



Minnesota Gambling Control Board

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October 15, 2013

Sent via email to sonars@lrl.leg.mn

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

Re: In the Matter of Minnesota Gambling Control Board Proposed Rules;
Revisor's ID Number RD4181

Dear Librarian:

The Minnesota Gambling Control Board intends to adopt rules governing lawful gambling, primarily electronic pull-tabs and electronic linked bingo and other changes; Minnesota Rules, chapters 7861, 7863, 7864, and 7865. We plan to publish a Notice of Intent to Adopt Rules without a Public Hearing in the October 28, 2013, *State Register*.

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

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

Sincerely,

A handwritten signature in black ink that reads "Peggy Mancuso Orren". The signature is written in a cursive, flowing style.

Peggy Mancuso Orren
Executive Assistant/Rules Writer

Attachment: SONAR

Minnesota Gambling Control Board

STATEMENT OF NEED AND REASONABLENESS

Proposed Amendment to Rules Governing Lawful Gambling, Primarily Electronic Pull-Tabs and Electronic Linked Bingo and Other Changes; Minnesota Rules, Chapters 7861, 7863, 7864, and 7865; Revisor's ID Number R-04181

Introduction. The Minnesota Gambling Control Board (Board) is governed by Minnesota Statutes, chapter 349, which states the Board's purpose of regulating lawful gambling, insuring the integrity of operations, and providing for the use of net profits only for lawful purposes.

The 2012 Legislature amended Minnesota Statutes, chapter 349, by passing Minnesota Laws 2012, chapter 299. These amendments provide for electronic pull-tab games, electronic linked bingo games, and sports-themed tipboard games¹.

The Board's objectives for the proposed rules are to:

- Implement changes based on Minnesota Statutes 2012, chapter 299.
- Regulate and ensure the integrity of the new electronic pull-tab games and electronic linked bingo games.
- Prescribe specific standards for the manufacture of electronic linked bingo and electronic pull-tab systems and devices.
- Divide the rules into user-friendly parts by separating paper pull-tab standards and requirements from electronic pull-tab standards and requirements.
- Address other statutory changes from 2010-2012, as well as update some requirements found either to be lacking, found to save a lawful gambling entity time and money, or found to be obsolete.
- Update and clarify existing Board rules. When authorizing this rulemaking process at its July 16, 2012, meeting, the Gambling Control Board "opened the books" to additional rule suggestions from the lawful gambling industry, other state agencies with lawful gambling interests, and Board staff.
- Make some grammatical corrections.

These proposed rules affect lawful gambling and are being proposed as a means to strengthen the authorized regulatory oversight to ensure the continued integrity of lawful gambling. Any actual occurrence or even the perception that the integrity has been compromised would have a devastating effect not only on lawful gambling charities' missions but also on those who play, and on manufacturers and distributors, many of whom rely on this activity for their livelihoods. Lawful gambling is a billion dollar industry in Minnesota. Taxes are collected on lawful gambling receipts. These rules ensure the integrity of the conduct of operations and the manufacturing and distribution of games to help fund charities' missions and report tax revenue. In proposing these rules, the Board and its staff strived to be aware of ways by which the integrity of lawful gambling can be improved and strengthened while

¹ Current federal law prohibits gambling based on a sporting event. See 28 U.S.C. § 3702, Unlawful Sports Gambling; therefore, implementation of "sports-themed" tipboards in Minnesota is pending legal challenge by the state of New Jersey.

at the same time proposing rules that allow flexibility by lawful gambling participants and by Board staff in responding to unanticipated situations.

The process that the Gambling Control Board used to draft the rules was by Request for Comments published in the *State Register*, posted on the Board's website, and posted in the Board's main lobby; and by the use of a previous rules' process mailing list used as a jumping off point. The Board also employed the use of a Public Advisory Committee (PAC) consisting of licensed lawful gambling organizations, licensed distributors, a licensed linked bingo game provider; licensed manufacturers, testing laboratory personnel, the Departments of Revenue and Public Safety, and other interested parties; and by public meetings.

Alternative Format. Upon request, this information can be made available in an alternative format, such as large print, braille, or audio. To make a request, contact Peggy Mancuso Orren, Gambling Control Board, 1711 W. County Road B, Roseville MN 55113; phone (651) 639-4030, fax (651) 639-4032; or email peggy.orren@gcb.state.mn.us.

Statutory Authority. The Gambling Control Board's statutory authority to adopt rules is stated in Minnesota Statutes, section 349.151, subdivision 4, paragraph (a), clauses (5) and (20), and subdivision 13:

- Subd. 4. [Powers and duties.] (a) The board has the following powers and duties:
(5) to make rules authorized by this chapter;
(20) to take all necessary steps to ensure the integrity of and public confidence in lawful gambling.
- Subd. 13. [Rulemaking.] In addition to any authority to adopt rules specifically authorized under this chapter, the board may adopt, amend, or repeal rules under chapter 14, when necessary or proper in discharging the board's powers and duties.

Statutory authority amended by and contained in Minnesota Laws 2012, Chapter 299:

- Minnesota Statutes, section 349.151, subdivision 4b:
“**The board may by rule authorize** but not require the use of pull-tab dispensing devices.”
[*Emphasis added.*]
- Minnesota Statutes, section 349.151, subdivision 4c:
“(a) **The board may by rule authorize** but not require the use of electronic bingo devices.”
[*Emphasis added.*]
- Minnesota Statutes, section 349.151, subdivision 4d:
“(a) **The board may adopt rules** it deems necessary to ensure the integrity of electronic pull-tab devices, the electronic pull-tab games played on the devices, and the electronic pull-tab game system necessary to operate them.” [*Emphasis added.*]
- Minnesota Statutes, section 349.151, subdivision 4e:
“**The board may adopt rules** for the conduct of tipboards for which the winning numbers are determined in whole or in part by the numerical outcome of one or more professional sporting events. The rules must provide for operation procedures, internal control standards, posted information, records, and reports. The rules must provide for the award of prizes, method of payout, wagers, determination of winners, and the specifications of these tipboards.” [*Emphasis added.*]

- Minnesota Statutes, section 349.163, subdivision 5:
“(a) ... A person other than a manufacturer may not manufacture, alter, modify, or otherwise change a flare for a deal of paper pull-tabs or tipboards except **as allowed by this chapter or board rules.**” *[Emphasis added.]*
- Minnesota Statutes, section 349.163, subdivision 6:
“(b) The board shall inspect and test all the equipment, including software and software upgrades, it deems necessary to determine the equipment's compliance with law and **board rules.**” *[Emphasis added.]*
- Minnesota Statutes, section 349.1635, subdivision 2:
“The board may issue a license to a linked bingo game provider or to a manufacturer licensed under section 349.163 who meets the qualifications of this chapter and the **rules promulgated by the board.**” *[Emphasis added.]*
- Minnesota Statutes, section 349.1635, subdivision 3, as amended by Laws 2013, chapter 79, section 5:
“An applicant for a linked bingo game provider license must attach to its application:
 - (1) ...
 - (3) any other information **required by the board by rule.**” *[Emphasis added.]*
- Minnesota Statutes, section 349.17, subdivision 8:
“(d) **The board may adopt rules to:**
 - (1) specify the manner in which a linked bingo game must be played and how the linked bingo prizes must be awarded;
 - (2) specify the records to be maintained by a linked bingo game provider;
 - (3) require the submission of periodic reports by the linked bingo game provider and specify the content of the reports;
 - (4) establish the qualifications required to be licensed as a linked bingo game provider; and
 - (5) any other matter involving the operation of a linked bingo game.” *[Emphasis added.]*
- Minnesota Statutes, section 349.1721, subdivision 1:
“**The board shall by rule** permit pull-tab games with multiple seals. **The board shall also adopt rules** for pull-tab games with cumulative or carryover prizes. The rules shall also apply to electronic pull-tab games.” *[Emphasis added.]*
Subdivision 2:
“**The board shall by rule** permit pull-tab 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. **The rules shall also apply** to electronic pull-tab games.” *[Emphasis added.]*
- Minnesota Statutes, section 349.19, subdivision 10, amended by Laws 2013, chapter 79, section 5:
“(a) **The board shall by rule** require a licensed organization to require each winner of a paper pull-tab prize of \$100 or more to present identification in the form of a driver's license, Minnesota identification card, or other identification the board deems sufficient to allow the identification and tracking of the winner. The rule must require the organization to retain winning paper pull-tabs of \$100 or more, and the identification of the winner of the pull-tab, for 3-1/2 years.
...
(c) **The board shall:**
 - (1) **by rule adopt** minimum technical standards for cash registers that may be used by organizations, and shall approve for use by organizations any cash register that meets the standards; and

(2) before allowing an organization to use a cash register that commingles receipts from several different paper pull-tab games in play, **adopt rules** that define how cash registers may be used and that establish a procedure for organizations to reconcile all pull-tab games in play at the end of each month.” [Emphasis added.]

The proposed rules meet the Board’s statutory charge for regulating lawful gambling and ensuring the integrity of games and operations.

Regulatory Analysis. Minnesota Statutes, section 14.131, sets out eight factors for a regulatory analysis that must be included in the SONAR. Paragraphs (1) through (8) below quote these factors and then give the Gambling Control Board’s answer.

(1) A description of the classes of persons who probably will be affected by the proposed rule, including classes that will bear the costs of the proposed rule and classes that will benefit from the proposed rule:

- Persons affected. The classes of affected persons are licensed lawful gambling (charitable) organizations, licensed manufacturers of gambling systems and equipment, licensed distributors of gambling systems and equipment, linked bingo game providers, lessors of lawful gambling premises, other persons employed in the lawful gambling industry, and players of the games. The rules also affect the Department of Revenue (for tax collection purposes) and the Department of Public Safety’s Gambling Enforcement Division (for background checks and referrals for criminal activity).
- Classes of persons bearing costs. The Board is not aware of nor has been made aware of any classes of persons who may bear the costs of the proposed rules. The Board used a Public Advisory Committee (PAC) made up of approximately 22 lawful gambling industry representatives. One individual represents Allied Charities of Minnesota, which represents charitable organizations throughout Minnesota; another individual represents the National Association of Fundraising Ticket Manufacturers (NAFTM), membership of which comprises several Minnesota licensed lawful gambling manufacturers. A “*Summary of Rulemaking Process and Public Advisory Committee (PAC) Role*” was distributed to the PAC members on February 8, 2013. That document outlines the rulemaking process and the role of the PAC. It also asks for PAC advice and expertise in forming the rules, plus any probable costs of complying with the proposed rules. As of this date, no communication has been received from any member of the PAC, from any lawful gambling representative, or from any individual, entity, or other state agencies about classes that will bear the costs of the proposed rules.
- Classes of persons that will benefit from proposed rules. Those that will benefit from the proposed rules are, in general, the entire lawful gambling industry. Electronic pull-tab and electronic linked bingo games are expected to grow in popularity among lawful gambling participants. The success of electronic games at several sites throughout the state indicates the potential for charities’ missions and for generating tax revenue for the state. These rules will enable the Board to continue to maintain high standards of regulation of lawful gambling to ensure the integrity of operations, especially for the new electronic pull-tab and linked bingo systems, games, and devices.
 - Manufacturers of electronic pull-tabs and electronic linked bingo will benefit from the sale of these games because it allows manufacturers to expand their businesses.

- Distributors will gain by having an additional source of gaming to offer.
- Lawful gambling organizations will profit via additional sales from electronic games.
- Bingo players with very limited vision will benefit by the rule amendment allowing use of large print hard cards.
- Licensed gambling organizations will also receive the benefit of reduced costs associated with being able to maintain, convert, and store certain records and reports in an electronic format. This makes use of current technology and reduces an organization's paperwork.
- Certified testing laboratories will have guidance for testing proposed electronic gaming systems in Minnesota.
- Lessors of licensed gambling premises will have a new trade stimulant for their businesses.
- Accounting and software firms will have direction for creating records to assist the lawful gambling industry.

As a result of the rules, the public will have the confidence that the games are trustworthy games of chance.

(2) 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:

- Probable costs to the Board of implementation and enforcement. There are costs to the Gambling Control Board of implementation and enforcement, potentially in the areas of more time for existing staff being spent on reviewing, inspecting, and monitoring electronic gaming systems and devices, and reviewing the lawful gambling operations to ensure the games are being run correctly and that reporting is performed timely and accurately. Staff is performing additional training for licensed organizations. Some special equipment has had to be obtained to be able to inspect electronic systems and devices.

There are minimal costs to the Board to edit the Lawful Gambling Manual, forms, continuing education class materials, the Board's website, gambling manager seminar materials, and gambling manager examinations.

Hourly salary rates for Board staff affected by the proposed rules range between \$15.17 and \$45.36. It is difficult to identify the number of hours required to perform the additional functions imposed by the rules; however, the additional tasks and responsibilities are currently being performed by Board staff.

- Probable costs to any other state agency of implementation and enforcement. There are no identifiable probable costs to any other agency of implementation and enforcement. The Department of Public Safety will see an increase in background investigation requests. However, \$250,000 was appropriated from the Gambling Control Board's dedicated funding to Public Safety's Division of Alcohol and Gambling Enforcement for any additional lawful gambling regulation costs. Minnesota Statutes, section 349.151, subdivision 8, authorizes the director of alcohol and gambling enforcement to bill applicants for the cost of the background investigations, and there is no cost to the Division of Alcohol and Gambling Enforcement for background investigations.
- Anticipated effect on state revenues. There is a tax imposed on a portion of the electronic gaming proceeds similar to existing tax on other lawful gambling equipment.

(3) A determination of whether there are less costly methods or less intrusive methods for achieving the purpose of the proposed rule:

- The Board has carefully considered any cost and burden of the proposed rules. Aside from these proposed rules, there is no other method to achieve the purpose of these rules.
- The “*Summary of Rulemaking Process and Public Advisory Committee (PAC) Role*” distributed to PAC members, made up of Minnesota licensed lawful gambling organizations, distributors, linked bingo game providers, manufacturers, and representatives of the National Association of Fundraising Ticket Manufacturers (NAFTM), asked for advice and expertise in forming the rules, plus any probable costs of complying with the proposed rules. As of this date, no communication has been received from any member of the PAC, from any lawful gambling representative, or from any individual, entity, or other state agency about cost of the proposed rules.
- For electronic gaming, it is crucial to identify specific standards to make sure electronic gaming systems and devices sold in Minnesota are manufactured in a manner ensuring reliability and authenticity of the games. One requirement for electronic gaming licensing is independent testing certification of electronic gaming systems and games by a Board-approved independent testing facility. The Board relies on this certification for the validity of electronic systems and games initially submitted for approval for sale in Minnesota. Minnesota Statutes, section 349.151, subdivision 4d, paragraph (d), states “The board may require a manufacturer to submit a certificate from an independent testing laboratory approved by the board to perform testing services, stating that the equipment has been tested, analyzed, and meets the standards required in this chapter and any applicable board rules.” Because this requirement is already in statute, complying with the standards—outlined with more detail in the proposed rules—will not create additional costs for a manufacturer. More importantly, the standards contained in the proposed rules have been extensively reviewed by industry representatives including linked bingo game providers, manufacturers, and independent testing laboratory representatives, with valuable input from each of those parties. Additionally and perhaps more importantly, many of the proposed standards have already been successfully used by linked bingo game providers and manufacturers, providing confirmation about the success of the proposed standards.
- Another electronic gaming requirement is an applicant background investigation conducted by the Department of Public Safety’s Division of Alcohol and Gambling Enforcement (Minnesota Statutes, section 299L.02, subdivision 2, paragraph (1)). The cost of these background investigations are billed to the applicants by the director of alcohol and gambling enforcement (Minnesota Statutes, section 349.151, subdivision 8). The proposed rules impose no additional cost on applicants for background investigations beyond what has previously been established in statute, and there is no cost to the Gambling Control Board or to the Division of Alcohol and Gambling Enforcement for background investigations.

(4) A description of any alternative methods for achieving the purpose of the proposed rule that were seriously considered by the agency and the reasons why they were rejected in favor of the proposed rule:

No alternative method for achieving the purpose of the proposed rules was considered. The statutory requirements contained in Minnesota Laws 2012, Chapter 299, and other statutory changes occurring

during the 2010-2012 legislative sessions require rulemaking by the Board. There is no other method to achieve the purpose of these rules; the Board is complying with and clarifying those statutory requirements. It is necessary to promulgate electronic pull-tab and electronic linked bingo rules in order to comply with the statutory directive and to provide clarity and guidance to the lawful gambling industry in the manufacture, distribution, selling, and playing of new games authorized in statute while maintaining the Board's mission of regulating lawful gambling, ensuring the integrity of operations, and providing for the lawful use of net profits.

(5) The probable costs of complying with the proposed rule, including the portion of the total costs that will be borne by identifiable categories of affected parties, such as separate classes of governmental units, businesses, or individuals:

- There are probable or, more accurately, potential costs to linked bingo game providers and manufacturers of electronic pull-tab games of complying with the proposed rule requirement that electronic linked bingo games and systems and electronic pull-tab games and systems become compliant within 180 days of the effective date of the proposed rules.

Some background on this proposed requirement: When Minnesota Laws 2012, Chapter 299, passed in May 2012, there was a sense of urgency for electronic games to begin generating funding, a portion of which was for a new stadium. Manufacturers of electronic linked bingo systems and electronic pull-tab systems who desired to participate in this new form of lawful gambling looked to the Board for standards. Minnesota was the first state to have this particular type of gaming; no other state had electronic linked bingo or electronic pull-tabs. For the very same reason, the rules process was going to be a long process—taking longer than those who enacted legislative funding requirements foresaw. Thus, to facilitate standards for system licensing and game approval, information was sought from national manufacturers of electronic games of chance and from independent testing laboratories. Based on information received, a draft set of standards for electronic gaming was created. The draft was reviewed and commented on by lawful gambling industry representatives including linked bingo game providers, manufacturers, and independent testing labs. The Gambling Control Board approved the initial standards, enforceable not by rule but by statutory violation, in July 2012. Once those standards were in place, linked bingo game providers and manufacturers could apply to the Board to sell electronic games in Minnesota and sales could begin.

Electronic games have since been submitted and approved for use in Minnesota since September 2012. Because of the fluid nature of gaming technology, those standards, while still viable and extremely useful, have been extensively reviewed and refined. The Board has learned valuable insight from these initial standards, and that knowledge and experience, with input from the users of the standards, are included in these proposed rules. The 180-day compliance requirement will ensure that any electronic game currently being used in Minnesota meets the refined standards.

There may be potential costs for a manufacturer to bring a previously approved electronic gaming system or game into compliance with the proposed rules. However, should a manufacturer, at any time past, present, or future, make a modification or change affecting the game outcome produced by an electronic pull-tab or bingo system or generally impacting the integrity of a previously approved system, an independent testing laboratory certificate stating that the system or game is in compliance is required (Minnesota Statutes, section 349.151, subdivision 4d, paragraph (d)). This requirement is

intended to show game compliance with standards and to preserve the integrity of gaming in Minnesota. The hourly rate for independent laboratory testing ranges from \$100 to \$140 an hour. The exact hourly rate depends on which Minnesota Gambling Control Board-approved independent testing laboratory the licensed manufacturer chooses to use. The total cost to a manufacturer of obtaining the independent testing laboratory report will be impacted by the quantity and/or complexity of the modifications made by the licensed manufacturer.

- To participate in electronic gaming, an organization registers a player's information in the form of a government-issued picture identification (Minnesota Statutes, section 349.1721, subdivision 4, paragraph (h)), a U.S. military identification card, or another form. The proposed rules list the information required from the identification card. If an organization chooses to use an ID scanner for player registration, there will be a cost for that scanner. One lawful gambling distributor provided documentation indicating new ID scanners cost approximately \$470; used scanners cost approximately \$125 to \$350. This is an optional cost. The organization may also manually record the data on a form provided by the Board.
- The Gambling Control Board is the primary government entity affected by additional costs under the proposed rules. Some of the proposed changes increase Board staff workload, though the increase should not be unduly burdensome. See (2) above for probable costs to the Board for the implementation and enforcement of the proposed rules, and for potential costs to any other agency.
- As stated above, the Board used a PAC consisting of lawful gambling industry representatives including a representative of Allied Charities of Minnesota, which represents charitable organizations throughout Minnesota, and NAFTM, membership of which comprises several Minnesota licensed lawful gambling manufacturers. All PAC members received the "*Summary of Rulemaking Process and Public Advisory Committee (PAC) Role*" asking for PAC advice and expertise in forming the rules, plus any probable costs of complying with the proposed rules. No communication has been received from any member of the PAC, from any lawful gambling representative, or from any individual, entity, or other state agencies, about potential costs of complying with the proposed rules.

(6) The probable costs or consequences of not adopting the proposed rule, including those costs or consequences borne by identifiable categories of affected parties, such as separate classes of government units, businesses, or individuals:

- One probable cost or consequence of not adopting the proposed rules is that the lawful gambling industry will not have specific guidelines and standards for electronic pull-tab and electronic linked bingo systems and games, including the manufacture and security of electronic pull-tab systems and electronic linked bingo systems and electronic devices, and for the conduct of games on the electronic devices themselves. Current rules in place do not reflect electronic gaming. These specific guidelines are essential for manufacturers to comply with statutory licensing requirements and for the Board to ensure the integrity of lawful gambling operations.
- A further cost or consequence would be that the tax imposed on a portion of the lawful gambling proceeds would potentially not be collected, or properly collected, according to state statutes, and that portion of lawful gambling would not be conducted according to statute.

- Lacking clear-cut rules, or standards that are vague, allows for confusion and possible illegal activity to occur.

(7) An assessment of any differences between the proposed rule and existing federal regulations and a specific analysis of the need for and reasonableness of each difference:

There is no federal regulation related to the specific purpose of this rulemaking, thus this portion of the Regulatory Analysis does not apply to these rules.

(8) An assessment of the cumulative effect of the rule with other federal and state regulations related to the specific purpose of the rule. . . . ‘[C]umulative effect’ means the impact that results from incremental impact of the proposed rule in addition to other rules, regardless of what state or federal agency has adopted the other rules. Cumulative effects can result from individually minor but collectively significant rules adopted over a period of time.

- There is no federal regulation related to the specific purpose of this rulemaking. The primary objective of this rulemaking is to provide requirements and guidelines for both the lawful gambling industry and for regulators in the conduct of lawful gambling. Minnesota Laws 2012, Chapter 299, Article 4, provided for the use of certain tax revenue and for the conditional imposition of certain taxes and collection of other revenues (Department of Revenue).
- The proposed rules assist the Departments of Revenue and Public Safety by providing the requirements by which lawful gambling organizations must file with the Department of Revenue resulting in proper reporting of tax revenue, and by providing procedures and guidelines for Public Safety’s oversight of possible criminal activity relating to the conduct of lawful gambling.
- The proposed rules do not overlap with other federal or state regulations and are performance based. The Board will regulate the conduct of lawful gambling through these revised rules and standards. As the sole regulatory requirements for the affected parties, the cumulative effect comes only from these rules and standards through licensing, game conduct, and manufacturing requirements.

Performance-Based Rules. Minnesota Statutes, sections 14.002 and 14.131, require that the SONAR describe how the Board, in developing the rules, considered and implemented performance-based standards that emphasize superior achievement in meeting the Board’s regulatory objectives and maximum flexibility for the regulated party and the department in meeting those goals.

As evidence of performance-based success, since September 2012 when the first electronic games were submitted for approval, hundreds of new games have been and continue to be submitted monthly for Board approval as manufacturers react to market demand.

One of the objectives of the proposed lawful gambling rules is to provide industry with requirements, standards, and guidelines for electronic gaming. True performance-based rules would set specific outcomes and leave the means of achieving those outcomes up to the lawful gambling organization, manufacturer, distributor, or player. But a true performance-based approach is not possible for these proposed rules; self-regulation would allow too much flexibility and no accountability.

There is, however, a fair amount of flexibility within the proposed rules. For example:

- electronic gaming standards oriented toward the security of the delivery system provide guidance to licensees while at the same time are flexible to allow creative latitude in game and system design and in technological advancement;
- organizations may choose to maintain paper records or convert and store records and reports in an electronic format to save time, costs, and storage space;
- progressive jackpots may be seeded to stimulate the start of a jackpot;
- multiple prizes for paddlewheel spins are allowed;
- some of the limitations on bingo coupons are removed; and
- electronic operational payment options are clarified.

Superior achievement in the proposed rules comes from:

- charities being able to run successful lawful gambling operations to help accomplish their missions with appropriate and meaningful regulation;
- high standards for the manufacture, distribution, and conduct of games that minimize the potential for manipulation, theft, or tampering; and
- requiring appropriate manufacture from the start, causing less backtracking during the manufacturing and licensing process, and enabling strong oversight within specific parameters in an industry with theft and manipulation potential.

The proposed rules are performance-based rules because the proposed rules:

- provide for an additional avenue of revenue at lawful gambling sites via electronic pull-tabs and electronic linked bingo;
- enable the ability of lawful gambling regulators to approve, license, and monitor electronic gaming systems, and the conduct of all forms of lawful gambling, thus ensuring the integrity of the games as required by statute;
- provide licensing and manufacturing guidelines for electronic gaming system manufacturers and linked bingo game providers, along with procedures for returning potentially defective games or devices;
- provide guidelines for distributors for the purchase or lease of electronic games, along with procedures for returning potentially defective games or devices;
- revise reporting requirements of organizations to allow electronic record retention and reporting, saving organizations time, costs, and storage space; and
- provide the procedures and requirements for player conduct of a new form of lawful gambling, thus enabling the new forms to be played in a fair and lawful manner.

The proposed rules contain new, enhanced, and removed requirements for (1) lawful gambling organizations, distributors, linked bingo game providers, and manufacturers to become licensed; (2) the conduct of the games; (3) gambling equipment and system standards and requirements; and (4) reporting requirements for organizations. In many areas, these improved, deleted, or added rules ultimately make participating in lawful gambling more clear or less cumbersome.

In many instances the rule changes clarify requirements, such as the standards for electronic pull-tab and electronic linked bingo systems and devices, reducing the amount of time licensed organizations, linked bingo game providers, and manufacturers spend on communication and consultation with Board staff, which likely has cost savings.

Because manufacturers, distributors, and lawful gambling organizations currently have regular interaction with the Board's staff, there will be minimal costs incurred to comply with the proposed rules.

Allowing conversion and storage of paper records and reports to an electronic format will save organizations inventory expenses such as storage, auditing, and securing paper records.

Efficiencies in electronic accounting and reporting methods allow cost savings for licensed organizations.

While some of the proposed rules are the Board's response to recent legislative changes, Board staff has taken the further step of searching for, and finding, other rules that impede superior achievement in regulation and in flexibility for regulated parties. Those findings are reflected in the proposed rules.

In further support of the proposed rules being performance based, the "*Summary of Rulemaking Process and Public Advisory Committee (PAC) Role*" distributed in February 2012 to PAC members asked for advice and expertise in forming the rules as follows:

"Minnesota Statutes, Sections 14.002 and 14.131, require that the SONAR describe how the agency, in developing the rules, considered and implemented performance-based standards that emphasize superior achievement in meeting the agency's regulatory objectives and maximum flexibility for the regulated party and the agency in meeting those goals.

- The Gambling Control Board will look to you for advice and information on how we can make the rules work better for you, while still meeting our goals for these rules.
- Are there any special situations that we should consider in developing the rules?
- Are there any ways to reduce the burdens of the rules?
- Do you have any other insights on how to improve the rules?"

In response, the Board received many comments and suggestions. Wherever possible, language was revised, added, or deleted to make the rules more workable for those who must comply with the rules. Such collaboration on the proposed language further enhanced the performance-based goal of these proposed rules.

Additional Notice. To provide notice to all persons who may be affected by the proposed rules, the Board's Additional Notice Plan consists of:

- (1) posting the Notice of Intent to Adopt Rules, a copy of the proposed rules, and SONAR to the Board's website at <http://mn.gov/gcb/RulesProcess.htm>;
- (2) electronically mailing the Notice of Intent to Adopt Rules, a copy of the proposed rules, and SONAR to members of the Public Advisory Committee involved in this process since Fall 2012; the PAC consists of licensed lawful gambling organizations, licensed distributors, licensed linked bingo game providers, licensed manufacturers, independent testing laboratory personnel, other interested state agencies, and other interested parties;
- (3) posting the Notice of Intent to Adopt Rules in the Board's main lobby;
- (4) providing regular rules updates in the Board's quarterly industry publication, *Gaming News*;
- (5) mailing a copy of the Notice of Intent to Adopt Rules to the following:
 - Allied Charities of Minnesota for inclusion in their newsletter;
 - National Association of Fundraising Ticket Manufacturers (NAFTM);
 - Electronic Bingo Manufacturers Association (EBMA);

- licensed linked bingo game providers;
- all licensed distributors;
- all licensed manufacturers;
- chairs and minority leads of the House and Senate tax committees, and the authors of the enacting legislation authorizing this rulemaking process per Minnesota Statutes, section 14.116;
- the most current rules' process mailing list on file with the Board per Minnesota Statutes, section 14.14, subdivision 1a; and
- any individual requesting notice who is not already on the Board's regular rulemaking mailing list.

The Gambling Control Board will provide all further notices required by statute. The Board will also give notice to the Legislature per Minnesota Statutes, section 14.116. All communication will be made by electronic mail if the Board has the recipient's email address, or, otherwise, by US mail.

Additional notice does not include notifying the Commissioner of Agriculture because the rules do not affect farming operations per Minnesota Statutes, section 14.111.

Public Advisory Committee. A Public Advisory Committee (PAC) was formed to assist in identifying and discussing the issues and to provide comments on draft rules language and, in many cases, to propose language itself. The PAC was composed of a wide spectrum of industry representatives and State of Minnesota regulators, and included:

Industry Representatives

- Emile Bourgoyne, International Gamco (manufacturer)
- Peter Coyle, Attorney, Larkin Hoffman
- Roger Franke, Arrow International (manufacturer)
- Mark Healy, Hickory Tech (charity)
- Allen Lund, Executive Director, Allied Charities of Minnesota
- Bob Matson, Minnesota Gaming Services (charity)
- Mary Perren, Cottage Grove Athletic Assoc. (charity)
- Linda Rolland, Twin Cities Gaming Supplies (distributor)
- Anna Vogt, CPA
- Tracy Wigen, Golden Valley VFW Post 7051 (charity)
- John Wohlfarth, Attorney, Larkin Hoffman
- Michael Capen, Gaming Laboratories International (independent testing laboratory)
- Rob Davis, Pulltabs Plus (distributor)
- Nathan Freels, Attorney, Larkin Hoffman
- Fabian Hoffner, Attorney at Law
- Mary Magnuson, Attorney, Jacobson, Buffalo, Magnuson, Anderson & Hogen, Legal Counsel to the National Association of Fundraising Ticket Manufacturers (NAFTM)
- Drew Naseth, Drew Naseth Company (distributor)
- Larry Porter, Forest Lake Athletic Association (charity)
- Bill Thinnes, Douglas Press (manufacturer)
- Jon Weaver, Express Games (distributor)
- Karen Wirkus (charity)
- John Burger, e-tab manufacturing, inc. (manufacturer and linked bingo game provider)

State of Minnesota Regulators

- Peggy Mancuso Orren, Rules Writer, Gambling Control Board
- Geno Fragnito, Gambling Control Board Rules Committee
- James Nardone, Gambling Control Board Rules Committee
- Susan McCarville, Gambling Control Board Rules Committee
- Tom Barrett, Gambling Control Board
- Chris Mau, Gambling Control Board
- Gary Danger, Gambling Control Board
- Steve Pedersen, Gambling Control Board
- Joe Simmer, Jeffrey Bilcik, Sarah Boeshans, Assistants Attorney General
- Gloria Gazdik, Department of Revenue
- Michele Tuchner, Department of Public Safety

The Board's plan is designed to be all-encompassing and to provide affected and interested parties with opportunity to be informed of the Board's rulemaking plans and offer further input on the draft rules.

Consultation with MMB on Local Government Impact. As required by Minnesota Statutes, section 14.131, the Board consulted with Minnesota Management and Budget (MMB) by sending MMB copies of the documents that we sent to the Governor’s Office for review and approval on the same day we send them to the Governor’s office. This was done before the Board’s publishing the Notice of Intent to Adopt. The documents included the Governor’s Office Proposed Rule and SONAR Form; the proposed rules; and the SONAR. The Board will submit a copy of the response received from MMB, dated October 14, 2013, to OAH at any hearing or with the documents it submits for ALJ review. Analysis by the Board indicates no known fiscal impact or benefit of the proposed rules on local governments. The analysis from MMB confirms.

Determination about Rules Requiring Local Implementation. The Board has determined that local units of government do not have any authority or responsibility because the Board has the sole authority to enforce the rules for lawful gambling in Minnesota Statutes, chapter 349. The Board has not delegated this responsibility to any other local unit of government. There are no proposed rules requiring any change to local government lawful gambling requirements, so this section does not apply.

Cost of Complying for Small Business or City. As required by Minnesota Statutes, section 14.127, the Gambling Control 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 believes 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 asked the Public Advisory Committee members whether costs would exceed \$25,000 during the first year. This was done via an email to all PAC members, consisting of licensed lawful gambling organizations, licensed distributors, licensed manufacturers, testing laboratory personnel, and other interested parties, of “Summary of Rulemaking Process and PAC Role”, with no response. The question was also asked of the PAC at its meeting of May 2, 2013, with no response.

Rule-By-Rule Analysis.

- Part, subpart: 7861.0210, subpart 2a.
 - What it does: Defines application software.
 - Need: To address newly authorized electronic gaming and the importance of correctly identifying the differences between application software and operating system software references in the manufacturing standards.
 - Reasonableness: This definition is reasonable because it encompasses and describes what manufacturers and linked bingo game providers must have tested for system compliance.
-
- Part, subpart: 7861.0210, subpart 7a.
 - What it does: Defines board.
 - Need: The term “board” is used throughout the rules, and defining it makes clarifies that reference is to the Gambling Control Board.
 - Reasonableness: This definition is reasonable because the term “board” is used throughout the lawful gambling rules, both existing and proposed.

Part, subpart: 7861.0210, subpart 7b.
What it does: Defines bonus play.
Need: Bonus plays are available in the new electronic pull-tab games, but not yet defined.
Reasonableness: A bonus play is the same concept as a multiple seal game for paper pull-tabs, already allowed by rule. However, in the multiple seal game definition, a player presents a paper pull-tab ticket to redeem; in electronic games, a player selects a bonus play to redeem. It is reasonable to make that distinction by definition.

Part, subpart: 7861.0210, subpart 8.
What it does: Clarifies the definition of breakopen bingo game.
Need: Now that electronic gaming is statutorily authorized, breakopen bingo games may also be played electronically.
Reasonableness: It is reasonable to modify this definition to reflect, specific to electronics, the requirement that sealed sheets or faces may only be electronically generated after the face is purchased.

Part, subpart: 7861.0210, subpart 9a.
What it does: Defines central server; specifies exactly what constitutes an electronic gaming central server, and that it is required to be located in Minnesota.
Need: Central server is used throughout the electronics' portions of the rules. Electronic gaming manufacturers will need to know what defines a central server for gaming purposes. It is also necessary to include the central server location so that data is within Minnesota jurisdiction in the event of a criminal or civil case.
Reasonableness: It is reasonable to define central server for new electronic games and to require Minnesota locale. If an entity is reading the definition of central server, and it does not specify that it must be located in Minnesota, they may believe their central server may be placed in any location. Failure to have direct access or the legal means to obtain the data severely impairs the ability to investigate alleged violations or crimes if the data is maintained somewhere outside of the Minnesota borders/jurisdiction. Data must be kept and accessible within Minnesota jurisdiction in the event of a criminal or civil case.

Part, subpart: 7861.0210, subpart 11a.
What it does: Defines communications network.
Need: To identify the data transmission of electronic games. Under Minnesota Statutes, section 349.18, subdivision 1, paragraph (c), lessors are responsible for the cost of a communications network to conduct electronic games.
Reasonableness: It is reasonable to define communications network because lessors of licensed lawful gambling premises need to identify exactly what they must pay for.

Part, subpart: 7861.0210, subpart 15a.
What it does: Defines electronic gambling equipment.
Need: It is necessary to define electronic gambling equipment to distinguish it from non-electronic gambling equipment.

Reasonableness: It is reasonable to identify electronic gambling equipment to distinguish it from non-electronic gambling equipment because new electronic gaming requires independent laboratory testing, and electronic gambling equipment requires a separate board approval process for systems and games (different from paper); reporting requirements also differ for electronics.

Part, subpart: 7861.0210, subpart 15b.

What it does: Defines electronic game occasion.

Need: It is necessary to identify the segment of time for which tracking and auditing game activity is built around, such as the game start/finish, deposits, reports, seller identification, and rent. A game occasion must be a consecutive period of time so that the tracking/auditing encompasses the continuum of a game.

Reasonableness: It is reasonable to provide this definition because game tracking and auditing elements are based on an electronic game occasion.

Part, subpart: 7861.0210, subpart 15c.

What it does: Defines electronic game system.

Need: The proposed rules contain manufacturing standards for electronic games and systems. Manufacturers of these systems need to know precisely what they must have tested by an independent testing laboratory in order to meet standards and do business in Minnesota, and what is required for the conduct of the game.

Reasonableness: It is not only reasonable but prudent to define electronic game system so that manufacturers of these systems know what is required for the conduct of the game. This definition is reasonable because it encompasses and accurately describes what manufacturers and linked bingo game providers must have tested for system compliance.

Part, subpart: 7861.0210, subpart 17a.

What it does: Defines facsimile of a pull-tab ticket.

Need: This definition is in direct response to Minnesota Statutes, section 349.12, subdivision 12c, which defines electronic pull-tab games as containing facsimiles of pull-tab tickets that are played on an electronic pull-tab device.

Reasonableness: The electronic pull-tab is a facsimile of a paper pull-tab. Facsimile can mean a copy, duplicate, or likeness, amongst other things. Because an electronic version of a pull-tab ticket should look like a paper pull-tab ticket but cannot be a duplicate or a copy of a paper pull-tab ticket, but it must be able to look and play like a paper pull-tab ticket (winning symbols arranged in a straight-line method), it is reasonable to define what is required on a facsimile pull-tab ticket for electronic games.

Part, subpart: 7861.0210, subpart 31.

What it does: Corrects a typographical error in existing rule.

Need: To correct a typographical error.

Reasonableness: It is reasonable to correct typographical errors when we become aware of them during a rules process.

Part, subpart: 7861.0210, subpart 33a.
What it does: Defines local server.
Need: Because a local server is an integral part of an electronic gaming system, the definition is necessary to specify that a local server stores electronic game application software, and that this local server must store and communicate all game play information and records to a central server maintained by a licensed distributor or electronic linked bingo game provider.
Reasonableness: It is reasonable to add a definition that is an integral part of an electronic gaming system.

Part, subpart: 7861.0210, subpart 37.
What it does: Adds playing a bonus (multiple seal) electronic pull-tab game to the definition of multiple seal game.
Need: To reflect and clarify the differences in playing a multiple seal paper pull-tab game and a bonus play (multiple seal) electronic pull-tab game.
Reasonableness: Since electronic pull-tab games are now statutorily authorized, it is reasonable to modify the definition of multiple seal game to include electronics.

Part, subpart: 7861.0210, subpart 38a.
What it does: Defines operating system software.
Need: To identify the software that communicates with computer hardware.
Reasonableness: It is reasonable to identify the software that communicates with computer hardware to allow gaming application software to function and manage electronic gaming.

Part, subpart: 7861.0210, subpart 40a.
What it does: Defines mechanical and electronic paddlewheels.
Need: It is necessary to explain what a mechanical paddlewheel is and what an electronic paddlewheel is so that a reader can identify the differences, and the manufacturer understands the manufacturing standards for each.
Reasonableness: It is reasonable to clarify the differences between the operation of a mechanical paddlewheel and an electronic paddlewheel, ensuring the appropriate manufacturing standards for each are used.

Part, subparts: 7861.0210, subparts 40b and 40c.
What they do: Define point of sale and point of sale system.
Need: It is necessary to define point of sale and point of sale system in response to proposed changes to part 7861.0280, subpart 9, which is the subpart containing the standards for cash registers. Many lawful gambling organizations no longer use cash registers and instead use point of sale systems.
Reasonableness: It is reasonable to define these terms because the subpart containing standards for cash registers is being modified to reflect the trend to point of sale systems.

Part, subpart: 7861.0210, subpart 41.
What it does: Allows a progressive bingo game to be played again during the same bingo occasion.
Need: To allow a progressive bingo game to be played during the same bingo occasion.
Reasonableness: It is reasonable to allow a progressive bingo game to be played during the same bingo occasion because doing so increases prizes based on whether the top prize was won in an earlier game.

Part, subpart: 7861.0210, subpart 44.
What it does: Updates and more specifically outlines the random number generator requirements.
Need: Because of the newly authorized electronic games, it is necessary to add detail to the previous definition to ensure and maintain lawful gambling integrity in Minnesota.
Reasonableness: It is reasonable to add the more detailed requirements to maintain integrity of the games. The language was extensively reviewed by national independent testing laboratory personnel. The proposed language contains much of the language testing laboratories use in their own standards; to maintain the high degree of lawful gambling integrity maintained in Minnesota, this specific language was incorporated into the proposed rules. The definition specifies that a random number generator must meet the proposed electronic game standards for randomness.

Part, subpart: 7861.0210, subpart 47.
What it does: Makes a grammatical correction.
Need: To correct grammar and make consistent throughout the rules.
Reasonableness: It is reasonable to correct grammatical errors when we become aware of them during a rules process.

Part, subpart: 7861.0210, subpart 47a.
What it does: Defines secured data transmission.
Need: Data transmission encryption is required to protect the data from unauthorized access or tampering; it is necessary to define what that means.
Reasonableness: It is reasonable to require encryption conforming to the Advanced Encryption Standard (AES) specification defined by the National Institute of Standards and Technology (NIST) because it will protect data from unauthorized access or tampering.

Part, subpart: 7861.0210, subpart 49.
What it does: Strikes an obsolete statutory reference.
Need: To remove an obsolete reference to paragraph (a).
Reasonableness: It is reasonable to remove obsolete references when we become aware of them during a rules process.

Part: 7861.0215.
What it does: Incorporates NIST encryption specifications by reference.

- Need: To incorporate by reference the Advanced Encryption Standard (AES) specifications for electronics as defined by the National Institute of Standards and Technology (NIST).
- Reasonableness: It is reasonable and expected to incorporate by reference Advanced Encryption Standard (AES) specifications for electronics as defined by the National Institute of Standards and Technology (NIST). These encryption specifications are referred to in the electronics standards parts of the proposed rules. The specifications will be available to the public free of charge at the State Law Library; also, the NIST website containing the AES specifications is given in this part.
- Part, subpart: 7861.0230, subpart 9.
- What it does: Corrects an erroneous cross-reference in paragraph A, clause (1). This is the only modification to subpart 9.
- Need: To correct an erroneous cross-reference.
- Reasonableness: It is reasonable to correct cross-references when we become aware of them during a rules process.
- Part, subpart: 7861.0260, subpart 1, item C.
- What it does: Requires that a clear and physical separation or a tangible divider exist between the organization's gambling equipment and the lessor's business equipment, and requires invoices for gambling equipment at the lawful gambling premises to be maintained on the premises.
- Need: To limit gambling equipment to disposable gambling equipment to allow electronic devices and other gambling equipment used during the conduct of gambling to be located at a secured location at the premises, and to exclude on-site copies of electronic pull-tab game invoices.
- Reasonableness: It is reasonable to require an organization's disposable gambling equipment be kept separate from the lessor's business equipment, for example cases of beer, to prevent tampering and unauthorized access.
- It is reasonable to not require paper copies of electronic pull-tab game invoices on site because invoices for electronic games are done electronically. For auditing purposes, all games provided by distributors to organizations are already required to be recorded on the electronic game inventory at the site.
- Part, subpart: 7861.0260, subpart 4.
- What it does: Item C, subitem (4), unit (b), contains a grammatical correction.
- Item K requires that a player's name and identification number be registered, in order to determine who has a specific device at any given time, as well as the date and time when the device is issued to a player, the serial number or other unique identifier of the device, and the time the device is returned.
- Need: Item K is in direct response to Minnesota Statutes, sections 349.17, subdivision 9, paragraph (d); and 349.1721, subdivision 4, paragraph (h), that a player present and register a valid picture identification card before participating in electronic gambling.

Reasonableness: It is reasonable to require registration of a government-issued picture ID before issuing an electronic gaming device because, in the event of the theft or tampering of a device, the device may be tracked to an individual player in any given timeframe. Existing law (Minn. Stat. sec. 349.19, subd. 10, para. (a), amended by Laws 2013, ch. 79, sec. 5) requires organizations to retain paper prize receipts, which contain a player's name and identification number, for 3-1/2 years; it is reasonable for registration information to play an electronic gaming device to be retained for 30 days. An organization is required to have internal controls in place to safeguard records and reports, and it is realistic to believe identification information will be safeguarded as part of the records an organization is required to maintain.

Part, subpart: 7861.0260, subpart 5.

What it does: Identifies pull-tabs as paper pull-tabs, changes the prize receipt limit from \$50 to \$100, removes the address requirement on prize receipt forms, and allows the use of a government-issued picture ID for prize receipts.

Need: To clarify that the subpart refers to paper pull-tabs. To conform to Minnesota Laws 2013, chapter 79, section 5, wherein the prize receipt limit was changed from \$50 to \$100. To allow for government-issued picture IDs.

Reasonableness: It is reasonable to clarify that the subpart refers to paper pull-tabs as opposed to electronic pull-tabs and to conform the rules to recently passed legislation. Removing an organization's address requirement is reasonable because it has no benefit for the player or the regulator.

It is reasonable to remove a player's address requirement and instead allow a government-issued picture ID, which is a better avenue for investigators in the event of forgery or other criminal activity. A name and an ID number from a government-issued picture ID is allowed because not every winner will have a driver's license and a name and an ID number are sufficient to identify the person redeeming a prize. If necessary, the person's address can be obtained using the name and ID number.

Part, subpart: 7861.0260, subpart 7.

What it does: The word "paper" is inserted before "pull-tab" both in the headnote and throughout the subpart.

Need: To clarify the applicability of the subpart to paper pull-tabs, and not to electronic pull-tabs.

Reasonableness: It is reasonable to clarify that the subpart applies to paper pull-tabs and not to electronic pull-tabs.

Part, subpart: 7861.0260, subpart 9.

What it does: Clarifies the procedure for electronic game start and close, and for shift change between bar operation and booth operation, and identifies the records and reports the point of sale system must produce and the organization must maintain.

Need: To provide electronic game accountability so that the close of an electronic game occasion can be audited and receipts verified.

Reasonableness: It is reasonable to require organizations to keep electronic game occasion records and reports for 3-1/2 years following the end of the month in which the game was conducted and reported on the tax return because it is in keeping with current rules requiring the majority of lawful gambling records to be kept for 3-1/2 years. The proposed language allows organizations to maintain or convert and store records and reports in an electronic format because it saves an organization time, costs, and storage space. It is reasonable to request the records and reports in paper format upon request because it will assist regulators with ensuring compliance.

Part, subparts: 7861.0260, subparts 10 and 11.

What they do: Contain procedures for defective electronic games or devices.

Need: To provide procedures for organizations in the event a defective electronic game or defective electronic device is found.

Reasonableness: It is reasonable to provide procedures because there are no procedures currently in place in the event a defective electronic game or defective electronic device is found. It is also reasonable for use as a tool to allow the board to track defective electronic games and devices.

Part, subpart: 7861.0270, subpart 2.

What it does: Adds the word "bingo" to the headnote. Allows bingo-specific information to be displayed on an electronic linked bingo device.

Need: To specify that the subpart pertains to bingo as opposed to another form of lawful gambling, and to allow bingo-specific information to be displayed on an electronic linked bingo device.

Reasonableness: Posting is required for more than one type of lawful gambling, and it is reasonable to clarify the particular type of lawful gambling in the headnote to aid the reader. It is also reasonable to include posting information for players on electronic linked bingo devices because the information is then readily available to a player on the hand-held device instead of being posted on a wall or included in a bingo program.

Part, subpart: 7861.0270, subpart 3, item J.

What it does: Adds large print bingo hard cards to braille requirements and allowances already in rule.

Need: To allow players with very limited vision to use large print hard cards.

Reasonableness: This is a reasonable request by players with very limited vision to use large print hard cards; the use of large print hard cards has not caused any regulatory problems and should be allowed by rule. Large print hard cards are not adaptable to electronic game inventory and may not be used in electronic linked bingo games, and are not needed because electronic games must allow for game play by visually impaired players.

Part, subpart: 7861.0270, subpart 3a.

What it does: Limits the number of bingo devices to two, rather than one, so long as one is used exclusively for electronic linked bingo. Removes references to paper bingo faces and paper to enable electronic bingo devices to be used for electronic linked bingo. Allows an organization to use a facsimile of bingo paper. Clarifies that the sales receipt

requirement applies to electronic bingo devices used for non-linked electronic bingo. Allows an electronic bingo device used for electronic linked bingo games to also be used as an electronic pull-tab device.

Need: To clarify electronic bingo device use when conducting electronic linked bingo, to remove the sales receipt requirement from electronic bingo devices used to conduct electronic linked bingo, and to allow an electronic bingo device used for electronic linked bingo to be also be used as an electronic pull-tab device.

Reasonableness: Minnesota Statutes, section 349.12, subdivision 12a, paragraph (b), clause (3), permits an electronic bingo device used for electronic linked bingo to be used as an electronic pull-tab device. Current rule states that a bingo device must have no added function as a gambling device, so it is reasonable and necessary to clarify that permission in rule. It is also reasonable to increase the number of devices a player is limited to from one to two devices, provided that only one is to play electronic linked bingo, because a player may want to play electronic linked bingo and also have a device to assist with playing the regular bingo session.

It is reasonable to exclude the sales receipt requirement for electronic linked bingo played on an electronic bingo device because there is no paper sales receipt with electronic linked bingo; sales are electronically recorded in the linked system.

It is reasonable to further clarify electronic bingo device use because the device no longer is only used as a bingo minder to monitor bingo faces. Also, an organization may use a facsimile of bingo paper but is not required to do so.

Part, subpart: 7861.0270, subpart 4.

What it does: Clarifies what must be included on bingo programs for hard card and paper bingo programs, for bingo games played on bingo paper sheets, and for bingo played on an electronic bingo device.

Need: Current bingo program requirements are not relevant to electronic linked bingo, and it is necessary to clarify which items should be included for traditional bingo programs and which items should be included in electronic linked bingo programs.

Reasonableness: It is reasonable to refine program requirements for traditional bingo programs and to specify minimum information for electronic linked bingo programs. It is reasonable to allow electronic linked bingo programs to be posted at the point of sale or be available on each device. The rule requiring organizations to submit every change to their bingo programs 24 hours before using them is unnecessary and it is reasonable to remove that requirement because the board may spot check bingo programs that are currently in use. Copies of the programs must be kept by the organization for each bingo occasion conducted to enable the games as listed on the bingo program to be compared to the occasion records for accuracy.

Part, subpart: 7861.0270, subpart 5.

What it does: Requires the signature of the person redeeming a bingo coupon, and allows coupons to be used for a linked bingo game.

Need: To allow board staff to pursue forgery charges against someone using fake coupons as a method to steal bingo funds. To delete the driver's license requirement for coupon redemption.

Reasonableness: If someone uses fake coupons to steal bingo funds, it is reasonable for board staff to pursue forgery charges to protect the integrity of the game. It is also reasonable to delete the driver's license requirement because the player's name and address are sufficient for verifying whether the player actually redeemed a coupon. Deleting the unnecessary driver's license requirement also allows players redeeming coupons to complete the information prior to the bingo occasion to speed up the redemption process, which is a common complaint of organizations issuing bingo coupons.

It is also reasonable to allow coupons for linked bingo games because current technology for tracking receipts minimizes previous regulatory concerns.

Part, subpart: 7861.0270, subpart 6.

What it does: Establishes that a bingo game begins with the first letter and number called, and sets minimum requirements for a bingo pattern.

Need: To require breakopen bingo games to begin with the first letter and number called, and to establish minimum requirements for a bingo pattern.

Reasonableness: Breakopen bingo games begin with the first letter and number called, so it is reasonable to strike the obsolete exception.

It is reasonable to establish minimum requirements for a bingo pattern to ensure that bingo games conform to the public's general understanding of what constitutes a bingo game. Dictionary definitions often define bingo as requiring the player to cover five squares in a row. Other common patterns in Minnesota are "four corners" and "postage stamp". All of the basic bingo games currently played in Minnesota require at least four numbers to be called. The rule prevents deviation from this minimum.

It is also reasonable to establish minimum requirements in rule because it is necessary to distinguish that the game is not a keno game or a lottery-style numbers game where a player has to get set numbers regardless of the numbers being in a pattern.

Part, subpart: 7861.0270, subpart 7, item A.

What it does: Adds that a "valid" bingo must be declared before a game stops.

Need: To clarify a bingo must be a valid bingo before a game can be stopped.

Reasonableness: It is reasonable to specify that the bingo be a valid bingo before the game can be stopped because it allows, in the instance of a falsely called bingo, the game to continue. A valid bingo has an actual winner.

Part, subpart: 7861.0270, subpart 10.

What it does: Removes some linked bingo game requirements and adds other clarifying linked bingo game requirements, such as winner verification.

Need: To remove the requirement that a bingo number selection device remain in operation until all numbers are selected and the requirement that sales of linked bingo paper sheets be stopped 15 minutes before the first bingo number is selected.

Reasonableness: It is reasonable to strike the requirement that a bingo number selection device remain in operation until all numbers are selected because it speeds up the game. It is reasonable to strike the 15-minute requirement because the length of time needed

between the closing of sales for a game and the calling of the game's first bingo number will vary, depending upon the linked bingo provider's procedures and equipment. Rule does not need to dictate a longer time than may be necessary.

Paper linked bingo requires the player to call out "bingo", and this is not required for electronic linked bingo. It is reasonable to strike this requirement for electronic linked bingo because the participants are at different physical locations throughout the state and are notified of the winner via the device. It is not possible for a player to alter an electronic bingo face, making local verification unnecessary.

There is no need for the participating organization to verify an electronic linked bingo face because this is done automatically by the electronic linked bingo game system; the system will confirm the correct pattern.

It is reasonable to allow a linked bingo game to stop once a winning bingo pattern has been completed because the linked bingo provider has the option of stopping the game or allowing the game to continue on to award local consolation prizes.

It is reasonable to add procedures outlining organization requirements when there are winners of \$600 or more and when there are winners of less than \$600 for linked bingo conducted on an electronic bingo device because winners are handled differently if the winnings are less than \$600 and \$600 or more.

Part, subpart: 7861.0270, subpart 11.

What it does: Allows bingo records and reports, with the exception of completed prize receipt forms and bingo coupons, to be maintained or converted and stored electronically.

Need: To specify that the records and reports are bingo records and reports, and to allow certain bingo records and reports to be maintained or converted and stored electronically.

Reasonableness: It is reasonable to specify the records as bingo records because, even though the subpart appears in the bingo part of the rules, the subpart was not specific to bingo and it should be. It is reasonable to allow organizations to maintain or convert and store certain records and reports in an electronic format because it saves an organization time, costs, and storage space. It is reasonable to request the records and reports in paper format upon request because it will assist regulators with ensuring compliance.

Part, subpart: 7861.0280 headnote.

What it does: Amends the headnote for part 7861.0280.

Need: To amend the headnote for part 7861.0280 to identify it as rules pertaining to "paper" pull-tabs.

Reasonableness: It is reasonable to amend the headnote for part 7861.0280 to specify "paper" pull-tabs because electronic pull-tabs have been given its own part. Leaving the headnote as only "pull-tabs" is too generic.

Part, subpart: 7861.0280, subpart 1.

What it does: Specifies "paper" pull-tabs.

Need: To differentiate between paper and electronic pull-tabs.

- Reasonableness: It is reasonable to make a distinction between paper and electronic pull-tabs to identify which form of gaming the rules apply.
- Part, subpart: 7861.0280, subpart 1a.
- What it does: Clarifies how to handle paper pull-tabs sales at premises offering electronic pull-tabs.
- Need: To set parameters by which the sale of paper games would be allowed in addition to electronic games.
- Reasonableness: Minnesota Statutes, section 349.1721, subdivision 4, paragraph (a), clause (3), requires paper pull-tabs to be offered for sale at premises offering electronic pull-tabs. It is reasonable to set parameters for the sale of paper games where electronic games are offered for sale because statute did not establish specific parameters.
- Part, subpart: 7861.0280, subpart 2.
- What it does: Specifies “paper” pull-tab game flares and information.
- Need: To clarify that the subpart applies specifically to “paper” pull-tab game flares and information.
- Reasonableness: It is reasonable to specify that the subpart applies to paper pull-tab game flares and information because it allows an organization to follow existing requirements for posting flares without confusing it with electronic flares.
- Part, subpart: 7861.0280, subpart 3.
- What it does: Specifies that the subpart applies to paper pull-tabs. The term “cash register” is replaced with the more-current “point of sale system”.
- Need: To clarify that the subpart applies specifically to “paper” pull-tabs. To replace the term “cash register” with the more-current “point of sale system”.
- Reasonableness: It is reasonable to clarify that the subpart applies to “paper” pull-tabs to avoid confusion with and differentiate between electronic pull-tabs. “Cash register” is replaced with “point of sale system” because cash registers are becoming obsolete and point of sale system is more current. Organizations may use either.
- Part, subpart: 7861.0280, subpart 4.
- What it does: Specifies that the subpart applies to “paper” pull-tabs.
- Need: To clarify that the subpart applies specifically to “paper” pull-tabs.
- Reasonableness: It is reasonable to clarify that the subpart applies to “paper” pull-tabs to avoid confusion with and differentiate between paper and electronic pull-tabs.
- Part, subpart: 7861.0280, subpart 5.
- What it does: Specifies that the subpart applies to “paper” pull-tabs.
- Need: To clarify that the subpart applies specifically to “paper” pull-tabs.
- Reasonableness: It is reasonable to clarify that the subpart applies to “paper” pull-tabs to avoid confusion with and differentiate between paper and electronic pull-tabs.

- Part, subpart: 7861.0280, subpart 6.
- What it does: Specifies that the subpart applies specifically to “paper” pull-tabs. Changes from two to four days for paying a winner by check. Changes the phrase “\$599 or less” to “less than \$600”. Provides for collection of completed tax forms from winners in order to collect taxes on winnings and process payment.
- Need: To clarify that the subpart applies specifically to “paper” pull-tabs. To rephrase dollar limit to make consistent with the phrase as it appears elsewhere in current rule. To collect completed federal and state tax forms from winners to process payment after tax withholding.
- Reasonableness: It is reasonable to clarify that the subpart applies to “paper” pull-tabs to avoid confusion with and differentiate between paper and electronic pull-tabs.
- It is reasonable to rephrase the dollar limit to make it consistent with the phrase as it appears elsewhere in current rule.
- It is reasonable to allow an organization to pay by check within four business days rather than two, because the extra time allows more time for processing the paperwork for withholding the proper tax. It is reasonable to require an organization to collect completed federal and state tax forms from winners because that allows for tax collection on the winning amount.
- Part, subpart: 7861.0280, subpart 7.
- What it does: Specifies “paper” pull-tabs and dispensing devices.
- Need: To clarify that the subpart applies specifically to “paper” pull-tabs and dispensing devices.
- Reasonableness: It is reasonable to clarify that the subpart applies to “paper” pull-tabs and dispensing devices to avoid confusion with and differentiate between paper and electronic pull-tabs.
- Part, subpart: 7861.0280, subpart 8.
- What it does: Specifies “paper” pull-tabs and dispensing devices.
- Need: To clarify that the subpart applies specifically to “paper” pull-tabs and dispensing devices.
- Reasonableness: It is reasonable to clarify that the subpart applies to “paper” pull-tabs and dispensing devices to avoid confusion with and differentiate between paper and electronic pull-tabs.
- Part, subpart: 7861.0280, subpart 9.
- What it does: Updates “cash register” references to “point of sale system”. Provides for an uninterruptible power supply to preserve data. Specifies “paper” pull-tabs.
- Need: To replace the term “cash register” with the more-current “point of sale system” and to provide for an uninterruptible power supply in addition to a surge protector to preserve data if power to the point of sale system is interrupted. To specify “paper” pull-tabs.
- Reasonableness: “Cash register” is replaced with “point of sale system” because cash registers are becoming obsolete and point of sale system is more current. Organizations may use

either.

Because the point of sale system data is crucial to the integrity of the game, it is reasonable to provide for an uninterruptible power supply in addition to a surge protector to preserve data in the event power to the point of sale system is interrupted.

It is reasonable to clarify that the subpart applies to “paper” pull-tabs to avoid confusion with and differentiate between electronic pull-tabs.

Part, subpart: 7861.0280, subpart 10.

What it does: Updates “cash register” references to “point of sale system”. Specifies “paper” pull-tabs.

Need: To replace the term “cash register” with the more-current “point of sale system”. To specify “paper” pull-tabs to differentiate from electronic pull-tabs.

Reasonableness: “Cash register” is replaced with “point of sale system” because cash registers are becoming obsolete and point of sale system is more current. Again, organizations may use either.

It is reasonable to clarify that the subpart applies to “paper” pull-tabs to avoid confusion with and differentiate between electronic pull-tabs.

Part, subpart: 7861.0280, subpart 11.

What it does: Specifies the start time of record retention. Allows organizations to maintain or convert and store certain records and reports in an electronic format. Updates “cash register” references to “point of sale system”. Specifies “paper” pull-tabs. Provides requirements for when separate cash drawers are used.

Need: To specify the start time of paper pull-tab record retention. To allow organizations to maintain or convert certain records and reports in an electronic format. To update references from “cash register” to the more-current “point of sale system”. To specify “paper” pull-tabs. To provide requirements for separate cash drawer use.

Reasonableness: So that organizations know the appropriate timeframe for record retention, it is reasonable to define the start time for that record retention.

It is reasonable to allow organizations to maintain or convert and store certain records and reports in an electronic format because it saves an organization time, costs, and storage space. It is reasonable to request the records and reports in paper format upon request because it will assist regulators with ensuring compliance.

“Cash register” is replaced with “point of sale system” because cash registers are becoming obsolete and point of sale system is more current; again, organizations may use either.

It is reasonable to clarify that the subpart applies to “paper” pull-tabs to avoid confusion with and differentiate between electronic pull-tabs.

It is reasonable to provide required information when separate cash drawers are used for each deal of paper pull-tabs in play because not only do organizations need to know what data must be recorded for each pull-tab deal, but this information is currently required on a mandatory form as an internal controls procedure.

Part, subpart: 7861.0280, subpart 12.
What it does: Specifies "paper" pull-tabs.
Need: To clarify that the subpart applies specifically to "paper" pull-tabs.
Reasonableness: It is reasonable to clarify that the subpart applies to "paper" pull-tabs to avoid confusion with and differentiate between paper and electronic pull-tabs.

Part, subpart: 7861.0285, subpart 1.
What it does: Establishes procedures for electronic pull-tab game operations.
Need: To establish procedures for electronic pull-tab game operations. To ensure consistency of play and identify operations procedures.
Reasonableness: Procedures are needed for electronic pull-tab games, separate from paper pull-tab games, for ease of use of the rules by both organizations conducting electronic and paper pull-tabs and by regulators. These procedures are reasonable because they provide for consistency of play and to clearly identify the operational procedures for the conduct of electronic pull-tab games, ensuring the integrity of lawful gambling.

Part, subpart: 7861.0285, subpart 2.
What it does: Provides for completion of a multiple seal (bonus) electronic pull-tab game.
Need: To provide direction on how to play an electronic pull-tab game when a player is presented with a seal or bonus win.
Reasonableness: Because it is different than playing a multiple seal paper pull-tab game, it is reasonable to provide direction on how to play an electronic pull-tab game when a player is presented with a seal (bonus) indicator. The language allows for completion of the game in play.

Part, subpart: 7861.0285, subpart 3.
What it does: Identifies the operational procedures for progressive electronic pull-tab games and ensures consistency of play.
Need: To identify for organizations operational procedures for the conduct of progressive electronic pull-tab games are in place for consistency of play.
Reasonableness: It is reasonable to clearly identify for organizations the operational procedures for the conduct of a progressive electronic pull-tab game so that an organization knows the requirements of and how to conduct progressive electronic pull-tab games. In applicable operational areas, it is reasonable to make the procedures for one form of gambling as close to another as is feasible.

Part, subpart: 7861.0285, subpart 4.
What it does: Allows up to two single deals of pull-tabs in an electronic pull-tab device to be commingled.
Need: To allow organizations to commingle up to two single deals of pull-tabs in an electronic pull-tab device.
Reasonableness: It is reasonable to allow organizations to commingle up to two single deals of pull-tabs in an electronic pull-tab device because two provides a large quantity of tickets available for play. The limit of two deals was established to cap the total

number of tickets available at 15,000. Allowing a larger amount would allow the games to more closely resemble the play of a slot machine. When permitting electronic pull-tabs, the legislature made clear its intention that electronic pull-tab games should not mimic slot machines. Also, a two-deal limit reduces the knowledge of remaining winning tickets remaining in play, thereby reducing the chance of fraud where a seller could provide inside information to a player regarding the number of remaining winning tickets.

Part, subpart: 7861.0285, subpart 5.

What it does: Provides requirements for electronic pull-tab game records and reports.

Need: To provide organizations with requirements for electronic pull-tab game records and reports requirements. To be consistent with other lawful gambling record and report requirements.

Reasonableness: As with similar requirements already in rule for other forms of lawful gambling, it is reasonable to add requirements for records and reports for electronic pull-tab games because organizations must identify what records and reports are required to be maintained, in what format, and for how long. It is reasonable to allow organizations to maintain or convert and store records and reports in an electronic format because it saves an organization time, costs, and storage space. It is reasonable to request the records and reports in paper format upon request because it will assist regulators with ensuring compliance.

Part, subpart: 7861.0285, subpart 6.

What it does: Requires an organization to keep records past the retention period if notified of an investigation.

Need: To require an organization to keep records past the retention period if it is notified of an investigation.

Reasonableness: It is reasonable to require an organization to keep records past the retention period if it is notified of an investigation to eliminate the possibility of records being permanently lost that may assist in an investigation.

Part, subpart: 7861.0290, subpart 4.

What it does: Changes from two to four days for paying a winner by check. Changes the phrase "\$599 or less" to "less than \$600". Provides for collection of completed tax forms from winners in order to collect taxes on winnings and process payment.

Need: To clarify that, as elsewhere in rule, winners may be paid by check within four rather than two business days. To rephrase dollar limit to make consistent with the phrase as it appears elsewhere in current rule. To collect completed federal and state tax forms from winners to process payment after tax withholding.

Reasonableness: It is reasonable to allow an organization to pay by check within four business days rather than two, because the extra time allows more time for processing the paperwork for withholding the proper tax. It is reasonable to require an organization to collect completed federal and state tax forms from winners because that allows for tax collection on the winning amount.

It is reasonable to rephrase the dollar limit to make it consistent with the phrase as it appears elsewhere in current rule.

Part, subpart: 7861.0290, subpart 7.
What it does: Clarifies record retention period for tipboard records. Requires organizations to complete tipboard game records, reports, and prize receipts in ink. Allows organizations to maintain or convert and store certain records and reports in an electronic format and requires paper copies be made available upon request. Requires recording the form number in lieu of previously required information.
Need: To clarify the start of the record retention period for tipboard records. To allow certain tipboard records and reports to be maintained or converted and stored electronically. To allow recording the form number rather than previously required information.
Reasonableness: It is reasonable to clarify the start of the record retention period because it will keep tipboard records consistent with the record retention requirements for other forms of lawful gambling.
It is reasonable to allow organizations to maintain or convert and store records and reports, with the exception of completed prize receipt forms and unsold and winning tickets and stubs, in an electronic format because it saves an organization time, costs, and storage space. It is reasonable to request the records and reports in paper format upon request because it will assist regulators with ensuring compliance.
It is reasonable to strike the ticket quantity recording requirements and replace them with recording the form number because the form number can be used to obtain all of the information that the stricken text required.

Part, subpart: 7861.0300, subpart 1.
What it does: Item E identifies the paddlewheel as a mechanical paddlewheel. Item G allows organizations to award prizes to more than one winner per spin.
Need: To identify the paddlewheel requirements apply to mechanical paddlewheels. To allow organizations to award prizes to more than one winner per spin.
Reasonableness: It is reasonable to identify that the paddlewheel requirements pertain to a mechanical paddlewheel because there also are electronic paddlewheels with different requirements; for instance, the "four revolutions" requirement applies only to mechanical paddlewheels.
It is reasonable to allow organizations to award prizes to more than one winner per spin because more players will play if there is a chance for more winners.

Part, subpart: 7861.0300, subpart 2, headnote only.
What it does: Changes the headnote to identify that the subpart refers specifically to mechanical paddlewheels.
Need: To identify that the subpart refers specifically to mechanical paddlewheels.
Reasonableness: It is reasonable to identify that the subpart refers specifically to mechanical paddlewheels, as opposed to electronic paddlewheels, to clarify for the reader.

Part, subpart: 7861.0300, subpart 2a.
What it does: Provides standards for electronic paddlewheels.

- Need: To provide testing and maintenance standards for electronic paddlewheels.
- Reasonableness: It is reasonable to provide organizations with testing and maintenance standards for electronic paddlewheels because it is vital to ensure the paddlewheel is board-approved, secure, and operating correctly to ensure the integrity of the game.
- Part, subpart: 7861.0300, subpart 3, item C.
- What it does: Allows the value of prizes to vary from spin to spin.
- Need: To allow the value of prizes to vary from spin to spin.
- Reasonableness: Allowing the value of a prize to vary from spin to spin is reasonable because it gives organizations greater flexibility to customize its prize offerings to its customer base and creates no significant regulatory burden.
- Part, subpart: 7861.0300, subpart 4.
- What it does: Allows multiple paddlecards to be sold for a single spin. Allows organizations to award prizes to the numbers on either side of a winning number.
- Need: To allow multiple paddlecards to be sold for a single spin, and to allow organizations to award prizes to the numbers on either side of a winning number.
- Reasonableness: Allowing multiple paddlecards to be sold for a single spin is reasonable because it allows organizations to speed up the conduct of the game by increasing the number of tickets that may be sold for each spin of the paddlewheel.
- Allowing organizations to award prizes to the numbers on either side of a winning number is reasonable because it gives organizations greater flexibility to customize its prize offerings to its customer base with creating significant regulatory concerns. This adds to the regular game and creates additional player excitement.
- Part, subpart: 7861.0300, subpart 6.
- What it does: Provides a consequence if a new gambling manager does not meet board-authorized class requirements.
- Need: To provide a consequence if a new gambling manager does not meet board-authorized class requirements.
- Reasonableness: It is reasonable, and essential, for a gambling manager to attend a class on the conduct of paddlewheels with a paddlewheel table because of the additional duties required to be performed to assure the integrity of the conduct of the paddlewheel game. It is essential that the licensee is aware of and understands all statutes and rules relating to the conduct of paddlewheels with a table. Only a small number of organizations conduct this form of gambling and the information is not covered in the required two-day gambling manager seminar. Thus it is reasonable to require new gambling managers for organizations conducting this type of lawful gambling to attend and meet board-authorized class requirements.
- Part, subpart: 7861.0300, subpart 7.
- What it does: Changes references from video surveillance system to digital recorder (DVR) system. Clarifies the required approval needed for any new paddlewheel with a table and sets minimum DVR system requirements. Provides for security and integrity of

the DVR system and ensures that changes to a DVR system are reviewed for compliance with standards. Allows for video of the table and the pointer to be presented in a side-by-side format or a picture-within-picture format.

Removes the obsolete requirement of changing video recordings. Secures recordings for 90 days. Allows the board to modify the required recording format. Specifies that only a gambling manager or an authorized organization member or organization employee may access or run the DVR system and records.

Rather than an “independent person”, requires the gambling manager or an authorized organization member or organization employee, but excluding the paddlewheel table operator or cashier, lessor, lessor’s immediate family, or lessor’s employees, to review at a minimum one day’s activity per table each week. The organization must submit recordings upon request in a format approved by the board, viewable frame by frame and at high speed.

Need: To update surveillance systems for paddlewheels with a table and revise procedures to reflect those updates.

Reasonableness: It is reasonable to update paddlewheel surveillance systems and to revise procedures reflecting those updates because current technology makes the current video rules requirements obsolete. It is also reasonable to clarify the required approval needed for any new paddlewheels with table, whether it is an organization starting for the first time, an established organization adding another table, or if there is a change in the surveillance system because it establishes a timeframe for review. It is reasonable to provide for the security of the DVR system to avoid alteration or tampering. It is also reasonable to specify who may and may not access or run the DVR system and recordings because ensuring the activity is properly recorded is essential to regulation of the game. Such internal controls will ensure against tampering with evidence and aid in any investigation.

It is reasonable to allow for the video of the table and the pointer to be presented in a side-by-side format or a picture-within-picture format because it allows those reviewing the activity to more easily determine whether the activity was conducted in compliance with applicable statutes and rules.

It is reasonable to strike the obsolete requirement to change video recordings because digital video recordings no longer necessitate changing video tapes.

It is reasonable to change the amount of time from 30 days to 90 days because 90 days allows regulation of the game as needed, and reduces previous confusion experienced over what recordings need to be stored and for how long. In comparison to other lawful gambling record requirements of 3-1/2 years, 90 days is a reasonable amount of time.

It is reasonable to allow the board to modify the recording format to allow for changes in technology and to ensure that the board has the necessary equipment to view the recordings because an organization must use a format that the board can read. For example, the board could require that paddlewheel recordings be viewable with a Windows Media player.

Rather than an “independent person”, it is reasonable to require the gambling manager or an authorized organization member or organization employee to review table activity because the term “independent person” was somewhat vague for regulatory purposes. Limited, strict access ensures against altering the surveillance

and the organization knows exactly who has access.

It is further reasonable to exclude the paddlewheel table operator or cashier, lessor, lessor's immediate family, or lessor's employees, because their potential or real involvement in the conduct of the game is a conflict of interest and is not a good internal control. These individuals often have direct access to the cash proceeds. Those operating the game should not also be part of the reconciliation, and it is important that someone else reviews the paddlewheel activity.

Part, subpart: 7861.0300, subpart 11.

What it does: Allows organizations to maintain records and reports in an electronic format.

Need: To allow organizations to maintain or convert and store certain records and reports in an electronic format.

Reasonableness: It is reasonable to allow organizations to maintain or convert and store certain records and reports in an electronic format because it saves an organization time, costs, and storage space. It is reasonable to request the records and reports in paper format upon request because it will assist regulators with ensuring compliance. It is also reasonable to make this provision consistent with record and report rule requirements for other forms of lawful gambling.

Part, subpart: 7861.0310, subpart 7a.

What it does: Sets procedures for conducting 50/50 raffles.

Need: To set procedures for conducting 50/50 raffles.

Reasonableness: These types of raffles are not prohibited and are common, and it is reasonable to specify requirements for running a 50/50 raffle. It is also reasonable to clarify that a 50/50 raffle may be any percentage (60/40, 70/30, etc.) of the raffle's gross receipts so long as the percentage is printed on the tickets. It is reasonable to require gross receipts to be tallied and announced prior to drawing because that will ensure the integrity of the raffle.

Part, subpart: 7861.0310, subpart 11.

What it does: Allows organizations to maintain records and reports in an electronic format.

Need: To allow organizations to maintain or convert and store certain records and reports in an electronic format.

Reasonableness: It is reasonable to allow organizations to maintain or convert and store certain records and reports in an electronic format because it saves an organization time, costs, and storage space. It is reasonable to request the records and reports in paper format upon request because it will assist regulators with ensuring compliance. It is also reasonable to make this provision consistent with record and report rule requirements for other forms of lawful gambling.

Part, subpart: 7861.0320, subpart 1.

What it does: Changes the sentence structure of the first sentence. There is no substantive change to this subpart.

Need: To change the sentence structure of the first sentence.

Reasonableness: It is reasonable to change the sentence structure to an “if/then” structure because it sets the requirement first, then the consequence for non-compliance rather than vice-versa. It is also reasonable to identify that it is the “organization” having to meet the requirement.

Part, subpart: 7861.0320, subpart 2.

What it does: Deletes obsolete language.

Need: To delete obsolete language to make accounting method consistent with law.

Reasonableness: Inventory has been accounted for on the cash basis since 7/1/12, so it is reasonable to delete obsolete language and become consistent with law.

Part, subpart: 7861.0320, subpart 3.

What it does: Authorizes the use of electronic banking.

Need: To authorize the use of debit cards and electronic transfers from the gambling checking account.

Reasonableness: It is reasonable to authorize the use of debit cards and electronic transfers from an organization’s gambling checking account because it makes an organization operations easier and is cost effective.

Part, subpart: 7861.0320, subpart 4

What it does: Specifies that deposit slip requirements apply to “paper” pull-tabs. Adds deposit information for electronic games.

Need: To specify that deposit slip requirements apply to “paper” pull-tabs and to add deposit information requirements for electronic games.

Reasonableness: It is reasonable to specify deposit slip requirements apply to “paper” pull-tabs so as to not confuse with electronic pull-tabs. It is reasonable to add deposit information for electronic games because the date and ending time of the electronic game occasion, along with the cash deposited, is an important part of tracking gambling receipts.

Part, subpart: 7861.0320, subpart 7.

What it does: Strikes an obsolete requirement and strikes paper filing requirements.

Need: To remove an obsolete requirement and to remove paper filing requirements.

Reasonableness: It is reasonable to delete the board-approved expenditures requirement because these expenditures are all defined as lawful purpose expenditures in statute.
It is reasonable to eliminate paper filing requirements to allow for electronic filing.

Part, subpart: 7861.0320, subpart 14.

What it does: Clarifies when an organization’s annual report is to be submitted to the board.

Need: To clarify that an organization’s annual report is to be submitted to the board upon request rather than on an annual date determined by the board.

Reasonableness: It is reasonable to clarify that an organization’s annual report is to be submitted to the board upon request, rather than on an annual date determined by the board, because the board has the ability to spot check and independently verify an organization’s

annual reports to the IRS. Requiring organizations to submit documents that may not be specifically reviewed by the Board creates an unnecessary burden on the organizations.

Part, subpart: 7861.0320, subpart 18.

What it does: Specifies that the subpart pertains to “organization” records and reports, and breaks one long paragraph into readable, lettered items. Allows organizations to maintain records and reports in an electronic format.

Need: To specify that the subpart applies to organization records and reports. To allow organizations to maintain or convert and store certain records and reports in an electronic format.

Reasonableness: It is reasonable to identify the subpart as applying to organizations because it then becomes clear who the requirements apply to. It is reasonable to break one long paragraph into readable, lettered items because it is easier to read. It is also reasonable to allow organizations to maintain or convert and store records and reports in an electronic format because it saves an organization time, costs, and storage space. It is further reasonable to request the records and reports in paper format upon request because it will assist regulators with ensuring compliance.

Part, subpart: 7863.0210, subpart 5.

What it does: Expands the scope for background investigations.

Need: To identify and encompass all individuals involved in electronic gaming subject to background investigations.

Reasonableness: Minnesota Statutes, section 349.155, subdivisions 3 and 4, provides for mandatory disqualification for licensees with criminal history. It is reasonable to expand the scope for background investigations because it is vital to the integrity of lawful gambling to identify and encompass all individuals involved in electronic gaming in order to determine criminal history.

Part, subpart: 7863.0220, subpart 1.

What it does: Adds a cross-reference.

Need: To add a cross-reference to the existing requirement that distributors only obtain gambling equipment meeting electronic pull-tab standards.

Reasonableness: It is reasonable to add reference to the electronic pull-tab standards to existing requirements for distributors obtaining gambling equipment to ensure the gambling equipment meets the requirements for electronic pull-tab standards.

Part, subpart: 7863.0220, subpart 2.

What it does: Allows distributors to use their own lease forms. Replaces “pull-tab dispensing device” with “permanent gambling equipment”. Sets lease requirements.

Need: To allow a distributor to use its own lease form. To replace “pull-tab dispensing device” with “permanent gambling equipment”. To clarify that the lease limitations for electronic bingo devices may be used for non-linked bingo games. To list electronic pull-tab system and equipment lease requirements and lease price

parameters, and to require lease agreements to be submitted to the board.

Reasonableness: It is reasonable to delete the requiring that distributors use a board-prescribed lease form because distributors may then use their own lease forms.

“Pull-tab dispensing device” is replaced with “permanent gambling equipment” because, while a pull-tab dispensing device is permanent gambling equipment, it is not the only kind of permanent gambling equipment.

It is reasonable to include electronic bingo devices used for non-linked bingo games in the lease because the function of these devices differs substantially from electronic bingo devices used for linked bingo games.

It is reasonable to set lease requirements for electronic pull-tab systems and devices and lease parameters because this language makes lease requirements consistent with existing rule for other lawful gambling leases. It is also reasonable to require lease agreements to be submitted to the Board because the Board can review and question lease terms that may be in violation of statute or rule. This also aids regulatory staff in the oversight of the premises.

Part, subpart: 7863.0220, subpart 3.

What it does: Replaces “electronic bingo device” with “permanent gambling equipment”. Adds statutory references to the types of permanent gambling equipment that are electronic devices.

Need: To replace “electronic bingo device” with “permanent gambling equipment” and to add statutory paragraph and clause references to permanent gambling equipment that are electronic devices which do not require a registration stamp.

Reasonableness: It is reasonable to replace “electronic bingo device” with “permanent gambling equipment” because, while an electronic bingo device is permanent gambling equipment, it is not the only kind of permanent gambling equipment.

The addition of statutory paragraph and clause references was made because the three clauses lists the types of permanent gambling equipment that are electronic devices, which do not require a registration stamp.

Part, subpart: 7863.0220, subpart 4.

What it does: Specifies “paper” pull-tabs, and specifies that the return of defective games to a distributor must be also according to 7863.0210, subpart 4.

Need: To identify the subpart pertains to “paper” pull-tabs. To specify that the return of defective games to a distributor must be also according to 7863.0210, subpart 4.

Reasonableness: It is reasonable to specify “paper” pull-tabs to differentiate between paper and electronic pull-tabs. It is reasonable to specify that the return of defective games to a distributor must be also according to 7863.0210, subpart 4. The return of defective paper pull-tab games currently is subject only to part 7861.0260, subpart 7 (Return of defective paper pull-tab or tipboard game to distributor or revenue.), so it is reasonable to include subpart 4 (Return of defective paper pull-tab and tipboard game; issuing credit invoices.) to the defective game return requirements because it includes credit invoice requirements.

Part, subparts: 7863.0220, subparts 4a and 4b.
 What they do: Contain procedures for defective electronic pull-tab games or devices.
 Need: To provide procedures for steps a distributor must take if an electronic pull-tab game or electronic pull-tab device is found to be defective.
 Reasonableness: It is reasonable to provide procedures for steps a distributor must take if an electronic pull-tab game or electronic pull-tab device is found to be defective because there are no procedures in place in the event a defective electronic pull-tab game or defective electronic pull-tab device is found. It is also a tool to allow the board to track defective electronic games and devices.

Part, subpart: 7863.0220, subpart 6.
 What it does: Strikes references to the commissioner of revenue and to tax and employer identification numbers.
 Need: To remove obsolete references to the commissioner of revenue and to tax and employer identification numbers.
 Reasonableness: It is reasonable to remove the obsolete references to the commissioner of revenue and to tax and employer identification numbers because previously required tax information is no longer required or necessary.

Part, subpart: 7863.0220, subpart 6.
 What it does: Strikes references to the commissioner of revenue and to tax and employer identification numbers.
 Need: To remove obsolete references to the commissioner of revenue and to tax and employer identification numbers.
 Reasonableness: It is reasonable to delete obsolete references to the commissioner of revenue and to tax and employer identification numbers because the tax information previously required is no longer necessary.

Part, subpart: 7863.0220, subpart 15.
 What it does: Adds lease prices to pricing reports.
 Need: To require lease prices on pricing reports.
 Reasonableness: It is reasonable to add lease prices to pricing report requirements because pricing reports also apply to leased gambling equipment.

Part, subpart: 7863.0250, subpart 4.
 What it does: Expands the scope for background investigations, and requires copies of licensing agreements as part of a linked bingo game provider license application.
 Need: To require identification of any person or entity developing or providing application software to a manufacturer. To require copies of licensing agreements as part of a linked bingo game provider license application.
 Reasonableness: Minnesota Statutes, section 349.155, subdivisions 3 and 4, provides for mandatory disqualification for licensees with criminal history. It is reasonable to expand the scope for background investigations because it is vital to the integrity of lawful gambling to identify and encompass all individuals involved in electronic gaming in

order to determine criminal history.

It is reasonable to require copies of licensing agreements as part of a linked bingo game provider license application because, as a requirement for licensure, appropriate gaming software agreements must be in place.

Part, subpart: 7863.0250, subpart 5.

What it does: Replaces “owned” with “held ownership interest” as part of a linked bingo game provider license application and includes the distribution of electronic bingo devices in the management plan. “Linked bingo paper sheets” is replaced with “bingos”. Includes in the management plan the allocation of interest earnings from progressive jackpot trust fund.

Need: To capture ownership interest, not just ownership, as part of a linked bingo game provider license application. To include the distribution of electronic bingo devices in the management plan. To electronics in the procedure to verify winning bingos. To include allocation of interest earnings from progressive jackpot trust fund in the management plan. To add the requirement that a linked bingo game system approval certificate must meet the electronic linked bingo game system standards.

Reasonableness: It is reasonable to capture business ownership interest of applicants as part of a linked bingo game provider license application because it encompasses additional assets in an applicant’s financials and expands the scope for background checks required to be in place.

It is reasonable to add to management plan requirements the distribution of electronic bingo devices because it is the linked bingo game provider’s responsibility to track electronic bingo devices. It is also reasonable to include in the management plan the allocation of interest earnings from progressive jackpot trust funds because that is an asset; assets are required be included in the applicant’s financials.

“Linked bingo paper sheets” is replaced with “bingos” because the games are no longer just paper, but also electronic.

It is a licensure requirement that electronic games obtain a certificate from a board-approved independent testing laboratory certifying that the linked bingo game system meets Minnesota requirements and standards, so it is reasonable to add the requirements and standards subpart reference.

Part, subpart: 7863.0250, subpart 7.

What it does: Expands the scope for applicant background investigations. Adds reference to statute ensuring that independent contractors providing application software are subject to the requirements and prohibitions of a linked bingo game provider.

Need: To expand the scope for applicant background investigations to include employees, contract employees, and independent contractors working on behalf of the linked bingo game provider. To add statutory reference to encompass independent contractors providing application software as subject to the requirements and prohibitions of a linked bingo game provider.

Reasonableness: Minnesota Statutes, section 349.155, subdivisions 3 and 4, provides for mandatory disqualification for licensees with criminal history. It is reasonable to expand the scope for background investigations because it is vital to the integrity of lawful gambling to identify and encompass all individuals involved in electronic gaming in

order to determine criminal history. Adding reference to section 349.1635 is reasonable to ensure that independent contractors providing application software are also subject to the requirements and prohibitions of a linked bingo game provider.

Part, subpart: 7863.0260, subpart 1.

What it does: Adds requirements for linked bingo game approval. Requires previously approved games to become compliant within 180 days. Adds lease requirements.

Need: To add requirements for linked bingo game approval by providing a linked bingo game system to the board. To specify that previously approved games must become compliant within 180 days of the rules effective date. To add lease requirements.

Reasonableness: Because electronic game systems must meet technical system standards to ensure the integrity of the system and for licensure, it is reasonable to add requirements for electronic linked bingo games to meet standards. It is also reasonable to require linked bingo game providers to provide the system to the board to use to determine compliance with standards and for accountability.

Complying within 180 days is reasonable because 180 days is a sufficient amount of time for manufacturers to bring any non-compliant electronic system or game into compliance and for the Board to review any system or game re-submitted for approval. This further ensures system integrity.

As in existing rule with all lawful gambling licensees with leases, and for consistency, it is reasonable to set lease requirements for electronic linked bingo systems and devices.

Part, subpart: 7863.0260, subpart 2.

What it does: Prohibits a linked bingo game provider from providing equipment or services to a licensed distributor before licensure, and requires that linked bingo paper be delivered only to the licensed distributor that ordered the paper. Clarifies that lease requirements in existing rule also apply to the lease of electronic bingo devices used for linked bingo games.

Need: To prohibit a linked bingo game provider from providing equipment or services to a licensed distributor before the linked bingo game provider's license is effective. To require that linked bingo paper be delivered only to the licensed distributor that ordered the paper. To clarify that lease requirements in existing rule also apply to the lease of electronic bingo devices used for linked bingo games.

Reasonableness: The prohibitions in subpart 2 previously only applied to licensed organizations, and statute now allows distributors to be a part of linked bingo. Therefore, it is reasonable to prohibit a linked bingo game provider from providing equipment or services to a licensed distributor before the linked bingo game provider's license is effective, and to require that linked bingo paper be delivered only to the licensed distributor that ordered the paper.

It is further reasonable to clarify that lease requirements in existing rule also apply to the lease of electronic bingo devices used for linked bingo games because electronic bingo devices may be used for linked bingo games.

Part, subpart: 7863.0260, subpart 2a.

What it does: Adds game standards requirement; allows linked bingo proposed jackpot be displayed at the start of the game; eliminates link verification at least five minutes before first bingo number is selected; requires procedures for game reconciliation in the event data transmission fails; deletes specific modes of transmission; deletes linked bingo game guide requirement; clarifies prize amount requirements.

Need: To add the electronic linked bingo game standards requirement for electronic linked bingo games. To allow the value of the jackpot to be displayed on an electronic device used for linked bingo. To eliminate the requirement to verify the link status at least five minutes before the first bingo number is selected. To require linked bingo game providers to have procedures in place for game reconciliation in the event data transmission fails. To specifically delete “video or electronic” mode of transmission. To delete the linked bingo game player’s guide requirement. To clarify prize amount requirements.

Reasonableness: Because electronic linked bingo is added to subpart 2, conduct of linked bingo game, it is reasonable to add the electronic linked bingo game standards requirement. The requirement will ensure a linked bingo game provider follows approved standards for electronic linked bingo games.

It is reasonable to allow an electronic device to display the value of the proposed jackpot at the start of the game because the standards require the information to be displayed on the device in play and the information is readily available to a player on the hand-held device.

It is not necessary to verify the link status at least five minutes before the first bingo number is selected because the devices will not function unless the link is established. The game is played in real time and is continuously monitored for communication link to each site, so it is reasonable to delete this requirement.

It is reasonable to require the linked bingo game provider to have procedures in place for game reconciliation in the event data transmission fails in order to track and audit the game.

Because the mode of transmission does not matter, “video or electronic” is stricken.

Deleting the player’s guide requirement is reasonable because this information is already provided in house rules or the bingo program; printing player’s guides adds unnecessary expense for organizations and more regulation for the board.

It is reasonable to clarify prize amount requirements to be consistent with current rules for other forms of lawful gambling.

Part, subpart: 7863.0260, subpart 2b.

What it does: Provides requirements for seeding progressive jackpot prizes.

Need: To provide progressive jackpot seeding requirements.

Reasonableness: Because seeding of progressive jackpots is allowed, it is reasonable to specify the requirements by which the prizes must be funded (seeded) and awarded, and how any difference between player contributions and the amount awarded is funded and recovered.

Part, subparts: 7863.0260, subparts 3a and 3b.
What they do: Contain procedures for defective electronic linked bingo games or devices.
Need: To provide procedures for steps a linked bingo game provider must take if an electronic linked bingo game or electronic linked bingo device is found to be defective.
Reasonableness: It is reasonable to provide procedures for steps a linked bingo game provider must take if an electronic linked bingo game or electronic linked bingo device is found to be defective because there are no procedures in place in the event a defective electronic linked bingo game or defective electronic linked bingo device is found. It is also a tool to allow the board to track defective electronic games and devices.

Part, subparts: 7863.0260, subparts 5 and 5a.
What they do: Specify sales invoice requirements for linked bingo game providers who provide only linked bingo paper (subpart 5), and those who only provide electronic linked bingo equipment (subpart 5a). Strike references to the commissioner of revenue and to tax and employer identification numbers. Add distributors to invoice requirements.
Need: To add sales invoice requirements for linked bingo game providers who provide only linked bingo paper (subpart 5), and those who only provide electronic linked bingo equipment (subpart 5a).
To delete references in subpart 5 to the commissioner of revenue and to tax and employer identification numbers.
To add distributors to invoice requirements.
Reasonableness: It is reasonable to specify the sales invoice requirements for linked bingo game providers who provide only linked bingo paper (subpart 5), and those who only provide electronic linked bingo equipment (subpart 5a), because now that electronics are allowed, the invoicing systems will be different for paper and for electronics.
It is reasonable to strike obsolete references in subpart 5 to the commissioner of revenue and to tax and employer identification numbers because previously required tax information is no longer necessary.
It is reasonable to add distributors to invoice requirements because statute now allows distributors to be a part of linked bingo.

Part, subpart: 7863.0260, subpart 7.
What it does: Makes a grammatical correction.
Need: To correct grammar and make consistent throughout the rules.
Reasonableness: It is reasonable to correct grammatical errors when we become aware of them during a rules process.

Part, subpart: 7863.0260, subpart 8.
What it does: Clarifies that the required records apply only to linked bingo conducted with paper.
Adds additional prizes.
Need: To specify that the required records apply only to linked bingo conducted with paper.
Add additional progressive prizes.

Reasonableness: It is reasonable to specify that the required records apply only to linked bingo conducted with paper because, now that electronics are allowed, the required game records will be different for paper games and electronic games. It is further reasonable to add additional progressive jackpot prize winnings because progressive games are allowed.

Part: 7863.0270, Electronic Linked Bingo Game System Standards and Requirements.

What it does: Contains the standards and requirements for electronic linked bingo game systems.

Need: To set standards and requirements for electronic linked bingo game systems to ensure the integrity of the systems and games. To outline system and game approval, and conformance with standards of previously approved systems and games.

Reasonableness: These standards and requirements are the key elements of electronic linked bingo game system requirements.

Because Minnesota is the first state to allow these forms of gambling, it is necessary and reasonable to specify technical standards and requirements to maintain the high level of integrity of lawful gambling in Minnesota.

As stated in (5) on page 6, the standards and requirements the industry and the Board have been operating under have been very workable. We have found them workable because linked bingo game providers have been and currently are using them with success. However, the experience has shown that some changes are needed.

After extensive review by vendors, independent testing laboratory personnel, the rules PAC, and board staff, improvements have been made—many tailored to observations and suggestions by affected parties—that encompass every aspect of the manufacture of these electronic systems and games. The standards are designed to ensure accountability and reliability of electronic game systems and ensure the integrity of electronic gaming operations by further developing system security and by enhancing electronic reporting capabilities.

These are the standards and requirements determined by independent testing labs, linked bingo game providers, the rules PAC, and the Board necessary to ensure integrity of the games and are therefore reasonable:

Activating play; initial screen; electronic monitoring and data access by the board; secured data transmission; changes in version of system or game; application software; secure communication; independent verification check; electronic accounting data and reporting; cash and inventory verification; restricted use; memory backup; randomization; game information on system and device; electronic linked bingo face generation; game status and auditing; game definition; system security and access; data alteration; backup and recovery; system access and password requirements; system log-in and log-out requirements; record of daily system transactions; electronic game system and security; firewall protection; remote access; test system and equipment; test software; and activation of daubing.

It is reasonable to include electronic gambling equipment to existing rule requirements for other forms of lawful gambling equipment, making the requirements specific to electronic gambling equipment. Prior Board approval and conformance with standards for previously approved non-electronic gambling equipment already apply to the standards and requirements contained in part

7864.0230. Applying these requirements to electronics is reasonable because it makes consistent the board approval requirement for all forms of gambling equipment and ensures that linked bingo game providers have the necessary information for system and game approval.

It is reasonable to require conformance for previously approved electronic gambling equipment because electronic games have been submitted and approved for use in Minnesota since September 2012. Because of the fluid nature of gaming technology, the standards have been extensively refined through this rules process. Conforming electronic gambling equipment approved between September 2012 and the date the rules become effective is therefore reasonable. Complying within 180 days is reasonable because 180 days is a sufficient amount of time for linked bingo game providers to bring any non-compliant electronic system or game into compliance and for the Board to review any system or game re-submitted for approval. This further ensures system integrity.

Listing electronic gambling equipment for testing as pertains to electronic linked bingo is reasonable because the identification enables linked bingo game providers to know which equipment is required to be tested and enables Board staff to maintain testing requirements to ensure electronic gambling equipment integrity.

Part, subpart: 7864.0210, subpart 2.

What it does: Expands the scope for background investigations. Adds statutory reference for requirements and prohibitions of a linked bingo game provider.

Need: To identify and encompass all individuals involved in electronic gaming subject to background investigations.

Reasonableness: Minnesota Statutes, section 349.155, subdivisions 3 and 4, provides for mandatory disqualification for licensees with criminal history. It is reasonable to expand the scope for background investigations because it is vital to the integrity of lawful gambling to identify and encompass all individuals involved in electronic gaming in order to determine criminal history. It is also reasonable to add reference to section 349.1635 because that will ensure that an independent contractor providing application software is also subject to the requirements and prohibitions of a linked bingo game provider.

Part, subpart: 7864.0210, subpart 4.

What it does: Expands the scope for background investigations, and requires copies of licensing agreements as part of a linked bingo game provider license application.

Need: To identify and encompass all individuals involved in electronic gaming subject to background investigations. To require copies of licensing agreements as part of a linked bingo game provider license application.

Reasonableness: Minnesota Statutes, section 349.155, subdivisions 3 and 4, provides for mandatory disqualification for licensees with criminal history. It is reasonable to expand the scope for background investigations because it is vital to the integrity of lawful gambling to identify and encompass all individuals involved in electronic gaming in order to determine criminal history.

It is reasonable to require copies of licensing agreements as part of a linked bingo game provider license application because, as a requirement for licensure, gaming

software agreements must be in place.

Part, subpart: 7864.0210, subpart 5.

What it does: Expands the scope for background investigations.

Need: To identify and encompass all individuals involved in electronic gaming subject to background investigations.

Reasonableness: Minnesota Statutes, section 349.155, subdivisions 3 and 4, provides for mandatory disqualification for licensees with criminal history. It is reasonable to expand the scope for background investigations because it is vital to the integrity of lawful gambling to identify and encompass all individuals involved in electronic gaming in order to determine criminal history.

Part, subpart: 7864.0230, subpart 1.

What it does: Adapts existing rules to apply to both paper and electronic games. Adds requirements for board approval for electronic pull-tab games, and specifies that previously approved games must become compliant within 180 days. Makes a grammatical correction.

Need: To adapt existing rules for prior board approval for games to apply to both paper and electronic games. To specify that previously approved games must become compliant within 180 days of the rules effective date. To correct a grammatical error in item F.

Reasonableness: It is reasonable in this subpart to differentiate between paper and electronic because requirements for each are very different. Paper requirements are already provided for in this subpart, but electronic requirements are not.

Because electronic game systems must meet technical system standards to ensure the integrity of the system and for licensure, it is reasonable to add requirements for electronic pull-tab games to meet standards. It is also reasonable to require manufacturers to provide electronic pull-tab games and flare information, and an electronic pull-tab game test system and equipment to the board to use to determine compliance with standards and for accountability.

To further ensure system integrity, it is reasonable to require games and systems approved by the board prior to the effective date of this rule to become compliant within 180 days. This further ensures system integrity.

It is reasonable to correct grammatical errors when we become aware of them during a rules process.

Part, subpart: 7864.0230, subpart 1a.

What it does: Specifies "paper" pull-tabs.

Need: To differentiate between paper and electronic pull-tabs.

Reasonableness: It is reasonable to make a distinction between paper and electronic pull-tabs to identify which form of gaming the rules apply.

Part, subparts: 7864.0230, subparts 1b through 1g

What they do: Specify "paper" pull-tabs.

- Need: To differentiate between paper and electronic pull-tabs.
- Reasonableness: It is reasonable to make a distinction between paper and electronic pull-tabs to identify which form of gaming the rules apply.
- Part, subpart: 7864.0230, subpart 2.
- What it does: Specify “paper” pull-tabs.
- Need: To differentiate between paper and electronic pull-tabs.
- Reasonableness: It is reasonable to make a distinction between paper and electronic pull-tabs to identify which form of gaming the rules apply.
- Part, subpart: 7864.0230, subpart 6.
- What it does: Allows electronic pull-tabs to be played on an electronic bingo device. Specifies that a central system does not need to be located at the site.
- Need: To allow electronic pull-tabs to be played on an electronic bingo device, and to specify that a central server does not need to be located at the site (Item J, subitem (1)).
- Reasonableness: Because Minnesota Statutes, section 349.12, subdivision 12a, paragraph (e), allows electronic pull-tabs to be played on an electronic bingo device, it is reasonable to make the same allowance in rule.
- Because a central system may feed more than one site, it is reasonable to specify that the central server does not have to be at an organization’s site (item J, subitem (1)).
- Part, subparts: 7864.0230, subparts 8 and 9.
- What they do: Specify “mechanical” paddlewheels.
- Need: To differentiate between mechanical and electronic paddlewheels.
- Reasonableness: It is reasonable to make a distinction between mechanical and electronic paddlewheels to identify which form of gaming the rules apply.
- Part, subpart: 7864.0230, subpart 9a.
- What it does: Establishes standards for electronic paddlewheels.
- Need: To establish standards for electronic paddlewheels.
- Reasonableness: It is reasonable to establish standards for electronic paddlewheels because there currently are no standards for electronic paddlewheels. The manufacturing standards for electronic paddlewheels received the same PAC, vendor, and independent testing laboratory review and assessment as the electronic linked bingo standards and the electronic pull-tab standards. These standards will ensure the integrity of electronic paddlewheel operations. The electronic paddlewheel randomly chooses a number, to determine the winning (paper) paddletickets.
- Part, subpart: 7864.0230, subpart 11.
- What it does: Removes the word “laboratory” from the headnote. Removes the word “permanent” as a description of gambling equipment. Eliminates the requirement that manufacturers attach a high tier winning ticket and a losing ticket to game family member flares (item B). Makes grammatical corrections (item F). Sets forth detail on what is expected from a board-approved testing laboratory (item G). Describes

gaming devices to be tested (item H).

Need: To include electronic games as (non-permanent) gambling equipment. To remove the requirement for manufacturers to attach a high tier winning ticket and a losing ticket to game family member flares. To identify gaming devices required for independent testing.

Reasonableness: Independent testing is not done exclusively in a laboratory, so it is reasonable to strike “laboratory” from the headnote. It is reasonable to remove the word “permanent” as a description of gambling equipment to accommodate electronic gambling equipment because electronic games are gambling equipment, but not permanent gambling equipment.

It is reasonable to eliminate the requirement in item B for manufacturers to attach a high tier winning ticket and a losing ticket to game family member flares because electronic facsimiles of the high tier tickets are available from manufacturers on demand.

It is reasonable in item G to set forth detail on what is expected from a board-approved testing laboratory because the board requires a letter of confirmation from a board-approved testing lab confirming that the gambling equipment meets manufacturing standards.

It is also reasonable to identify in item H the electronic gaming devices required to be tested because approval and licensure requires a letter of confirmation from a board-approved testing laboratory stating the devices meet standards, helping to ensure integrity of the game.

Part: 7864.0235, Electronic Pull-Tab Game System Standards and Requirements.

What it does: Contains the standards and requirements for electronic pull-tab game system requirements.

Need: To set standards and requirements for electronic pull-tab game systems to ensure the integrity of the systems and games. To outline system and game approval, and conformance with standards of previously approved systems and games.

Reasonableness: These standards are the key elements of electronic pull-tab game systems and devices.

Because Minnesota is the first state to allow these forms of gambling, it is necessary and reasonable to specify technical standards and requirements to maintain the high level of integrity of lawful gambling in Minnesota.

As stated in (5) on page 6, the standards and requirements the industry and the Board have been operating under have been very workable. We have found them workable because manufacturers have been and currently are using them with success. However, the experience has shown that some changes are needed.

After extensive review by vendors, independent testing laboratory personnel, the rules PAC, and board staff, improvements have been made—many tailored to observations and suggestions by affected parties—that encompass every aspect of the manufacture of these electronic systems and games. The standards are designed to ensure accountability and reliability of electronic game systems and ensure the integrity of electronic gaming operations by further developing system security and by enhancing electronic reporting capabilities.

These are the standards and requirements determined by independent testing labs, manufacturers, the rules PAC, and the Board necessary to ensure integrity of the games and are therefore reasonable:

Initial screen, flare, and ticket required features; bonus screen required features; application software; changes in software or hardware; changes in version of system or game; secure communication; independent verification check; electronic accounting data; cash and inventory verification; restricted use; memory backup; randomization; game information; electronic pull-tab generation; system testing at sites; data access by the board; game status and auditing; game definition; system security and access; data alteration; backup and recovery; system access and password requirements; system log-in and log-out requirements; time signature; electronic accounting and reporting; reporting requirements of electronic accounting system; test system and equipment; test software; electronic game system and security; firewall protection; and remote access.

It is reasonable to include electronic gambling equipment to existing rule requirements for other forms of lawful gambling equipment, making the requirements specific to electronic gambling equipment. Prior Board approval and conformance with standards for previously approved non-electronic gambling equipment already apply to the standards and requirements contained in part 7864.0230. Applying these requirements to electronics is reasonable because it makes consistent the board approval requirement for all forms of gambling equipment and ensures that manufacturers have the necessary information for system and game approval.

It is reasonable to require conformance for previously approved electronic gambling equipment because electronic games have been submitted and approved for use in Minnesota since September 2012. Because of the fluid nature of gaming technology, the standards have been extensively refined through this rules process. Conforming electronic gambling equipment approved between September 2012 and the date the rules become effective is therefore reasonable. Complying within 180 days is reasonable because 180 days is a sufficient amount of time for manufacturers to bring any non-compliant electronic system or game into compliance and for the Board to review any system or game re-submitted for approval. This further ensures system integrity.

Listing electronic gambling equipment for testing as pertains to electronic pull-tabs is reasonable because the identification enables manufacturers to know which equipment is required to be tested and enables Board staff to maintain testing requirements to ensure electronic gambling equipment integrity.

- Part, subpart: 7864.0240, subpart 1.
- What it does: Allows for leased gambling equipment and replaces “buyer” with “recipient”. Sets invoice and lease requirements.
- Need: To accommodate allowed leasing of gambling equipment. To set electronic pull-tab invoice and lease requirements.
- Reasonableness: Because some electronic gambling equipment is leased rather than purchased, it is reasonable to replace “buyer” with “recipient”. It is reasonable to require monthly invoices based on a predetermined lease amount because it stays consistent with

existing lease requirements for other forms of lawful gambling. For the same reason, it is also logical to set lease requirements for electronic pull-tab systems and devices in accordance with existing rule for all lawful gambling licensees with leases.

Part, subpart: 7864.0240, subpart 1a.
What it does: Changes “pull-tab or tipboard” to “gambling equipment” to include electronic games.
Need: To include electronic games to be sold or leased on an exclusive basis.
Reasonableness: It is reasonable to change the term to gambling equipment thus allowing electronic games to be sold or leased on an exclusive basis because, in its existing form, the subpart refers specifically to pull-tab or tipboard games and does not include electronics.

Part, subpart: 7864.0240, subpart 4.
What it does: Specifies “paper” pull-tabs.
Need: To differentiate between paper and electronic pull-tabs.
Reasonableness: It is reasonable to make a distinction between paper and electronic pull-tabs to identify which form of gaming the rules apply.

Part, subparts: 7864.0240, subparts 4a and 4b.
What they do: Contain procedures for defective electronic pull-tab games or devices.
Need: To provide procedures for steps a manufacturer must take if an electronic pull-tab game or device is found to be defective before in play.
Reasonableness: It is reasonable to provide procedures for steps a manufacturer must take if an electronic pull-tab game or device is found to be defective because there are no procedures in place in the event a defective electronic pull-tab game or device is found. It is also a tool to allow the board to track defective electronic games and devices.


Part, subpart: 7864.0240, subpart 5.
What it does: Adds electronic pull-tab games to returned gambling equipment report.
Need: To include electronic pull-tab games in returned gambling equipment reporting requirements.
Reasonableness: Current requirements call for returned paper pull-tab and tipboard games to be reported to the board, and it is reasonable to include the new electronic pull-tab games in those reports for auditing and tracking.

Part, subpart: 7864.0240, subpart 6.
What it does: Specifies “paper” pull-tabs.
Need: To differentiate between paper and electronic pull-tabs.
Reasonableness: It is reasonable to make a distinction between paper and electronic pull-tabs to identify which form of gaming the rules apply.

Part, subpart: 7865.0240, subpart 1.
What it does: Makes a grammatical correction.
Need: To correct grammar and make consistent throughout the rules.
Reasonableness: It is reasonable to correct grammatical errors when we become aware of them during a rules process.

Conclusion. Based on the foregoing, the proposed rules are both needed and reasonable.

Date: October 15, 2013



Tom Barrett, Executive Director
Gambling Control Board