groupings of folded and banded tickets are also considered jar tickets. This has been a historical allowance and assumption that was not previously clarified in rule. [SEE 7861.0290, Subpart 3, item B.] There are no changes in ticket requirements, as manufacturing standards already allow the manufacture and sale of folded and banded tickets. It is necessary and reasonable to document and clarify in rule a historical provision for a grouping of folded and banded tickets.

7861.0210, Subpart. 29. Lawful gambling.

- In this subpart, the Board is proposing to divide the existing definition of lawful gambling into **new items A and B**. It is necessary and reasonable to make the rule easier to read and understand.
- In the **existing 2nd sentence [new item B, subitem (1)]**, the Board is proposing to delete reference to "the five activities listed in this subpart" as that language could be confused with the subsequent sentences and to replace it with "lawful gambling activity" and to also include sporting events as a related activity. It is necessary and reasonable to clarify the rule to ensure that it is easily understood by the reader.
- In **new item B, subitem (3)**, the Board is proposing to amend and clarify the definition of lawful gambling as it pertains to **promotional tickets**. Effective May 2, 2008, the statutory definition of gambling equipment was amended to include promotional tickets *that mimic pull-tab or tipboard tickets*. The Board is proposing to amend the rule to clarify that promotional tickets are not used in the conduct of lawful gambling, even though they are:
 - defined as gambling equipment under Minnesota Statutes, section 349.12, Subdivision 18;
 - clarified in Minnesota Statutes, section 349.12, Subdivision 31 as to who may manufacture them; and
 - clarified in Minnesota Statutes, section 349.161, Subdivision 5, paragraph (i), as to whom the licensed distributor may sell the promotional tickets, which is essentially anyone, including entities not licensed by the board.

History of promotional tickets

1. **1989** - The definition of promotional tickets (pull-tabs and tipboards) was added to chapter 349 in **1989** Laws of Minnesota Chapt.334-HF66 [Minn. Stat. 349.12, Subd. 31].
2. **2004** - The definition of promotional tickets with restrictions was added to Minn. Rule 7861.0010, Subpart 45b in the 2004 rules process. The definition was established as: "Promotional pull-tab" means a pull-tab for which no purchase or consideration is required. The only prizes available to be won are discounts on goods and services available at the site where the game is played. Cash prizes are not permitted with promotional pull-tab games." The SONAR stated:

"The Board is proposing to include a definition for the term promotional pull-tab. The definition is necessary and reasonable to differentiate between pull-tabs that are sold by lawful gambling organizations and promotional tickets that are given away by retailers as a marketing tool."
3. **2007** The definition was not changed in the 2007 rules process, but rule numbering was changed to *7861.0210, Subpart 43*.
4. **2008** The definition of lawful gambling equipment was amended in Minn. Stat. section 349.12, Subdivision 18, to include "promotional tickets that mimic a pull-tab or tipboard."
5. **2010** In this rules process the Board is proposing to amend the rule definition in subpart 43, "promotional pull-tab ticket" by adding "tipboard" so that the definition is consistent with statute (promotional pull-tabs and tipboards).

Subp. 43. **Promotional pull-tab or tipboard ticket.** "Promotional pull-tab or tipboard ticket" means a pull-tab or tipboard ticket for which no purchase or consideration is required. The only prizes available to be won are discounts on goods and services available at the site where the game is played. Cash prizes are not permitted with promotional pull-tab or tipboard games.

It is necessary and reasonable to clarify in rule that while promotional tickets are defined in statute as lawful gambling equipment, they are actually not used in the conduct of lawful gambling because there is no consideration paid by a person to receive a promotional ticket and redeem it. This change is necessary and reasonable to prevent any confusion regarding their manufacture by licensed manufacturers, sale by licensed distributors, and use by the general public, primarily retailers.

7861.0210 – No changes proposed to Subparts 30 and 31.

7861.0210, new Subpart 31a. Lessor's immediate family.

- In **new Subpart 31a**, the Board is proposing to establish an updated definition of "immediate family" as it pertains to lessors of permitted premises. As currently written in existing Subpart 27 the definition is quite encompassing and as a result has historically placed restrictions on those individuals from participating in many aspects of the conduct of lawful gambling. The Board is proposing to repeal the definition of "immediate family" from existing Subpart 27 and replace it with a definition of "lessor's immediate family" in new Subpart 31a.

Effective July 1, 2009, restrictions on who may and may not participate in lawful gambling were consolidated (from existing statute and rule) and clarified in statute. Minnesota Statutes, section 349.181, subdivision 5 states that "The *lessor's immediate family* may not participate directly or indirectly as a player in a pull-tab, tipboard, or paddlewheel game conducted at that premises." However, chapter 349 does not define "*immediate family*." That definition is currently provided in the Board's rule.

The concept of what is considered "immediate family" has changed significantly in these modern times. Depending on the defining party, definitions abound for immediate family, joint family, extended family, nuclear family, communal family, etc. It could include spouse, separated spouse, ex-spouse, significant other, partner, parents, grandparents, children, step children, grandchildren, brothers, sisters, in-laws, adopted children, step members, nieces, nephews, other relatives, roommate, and so on. Boundaries and definitions are obviously changing, and the Board needs to ensure that its rules do not place outdated and undue burdens on the organizations.

Over the past few years the Board and its staff have listened to comments and concerns regarding the existing restrictive definition in Subpart 27, which for some organizations has a huge impact, especially in a small community. Example: The parents of a lessor are currently not allowed to play a pull-tab game, even if they don't live with the lessor (their adult child.)

The Board has re-evaluated its position and is proposing to provide a new definition for *lessor's immediate family* and clarify that it applies only to the lessor of a permitted premises. The proposed change would allow family members who are not living in the same residence as the lessor to participate in lawful gambling, thereby giving organizations greater latitude in who may and may not participate in the conduct of lawful gambling at the lessor's premises. Through its house rules and internal procedures, organizations still have the latitude to impose additional restrictions on player participation. It is necessary and reasonable to provide a definition as it pertains to the "lessor's immediate family" and remove unduly restrictive language from Subpart 27 that is no longer deemed necessary.

7861.0210 – No changes proposed to Subpart 32.

7861.0210, Subpart 33. Linked bingo equipment.

- In **Subpart 33**, the Board is proposing to amend the definition of linked bingo equipment. Effective May 2, 2008, electronic bingo devices may be used in the conduct of a linked bingo game, under Minnesota Statutes 349.17, Subdivision 8, paragraph (c). As such, electronic bingo devices do not require the use of bingo paper sheets when the device is used with (electronic) facsimiles of bingo faces. It is necessary and reasonable to amend this definition to ensure that it is consistent with statutory changes and intent.

7861.0210 – No changes proposed to Subparts 34 to 36.

7861.0210, Subpart 37. Multiple seal pull-tab game.

- In **Subpart 37**, the Board is proposing to amend the definition of multiple seal games to include tipboard games. Tipboard games have historically been manufactured with a seal or multiple seals. In 2006, the Board was required by law to promulgate rules for multiple seal pull-tab games. The Board was also required by law in 2004 to promulgate rules for tipboard games with multiple seals. It is necessary and reasonable to clarify that the term “multiple seal game” applies to both pull-tab and tipboard games. There is no change in existing requirements.

7861.0210 – No changes proposed to Subparts 38 to 42.

7861.0210, Subpart 43. Promotional pull-tab or tipboard ticket.

- In **Subpart 43**, the Board is proposing to amend the definition to include tipboard ticket. Effective May 2, 2008, the definition of lawful gambling equipment in Minnesota Statutes, section 349.12, subdivision 18 was amended to include “promotional tickets that mimic a pull-tab **or tipboard.**” Although the definition of promotional tickets in Minnesota Statutes, section 349.12, Subdivision 31 includes “pull-tab or tipboard ticket”, it is necessary and reasonable to retain the clarifying restrictions contained in rule, as the language helps to differentiate the following tickets:
 - Pull-tab and tipboard tickets sold by lawful gambling organizations—with cash prizes, and
 - Promotional tickets given away by retailers as a marketing tool—with merchandise prizes but no cash prizes.

It is necessary and reasonable to amend this rule language to conform to the statutory amendment and provide clarifying language on their use. [SEE also the SONAR for 7861.0210, Subpart 29 for the history of promotional tickets.]

7861.0210 – No changes proposed to Subparts 44 and 45.

7861.0210, Subpart 46. Seal card.

- In **Subpart 46**, the Board is proposing to amend the definition to delete “removed” and insert “uncovered.” This proposed change is being made in conjunction with a proposed change for manufacturing standards that would allow for the use of latex-type seals on pull-tab and tipboard flares or seal cards (prize pool boards) but not on tickets. It is necessary and reasonable to amend the definition to be consistent with the proposed changes in 7864.0230.

7861.0210, Subpart 47. Sealed bingo paper sheet.

In **Subpart 47**, the Board is proposing to amend the language to include a related allowance for facsimiles of sealed bingo paper sheets to be used with electronic bingo devices. [SEE also Manufacturing standards 7864.0230, Subpart 6.] It is necessary and reasonable to amend the language to be consistent with other proposed changes related to this definition.

7861.0220 Subpart 1. Organization licensed required.

- **(renewal)** In the **first sentence**, the Board is proposing to delete obsolete language pertaining to “license renewal.” Effective July 1, 2009, the term of an organization’s license is perpetual, thereby eliminating the requirement to renew an organization license, per Minnesota Statutes, section 349.16, Subdivision 3. [NOTE: An organization license is perpetual unless it is lapsed according to Minnesota Statutes, section 349.16, Subdivision 3a.] It is necessary and reasonable to amend this rule to make it technically correct and conform to the statutory change.
- **(format)** In the **existing second sentence**, the Board is proposing to delete the sentence as Minnesota Statute 349.155 Subdivision 1, Forms, requires all application for a license to be on a form prescribed by the Board. It is necessary and reasonable to delete rule language that is redundant of statutory language and to reduce the bulk of rule language.

7861.0220 Subpart 2. Organization licensing qualifications.

- In **item A**, the Board is proposing to amend the requirement to be consistent with legislative language, i.e. training must be received within the last six months. Effective May 2, 2008, training requirements for a new organization’s gambling manager were clarified in Minnesota Statutes, section 349.167, subdivision 4, paragraph (1) and in subdivision 7, i.e. training (gambling manager seminar and exam) must have been received within the last 6 months. Because the organization’s chief executive officer is responsible for overall oversight of the organization and is required to sign Board-prescribed forms acknowledging compliance with statute and rules, the Board has always required the CEO of new organizations to attend the gambling manager seminar. It is necessary and reasonable to modify the Board rule to be consistent with statutory training requirements.

7861.0220 Subpart 3. Contents of organization license application.

- In **item C**, the Board is proposing to amend the language to include the requirement that in addition to a Minnesota tax identification number the organization must submit its federal employer identification number as part of the organization license application. This change is being amended at the request of the Department of Revenue. It is necessary and reasonable to ensure that organizations are properly registered for business income tax purposes, and is necessary for the Department of Revenue to be able to track organizations within the tax system.
- In **existing item H**, the Board is proposing to delete the language requiring a list of proposed lawful purpose expenditures. Effective July 1, 2009, the requirement to provide the list of proposed lawful purpose expenditures was deleted from Minnesota Statutes, section 349.16, Subdivision 2, paragraph (e). Therefore it is necessary and reasonable to delete obsolete language and reletter the remaining items in this subpart.
- In **existing item I**, the Board is proposing to delete language pertaining to “other sources of income and income activities” because the Board’s licensing unit indicated that this information is not necessary for licensing purposes. Therefore it is necessary and reasonable to delete a licensing requirement that has been deemed unnecessary.
- In **existing item L, subitems (1) and (2) (new item J)**, the Board is proposing to delete a portion of language referencing the total percent of general fund expenditures because the IRS-based information is being clarified and required as an attachment in Subpart 4, item F. Board staff reviews the information, determines the percentage, and notifies the organization whether it has met the 70/30 standards to be eligible to make lawful purpose contributions to itself. [This language is required by Minnesota Statutes, section 349.154, Subdivision 1.] The language in existing item M, which is being incorporated into new item J, requires a 501(c)(3) or (c)(4) festival organization to acknowledge the requirements and restrictions of Minnesota Rules, part 7861.0320, subpart 14, which governs contributions these organizations are allowed to make to themselves if they meet the Board’s standards established by rule. It is necessary and reasonable to remove language from existing item L that is duplicative and unnecessary, and combine the remaining language in existing items L and M.

7861.0220 Subpart 3. Contents of organization license application. (continued)

- In **existing item N (new item K)**, the Board is proposing to delete “director.” That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director. This change in rule is to ensure that the Board is recognized as the overall licensing and regulatory authority. [According to Minnesota Statutes, section 349.151, Subdivision 4, paragraph (a), clause (12) the Board may delegate to the director the authority to issue licenses.]

7861.0220 Subpart 4. Attachments to organization license application.

- In **item D**, the Board is proposing to clarify the requirement that the membership list must be “signed by the organization’s chief executive officer.” This reflects a longstanding practice, as allowed under Minnesota Rule, 7861.0220, Subpart 3, existing item N, and is not a new requirement. This helps to ensure that a false membership list has not been created, and that the organization’s chief executive officer (CEO) takes responsibility to verify and sign the membership list. It is necessary and reasonable to clarify and ensure that the organization’s membership information has been reviewed and verified by the organization’s CEO and ensures compliance with membership requirements.
- In **item F**, the Board is proposing to delete the language “the information required in subpart 3, item L”, because the Board is proposing to modify the language in subpart 3, existing item L [new item J] to reflect that an acknowledgment of rule is required instead of a specific percent that is determined by the Board. To ensure that the rule is technically correct, it is necessary and reasonable to amend the rule to reflect a change that is being proposed in another portion of rules [subpart 3, existing item L (new item J)].
- Also in **item F**, the Board is proposing to delete the phrase “unrelated business income tax report” as it is technically incorrect, and replace it with “annual report on income and expenses.” Typically 501(c)(3) organizations and 501(c)(4) festival organizations file a 990-T or 990ES report with the IRS. The Board is proposing to amend the language in a generic fashion so that if the IRS changes the title of their forms, it would not be necessary to change the Board’s rule. It is necessary and reasonable to delete incorrect language and clarify it with the correct information.
- In **new item G**, the Board is proposing to amend the language with the requirement that the organization submit a “copy of the organization’s by-laws, signed by the organization’s chief executive officer” (CEO). This reflects a longstanding practice to require this information, as allowed by Minnesota Rules, 7861.0220, subpart 3, existing item N [new item K], to help identify the organization and ensure that it is organized in a manner to comply with regulatory requirements of chapter 349 and Minnesota Rules 7861. As this is not a new requirement, it is necessary and reasonable to include this language to ensure that an organization is informed of the basic requirements that must be attached as part of an organization license application.

7861.0220 Subpart 5. Changes in organization license application information.

- The Board is proposing to delete the phrase “during the license term.” Effective July 1, 2009, the term of an organization’s license is perpetual, per Minnesota Statutes, section 349.16, Subdivision 3. No new requirements are imposed on the organization, as the requirement to submit application information changes is an existing requirement. Therefore it is necessary and reasonable to amend this rule to make it technically correct and conform to statute.

7861.0220 Subpart 6. Issuing or denying a new or renewal an organization license.

- In the **title of Subpart 6**, the Board is proposing to delete the reference to “new or renewal” and amend the title as “Issuing or denying an organization license.” Effective July 1, 2009, the term of an organization’s license is perpetual and license renewals are no longer required, per Minnesota Statutes, section 349.16, Subdivision 3.
- **(director/board)** Throughout **items A and B**, the Board is proposing to delete the term “director” and replace it with “board.” That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director. This change in rule is to ensure that the Board is recognized as the overall licensing and regulatory authority. [According to Minnesota Statutes, section 349.151, Subdivision 4, paragraph (a), clause (12), the Board may delegate to the director the authority to issue licenses.]
- Throughout **items A, B, and D**, the Board is proposing to delete the terminology “new or renewal” and related references to renewal applications as it is no longer necessary to identify whether an application is for a new license (the only type of application now considered), or for a renewal license, as renewal licenses have been eliminated by the change in Minnesota Statutes, section 349.16, Subdivision 3 (perpetual license). It is noted that Minnesota Statutes, section 349.16, subdivision 9 (license renewals) was repealed effective July 1, 2009.
- In **item B, subitem (2)**, the Board is proposing to clarify that the application will be denied if the organization has not submitted the information required by subparts 3 and 4 (the application and attachments). This is a technical clarification that is necessary and reasonable for the reader to understand that an application will be denied if the required information has not been submitted and/or is not complete.
- In the **last sentence of existing item B**, the Board is proposing to delete the reference to 7865.0260, *subpart 4*, as that rule cite pertains to license renewals. With the statutory change that eliminated organization license renewals and established perpetual organization licenses, per Minnesota Statute 349.16, Subdivision 3, the reference to 7865.0260, subpart 4 is obsolete in reference to organization licenses.
- In **existing item C**, the Board is proposing to delete the language because it is obsolete, as license renewals no longer exist as noted above, and to **reletter existing item D as item C**. It is necessary and reasonable to amend, delete, and clarify language in Subpart 6 to make the rule language technically correct by removing obsolete references to license renewals and renewal criteria to conform to the statutory change that eliminated organization license renewals effective July 1, 2009.

7861.0220, Subpart 7. Effective date for organization license.

- In **Subpart 7**, the Board is proposing to delete “director” and replace it with “board.” That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director. This change in rule is to ensure that the Board is recognized as the overall licensing and regulatory authority. [According to Minnesota Statutes, section 349.151, Subdivision 4(a)(12) the Board may delegate to the director the authority to issue licenses.]

7861.0220 Subpart 8. Termination of organization license.

- In **item A**, the Board is proposing to clarify the documentation of the expenditure of remaining funds by removing the reference to “documentation accounting” and clarifying that the organization must be provide “documentation that provides information...” on how the organization will expend remaining gambling funds. It is necessary and reasonable to eliminate terminology that is somewhat confusing as currently read and provide clarifying language.
- In **item C**, the Board is proposing to clarify the language pertaining to pending compliance issues. It is necessary and reasonable to ensure that the organization understands that it must “resolve any pending compliance issues to the satisfaction of the board,” issues with which the organization did not comply at the time the organization’s license was terminated—if it wishes to apply for license reapplication in the future. This is not a change in the Board’s license termination criteria and process; it is merely a clarification of the existing requirement.

7861.0230 Subpart 1. Gambling manager license required.

- **(renewal)** In the **first sentence**, the Board is proposing to delete obsolete language pertaining to "license renewal under this part." Effective July 1, 2009, the term of an organization's license is perpetual and license renewals are no longer required, per Minnesota Statutes, section 349.16, Subdivision 3. And, according to Minnesota Statutes, section 349.167, Subdivision 2, paragraph (b), a gambling manager's license is concurrent with the organization's license. Therefore it is necessary and reasonable to delete obsolete language to ensure that rule language is technically correct and in conformance with statutory language.
- **(board)** In the **first sentence (new, as combined)**, the Board is proposing to clarify that it is the board who has the licensing authority. That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director. This change in rule is to ensure that the Board is recognized as the overall licensing and regulatory authority. [According to Minnesota Statutes, section 349.151, Subdivision 4, paragraph (a), clause (12), the Board may delegate to the director the authority to issue licenses.]
- **(form/format)** In the **existing second sentence**, the Board is proposing to delete the sentence as Minnesota Statute 349.155, Subdivision 1, requires all applications for a license be on a form prescribed by the Board. It is necessary and reasonable to delete rule language that is redundant of statutory language and to reduce the bulk of rule language.

7861.0230, Subpart 2. Gambling manager licensing qualifications.

- In the **introduction sentence**, the Board is proposing to amend the language to clarify that the licensing qualifications apply to both a new gambling manager application and to a continuing gambling manager license. It is necessary and reasonable to clarify the rule because of the elimination of gambling manager license "renewals" per statute.
- In **item A**, the Board is proposing to amend the restrictions pertaining to lessors by deleting "member of lessor's immediate family" and clarifying that the restrictions apply to a person "residing in the same residence" as the lessor. This change is being made in conjunction with 7861.0210, new subpart 31a (definition of lessor's immediate family). It is necessary and reasonable to amend the language to be consistent with other proposed rule changes.
- In **existing item E**, the Board is proposing to delete obsolete language due to a statutory change in Minnesota Statutes, section 349.167, subdivisions 4 and 7 that clarified education requirements for a new license and to qualify for a continuing license. It is necessary and reasonable to delete obsolete language in conformance with statutory changes and to reduce the bulk of rule language.

7861.0230, Subpart 3—~~Gambling manager seminar and continuing education requirements.~~ Education requirements.

- In the **title**, the Board is proposing to change the title to "**Education requirements**" as the gambling manager seminar requirements are outlined in statute. It is necessary and reasonable to make the title language more generic to be consistent with the proposed deletion of language in this subpart.
- In **existing items A and B**, the Board is proposing to delete the language and provide clarifications in new items A and B. Effective May 2, 2008, continuing education requirements were modified and clarified in Minnesota Statutes, section 349.167, subdivisions 4 and 7. The statutory language established the requirement that a gambling manager must receive training each "calendar year" instead of "during the term of the gambling manager's license." Minnesota Statutes 349.167, Subdivision 2(b) also changed the term of a gambling manager

license from two years to being a perpetual license in conjunction with the organization's license (effective July 1, 2009). The statutory changes make a portion of the rule language pertaining to education requirements in Subp. 3 obsolete and in conflict with the statutory changes. It is necessary and reasonable to delete the language, as it is technically incorrect and in conflict with the statutory changes.

- In **new item A, subitem (1)**, the Board is proposing to clarify that a gambling manager must attend a class, as required by statute. Although a gambling manager license for an individual is perpetual, the gambling manager is still required to meet the annual education requirement for a **continuing license**. It is necessary and reasonable to clarify the requirement to maintain a gambling manager license on an annual basis.
- In **new item A, subitem (2)**, the Board is proposing to clarify what a gambling manager must do to continue to be qualified as a licensed gambling manager if they fail to attend a class as required by statute. It is necessary and reasonable to explain the alternative option, which is based on language in existing item B, subitem (1).
- In **new item B**, the Board is proposing to include language that documents the existing practice of issuing a citation to a gambling manager who fails to comply with a statutory requirement, i.e. attending a class each calendar year. Each year the Board conducts numerous classes through the state and in conjunction with the annual convention conducted by Allied Charities of Minnesota (ACM), an organization comprised of licensed organizations. Plus, the Board gives continuing education credit to gambling managers who attend speaking engagements conducted by Board staff at events such as statewide conventions for the VFW, American Legion, Eagles, etc. There is ample opportunity for gambling managers to schedule and attend a class or speaking engagement throughout the calendar year. It is necessary and reasonable to include language that even though an "opt-out" exam may be taken, a citation will be imposed for failing to comply with the statutory requirement of attending a class.
- In **new item C**, the Board is proposing to include language informing the reader that the Board must summarily suspend a gambling manager's license if the gambling manager fails to pass the special examination by the end of the calendar year, after they failed to attend a continuing education class. Summary suspensions are addressed in Minnesota Statutes, section 349.1641. It is necessary and reasonable to include language pertaining to a sanction if the gambling manager fails to comply with the special examination provision.

7861.0230, Subpart 4. Contents of gambling manager license application.

- In **item E**, the Board is proposing to delete obsolete language that is in conflict with recent statutory changes. Effective May 2, 2008, training requirements are outlined in Minnesota Statutes 349.167, subdivisions 4 and 7. Effective July 1, 2009, renewal applications are no longer required because the two-year license term was eliminated and perpetual licenses were established under Minnesota Statutes, section 349.167, Subdivision 2, paragraph (b). Therefore it is no longer necessary to reference a new application or the requirements of a renewal application which is now obsolete.
- In **(new) item J**, the Board is proposing to include new language that requires a gambling manager to acknowledge in the application the continuing education requirements of Subpart 3. It is necessary and reasonable to include this acknowledgement so that a gambling manager is informed of the education requirement.
- **Existing item J** is relettered as new item K.

7861.0230, Subpart 5. Changes in gambling manager license application information.

- The Board is proposing to delete the obsolete phrase "during the license term." Effective July 1, 2009, the term of a gambling manager license is perpetual, per Minnesota Statutes, section 349.167, Subdivision 2, paragraph (b). It is necessary and reasonable to delete the obsolete reference to make the rule technically correct and conform to the statutory change.

7861.0230, Subpart 6. Issuing or denying a new or renewal gambling manager license: license for an emergency gambling manager.

- In **Subpart 6** the Board is proposing to delete terminology referencing “new or renewal” licenses. Effective July 1, 2009, the term of a gambling manager’s license is perpetual and license renewals are no longer required, per Minnesota Statutes, section 349.167, Subdivision 2, paragraph (b) (gambling manager license) and related reference to 349.16, Subdivision 3 (organization license). It is necessary and reasonable to delete this terminology as it is no longer necessary to identify whether an application is for a new license (the only type of application now considered), or for a renewal license that was eliminated by the change in Minnesota Statutes, section 349.167, Subdivision 2, paragraph (b) and 349.16, Subdivision 3.
- (director/board) In the **introductory sentence and throughout items A and B**, the Board is proposing to delete the term “director” and replace it with “board.” That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director. This change in rule is to ensure that the Board is recognized as the overall licensing and regulatory authority. [According to Minnesota Statutes, section 349.151, Subdivision 4, paragraph (a), clause (12) the Board may delegate to the director the authority to issue licenses.]
- In **item B, subitem (2)**, the Board is proposing to clarify that the application will be denied if the gambling manager has not submitted the information required by subpart 4 (the application). The Board is also proposing to clarify the language pertaining to the 90 day timeframe of the Board receiving an application and delete “its initial submission” which is ambiguous. This is not a change in existing requirements; it is merely a technical clarification that is necessary and reasonable for the reader to understand that an application may be denied if the required information is not complete, and to make language consistent with other rule language pertaining to the 90 day timeframe of receiving application information.
- In **item B, subitem (3)**, the Board is proposing to clarify in what circumstances a gambling manager license is denied if the organization itself is not licensed or qualified to be licensed. The Board is proposing to delete the reference to “renewal license” because of the statutory change that eliminated organization license renewals. The Board is proposing to amend the language to point the reader to rule part 7861.0220, subpart 2 and to Minnesota Statutes 349.16, Subdivision 3a for clarifying language pertaining to the organization’s license. It is necessary and reasonable to amend the language to inform the reader of qualifications required of the organization.
- In the **last sentence of item B**, the Board is proposing to modify the language by deleting the reference to 7865.0260, subpart 4, as that reference pertains to license renewals, now obsolete.
- In **existing item C**, the Board is proposing to delete the obsolete language because license renewals no longer exist. Effective July 1, 2009, gambling manager license renewals were eliminated, per Minnesota Statutes 349.167, subdivision 2, paragraph (b).
- In **new item C (existing item D)**, the Board is proposing to amend the language to clarify the timeframe for the gambling manager seminar that a gambling manager must attend. Effective May 2, 2008, Minnesota Statutes, section 349.167 outlines the timeframes for training requirements, and requires the training (seminar) to be within the last six months, not 12 months. Therefore, it is necessary and reasonable to amend rule language to conform to the statutory language.

7861.0230, Subpart 6. Issuing or denying a new or renewal gambling manager license: license for an emergency gambling manager. (continued)

- **In new item D (existing item E)**, the Board is proposing to modify language to reflect a recent statutory change and point the reader to the statutory cites. Effective July 1, 2009, the statutory change allows an organization to continue its gambling operation for four days if it **immediately** complies with requirements outlined in Minnesota Statutes, section 349.167, Subdivision 2, paragraph (d) for an **emergency replacement gambling manager**. Otherwise the organization must shutdown its gambling operations if it fails to comply with those requirements. It is necessary and reasonable to delete obsolete language and point the reader to the statutory requirements. Effective May 2, 2008, training requirements for gambling managers, including replacement gambling managers, were modified and clarified in Minnesota Statutes, section 349.167, Subdivisions 4 and 7. In addition, existing statutory language in Minnesota Statutes, section 349.167, Subdivision 7 states that the emergency replacement gambling manager must pass the examination within 90 days and requires the Board to revoke, not summarily suspend, the license of an emergency replacement gambling manager who fails the examination. Therefore, this language is obsolete or technically in conflict with statutory language. It is necessary and reasonable to delete obsolete and incorrect rules language and eliminate any potential conflict with statutory language.

7861.0230, Subpart 7. Effective date and length of gambling manager license.

- In **Subpart 7**, the Board is proposing to delete the language referencing the "length" of a license. Effective July 1, 2009, the term of the gambling manager's license (perpetual) is clarified in Minnesota Statutes, 349.167, subdivision 2, paragraph (b). The Board is also proposing to amend the **title of Subpart 7** to reflect its remaining contents. It is necessary and reasonable to delete this language because of the statutory change and to reduce the bulk of rule language.
- (director/board) In the **first sentence**, the Board is proposing to delete the term "director" and replace it with "board." That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director. This change in rule is to ensure that the Board is recognized as the overall licensing and regulatory authority. [According to Minnesota Statutes, section 349.151, subdivision 4, paragraph (a), clause (12), the Board may delegate to the director the authority to issue licenses.]

7861.0230, Subpart 8. Gambling manager duties.

- In **item D**, the Board is proposing to amend the language to clarify that the gambling manager does not necessarily "hands-on" verify all receipts and disbursements but as the person responsible for the gambling operation must ensure that they "have been properly accounted for in compliance with statute and rule requirements." It is necessary and reasonable to clarify a term that could be misconstrued.
- In **item E**, the Board is proposing to amend the language to clarify that the gambling manager must "ensure" that all inventory has been reconciled each month. It is necessary and reasonable to clarify that the gambling manager does not necessarily "hands-on" monitor and complete all inventory documentation but ensures that it has been conducted.

7861.0230, Subpart 9. Assistant gambling manager duties and restrictions.

No changes proposed in Subpart 9.

RULE-BY-RULE ANALYSIS: 7861.0240 PREMISES PERMITS

7861.0240, Subpart 1. Premises permit required.

- **(renewal)** In the **first sentence**, the Board is proposing to delete the reference to premises permit renewal. Effective July 1, 2009, the term of a premises permit is perpetual (unless suspended, revoked, or otherwise terminated) and renewal is no longer required per Minnesota Statutes, section 349.165, Subdivision 1. It is necessary and reasonable to ensure that rule language is consistent with statute.
- **(board/director)** In the **first sentence**, the Board is proposing to amend the language with "issued by the board" to clarify that it is the Board who has the licensing/permit authority. That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director. This change in rule is to ensure that the Board is recognized as the overall licensing and regulatory authority. [According to Minnesota Statutes, section 349.151, Subdivision 4, paragraph (a), clause (12), the Board may delegate to the director the authority to issue premises permits.]
- In the **existing second sentence**, the Board is proposing to delete the sentence as Minnesota Statutes 349.165, Subdivision 1 (Premises permit required; application) requires an organization to apply for a premises permit on a form prescribed by the Board. It is necessary and reasonable to delete rule language that is redundant of statutory language and reduce the bulk of rule language.
- In the **new second sentence**, the Board is proposing to add new language to clarify that a permit is not transferable. It is not a new restriction, as organizations are currently required by statute and rule to obtain a separate permit for each premises at which they will conduct lawful gambling [Minnesota Statutes, section 349.165, Subdivision 1]. It is necessary and reasonable to make rule language consistent, so that the reader is better informed of restrictions and requirements.

7861.0240, Subp. 2. Contents of and attachment to premises permit application.

- In the **title of Subpart 2**, the Board is proposing to amend the language to reflect the proposed incorporation of rule language in new item K, i.e. attachment of a lease if the premises is leased. It is necessary and reasonable to amend the title to accurately reflect the contents of this subpart.
- In **existing item E**, the Board is proposing to delete the information currently required, i.e. days and hours of each bingo occasion. Board staff determined that requiring the days and hours of bingo occasions as part of the premises permit application is unnecessary as the information can easily be obtained in other manners, i.e. contacting the organization when needed or required, reviewing organization bingo records, and reviewing bingo programs. In the last rules process (2007), organizations/gambling managers were given the latitude to change bingo programs without prior organization approval. Because of that rule change there are frequent changes in bingo programs and the dates/times for which the bingo program will be used. With frequent changes to bingo dates/times, the frequency of submitting changes has risen, creating an unnecessary and confusing burden for organizations. Organizations are not required to submit the times that they conduct other forms of lawful gambling as part of the premises permit application. Deleting this requirement will not affect the issuance of a premises permit or the regulation of lawful gambling. Therefore, it is necessary and reasonable to eliminate a requirement that has become unnecessarily burdensome for organizations, since the information is already contained in new or amended bingo programs submitted to the Board or is available upon request. It is necessary and reasonable to **reletter** subsequent items in Subpart 2 because of the proposed deletion of language in existing E.

- In **new item H (existing item I)**, the Board is proposing to make a minor grammatical change to clarify that it is the premises that is inspected (not the law). It is necessary and reasonable to clarify rule language to eliminate any ambiguity.

7861.0240, Subp. 2. Contents of and attachment to premises permit application.

(continued)

- In **new item J**, the Board is proposing to clarify, simplify, and standardize the premises permit application process to be in conformance with the process used for other permits issued by the Board wherein local government approval is required. The Board-prescribed application form was revised to include a section where a local unit of government can simply sign the application, and write in information regarding the approval date and resolution number, thereby acknowledging that the governmental unit has approved the application by resolution, as required by Minnesota Statutes, section 349.213, Subdivision 2. This conforms to the similar process currently used for exempt and excluded applications [Minnesota Statutes, section 349.166]. This change eliminates the need for the governmental unit to give the organization a copy of the resolution and the organization then attaches it to the premises permit application. It is necessary and reasonable to amend the rule in order to eliminate a time-consuming and unnecessary requirement of obtaining and attaching the resolution copy and to make the local governmental process consistent and simplified for all Board permit applications.
- In **new item K**, the Board is proposing to amend the language to clarify that if a premises is leased, a lease must be attached as required by Subpart 3. It is necessary and reasonable to consolidate application information in Subpart 2, as the Board is proposing to amend and devote Subpart 3 solely to the contents of a lease that is only required when an organization leases the permitted premises.

7861.0240, Subpart 3. Leased required for leased premises. [proposed title change from "Attachments to premises permit application of lease and local government approval."]

- In the **title for Subpart 3 and in existing item A**, the Board is proposing to amend the language to reflect the proposed change of moving "attachment" language and clarifying it in Subpart 2, new items J and K, i.e. language pertaining to local governmental approval and lease. The Board is proposing to amend the title language to reflect that remaining language in this subpart will pertain only to the requirements of the lease contents. The Board is proposing to retitle Subpart 3 as "Lease required for leased premises" and **change current subitems to items** to make the rule easier to read. It is necessary and reasonable to modify the language to be consistent with other proposed rule changes and to make the rule easier to understand and reference for the reader.
- In **new item F, subitem (4) [existing item A, subitem 6, unit (d)]**, the Board is proposing to delete the reference to "lessor's immediate family" and replace it with "any person residing in the same residence as the lessor." This proposed change is being made in conjunction with a proposed change to establish an updated definition of "lessor's immediate family" in 7861.0210, Subpart 31a. It is necessary and reasonable to modify the language to be consistent with those proposed rule changes. The Board is also proposing to amend the language with a reference to new Minnesota Statutes, section 349.181 that contains restrictions and allowances on who may participate in lawful gambling. It is necessary and reasonable to point the reader to the correct statutory cite for additional information.
- In **new item F, subitem (5) [existing item A, subitem 6, unit (e)]**, the Board is proposing to delete "lessor's immediate family." See previous statement for explanation. The Board is also proposing to delete the term "unit" in the first sentence as that is no longer technically correct due to relettering/numbering and replace it with "provision" which is the language used in the existing Board-prescribed lease form. In the last sentence, the Board is proposing to delete the term "unit" and replace it with "subitem" to make it technically correct. It is necessary and reasonable to amend the rule to make it consistent with the proposed change regarding immediate family and to replace terms that are not technically correct.

- In **existing item B (resolution)**, the Board is proposing to delete the resolution language. It is necessary and reasonable as the Board is proposing to move, consolidate, and simplify the requirements pertaining to local government approval in Subpart 2, new item J.

7861.0240, Subpart 4. Changes in premises permit application and lease information.

- In the **introductory sentence of Subpart 4**, the Board is proposing to delete the language “during the term of the organization’s license.” Effective July 1, 2009, the term of an organization license is perpetual, per Minnesota Statutes 349.16, Subdivision 3, and the term of a premises permit is also perpetual in conjunction with the organization’s license. It is necessary and reasonable to delete obsolete language to conform to the statutory change.
- In **items B, and C**, the Board is proposing to amend the language to clarify that any changes to a lease must be provided on a new lease. These rule amendments prevent a lease from being amended many times, to the point of confusion of the actual terms of a lease. With the recent statutory change to a perpetual premises permit and lease (effective July 1, 2009), it is necessary and reasonable to require that a new lease be submitted to avoid any confusion about the lease terms. This is not a change in procedure; it is merely a clarification of when a new lease is required because of the change from two year leases to perpetual leases.

7861.0240, Subpart 5. Issuing or denying a new or renewal premises permit; violation of lease agreement.

- In the **title, the introductory sentence, and throughout** Subpart 5, the Board is proposing to delete all language referencing to “new or renewal” permits. Effective July 1, 2009, a statutory change established perpetual licenses and permits and eliminated license and permit renewals. With the deletion of renewal applications, there is only one type of application to consider and that would be “new permits,” making the reference unnecessary. It is necessary and reasonable to delete obsolete language to conform to statutory language.
- **(director/board)** In the **introductory sentence of this subpart; in item A, first sentence; and in item B introductory sentence and last paragraph**, the Board is proposing to amend the language by deleting “director” and replacing it with “board.” That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director. This change in rule is to ensure that the Board is recognized as the overall licensing and regulatory authority.
- In **existing item B, subitem (1)**, the Board is proposing to amend the language pertaining to a lapsed organization license. Minnesota Statute 349.165, Subdivision 1 states that the term of a permit is concurrent with the organization license, in essence requiring an organization to have a valid organization license in order to obtain a premises permit. Effective July 1, 2009, Minnesota Statute 349.16, Subdivision 3a provides language clarifying what is considered a lapsed organization license. It is necessary and reasonable to amend the language to clarify that an organization is not eligible to apply for a premises permit if it does not have a valid license, including a license that has lapsed. It is necessary and reasonable to amend the language to conform to the statutory clarification and to include the statutory cite that defines a lapsed license.
- In **existing item B, subitem (6)**, the Board is proposing to amend the language to clarify what is considered an incomplete application, i.e. that the application must be denied if the information required by Subpart 2 has not been submitted, or if the site is leased, the lease required by Subpart 3 has not been submitted. The phrase “its initial submission” is being deleted and replaced with “after it was received by the board” to be consistent with other licensing information and provided greater clarity for the reader. It is necessary and reasonable to clarify that all components of the license application and attachments must be complete, otherwise the permit application will be denied. This is not a new requirement.

- In **existing item B, subitem (7) (first sentence)** the Board is proposing to delete the language referencing the “lessor’s immediate family” and to amend the language to conform to the changes the Board is proposing to make in 7861.0210, Subpart 31a, i.e. a new definition of lessor’s immediate family. It is necessary and reasonable to delete and amend the language to conform with proposed rule changes in 7861.0210, Subpart 31a.

7861.0240, Subpart 5. Issuing or denying a new or renewal premises permit; violation of lease agreement. (continued)

- In **existing item B, subitem (7), second sentence**, the Board is proposing to amend the language by deleting the reference to a renewal application. Effective July 1, 2009, the term of a permit is perpetual, thereby eliminating the renewal application requirement. It is necessary and reasonable to conform to the statutory change.
- In **existing item B, existing last sentence**, the Board is proposing to delete the reference to 7865.0260, *subpart 4* that contains language pertaining to renewal applications. Because of the statutory change that eliminated premises permit renewal applications, it is necessary and reasonable to delete obsolete language to make the rule conform to the statutory change.
- In **existing item C**, the Board is proposing to delete all of the language. Effective July 1, 2009 a statutory change made the term of a permit perpetual, essentially eliminating renewal applications. It is necessary and reasonable to delete obsolete language to conform to the statutory change.
- In **new item C [existing item D]**, the Board is proposing to delete references to new and renewal applications. It is necessary and reasonable to delete obsolete language in order to be in conformance with statutory language that became effective July 1, 2009, i.e. establishing perpetual permit term and eliminating renewal applications.

7861.0240, Subpart 6. Permit effective date and length of premises permit.

- In the **title of Subpart 6** the Board is proposing to delete the reference to “length of premises permit” because of the statutory change that made the term of a premises permit perpetual. It is necessary and reasonable to amend the title to reflect its remaining content.
- (director/board) In **Subpart 6**, the Board is proposing to amend the language by deleting “director” and inserting “board.” This change is made to clarify that it is the Board who is the licensing authority. That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director. According to Minnesota Statute, section 349.151, subdivision 4, paragraph (a), clause (12), the Board may delegate to the director the authority to issue premises permits.
- In **existing Subpart 6, 2nd sentence**, the Board is proposing to delete the second sentence language referencing the expiration date of an organization’s license. Effective July 1, 2009, Minnesota Statute, section 349.165, Subdivision 1, addresses the new perpetual term of a premises permit and what factors affect the termination of a permit. It is necessary and reasonable to delete obsolete language that is in conflict with statutory language.

7861.0260, Subpart 1. General restrictions.

- In **new item A [existing second introductory sentence of Subpart 1]**, the Board is proposing to include this language as a separate item (employee includes a volunteer). As this subpart contains general restrictions, it is necessary and reasonable to establish the employee/volunteer language as a separate item.
- In **existing item A (age restrictions)**, the Board is proposing to eliminate the language pertaining to who may participate in lawful gambling. Effective July 1, 2009, Minnesota Statutes, new section 349.181, consolidates and clarifies who may and may not participate in lawful gambling. It is necessary and reasonable to reduce the bulk of rule language that is redundant of or in conflict with statutory language.
- In **item B**, the Board is proposing to amend the language by moving existing language from 7861.0220, Subpart 10, definition of cash. It is necessary and reasonable to consolidate related language in rule where it is easily located and understood by the reader.
- In **item B**, the Board is also proposing to amend the language to clarify the use of debit cards for raffle tickets. Effective July 1, 2009, the statute was amended to allow the use of debit cards to pay for raffle tickets. It is necessary and reasonable to amend the language to include "debit card" as allowed by Minnesota Statute, section 349.2127, Subdivision 7.

7861.0260, Subpart 2. Posting of information and house rules

- In **existing item B**, the Board is proposing to delete the language referencing the expiration date of a premises permit. Effective July 1, 2009, premises permits no longer have an expiration date, per Minnesota Statutes, section 349.165, Subdivision 1. It is necessary and reasonable to delete the language that is now obsolete because of the statutory change and to **reletter** the remaining items.
- In **new item D [existing item E]**, the Board is proposing to amend the language to require that organizations post additional information on who may not participate in the conduct of lawful gambling at the premises. Effective July 1, 2009, Minnesota Statutes, section 349.181 outlines restrictions on who may not participate in lawful gambling. That language references "lessor's immediate family" but chapter 349 does not include a definition of lessor's immediate family, which the Board is proposing to define in this rules process in Minn. Rule 7861.0210, new Subpart 31a. It is necessary and reasonable to require that the organization post additional information on who may not participate in the conduct of lawful gambling, as there have been instances in which persons played games when they were not allowed to participate by statute and/or rule. Requiring the additional information to be posted will ensure that all players are informed of the statutory restrictions, in addition to any restrictions that the organization might impose. It is necessary and reasonable to ensure that the organization considers public perception and its internal controls when determining who may/may not participate as a player and make the information known to all players through the organization's house rules. Based on public comment, the Board is also proposing to amend language pertaining to the size of the house rules sign, and change the minimum size to 11 x 17 inches (from 18 x 24 inches). It is necessary and reasonable to amend the rule to allow licensees to print house rules using a more common size of paper.
- In **new item E**, the Board is proposing to make an exception to the posting of information for bingo games. In a related change in 7861.0270, Subpart 2 (Bingo – Posting of information and house rules), the Board is proposing to allow organizations to make the required information available in a bingo program instead of posting a sign. It is necessary and reasonable to amend the rule language to be consistent with a related change that will make it easier for organizations to inform players of bingo game requirements.

7861.0260, Subpart 3. Advertising.

- In **existing Subpart 3**, the Board is proposing to amend the language to clarify that advertising materials “paid by a licensed organization from its gambling account” must identify the licensed organization. Because there are instances in which a lessor might pay for advertising to inform customers that lawful gambling is conducted at the site, the Board would have no authority to require a lessor to include the organization’s name and license number. It is necessary and reasonable to clarify this requirement for licensed organizations.

7861.0260, Subpart 4. Prizes awarded; records required.

- In **existing item C**, the Board is proposing to delete the language pertaining to the total of all raffle prizes awarded in a calendar year. Effective May 2, 2008, Minnesota Statutes 349.211, Subdivision 2d eliminated the Board’s authority to impose an annual prize limit for raffle prizes, and the prize value limit for individual raffle prizes was established in statute. It is necessary and reasonable to remove obsolete language that is not in conformance with statutory restrictions placed on the Board’s rule authority, and to reletter the remaining items in this subpart.
- In **new items C and E [existing items D and F]**, the Board is proposing to amend the language with changes that are merely grammatical in nature. It is necessary and reasonable to ensure that rule language pertaining to certificates is consistent with other existing rule language, i.e. certificates *for* merchandise and certificates *for* services. There are no changes in existing requirements.
- In **new item D [existing item D]**, the Board is proposing to amend the language to allow organizations that use raffle tickets to conduct small “meat raffles” to pay for the merchandise (meat) prizes after the raffle is concluded. Currently, organizations conducting this type of raffle are required to pay for their merchandise (meat) packages prior to the raffle drawing. However, organizations that use a paddlewheel or tipboard with 32 tickets or less to conduct their “meat raffles” have up to 30 days to pay for their meat packages after they purchase them, according to Minnesota Statute, section 349.211, subdivision 4, paragraph (b). [It is interesting to note that Minnesota Statute, section 349.211, Subdivision 4, paragraph (b) was amended to create an exception from board rule.] Therefore, because organizations are conducting small meat raffles using actual raffle tickets, it is necessary and reasonable to amend the rule to be consistent with statute that allows merchandise prizes (meat) to be paid for up to 30 days after the organization has purchased them for small games, and to establish that the exception is made for raffles with gross receipts of \$60 or less, similar to the paddlewheel and tipboard “meat raffles” currently conducted.
- In **new item F [existing item G]**, the Board is proposing to amend the language to include “progressive bingo prize.” Effective July 1, 2009, Minnesota Statutes, section 349.17, Subdivision 3 (winners) allows payment for a progressive bingo game to be delivered within three business days of the day on which the occasion was conducted. It is necessary and reasonable to include this language with other existing language that clarifies the exceptions.
- In **new item J [existing item K]**, the Board is proposing to amend the language to allow the purchase of a certificate for merchandise or gift card from the lessor of a permitted premises, as long as certain conditions are met. In the last rules process the Board promulgated language to prohibit the purchase of merchandise prizes from the lessor, as the Board believed it was necessary to prevent lessors from coercing organizations to purchase merchandise prizes from them, in what could be construed as rent augmentation, which is prohibited. Effective July 1, 2009, the prohibition of allowing the commercialization of lawful gambling was removed from the Board’s mandate in Minnesota Statutes, section 349.11. In light of that change and based on comments received from the industry, the Board has determined that allowing organizations to purchase, at a reduced cost, certificates for merchandise or gift cards (with certain restrictions) from the lessor is not considered rent augmentation, and that organizations will benefit from this change as it will allow them to help promote their gambling

operations at the site. It is necessary and reasonable to amend the rule to allow organizations a new marketing tool for their gambling operation.

7861.0260, Subp. 5. Prize receipts required.

7861.0260, Subpart 6. Storing and securing equipment.

No changes proposed in Subparts 5 and 6.

7861.0260, Subpart 7. Return of defective pull-tab or tipboard game to distributor or revenue.

- In item A, new subitem 8, the Board is proposing to move existing language from 7861.0280, Subpart 1, existing item C, for a more logical placement of defective game language. It is necessary and reasonable to consolidate related language pertaining to defective games so the reader can locate and understands all requirements. The language does not impose any new requirements.

7861.0260, Subpart 8. Return of defective linked bingo paper to linked bingo game provider.

No changes proposed in subpart 8.

7861.0270, Subpart 1. Restrictions and definitions

- In **existing item A**, the Board is proposing to delete the language as it is already contained in 7861.0260, Subpart 1 (General restrictions), new item A. It is necessary and reasonable to eliminate duplicate rule language and to reletter the remaining items.
- In **existing item B (defining gross receipts from bingo of less than \$150,000)**, the Board is proposing to delete this language in conjunction with the proposed deletion of existing item H where gross receipts language is mentioned, and to amend related language in Subpart 3, existing item J (new item I). It is necessary and reasonable to reduce the bulk of rule language and place clarifying language where it is logically located in Subpart 3, new item I.
- In **existing item G**, the Board is proposing to delete obsolete language. Effective July 1, 2009, restrictions on employee participation in lawful gambling (including bingo) are contained in Minnesota Statute, section 349.181. It is necessary and reasonable to delete obsolete language that is in conflict with statutory language. It is noted that the language in the second sentence is being deleted because new language in 7861.0260, Subpart 2, item D, will require an organization to post any additional restrictions on who may not participate in the conduct of lawful gambling at the premises, making this language redundant and unnecessary.
- In **existing item H**, the Board is proposing to delete language that it considers outdated. This rule was originally established on the basis that a "perception" must be given to other players, i.e. a gambling employee and a member of their family are not cheating in a bingo game. The second sentence provided an exception for organizations with less than gross bingo receipts of \$150,000 in the last fiscal year. That exception typically pertains to organizations using bingo hard cards, where it is possible that cheating could occur between a bingo employee and their family members. With the widespread use of bingo paper and electronic bingo devices, the Board has determined that the language in item H can be deleted. It is noted that organizations are still allowed to incorporate any restrictions for the conduct of bingo in their internal controls and house rules. It is necessary and reasonable to delete language that is considered outdated and unnecessary.

7861.0270, Subpart 2. Posting of information and house rules.

- In the **introductory sentence** of Subpart 2, the Board is proposing to amend the language to clarify that instead of posting house rules and required notices at the point of sale, an organization may include the house rules and required notices in its bingo program. This change is proposed in conjunction with the exception being made in 7861.0260, Subpart 2, new item E. It is necessary and reasonable to amend the rule to allow for this information to be printed in the bingo program where all bingo players can easily access, read, and understand the house rules and sales information.
- In **existing item A, subitem (3)**, the Board is proposing to delete the language requiring that an organization post the name of the state agency from which a player may get a copy of rules governing bingo. When bingo rules were initially established years ago, there was some confusion and questions from players on how games were required to be operated. That is no longer the case, and Board staff has deemed that this requirement is outdated, as the Board's rules are readily available online. It is necessary and reasonable to delete an outdated requirement.
- In **existing item B**, a portion of the introductory sentence is being deleted to consolidate rule language in this subpart. There are no changes in requirements.

7861.0270, Subpart 3. Bingo equipment to be used.

- In **existing item A**, the Board is proposing to delete this language and reletter the remaining items in this subpart. Minnesota Statutes 349.162 (Equipment Registered) already addresses the requirement that gambling equipment must be approved by (and registered) with the Board. Also, it is the distributor's responsibility to ensure that gambling equipment has been approved by the Board before they sell or lease equipment to organizations. It is necessary and reasonable to delete rule language that is redundant of statutory language and reduce the bulk of rule language, and to reletter the remaining items in this subpart.
- In **new item D [existing item E]**, the Board is proposing to amend the language to include facsimiles of linked bingo paper sheets. Effective May 2, 2008, the use of electronic bingo devices with facsimiles of bingo paper sheets is allowed in linked bingo games, per Minnesota Statutes, section 349.17, Subdivision 8, paragraph (c). It is necessary and reasonable to amend the rule to ensure that it is in conformance with statutory language.
- In **new item F (existing item G)**, the Board is proposing to amend the language to prohibit identical faces from occurring on facsimiles of sealed (breakopen) paper sheets faces during a breakopen bingo game, as the manufacturer would easily be able to accomplish that electronically. It is necessary and reasonable to amend the language to be consistent with proposed changes in manufacturing standards for electronic bingo devices, i.e. Minn. Rule 7864.0230, Subpart 6, new item D.
- In **new item G [existing item H]**, the Board is proposing to amend the language to address the concern that certain alternative game requirements may give players a certain edge to win a higher prize. For example, an organization might conduct bingo games in which the winning numbers in a column or pattern are added to determine the prize amount, not to exceed game or occasion limits. It is necessary and reasonable to amend the language so that the integrity of bingo games is protected to ensure that all players are treated equitably and do not have an unfair advantage over others, by requiring the use of sealed paper or facsimiles for such games.
- In **new item I [existing item J]**, the Board is proposing to clarify "bingo receipts exceeding \$150,000" in conjunction with the proposed deletion of language in existing Subpart 1, item B and moving the language pertaining to coupon discounts where it is appropriately located in this item. The Board is also proposing to delete the unnecessary term "annual" as it may confuse the reader when reading further on that the restriction applies to a fiscal year, not a calendar year. It is necessary and reasonable to place remaining and clarifying language where it is logically located and to clarify existing language.
- In **new item J [existing item K]**, the Board is proposing to clarify that for the use of a Braille hard card an organization "must" charge a person who is visually impaired the same price charged for a bingo hard card or bingo paper sheet face. This change is based on a comment received from the public. It is necessary and reasonable to amend the language to clarify that all players must pay the same price to play a bingo game.
- In **existing item L**, the Board is proposing to create a new subpart pertaining to the use of electronic bingo devices. See the next SONAR explanation for 7861.0270, new Subpart 3a.

7861.0270, (new) Subpart 3a. Use of electronic bingo devices. (existing 7861.0270, Subpart 3, item L)

- In **new Subpart 3a**, the Board is proposing to create a new Subpart 3a by using language from existing Subpart 3, item L and to letter the existing subitems as items A through G in new Subpart 3a, and in new item C to renumber two sentences as subitems (1) and (2) so that item C is more easily understood. The new subpart is devoted exclusively to the requirements for using electronic bingo devices. Because existing 7861.0270, Subpart 3 is quite lengthy, the information regarding electronic bingo devices has not been not easily located by readers looking for these requirements. It is necessary and reasonable to reorganize the rule language to ensure that the reader can easily locate information and understand the information in a shorter subpart that is clearly defined and located.
- In the **introductory sentence of new Subpart 3a**, the Board is proposing to clarify that the device is used to monitor bingo faces, whether it is bingo paper or facsimiles, as it possible (but unlikely) that the organization would use corresponding bingo paper with an electronic bingo device. It is necessary and reasonable to make the rule generic so that it applies to both formats.
- In **new item C, subitem (1)** [existing Subpart 3, item L, subitem (3)], the Board is proposing to amend the language by deleting the specific information required to be printed on the sales receipt, as that information is included in the manufacturing standards [Minn. Rule 7864.0230, Subpart 6, item J, subitem (2)]. The Board is proposing to clarify the language that the organization must provide the player with a sales receipt at the point of sale. It is necessary and reasonable to delete redundant language and clarify the organization's responsibility, as the basic content of the receipt is programmed at the manufacturer level according to the Board's rule requirements in manufacturing standards. It is noted that an organization may include additional information on the receipt, such as advertising.
- In **existing Subpart 3, item L, subitem (4)**, the Board is proposing to delete the existing language pertaining to electronic daubing. Effective July 1, 2009, Minnesota Statute, section 349.12, Subdivision 12a and Minnesota Statute, section 349.17, Subdivision 6 were modified to clarify that the electronic bingo device must provide a player with the means to activate (electronically daub) a called bingo number. It is necessary and reasonable to delete language that has been clarified in statute.
- In **new item D** [existing Subpart 3, item L, subitem (5)], the Board is proposing to delete the prohibition of and reference to advertising. Effective July 1, 2009, the prohibition of commercialization of lawful gambling was removed from Minnesota Statutes, section 349.11. Organizations are now allowed to solicit advertising as part of the conduct of lawful gambling. Therefore it is necessary and reasonable to remove the advertising prohibition when using an electronic bingo device to comply with the intent of the statutory change.
- In **existing Subpart 3, item L, subitem (8)**, the Board is proposing to delete the existing language referencing the transfer of electronic bingo devices by organizations. Existing language in part 7863.0220, subpart 2, item I, subitem (3) requires a licensed distributor to notify and receive Board approval to transfer electronic bingo devices to another permitted premises. Therefore the language in existing Subpart 3, item L, subitem (8) is redundant and technically incorrect, as distributors closely monitor the use of these leased devices according to the terms of their lease agreement with the organizations, and also with the manufacturers. It is necessary and reasonable to remove technically incorrect language and a requirement that is not placed on licensed organizations.
- In **new item H** [existing Subpart 3, item M, second sentence], the Board is proposing to amend the language to allow organizations to active the audio function of an electronic bingo device for all bingo players or limit it to the use of players who are visually impaired. This change is being made based on comments received from the industry. It is necessary and reasonable to amend the language to be consistent with a proposed change being made in manufacturing standards for electronic bingo devices.

7861.0270, Subpart 4. Bingo programs, statutes, and rules made available.

- In the **title of this subpart and the introductory sentence**, the Board is proposing to delete the reference to statutes and rules, as the Board is proposing to delete the requirement that an organization must have the statutes and rules available at the bingo premises. Statutes and rules are available online for bingo players to review, and bingo players are already quite knowledgeable about the conduct of bingo. The four other forms of lawful gambling do not include this requirement. It is necessary and reasonable to eliminate an unnecessary and costly requirement and to make the rules equitable for all forms of lawful gambling.
- In **item A, subitem (1)** the Board is proposing to delete the requirement to include the organization's address in the bingo program and to instead require the name of the permitted premises. The requirement for the organization's address was inadvertently included in the last rules process. Board staff indicated that this information is not necessary and should be deleted, as the organization's address is on file with the Board and the information is not necessary for bingo players. It is necessary and reasonable to include the requirement that the name of the permitted premises be included in the bingo program, so that players, the organization, and Board staff know that the correct bingo program is being used for a site.
- In **item A, subitem (2)** the Board is proposing to amend the language to reflect a statutory change in Minnesota Statute, section 349.17, Subdivision 6 (effective July 1, 2009). That statutory change allows for bingo games in which a player could win a prize based upon a game requirement and not necessarily the completion of a winning pattern. Examples include a "good neighbor game" that does not require a person to complete a winning pattern if they are seated next to the winner who completed a winning pattern, or a "last person standing game" in which the person who does not have any of the numbers called and is the last person standing would win the game. Those types of bingo games do not require the completion of a pattern by a player in conjunction with the game requirements. It is necessary and reasonable to amend rule language so that it is in conformance with the statutory change and informs the reader that a pattern might not be required if the game requirements are described in the bingo program.
- In **item A, subitem (4)**, the Board is proposing to amend the language by deleting "including consolation prizes" and inserting "by the organization." Since all prizes offered by the organization must be included in the bingo program, the language pertaining to consolation prizes is unnecessary. There is some confusion regarding linked bingo game consolation prizes awarded by a linked bingo game provider as part of a "linked" bingo game and for consolation prizes awarded by an organization for a consolation game that is not linked and conducted at the organization's site after the "linked" bingo game has been won. It is necessary and reasonable to amend the language to remove existing confusion over consolation prizes offered by organizations for games they conduct and for consolation prizes awarded by linked bingo game providers.
- In **item B**, the Board is proposing to delete "list of occasions" and insert "days and time." This is not a new requirement, it merely reflects what organizations currently include in their bingo programs. The Board is also proposing to delete the requirement pertaining to bad weather programs, as Board staff can ascertain from the organization's bingo records what program was used when attendance was reduced due to bad weather. It is necessary and reasonable to make changes that clarify existing language used for bingo programs and to eliminate an unnecessary requirement for bad weather programs.

7861.0270, Subpart 5. Sales to bingo players; use of coupons.

- In **item C, subitem (1), 2nd sentence**, the Board is proposing to clarify that the sale of gift certificates for bingo hard cards, bingo paper, or for the use of an electronic bingo device, currently allowed at any time, must be conducted “at the permitted premises.” It is necessary and reasonable to clarify the sales must take place at the location where bingo is conducted to help ensure that unauthorized sales do not occur outside of the location and to ensure that the organization properly accounts for all bingo proceeds.
- In **item C, subitem (6)**, the Board is proposing to amend the language to clarify for which games the price requirement is applied and thereby ensures that bingo players pay the same price for the same game. It is necessary and reasonable to amend the rule to clarify price requirements for a bingo game.

7861.0270, Subpart 6. Beginning a bingo game.

- In **item A, first sentence (bingo game requirement)**, the Board is proposing to amend the language to reflect a statutory change in Minnesota Statute, section 349.17, Subdivision 6 that became effective July 1, 2009. That statutory change allows for games such as a “good neighbor game” that does not require a person to complete a winning pattern if they are seated next to the winner who completed a winning pattern, or in a “last person standing game” the person who does not have any of the numbers called and is the last person standing would win the game. Those types of bingo games do not require the completion of a pattern by a bingo player in conjunction with the game requirements. It is necessary and reasonable to amend rule language so that it is in conformance with the intent of the statutory change and informs the reader that a pattern might not be required if the game requirements are described and announced to players.
- In **item A, second sentence** is being modified to reflect the proposed change of allowing the use of an electronic bingo device for “you pick’em games.” (See next statement.)
- In **item A, existing last sentence**, the Board is proposing to delete the prohibition of not allowing “you pick’em games” for electronic bingo devices. “You pick’em games” are bingo games in which a bingo player selects the bingo numbers that they want to play on a bingo face. When the Board initially promulgated rules for electronic bingo devices, it took a very cautionary approach to the use of these devices when they were newly authorized by statute. In this rules process the Board received a request from the industry to allow for the use of electronic bingo devices for “you pick’em games.” The Board reviewed the request and determined that the prohibition could be removed from rule. It is necessary and reasonable to amend the rule to allow this type of game to be played with an electronic bingo device, and make the game available to all bingo players, whether they play only with paper, with an electronic bingo device, or with both. [SEE also the SONAR for 7864.0230, Subpart 6, item C, manufacturing standards for electronic bingo devices for additional information.]
- In **existing item D, subitem (2)**, the Board is proposing to amend the language--requiring the caller to ensure that the majority of players are able to see the selected letter and number--by making an exception for bingo conducted in a bar. The set-up for a bingo game conducted in a bar is different than bingo conducted in what is considered a “bingo hall,” typically a large setting. In a bar bingo game, the majority of players may be seated throughout the establishment, typically a small setting divided into small rooms or sections, and players might not be able to see the selected letter and number called (unless flashboards are posted throughout) but are able to hear them called. It is necessary and reasonable to make a reasonable exception for bar bingo, as Board staff has determined that making this exception will not harm the integrity and conduct of the game.
- In **existing item G**, the Board is proposing to delete the second sentence that requires non-called bingo balls to be available for inspection after the game is concluded. Board staff has deemed this requirement an unnecessary. Item D already requires all balls or numbers to be displayed (whether called or not), making this provision duplicative in nature. It is necessary and reasonable to delete a rule requirement that is duplicative of another rule requirement.

- In **item H**, the Board is proposing to delete language that is redundant of statute. Minnesota Statutes, section 349.17, Subdivision 6 (Conduct of bingo) states, "...Each player must cover, mark, or active the numbers when bingo numbers are randomly selected, announced, and displayed to the players, either manually or with a flashboard and monitor..." It is necessary and reasonable to delete a requirement that is already contained in statute and reduce the bulk of rule language.

7861.0270, Subpart 7. Closing a bingo game.

- In **item C**, the Board is proposing to clarify the verification process, i.e. one neutral player verifies the winning face in addition to an organization employee announcing the winning numbers if an electronic verification device is not used. This slight modification is necessary and reasonable to ensure that a winning face has been properly verified.
- In existing **item C, subitem (1)** the Board is proposing to delete the phrase "immediate family member" and amend it with language that clarifies who is considered a neutral player in this situation. It is necessary and reasonable to amend the rule with an updated declaration of who is considered a neutral bingo player to conform to the proposed rule deletion of 7861.0210, Subpart 27 (immediate family member).

7861.0270, Subp. 8. Awarding bingo prizes.

- In **item A, subitem (2)**, the Board is proposing to amend the language with "bingo game requirement." Effective July 1, 2009, Minnesota Statute, section 349.17, Subdivision 6 was amended to allow for games such as a "good neighbor game" that does not require a player to complete a winning pattern if they are seated next to the winner who completed a winning pattern, or a "last person standing game" in which the player who does not have any of the numbers called and is the last person standing would win the game. Those types of bingo games do not require the completion of a pattern by a bingo player in conjunction with the game requirements. It is necessary and reasonable to amend rule language so that it is in conformance with the intent of the statutory change and informs the reader that a winning pattern might not be required if certain game requirements are met.

7861.0270, Subp. 9. Breakopen bingo game.

- In **item D**, the Board is proposing to amend the language to include "facsimiles of sealed paper." It is necessary and reasonable to amend the language to be consistent with proposed changes made elsewhere in rules to allow for facsimiles of sealed paper to be used with electronic bingo devices for breakopen bingo games. [SEE also Manufacturing standards 7864.0230, Subpart 6.]
- In the **introductory sentence of item E and in subitem (1)**, the Board is proposing to amend the language to reflect a statutory change in Minnesota Statute, section 349.17, Subdivision 6, effective July 1, 2009. That statutory change allows for games, such as a "good neighbor game" that do not require a player to complete a winning pattern if they are seated next to the winner who completed a winning pattern, or a "last person standing game" in which the player who does not have any of the numbers called and is the last player standing wins the game. Those types of bingo games do not require the completion of a pattern by a bingo player in conjunction with the bingo game requirements. It is necessary and reasonable to amend rule language so that it is in conformance with the intent of the statutory change and informs the reader that a winning pattern might not be required if certain bingo game requirements are met.
- In **item H**, the Board is proposing to remove the restriction of not allowing electronic bingo devices to be used with breakopen bingo games, and to clarify that trade-ins of facsimiles are not allowed. It is necessary and reasonable to amend the language to be consistent with proposed rule changes in the manufacturing standards, 7864.0230, Subpart 6.

7861.0270, Subpart 10. Linked bingo game.

- In **existing item A**, the Board is proposing to delete the entire sentence. Effective August 1, 2007, Minnesota Statutes, section 349.17, subdivision 8, paragraph (a) was amended to allow “not more than two linked bingo games per occasion.” The rule language is technically incorrect, as statutory language provides for the limits. Therefore, it is necessary and reasonable to delete this obsolete rule language as it is in conflict with statutory language, and to reletter the remaining items in this subpart.
- In **existing item B**, the Board is proposing to delete the entire sentence. Effective August 1, 2007, the definition of “linked bingo prize pool” was amended in Minnesota Statutes, 349.12, subdivision 25d to allow for progressive prizes, and Minnesota Statutes 349.17, subdivision 8, paragraph (a) was amended to allow for progressive linked bingo games. Therefore it is necessary and reasonable to delete this obsolete rule language as it is in conflict with statutory language, and to **reletter** the remaining items in this subpart.
- In **new item A [existing item C]**, the Board is proposing to amend the language with “facsimiles of linked bingo paper sheets” and “facsimiles of linked bingo paper sheet faces.” Effective May 2, 2008, Minnesota Statutes, section 349.17, subdivision 8, paragraph (c), allows electronic bingo devices to be used for a linked bingo game. Because those devices contain facsimiles of bingo paper sheet faces, it is necessary and reasonable to amend the rule to reflect what an organization is allowed to sell when conducting linked bingo games with electronic bingo devices. It is also necessary and reasonable to delete the 3rd sentence in existing item C as that restriction is in conflict with the statutory change that now allows the use of electronic bingo devices in the conduct of linked bingo games.
- In **existing item G**, the Board is proposing to delete the language and move it to 7863.0260, new subpart 2a, item C. This move is being made in conjunction with the proposed deletion from existing item K and moving the language to the linked bingo game provider rule section where it is more logically located, i.e. linked bingo game provider requirements for the conduct of a linked bingo game. It is necessary and reasonable to consolidate where logical all rule requirements for a linked bingo game provider.
- In **new items E and F [existing items H and I]**, the Board is proposing to amend the language to conform to recent statutory changes. Effective May 2, 2008, electronic bingo devices may be used for a linked bingo game, per Minnesota Statutes, section 349.17, subdivision 8, paragraph (c). The Board is therefore proposing to include references to “facsimiles.” It is necessary and reasonable to modify the rule language to ensure that rules for the conduct of linked bingo games are consistent and in conformance with statutory language when electronic bingo devices are used.
- In **new item F [existing item I]**, the Board is proposing to amend the language. Effective July 1, 2009, Minnesota Statutes, section 349.17, subdivision 6 was amended to allow alternatives game to be conducted. The Board is proposing to amend the language to reflect that a pre-designated pattern (considered a winning combination of bingo numbers) or a pre-designated game requirement has been declared by a bingo player. It is necessary and reasonable to amend the rule so that it conforms to the statutory change and intent.
- In **existing item K**, the Board is proposing to delete the entire language and move it to 7863.0260 as new Subpart 2a. It is noted that the first sentence of 7861.0270, Subpart 10 states “...an organization must also comply with the following for the conduct of a linked bingo game.” An organization is not required to comply with the requirements of item K. Rather, it is the linked bingo game provider who must comply with the requirements of item K. Therefore, it is necessary and reasonable to move the language to 7863.0260 where requirements for a linked bingo game provider are contained.

7861.0270, Subpart 11. Records and reports.

7861.0270, Subpart 12. Perpetual inventory records required for case paper.

7861.0270, Subpart 13. Perpetual inventory records required for linked bingo paper.

7861.0270, Subpart 14. Perpetual inventory records required for packets.

7861.0270, Subpart 15. Perpetual inventory records required for packages.

7861.0270, Subpart 16. Physical inventory records and discrepancy report required for all bingo paper.

No changes proposed in Subparts 11 through 16.

7861.0270, Subpart 17. Bingo occasion records required for hard cards.

- In **items C and F**, the Board is proposing to amend the language to clarify bingo record requirements pertaining to gift certificates. It is necessary and reasonable to clarify an existing requirement that ensures that all bingo receipts are properly accounted for.
- In **item G**, the Board is proposing to make a grammatical change that reflects that a prize (singular) is awarded to a winning card. It is necessary and reasonable to make a grammatical change to clarify the rule.

7861.0270, Subpart 18. Bingo occasion records required for all bingo paper and facsimiles of bingo paper sheets.

- In **item G**, the Board is proposing to amend the language to consolidate and clarify what is contained in a bingo occasion summary. It is necessary and reasonable to amend the language to clarify that any cash discrepancies must be contained in a summary report. This is an existing requirement under Minnesota Statutes, section 349.19, Subdivision 4.
- In **item H**, the Board is proposing to amend the language to clarify that redeemed gift certificates must be included in the bingo occasion summary report. This is not a new requirement; it is merely a rule clarification of an existing allowance, i.e. use of gift certificates. It is necessary and reasonable to amend the rule so that the reader understands all of the information that must be included a bingo occasion summary report and to ensure that all bingo receipts are properly accounted for.

7861.0270, Subpart 19. Gross receipt and discrepancy report required for bingo hard cards and bingo paper.

No changes proposed in Subpart 19.

7861.0270, Subpart 20. Records required for electronic bingo devices.

- In **item C**, the Board is proposing to amend with the language with "linked bingo game provider." Effective May 2, 2008, electronic bingo devices may be used for linked bingo games, per Minnesota Statutes, section 349.17, subdivision 8, paragraph (c). Plus, Minnesota Statutes, section 349.17, subdivision 7, clause (2) was amended to clarify that linked bingo game providers may provide bingo paper sheets or facsimiles of bingo paper sheets, effective July 1, 2009. Therefore it is necessary and reasonable to amend the rule to be in conformance with statutory language that allows a linked bingo game provider to provide for the lease of electronic bingo devices.

7861.0270, Subpart 21. Disposal of bingo records.

No changes proposed in Subpart 21.

7861.0280, Subpart 1. Restrictions.

- In **existing item A, first sentence**, the Board is proposing to delete the first sentence because effective July 1, 2009, language in new Minnesota Statutes, section 349.181 extensively consolidates and clarifies who may and may not participate in all forms of lawful gambling. It is necessary and reasonable to delete obsolete language that is established and clarified in statute.
- In **existing item A, second sentence** the Board is proposing to delete the second sentence. Effective July 1, 2009, Minnesota Statutes, section 349.181, Subdivision 3, paragraph (b) clarifies what is considered the "conduct" of pull-tabs, including sales of pull-tabs. With the deletion of obsolete and redundant language in existing item A, the Board is proposing to **reletter** the remains items in this subpart. It is necessary and reasonable to eliminate language that has been consolidated and clarified in statute.
- In **existing item C**, the Board is proposing to delete the language and move it to 7861.0260, subpart 7, item A, new subitem 8. where it is logically placed with other requirements pertaining to defective games. It is necessary and reasonable to consolidate related language for defective games.
- In **new items C, D, and E**, the Board is proposing to amend existing language to clarify when and where games in play may be transferred. The Board is proposing to establish the first part of the sentence from existing item E as new separate item C, and then clarifying in separate items the transfer of games in play at a leased or owned premises as it pertains to bar and booth operations. [SEE next two statements for further clarification.]
- In **new item D**, the Board is proposing to clarify the current restriction pertaining to leased premises for booth and bar operations.
 - When an organization conducts the sale of pull-tabs from a booth operation at a leased premises, the organization is responsible for cash shortages.
 - When an organization has a bar operation at a leased premises in which the lessor and the lessor's employees conduct the sale of pull-tabs for the organization, the lessor is responsible for cash shortages from the games.

It is necessary and reasonable to clarify that games in play may not be transferred between bar and booth operations at leased premises because it is necessary to prevent accounting errors and misunderstandings related to cash shortages; to ensure that players are offered games in play where initially offered; and to ensure that rent formulas and leases are not affected. This is not a change in procedures currently required by Minnesota Statutes, section 349.18, Subdivision 1, paragraph (d) because in the case of bar operations, cash shortages must be reimbursed by the lessor. It is necessary and reasonable to clarify that the integrity and separation of accounting required for cash shortages must be maintained.

- In **new item E**, the Board is proposing to clarify the transfer of games within a premises by organizations that own their own premises at which they conduct lawful gambling. When an organization owns the site at which it conducts the sale of pull-tabs, it is responsible for cash shortages from both its own booth and bar operations. As the owner of the premises, the organization is prohibited from paying itself rent [Minnesota Statutes, section 349.18, Subdivision 4, paragraph (a)] and therefore is not considered "the lessor" for the organization's premises. It is necessary and reasonable to clarify that an organization that owns its own premises at which they conduct lawful gambling is allowed to transfer games in play from their booth and bar operations at their owned premises. This is not a change in procedures currently allowed. It is merely a clarification between a leased bar operation and an owned bar operation.

7861.0280, Subpart 2. Posting of information and flare.

- In **item C, new subitem (2)**, the Board is proposing to clarify that a flare for a pull-tab event game may be modified by an organization. Manufacturers are required to include the method(s) of selecting winning tickets with the game. If more than one option is provided by the manufacturer, the organization must determine the option to be used and then indicate the chosen method on the flare. It is necessary and reasonable to clarify an existing practice related to pull-tab event games.
- In **new item D**, the Board is proposing to create a new item from language in existing item C, as this is a separate restriction, and to reletter the remaining items. It is necessary and reasonable to make the rules easier to understand.

7861.0280, Subpart 3. Operation of pull-tab or event game.

- In **item A**, the Board is proposing to make a grammatical and technical change to clarify that games are not required to be put into play "when received." Rather, all pull-tabs must be placed out for play at the same time when the game is actually "put into play." It is necessary and reasonable to clarify the rule to remove ambiguity and eliminate possible confusion on the requirements of when a game is put into play.
- In **item G, subitem (1)**, the Board is proposing to amend the language to reflect a clarification being proposed in manufacturing standards, i.e. including the alternative methods of determining winning ticket(s) on the flare for pull-tab event games. The Board is also proposing to delete the language that requires announcing the method of selecting the winning tickets, as the information is documented on the flare for players. It is necessary and reasonable to clarify the game requirements so that organizations and players better understand the conduct of these unique games.

7861.0280, Subpart 4. Operation of cumulative pull-tab game.

- In **items D and E**, the Board is proposing to amend the language to clarify that a seller must either open "or uncover" a seal. This proposed change is being made in conjunction with a proposed change to manufacturing standards [part 7864.0230] for flares/seal cards for pull-tab games that will allow the use of a latex-type seal on flares and prize pool boards but not on tickets. It is necessary and reasonable to make a clarifying change to be consistent with other proposed rules language.
- In **item E**, the Board is proposing to amend the language to correct a technical error. When a deal within a cumulative pull-tab game is discontinued or closed, the seal is opened to determine a seal winner, if any, for that "pull-tab deal within a cumulative pull-tab game," not a prize pool winner for the "cumulative pull-tab game." At that level of the game there would be no prize pool winner. Prize pool winners are determined by opening a seal on the prize pool board. It is necessary and reasonable to make a technical correction that clarifies a seal is opened when a pull-tab deal is closed or discontinued within the cumulative game.

7861.0280, Subpart 5. Operation of multiple seal game.

- In **items A and B**, the Board is proposing to amend the language to clarify that a seller must either open "or uncover" a seal. This proposed change is made in conjunction with a proposed change to manufacturing standards [part 7864.0230] for flares/seal cards for pull-tab games that will allow the use of a latex-type seal on flares and prize pool boards but not on tickets. It is necessary and reasonable to make a clarifying change to be consistent with other proposed rules language.

7861.0280, Subpart 6. Operation of progressive pull-tab game.

- In **items C, D, and F, subitems (1) and (2)**, the Board is proposing to amend the language to clarify that windows are opened "or uncovered" by a seller. This proposed change is made in conjunction with a proposed change to manufacturing standards [part 7864.0230] for flares/seal cards for pull-tab games that will allow the use of a latex-type seal on flares and prize pool boards but not on tickets. It is necessary and reasonable to make a clarifying change to be consistent with other proposed rules language.

7861.0280, Subp. 7. Use of a pull-tab dispensing device.

- In **item H**, the Board is proposing to amend the language to allow for small pull-tab games that can be placed entirely into one column and clarify that the tickets must be randomly placed by the organization into the column. The Board is also proposing to clarify that when tickets remain in only one column, the remaining tickets do not have to be further split into multiple columns and may continue to be dispensed until all tickets are sold or the game is discontinued by the organization. These changes are being made based upon comments received from the industry. The Board evaluated the comments and determined that the proposed changes would not harm the integrity of lawful gambling. It is necessary and reasonable to amend the rule to allow organizations to use pull-tab dispensing devices to sell smaller games that fit entirely into one column and to allow organizations to sell out games, whether using the device for large or small games, and clarify that tickets for all games must be randomly placed into a column or columns, thereby assuring randomization of the tickets. Allowing all remaining tickets in a single column to be dispensed/sold will allow organizations to maximize their game profits. These proposed changes are also reflected in part 7864.0230, Subpart 2 [manufacturing standards for pull-tab dispensing devices].
- In **item I, existing subitem (3)**, the Board is proposing to delete the language and **renumber** the subsequent subitem. The language as currently written is confusing and appears to place an undue restriction on organizations, i.e. allowing only one key per compartment, which could cause problems for the organization if that one employee were not available to access the pull-tab dispensing device when needed. This amendment is being made based upon comments received from the industry. The Board evaluated the comments and determined that deleting the language would not harm the integrity of lawful gambling. It is necessary and reasonable to delete a confusing and overly restrictive requirement.

7861.0280, Subp. 8. Commingled deals in a pull-tab dispensing device.

7861.0280, Subp. 9. Standards for cash registers.

7861.0280, Subp. 10. Use of cash register; monthly audit and reconciliation report.

7861.0280, Subp. 11. Records and reports.

7861.0280, Subp. 12. Disposal of pull-tab games and records.

No changes proposed in subparts 8 through 12.

7861.0290, Subpart 1. Restrictions.

- In **existing item A, first sentence**, the Board is proposing to delete the first sentence because effective July 1, 2009, Minnesota Statutes, section 349.181 extensively consolidates and clarifies who may and may not participate in all forms of lawful gambling. It is necessary and reasonable to delete technically incorrect language that is in conflict with new statutory language.
- In **existing item A, second sentence**, the Board is proposing to delete the second sentence because effective July 1, 2009, Minnesota Statutes, section 349.181, Subdivision 3, paragraph (b) clarifies what is considered the “conduct” of tipboards, including sales of tipboard tickets. It is necessary and reasonable to delete language that is redundant of new statutory language.
- In **existing item B**, the Board is proposing to delete the language as it is already contained in 7861.0260, Subpart 7, item A, subitem (3) [defective games]. It is necessary and reasonable to delete unnecessary and duplicative language.
- In **existing item C**, the Board is proposing to delete the language as it is redundant of existing language in 7861.0260, Subpart 7, item A, subitems (1) and (2). It is necessary and reasonable to reduce the bulk of rule language by deleting duplicative language.
- In **existing item D, 1st sentence**, the Board is proposing to delete the language and move it to Subpart 2, new item B where it is more logically placed.
- In **existing item D, 2nd sentence**, the Board is proposing to delete the language and move it to Subpart 2, new item C. It is necessary and reasonable to make similar rule language consistent in its placement in rule, i.e. same as 7861.0280, Subpart 2, item D.
- In **existing item D, 3rd sentence**, the Board is proposing to delete the language as it is not necessary. Manufacturing standards require that the prizes to be awarded must be stated on the flare. It is necessary and reasonable to delete unnecessary language and reduce the bulk of rule language.
- In **new item B [existing item F]**, the Board is proposing to clarify the term “site” as “permitted premises.” It is necessary and reasonable to clarify that the games in play must be at a permitted premises, not at any site, and to use language that is consistent through rules. This is not a change in existing requirements.
- In **new items B, C, and D [existing item F]**, the Board is proposing to amend the rule to clarify when and where games in play may be transferred. The Board is proposing to establish the first part of the sentence from existing item F as new separate item B, and then clarifying in separate items the transfer of games in play at a leased or owned premises as it pertains to bar and booth operations.
- In **new item C**, the Board is proposing to clarify the current restriction pertaining to leased booth and bar operations.
 - When an organization conducts the sale of tipboards from a booth operation at a leased premises, the organization is responsible for cash shortages.
 - When an organization has a bar operation at a leased premises in which the lessor and the lessor’s employees conduct the sale of tipboards for the organization, the lessor is responsible for cash shortages from the games.

It is necessary and reasonable to clarify that games in play may not be transferred between bar and booth operations at leased premises because it is necessary to prevent accounting errors and misunderstandings; to ensure that players are offered games in play where initially offered; and to ensure that rent formulas and leases are not affected. This is not a change in procedures currently required by Minnesota Statutes, section 349.18, Subdivision 1, paragraph (d) because in the case of bar operations, cash shortages must be reimbursed by the lessor. It is necessary and reasonable to clarify that the integrity and separation of accounting required for cash shortages must be maintained.

7861.0290, Subpart 1. Restrictions. (Tipboards - continued)

- In **new item D**, the Board is proposing to clarify the transfer of games by organizations that own their own premises at which they conduct lawful gambling. When an organization owns the site at which it conducts the sale of tipboards, it is responsible for cash shortages from both its own booth and bar operations. As the owner of the premises the organization is prohibited from paying itself rent [Minnesota Statutes, section 349, Subdivision 4, paragraph (a)] and therefore is not considered "the lessor" for the organization's premises. It is necessary and reasonable to clarify that an organization that owns its own premises at which they conduct lawful gambling is allowed to transfer its own games in play from their booth and bar operations at their owned premises. This is not a change in procedures currently allowed. It is merely a clarification between a leased bar operation and an owned bar operation.

7861.0290, Subp. 2. Posting of information and flare.

- In **subpart 2**, the Board is proposing to clarify and consolidate posting requirements for tipboard flares by moving language from existing Subpart 1, item D. The language is divided into new items A, B, and C. There are no changes in requirements. It is necessary and reasonable to place rule language where it is logically located.

7861.0290, Subp. 3. Operation of tipboard game.

- In **item B, first sentence**, the Board is proposing to amend the language to include the phrase "group of banded tickets." A "group of banded tickets" has historically been recognized as individually banded tipboard tickets that are grouped together by a manufacturer and sold for a single ticket price by an organization. EXAMPLE: A grouping could consist of 3 banded tickets grouped together and the grouping sold for 50 cents. Because the reference to "group of banded tickets" is being deleted in the existing second sentence of this item, it is reasonable and necessary to document and clarify a historical practice that a group of banded tickets is sold as a single unit.
- In **item B, second sentence**, the Board is proposing to delete the **second sentence** in which the price of a tipboard ticket was originally established by rule. Effective May 26, 2007, the maximum price of a tipboard ticket was established at \$5 under Minnesota Statutes, section 349.211, subdivision 2c. Previously the maximum price for a tipboard ticket or group of banded tickets was \$2 as established by Board rule. It is necessary and reasonable to delete obsolete language that is in conflict with statutory language.
- In **item F**, the Board is proposing to amend the language to clarify that a seller must open "or uncover" a seal. This proposed change is being made in conjunction with a proposed change to manufacturing standards for flares/seal cards for tipboard games in 7864.0230, that will allow the use of a latex-type seal on tipboards (but not on tickets). It is necessary and reasonable to make a clarifying change to be consistent with other proposed rules language.

7861.0290, Subp. 4. Operation of progressive tipboard game.

- In **items C, D, and F, subitems (1) and (2)**, the Board is proposing to amend the language to clarify that a seller must open "or uncover" a seal, or that a winning seal is opened "or uncovered." This proposed change is being made in conjunction with a proposed change to manufacturing standards for flares/seal cards for tipboard games in 7864.0230 that will allow the use of a latex-type seal (but not on tickets). It is necessary and reasonable to make a clarifying change to be consistent with other proposed rules language.

7861.0290, Subp. 5. Operation of tipboard game with multiple seals.

- In **item B**, the Board is proposing to amend the language to clarify that a seller must open "or uncover" a seal. This proposed change is being made in conjunction with a proposed change to manufacturing standards for flares/seal cards for tipboard games in 7864.0230 that will allow the use of a latex-type seal. It is necessary and reasonable to make a clarifying change to be consistent with other proposed rules language.

7861.0290, Subp. 6. Operation of cumulative tipboard game.

- In **items D and E**, the Board is proposing to amend the language to clarify that a seller must open "or uncover" a seal. This proposed change is being made in conjunction with a proposed change to manufacturing standards for flares/seal cards for pull-tab and tipboard games in 7864.0230 that will allow the use of a latex-type seal. It is necessary and reasonable to make a clarifying change to be consistent with other proposed rules language.
- In **item E**, the Board is proposing to amend the language to correct a technical error. When a deal is discontinued or closed within a cumulative tipboard game, there is no prize pool winner at that level but the seal is opened to determine a winner, if any, for that individual deal, not a prize pool winner for the cumulative game. Prize pool winners are determined by opening a seal on the prize pool board. It is necessary and reasonable to make a technical correction that clarifies at what point a seal is opened for a deal, i.e., when it is either closed or discontinued within the game.

7861.0290, Subp. 7. Records and reports.

7861.0290, Subp. 8. Disposal of played tipboards and records.

No changes proposed in Subparts 7 and 8.

RULE-BY-RULE ANALYSIS: 7861.0300 PADDLEWHEELS.

7861.0300, Subpart 1. Restrictions.

- In **existing item B**, the Board is proposing to delete the language and reletter the remaining items in this subpart. Minnesota Statutes, section 349.162 (Equipment Registered) already addresses the requirement that gambling equipment must be approved by and registered with the Board. It is necessary and reasonable to delete rule language that is redundant of statutory language, reduce the bulk of rule language, and to reletter the remaining items in this subpart.
- In **existing item E**, the Board is proposing to delete obsolete language because effective July 1, 2009, restrictions on who may and may not participate in lawful gambling are consolidated and clarified in Minnesota Statutes, section 349.181. It is necessary and reasonable to delete language that is now clarified and established in statute, and is in conflict with statutory language.
- In **new item F [existing item H]**, the Board is proposing to amend the language to clarify what the winning number is if the pointer stops on top of a peg. In the last rules process the rule had been amended to require that the number to the left of the peg seen when facing the wheel was the winning number. Although the public had the opportunity to comment on the proposed rule change at that time, it wasn't until after the rule went into effect that persons in the industry expressed comments on the rule, indicating that they were not in agreement with the rule change. In checking rules of other regulatory entities, we found language in North Dakota rules that the Board is proposing to use, i.e. "If the pointer stops on top of a peg, the number preceding the peg is the winning number". It is necessary and reasonable to amend the language based on industry comments and to use language from a contiguous state that also regulates paddlewheel games.

7861.0300, Subp. 2. Balancing, opening, closing, maintenance, and inspection of paddlewheels.

No changes proposed in Subpart 2.

7861.0300, Subp. 3. Posting of information for paddlewheels without a paddlewheel table.

- In **item A, subitem (2)**, the Board is proposing to amend the language to clarify what the winning number is if the pointer stops on top of a peg. See the SONAR for 7861.0300, Subpart 1, new item F.
- In **item B**, the Board is proposing to clarify that an organization may not modify the master flare for a paddlewheel game. It is necessary and reasonable to make the rule consistent with language for pull-tab and tipboard flares. This is not a new requirement; it is merely a clarification in rule of an existing requirement that ensures that a flare has not been altered.

7861.0300, Subp. 4. Conduct of paddlewheels without a paddlewheel table.

No changes proposed in Subpart 4.

7861.0300, Subp. 5. Posting of information for paddlewheels with a paddlewheel table.

- In **existing item B**, the Board is proposing to clarify that an organization may not modify the master flare for a paddlewheel game. This is not a new requirement; it is merely a clarification in rule of an existing requirement that ensures that a flare has not been altered. It also makes the language consistent with the proposed change in Subpart 3, item B.

7861.0300, Subp. 6. Conduct of paddlewheels with a paddlewheel table.

- In **item A**, the Board is proposing to clarify that a replacement gambling manager must also attend the training specifically designed for the conduct of these games, not just the gambling manager who was licensed at the time the organization originally started to conduct a paddlewheel with paddlewheel table game. To specifically not require this training for a replacement gambling manager has the potential to severely harm the integrity of an organization's conduct of paddlewheel with a table game.

In the past there were instances where the game operators (organization's employees) and players knew how to manipulate these games and steal large sums of money. In Board rules that became effective November 1, 2004, the Board required that organizations install video surveillance systems. The Board further enhanced the rule effective March 19, 2007 by requiring that the gambling manager must attend board-provided training before implementing these games and that the organization had to send a video recording of at least one day's activity to the Board within 14 days of the initial operation of the paddlewheel table. Those requirements helped to further stop, prevent, and/or deter theft by paddlewheel table employees and players.

It is crucial that a replacement gambling manager must learn how to watch for and detect possible fraudulent activity by paddlewheel operators and players. If a replacement gambling manager is not aware of problems that can be detected through the review of the surveillance system videotapes, an organization could potentially experience a significant loss of gambling funds, putting its license and gambling assets in jeopardy. Board staff has recommended that the training be required within 60 days of the effective date of the replacement gambling manager's license.

It is necessary and reasonable to amend the rule so that the training requirement also applies to replacement gambling managers, thereby ensuring that the level of integrity and knowledge required for this special type of paddlewheel game is maintained and that an organization's gambling assets are protected.

- In **item E, subitem (2)**, the Board is proposing to amend the language to clarify that the purchased paddletickets must also be spread out on the table. This is not a change in existing requirements. It is necessary and reasonable to clarify requirements that ensure the display of chips and tickets for video documentation of the game.
- In **item E, subitem (4)**, the Board is proposing to amend the language to clarify that a paddlewheel operator does not "immediately" place the currency in the drop box when receiving currency from a player but places it in the drop box after the previous steps have been completed. When subitem (4) is read by itself in conjunction with the introductory sentence of item E the reader might misconstrue the logical steps to be taken in this transaction. It is necessary and reasonable to clarify language so that the reader understands the transaction process.

7861.0300, Subp. 7. Use of paddlewheel video surveillance system for paddlewheels with a paddlewheel table.

In this subpart, the Board is proposing to amend language to ensure that consistent language is used as it pertains to the paddlewheel **video** surveillance system and **video recordings**.

- In the **title of Subpart 7**, the Board is proposing to amend the title by inserting "video" to clarify that the system is a paddlewheel *video* surveillance system.
- In **item A second sentence and in item E**, the Board is proposing to delete the term "videotape" and replace it with "video recording" to reflect the fact that videotapes are rarely used anymore and that "video recording" is a more generic term to use in light of ever-changing electronic technology.

These amendments do not change existing requirements; they just clarify electronic technology terminology used for this provision. It is necessary and reasonable to amend rule language to ensure consistent language, to ensure that the reader understands the electronic technology requirements, and to keep rule language as generic as possible to prevent the rule from becoming obsolete in the future as it pertains to electronic technology.

- In **item A, third sentence**, the Board is proposing to delete "immediate." An organization does not necessarily have to make "immediate" corrections if it decides to resume activity at a later date or decides to terminate paddlewheel activity; the organization is just required to make the corrections "before" it resumes paddlewheel activity. It is necessary and reasonable to clarify when an organization is required to make corrections to its paddlewheel activity if it is not in compliance with rule requirements.
- In **item H**, the Board is proposing to amend the language to be in conformance with a proposed change being made in the definition of "lessor's immediate family" [SEE SONAR for 7861.0210, new Subpart 31a). It is necessary and reasonable to amend the rule to ensure that rule language is consistent with other proposed rule changes.

7861.0300, Subp. 8. Operating procedures and internal controls for paddlewheels with a paddlewheel table.

7861.0300, Subp. 9. Standards for paddlewheel chips for paddlewheels with a paddlewheel table.

7861.0300, Subp. 10. Bet and prize payout restrictions for paddlewheels with a paddlewheel table.

7861.0300, Subp. 11. Records and reports.

7861.0300, Subp. 12. Disposal of played paddlewheel tickets and records.

No changes proposed in Subparts 8 through 12.

RULE-BY-RULE ANALYSIS: 7861.0310 RAFFLES.

7861.0310, Subpart 1, item B.

- In **item B**, the Board is proposing to delete “complete” as it is not necessary to state that the address must be “complete.” Plus, there is no requirement that the buyer has to even fill-in the information requested on the ticket stub, as long as they have the numbered stub that matches the numbered winning ticket. In small communities where “everyone knows everyone” it wouldn’t be necessary for a player to fill-in all of the information, as the winner could easily be contacted by the organization. It is necessary and reasonable to delete unnecessary terminology from the bulk of rule language.
- In **item C, subitem (2)**, the Board is proposing to amend the language to clarify that winning entries are either selected or “determined.” Winning entries are either “selected” through random drawings of winning (paper) stubs from a raffle drum or other receptacle, or winning entries are “determined” by alternative methods approved by the Board using certificates of participation, as allowed by Minnesota Statutes, section 349.173, paragraph (c). An example of an alternative method of determining a raffle winner is a rubber duck race (raffle) where a prenumbered rubber duck is the first to cross a line in a body of water. It is necessary and reasonable to clarify rule language to ensure that ticket requirements are consistent with statutory provisions of Minnesota Statutes, section 349.173.
- In **item E**, the Board is proposing to amend the language to clarify that an organization is not required to document/record each sequential number used, but rather it must record “the range of the sequential numbers.” The Board is also proposing to amend the language with “the selling price printed on the ticket” to be consistent with existing language in Subpart 11. The amended language imposes no new requirements. It is necessary and reasonable to ensure that the rule requirement is easily understood and also consistent with the same language used throughout part 7861.0310.

7861.0310, Subp. 2. Multiple pricing levels of raffle tickets.

- In **item D**, the Board is proposing to amend the language to clarify that an organization is not required to document/record each sequential number used, but rather it must record “the range of the sequential numbers.” The Board is also proposing to amend the language with “the selling price printed on the ticket” to be consistent with existing language in Subpart 11. The amended language imposes no new requirements. It is necessary and reasonable to ensure that the rule requirement is easily understood and also consistent with the same language used throughout part 7861.0310.

7861.0310, Subp. 3. Posting of information and house rules.

- In the **introductory sentence**, the Board is proposing to delete the reference to 7861.0260, subpart 2, item **C**, as that item is being relettered as item B. It is necessary and reasonable to amend the rule to conform to the proposed rule change in 7861.0260, subpart 2.
- In **item C**, the Board is proposing to amend the language to clarify that debit card payments are allowed. Effective July 1, 2009, an organization is allowed to accept debit card payments for the payment of raffle tickets, per Minnesota Statutes, section 349.2127, Subdivision 7. It is necessary and reasonable to amend rule language to conform to amended statutory language.
- In **new item G**, the Board is proposing to clarify that when alcohol prizes are awarded the age restriction to win an alcohol prize for that raffle is 21 and older. Minnesota Statutes, section 349.181 states that persons under age 18 may not purchase a raffle ticket or certificate of participation or win a raffle prize. However, because persons under age 21 may not legally purchase or consume alcohol, the Board is proposing to amend rule language to clarify that if alcohol is included as part of the prize structure of a raffle, the winner must be age 21 and older. It is necessary and reasonable to add clarifying language pertaining to alcohol and age restrictions to ensure compliance with other statutes that impact the conduct of lawful gambling, and to point the reader to the appropriate statutory cite for additional restrictions pertaining to raffle prizes consisting of wine, beer, or intoxicating liquors.

7861.0310, Subp. 4. Conducting a raffle.

7861.0310, Subp. 5. Conducting a calendar raffle.

7861.0310, Subp. 6. Conducting an alternative raffle.

No changes proposed in Subparts 4, 5, and 6.

7861.0310, Subp. 7. Conducting a button raffle.

- In **item A, subitems (2) and (3)**, the Board is proposing to amend the language to remove existing restrictions pertaining to commercial aspects of a button used in a button raffle. Effective July 1, 2009, the purpose of Minnesota Statutes, section 349.11 was modified to remove the mandate that required the Board to prevent the commercialization of lawful gambling. Based on that statutory change, a raffle button may now be used for a free or reduced entry fee to an event sponsored by some other entity, or to receive commercial merchandise for a reduce price or fee, whether or not it is at the event. It is necessary and reasonable to delete rule language that is in conflict with the intent of the statutory modification of Minnesota Statutes, section 349.11.
- In **item A, last sentence**, the Board is proposing to clarify that unsold buttons may be discarded as long as the corresponding tickets that were attached to the buttons are retained. It is necessary and reasonable to amend the rule to help organizations reduce the volume of records (unsold buttons) that need to be retained.

7861.0310, Subpart 8. Raffle date.

- In **item A, subitem (1)**, the Board is proposing to amend the language to clarify the method of determining winners. Because winning entries are either “selected” through random drawings of winning stubs or “determined” by alternative methods approved by the Board using certificates of participation, the Board is proposing to amend the language to clarify that winning entries are either selected or “determined.” It is necessary and reasonable to clarify rule language to ensure that rule language is consistent and conforms with statutory provisions of Minnesota Statutes, section 349.173.

NOTE: The Board is retaining “director” as the entity that approves raffle changes. The Board, at its meeting of September 19, 2005, determined that the director should review and approve raffle changes and directed that the rule language be changed. Since this was a mandate imposed by the Board rule, not statute, it is not part of the delegated authority language that is being addressed throughout rule language.

7861.0310, Subp. 9. Canceling a raffle; issuing refunds.

No changes proposed in Subpart 9. [SEE also NOTE above pertaining to director.]

7861.0310, Subp. 10. Raffle log required.

- In **item E, subitem (6)**, the Board is proposing to amend the language to include debit cards. Effective July 1, 2009, organizations are allowed to accept debit card payments for raffle tickets, per Minnesota Statutes 349.2127, Subdivision 7. It is necessary and reasonable to amend rule language to conform to allowances in statutory language.

7861.0310, Subp. 11. Records and reports.

- In **item G**, the Board is proposing to amend the language to clarify the recording of the “range” of the sequential numbers used for raffle tickets. As currently written, it would appear that the requirement is to record ALL sequential numbers used, which is not the original intent of the rule. It is necessary and reasonable to clarify that the information required for the sequential numbers is the “range” of sequential numbers used. It is necessary and reasonable to amend the rule language so that all invoice language is consistent within this part.

7861.0310, Subp. 12. Disposal of raffle tickets and records.

No changes proposed in Subpart 12.

7861.0320, Subpart 1. Internal accounting and administrative controls required.

- In **item A**, the Board is proposing to amend the language pertaining to documentation of an organization's internal controls. In the Board rules process of 2004, the Board did an extensive rewrite and clarification of internal control requirements at the industry's request. The requirement to use and submit a board-prescribed form with an organization's license application was eliminated but the Board did develop for industry use at that time an internal control guidelines form based on the 2004 rules. The form has become the primary format of internal controls documentation used by the industry. The Board is proposing to make the board-prescribed form a required form as the basis of lawful gambling internal controls but at the same time not prohibiting organizations from developing additional internal controls for their organization needs. This essentially is not a new requirement, as the industry already uses the optional form. It is necessary and reasonable to establish the requirement that internal controls be documented on a board-prescribed form already used, to ensure consistency in how they are documented and implemented.
- In **existing item B**, the Board is proposing to delete the introductory sentence as it is essentially a repeat of language in item A. It is necessary and reasonable to reduce the bulk of rule language by deleting repetitive language and to reletter the remaining items.
- In **new item B [existing item C], subitem (2), unit (b)**, the Board is proposing to clarify the organization's responsibilities that pertain to "monitoring" the organization's permitted premises to detect illegal gambling. It is necessary and reasonable to modify the language to ensure that the reader understands the requirements.
- In **new item B [existing item C], subitem (2), unit (g)**, the Board is proposing to delete the reference to "expense calculations" and insert language referencing the lawful purpose rating. It is necessary and reasonable to delete obsolete language (expense calculations) and include new language (lawful purpose rating) based on statutory changes effective July 1, 2009.
- In **existing item E**, the Board is proposing to delete the language referencing the written procedures to document items A, B, C, and D. The proposed change is made in conjunction with the proposed change in item A, i.e. requiring organizations to document procedures using the Board-prescribed form. It is necessary and reasonable to reduce the bulk of rule language by deleting unnecessary rule language and to reletter the remaining items.
- In **new item D [existing item F], introductory sentence**, the Board is proposing to delete unnecessary language pertaining to the documentation of functional responsibilities and clarify that the organization must use the Board-prescribed form. The proposed change is made in conjunction with the proposed change in Subpart 1, item A, that will require the use of a Board-prescribed form, already in use by the industry.
- In **new item D [existing item F], subitem (4)**, the Board is proposing to amend the language to clarify that electronic transaction authorizations are prepared for signature and that check and electronic transactions (payments or transfers) are included in the check register. This is not a new requirement. It is merely a clarification of existing practices for the documentation of payments made from the gambling account. It is necessary and reasonable to clarify accounting practices necessary for payments and the check register.
- In **new item D [existing item F], subitem (11)**, the Board is proposing to amend the language to clarify that the person who does the bank reconciliation must also reconcile the bank deposits to games and bank records. This is necessary and reasonable to ensure that the reader understands the complete process of reconciling bank records with game records and to accurately account for all gambling proceeds. This is not a new requirement; it is merely a clarification of the existing process.

7861.0320, Subpart 1. Internal accounting and administrative controls required.

(continued)

- In **new item D [existing item F], item (15)**, the Board is proposing to delete the obsolete reference to “expense calculations” and replace it with a reference to the new lawful purpose rating required by Minnesota Statutes, section 349.15, subdivision 1, paragraph (c). The Board is proposing to keep the statutory cite generic, i.e. no reference to the paragraphs, in case future statutory changes should occur.
 - Effective July 1, 2009, Minnesota Statutes, section 349.15, subdivision 1, paragraph (b) was modified to eliminate the requirement that an organization must comply with certain limits pertaining to expenditures for allowable expenses for the period ending June 30, 2009.
 - Effective July 1, 2009 the expense calculation requirement is replaced with a lawful purpose rating requirement that the organization must comply with on an annual fiscal year basis of July through June.

Although the Board will determine an organization’s lawful purpose rating based on information submitted by the organization as part of its annual financial summary report, it is necessary and reasonable to modify the rule to eliminate obsolete language pertaining to expense calculations, replace it with language that is in conformance with the statutory changes and requirement for the lawful purpose rating, and clarify that the organization must assign a person as part of its internal controls to monitor its compliance with lawful purpose expenditures (contributions) so that it meets the minimum rating required by statute. This is consistent with the intent of the statutory change which is to direct organizations to focus on the amount of gambling proceeds that is spent on lawful purposes, i.e. charitable contributions.

7861.0320, Subp. 2. Method of accounting.

- In **item B**, the Board is proposing to make a technical change due to a statutory change. Effective July 1, 2009, the monthly regulatory fee language was repealed from Minnesota Statutes, section 349.165, subdivision 3 and moved to Minnesota Statutes, section 349.16, subdivision 6a. There was no change in the fee structure; the statutory language was simply moved to the organization license section where it was more logically located. It is necessary and reasonable to amend the rule to delete obsolete language and direct the reader to the correct statutory cite.

7861.0320, Subp. 3. Gambling bank accounts; expenditures of gambling funds; emergency expenditures.

- In **item B**, the Board is proposing to clarify that the electronic transactions (payments or transfers) referenced in this item are made from the gambling checking account and is proposing to delete “permitted by statute.” Effective July 1, 2009, Minnesota Statute, section 349.19, subdivision 3, paragraphs (d), (f), and (h) were modified to allow all expenditures from the gambling account to be paid by check or through an electronic transaction. Previously organizations were prohibited by statute from paying certain lawful purpose expenditures electronically. The statutory changes removed those restrictions. Organizations are now allowed to pay all lawful purpose expenditures electronically if they choose and when feasible. It is necessary and reasonable to amend the language to be in conformance to statutory changes.
- In **item B**, the Board is also proposing to amend the language by deleting “initial” as it pertains to electronic transactions. This is to clarify that all transactions require authorization before payment is made, an existing requirement. Even if an organization has an ongoing payment, such as a phone or utility bill that is paid electronically, the organization must review the bill and then proceed with an authorization to pay the amount electronically. It is necessary and reasonable to amend the language to ensure that all transactions are properly reviewed and authorized.

7861.0320, Subp. 4. Deposits and transfers of gambling receipts.

- In **item A**, the Board is proposing to amend the language by rearranging and organizing the existing information with new subitem numbering to make the rule language in this item easier to read and understand.
- In **item A**, the Board is proposing to amend the initial portion of the item to clarify the “where and what” of gambling funds, i.e. where it must be deposited (into the organization’s gambling bank account) and what must be deposited (all income derived from or related to lawful gambling). That language is being moved from the end of the existing paragraph and moved upfront. The proposed change “income...related to lawful gambling” is being included because the Board mandate to prevent commercialization of lawful gambling was removed from Minnesota Statutes, section 349.11, effective July 1, 2009. That statutory change allows organizations to pursue commercial-related advertising income as part of its lawful gambling activities. It is necessary and reasonable to amend the language to ensure that the reader understands where funds are deposited and what funds are deposited, as it is necessary to ensure the proper accounting of all gambling proceeds.
- In **item A, new subitem (4)**, the Board is proposing to include “advertising income, including any income from sponsors of the organization’s gambling activities.” Effective July 1, 2009, the Board mandate of “preventing the commercialization of lawful gambling” was removed from Minnesota Statutes, section 349.11. This essentially allows organizations to solicit and obtain paid commercial advertising in conjunction with its lawful gambling activities, such as advertising from local vendors that may be printed on the organization’s raffle tickets and/or bingo programs, or from entities that wish to help “sponsor” a gambling activity as part of its commercial advertising. It is necessary and reasonable for the Board to amend this rule to clarify that all lawful gambling-related income must be deposited into the gambling bank account, including “commercial” advertising income that is now allowed.
- In **item B**, the Board is proposing to make a grammatical change to better reflect the intent of where gambling funds may be transferred. It is necessary and reasonable to make a rule requirement easily understood by the reader. There is no change in requirements; it is merely a technical clarification.
- In **item C, subitem (1)**, the Board is proposing to amend the language to clarify that the deposit information for pull-tab and tipboard games may not be “lumped” together, but must be recorded separately for each game. It is necessary and reasonable to clarify rule language so that the reader understands the requirement.
- In **item D**, the Board is proposing to amend the language by changing “item C” to “item B.” Because of proposed changes in Subpart 16 and relettering of items in that subpart, it is necessary and reasonable to make this change so that the cross reference is correct. It is noted that there are no new requirements in the related language of subpart 16, new item B

7861.0320, Subp. 5. Reimbursements to gambling bank account.

- In **existing item D**, the Board is proposing to delete the obsolete expense calculation language and **reletter** subsequent items in this subpart. Effective July 1, 2009, organizations are no longer required to maintain expense calculation balances, as the provisions of Minnesota Statutes, section 349.15, Subdivision 1, paragraph (b) expired on June 30, 2009. [However, organizations must have complied with that provision which will be addressed in new item F – SEE SONAR for new item F.] It is necessary and reasonable to delete obsolete rule language to conform to statutory changes and to reletter subsequent items in this subpart.
- In **existing item F**, the Board is proposing to delete the language as it is obsolete. Effective July 1, 2009, the annual limit imposed on lawful gambling advertising expenses under Minnesota Statutes, section 349.12, Subdivision 3a was repealed. It is necessary and reasonable for the Board to delete the obsolete advertising expense language to conform to the statutory change and to reletter the subsequent items.

7861.0320, Subp. 5. Reimbursements to gambling bank account. (continued)

- In **new item F**, the Board is proposing to amend the language pertaining to license termination plans. Effective December 31, 2009, the Board's statutory authority under Minnesota Statutes, section 349.15, Subdivision 5 to impose sanctions for expense calculation violations that occurred through June 30, 2009 was repealed. The Board required reimbursement of the negative expense calculation amount to the gambling account from nongambling funds. The reimbursement was not considered a sanction but was a requirement by rule for the organization to comply with the statute for expense limits and for licensing purposes. While the Board's authority to impose a sanction expired (i.e. citation, suspension, revocation), the Board must still enforce the statute that was in effect at the time for organizations that terminated their license without complying with the existing requirement. In those cases the Board has typically required an amendment to the license termination plan under Minnesota Statutes, section 349.19, Subdivision 8. The Board's amendment to the license termination plan prohibits an organization from receiving a license in the future until they have reimbursed their gambling account to comply with the statute that was in effect during the time the organization was licensed (prior to July 1, 2009). The Board has used its authority properly to ensure that organizations that terminate their licenses are not allowed to circumvent a statutory requirement. It is necessary and reasonable to include a reference to license termination plans so that the reader understands that the Board has authority to enforce previously-approved license termination plans, including the expense calculation reimbursement requirement, if any.

7861.0320, Subp. 6. Report to membership and approval of expenditures by membership required.

- In **item A**, the Board is proposing to delete the reference to "including electronic payments allowed by statute or rule." Effective July 1, 2009, any lawful purpose expenditure from the gambling checking account may be paid electronically, as allowed by Minnesota Statutes, section 349.19, Subdivision 3. Previously the statute restricted what lawful purpose expenditures could be paid electronically. The statutory restrictions have now been removed. It is necessary and reasonable to reduce the bulk of rule language by removing unnecessary language, as all payments for allowable expenses and lawful purpose expenditures may be paid electronically from the gambling account.
- In **item B, subitem (7), unit (b)**, the Board is proposing to amend the language to clarify that the bank reconciliation includes "outstanding" electronic transactions (payments and transfers). Because electronic payments and transfers made near the end of the month might not appear on a bank statement until the following month, it is necessary and reasonable to clarify the terminology. This is not a change in current procedures; it is merely a clarification of terminology.
- In **item B, subitem (9)**, the Board is proposing to make a grammatical change from "losses" to the singular "loss." It is necessary and reasonable to amend the language to make it grammatically consistent with the term "loss" as used throughout Minn. Rule 7861.0320, Subpart 9.

7861.0320, Subp. 7. Report of lawful purpose expenditures to board required.

- In **item A**, the Board is proposing to amend the statutory cite to conform to a statutory change. Effective July 1, 2009, language in Minnesota Statutes, section 349.154, subdivision 2 was repealed and moved to Minnesota Statutes, section 349.19, subdivision 3. It is necessary and reasonable to amend the language to conform to the statutory change and ensure that the rule is technically correct.

7861.0320, Subp. 8. Monthly report to revenue required.

No changes proposed in Subpart 8.

7861.0320, Subp. 9. Fund loss report or request for a profit carryover adjustment due to fund loss.

- In the **introductory sentence**, the Board is proposing to amend the language to clarify that “prizes paid from games not conducted in compliance with statute and rule” are considered a fund loss by questionable means and to include that language in **item C, subitem (2)** and in **item D, subitems (6) and (7)**.
 - There have been instances in which games were played by organization employees and players, either during or after business hours, and the prize receipts used to record winning ticket/player information were forged.
 - Essentially, the games were not conducted in compliance with statute and rule, usually without the knowledge of the organization.
 - While these games typically appear to have all receipts and paid prizes accounted for and reported, what has occurred is that legitimate players were not afforded the opportunity for a chance at all winning tickets in the game. Plus, organizations are defrauded of possible higher profits when a game is played in compliance with statute and rules with major prizes paid out and unsold tickets remain in the game, rather than when a game is pulled from play realizing higher than normal profits or a game that is played with all tickets sold.
 - The Board has historically placed a high level of regulatory concern over the integrity of the conduct of lawful gambling, to ensure that players are provided with games that are conducted properly and in compliance with statute and rules.
 - In many instances these types of cases have been investigated with criminal charges filed. Judges were unable or reluctant to impose restitution because on the surface it appeared that no funds had actually been lost.
 - Prize receipts are the only reliable record used to verify and quantify the prizes that were paid out and not in compliance with statute and rule. By clarifying rule language to state that “prizes paid from games not conducted in compliance with statute and rule” are considered a possible fund loss, organizations will be provided with the means to establish accounting procedures to determine the amount of the fund loss and the basis for determining a restitution amount. It may also help as a deterrent for future activity if employees/players know that they may be required to pay restitution if this type of activity is detected and charges are filed.

It is necessary and reasonable to clarify that prizes paid from games not conducted in compliance with statute and rules are a fund loss by questionable means, so that organizations can address this issue through a fund loss request to the Board and ensure that the judicial system has a basis on which to impose restitution.

7861.0320, Subpart 10. Allowable expenses; expense calculations.

- In **Subpart 10**, the Board is proposed to repeal the entire subpart as it is obsolete. Effective July 1, 2009, organizations are no longer required to maintain allowable expense calculation balances, as the provisions of Minnesota Statutes, section 349.15, Subdivision 1, paragraph (b) expired on June 30, 2009. It is necessary and reasonable to repeal obsolete rule language because the requirements were repealed from statute.

7861.0320, Subpart 11. Expense calculations for licenses issued with an effective date before July 1, 2006.

7861.0320, Subpart 12. Expense calculations for licenses issued with an effective date of July 1, 2006, and after.

- For **Subparts 11 and 12**, the Board is proposing to repeal these subparts because the language is obsolete.
 - Effective July 1, 2009, organizations are no longer required to maintain allowable expense calculation balances, as the provisions of Minnesota Statutes, section 349.15, Subdivision 1, paragraph (b) expired on June 30, 2009.
 - The Board's authority under Minnesota Statutes, section 349.15, Subdivision 5 to impose sanctions for expense calculation violations was repealed on December 31, 2009. [See SONAR for 7861.0320, Subp. 5, new item F for license termination requirements.]
 - Effective July 1, 2009, the term of an organization's license became a perpetual term, with no expiration date unless suspended or revoked by the Board or otherwise terminated by the organization, under Minnesota Statutes, section 349.16, Subdivision 3. Those statutory changes effectively eliminated license renewals and the Board's authority to require expense calculation compliance at the time of an organization's license *renewal*.
- Therefore the Board is proposing to repeal the expense calculation language in Subparts 11 and 12 as it is necessary and reasonable to conform to the statutory language that was repealed pertaining to expense calculations and license *renewals*.

7861.0320, Subpart 13. Allowable expense for alternative premises payment.

- In **Subpart 13**, the Board is proposing to repeal the obsolete rule language. Effective July 1, 2009, Minnesota Statutes, section 349.15, subdivision 4 was repealed and an organization may no longer pay itself, as an allowable expense, up to \$1,000 per month as an alternative to paying real estate taxes as a lawful purpose expenditure. It is necessary and reasonable to repeal the obsolete rule language to conform to the repeal of the cited statutory language.

7861.0320, Subp. 14. Standards for 501(c)(3) organizations and 501(c)(4) festival organizations.

- In **item A, first sentence**, the Board is proposing to delete the sentence as the language is obsolete. Effective July 1, 2009, the term of an organization's license became a perpetual term, with no expiration date, unless suspended or revoked by the Board or otherwise terminated by the organization, under Minnesota Statutes, section 349.16, Subdivision 3. That statutory change eliminated organization license renewals. The Board is therefore proposing to delete the first sentence in item A as it is necessary and reasonable to conform rule language to the statutory change that eliminated license renewals.
- In **item A, subitem (2)**, the Board is proposing to amend the language to clarify that the report is provided "on an annual date determined by the board." It is necessary and reasonable to allow the Board to determine the reporting date on a case-by-case basis because the date will tie into the annual date that the Board invoices an organization for the organization's annual license and permit fees. An invoice date is based on the organization's license date that was in effect at the time of the statute change on July 1, 2009 or is based on the initial license date for any organization newly licensed on or after July 1, 2009.

7861.0320, Subp. 14. Standards for 501(c)(3) organizations and 501(c)(4) festival organizations. (continued)

- **Also in item A, subitem (2)**, the Board is proposing to delete the reference to “new or renewal” as it is no longer necessary to differentiate between a new or renewal application. Effective July 1, 2009, license renewals have been eliminated, per Minnesota Statutes, section 349.16, Subdivision 3. The Board is proposing to amend the language to make it clearer “what and when” information is submitted, i.e. a copy of the annual report the organization submits to the Internal Revenue Service [IRS]. Effective July 1, 2009, Minnesota Statutes, section 349.154, subdivision 1 requires the information to be provided to the Board on an annual basis, instead of every two years as previously required with a license renewal (now obsolete). An organization already submits the information each year to the IRS. Requiring a copy of the IRS report simplifies this reporting requirement. The proposed language for this subitem also makes it consistent with proposed language changes in 7861.0220, Subpart 4 [attachments to organization license application], item F.

It is necessary and reasonable to clarify that the information must be submitted each year to the Board to ensure compliance with the statutory requirement. It is necessary and reasonable to amend the rule to require that the licensed organization must submit to the Board each year a copy of the annual IRS report, so that the Board can ensure continued compliance pertaining to the organization’s program services if they are paid with gambling funds that were transferred to the organization’s general account (nongambling account). It is also reasonable and necessary to make the language consistent with proposed language in 7861.0220, Subpart 4, item F. It is necessary and reasonable to clarify that an organization may submit a copy of its annual IRS report, thereby simplifying this reporting requirement.

- In **existing item B**, the Board is proposing to delete the language as it is somewhat redundant of existing 7861.0320, Subpart 15, item B where the Board is proposing to amend that language by including “primary purpose” where it is more logically placed. It is necessary and reasonable to reduce the bulk of rule language and place language where it is logically located. In deleting the language in item B the remaining items are being relettered.
- In **new item C [existing item D]**, the Board is proposing to delete the obsolete and technically incorrect reference to “clauses (2) to (19), and paragraph (b).” Effective July 1, 2009, Minnesota Statutes, section 349.12, subdivision 25, paragraph (a) was modified and expanded to include a new lawful purpose, plus lawful purpose expenditures requiring Board approval were moved from Minnesota Statutes, section 349.12, subdivision 25, paragraph (b) and modified and clarified in Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), new clauses (20) to (25). Those changes essentially consolidated in statute all allowed lawful purpose expenditures in one paragraph, plus a clarifying amendment was made in Minnesota Statutes, section 349.12, subdivision 25, (new) paragraph (b) as to when certain approved expenditures must be made. It is necessary and reasonable to delete the noted rule language to conform to statutory changes as all *allowed* lawful purposes are now contained in one paragraph under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a). It is necessary and reasonable to amend the rule language to prevent the rule from being in conflict with future statutory changes, should they occur. The Board is also proposing to make the statutory cite as generic as possible, i.e. not including references to clauses (a) and (b), as it is necessary and reasonable to prevent the rule from becoming obsolete should future statutory changes occur.

7861.0320, Subp. 15. Lawful purpose expenditures allowed.

- In **item B**, the Board is proposing to amend the language to include “primary purpose”, language being moved from existing Subpart 14, item B. It is necessary and reasonable to clarify in this item an existing requirement being moved from existing Subpart 14, item B, for a more logical placement of an existing requirement related to this lawful purpose. The Board is also proposing to amend the language to clarify that it is the Board who makes the determination whether the organization has complied with Subpart 14, item A. It is necessary and reasonable to clarify the entity that determines an organization’s compliance with the standards in Subpart 14.
- In **item F, subitem (1)**, the Board is proposing to delete the reference to “any person in the member’s immediate family” and define “immediate family members” as it pertains specifically to this item. In this rules process the Board is proposing to delete the current definition of “immediate family” in Minn. Rule 7861.0210, Subp. 27, making it necessary to clarify this language. The Board is proposing to amend the language with “For purposes of this subitem, “immediate family member” means persons living in the same residence as the active military personnel.” This is not a change from the existing practice by organizations that expend gambling funds on this lawful purpose. [SEE the SONAR for Minn. Rule 7861.0210, Subparts 27 and 31a for related information.] It is necessary and reasonable to clarify “immediate family members” based on related proposed rule changes noted above.
- In **item J**, the Board is proposing to amend the language to reflect statutory changes. Effective July 1, 2009, lawful purpose expenditures requiring Board approval were moved from Minnesota Statutes, section 349.12, subdivision 25, paragraph (b), clause (3)(i) and then modified and clarified in Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), new clauses (23) and (24). Therefore in item J, the Board is proposing to delete the reference to “paragraph (a), clause (13) and paragraph (b), clause (3)(i)” and insert after “paragraph (a)” new clauses “(13), (23) and (24).” It is necessary and reasonable to delete the noted rule language to conform to statutory changes under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), new clauses (23) and (24). The existing reference to clause (13) remains unchanged.
- In **new item K**, the Board is proposing to amend this subpart with new language pertaining to citizen monitoring of surface water quality. Effective July 1, 2009, statute was amended to allow for citizen monitoring of surface water quality, under Minnesota Statutes, section 349.12, Subdivision 25, paragraph (a), clause (12). That statutory change was made at the request of a citizen, in conjunction with the Minnesota Pollution Control Agency (MPCA). It is noted that this requirement was coordinated with MPCA during the 2009 legislative process when the language was proposed and later implemented when the legislation passed. Board staff worked with MPCA to ensure that that agency’s requirements were met, i.e. organization notifies MPCA in advance so that the project is tracked and included for review and inclusion in the state water quality database. It is necessary and reasonable to amend the rule to clarify a recent statutory allowance and to ensure that the organization is informed of another agency’s requirement of advance notification of the project for tracking and reporting purposes when gambling funds are used. It is necessary and reasonable to require the use of a board-prescribed form that ensures standardization and documentation of the project, consistent with other lawful purposes in this subpart that require prior government approval or acknowledgment.

7861.0320, Subp. 16. Lawful purpose expenditures requiring board or director approval.

- Effective July 1, 2009, Minnesota Statutes, section 349.12, subdivision 25, paragraph **(a)** was extensively amended with new clauses (20) to (25) to clarify lawful purpose expenditures that require prior Board approval and were previously located in Minnesota Statutes, section 349.12, subdivision 25, paragraph **(b)** and clarified in this existing rule subpart. The new statutory language makes certain rules language obsolete, as the statutory changes essentially removed the requirements contained in existing Minn. Rule 7861.0320, Subpart 16 for the following:
 - **item A** (repair or maintenance),
 - a portion of existing **item B** (building destroyed by fire or other catastrophe or building taken by eminent),
 - **item D** (contribution to another licensed organization), and
 - **item E** (capital assets or real property used exclusively for lawful purpose).The new requirements were established in statute with some modifications and clarifications that are different from existing rule. The Board is proposing to reduce the bulk of rule language in subpart 16 due to the statutory changes that became effective July 1, 2009.
- (director/board) In the **title of Subpart 16**, the **introductory paragraph**, and in **existing items C and F [new items B and C]**, the Board is proposing to delete the reference to "director" as part of its global changes in rule to clarify the Board's regulatory and licensing authority. Those changes are necessary and reasonable because effective January 19, 2010, the Board initiated an annual review and approval of duties to be delegated to the director. It is necessary and reasonable to amend the language to be consistent with other proposed changes. [NOTE: According to Minnesota Statutes, section 349.151, Subdivision 4, paragraph (a), clause (13), the Board may delegate to the director the authority to approve property expenditure requests under criteria established by the Board.]
- **In the introductory paragraph of this subpart**, the Board is proposing to amend the language by pointing the reader to the statutory cite where lawful purpose expenditures requiring board approval are located. It is necessary and reasonable to point the reader to the statutory cite for information pertaining to lawful purpose expenditures because of the repeal of obsolete rule language in this subpart.
- **In existing item A**, the Board is proposing to delete the rules language as it is necessary and reasonable to conform to the statutory changes that clarified, modified, and established this lawful purpose (repair and maintenance) in statute effective July 1, 2009, under Minnesota Statutes, section 349.12, Subdivision 25, paragraph (a), clause (22). It is necessary and reasonable to delete obsolete rules language to conform to the statutory changes and to reduce the bulk of rule language and reletter remaining items.
- **In existing item B, introductory sentence with subitems (1) and (2)**, the Board is proposing to delete the existing language as it is obsolete. Effective July 1, 2009, Minnesota Statutes, section 349.12, Subdivision 25, paragraph (a), clause (25) contains consolidated language pertaining to the erection or acquisition of a comparable building. The remaining rule language in **existing item B** (last paragraph being relettered as item A, replacement buildings) is modified to include a reference to the statutory cite pertaining to replacement buildings. The remaining language is being retained as it is an existing requirement and clarification that conforms with the intent of the existing rule and the related statutory language in Minnesota Statutes, section 349.12, Subdivision 25, paragraph (a), clause (25). There are no changes in requirements. It is necessary and reasonable to delete unnecessary and obsolete rule language now contained in statute and to leave the remaining rule language intact as there are no changes in existing requirements.

7861.0320, Subp. 16. Lawful purpose expenditures requiring board or director approval. (continued)

- In **new item B, increase in approved amount [existing item C]**, the Board is proposing to delete the reference to “other payments under item A or B.” The proposed deletion is necessary because rule language in existing item A is being deleted and existing item B is being modified. It is necessary and reasonable to amend the rule language to conform to statutory changes that became effective July 1, 2009 and to clarify that all expenditures requiring Board approval must receive additional scrutiny and approval if the approved amount changes.
- In **existing item D (contribution to another licensed organization)**, the Board is proposing to delete the language. It is necessary and reasonable to conform to the statutory change that clarified, modified, and established this lawful purpose in statute effective July 1, 2009, under Minnesota Statutes, section 349.12, Subdivision 25, paragraph (a), clause (20).
- In **existing item E (capital assets used exclusively for lawful purpose)**, the Board is proposing to delete the language. It is necessary and reasonable to conform to the statutory change that clarified, modified, and established this lawful purpose effective July 1, 2009, under Minnesota Statutes, section 349.12, Subdivision 25, paragraph (a), clause (23).
- In **new item C (parent organization) [existing item F]**, the Board is proposing to delete language from subitems (2) and (3) as this language is now contained in statute effective July 1, 2009, under Minnesota Statutes, section 349.12, Subdivision 25, paragraph (a), clause (21). The Board is proposing to retain the remaining existing language that requires the parent organization to be a state-level organization and submit to the Board a list of the charitable contributions for which the money will be used, as the Board still needs to verify that the contributions are properly used by the parent organization. It is necessary and reasonable to delete obsolete rules language to conform to the statutory changes and to reduce the bulk of rule language.

7861.0320, Subp. 17. Lawful purposes not allowed.

- In the **introductory sentence of subpart 17**, the Board is proposing to change the statutory cite from “paragraph (b)” to “paragraph (c).” Effective July 1, 2009, lawful purposes that were not allowed under Minnesota Statutes, section 349.12, subdivision 25, paragraph (b) were clarified and moved to Minnesota Statutes, section 349.12, subdivision 25, paragraph (c). Therefore it is necessary and reasonable to correct the rule language to conform to the statutory change.
- In **item F**, the Board is proposing to amend the language by deleting the reference to “subpart 14, item A” and amend it with “subpart 15, item B.” Subpart 14, item A contains the standards that are required if a 501(c)(3) organization or 501(c)(4) festival organization proposes to make a lawful purpose expenditure to itself. Subpart 15 is devoted to language clarifying allowed lawful purpose expenditures. Therefore it is necessary and reasonable to amend the language to clarify the exception that is allowed under Subpart 15, item B.

7861.0320, Subp. 18. Records and reports maintained.

No changes proposed in Subpart 18.

RULE-BY-RULE ANALYSIS: 7861.0330 EXCLUDED BINGO.

7861.0330. Subp. 1. Registration required.

- In **item I**, the Board is proposing to include new language requesting the organization's Minnesota tax identification number and federal employer identification number, if any. This information is being added at the request of the Department of Revenue. It is necessary and reasonable to ensure that organizations are properly identified and registered for business tax purposes and to be able to track organizations within the Department of Revenue tax system.

7861.0330. Subp. 2. Denial of excluded bingo application.

- In **Subpart 2**, the Board is proposing to amend the language by deleting "director" and inserting "board" as part of its global changes in rule to clarify that the Board is the licensing and regulatory authority. That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director. [According to Minnesota Statutes, section 349.151, Subdivision 4, paragraph (a), clause (12), the Board may delegate to the director the authority to issue permits.]

RULE-BY-RULE ANALYSIS: 7861.0340 EXEMPTED LAWFUL GAMBLING.

7861.0340. Subp. 1. Registration required.

- In **item K**, the Board is proposing to include new language requesting the organization's Minnesota tax identification number and federal employer identification number, if any. This information is being added at the request of the Department of Revenue. It is necessary and reasonable to ensure that organizations are properly identified and registered for business tax purposes and to be able to track organizations within the Department of Revenue tax system.

7861.0340. Subp. 2. Denial of exempt permit application.

- In **Subpart 2**, the Board is proposing to amend the language by deleting "director" and inserting "board" as part of its global changes in rule to clarify that the Board is the licensing and regulatory authority. That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director. [According to Minnesota Statutes, section 349.151, Subdivision 4(a)(12) the Board may delegate to the director the authority to issue permits.]

RULE-BY-RULE ANALYSIS: 7863.0210 DISTRIBUTORS; DISTRIBUTOR SALESPERSONS LICENSES.

7863.0210, Subpart 1. Distributor or distributor salesperson license required.

- In **Subpart 1, existing 2nd sentence**, the Board is proposing to delete the language as it is redundant of Minnesota Statutes, section 349.155, Subdivision 1, which requires all applications for a license to be on a form prescribed by the board. It is necessary and reasonable to reduce the bulk of rule language by deleting language that is redundant of statutory language.

7863.0210, Subpart 2. Distributor or distributor salesperson licensing qualifications.

7863.0210, Subpart 3. Distributor restrictions.

No changes proposed in Subparts 2 and 3.

7863.0210, Subpart 4. Contents of distributor license application.

- In **item A**, the Board is proposing to amend the language to include the requirement that a distributor must include their Minnesota tax identification number and federal employer identification number as part of the license application. This change is included at the request of the Department of Revenue. It is necessary and reasonable to ensure that distributors are properly registered for business income tax purposes, and is necessary for the Department of Revenue to be able to track distributors within the Department's tax system.
- (director/board) In **item J**, the Board is proposing to amend the language by deleting "director" as part of its global changes in rule to clarify that the Board is the licensing and regulatory authority. It is necessary and reasonable to be consistent with other proposed rule changes. That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director.

7863.0210, Subpart 5. Attachments to distributor license application.

- (director/board) In **item B, new subitem (10)**, the Board is proposing to amend the language by deleting "director" as part of its global changes in rule to clarify that the Board is the licensing and regulatory authority. It is necessary and reasonable to be consistent with other proposed rule changes. That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director.
- In **item B and new item C**, the Board is proposing to establish and clarify the differences in personnel forms for sales and nonsales employees. In **item B, existing subitem (8)**, the Board is proposing to delete the subitem[nonsales employees], renumber remaining subitems, and include requirements that pertain solely to nonsales employees in new **item C**.
- In **new item C [nonsales employees]**, the Board is proposing to clarify, simplify, and establish the personnel form requirements for nonsales employees.
 - The Board is proposing to retain some existing information requirements from item B and include them in new item C, subitems (1) through (7).
 - The Board determined that it was not necessary to collect information pertaining to the criminal history, employment history, and places of past residences for nonsales employees, as that information is only required when a background criminal check is performed. The Board does not conduct that type of background check for nonsales employees who are only registered with the Board. They are not licensed by the Board.

- o Board staff did a review of U.S.C 405 language (Social Security Act) pertaining to the authorization for collection of Social Security number. According to that Act, a state may collect the number to identify an individual for enforcing tax law, providing public general assistance, registering vehicles, and for drivers licenses. There are other specific instances but none that applied to the entities regulated by the Board. While the Board does collect the Social Security number to enforce tax law for certain individuals under Minnesota Statutes, section 349.155, Subdivision 3, the Board does not license or enforce tax law for distributor *nonsales* employees. Therefore the collection of Social Security numbers will not be required for nonsales employees.

It is necessary and reasonable to clarify, simplify, and establish information requirements for nonsales employees in a separate rule item so that it reflects what is only required and authorized by state and federal statute for these individuals. These requirements are necessary and reasonable as stated above and to impose fewer requirements for information; no new information requirements are imposed.

7863.0220, Subpart 6. Contents of distributor salesperson license application.

7863.0220, Subpart 7. Changes in distributor or distributor salesperson license application information.

No changes proposed in Subparts 6 and 7.

7863.0220, Subpart 8. Issuing or denying a new or renewal distributor or distributor salesperson license.

- In the **introductory sentence of Subpart 8** and in **item B**, the Board is proposing to delete “director if authorized by the board” as part of its global changes in rule to clarify that the Board is the licensing and regulatory authority. It is necessary and reasonable to be consistent with other proposed rule changes. That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director.
- In **item C**, the Board is proposing to amend the language to clarify that the application will be denied if the applicant fails to provide all required information. It is necessary and reasonable to clarify the existing criteria for denying a license application. There is no change in the process.

7863.0220, Subpart 9. Distributor license effective date.

7863.0220, Subpart 10. Distributor license termination.

7863.0220, Subpart 11. License suspension.

No changes proposed in Subparts 9 through 11.

7863.0220, Subpart 1. Purchase or lease of gambling equipment.

- In **item B**, the Board is proposing to clarify the reference of terminated, based on a comment received from the public. It is necessary and reasonable to clarify the rule so that the reader understands under what circumstances and when a certified physical inventory is submitted to the Board.

7863.0220, Subpart 2. Sale or lease of gambling equipment.

- In **item G, subitem (2)**, the Board is proposing to delete "not renewed." Effective July 1, 2009, organization license renewals became obsolete with the statutory change to perpetual organization licenses. The Board is also proposing to amend the language with a reference to "lapsed" license. Effective July 1, 2009, Minnesota Statutes, section 349.16, Subdivision 3a clarified what is considered to be a lapsed organization license. It is necessary and reasonable to include this term to make the rule consistent with statutory language and with the change to the perpetual organization license term under Minnesota Statutes, section 349.16, Subdivision 3.
- (board/director) In **item I, subitem (3)**, the Board is proposing to delete "director" as part of its global changes to rule language to clarify that the Board is the regulatory and licensing authority. That change is necessary and reasonable because effective January 19, 2010, the Board initiated an annual formal review and approval of duties to be delegated to the director, as authority by statute.
- In **item I, new subitem (4)**, the Board is proposing to move existing language from Subpart 6, item G, 2nd sentence, and provide clarification on the lease price for electronic bingo devices. The Board is proposing to include new language to clarify the lease amount and on what timeframe it must be based. Distributors are prohibited by statute from providing organizations with credit beyond 30 days of a sales invoice. It has been noted that distributors have not always provided organizations with an invoice in a timely manner to coincide with the services/lease provided. As a result, some organizations have been extended credit because they are not being invoiced on a monthly or weekly basis for leased services. It is necessary and reasonable to amend the rule to address a compliance issue that has occurred. It is noted that the industry standard has become either a monthly lease based on a predetermined lease amount or a per unit lease amount for a calendar week. It is necessary and reasonable to place all requirements for a lease for an electronic bingo device in one item, so that the reader is readily informed of the lease requirements. Existing subitem (4) is renumbered as subitem (5).
- In **new item J, subitems (1) to (3)**, the Board is proposing to include new language clarifying gambling equipment sold or leased on an exclusive basis. This language is being proposed in conjunction with clarifying language for manufacturers to ensure that language is consistent in rule parts for related language. [SEE SONAR for 7864.0240, new Subpart 1a.]
Minnesota Statutes, section 349.163, Subdivision 9, paragraph (a), clause (1), allows for the sale of equipment on an exclusive basis but provides no specific requirements regarding the written agreements. Based on its experience in recent years regarding this issue, the Board is proposing to further clarify the language as many questions have arisen from the industry on the agreement requirements. The Board is proposing to make reasonable business requirements to clarify this issue by specifying the minimum information that must be contained in the written agreement. It is necessary and reasonable to provide greater clarity for statute and rule language that has been somewhat ambiguous and for which the industry has requested clarification.

7863.0220, Subp. 3. Registration of permanent gambling equipment.

- In **item A**, the Board is proposing to amend the language to clarify that a “programmable electronic device” is considered permanent gambling equipment. It is necessary and reasonable to amend the language to reflect a statutory change that was effective July 1, 2009 [Minn. Stat. 349.12, Subd. 18].

7863.0220, Subp. 4. Return of defective pull-tab and tipboard game; issuing credit invoices.

7863.0220, Subp. 5. Recall of gambling equipment; issuing credit invoices.

No changes proposed in Subparts 4 and 5.

7863.0220, Subp. 6. Sales invoice.

- In **items A and B**, the Board is proposing to include new language requiring the distributor’s and licensed organization’s Minnesota tax identification number and federal employer identification number. This information is being added at the request of the Department of Revenue. [NOTE: This provision does not apply to excluded or exempt organizations that might not necessarily have those numbers.] It is necessary and reasonable to ensure that distributors and licensed organizations are properly identified and registered for business tax purposes and to be able to track sales within the Department of Revenue tax system.
- In **item G**, the Board is proposing to delete the 2nd sentence pertaining to the lease price of an electronic bingo device not being based on a percentage of gross receipts, and moving the language to Subpart 2, item I, subitem (4), unit (b), where other language pertaining to leases for electronic bingo device are located. It is necessary and reasonable to place related requirements in one subpart/item.

7863.0220, Subp. 7. Sales invoice for pull-tabs and tipboards.

No changes proposed in Subpart 7.

7863.0220, Subp. 7a. Sales invoice for promotional pull-tab and tipboard tickets.

- In **new Subpart 7a**, the Board is proposing to add new language pertaining to the sale of promotional pull-tab and tipboard tickets. This language, being added at the request of the Department of Revenue, is similar to existing requirements for sales invoices for gambling equipment. Effective May 2, 2008, promotional tickets that mimic pull-tab and tipboard tickets were defined as lawful gambling equipment, even though they are not used in the conduct of lawful gambling. Promotional tickets are:
 - defined as gambling equipment in Minnesota Statutes, section 349.12, Subdivision 18;
 - clarified in Minnesota Statutes, section 349.12 Subdivision 31 as to content and who may manufacture them; and
 - clarified in Minnesota Statutes, section 349.161, Subdivision 5, paragraph (i), as to whom the licensed distributor may sell the promotional tickets, which is essentially anyone, including entities not licensed by the board.
 - See the SONAR for 7861.0210, Subp. 29 for further information on the history of promotional tickets.

Because the promotional tickets are defined as lawful gambling equipment, it is necessary and reasonable to include language pertaining to sales invoices required by the commissioner of Revenue for lawful gambling equipment. This change is necessary and reasonable to prevent any confusion regarding their manufacture by licensed manufacturers, sale by licensed distributors, and use by the general public, primarily retailers.

7863.0220, Subp. 8. Sales invoice for paddleticket cards.

7863.0220, Subp. 9. Sales invoice for sealed breakopen bingo paper.

7863.0220, Subp. 10. Sales invoice for sets of bingo paper sheet packets.

7863.0220, Subp. 11. Sales invoice for bingo paper sheets (case paper).

7863.0220, Subp. 12. Sales invoice for permanent gambling equipment.

7863.0220, Subp. 13. Monthly sales report to board required for permanent gambling equipment.

7863.0220, Subp. 14. Monthly sales report to revenue required.

No changes are being proposed for Subparts 8 through 14.

7863.0220, Subp. 15. Pricing report to board director required.

- In **this subpart** and in the **title of this subpart**, the Board is proposing to amend and clarify the pricing report language, as Minnesota Statutes, section 349.169 states that a pricing report, when required by the Board, must be submitted to the director. The Board is using the rule language to inform distributors that they are required to submit to the director an annual pricing report in a format approved by the director. It is necessary and reasonable to make a technical change based on statutory language.

7863.0220, Subpart 16. Delinquent organization notice to board required.

- In the **introductory sentence**, the Board is proposing to make a grammatical change that clarifies reporting "to the board," not reporting to what appears to be "the board of organizations." It is necessary and reasonable to make a grammatical change that helps the reader better understand the rule language.
- In **item A (timeframe)**, the Board is proposing to amend the rule to conform to a statutory change in Minnesota Statutes, section 349.191, subdivision 1a, effective May 2, 2008. The statutory change clarified payment and reporting timeframes. Previously the statute stated that if a distributor did not receive payment within 35 days of the invoice, the distributor was required to report the organization as delinquent. Organizations were required to PAY the distributor WITHIN 30 days but the distributor had a 5-day window to RECEIVE the payment WITHIN 35 days before the organization was considered delinquent. Much confusion existed over the payment timeframe and the statute was changed to clarify the 30-day payment requirement, i.e. organization was and still is required to pay the distributor invoice within 30 days. The Board is proposing to clarify the invoice date and subsequent reporting of a delinquent organization, i.e. "within 30 days of the day *immediately following* the date of the invoice or lease agreement..." It is necessary and reasonable to amend the rule to conform to the statutory change and to clarify the starting date of the 30 day period.
- In **item A (method of reporting)**, the Board is also proposing to amend the language pertaining to the manner in which the delinquency is reported by deleting "writing, email, or facsimile" and adding "in a manner prescribed by the board." This will keep the rule generic and allow the Board to be flexible in the method of reporting required because as electronic technology changes, the Board needs to be able to adjust reporting methods. Currently all distributors report delinquencies via facsimile (FAX). It is necessary and reasonable to amend the rule to allow the Board flexibility in how delinquencies are reported.
- In **item D, subitem (2)**, the Board is proposing to amend the language with "debit card payment, electronic transaction." Because organizations are allowed by statute to pay allowable gambling expenses either by check or electronically, it is necessary and reasonable to amend the rule to bring it up-to-date with statutory allowances and with current electronic technology used in the banking industry.

7863.0220, Subpart 17. Records and reports maintained.

No changes proposed in Subpart 17.

RULE-BY-RULE ANALYSIS: 7863.0250 LINKED BINGO GAME PROVIDER LICENSES.

7863.0250, Subp. 1. Linked bingo game provider license required.

- In the **existing last sentence**, the Board is proposing to delete the language that is redundant of Minnesota Statutes, section 349.155, Subdivision 1, i.e. submitting application in format prescribed by the board. It is necessary and reasonable to remove redundant language and reduce the bulk of rule language.

7863.0250, Subp. 2. Linked bingo game provider licensing qualifications.

No changes proposed in Subpart 2.

7863.0250, Subp. 3. Linked bingo game provider restrictions.

- In **item F**, the Board is proposing to delete this item that restricted the linked bingo game provider from offering to sell commercial or advertising messages to licensed organizations in conjunction with a linked bingo game. Effective July 1, 2009, the Board's mandate to prevent the commercialization of lawful gambling was removed from Minnesota Statutes, section 349.11. This change allows organizations to solicit and obtain paid commercial advertising in conjunction with its lawful gambling activities, such as advertising from vendors that is included in bingo programs, etc. It is necessary and reasonable for the Board to delete this item to conform to and with the intent of the statutory change.

7863.0250, Subp. 4. Contents of linked bingo game provider license application.

- In **item A**, the Board is proposing to amend the language to include the requirement that a linked bingo game provider must include their Minnesota tax identification number and federal employer identification number as part of the license application. This language is included at the request of the Department of Revenue. It is necessary and reasonable to ensure that linked bingo game providers are properly registered for business income tax purposes, and is necessary for the Department of Revenue to be able to track linked bingo game providers within the Department of Revenue's tax system.
- In **item G**, the Board is proposing to amend the language to clarify that a linked bingo game provider is required to disclose the cost of any goods or services that are "leased." It is necessary and reasonable to ensure that the Board is fully informed of all costs associated with agreements between a linked bingo game provider and a licensed organization, whether they are purchased or leased. It is necessary and reasonable to amend the rule to ensure the integrity of linked bingo games and related agreements. This is not a new requirement; it is merely a clarification of existing agreements.
- In **item J**, the Board is proposing to amend the language by deleting "director" as part of its proposed global changes in rule to clarify the Board as the licensing and regulatory authority. It is necessary and reasonable to amend the rule language to make it consistent with other proposed changes.

7863.0250, Subp. 5. Attachments to linked bingo game provider license application.

- In **item B, subitem (10)**, the Board is proposing to amend the language by deleting “director” as part of its proposed global changes in rule to clarify the Board as the licensing and regulatory authority. It is necessary and reasonable to amend the rule language to make it consistent with other proposed changes.
- In **existing item D, new subitem (7)**, the Board is proposing to amend the language to include a reference to the proposed fee scheduled that is required by Minnesota Statutes, section 349.1635, subdivision 3, effective July 1, 2009. It is necessary and reasonable to clarify information that is now required by statute so that all attachment information is contained in one location, i.e. Subpart 5.
- In **existing item F (game system)**, the Board is proposing to delete the language for game system requirements from subitems (1) through (11) and move it to 7863.0260, new Subpart 1a, for a more logical placement of game requirements, i.e in the rule part for linked bingo game provider operations, accounts, reports, and records. It is necessary and reasonable to delete the language from the rule subpart for *information to be attached to the application* and move the language to a new subpart in linked bingo provider *operations* where it is more logically placed and easier for the reader to find.
- In **existing item F (certificate)**, the Board is proposing to keep the existing requirement for a certificate to be *attached* to the application and reference 7863.0260, Subpart 1a (see above). It is necessary and reasonable for the Board to continue its practice of ensuring that the system meets game system requirements by requiring that a certificate be attached to the license application. It is necessary and reasonable that the Board continues its existing practice of ensuring in advance of issuing a license that the linked bingo game provider will be providing organizations with a system that complies with all statutory and rule requirements, thereby helping to prevent potential compliance problems.
- In **new item G**, the Board is proposing to amend the language to clarify that other information and attachments may be required by the Board to ensure compliance with statute. It is necessary and reasonable to amend the rule to be consistent with other rule language authorizing the Board to obtain additional information as part of the application process to ensure compliance with statute and rule.

7863.0250, Subp. 6. Changes in linked bingo game provider license application information.

No changes proposed in Subpart 6.

7863.0250, Subp. 7. Issuing or denying a new or renewal linked bingo game provider license.

- In **item C**, the Board is proposing to clarify an existing requirement, i.e. that the application will be denied if the applicant fails to provide all required information. It is necessary and reasonable to clarifying the existing criteria. There is no change in the process.

7863.0250, Subp. 8. Linked bingo game provider license effective date.

No changes proposed in Subpart 8.

RULE-BY-RULE ANALYSIS: 7863.0260 LINKED BINGO GAME PROVIDER OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS.

7863.0260, Subp. 1. Purchase or lease of gambling equipment and linked bingo services.

- In the **second paragraph** of Subpart 1, the Board is proposing to clarify the reference of terminated, based on a comment received from the public. It is necessary and reasonable to clarify the rule so that the reader understands under what circumstances and when a certified physical inventory is submitted to the Board.

7863.0260, (New) Subpart 1a. Linked bingo game system requirements.

- In **new Subpart 1a, items A through L**, the Board is proposing to move existing language pertaining to game system requirements from Minn. Rule 7863.0250, Subpart 5, item F (*licensing requirements*) to Minn. Rule 7863.0260, new Subpart 1a (*linked bingo game system requirements*). It is necessary and reasonable to place the *game system requirements* in this part where they are more logically located and can be easily located by the reader.
- In **the last sentence of this new subpart**, the Board is proposing to clarify with new language that any changes in the game system that were certified by an independent laboratory at the time the provider's license was issued must thereafter be submitted to the director for review and approval before being implemented. This is an existing practice. It is necessary and reasonable to clarify that any changes in the system must be submitted to the director for review, so that licensed organizations may continue to conduct linked bingo games in a timely fashion. There are no changes to the existing requirements and process, including the requirement to submit changes to the director.

7863.0260, Subp. 2. Sales of linked bingo paper; sale and lease of linked bingo game system equipment and services; ~~conduct of linked bingo game.~~

- In the **title of Subpart 2 and the introductory sentence**, the Board is proposing to delete references to "conduct of linked bingo game" and to create a new Subpart 2a titled "Conduct of linked bingo game" with language from existing Subpart 2, item G. The remaining language in existing Subpart 2 will then pertain only to the sales of linked bingo paper and the sale and lease of linked bingo game system equipment and services. It is necessary and reasonable to organize rule language in a logical manner and make the rules easier to reference and locate information for the reader.
- (board/director) In **item B** the Board is proposing to amend the language to clarify that the agreement is required to be submitted to the board "or director." It is also proposing to amend the language by requiring that *amended* agreements must be submitted to the director for review and approval before being implemented. This is not a change in procedures. It is merely documentation in rule of an existing business practice. It is also noted that Minnesota Statutes, section 349.169 requires pricing information of gambling equipment to be submitted to the director. It is necessary and reasonable to clarify sales agreement requirements in rule language.
- In **item C**, the Board is proposing to delete the phrase "not renewed." Effective July 1, 2009, organization licenses have a perpetual term and are not renewed. It is necessary and reasonable to delete obsolete language based on a statutory change to Minnesota Statutes, section 349.16, Subdivision 3. The Board is also proposing to amend the language with a reference to a "lapsed" license. Effective July 1, 2009, Minnesota Statutes, section 349.16, Subdivision 3a clarifies what is considered to be a lapsed organization license. It is necessary and reasonable to include this term to make the rule consistent with the statutory clarification and with the change to the perpetual organization license term under Minnesota Statutes, section 349.16, Subdivision 3.

- In **existing item F**, the Board is proposing to deleting existing language pertaining to a fee, as fee requirements (costs) are already contained in **item B** as part of the written agreement with an organization. It is necessary and reasonable to eliminate unnecessary and duplicative language.
- In **item F (lease of electronic bingo devices)**, the Board is proposing to include new language that is identical to the language contained in 7863.0220, Subpart 2, item I, distributor requirements for the lease of electronic bingo devices. [SEE SONAR for 7863.0220, Subpart 2, item I.] It is necessary and reasonable to ensure that requirements for the lease of electronic bingo devices are consistent for distributors and linked bingo game providers.
- For **item G**, see SONAR below for new Subpart 2a.

7863.0260, (new) Subpart 2a. Conduct of linked bingo game.

- In **new Subpart 2a, titled "Conduct of linked bingo game,"** the Board is proposing to establish a new subpart devoted exclusively to the requirements of conducting a linked bingo game for which a linked bingo game provider must comply. The Board is proposing to use rule language from existing Subpart 2, item G and modify it for clarification.
- In the **introductory sentence**, the Board is proposing to include a reference to "part 7861.0270, subpart 10" and delete existing item G, subitem (1). It is necessary and reasonable to amend and organize the information logically so that the reader is informed that there are other requirements for the conduct a linked bingo game.
- In **new Subpart 2a, item A [existing Subpart 2, item G, subitem (2)]**, the Board is proposing to amend the language to clarify that the linked bingo game provider must submit subsequent changes to the director for approval. Currently the Board approves the management plan as part of the initial license application, with subsequent changes submitted to and approved by the Director. It is necessary and reasonable to clarify the process for changes in the management plan submitted by the linked bingo game provider. There is no change in the existing procedures.
- In **new Subpart 2a, item A [existing Subpart 2, item G, subitem (3)]**, the Board is proposing to delete the language referencing "7863.0250, subpart 5, item F," and to insert "7863.0260, subpart 1a." This change is necessary and reasonable because the Board is proposing to delete the language in part 7863.0250, subpart 5, item F, subitems (1) through (11) and move it to part 7863.0260, new Subpart 1a, for a more logical placement of game requirements, i.e. linked bingo game provider *operations*, accounts, reports, and records. It is necessary and reasonable to delete the language to be in conformance to other proposed rule language changes related to this information and to insert the new rule cite.
- In **new Subpart 2a, items B through G**, the Board is proposing to use existing language from Minn. Rule 7861.0270, Subpart 10, item K, subitems (1) through (6). The language in existing Minn. Rule 7861.0270, Subpart 10 contains requirements that pertain to licensed organizations, with the exception of existing item K. It is necessary and reasonable to move linked bingo conduct requirements that pertain only to linked bingo game providers to this subpart where other game provider requirements are located. There are no changes in existing rule requirements.

7863.0260, Subp. 3. Return of defective linked bingo paper; issuing credit invoice.

7863.0260, Subp. 4. Recall of gambling equipment; issuing credit invoice.

No changes proposed in Subparts 3 and 4.

7863.0260, Subp. 5. Sales invoice.

- In the **introductory sentence**, the Board is proposing to clarify that a linked bingo game provider sells, "leases," or provides linked bingo "equipment" for use in linked bingo games. The term "paper" is being deleted and replaced with "equipment" to better reflect what a linked bingo game provider provides to a licensed organization. Effective May 2, 2008, the use of electronic bingo devices for linked bingo games was authorized under Minnesota Statutes, section 349.17, subdivision 8, paragraph (c), thereby allowing linked bingo game providers to lease electronic bingo devices to licensed organizations, in the same manner as licensed distributors. It is necessary and reasonable to amend the language to conform to the statutory change.
- In **items A and B**, the Board is proposing to amend the language to include the requirement that the distributor's Minnesota tax ID number and federal employer ID number be included on the sales invoice. This language is added at the request of the Department of Revenue. It is necessary and reasonable to ensure that linked bingo game providers and licensed organizations are properly identified and registered for business tax purposes and to be able to track the sales within the Department of Revenue tax system.
- In **new item H**, the Board is proposing to include new language that clarifies invoice requirements for leased equipment. Effective May 2, 2008, the use of electronic bingo devices for linked bingo games was authorized under Minnesota Statutes, section 349.17, subdivision 8, paragraph (c), thereby allowing linked bingo game providers to lease electronic bingo devices to licensed organizations, in the same manner as licensed distributors. Language in existing items H and I are relettered as items I and J.

7863.0260, Subp. 6. Monthly sales report to revenue required.

- In **Subpart 6**, the Board is proposing to amend the language to clarify that a linked bingo game provider may "lease" gambling equipment to licensed organizations, in addition to selling or providing linked bingo paper. Effective May 2, 2008, the use of electronic bingo devices for linked bingo games was authorized under Minnesota Statutes, section 349.17, subdivision 8, paragraph (c), thereby allowing linked bingo game providers to lease electronic bingo devices to licensed organizations, in the same manner as licensed distributors. It is necessary and reasonable to amend the language to make it consistent with rule language for distributors [Minn. Rule 7863.0220, Subpart 14.]

7863.0260, Subpart 7. Delinquent organization notice to board required.

- In the **introductory sentence**, the Board is proposing to make a grammatical change that clarifies reporting "to the board," not reporting "to the board of organizations." It is necessary and reasonable to make a grammatical change that helps the reader better understand the rule language.
- In **item A (timeframe)**, the Board is proposing to amend the rule to conform to a statutory change in Minnesota Statutes, section 349.191, subdivision 1a, effective May 2, 2008, that clarified the payment and reporting timeframes. Previously the statute stated that if a linked bingo game provider did not receive payment within 35 days of the invoice, the provider was required to report the organization as delinquent. Organizations were required to **PAY** the linked bingo game provider **WITHIN 30** days but the provider had a 5-day window to **RECEIVE** the payment **WITHIN 35** days before the organization was considered delinquent. Much confusion existed over the payment timeframe and the statute was changed to clarify the 30-day payment requirement, i.e. organizations were and are still required to pay linked bingo game provider invoice within 30 days. The Board is proposing to clarify the invoice date and subsequent reporting of a delinquent organization, i.e. "within 30 days of the day *immediately following* the invoice date or lease agreement." It is necessary and reasonable to amend the rule to conform to the statutory change and to clarify the starting date of the 30 day period.

7863.0260, Subpart 7. Delinquent organization notice to board required. (continued)

- In **item A, introductory sentence and subitem (2) [lease agreement]**, the Board is proposing to amend the rule to conform to a statutory change. Effective May 2, 2008, the use of electronic bingo devices for linked bingo games was authorized under Minnesota Statutes, section 349.17, subdivision 8, paragraph (c), thereby allowing linked bingo game providers to lease electronic bingo devices to licensed organizations, in the same manner as licensed distributors. It is necessary and reasonable to amend the rule language to be consistent with rule language for distributors [7863.0220, Subpart 16].
- In **item A (method of reporting)** the Board is also proposing to amend the language pertaining to the manner in which the delinquency is reported, i.e. "in a manner prescribed by the board." This will keep the rule generic and allow the Board to be flexible as electronic technology changes. It is necessary and reasonable to amend the rule to allow the Board flexibility in how delinquencies are reported (electronically).
- In **item D, subitem (2)**, the Board is proposing to amend the language with "debit card payment, electronic transaction." Because organizations are allowed by statute to pay allowable gambling expenses either by check or electronically, it is necessary and reasonable to amend the rule to bring it up-to-date with statutory allowances and with current electronic technology used in the banking industry.

7863.0260, Subpart 8. Linked bingo game records required.

7863.0260, Subpart 9. Records and reports maintained.

No changes proposed in subparts 8 and 9.

RULE-BY-RULE ANALYSIS: 7864.0210 MANUFACTURER LICENSES.

784.0210, Subpart 1. Manufacturer license required.

- In the **last sentence**, the Board is proposing to delete the language as it is redundant of Minnesota Statutes, section 349.155, Subdivision 1 that requires an application to be on a board prescribed form. It is necessary and reasonable to delete language that is redundant of statutory language and to reduce the bulk of rule language.

7864.0210, Subpart 2. Manufacturer licensing qualifications.**7864.0210, Subpart 3. Manufacturer restrictions.**

No changes proposed to subparts 2 and 3.

7864.0210, Subpart 4. Contents of manufacturer license application.

- In **item A**, the Board is proposing to amend the language to include the requirement that a manufacturer must include their Minnesota tax identification number and federal employer identification number as part of the license application. This change is being included at the request of the Department of Revenue. It is necessary and reasonable to ensure that manufacturers are properly registered for business income tax purposes, and is necessary for the Department of Revenue to be able to track manufacturers within the tax system.
- In **item C**, the Board is proposing to amend the language to reflect a current requirement of obtaining the phone number for a manufacturer's storage facility in Minnesota. It is necessary and reasonable to amend the language to reflect an existing requirement as it is necessary at times for Board staff to contact manufacturer personnel at these facilities.
- In **item L**, the Board is proposing to delete "director" as part of its proposed global changes in rule to clarify the Board as the licensing and regulatory authority. It is necessary and reasonable to make the language consistent with other proposed changes.

7864.0210, Subpart 5. Attachments to manufacturer license application.

- In **item A, subitem (6)**, the Board is proposing to clarify that "contacting" distributors and linked bingo game providers by any means is considered a method of sales for purposes of defining a manufacturer's sales employee. It is necessary and reasonable to amend the rule to make it generic as telephone calls are no longer the only electronic method of contacting distributors and linked bingo game providers. Because manufacturers may make sales to linked bingo game providers as allowed by statute, the Board is also proposing to amend the rule to include linked bingo game providers. It is necessary and reasonable to clarify rule to be consistent with statutory language.
- In **item B, subitem (10)**, the Board is proposing to delete "director" as part of its proposed global changes in rule to clarify the Board as the licensing and regulatory authority. It is necessary and reasonable to make the language consistent with other proposed changes.

7864.0210, Subpart 6. Changes in manufacturer license application information.

No changes proposed in subpart 6.

7864.0210, Subpart 7. Issuing or denying a new or renewal manufacturer license.

- In **item C**, the Board is proposing to amend the language to clarify that the application must be denied if the applicant failed to submit all required information. It is necessary and reasonable to clarify an existing requirement so that the reader is fully informed of the requirements. This is not a change in the process.

7864.0210, Subpart 8. Manufacturer license effective date.

No changes proposed in subpart 8.

Consolidation of pull-tab and tipboard standards.

The Board is proposing to consolidate the language regarding the manufacturing standards for pull-tab and tipboard games. Therefore, the language in existing Subparts 1 and 3 will be combined in an effort to further consolidate and clarify similar and related requirements pertaining to pull-tab and tipboard games, reducing the bulk of rule language. With the use of multi-ply tickets (pull-tab tickets) in tipboard games, the differences between pull-tab and tipboard games is minimal...with the major difference being that regular tipboard flares have "sign-up" lines for winning players [Minnesota Statutes, section 349.1711], and regular pull-tab flares do not have "sign-up" lines for players.

The Board is proposing to combine and rearrange language from Subpart 1 (pull-tabs) and Subpart 3 (tipboards), to divide the combined language into seven subparts for greater clarity and ease of use, and to include a new Subpart 1g for **promotional tickets**.

- Subpart 1 - **Prior Board approval** required for pull-tab and tipboard games and promotional tickets; **conformance with standards for previously-approved games**.
- Subpart 1a – Manufacturing standards for pull-tab and tipboard **ticket information**.
- Subpart 1b – Manufacturing standards for the **design and manufacture** of pull-tab and tipboard tickets.
- Subpart 1c – Manufacturing standards for the **packaging** of pull-tab and tipboard tickets.
- Subpart 1d – Manufacturing standards for pull-tab and tipboard **flares**.
- Subpart 1e – Manufacturing standards for **prize pool board** for cumulative pull-tab or tipboard game.
- Subpart 1f – Manufacturing standards for separate progressive pull-tab or tipboard **jackpot flare**.
- Subpart 1g – Manufacturing standards for **promotional tickets**.

Brief tables summarizing the changes are included, followed by a narrative of the changes.

7864.0230, Subpart 1. Manufacturing standards for pull-tab tickets and deals.

(Proposed title change to: Prior board approval required for pull-tab and tipboard games and promotional tickets; conformance with standards for previously approved games.

GAME APPROVAL	Existing rule 7864.0230	Existing rule 7864.0230	Proposed rule change 7864.0230
	Pull-tabs	Tipboards	Pull-tabs and tipboards
Prior Board approval	Subp. 1, item B, introductory sentence	Subp. 3, item B, introductory sentence	Subp. 1, item A
GCB - notify manufacturer	Subp. 1, item B, subitems (1) to (4)	Subp. 3, item B, subitems (1) to (4)	Subp. 1, item B, subitems (1) to (3)
Compliance as approved, may not change game	Subp. 1, item A, 3 rd and 4 th sentences	Subp. 3, item A, 2 nd & 3 rd sentence	Subp. 1, item C
New game approval – on/after effective date of rule	None	None	Subp. 1, item D
Previously-approved games – compliance required by Dec. 31, 2011	None	None	Subp. 1, item E

In **existing Subpart 1**, the Board is proposing to rearrange and divide the language in this extensive and complicated subpart into **eight new subparts** pertaining to pull-tab and tipboard games, to include promotional tickets that mimic pull-tabs or tipboards, and to address previously-approved games. It is necessary and reasonable to make the proposed changes so that the rule requirements, which are currently quite complex to navigate and comprehend, are easier to locate the information and to understand.

- In **existing Subpart 1, new title**, the Board is proposing to amend the title to reflect its new combined contents, i.e. board approval required for pull-tab and tipboard games and promotional tickets, and conformance with standards for previously-approved games.
- In **existing Subpart 1, item A**, the Board is proposing to delete the language and move it where it is more logically placed.
 - The **first sentence** pertaining to tickets being tamper-resistant is being moved to new Subpart 1b, item B, (design and manufacture).
 - The **second sentence** pertaining to flares with seals and prize pool boards is being deleted and reinstated in:
 - * new Subpart 1d, item K, subitem (1) [flares];
 - * new Subpart 1e, item I [prize pool board]; and
 - * new Subpart 1f, last sentence [separate progressive jackpot flare].
 It is necessary and reasonable to place language where it is logically located to make rule requirements easier to understand for the reader.
- In **new item A**, the Board is proposing to amend language in **existing item B** by clarifying that a manufacturer must obtain “prior” board approval for games, an existing requirement. It is necessary and reasonable to amend the language to clarify when Board approval must be obtained.

7864.0230, Subpart 1. Manufacturing standards for pull-tab tickets and deals.

(continued) (Proposed title change to: Prior board approval required for pull-tab and tipboard games and promotional tickets; conformance with standards for previously approved games.

- In **new items A and B**, the Board is proposing to amend existing language by deleting references to “processes” and replacing it with references to “manufacturing standards” or “game.” Processes could be interpreted to mean proprietary or trade secret methods of manufacturing tickets and flares. The Board’s manufacturing standards are the end-result of the design and manufacturing process that a manufacturer must achieve. How the manufacturer achieves it is up to them to determine, as the Board does not prescribe the actual manufacturing “processes.” It is necessary and reasonable to amend and clarify the rule with terminology that reflects the Board’s requirements.
- In **new item B**, the existing subitems are being renumbered, as the first existing subitem is being used and relettered as new item B.
- In **new item B, subitem (3) [existing item B, subitem (4)]**, the Board is proposing to delete the reference to flares “with seals,” as the requirements for flares, flares with seals, and prize pool boards are being clarified in new subparts 1d, 1e, and 1f. It is necessary and reasonable to reduce the bulk of rule language to make it easier to understand.
- In **new item C**, the Board is proposing to move language from existing Subpart 1, item A, 3rd & 4th sentences and from Subpart 3, item A, 2nd and 3rd sentences, to this item where the language is logically placed. There are no changes in requirements. (The reference to “processes” is being deleted—see previous statement for new items A and B.) The reader is also pointed to subpart 11 where language pertaining to game changes for approved games is located. It is necessary and reasonable to make the rule easier to understand.
- In **new items D and E**, the Board is proposing to amend the rule with new language pertaining to all new and previously-approved games. This language is based on similar rule language that became effective November 1, 2004 [7864.0030, Subpart 1, item A, subitems (17) and (18)] and was later repealed effective March 19, 2007. In the rules process of 2007, the Board did not address previously-approved games, believing that all previously-approved games since November 1, 2004 would be in compliance. Due to certain exemptions that were written in rule and in effect on November 1, 2004, but later removed in the 2007 process, an erroneous assumption was made for previously-approved games.

Example: Effective November 1, 2004, jar tickets were exempted from requiring the game name to be printed on the ticket. The rules effective March 19, 2007 require the game name to be printed on jar tickets, but the Board erred in not including rule language to require that previously-approved games be in compliance with the new standards, as was done in the 2004 rules process. Without the game name on jar tickets, game conduct and recordkeeping can be an issue for organizations when selling tickets and redeeming winning tickets.

It is necessary and reasonable to ensure that all games manufactured for sale in Minnesota meet current standards to be in compliance with statute and the Board’s rule requirements for all games, including conduct and recordkeeping, and ensuring the integrity of games for players that purchase the tickets.

7864.0230, Subpart 1a. Manufacturing standards for pull-tab and tipboard ticket information.

TICKET INFO	Existing rule 7864.0230	Existing rule 7864.0230	Proposed rule change 7864.0230
	Pull-tabs	Tipboards	Pull-tabs and tipboards
All ticket information: - Manuf name/logo - Game name - Serial number - Form number - Cost per play - Quantity winners each tier - Some exemption for folded/banded tickets	Subp. 1, item C, subitems (1) to (7)	Subp. 3, item C, subitem (1)	Subp. 1a, items A to H

- From **existing Subpart 1, item C**, the Board is proposing to place this language as a separate subpart titled "Manufacturing standards for pull-tab and tipboard ticket information," to reletter the existing subitems as items, and make corresponding changes for references in new item G and H pertaining to exempted items. The Board is proposing to amend this language by including "tipboard tickets" in this subpart, as the requirement for pull-tab and tipboards tickets are the same. The requirements for tipboard tickets are contained in existing Subpart 3, item C, subitem (1) which the Board is proposing to repeal and incorporate in this new subpart as part of rule consolidation for pull-tab and tipboard tickets. It is necessary and reasonable to consolidate related/similar rule language to reduce the bulk of rule language and to make the language easier to navigate and understand.

For existing Subpart 1, item D, see the SONAR for 7864.0230, Subpart 1d.

For existing Subpart 1, item E, see the SONAR for 7864.0230, Subpart 1e.

For existing Subpart 1, item F, see the SONAR for 7864.0230, Subpart 1f.

7864.0230, Subpart 1b. Manufacturing standards for the design and manufacture of pull-tab and tipboard tickets.

DESIGN AND MANUFACTURE	Existing rule 7864.0230	Existing rule 7864.0230	Proposed rule change 7864.0230
	Pull-tabs	Tipboards	Pull-tabs and tipboards
Symbol blocks	Subp. 1, item G, subitem (1)	--	Subp. 1b, item A
Tamper-resistant, detection of winners, etc	Subp. 1, item A, 1 st sentence Subp. 1, item G, subitem (2), (3), and (4)	Subp. 3, item C, subitem (3)	Subp. 1b, item B, subitems (1) to (4)
Primary/secondary form – winner	Subp. 1, item G, subitem (5), 1 st and 2 nd sentence	--	Subp. 1b, item C
Winning tickets	Subp. 1, item G, subitem (5) 3 rd sentence, and subitems (a) to (c)	--	Subp. 1b, item D, subitems (1) to (3)
Dimensions	Subp. 1, item G, subitem (6)	--	Subp. 1b, item E
Coupons/discounts not allowed	Subp. 1, item G, subitem (7)	--	Subp. 1b, item F
Tickets – multiple seal or cumulative game; seal	Subp. 1, item G, subitem (8)	--	Subp. 1b, item G
Tickets – event game	Subp. 1, item G, subitem (9)	N/A (only for pull-tabs)	Subp. 1b, item H
Ideal sales & prize payout structure	Subp. 1, item H, subitem (8) 2 nd sentence	Subp. 3, item C, subitem (2)	Subp. 1b, item I

- In **new Subpart 1b (existing Subpart 1, item G)**, the Board is proposing to consolidate pull-tab language from existing Subpart 1, item G (pull-tab tickets) and place it in this new subpart for a more logical placement of information. The Board is also proposing to incorporate related tipboard requirements from existing Subpart 3, item C, subitems (2) and (3). There is no change in existing requirements.
- In this rules process the Board is proposing to make a rule change that will allow the use of latex-type seals for flares but not for tickets. Therefore, a clarification is being made in new item B, subitem (2), "opening the tickets," (not uncovering) and a clarification is also being made in new item G pertaining to a seal being "uncovered" (on the flare/seal card) by the seller.
- In **new item H**, the Board is proposing to add a reference to Minnesota Statutes, section 349.1721, subdivision 2 for statutory language that authorizes pull-tab event games.
- In **new item I**, the Board is proposing to move language from existing Subp. 1, item H, subitem (8), 2nd sentence (pull-tabs) and from existing Subpart 3, item C, subitem (2) (tipboards) pertaining to payout structure and include a reference to Minnesota Statutes, section 349.2113 for the payout limit.

It is necessary and reasonable to make the rule language easier to navigate and read by reducing the bulk of existing Subpart 1 and placing related language into smaller subparts, and clarifying the similarities of pull-tab and tipboard tickets. There is no change from current manufacturing standards.

7864.0230, Subpart 1c. Manufacturing standards for the packaging of pull-tab and tipboard tickets.

PACKAGING	Existing rule 7864.0230	Existing rule 7864.0230	Proposed rule change 7864.0230
	Pull-tabs	Tipboards	Pull-tabs and tipboards
Winning tickets	Subp. 1, item H, subitem (1), 1 st & 2 nd sentence	Subp. 3, item C, subitem (3)	Subp. 1c, item A
Subsets not allowed	Subp. 1, item H, subitem (1), 3 rd sentence	--	Subp. 1c, item B
Cumulative game, ticket limit	Subp. 1, item H, subitem (1), 4th sentence	--	Subp. 1c, item C
Manufacturer seal, heat sealed process	Subp. 1, item H, subitem (3)	7861.0210, Subp. 35	Subp. 1c, item D
Serial number	Subp. 1, item H, subitem (4)	--	Subp. 1c, item E
Shrink wrap, heat sealed process	Subp. 1, item H, subitem (5)	7861.0210, Subp. 48	Subp. 1c, item F
Bar code	Subp. 1, item H, subitems (2) and (6)	Subp. 3, item C, subitem (4)	Subp. 1c, item G, subitems (1) and (2)
Number of tickets and combinations	Subp. 1, item H, subitem (7)	--	Subp. 1c, item H
Payout info	Subp. 1, item H, subitem (8) 1 st sentence	--	Deleted from rule. See Flares: Prize structure
Ideal sales & prize payout structure	Subp. 1, item H, subitem (8) 2 nd sentence	Subp. 3, item C, subitem (2)	Moved to design: Subp. 1b, item I
Event games	Subp. 1, item H, subitem (9)	N/A	Subp. 1d, item L (pull-tab event game flare)

- In **new Subpart 1c**, the Board is proposing to move language from existing Subpart 1, item H and place it in this new subpart for a more logical placement of information. The Board is also proposing to incorporate related tipboard language from existing Subpart 3, item C, subitems (3) and (4). The Board is proposing to clarify that these existing standards also apply to tipboard tickets as part of its consolidation of rule language for pull-tab and tipboard tickets.
- In **new item D, subitem (1)**, the Board is proposing to establish a requirement that “the seal must be of sufficient strength to prevent the seal from breaking when shipped to a purchaser.” This change is made based on public comments received that indicate the manufacturer’s seal on the game is frequently broken when received by the distributors, and the game has to be returned to the manufacturer, a costly and time-consuming process. It is necessary and reasonable to establish a minimum requirement for the manufacturer’s seal so that the integrity of shipped games is ensured. [Manufacturer’s seal is defined in 7861.0210, Subp. 35]
- In **new item D, subitem (2)**, the Board is proposing to establish a minimum standard for plastic bags used in the heat-sealed process, i.e. 2 mil. It is necessary and reasonable to clarify the difference between shrink-wrap that is placed around a boxed game and a plastic bag that is used instead of a box to package a game, and to ensure that the plastic bag used in the heat-sealed process is sturdy enough to ensure that the bag does not break in the process.

7864.0230, Subpart 1c. Manufacturing standards for the packaging of pull-tab and tipboard tickets. (continued)

- In **new item F**, the Board is proposing to clarify that the shrink-wrap requirement does not pertain to “individual tipboard games in which the tipboard tickets are affixed to the flare.” It is not practical to apply shrink-wrap to these types of games, as they typically are games with a small ticket count. It is more practical to require that the cases of those types of tipboard games be shrink-wrapped. This does not impose any new costs to manufacturers, as this is the current process used for packaging these types of tipboard games. It is necessary and reasonable to clarify a rule to reflect the historical and economical practice of packaging games with shrink-wrap. [Shrink-wrap is defined in 7861.0210, Subp. 48]
- It is noted that in existing Subpart 1, item H, subitem (8), the first sentence requiring “Payout information, including any multiple winners, must be packaged with the deal” is being deleted, as this information is required to be on flares, an existing rule requirement [SEE Flares – Prize structure].
- It is noted that in existing Subpart 1, item H, subitem (9), language pertaining to pull-tab event games is being moved to new Subpart 1d, item L, where the information is more logically located with flare information.
- In **new item G**, the Board is proposing to use language from existing Subpart 1, item H, subitems (2) and (6) and from existing Subpart 3, item C, subitem (4).

It is necessary and reasonable to make the rule language easier to navigate and read by reducing the bulk of existing Subpart 1 and placing related language into smaller subparts.

7864.0230, Subpart 1d. Manufacturing standards for pull-tab and tipboard flares.

FLARES	Existing rule 7864.0230	Existing rule 7864.0230	Proposed rule change 7864.0230
	Pull-tabs	Tipboards	Pull-tabs and tipboards
Manufacturer name or logo	Subp. 1, item D, subitem (1)	Subp. 3, item D, subitem (1)	Subp. 1d, item A
Game name & serial #, same as tickets	Subp. 1, item D subitem (2)	Subp. 3, item D, subitem (2)	Subp. 1d, item B
Form number	Subp. 1, item D subitem (3)	Subp. 3, item D, subitem (3)	Subp. 1d, item C
Ticket count	Subp. 1, item D subitem (4)	Subp. 3, item D, subitem (4)	Subp. 1d, item D
Prize structure, winning combinations, 349.211	Subp. 1, item D subitem (5)	Subp. 3, item D, subitem (6)	Subp. 1d, item E
Cost per play; 349.211	Subp. 1, item D subitem (6)	Subp. 3, item D, subitem (7)	Subp. 1d, item F
Language in 349.163	Subp. 1, item D subitem (7)	Subp. 3, item D, subitem (8)	Subp. 1d, item G
Minnesota symbol	Subp. 1, item D subitem (8)	Subp. 3, item D, subitem (9)	Subp. 1d, item H
Bar code affixed or printed on flare	Subp. 1, item D subitem (9)	Subp. 3, item D, subitem (10)	Subp. 1d, item I
Sale to Indian tribe; bar code; no MN symbol	Subp. 1, item D subitem (10)	Subp. 3, item D, subitem (11)	Subp. 1d, item J
Flares with seals; seal information	Subp. 1, item A, 2 nd sentence Subp. 1, item D, subitem (11), units (a) to (c)	Subp. 3, item D, subitem (5) Subp. 3, item E, subitem (1) Subp. 3, item E, subitem (2)	Subp. 1d, item K SEE also: Subp. 1e, item I Subp. 1f, last sentence
Progressive flare	Subp. 1, item D, subitem (11), units (a) to (c)		Subp. 1d, items A to J and clarification in item K
		Subp. 3, item G: 1. subitem (1) 2. subitem (2) 3. subitem (3) 4. subitem (4) 5. subitem (5) 6. subitem (6) 7. subitem (7) 8. subitem (8)	Subp. 1d: 1. items A, B, D, F, G, H, I, J 2. item K, subitem (3), unit (a) 3. item K, subitem (3), unit (b) 4. item C 5. item E 6. item K, subitem (3), unit (c) 7. item K, subitem (3), unit (e) 8. item K, subitem (3), unit (d)
Event game – winning method	Subp. 1, item H, subitem (9)	N/A pertains only to pull-tab games	Subp. 1d, item L
Seal card as flare	Subp. 1, item D, subitem (12)	Subp. 3, item D, subitem (12)	Subp. 1d, item M
Tipboard flare – sign-up lines (349.1711)	N/A	None	Subp. 1d, item N (new rule language pointing to statute for tipboards)

7864.0230, Subpart 1d. Manufacturing standards for pull-tab and tipboard flares.

- In **existing Subpart 1, item D**, the Board is proposing to place this language as new Subpart 1d, to reletter the existing subitems as items, and make corresponding changes for references in new item K, i.e. from subitems to the new items. Because the Board is also proposing to incorporate tipboard language from existing Subpart 3, it is necessary to title this new subpart with a reference to both pull-tabs and tipboards. It is necessary and reasonable to make the rule language easier to navigate and read by reducing the bulk of existing Subpart 1 and placing related pull-tab and tipboard language into smaller subparts.
- In **new items E and F** [existing Subpart 1, item D, subitems (5) and (6)], the Board is proposing to remove the statutory cite for the subdivision in Minnesota Statutes, section 349.211, and just point the reader to the statutory cite without the subdivision. Effective May 26, 2007, the maximum price for pull-tab and tipboard tickets was changed from \$2 to \$5, under Minnesota Statutes 349.211, subdivisions 2a and 2c. Because pull-tab language and tipboard language is being combined, it is necessary and reasonable to keep the rule language as generic as possible to help prevent the rule from becoming obsolete should future statutory changes occurs.
- In **new item H** [existing Subpart 1, item D, subitem (8)], the Board is proposing to move existing language within the sentence to make the sentence easier to read and understand.
- In **new item J** [existing Subpart 1, item D, subitem (10)], the Board is proposing to not include the term "pull-tabs" because the language in this subpart pertains to both pull-tabs and tipboards.
- In **new item K, introductory sentence** [existing Subpart 1, item D, subitem (11)], the Board is proposing to move the language describing a variety of pull-tab flares (progressive, multiple seal, and cumulative) within the sentence to make the language as generic as possible, i.e. "flares containing a seal or seals" but still retain existing categories, and not to include the term "pull-tabs." It is necessary and reasonable to make the rule as generic and descriptive as possible because pull-tab and tipboard flare language is being consolidated, and to help prevent the rule from becoming obsolete should future statutory changes occur.
- In **new item K, subitem (1)** [existing Subpart 1, item D, subitem (11), unit (a)], the Board is proposing to not include existing language pertaining to "concealed numbers, symbols, or win indicators" and replace it with language from existing Subpart 1, item A that provides better clarification of an existing requirement. It is necessary and reasonable to amend the rule so that the reader is better informed of requirements pertaining to information concealed under seals.
- In **new item K, subitem (2)** [existing Subpart 1, item D, subitem (11), unit (b)], the Board is proposing to amend language by clarifying that winning seals can be determined by either "opening or uncovering" the seals. This change will allow manufacturers to use latex-type seals on its flares or prize pool boards (but not on tickets). It is necessary and reasonable to make the proposed change to be consistent with other proposed rule language changes.
- In **new item K, subitem (3)**, the Board is proposing to incorporate related tipboard language from existing Subpart 3, item G, subitems (2), (3), (6), (7), and (8) pertaining to progressive games and incorporate them in item K, subitem (3), units (a) through (e). Existing Subpart 3, item G, subitems (1), (4), and (5) are incorporated in new item K, subitems A through J.
- In **new item L (event games)**, the Board is proposing to include and modify language from existing Subpart 1, item H, subitem (9) pertaining to the existing requirement to include the method of selecting the winning ticket for a pull-tab event game. The existing requirement states the manufacturer must include as part of the packaging the method of selecting winning tickets. To avoid any potential confusion on the manufacture and conduct of these unique games, it is necessary and reasonable to require that the manufacturer include information on the flare pertaining to the methods (if more than one is optional) that can be used to select winners. Minnesota Statutes, section 1721, Subdivision 2 allows the winners to be randomly selected by the use of one or more bingo numbers or by another method approved by the

Board. There may be games in which the manufacturer provides more than one method of determining winners, and an organization will select one of those methods and note it on the flare before sale to players. It is necessary and reasonable to provide clarification to organizations through informative flares. There is no additional cost to the manufacturer to include information that is currently required as part of the packaging of tickets.

- In **new item N**, the Board is proposing to include new language pertaining to tipboard flares. Because of the similarities of pull-tab and tipboard games, it is necessary and reasonable to include language that directs the reader to the statutory language requiring certain elements for tipboard games and flares, i.e. "sign-up lines."

7864.0230, Subpart 1e. Manufacturing standards for prize pool board for cumulative pull-tab or tipboard game.

PRIZE POOL BOARD – cumulative game	Existing rule 7864.0230	Existing rule 7864.0230	Proposed rule change 7864.0230
	Pull-tabs	Tipboards	Pull-tabs and tipboards
Prize pool board	Subp. 1, item E, subitems (1) to (5)	Subp. 3, item F, subitems (1) to (5)	Subp. 1e, items A - J (seal prizes in prize structure)
Seal information (information can not be determined in advance)	Subp. 1, item A, 2 nd sentence	Subp. 3, item A, 1 st sentence	Subp. 1e, item I

- In **new Subpart 1e**, the Board is proposing to use language from existing Subpart 1, item E and consolidate similar/same language for prize pool boards for cumulative tipboard games from existing Subpart 3, item F. Instead of pointing the reader to another subpart, the Board is proposing to clearly spell out the requirements in this new subpart. The reference to "seal prizes" in existing subitem (3) is being deleted, as new item D contains information pertaining to prizes. The language in new subitem I is existing pull-tab language from Subpart 1, item A, 2nd sentence and existing tipboard language from Subpart 3, item A, 1st sentence. There are no new requirements. It is necessary and reasonable to consolidate rule language to make it easier for the reader to navigate and understand the requirements.

7864.0230, Subpart 1f. Manufacturing standards for separate progressive pull-tab or tipboard jackpot flare.

SEPARATE PROGRESSIVE JACKPOT FLARE	Existing rule 7864.0230	Existing rule 7864.0230	Proposed rule change 7864.0230
	Pull-tabs	Tipboards	Pull-tabs and tipboards
Separate progressive jackpot flare	Subp. 1, item F, subitems (1) to (6)	Subp. 3, item G, subitem (9), units (a) and (b)	Subp. 1f, items A to H
Seal information (information can not be determined in advance)	Subp. 1, item A, 2 nd sentence	Subp. 3, item A, 1 st sentence	Subp. 1f, last sentence

- In **new Subpart 1f**, the Board is proposing to use and consolidate language from existing Subpart 1, item F (pull-tabs) and from existing Subpart 3, item G, subitem (9) (tipboards). There are no new requirements. It is necessary and reasonable to consolidate same/similar rule language to make it easier for the reader to navigate and understand the requirements.
- In **new items C and F**, the Board is proposing to amend the language to reflect a statutory change. Effective May 26, 2007, the maximum price for pull-tab and tipboard tickets was changed from \$2 to \$5, under Minnesota Statutes 349.211, subdivisions 2a and 2c. It is necessary and reasonable to amend the language to reflect a statutory change, and point the reader to the statutory cite (without the subdivisions) to keep the language generic and prevent the rule from becoming obsolete should statutory changes occur in the future.

7864.0230, Subpart 1g. Manufacturing standards for promotional tickets and flares.

- In **Subpart 1g**, the Board is proposing new language pertaining to promotional tickets, based on requests from manufacturers to establish manufacturing criteria for the tickets.
 - Effective May 2, 2008, the statutory definition of “gambling equipment” was expanded to include “promotional tickets that mimic a pull-tab or tipboard [Minnesota Statutes, section 349.12, Subdivision 18].
 - Effective May 2, 2008, the statutory definition of “promotional ticket” clarified, stating that a promotional ticket is a pull-tab or tipboard ticket “created and printed by a licensed manufacturer” with the words “no purchase necessary” and “for promotional use only” and for which no consideration is given [Minnesota Statutes, section 349.12, Subdivision 31].
 - Only manufacturers licensed by the Board may manufacture promotional tickets and only distributors licensed by the Board may sell promotional tickets to vendors, such as bar and restaurant owners.
 - Because promotional tickets may not be sold by any entity or person, such as a bar or restaurant owner, to their customers, the information required on promotional tickets is different from regular pull-tab and tipboard tickets used in the conduct of lawful gambling.
 - The Board is proposing to require a minimum of information necessary to identify a promotional ticket, as defined by statute. [The Board had originally proposed to require that a ticket count and a flare or information sheet be included with promotional tickets, but the licensed manufacturers stated that a flare was costly and unnecessary for this type of ticket, and would require costly modifications for previously approved tickets. After further discussion with the industry, the Board withdrew those requirements.]
 - The Board is proposing to include a restriction that a “manufacturer may not duplicate the design of an approved pull-tab or tipboard game on any promotional ticket.” This is necessary and reasonable to ensure that games/tickets as sold by licensed organizations are distinctly different than the tickets provided free by bar/restaurant owners.
 - See also the SONAR for 7861.0210, subpart 29 for the history of promotional tickets.

It is necessary and reasonable to include new language pertaining to the manufacture of these commerce/business-related tickets so that manufacturers will be informed of the basic requirements pertaining to promotional tickets, should they decide to manufacture them.

7864.0230, Subp. 2. Manufacturing standards for pull-tab dispensing devices.

- In **item A, subitem (2)**, the Board is proposing to delete the restriction related to advertising messages or advertising graphics. Effective July 1, 2009, Minnesota Statutes, section 349.11 was amended to repeal the requirement that the Board “prevent the commercialization of lawful gambling.” Organizations are now allowed to solicit advertising in conjunction with the conduct of lawful gambling. Therefore it is necessary and reasonable to remove this advertising restriction to conform to the statutory change.
- In **item A, subitem (5)**, the Board is proposing to delete the restriction pertaining to audio sounds and an electronic display screen. Effective July 1, 2009, pull-tab dispensing devices may have as a component an auditory or visual enhancement to promote or provide information about a game being dispensed, provided the component does not affect the outcome of a game or display the results of a game or an individual ticket, according to Minnesota Statute, section 349.12, Subd. 32a. Plus, the mandate for the Board to “prevent the commercialization of lawful gambling” was repealed from Minnesota Statutes, section 349.11, effective July 1, 2009. That statutory change allows organizations to solicit commercial advertising in conjunction with their lawful gambling activities. It is necessary and reasonable to amend the rule to be in conformance with the statutory changes.

7864.0230, Subp. 2. Manufacturing standards for pull-tab dispensing devices.

(continued)

- In **item B, subitem (1)**, the Board is proposing to delete the restriction that a pull-tab dispensing device must have at least two columns. This change will allow small games that can be entirely placed into one column to be dispensed from a pull-tab dispensing device. It is necessary and reasonable to delete the language to conform with the Board's intent of allowing greater flexibility in the use of pull-tab dispensing devices.
- In **item B, subitem (2), existing first sentence, first part**, the Board is proposing to delete the restriction requiring tickets to "*be randomly dispensed from a minimum of two columns.*" This will make the language conform to a change being proposed by the Board under part 7861.0280, Subpart 7, item H. The Board is proposing to allow pull-tab games to be placed in and dispensed from only one column if all tickets from that single game entirely fit into one column. This proposed change, based on comments received from the industry, will help organizations to potentially realize the maximum profit for pull-tab games when used with a pull-tab dispensing device. It is necessary and reasonable to amend the language so that organizations are allowed greater flexibility in using pull-tab dispensing devices.
- In **item B, subitem (2), existing first sentence, first part**, the Board is proposing to delete the requirement that the tickets be "*randomly dispensed.*" This change will eliminate the manufacturing requirement for the random use of two or more columns for games sold from two or more columns and will reduce manufacturing costs.
- In **item B, subitem (2), existing first sentence, second part**, the Board is proposing to retain the existing language pertaining to "tickets must be accurately dispensed based on the amount of current validated."
- In **item B, subitem (2), existing second sentence**, the Board is proposing to delete the language pertaining to the use of two or more columns and include clarifying language in new subitem (9).
- In **existing item B, subitem (9)**, the Board is proposing to delete the language referencing tampering. Because the Board is proposing to delete the requirement that tickets be randomly dispensed from a minimum of two columns and placing the randomization placement of tickets upon the organization, it is necessary and reasonable to delete language that is no longer necessary.
- In **existing item B, subitem (9)**, the Board is proposing to include clarifying language based on language from subitem (2), existing second sentence. The new language states that when tickets are dispensed from two or more columns and tickets remain in only one column, the tickets may continue to be dispensed without further splitting into multiple columns. The existing restriction required organizations to discontinue a game when tickets remained in only one column. Based on comments received from the industry, this proposed change will allow organizations greater flexibility in using pull-tab dispensing devices and allow them to potentially achieve greater profits when a game may be entirely dispensed.
- In **item D, subitem (1)**, the Board is proposing to remove the restriction that the device only accept currency in denominations of \$20 or less. This change has been requested by the industry, and the Board concurs with the recommendation. In regular pull-tab games in which tickets are sold from receptacles and given to the players by a pull-tab seller, there is no restriction on the denominations of currency that may be accepted. Removing this restriction places games sold from pull-tab dispensing devices on the same level with other pull-tab games, i.e. no purchase restrictions unless imposed by an organization. It is necessary and reasonable to amend the language to make the purchase of pull-tab tickets equitable for all methods of sales.

7864.0230, Subp. 3. Manufacturing standards for tipboards and tipboard tickets.

- In **Subpart 3**, the Board is proposing to repeal the entire subpart and incorporate the language into new Subparts 1, 1a, 1b, 1c, 1d, 1e, and 1f. As previously stated, it is noted that language in existing Subparts 1 and 3 will be combined in an effort to consolidate similar and related requirements pertaining to pull-tab and tipboard games, thereby reducing the bulk of rule language. With the use of multi-ply tickets (pull-tab tickets) in some tipboard games, the differences between pull-tab and tipboard games is minimal, as pull-tab flares do not have “sign-up” lines for players and tipboard flares have “sign-up” lines for players [Minnesota Statutes, section 349.1711]. The Board is proposing to consolidate the language regarding the manufacturing standards for these games. Refer to the table and SONAR language for Subparts 1, 1a, 1b, 1c, 1d, 1d, and 1f pertaining to the consolidation of tipboard and pull-tab language.

7864.0230, Subp. 4. Manufacturing standards for bingo hard cards, bingo paper sheets, bingo paper sheet packets, and sealed bingo paper sheets.

- In **existing item A**, the Board is proposing to break the structure of item A into two items, A and B, to make the requirements easier to read and understand.
- In **existing item A**, the Board is proposing to consolidate and clarify that all bingo faces, including bingo paper sheets not containing preprinted number, have the same standards. Language from existing item D pertaining to sheets not containing preprinted numbers is incorporated. The Board is proposing to include new language that clarifies bingo faces may contain color variations or predetermined patterns (but is not required). It is necessary and reasonable to clarify an existing manufacturing practice. In item A, existing language is placed into new subitems (1) through (3), making the rule easier to read and understand.
- In **new item B** (language from existing item A), the Board is proposing to consolidate language pertaining to numbers preprinted on the face and incorporating language from **existing item B**, which is being deleted. It is necessary and reasonable to consolidate related language.
- In **existing item D**, the Board is proposing to delete the language as these requirements are being incorporated into item A. It is necessary and reasonable to combine and clarify related language for existing requirements and reduce the bulk of rule language.

7864.0230, Subp. 5. Manufacturing standards for bingo number selection devices.

No changes proposed in subpart 5.

7864.0230, Subp. 6. Manufacturing standards for electronic bingo devices.

- In the **introductory sentence** of this subpart, the Board is proposing to delete the restriction that electronic bingo device be manufactured as “portable, handheld” units. In the rules process of 2007, the Board took a cautionary approach to the manufacture and use of these devices that are used by bingo players to monitor bingo faces. The Board has re-evaluated its position and determined that the devices could be portable, handheld devices or be a “tabletop” unit or even a stationary unit. It is necessary and reasonable to remove a restriction that the Board has deemed unnecessary based on the experience of the industry in the past few years.
- In **existing item B**, the Board is proposing to place the existing language into **new items E, F, and G**, and to reletter remaining items in this subpart. It is necessary and reasonable to make the rule language easier to use and understand for the reader.

7864.0230, Subp. 6. Manufacturing standards for electronic bingo devices. (continued)

- In **existing item B, 1st sentence**, the Board is proposing to delete “printed at the point of sale” and clarify that language in **new item J, subitem (2)**, where it will be modified in conjunction with other proposed rule changes relating to point of sale of information. It is necessary and reasonable to delete the language and clarify it in new item J where it is more logically located for point of sale information.
- In **new item C**, the Board is proposing to include new language, taking a proactive approach to allow (optional) games in which the player can select the bingo numbers for a blank bingo face (facsimile) when using an electronic bingo device.
 - Currently, an organization may offer a bingo game typically called “you pick ‘em,” a bingo game in which the player purchases a blank bingo paper sheet (2 page carbonless sheet) and fills in the bingo numbers that they want to play for the bingo pattern determined by the organization for the game. This option is currently prohibited with the use of a facsimile on an electronic bingo device, as the Board took a cautionary approach to that type of game when originally proposing rules for electronic bingo devices in 2007.
 - Industry sources have indicated that this type of game (you pick’em) is allowed with electronic bingo devices in other jurisdictions, and that the manufacturers can ensure the integrity of the game, as bingo numbers are selected by the player and locked in at the point of sale.
 - When using blank bingo paper sheets, there is always the potential for disputes over unclear handwritten numbers or manipulation of numbers. The use of an electronic bingo device would eliminate those potential disputes.

It is necessary and reasonable to amend the rule to allow organizations to offer this game and for players an equitable chance for the same type of game, whether using an electronic bingo device or not. There is no required additional cost to manufacturers, as a manufacturer is not required to include this optional feature for their electronic bingo devices. Manufacturers have indicated that they already offer this feature in other jurisdictions.

- In **new item D**, the Board is proposing to take another proactive approach to allow electronic bingo devices to be used for a breakopen bingo game, and that duplicate facsimiles are not allowed in a single breakdown bingo game. Currently, an organization may offer a breakopen bingo game, a bingo game in which the player purchases sealed bingo paper sheets containing preprinted numbers. This option is currently prohibited with the use of an electronic bingo device, as the Board took a cautionary approach to that type of game when originally proposing rules for electronic bingo devices in 2007. The Board is proposing to allow breakopen bingo facsimiles to be used. It is necessary and reasonable to amend the rule to allow organizations to offer this game and for players an equitable chance for the same type of game, whether using an electronic bingo device or not. This does not impose any additional costs to the manufacturers, as many manufacturers already have the capability to do this if they choose or they already have this option available when allowed.
- In **new item F [existing item B, portion of last sentence]**, the Board is proposing to amend the language by removing the advertising restriction. Effective July 1, 2009, the mandate to prevent the commercialization of lawful gambling was removed from Minnesota Statutes, section 349.11. It is necessary and reasonable to amend the rule language to conform with the statutory intent pertaining to commercial advertising, as that statutory change essentially allows licensed organizations to solicit commercial advertising in conjunction with its conduct of lawful gambling.
- In **new item H [existing item C]**, the Board is proposing to amend the language to allow for the use of an audio component. This change is being made based on comments received from the industry. It is necessary and reasonable to amend the language to conform to a proposed rule change being made in 7861.0270, subpart 3a, item H.
- In **new item J [existing item E] introductory sentence**, the Board is proposing to delete unnecessary language and rearrange the language to make it easier to read and understand.

7864.0230, Subp. 6. Manufacturing standards for electronic bingo devices. (continued)

- In **new item J, subitem (2), units (b) and (d)**, [existing item E, subitem (2), units (b) and (e)], the Board is proposing to amend the language to conform to proposed changes made in rule regarding facsimiles and range of face numbers for point of sale transactions. It is necessary and reasonable to amend the rule to make it consistent with other proposed rule changes.
- In **existing item E, subitem (d)**, the Board is proposing to delete the requirement that the “date of the bingo occasion” be included on the receipt. Board staff has indicated that this information is not necessary and is redundant of information already required in subitem (a) which captures the date information. It is necessary and reasonable to delete unnecessary language and reduce the bulk of rule language.
- In **new item J, subitem (2), unit (d)** [existing item E, subitem (2), unit (e)], the Board is proposing a change made in conjunction with a proposed clarification being made in 7861.0270, new Subpart 3a, item C [existing 7861.0270, Subpart 3, item L, subitem (3)]. [SEE SONAR for that rule change.] After the last rules process it quickly became apparent that this rule as written appeared to require that facsimiles of bingo paper sheets be printed at the point of sale. That was not the intent of the rule, as to impose such a requirement would be unduly cumbersome, expensive (lots of paper required), and time-consuming. It was the intent that the range of the face numbers sold to the player be printed. Therefore, it is necessary and reasonable to amend the language to clarify the requirement, consistent with the other proposed rule change.
- In **new item J, subitem (2), unit (e)**, the Board is proposing to include language that allows for facsimiles of bingo paper sheets not containing predesignated numbers (“you pick ‘em”), for which a player will select bingo numbers for each face, and the numbers are secured at the point of sale. It is necessary and reasonable to clarify that in conjunction with new item C, the point of sale system must print on the sales receipt the bingo numbers selected by a player. It is necessary and reasonable to ensure that the requirements for a “you pick ‘em” facsimile are clearly stated and imposing this requirement eliminates any potential for misconstrued numbers selected by the player. This does not impose any new costs to manufacturers for this optional feature, as many already have the capability to provide this feature or the devices already contain this feature but have simply been disabled until allowed by board rule.
- In **existing item E, subitem (2), unit (f)**, the Board is proposing to delete the requirement that the serial number of the device be printed on the point of sale receipt. It is necessary and reasonable to delete a requirement that has been deemed unnecessary.
- In **existing item E, subitem (3)**, the Board is proposing to eliminate the requirement that the central system have the ability to print the winning bingo face. Board staff has indicated that since winning bingo paper sheets (not used with an electronic bingo device) are not retained it is necessary and reasonable to eliminate a related requirement for electronic bingo devices that is deemed not necessary.
- In **existing item F**, the Board is proposing to delete the language pertaining to electronic daubing. Effective July 1, 2009, Minnesota Statutes, section 349.12, Subdivision 12a and Minnesota Statutes, section 349.17, Subdivision 6 were modified to clarify that a player “activates” (electronically daubs) a called bingo number when using an electronic bingo device. The Board is proposing to delete similar language in existing part 7861.0270, Subpart 3, item L, subitem (4). It is necessary and reasonable to delete language that is clarified and contained in statute and to conform with a proposed rule language deleting existing 7861.0270, Subpart 3, item L, subitem (4).

7864.0230, Subp. 7. Manufacturing standards for paddletickets.

7864.0230, Subp. 8. Manufacturing standards for paddlewheels intended for use without a paddlewheel table.

7864.0230, Subp. 9. Manufacturing standards for paddlewheels intended for use with a paddlewheel table.

7864.0230, Subp. 10. Manufacturing standards for paddlewheel tables.

No changes proposed in subparts 7 through 10.

7864.0230, Subpart 10a. Manufacturing standards for programmable electronic devices.

- At the request of a manufacturer, the Board is proposing to amend the rule to clarify the manufacturing standards for programmable electronic devices that are allowed under Minnesota Statutes, section 349.12, subdivision 18, and are considered permanent gambling equipment. It is necessary and reasonable to establish standards that are similar to the minimum standards for bingo number selection devices.

7864.0230, Subp. 11. Prior board approval of all gambling equipment required; independent laboratory testing required for certain permanent gambling equipment.

- In **item A, subitem (2)**, the Board is proposing to amend the language to include the requirement that a manufacturer must submit information on any equipment that will be sold or leased on an exclusive basis. Manufacturers have been providing this information when they submit new games for approval. It is necessary and reasonable to amend the rule to clarify that when gambling equipment is sold or leased on an exclusive basis, the Board must be informed of that equipment.
- In **item A, subitem (5) – flares and tickets**, the Board is proposing to consolidate and clarify language pertaining to *changes* in previously approved games and equipment. Therefore language in the following is being deleted and consolidated in item A, subitem (5):
 - **item C, subitem (4) – tipboards,**
 - **item D, subitem (3) – bingo,**
 - **item E, subitem (3) – paddletickets, and**
 - **item F, subitem (3) – permanent gambling equipment.**
- Also in **item A, subitem (5) (director role)**, the Board is proposing to clarify that the Director conducts a preliminary review to determine if changes to a previously approved game or equipment are significant enough to warrant full Board approval. This is not a change in existing procedures established throughout the years; it is merely a clarification in rule of the Director's role. It is necessary and reasonable to clarify a rule that as currently written is confusing. It is also noted that the term "payout slips" is being deleted, as payout information is required to be printed on the flare, and some manufacturers also print that information on the back of the flare, making it unnecessary for the information to be provided again on a separate slip.
- In **item B, subitem (1)**, the Board is proposing a punctuation change for better clarity.

7864.0230, Subp. 11. Prior board approval of all gambling equipment required; independent laboratory testing required for certain permanent gambling equipment.

(continued)

- In **item B, new subitem (5)**, the Board is proposing to amend the language to require the manufacturer to include the board-approval date for a family of games previously approved by the Board. This information is necessary to verify that symbols and game designs have not been changed since the initial approval for a family of games. Each month Board staff reviews a high volume of games, anywhere from 300 to 500+ of which there are 30 to 50 different families, and based on their review Board staff makes a recommendation to the Board to approve or deny games. This review is done within a short timeframe of two weeks. Requiring this additional information from the manufacturer will help to ensure that the appropriate family of games is being reviewed and verified. It is necessary and reasonable to amend the language to ensure that submitted games are correctly identified with previous family members.
- For language being deleted in items **C, D, E, and F**, see the SONAR for item A, subitem (5).
- In **item F, introductory sentence**, the Board is proposing to amend the language to include “programmable electronic devices” as they are included in the definition of lawful gambling equipment under Minnesota Statutes, section 349.12, subdivision 18. It is necessary and reasonable to amend the language so that all gambling equipment identified by statute is addressed in the rules.
- In **item F, new subitem (4) [existing subitem (5)]**, the Board is proposing to make a necessary and reasonable change to delete the reference to subitem (4) and insert (3) because of the renumbering in this item.
- In **item F, new subitem (4)**, the Board is proposing to clarify that the board may require that a programmable electronic device must be tested and certified by an independent testing laboratory, as there may be instances in which Board staff will not be able to determine that the device meets the standards. It is necessary and reasonable to clarify that the Board has the option to test the equipment itself or to require an independent lab to test and certify the device.

7864.0240, Subpart 1. Sales and lease restrictions and requirements; ~~exclusive lawful gambling equipment and agreements.~~

- In **Subpart 1, title**, the Board is proposing to delete the reference to “exclusive lawful gambling equipment and agreements” in conjunction with the proposed change to **existing item E**, which is to clarify exclusive agreements in new Subpart 1a. The Board is also proposing to amend the title to include “lease.” It is necessary and reasonable to delete language that is being clarified elsewhere in rule for exclusive agreements and to amend the title to accurately reflect the contents of this subpart.
- In **existing item E**, the Board is proposing to delete the “exclusive lawful gambling equipment” language and clarify the language as “lawful gambling equipment sold or leased on an exclusive basis” in new Subpart 1a. Readers have frequently requested help in locating this information. It is necessary and reasonable to create a separate subpart that will make the information easier to locate for the reader.
- In **item E (new language)**, the Board is proposing to include language pertaining to the lease and invoice for electronic bingo devices. It is necessary and reasonable to include language related to 7863.0220, Subpart 2, item I, (new) subitem (4) [distributors] and in 7863.0260, Subpart 2, item F, subitem (4) [linked bingo game providers].

7864.0240, Subpart 1a. Lawful gambling equipment sold or leased on an exclusive basis; restrictions and agreements.

Minnesota Statutes, section 349.163, Subdivision 9, paragraph (a) allows for the sale of equipment on an exclusive basis but provides no specific requirements regarding the written agreements. Based on its experience in recent years regarding this issue, the Board is proposing to clarify the language as many questions have arisen on agreement requirements. The Board is proposing to make reasonable business requirements to clarify this issue by specifying the minimum information that must be contained in the written agreement, and clarifying that the new requirements do not pertain to existing written agreements. It is necessary and reasonable to provide greater clarity in this new subpart for statute and rule language that has been somewhat ambiguous and for which the industry has requested clarification.

- In **new Subpart 1a, items A and B**, the Board is proposing to clarify restrictions on the names and sale of exclusive gambling equipment.
 - Normally, gambling equipment sold or leased on an exclusive basis have something unique about it, such as game name, prize payout structure, winning symbols, graphic illustrations, etc. Equipment sold or leased on an exclusive basis, while limited to only one distributor, are normally available to all licensed organizations and can be offered for sale to the public at all permitted premises.
 - The Board has seen more games with site-specific names being submitted for approval, for both leased sites (usually bars) and organization-owned sites (VFW, American Legion, etc)
 - The Board is concerned that if a distributor has an exclusive agreement for a game with a site name (leased site), a distributor could potentially control (all) game distribution at a particular location simply by dictating that in order to get the site-specific game the organization would have to buy all games (in addition to the exclusive game) from distributor. Also of concern is that a distributor with control of games and sites could potentially also control the price of the games since distribution (competition) would be limited or non-existent.
 - Given the potential for game control at a particular location by a sole distributor, the Board is proposing to clarify gambling name requirements in rule to ensure the integrity of lawful gambling.

7864.0240, Subpart 1a. Lawful gambling equipment sold or leased on an exclusive basis; restrictions and agreements. (continued)

- In **item A**, the Board is proposing to clarify that gambling equipment with a proprietary name of an organization that *owns* its permitted premises may be sold or leased on an exclusive basis. An example of this would be a game named for an American Legion or VFW Post. The Board is not requiring any restriction on the sale of these games, as most organizations would not choose to sell a game containing another organization's name. It is necessary and reasonable to clarify organization-named games for owned premises.
- In **item B**, the Board is proposing to clarify that gambling equipment with a proprietary name for a leased site may not be sold or leased on an exclusive basis. It is necessary and reasonable to clarify that gambling equipment named for leased sites may not be sold or leased on an exclusive basis, in order to ensure the integrity of and public confidence in the gambling operations and to prevent a distributor from requiring organizations to purchase that game and all other games from the distributor. It is necessary and reasonable to ensure that a distributor, in concert with a manufacturer, may not control the sale of games by registering games with the specific site names for all premises permit locations in Minnesota, similar to a person buying up and controlling domain names on the World Wide Web. Therefore, it is necessary and reasonable to ensure that approved site-specific games are available on the open market and available to all licensed distributors.
- In **item C**, the Board is proposing to clarify information that is required for a valid, written exclusivity agreement. [Language in existing Subpart 1, item E did not provide specific requirements.] The Board is proposing to make reasonable business requirements by specifying the minimum information that must be contained in the written agreement, and clarifying that the new requirements do not pertain to existing written agreements prior to the effective date of this rule. It is necessary and reasonable to provide greater clarity in this new subpart for statute and rule language that has been somewhat ambiguous and for which the industry has requested clarification.
- In **item D**, the Board is proposing to clarify that the agreements for permanent equipment sold or leased on an exclusive basis apply to all permanent gambling equipment, not just electronic bingo devices. [Language in existing Subpart 1, item E only mentioned electronic bingo devices.] It is necessary and reasonable to clarify statutory language so that it pertains to all permanent gambling equipment, and clarify that the new requirements do not pertain to existing written agreements prior to the date of this rule.

7864.0240, Subp. 2. Sales invoices and report required.

- In **item A**, the Board is proposing to amend language to include Minnesota tax ID number and federal employer tax number. This language is being added at the request of the Department of Revenue. It is necessary and reasonable to ensure that manufacturers, distributors, and linked bingo game providers are properly identified and registered for business tax purposes and to be able to track the sales within the Department of Revenue tax system.
- In **item C**, the Board is proposing to amend the language to clarify leases. The Board is proposing to remove the term "monthly." Because items such as electronic bingo devices may be leased on a monthly or weekly basis, it is necessary and reasonable to keep the language generic to allow the manufacturer flexibility.
- In **item E**, the Board is proposing to add new language pertaining to the sale of promotional pull-tab and tipboard tickets. This language is being added at the request of the Department of Revenue. Effective May 2, 2008, promotional tickets that mimic pull-tab and tipboard tickets were defined as lawful gambling equipment, even though they are not used in the conduct of lawful gambling. [See SONAR for 7861.0210, Subpart 29 for the history of promotional tickets.] Because the promotional tickets are defined as lawful gambling equipment, it is necessary and reasonable to include language pertaining to sales invoices required by the commissioner of Revenue. This change is necessary and reasonable to prevent any confusion regarding their manufacture by licensed manufacturers, sale by licensed distributors, and use by the general public, primarily retailers.

7864.0240, Subp. 3. Pricing and rebate reports required.

- In this subpart, the Board is proposing to amend and clarify the pricing report language. Minnesota Statutes, section 349.169 states that a pricing report, when required by the Board, must be submitted to the "director." The Board is using the rule language to inform manufacturers that they are required to submit the report to the director. It is necessary and reasonable to make a technical change based on statutory language.

7864.0240, Subp. 4. Return of pull-tab and tipboard games; determination of defective game; credit invoice issued.

7864.0240, Subp. 5. Returned gambling equipment report required.

No changes proposed in Subparts 4 and 5.

7864.0240, Subp. 6. Recall of gambling equipment; credit invoices.

- In **item A**, the Board is proposing to amend the language by deleting "director" and inserting "board." It is necessary and reasonable to make the language consistent in this subpart in reference to the "board" and also make the language consistent with the Board's global changes in rule to establish the Board as the regulatory and licensing authority.

7864.0240, Subp. 7. Report of delinquent distributor or linked bingo game provider required.

- In the **introductory sentence**, the Board is proposing to make a grammatical change that clarifies reporting "to the board," not reporting "to the board of a distributor or linked bingo game provider." It is necessary and reasonable to make a grammatical change that helps the reader better understand the rule language.
- In **item A (timeframe)**, the Board is proposing to amend the rule to conform to a statutory change. Effective May 2, 2008, payment and reporting timeframes were clarified in Minnesota Statutes, section 349.191, subdivision 1b. Previously the statute stated that if a manufacturer did not receive payment **WITHIN 35** days of the invoice, the manufacturer was required to report the distributor or linked bingo game provider as delinquent. Distributors or linked bingo game providers were required to **PAY** the manufacturer **WITHIN 30** days but the manufacturer had a 5-day window to **RECEIVE** the payment **WITHIN 35** days before the distributor or linked bingo game provider was considered delinquent. Much confusion existed over the payment timeframe and the statute was changed to clarify the 30-day payment requirement, i.e. distributor and linked bingo game providers were and still are required to pay a manufacturer invoice within 30 days. The Board is also proposing to clarify the invoice date and subsequent reporting of a delinquent distributor or linked bingo game provider, i.e. "within 30 days of the day *immediately following* the date of the invoice or lease agreement. It is necessary and reasonable to amend the rule to conform to the statutory change and to clarify the starting date of the 30 day period.
- In **item A (method of reporting)**, the Board is also proposing to amend the language pertaining to the manner in which the delinquency is reported, i.e. "in a manner prescribed by the board." This will keep the rule generic and allow the board to be flexible as electronic technology changes. It is necessary and reasonable to amend the rule to allow the board flexibility to determine how delinquencies are reported.
- In **item D, subitem (2)**, the Board is proposing to amend the language with "debit card payment" and "electronic transaction." It is necessary and reasonable to amend the rule to clarify the term "cash" and bring it up-to-date with current electronic technology terminology used in the banking industry. There are no new requirements or restrictions.

7864.0240, Subp. 8. Examination of books and records.

No changes proposed in Subpart 8.

7865.0210, Subpart 1. Establishment of compliance review groups.

No changes proposed in Subpart 1.

7865.0210, Subp. 2. Powers and duties of compliance review groups.

- In **item D**, the Board is proposing to amend the language with “other electronic method.” With ever-changing and innovative electronic technology, such as laptop computers with webcams, it is necessary and reasonable to amend the language to keep up with changing technology that the Board may choose to use in conducting a prehearing conference.
- In **existing items E and F**, the Board is proposing to combine the language because of its similarities, by deleting existing item F. It is necessary and reasonable to reduce the bulk of rule language and provide the reader with clearer language. Subsequent items are relettered.
- In **new item I (existing item J)**, the Board is proposing to amend the language to clarify a longstanding practice of the authority delegated by the Board to the Compliance Review Group (CRG), i.e. that the terms of a consent order negotiated by the CRG includes the term of any suspension or revocation, fines or civil penalties, reimbursements to the gambling account, and corrective action required to be taken by a licensee. This is not a change in process or procedures; it is merely a clarification of the contents of a consent order and the authority delegated to the CRG by the Board to act on its behalf in these matters. It is necessary and reasonable to clarify the delegated authority and the contents of a proposed consent order so that the reader understands what actions can be proposed by the CRG in negotiations with licensees who have allegedly violated statute and/or rule. [Minn. Stat. 349.151, Subd. 4, paragraph (a), unit (18)]
- In **new item I (existing item J), subitem (7)**, the Board is proposing to delete unnecessary language due to the proposed clarifications in new item I as noted above regarding the terms of a consent order. It is necessary and reasonable to eliminate unnecessary language and reduce of the bulk of rule language.

7865.0210, Subp. 3. Definitions.

- In **items A and B**, the Board is proposing to delete the reference to “ownership rights” or “ownership” of a license or permit, as a licensee does not *own* a license or permit. It is necessary and reasonable to eliminate incorrect terminology.
- In **items A and B**, the Board is proposing to amend the language by adding “premises” to clarify that a permit as referenced is a premises permit. It is necessary and reasonable to use consistent language throughout rule language when referencing permits issued to licensed organizations.
- In **item C (introductory sentence) and in subitem (2)**, the Board is proposing to delete the reference to “immediate family member of the lessor or owner.” In a related proposed change in part 7861.0210, Subpart 27 the Board is proposing to delete the current definition of “immediate family” and replace it with a new definition for “lessor’s immediate family” in part 7861.0210, new Subpart 31a. SEE the SONAR for 7861.0210, Subpart 27 and 7861.0210, new Subpart 31a for further clarification. It is necessary and reasonable to delete the language in conjunction with the related changes noted above.

RULE-BY-RULE ANALYSIS: 7865.0220 SUSPENSIONS OR REVOCATIONS OF LICENSES OR PERMITS.

7865.0220, Subpart 1. Factors considered for suspension or revocation of license or premises permit.

- In **subpart 1**, the Board is proposing to amend the language to reflect a change in 7865.0210, subpart 2, where existing item J is being relettered as new item I. It is necessary and reasonable to amend the language to be consistent with other rule changes.

7865.0220, Subp. 2. Suspension or revocation of organization license for illegal gambling.

No changes proposed to Subpart 2.

7865.0220, Subp. 3. Suspension or revocation of premises permit for illegal gambling.

- In the **introductory sentence**, the Board is proposing to delete this sentence, move it to the end of this subpart (after the last sentence in item C), and clarify that if a licensee does not enter into a consent order with the Board, the suspension or revocation is then considered a contested case. Existing language appears to imply that the issue is automatically a contested case. It is necessary and reasonable to amend and clarify the language so that the reader understands the provision of this subpart.

RULE-BY-RULE ANALYSIS: 7865.0225 REIMBURSEMENTS TO GAMBLING BANK ACCOUNT.

- In the **second sentence**, the Board is proposing to clarify that when a licensee does not enter into a consent order with the Board regarding a required reimbursement, the reimbursement is then considered a contested case. Existing language appears to imply that a required reimbursement is automatically a contested case. It is necessary and reasonable to clarify the language so that the reader understands the reimbursement process.
- In the **third sentence**, the Board is proposing to amend the language to reflect a change in 7865.0210, subpart 2, where existing item J is being relettered as new item I. It is necessary and reasonable to amend the language to be consistent with other rule changes.

RULE-BY-RULE ANALYSIS: 7865.0230 FINES AND OTHER SANCTIONS.

7865.0230, Subpart 1. Imposition of civil fine by board.

- In **Subpart 1**, the Board is proposing to amend the language to clarify the provisions for which the Board may issue civil fines and that civil fines may not exceed any amount authorized in Minnesota Statutes, chapter 349.
 - Effective July 1, 2009, the Board's authority to issue civil penalties to licensees for violating or failing to comply with any provision of chapter 349, chapter 297E, or any rule or order of the Board was increased to \$1,000 [Minnesota Statutes, section 349.151, Subdivision 4, paragraph (a), clause (10) and Subdivision 4, paragraph (b)]
 - Effective July 1, 2009, the Board was also given authority to issue a civil penalty of up to \$10,000 to licensed organizations that fail to meet the minimum profitability rating required by Minnesota Statutes, section 15, Subdivision 1(c) and (d).
 - Effective July 1, 2009, the Board was given authority to issue a civil penalty for violations of Minnesota Statutes, section 297E [Minnesota Statutes, section 349.151, Subdivision 4, paragraph (a), clause (10) and paragraph (b)].

Therefore it is necessary and reasonable to amend and clarify the rule language regarding the Board's authority for issuing civil fines, to make the rule generic in regard to fine amounts, and to prevent the rule from becoming obsolete should future statutory changes occur.

7865.0230, Subpart 1. Imposition of civil fine by board. (continued)

- In the **last sentence** of this subpart, the Board is proposing to amend the language to delete "penalty" and insert "fine" to make language consistent in this part. The Board is also proposing to amend the language to reflect a change in 7865.0210, subpart 2, where existing item J is being relettered as new item I. It is necessary and reasonable to amend the language to be consistent with other rule language and changes.

7865.0230, Subpart 2. Imposition of fines and sanctions by board or director for violation of Minnesota Statutes, section 349.15, subdivision 1 (expense calculations).

- In **Subpart 2**, the Board is proposing to repeal the entire subpart. Effective July 1, 2009, expense calculations were repealed from Minnesota Statutes, section 349.15, Subdivision 1, paragraph (b) and Subdivision 5. Also effective July 1, 2009, the term of an organization license is perpetual with no renewal, per Minnesota Statutes, section 349.16, Subdivision 3. As a result statutory language pertaining to expense calculations and organization license renewals make this rule language obsolete. It is necessary and reasonable to delete language that is obsolete due to statutory changes.

7865.0230, Subp. 3. Imposition of proposed fine by director; payment or appeal of fine by licensee required.

- In **item A**, the Board is proposing to amend the language to reflect a change in 7865.0210, subpart 2, where existing item J is being relettered as new item I. It is necessary and reasonable to amend the language to be consistent with other rule changes.

7865.0230, Subp. 4. Appeal from licensee of proposed fine by director.

- In **item B**, the Board is proposing to make a grammatical change to clarify that the director, upon receipt of new information, either rescinds or revises the original fine OR refers the appeal to the compliance review group. It is necessary and reasonable to ensure that the reader understands the appeal process for a proposed fine issued by the director. This is not a change in process; it is merely a grammatical clarification.

7865.0230, Subp. 5. Payment of fine from gambling gross receipts prohibited.

7865.0230, Subp. 6. Consequences of failure to correct violations; consequences of repeat violations.

No changes proposed to Subparts 5 and 6.

RULE-BY-RULE ANALYSIS: 7865.0240 STAYS OF IMPOSITION FOR SUSPENSION, REVOCATION, OR CIVIL FINE.

7865.0240, Subpart 1. Entitlement.

7865.0240, Subp. 2. Procedure.

No changes proposed in Subparts 1 and 2.

RULE-BY-RULE ANALYSIS: 7865.0250 VARIANCES TO BOARD RULES.

7865.0250, Subpart 1. Variance request submitted to board.**7865.0250, Subp. 2. Procedure for variance requests.****7865.0250, Subp. 3. Criteria for approving and denying variance requests.**

- In **Subparts 1, 2, and 3**, the Board is proposing to amend the rule to clarify that it may only consider variance requests from licensees that it regulates, not from a “person” in general to whom the rules would not pertain or impose a requirement. Minnesota Statutes 349.151, subdivision 4, paragraph (a), clause (15)(ii) gives the Board authority to approve or deny requests from *licensees* for variances from Gambling Control Board rule. It is necessary and reasonable to clarify who may submit a rule variance request based on the statutory authority.
- In **Subpart 1, existing items A, B, C, and D**, the Board is proposing to delete the existing language. In **Subpart 1, new item A, subitem (1)**, the Board is proposing to include language that points the reader to Minnesota Statutes, section 14.056, subdivision 1 for information that must be included in the rule variance request
- In **Subpart 1, existing item D**, the Board is proposing to delete the existing language for the filing fee and in **Subpart 1, new item A, subitem (2)** point the reader to Minnesota Statutes, section 14.056, subdivision 2, paragraph (a), clause (2) and paragraph (b). This change is made based on a comment received from the industry that the Board’s fee was not consistent with Minn. Stat. 14.056. It is noted that the Board in the past established a reasonable rule variance fee of \$50, a cost far below the Board’s estimated actual cost of \$300 to \$500+ to process a rule variance request. It is necessary and reasonable to delete the existing language and point the reader to Minnesota Statutes, section 14.056 where rule variance fees are addressed.
- In **Subpart 1, new item B, subitems (1) to (4)**, the Board is proposing to clarify what type of variance requests it will not consider.
 - New subitem 1 contains language moved from the existing introductory paragraph of Subpart 1, i.e. relief may not be sought from a fine or discipline imposed by the board.
 - New subitem 2 is based on existing criteria in Subpart 3, i.e. that it may not be for an ongoing variance.
 - New subitem 3 clarifies that a rule variance may not be a variance of a statutory requirement, for which the Board does not have authority to grant.
 - New subitem 4 clarifies that the Board will not consider a variance on behalf of other licensees, as a variance can only be requested by a *licensee* and based on the requesting licensee’s circumstances.It is necessary and reasonable to clarify what type of variance requests the Board may not consider.
- In **Subpart 2, introductory sentence**, the Board is proposing changes that will point the reader to Minnesota Statutes, section 14.056 and removing language pertaining to timeframes. It is necessary and reasonable to point the reader to Administrative Procedure law where rule variances are addressed.
- In **Subpart 2, item A**, the Board is proposing to delete language that is ambiguous and clarify that the Board must notify the “requesting licensee” when the Board will consider the variance. It is necessary and reasonable to ensure that the reader clearly understands the rule variance process.
- In **Subpart 2, item D**, the Board is proposing to delete the existing language, as Minnesota Statutes, section 14.056 already addresses the timeframe for notification.
- In **Subpart 3, items A, B, and C**, the Board is proposing to clarify that rule variances apply to licensees, not to persons.

RULE-BY-RULE ANALYSIS: 7865.0260 HEARINGS AND APPEALS OF INCOMPLETE OR DENIED LICENSE AND PERMIT APPLICATIONS.

7865.0260, Subpart 1. Appeal of denial or determination; application fees.

- In the **introductory sentence**, the Board is proposing to amend the language by deleting unnecessary and what could appear to be conflicting and restrictive language. Under the language as currently written, it would appear that if a licensed organization terminated its license and later reapplied for a license that was denied, it would not be able to appeal the denial because it wouldn't a licensed entity at that point and wouldn't be an applicant that has not been licensed by the board. It is necessary and reasonable to keep the rule generic, so that all applicants are afforded the ability to appeal a denied license or permit.
- In the **existing first sentence**, the Board is proposing to delete "director's determination." This is part of the Board's global changes in rules to clarify that the Board is the licensing and regulatory authority. It is necessary and reasonable to ensure that rule language is consistent.

7865.0260, Subp. 2. Appeal of denial of new application, or renewal application submitted after expiration of license or premises permit.

- In the **title of Subpart 2** and in the **introductory sentence**, the Board is proposing to delete obsolete and unnecessary language. Because of the change to perpetual licenses and permits for organizations with no renewals that became effective July 1, 2009, the language referencing "new" or "renewal" applications/permits is obsolete. [SEE also SONAR for 7865.0260, Subpart 1.] Since the denial of a license could also apply to distributors, linked bingo game providers, and manufacturers (who are required to submit annual renewal applications), it is necessary and reasonable to delete obsolete language to conform to the statutory changes and to make the rule language generic so that it applies to all licensees.
- In **item B**, the Board is proposing to delete "director's determination." This is part of the Board's global changes in rules to clarify that the Board is the licensing and regulatory authority. It is necessary and reasonable to ensure that rule language is consistent.

7865.0260, Subp. 3. Contested case hearing to determine if organization failed to submit complete renewal application.

- In **Subpart 3**, the Board is proposing to repeal the entire subpart. Because of the change to perpetual organization licenses and premises permits, with no renewal, this entire subpart is obsolete. It is necessary and reasonable to delete the obsolete language due to the statutory change that became effective July 1, 2009 and to reduce the bulk of rule language.

7865.0260, Subp. 4. Contested case hearing for denial of renewal application.

- In **item B**, the Board is proposing to delete "director" and insert "board." This is part of the Board's global changes in rules to clarify that the Board is the licensing and regulatory authority. It is necessary and reasonable to ensure that rule language is consistent.
- It is noted that the language in Subpart 4 in the past has pertained essentially to licensed organizations, and that with the statutory change on July 1, 2009 to perpetual licenses and permits for organizations, this subpart could be considered obsolete. However, there could be a future instance in which the renewal application for a distributor, linked bingo game provider, or manufacturer could be denied. While that is highly unlikely to happen, as those entities are for-profit businesses for which a temporary loss of a license would be detrimental to their business, the Board has decided to leave this language intact.