

VIA EMAIL

6/17/2026

Legislative Reference Library
sonars@lrl.leg.mn

In the Matter of the Proposed Permanent Rules Relating to Organization Fund Loss Applications, CEO Education, Merchandise Prizes, and Interpretation of Minn. Stat. § 340.166. *Minnesota Rules*, 7861.0235, 7861.0260, subps. 2 and 4, 7861.0320, subp. 9, 7861.0330, subp. 3 and 7861.0340, subp. 3; Revisor's ID Number R-04966.

Dear Legislative Reference Library:

The Minnesota Gambling Control Board intends to adopt rules relating to the topics listed in the caption above. We plan to publish a Notice of Intent to Adopt Rules without a Public Hearing in the June 22, 2026, *State Register*.

We have prepared a Statement of Need and Reasonableness. As required under Minnesota Statutes, sections 14.131 and 14.23, we are sending the library an electronic copy of the Statement of Need and Reasonableness at the same time that we are sending our Notice of Intent to Adopt Rules.

If you have any questions or concerns, please contact me at doug.lewis@state.mn.us or at (612)-839-1855.

Sincerely,

Doug Lewis
Staff Attorney, Minnesota Gambling Control Board

Enclosure: Statement of Need and Reasonableness

STATEMENT OF NEED AND REASONABLENESS

Proposed Amendment to Rules Relating to Organization Fund
Loss Applications, CEO Education, Merchandise Prizes, and
Interpretation of Minn. Stat. § 349.166; Minnesota Rules, Part
7861; Revisor's ID Number R-04966

Minnesota Gambling Control Board

June 2026

General information:

1. View older rule records at: Minnesota Rule Statutes
<https://www.revisor.mn.gov/rules/status/>
2. Agency contact for information, documents, or alternative formats: Upon request, this Statement of Need and Reasonableness can be made available in an alternative format, such as large print, braille, or audio. To make a request, contact Doug Lewis, Staff Attorney, Minnesota Gambling Control Board, 1711 County B Rd W # 300S, Roseville, MN 55113, telephone 612-839-1855; email doug.lewis@state.mn.us or use your preferred telecommunications relay service.
3. How to read a Minnesota Statutes citation: Minn. Stat. § 999.09, subd. 9(f)(1)(ii)(A) is read as Minnesota Statutes, section 999.079, subdivision 9, paragraph (f), clause (1), item (ii), subitem (A).
4. How to read a Minnesota Rules citation: Minn. R. 9999.0909, subp. 9(B)(3)(b)(i) is read as Minnesota Rules, chapter 9999, part 0909, subpart 9, item B, subitem (3), unit (b), subunit (i).

Contents

STATEMENT OF NEED AND REASONABLENESS	1
Contents.....	3
Acronyms	5
Introduction and Overview	6
Introduction	6
Statement of General Need	6
Scope of Proposed Amendments	7
Statutory Authority.....	7
Public Participation and Stakeholder Involvement	7
Reasonableness of the Amendments	9
General Reasonableness.....	9
Rule-by-Rule Analysis.....	9
Regulatory Analysis.....	15
Classes of Persons Affected	15
Department/Agency Costs.....	16
Less Costly or Intrusive Methods.....	16
Alternative Methods.....	16
Costs to Comply	17
Costs of Non-Adoption.....	17
Differences from Federal Regulations	17
Cumulative Effect.....	17
Notice Plan.....	17
Required Notice	17
Performance-Based Rules	20
Consultation with MMB on Local Government Impact.....	20
Impact on Local Government Ordinance and Rules	20
Costs of Complying for Small Business or City.....	20
Agency Determination of Cost.....	20

Authors and Exhibits..... 21

 Authors..... 21

 Exhibits (optional)..... 21

Conclusion..... 21

Acronyms

APA	Administrative Procedures Act
ALJ	Administrative Law Judge
CFR	Code of Federal Regulations
GCB	Minnesota Gambling Control Board ¹
MAT	MN Association of Townships
Minn. R. pt	Minnesota Rules part
Minn. Stat.	Minnesota Statutes
MMB	Minnesota Management and Budget
MN	Minnesota
MORS	MN Office of the Revisor of Statutes
PAC	Public Advisory Committee
CAH	Court of Administrative Hearings
SONAR	Statement of Need and Reasonableness

¹ This report will refer to the agency as a whole as the “GCB” and refer to the actual Board of the Minnesota Gambling Control Board in their decision-making capacity as the “Board”.

Introduction and Overview

Introduction

This document explains the need and reasonableness of the Minnesota Gambling Control Board's (the "GCB") proposed rules governing a variety of discrete subjects and issues contained within *Minnesota Rules*, Chapter 7861 (the "Chapter"). This Chapter generally regulates the conduct of licensed lawful gambling organizations in the State of Minnesota, among other topics including licensing procedures and premises requirements. The GCB proposes adopting changes to (4) discrete subjects for purposes of this rulemaking which will be analyzed in greater individual detail within its rule-by-rule analysis. These subjects include 1) Profit Carryover Adjustments and Fund Loss Applications, 2) CEO Education, 3) the GCB Interpretation of Minn. Stat. § 349.166 and 4) Cash Substitutions for Merchandise Prizes.

However, certain concepts related to lawful gambling should be pre-emptively explained to provide a better frame of reference for the proposed rules. These concepts include:

- **Fund Losses and Profit Carryover Requests²**: A "fund loss" refers to when an organization incurs a shortfall of inventory or cash commonly attributable to theft or fraudulent activity. In such instances, the organization is required to reimburse its gambling account using non-gambling funds (i.e. from the organization's general fund) unless the Gambling Control Board approves a request for a "profit carryover adjustment". If approved by the Board, the organization no longer needs to make such a reimbursement to its gambling account under Minnesota law.
- **Excluded and Exempt Gambling Occasions³**: "Excluded" and "Exempt" gambling refers to the limited circumstances where an organization does not need a lawful gambling license in order to conduct certain gambling activities while still being under the regulatory authority of the GCB.

Statement of General Need

The GCB's most recent rulemaking prior to the instant proposal took effect in July 2019. In the following years, there has been turnover in membership within the Board and with the agency's Executive Director. As a result, new perspectives have brought the identification of recurring issues with the existing regulations relevant to lawful gambling.

² See *Minnesota Rules* Chapter 7861, subparts 5 and 9.

³ See *Minnesota Statutes*, Chapter 349.166.

Further, the industry surrounding lawful gambling has brought concerns about existing regulations to the forefront. The GCB is overdue in responding to some of the major concerns of its licensed organizations, manufacturers, and distributors. In turn, industry leaders have shown an interest in initiating direct legislative changes that take away authority and discretion that currently resides with the Board. New rules in some key areas will allow the GCB to address key concerns of the industry, while still maintaining discretion that is best suited to be in the hands of the Board.

In all, these rules are necessary to modernize key provisions of the GCB's regulations in order to protect the integrity of lawful gambling in Minnesota while creating a healthy environment for our various licensees.

Scope of Proposed Amendments

The following chapters of Minnesota rules are affected by the proposed changes: Minnesota Rules, Part 7861.

Statutory Authority

The GCB's statutory authority to adopt the rules is stated in *Minnesota Statutes* section 349.151, subdivision 13, which provides: "the [Gambling Control Board] may adopt, amend, or repeal rules under Chapter 14, when necessary or proper in discharging the [Gambling Control Board]'s powers and duties."

Further, the GCB's enumerated powers and duties include "mak[ing] rules authorized by [Chapter 349]".⁴

Under this statute, the Board has the necessary statutory authority to adopt the proposed rules.

On September 15, 2025, the Board passed a resolution authorizing and directing Executive Director Laura Wade the authority to pursue the instant rulemaking and to produce the Board's Notice of Intent to Adopt Rules.

Public Participation and Stakeholder Involvement

Consistent with Minnesota Administrative Procedure Act, the GCB published a Request for Comments in the Minnesota State Register on October 6, 2025. To increase accessibility and opportunities for feedback, the GCB made additions to its website to direct interest parties to the most recent updates related to individual rules and this rulemaking as a whole. The website included these rulemaking

⁴ *Minn. Stat.* § 349.151, subd. 4(a)(5).

updates beginning on October 15, 2025 and continues to update with the most recent information for each proposed rule.⁵

Further, the GCB has incorporated stakeholders into the development of the proposed rules through its official comment period extending between October 13, 2025 through December 15, 2025. Additionally, the GCB has coordinated a Public Advisory Committee (“PAC”) with individuals with varying levels of expertise in Minnesota’s lawful gambling industry. This PAC held hybrid in-person/virtual meetings to discuss this rulemaking on December 10, 2025 and on March 19, 2026.

The following individuals have participated as members of the PAC for this rulemaking:

- Rachel Jenner – Allied Charities of Minnesota, Executive Director
- Marisa Peck – Allied Charities of Minnesota
- Charles Schmidt – Minnesota Gaming Services, Partner
- Amanda Jackson – Allied Charities of Minnesota
- Tracy Wigen – Organizational Gambling Manager
- Jon Grell – Triple Crown Gaming, Owner
- Glen Khulmen, Three Diamond Gaming Supplies, President
- Doug Forsman – Gambling Control Board, Board Member
- Mike Sundin – Gambling Control Board, Board Member
- Sam Krueger, Electronic Gaming Group, Executive Director
- Fabian Hoffner – Three Diamond Gaming Supplies, Advocate
- Liz Foster – United Lakes and Trail Riders Association – Gambling Manager
- Tony Chesak – Minnesota Licensed Beverage Association, Executive Director
- Chris Mau – Gambling Control Board, Former Communications Director
- Gary Danger – Danger Solutions LLC, Owner
- Evan Johnson – Gambling Control Board, Communications Specialist
- Doug Lewis – Gambling Control Board, Staff Attorney
- Laura Wade – Gambling Control Board, Executive Director
- Ansai Sawe-Bio – Gambling Control Board, Research Analysis Specialist

The eleven (11) federally recognized Indian Tribes may have an interest in this rulemaking given the subject matter of lawful gambling in the State of Minnesota. On October 6, 2025 the GCB delivered by certified mail its Request for Comment for this rulemaking to all 11 tribes in accordance with *Minnesota Statutes*, section 10.65.

⁵ <https://mn.gov/gcb/regulations/rules.jsp>

The GCB solicited feedback from a number of trade groups and advocacy organizations whose members would likely be impacted by this rulemaking including: Allied Charities of Minnesota, the Minnesota Alliance on Problem Gambling, the Electronic Gaming Group, and the Minnesota Licensed Beverage Association.

Reasonableness of the Amendments

General Reasonableness

This section describes the general need for and reasonableness of each of the four proposed rules and standards included in this rulemaking. These rules and standards are needed to establish a continuing thread of updates to the Gambling Control Board regulatory scheme in order to increase safety for players, increase the efficiency of the agency, adjust standards to better serve the needs of the lawful gambling industry, and maintain the accountability of licensees.

The proposed rules and standards are reasonable because they have been and continue to be developed through a transparent, evidence-informed, and inclusive process that incorporates the expertise of agency representatives, industry leaders, and a variety of individuals likely impacted by the proposed regulations. With the input of these individuals, the four proposed rules efficiently address the needs of the GCB, the licensees they serve, and the State of Minnesota as a whole.

Rule-by-Rule Analysis

1. Modernization of GCB's Approach and Transparency Relating to Organizational Fund Losses and Profit Carryover Requests.

- Part, Subpart: 7861.0320, subpart 9

- What it does:

1. Increases time to submit its profit carryover adjustment request from 60 days to 90 days;
2. Increases transparency of GCB decisions relating to fund losses and profit carryover adjustment requests, and;
3. Introduces additional review processes for profit carryover request denials allowing organizations additional choices and remedies.

- Need:

1. In recent memory, a commonly disputed reason for profit carryover adjustment request denials has been by an organization's failure to meet the sixty (60) day deadline between discovering the fund loss and submitting its request. Under the

current rules, a failure to meet this deadline invokes an automatic denial of the request by the Board. The GCB has repeatedly heard from its licensees that the 60-day deadline is too short on account of the time it takes to gather the needed information and the limited staffing of these organizations. Industry voices, the Board, and GCB staff all indicate that ninety (90) days would serve as a more reasonable deadline without affecting the efficiency of the profit carryover adjustment request process.

2. A common critique of the current GCB profit carryover adjustment request procedure is that it does not require the GCB to identify the specific security or internal controls concern that led to its denial of the request. This minimal transparency has led to organizations unsure of the weight the Board gives to each of its mandated considerations under *Minnesota Rules*, Chapter 7861.0320, subpart 9(D). Further, organizations currently do not know which specific facts the Board relied on when making its determination. Organizations have expressed a significant need to increase transparency in this process.
3. For over 30 years, the GCB has facilitated profit carryover adjustment requests and approved or denied fund losses in largely the same way.
 - a. A licensed organization incurs a loss of gambling-related funds due to theft or other questionable means.
 - b. The licensed organization applies for a “profit carryover adjustment” to the Board.
 - c. The Board assesses the facts surrounding the theft, the organization’s security practices, and other relevant factors.⁶
 - i. If approved, the GCB acknowledges the licensed organization’s fund loss and, for purposes of future accounting and filings with the GCB, adjusts their accounting as though the fund loss never happened without any further reimbursement from the organization.
 - ii. If denied, the licensed organization must pay into its lawful gambling account the total amount of the fund loss from non-gambling funds, thus correcting the accounting shortfall.

Over these 30 years, the lawful gambling industry in Minnesota has grown into a much larger and more robust venture. The amount of money at risk of theft for organizations now can lead to fund losses totaling tens of thousands of dollars – a sum likely unforeseeable by the original drafters of the relevant statutes and regulations.

⁶ See *Minnesota Rules*, Chapter 7861.0320, subpart 9(D).

As a frame of reference, the average total for profit carryover adjustment request approvals was \$7,189.24, with denials averaging out to \$9,098.77.⁷

As a result, organizations whose fund losses are denied by the Board can face mandatory reimbursements into their gambling accounts at sums that place extreme stress on the bottom lines of organizations, occasionally placing their solvency into question. The GCB needs to address this potential issue to help minimize potential financial harms to its licensed organizations.

- Reasonableness

1. The extension of the deadline for profit carryover adjustment request applications for organizations does not create any additional costs for the agency and effectively addresses a common injustice that the GCB and its licensed organizations observe.
2. It is critical for the GCB to increase transparency in the profit carryover adjustment request process to instill greater confidence in the GCB's authority and decision-making processes. The proposed change will create minimal additional work for GCB staff and the Board as this information is commonly cataloged through the agency's existing procedures.
3. Given the potential harm to a licensed organization upon a profit carryover adjustment request denial by the Board, it has become necessary that it provide organizations with the option for a more thorough review process before the Compliance Review Group ("CRG"). The use of a CRG review allows the Board to provide more flexible remedies to applicants through private consent orders that avoid the 'all-or-nothing' outcomes through standard Board voting. These changes create additional responsibility for the Board and the CRG but this change will help minimize the prospect of organizational insolvency.

2. Introduction of Education and Accountability Requirements of Licensed Organization's Chief Executive Officers

- Part, Subpart: 7861.0235¹¹
- What it does:
 1. Introduces an annual education requirement for the Chief Executive Officers of licensed organizations.

⁷ Averages were calculated from GCB data originating from profit carryover adjustment request applications from Jan. 1, 2022 through Dec. 31, 2025.

¹¹ This proposed rule introduces a new rule part and subparts.

- Need:

1. By design, a CEO of an organization conducting lawful gambling in Minnesota provides oversight and guidance over many of the gambling responsibilities of an lawful gambling organization. In statute and rule, the Gambling Manager is required to take a seminar and a pass a test on their responsibilities related to lawful gambling and take continuing education courses. At present, the GCB requires the CEO of a licensed organization to participate in minimal lawful gambling education. This fact becomes apparent in instances of agency discipline where CEO's tend to lack the awareness of key gambling statutes and rules applicable to their organizations. Further, organization CEO positions tend to have frequent turnover rates – leading to CEOs entering into their position having minimal understanding of the lawful gambling operation within their organization.

The proposed rule introduces an annual educational requirement on organization CEOs in a form prescribed by the Board on a number of topics relevant to their role in lawful gambling. Courses will vary from year to year in attempt to consistently provide CEOs with resources timely to issues and concerns the Board deems relevant.

- Reasonableness

1. First and foremost, the proposed education requirement is not an undue burden on organizations and their CEOs. Industry feedback on this rule was positive. Multiple organizations even recommended the Board explore even further educational requirements for other participants in the lawful gambling process – to which the Board will explore possibilities in a future rulemaking.

This rule will impose some additional responsibilities and expenses on the agency. Programing will need to be designed, materials will need to be created, and staff will need to be allocated. However, these additions will be minimal on account that many of the resources created will be carried over from similar gambling manager education materials and classes.

3. Modification of Gambling Control Board's Interpretation of Minn. Stat. § 349.166.

- Part, Subpart: 7861.0330, 7861.0340

- What it does:

1. Clarifies the GCB's interpretation of Minn. Stat. § 349.166 in response to confusion with its past interpretation of that statute. Generally, the GCB placed limitations on organizations who held an exempt or excluded gambling event whereby the organization was left unsure of its ability to conduct gambling events in the future. The proposed rule will explicitly clarify the GCB's interpretation of § 349.166 to allow for these organizations to apply for an organizational license within the same calendar year, clarifying the GCB's historic, unwritten interpretation of that statute.

- Need:

1. Over a number of years, the GCB has interpreted Minn. Stat. § 349.166 in such a way that called into question the limits on prospective licensed organizations participating in exempt or excluding gambling events. As a result of the ambiguity, organizations were left unsure of the effect that holding an exempt or excluded event would have on their prospects of potentially obtaining an organizational license in the near future. Generally speaking, § 349.166 places a number of limits on organizations conducting exempt and excluded gambling events within a calendar year.¹² However, this statute does not explicitly prevent organizations from obtaining an organizational license, and the GCB has never articulated its position on the matter.

In recent years, this limitation has placed these unlicensed organizations in a position where they were unsure of their abilities to conduct lawful gambling events and further frustrated the administration of this statute from a regulatory standpoint. In these examples, an unlicensed organization properly holds an excluded bingo event, sees the immediate benefits that lawful gambling has on their organization, examines what options they have to gamble moving forward, and then are met with confusion and uncertainty regarding their right to apply for an organizational license.

The GCB looks to adopt the proposed rule to explicitly clarify how the GCB plans to interpret § 349.166 in a way that ensures it is not engaged in an improper unpromulgated rulemaking by shifting a longstanding statutory interpretation without formal rulemaking.

- Reasonableness

1. Generally, this prospective rule will clarify a lack of a particular GCB restriction on prospective lawful gambling organizations. In doing so, the transition of internal GCB standards should eliminate a needless restriction. This transition will take some effort and resources at the outset of the transition, but ultimately the proposed rule will result in less labor and resources through having one less unnecessary restriction to track and regulate. The proposed rule introduces no additional requirements for prospective lawful gambling organizations and cumulatively lightens the burden on all parties affected by the existing statutes and rules.

¹² See Minn. Stat. § 349.166, subds. 1(a)(1-2) and 1(c); see also Minn. Stat. § 349.166, subd. 2(a)(1-2).

4. Introduction of House Rule Requirements for Raffle Merchandise Prizes and Cash Substitutions

- Part, Subpart: 7861.0260, Subps. 2 and 4.

- What it does:

1. In situations where a licensed organization offers merchandise as a prize for one of its lawful gambling events, this proposed rule allows for winners of the prize to instead opt for an award of a cash equivalent value provided that this option is expressly communicated to game participants prior to the sale of chance.

- Need:

1. This proposed rule serves as a simple way to solve a longstanding issue with merchandise prizes where said prize cannot be legally obtained by a specific subset of people. Examples of this phenomenon include:
 - Individuals 18-20 years of age winning an alcohol or cannabis product merchandise prize despite not being of age to be in possession of said product.
 - Individuals winning a firearm merchandise prize where the individual has been barred by state or federal law from possession of said product.

In such instances, both licensed organizations and the GCB itself have been hamstrung by a near-prohibition on cash substitutions for merchandise prizes found in the existing *Minnesota Rules*, Section 7861.0260, Subp. 4(C)(2). When these events occurred, both the licensed organization and the GCB were forced to find solutions while unguided by statute or rule while ensuring compliance with existing state and federal law. These outcomes were not established prior to the player purchasing their chance leading to situations that compromise the integrity of lawful gambling in Minnesota.

However, merely allowing for a cash substitution does not fully solve this problem. Licensed organizations still need to communicate the cash substitution option to players in order for them to fully understand the value of their purchase. The proposed rule will also require licensed organizations who wish to have a cash substitution option to clearly communicate that option prior to purchase of the chance.

- Reasonableness

1. The proposed rule specifically seeks to make operations easier for licensed organizations and the GCB. In implementing this rule, the GCB will need to communicate to its licensees the availability of this cash substitution option and guide these organizations to ensure compliance with the restrictions still on this substitution process. For instance, licensed organizations will need to communicate to the player the availability of this chance. The GCB wants to provide organizations with the freedom to identify what method of communication is best for their operation – whether that be through clearly posted house rules, text on a raffle ticket, or other

effective means of communication. The GCB will be responsible for ensuring compliance with this requirement.

Additionally, guardrails are in place to ensure non-exploitation of this system. Already in place is a restriction requiring cash substitutions to be for the “fair market value” of the merchandise prize.¹⁴ The GCB already requires and collects this information when merchandise prizes are to be awarded, and this data will immediately become a vital resource in ensuring organizations and players do not take advantage of this cash substitution system.

Regulatory Analysis

Minnesota Statutes, section 14.131, sets out eight factors for a regulatory analysis that must be included in the SONAR. The eight (8) subsections below address these factors and provide the GCB’s assessment.

Classes of Persons Affected

The classes of affected persons are licensed lawful gambling organizations, licensed manufacturers of gambling systems and equipment, licensed distributors of gambling systems and equipment, linked bingo game providers, lessors of lawful gambling premises, organizations who are currently unlicensed but are exploring the possibilities of lawful gambling in Minnesota, players of games, the 11 Indian Tribes located in the State of Minnesota and, trade organizations that represent any of the aforementioned classes of persons.

The Board is not aware of any classes of persons who may bear the costs of the proposed rules. The Board has used a Public Advisory Committee (PAC) made up of approximately 15 lawful gambling industry representatives. As of this date no communication has been received from any member of the PAC or other participant in this rulemaking about classes that would bear the costs of the proposed rules.

Those that will benefit from the proposed rules are, in general, the entire lawful gambling industry. Proposed rules relating to fund losses and profit carryover requests will help limit a currently overly punitive system against organizations while increasing transparency of decision making within the GCB. Proposed rules relating to CEO education will ensure more organizations have more tools at their disposal in managing their lawful gambling operations safely, responsibly, and mindfully. Proposed rules relating to merchandise allow more flexibility within organizations and the GCB in managing challenges with merchandise prizes.

¹⁴ See Minn. Rules § 7861.0260, Subp. 4(A)(1-2); see also Minn. Stat. § 349.211, subp. 4.

Department/Agency Costs

Naturally, agency costs may shift slightly in the implementation of new rules requiring an increase or change in responsibilities within the GCB. Adding new education requirements for gambling organizations will lead to more responsibilities for GCB staff to develop programming for these courses and resources.

Additionally, there will be minimal costs to the GCB to edit forms, the GCB website, and gambling manager seminar materials.

The greatest opportunity for a rise in GCB expenses comes in the creation of a fund loss appeals process through its Compliance Review Group. This creation will likely create added costs in the form of per diems for Board members tasked with additional, in-person Board responsibilities as well as labor costs for GCB dedicated for preparing materials for these appeals hearings.

In all, the GCB does not anticipate any meaningful changes in agency costs and expenses, nor does it anticipate and effect on state revenues as a result of this proposed rulemaking. The GCB does not expect this rulemaking to affect the expenses or revenues of any other agency within the State of Minnesota.

Less Costly or Intrusive Methods

The proposed rules are necessary and helpful updates and clarifications to existing rules. The GCB has considered a number of options to accomplish these goals, but no less costly or less intrusive methods have emerged in this rulemaking process.

Alternative Methods

Of the four subjects of the GCB's present rulemaking, only the proposed rule around fund losses and profit carryover adjustment requests had any meaningful alternative methods discussed in accomplishing the goals of the amendments.

Representatives from Allied Charities of Minnesota and our licensed organizations have encouraged the GCB to reform our fund losses approval process to, among other things: increase transparency in agency decision making and allow for automatic approvals of fund loss requests under most circumstances. The GCB explored rules with these types of benchmark standards, but proposed methods opened the door to potential fraud and none of the proposed methods were able to make a fair and cognizable standard while also maintaining Board discretion in approving or denying fund loss requests.

Costs to Comply

Compliance with the proposed rules should present next to no additional costs onto affected parties. Organizations may have to allocated time and money for their CEOs to participate in the newly imposed education requirements, but the GCB and affected parties within the PAC agree that this impact will be minimal to non-existent.

Costs of Non-Adoption

The GCB has not identified any specific probable costs of not adopting these proposed rules.

Differences from Federal Regulations

There is no federal regulation related to the specific purpose of this proposed rulemaking.

Cumulative Effect

The proposed rules cover areas that are not addressed by federal law or other Minnesota state laws. Therefore, this consideration is not applicable for these rules.

Notice Plan

Minnesota Statutes, section 14.131, requires that an agency include in its SONAR a description of its efforts to provide additional notification to persons or classes of persons who may be affected by the proposed rule or must explain why these efforts were not made.

Details on the previous measures taken to ensure stakeholders received both required and additional notice of this rulemaking during the Request for Comments and rule development period can be found on pages 7-9 of this SONAR. Further, the CAH approved the GCB's Additional Notice Plan required for this rulemaking on October 3, 2025.

Required Notice

The GCB is required under Minnesota Statutes, chapter 14 to identify and send notice to several groups. The steps the GCB will take to meet those statutory requirements are laid out in detail below.

Consistent with Minnesota Statutes, section 14.14, subd. 1a, on the day the Notice of Intent to Adopt Rules is published in the *State Register*, the GCB will send via email or U.S. mail a copy of the Notice of Intent to Adopt Rules and the proposed rule to the contacts on the GCB's list of all persons who have registered with the GCB for the purpose of receiving notice of rule proceedings. There are roughly 15

people on the GCB's list of persons who have requested notice via United States Postal Service, and roughly 15 persons who have requested notices of all rule proceedings via email.

State Register

The Minnesota Gambling Control Board ("GCB") is required under Minnesota Statutes, section 14.101, subdivision 1 to "solicit comments from the public on the subject matter of a possible rulemaking proposal under active consideration within the agency by causing notice to be published in the *State Register*."

The GCB submitted its Requests for Comments as specified in Minn. Stat. § 14.101, subd. 1 on Thursday, September 25, 2025, for publication in the October 6, 2025, edition of the State Register.

Further, when required under the Minnesota Administrative Procedure Act, the GCB will publish notices related to the proposed rules.

Farming Operations

The GCB does not plan to provide a notice of the proposed rulemaking to the commissioner of agriculture as specified under Minn. Stat. § 14.111 because the prospective rules will not have an effect on farming operations.

Additional Notice to Stakeholders

Under Minn. Stat. § 14.101, subd. 1, the GCB is required to reach out to persons or classes of persons who might be affected by the rules proposal.

Upon approval of this Additional Notice Plan by the Minnesota Court of Administrative Hearings ("CAH"), the GCB proceeded to email and deliver by mail and email copies of the Request for Comment to:

- the GCB's established list of contacts from past Public Advisory Committee members from past rulemaking processes;
- Parties who expressly requested the GCB to provide notices of future rulemakings;
- GCB List of Licensed Manufacturers (7)
- GCB List of Licensed Distributors (10)
- GCB List of Approved Game Testing Laboratories (3)
- GCB List of Licensed Organizations (Approx. 1,167)
- Allied Charities of Minnesota
- The Minnesota Alliance on Problem Gambling
- Minnesota Licensed Beverage Association
- Electronic Gaming Group

- Bois Forte Band of Chippewa
- Fond Du Lac Band of Lake Superior Chippewa
- Gichi-Onigaming / Grand Portage Band of Lake Superior Chippewa
- Leech Lake Band of Ojibwe
- Lower Sioux Indian Community
- Mille Lacs Band of Ojibwe
- Prairie Island Indian Community
- Red Lake Band of Chippewa Indians
- Shakopee Mdewakanton Sioux (Dakota) Community
- Upper Sioux Community
- White Earth Reservation

Agency Website

The Request for Comment, Proposed Rules, SONAR, Notice of Intent to Adopt Rules and all other rulemaking related notices including rule drafts are being published on an ongoing basis on the GCB rules web page.

Legislative Notice

The GCB will submit to the chairs and ranking minority members of the legislative policy and budget committees relevant to the GCB, its rulemaking docket and the official rulemaking record for rules adopted in the previous calendar year. When appropriate, the GCB will mail its Notice of Intent to Adopt Rules and its SONAR to the aforementioned legislative actors as well as to the Legislative Coordinating Commission.

The GCB also intends to send an electronic notices and electronic copies of the Notice of Intent to Adopt Rule, SONAR, and proposed rule to the list of stakeholders identified earlier in this section.

On October 3, 2025, the GCB received confirmation from CAH that these steps meet the notice requirements for persons or classes of persons who may be affected by the proposed amendments to these rules under Minn. Stat. § 14.14, subd. 1a.

Consistent with Minnesota Statutes, section 14.116(b), the GCB will send a copy of the Notice of Intent to Adopt Rules without a Public Hearing, a copy of the proposed rules, and a copy of the SONAR to the chairs and ranking minority party members of applicable finance and policy committees and the Legislative Coordinating Commission.

Consistent with Minnesota Statutes, section 14.131, the GCB will send a copy of the SONAR to the Legislative Reference Library when the Notice of Intent to Adopt Rules without a Public Hearing is sent.

Performance-Based Rules

Minnesota Statutes, section 14.002, requires state agencies, whenever feasible, to develop rules that are not overly prescriptive and inflexible, and rules that emphasize achievement of the Board's regulatory objectives while allowing maximum flexibility to regulated parties and to the Board in meeting those objectives.

Consultation with MMB on Local Government Impact

As required by Minnesota Statutes, section 14.131, the GCB consulted with Minnesota Management and Budget (MMB) to assess the fiscal impact on Minnesota local units of government.

On April 20, 2026, MMB returned its consultation report to the GCB and determined that, in reference to the present rulemaking, "the proposed changes [to rule] would not result in a fiscal impact for any local of unit of government."¹⁵

Impact on Local Government Ordinance and Rules

As required by Minnesota Statutes, section 14.128, subdivision 1, the GCB has considered whether these proposed rules will require a local government to adopt or amend any ordinance or other regulation in order to comply with these rules. The GCB has determined that they do not due to the lack of interaction between these proposed lawful gambling rules and localities' restrictions on lawful gambling. In addition, no locality or other third-party has reached out to the GCB about this rulemaking and its effect on existing local rules and regulations.

Costs of Complying for Small Business or City

Agency Determination of Cost

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

¹⁵ See Exhibit D.

The GCB has made this determination in consultation with internal management and staff, its Public Advisory Committee, and through confirmation by its consultation with MMB.

The GCB asked the Public Advisory Committee members whether these costs would exceed \$25,000 during the first year for any small business or city. The Advisory Committee members did not indicate that these costs would exceed \$25,000 during the first year for any of the aforementioned groups.

Authors and Exhibits

Authors

The primary author of this SONAR is Douglas Lewis, Staff Attorney, Minnesota Gambling Control Board.

Exhibits (optional)

In support of the need for and reasonableness of the proposed rules, the Department anticipates that it will enter the following exhibits into the hearing record:

- Exhibit A: Revisor's Office Draft of Proposed Rules – January 22, 2026
- Exhibit B: Revisor's Office Draft of Proposed Rules – February 23, 2026
- Exhibit C: Proposed Permanent Rules Related to Lawful Gambling and Registrar's Certification of Approval – April 10, 2026
- Exhibit D: Minnesota Management and Budget review of Proposed Rules Relating to Lawful Gambling in Minnesota Rules, Chapter 7861 – April 20, 2026

Conclusion

In this SONAR, the Department has established the need for and the reasonableness of each of the proposed amendments to Minnesota Rules. The GCB has provided the necessary notice and documented its compliance with all applicable administrative rulemaking requirements of Minnesota statute and rules.

Based on the forgoing, the proposed amendments are both needed and reasonable.

Fantia C. Mole

Commissioner/Director

[Department/Agency/Board]

6/17/2014

Date

Gambling Control Board**Proposed Permanent Rules Relating to Lawful Gambling****7861.0235 CHIEF EXECUTIVE OFFICER.**

Subpart 1. Training of chief executive officer. The chief executive officer of an organization conducting lawful gambling must receive continuing education training in laws and rules governing lawful gambling at least once during each calendar year. The curriculum for training required by this subpart must be administered by board staff or by a third party approved by the board to provide the training.

Subp. 2. Curriculum. The curriculum must cover elements of lawful gambling law and rules that the board determines are necessary for a chief executive officer to know and understand.

7861.0260 CONDUCT OF LAWFUL GAMBLING.

[For text of subpart 1, see Minnesota Rules]

Subp. 2. Posting of information and house rules.

A. A licensed organization must prominently post the following information at each permitted premises in an area visible to players before they purchase a chance to participate in lawful gambling:

~~**A.**~~ **(1)** organization name, license number, and premises permit number;

~~**B.**~~ **(2)** notice of problem gambling information that must at a minimum include the toll-free telephone number established by the commissioner of human services;

~~**C.**~~ **(3)** statement that illegal gambling is prohibited; and

~~**D.**~~ **(4)** house rules that include at a minimum the policies governing the conduct of lawful gambling at the premises, including any restrictions in addition to those imposed by Minnesota Statutes, section 349.181, on who may not participate in the conduct of lawful

gambling at the premises. The house rules must be adequately lighted, legible, and at least 11 inches by 17 inches; ~~and~~.

~~E. B.~~ For the conduct of bingo, the information required by this subpart may be contained in the bingo program as an alternative to posting the information.

C. In the case of the gambling event awarding a merchandise prize with an option for a winner to choose a cash equivalent, information required by this subpart must be expressly communicated to any participant prior to the sale of any chance and meet the prize requirements of Minnesota Statutes, section 349.173, paragraph (a).

[For text of subpart 3, see Minnesota Rules]

Subp. 4. **Prizes awarded; records required.**

[For text of items A and B, see Minnesota Rules]

C. A prize must consist of cash, merchandise, certificates for merchandise, certificates for services, gift certificates, or gift cards with the following exceptions and restrictions:

(1) prizes must not consist of lawful gambling equipment;

~~(2) cash must not be substituted for merchandise prizes, certificates for services, gift certificates, or gift cards which have been won. This does not apply to multiple bingo winners for a merchandise prize that cannot be divided;~~

~~(3)~~ (2) coupons redeemable for bingo hard cards, bingo paper sheets, bingo paper sheet packets, bingo paper packages, and the use of an electronic bingo device may be awarded for bingo;

~~(4)~~ (3) a certificate for merchandise or services must contain:

(a) a complete description, including the value of the merchandise or services to be redeemed by the certificate;

3.1 (b) the vendor's name from whom the certificate must be redeemed; and

3.2 (c) a statement expressly prohibiting the substitution of cash or another
3.3 type of merchandise or services for the merchandise or services described on the certificate;

3.4 ~~(5)~~ (4) for a paddlewheel game played with a table, only cash prizes may be
3.5 awarded and must be awarded and redeemed through the use of chips; and

3.6 ~~(6)~~ (5) for a paddlewheel game played without a table, a cash prize amount
3.7 may not be a variable multiple of the standard price of a paddlewheel ticket.

3.8 [For text of items D to F, see Minnesota Rules]

3.9 G. Merchandise prizes must be displayed in full view of the players in the
3.10 immediate vicinity of the game ~~and must not be redeemed for cash or converted into cash.~~
3.11 When the winner of a merchandise prize is determined, the organization must immediately
3.12 remove the prize from the display and award it to the winner. This requirement does not
3.13 apply to raffles.

3.14 [For text of items H to J, see Minnesota Rules]

3.15 [For text of subparts 5 to 11, see Minnesota Rules]

3.16 **7861.0320 ORGANIZATION OPERATIONS, ACCOUNTS, REPORTS, AND**
3.17 **RECORDS.**

3.18 [For text of subparts 1 to 8, see Minnesota Rules]

3.19 Subp. 9. **Fund loss report or request for a profit carryover adjustment due to fund**
3.20 **loss.** When an organization has a fund loss by questionable means of its inventory or cash,
3.21 including prizes paid from a game not conducted in compliance with statute and rule, the
3.22 organization must use the following procedures.

3.23 [For text of item A, see Minnesota Rules]

4.1 B. The organization must submit one of the following to the board within ~~60~~ 90
4.2 days of discovering the loss:

4.3 [For text of subitem (1), see Minnesota Rules]

4.4 (2) a request for a profit carryover adjustment due to a fund loss. If the
4.5 organization does not submit the request within ~~60~~ 90 days of discovering the loss, the board
4.6 will not consider the request.

4.7 [For text of items C and D, see Minnesota Rules]

4.8 E. The board must identify the relevant facts used to determine that the organization
4.9 failed to meet the procedural requirements of items A to C or that the organization failed
4.10 to establish adequate internal controls as listed in item D.

4.11 ~~E.~~ F. If the board denies a request for a profit carryover adjustment due to a fund
4.12 loss, the organization must reimburse its gambling account for the amount of the fund loss.
4.13 The organization must submit proof of reimbursement to the board within 90 days of the
4.14 board's final determination unless subject to the conditions of item H.

4.15 ~~F.~~ G. The board must reconsider a request for a profit carryover adjustment due
4.16 to a fund loss when an organization presents new information that the organization could
4.17 not have discovered before the board's initial consideration of the request.

4.18 H. If the board denies a request for a profit carryover adjustment due to a fund
4.19 loss and the required reimbursement under item F is equal to or greater than \$10,000, the
4.20 board's decision is subject to automatic review by the compliance review group. The
4.21 organization must submit proof of reimbursement to the board within 90 days of the
4.22 compliance review group's final determination.

4.23 [For text of subparts 10 to 18, see Minnesota Rules]

5.1 **7861.0330 EXCLUDED BINGO.**

5.2 *[For text of subparts 1 and 2, see Minnesota Rules]*

5.3 Subp. 3. **Restrictions.** Organizations registered to conduct a bingo event under this
5.4 part or to conduct a raffle under Minnesota Statutes, section 349.166, subdivision 1, paragraph
5.5 (c), are permitted to do the following within the same calendar year as the bingo or raffle
5.6 event:

5.7 A. register to conduct an exempted lawful gambling event under Minnesota
5.8 Statutes, section 349.166, subdivision 2; and

5.9 B. apply for an organizational lawful gambling license under Minnesota Statutes,
5.10 section 349.155.

5.11 **7861.0340 EXEMPTED LAWFUL GAMBLING.**

5.12 *[For text of subparts 1 and 2, see Minnesota Rules]*

5.13 Subp. 3. **Restrictions.** Organizations registered to conduct an exempted lawful
5.14 gambling event under this part are permitted to apply for an organizational lawful gambling
5.15 license under Minnesota Statutes, section 349.155, within the same calendar year as the
5.16 exempted lawful gambling event.

1.1 **Gambling Control Board**

1.2 **Proposed Permanent Rules Relating to Lawful Gambling**

1.3 **7861.0235 CHIEF EXECUTIVE OFFICER.**

1.4 Subpart 1. Training of chief executive officer. The chief executive officer of an
1.5 organization conducting lawful gambling must receive continuing education training in
1.6 laws and rules governing lawful gambling at least once during each calendar year. The
1.7 curriculum for training required by this subpart must be administered by board staff or by
1.8 a third party approved by the board to provide the training.

1.9 Subp. 2. Curriculum. The curriculum must cover elements of lawful gambling law
1.10 and rules that the board determines are necessary for a chief executive officer to know and
1.11 understand in order to successfully manage gambling operations for an organization.

1.12 **7861.0260 CONDUCT OF LAWFUL GAMBLING.**

1.13 [For text of subpart 1, see Minnesota Rules]

1.14 **Subp. 2. Posting of information and house rules.**

1.15 A. A licensed organization must prominently post the following information at
1.16 each permitted premises in an area visible to players before they purchase a chance to
1.17 participate in lawful gambling:

1.18 ~~A.~~ (1) organization name, license number, and premises permit number;

1.19 ~~B.~~ (2) notice of problem gambling information that must at a minimum include
1.20 the toll-free telephone number established by the commissioner of human services;

1.21 ~~C.~~ (3) statement that illegal gambling is prohibited; and

1.22 ~~D.~~ (4) house rules that include at a minimum the policies governing the conduct
1.23 of lawful gambling at the premises, including any restrictions in addition to those imposed
1.24 by Minnesota Statutes, section 349.181, on who may not participate in the conduct of lawful

2.1 gambling at the premises. The house rules must be adequately lighted, legible, and at least
2.2 11 inches by 17 inches; ~~and.~~

2.3 ~~E. B.~~ For the conduct of bingo, the information required by this subpart may be
2.4 contained in the bingo program as an alternative to posting the information.

2.5 C. In the case of the gambling event awarding a merchandise prize with an option
2.6 for a winner to choose a cash equivalent, information required by this subpart must be
2.7 expressly communicated to any participant prior to the sale of any chance and meet the
2.8 prize requirements of Minnesota Statutes, section 349.173, paragraph (a).

2.9 *[For text of subpart 3, see Minnesota Rules]*

2.10 Subp. 4. **Prizes awarded; records required.**

2.11 *[For text of items A and B, see Minnesota Rules]*

2.12 C. A prize must consist of cash, merchandise, certificates for merchandise,
2.13 certificates for services, gift certificates, or gift cards with the following exceptions and
2.14 restrictions:

2.15 (1) prizes must not consist of lawful gambling equipment;

2.16 ~~(2) cash must not be substituted for merchandise prizes, certificates for~~
2.17 ~~services, gift certificates, or gift cards which have been won. This does not apply to multiple~~
2.18 ~~bingo winners for a merchandise prize that cannot be divided;~~

2.19 ~~(3)~~ (2) coupons redeemable for bingo hard cards, bingo paper sheets, bingo
2.20 paper sheet packets, bingo paper packages, and the use of an electronic bingo device may
2.21 be awarded for bingo;

2.22 ~~(4)~~ (3) a certificate for merchandise or services must contain:

2.23 (a) a complete description, including the value of the merchandise or
2.24 services to be redeemed by the certificate;

3.1 (b) the vendor's name from whom the certificate must be redeemed; and

3.2 (c) a statement expressly prohibiting the substitution of cash or another
3.3 type of merchandise or services for the merchandise or services described on the certificate;

3.4 ~~(5)~~ (4) for a paddlewheel game played with a table, only cash prizes may be
3.5 awarded and must be awarded and redeemed through the use of chips; and

3.6 ~~(6)~~ (5) for a paddlewheel game played without a table, a cash prize amount
3.7 may not be a variable multiple of the standard price of a paddlewheel ticket.

3.8 [For text of items D to F, see Minnesota Rules]

3.9 G. Merchandise prizes must be displayed in full view of the players in the
3.10 immediate vicinity of the game ~~and must not be redeemed for cash or converted into cash.~~
3.11 When the winner of a merchandise prize is determined, the organization must immediately
3.12 remove the prize from the display and award it to the winner. This requirement does not
3.13 apply to raffles.

3.14 [For text of items H to J, see Minnesota Rules]

3.15 [For text of subparts 5 to 11, see Minnesota Rules]

3.16 **7861.0320 ORGANIZATION OPERATIONS, ACCOUNTS, REPORTS, AND**
3.17 **RECORDS.**

3.18 [For text of subparts 1 to 8, see Minnesota Rules]

3.19 Subp. 9. **Fund loss report or request for a profit carryover adjustment due to fund**
3.20 **loss.** When an organization has a fund loss by questionable means of its inventory or cash,
3.21 including prizes paid from a game not conducted in compliance with statute and rule, the
3.22 organization must use the following procedures.

3.23 [For text of item A, see Minnesota Rules]

4.1 B. The organization must submit one of the following to the board within ~~60~~ 90
4.2 days of discovering the loss:

4.3 *[For text of subitem (1), see Minnesota Rules]*

4.4 (2) a request for a profit carryover adjustment due to a fund loss. If the
4.5 organization does not submit the request within ~~60~~ 90 days of discovering the loss, the board
4.6 will not consider the request.

4.7 *[For text of items C and D, see Minnesota Rules]*

4.8 E. The board must identify the relevant facts used to determine that the organization
4.9 failed to meet the procedural requirements of items A to C or that the organization failed
4.10 to establish adequate internal controls as listed in item D.

4.11 ~~E.~~ F. If the board denies a request for a profit carryover adjustment due to a fund
4.12 loss, the organization must reimburse its gambling account for the amount of the fund loss.
4.13 The organization must submit proof of reimbursement to the board within 90 days of the
4.14 board's final determination unless subject to the conditions of item H.

4.15 ~~F.~~ G. The board must reconsider a request for a profit carryover adjustment due
4.16 to a fund loss when an organization presents new information that the organization could
4.17 not have discovered before the board's initial consideration of the request.

4.18 H. If the board denies a request for a reason other than it failed to meet the timing
4.19 requirements of item B, then the organization may, within 30 days, choose to either:

4.20 (1) reimburse its gambling account as required under item F; or

4.21 (2) appear for a review of its application before the compliance review group.

4.22 *[For text of subparts 10 to 18, see Minnesota Rules]*

5.1 **7861.0330 EXCLUDED BINGO.**

5.2 *[For text of subparts 1 and 2, see Minnesota Rules]*

5.3 Subp. 3. **Licensure.** Organizations registered to conduct a bingo event under this part
5.4 or to conduct a raffle under Minnesota Statutes, section 349.166, subdivision 1, paragraph
5.5 (c), are permitted to apply for an organizational lawful gambling license under Minnesota
5.6 Statutes, section 349.155, within the same calendar year as the lawful gambling event.

5.7 **7861.0340 EXEMPTED LAWFUL GAMBLING.**

5.8 *[For text of subparts 1 and 2, see Minnesota Rules]*

5.9 Subp. 3. **Licensure.** Organizations registered to conduct an exempted lawful gambling
5.10 event under this part are permitted to apply for an organizational lawful gambling license
5.11 under Minnesota Statutes, section 349.155, within the same calendar year as the exempted
5.12 lawful gambling event.

1.1 **Gambling Control Board**

1.2 **Proposed Permanent Rules Relating to Lawful Gambling**

1.3 **7861.0235 CHIEF EXECUTIVE OFFICER.**

1.4 Subpart 1. Training of chief executive officer. The chief executive officer of an
1.5 organization conducting lawful gambling must receive educational training in laws and
1.6 rules governing lawful gambling within 90 days of taking office unless the chief executive
1.7 officer is subject to the gambling manager seminar requirement specified under part
1.8 7861.0220, subpart 2, item A. The chief executive officer must receive continuing education
1.9 training in laws and rules governing lawful gambling at least once during each calendar
1.10 year. The curriculum for training required by this subpart must be administered by board
1.11 staff or by a third party approved by the board to provide the training.

1.12 Subp. 2. Curriculum. The curriculum must cover elements of lawful gambling law
1.13 and rules that the board determines are necessary for a chief executive officer to know and
1.14 understand in order to successfully manage gambling operations for an organization.

1.15 **7861.0260 CONDUCT OF LAWFUL GAMBLING.**

1.16 [For text of subpart 1, see Minnesota Rules]

1.17 **Subp. 2. Posting of information and house rules.**

1.18 A. A licensed organization must prominently post the following information at
1.19 each permitted premises in an area visible to players before they purchase a chance to
1.20 participate in lawful gambling:

1.21 ~~A.~~ (1) organization name, license number, and premises permit number;

1.22 ~~B.~~ (2) notice of problem gambling information that must at a minimum include
1.23 the toll-free telephone number established by the commissioner of human services;

1.24 ~~C.~~ (3) statement that illegal gambling is prohibited; and

2.1 ~~D. (4)~~ house rules that include at a minimum the policies governing the conduct
2.2 of lawful gambling at the premises, including any restrictions in addition to those imposed
2.3 by Minnesota Statutes, section 349.181, on who may not participate in the conduct of lawful
2.4 gambling at the premises. The house rules must be adequately lighted, legible, and at least
2.5 11 inches by 17 inches; ~~and.~~

2.6 ~~E. B.~~ For the conduct of bingo, the information required by this subpart may be
2.7 contained in the bingo program as an alternative to posting the information.

2.8 C. In the case of the gambling event awarding a merchandise prize with an option
2.9 for a winner to choose cash or a cash equivalent, information required by this subpart must
2.10 be expressly communicated to any participant prior to the sale of any chance and meet the
2.11 prize requirements of Minnesota Statutes, section 349.173, paragraph (a).

2.12 [For text of subpart 3, see Minnesota Rules]

2.13 Subp. 4. **Prizes awarded; records required.**

2.14 [For text of items A and B, see Minnesota Rules]

2.15 C. A prize must consist of cash, merchandise, certificates for merchandise,
2.16 certificates for services, gift certificates, or gift cards with the following exceptions and
2.17 restrictions:

2.18 (1) prizes must not consist of lawful gambling equipment;

2.19 ~~(2) cash must not be substituted for merchandise prizes, certificates for~~
2.20 ~~services, gift certificates, or gift cards which have been won. This does not apply to multiple~~
2.21 ~~bingo winners for a merchandise prize that cannot be divided;~~

2.22 ~~(3)~~ (2) coupons redeemable for bingo hard cards, bingo paper sheets, bingo
2.23 paper sheet packets, bingo paper packages, and the use of an electronic bingo device may
2.24 be awarded for bingo;

3.1 ~~(4)~~ (3) a certificate for merchandise or services must contain:

3.2 (a) a complete description, including the value of the merchandise or
3.3 services to be redeemed by the certificate;

3.4 (b) the vendor's name from whom the certificate must be redeemed; and

3.5 (c) a statement expressly prohibiting the substitution of cash or another
3.6 type of merchandise or services for the merchandise or services described on the certificate;

3.7 ~~(5)~~ (4) for a paddlewheel game played with a table, only cash prizes may be
3.8 awarded and must be awarded and redeemed through the use of chips; and

3.9 ~~(6)~~ (5) for a paddlewheel game played without a table, a cash prize amount
3.10 may not be a variable multiple of the standard price of a paddlewheel ticket.

3.11 [For text of items D to F, see Minnesota Rules]

3.12 G. Merchandise prizes must be displayed in full view of the players in the
3.13 immediate vicinity of the game ~~and must not be redeemed for cash or converted into cash.~~
3.14 When the winner of a merchandise prize is determined, the organization must immediately
3.15 remove the prize from the display and award it to the winner. This requirement does not
3.16 apply to raffles.

3.17 [For text of items H to J, see Minnesota Rules]

3.18 [For text of subparts 5 to 11, see Minnesota Rules]

3.19 **7861.0320 ORGANIZATION OPERATIONS, ACCOUNTS, REPORTS, AND**
3.20 **RECORDS.**

3.21 [For text of subparts 1 to 8, see Minnesota Rules]

3.22 Subp. 9. **Fund loss report or request for a profit carryover adjustment due to fund**
3.23 **loss.** When an organization has a fund loss by questionable means of its inventory or cash,

including prizes paid from a game not conducted in compliance with statute and rule, the organization must use the following procedures.

[For text of item A, see Minnesota Rules]

B. The organization must submit one of the following to the board within ~~60~~ 90 days of discovering the loss:

[For text of subitem (1), see Minnesota Rules]

(2) a request for a profit carryover adjustment due to a fund loss. If the organization does not submit the request within ~~60~~ 90 days of discovering the loss, the board will not consider the request.

[For text of items C and D, see Minnesota Rules]

E. The board must identify the relevant facts used to determine that the organization failed to meet the procedural requirements of items A to C or that the organization failed to establish adequate internal controls as listed in item D.

~~F.~~ F. If the board denies a request for a profit carryover adjustment due to a fund loss, the organization must reimburse its gambling account for the amount of the fund loss. The organization must submit proof of reimbursement to the board within 90 days of the board's final determination unless subject to the conditions of item H.

F. G. The board must reconsider a request for a profit carryover adjustment due to a fund loss when an organization presents new information that the organization could not have discovered before the board's initial consideration of the request.

H. Board staff may recommend whether to approve or deny the organization's request for a profit carryover adjustment, assessing the factors identified in item D, before the board approves or denies the request. If board staff recommends that the board deny the request, the staff must refer the request for a hearing to the compliance review group unless

the recommendation originates from a failure to meet the requirements of item A or B. The compliance review group and the organization may enter into a consent order agreement regarding a resolution of the profit carryover adjustment. If no agreement is reached, the matter shall proceed before the board as specified in item D. The organization may choose to forego the hearing before the compliance review group in favor of a review of the request before the board.

[For text of subparts 10 to 18, see Minnesota Rules]

7861.0330 EXCLUDED BINGO.

[For text of subparts 1 and 2, see Minnesota Rules]

Subp. 3. **Licensure.** Organizations registered to conduct a bingo event under this part or to conduct a raffle under Minnesota Statutes, section 349.166, subdivision 1, paragraph (c), are permitted to apply for an organizational lawful gambling license under Minnesota Statutes, section 349.155, within the same calendar year as the lawful gambling event.

7861.0340 EXEMPTED LAWFUL GAMBLING.

[For text of subparts 1 and 2, see Minnesota Rules]

Subp. 3. **Licensure.** Organizations registered to conduct an exempted lawful gambling event under this part are permitted to apply for an organizational lawful gambling license under Minnesota Statutes, section 349.155, within the same calendar year as the exempted lawful gambling event.

Office of the Revisor of Statutes

Administrative Rules



TITLE: Proposed Permanent Rules Relating to Lawful Gambling

AGENCY: Gambling Control Board

REVISOR ID: R-4986

MINNESOTA RULES: Chapter 7861

The attached rules are approved for
publication in the State Register

A handwritten signature in cursive script that reads "Jeffrey S. Kase". The signature is written in black ink and is positioned above a horizontal line.

Jeff S. Kase
Deputy Revisor



Date: April 20th, 2026

To: Doug Lewis
Staff Attorney
Minnesota Gambling Control Board

From: Jack Indritz
Executive Budget Officer
Minnesota Management & Budget

Subject: M.S. 14.131 Review of Proposed Rules Relating to Lawful Gambling in Minnesota Rules, Chapter 7861

RE: Lawful Gambling Proposed Rules

Background

The Gambling Control Board (GCB) proposes to amend Minnesota Rules, Chapter 7861. These amendments clarify statute surrounding license applications, formalize cash equivalent prize substitution options, imposes education requirements on licensed gambling organization leadership, and changes procedures and practices surrounding fund losses. Pursuant to Minnesota Statutes 14.131, the GCB has requested Minnesota Management and Budget to evaluate the proposed amendments for fiscal impact and benefits on units of local government.

Evaluation

On behalf of the Commissioner of Minnesota Management and Budget, I have reviewed the proposed changes to evaluate the fiscal impact these changes may have on local governments.

Proposed amendments to Minnesota Rules, Chapter 7861, require the leadership of licensed gambling organizations to participate in annual education from the GCB, allow for a cash equivalent value substitution option for certain game winners, and clarifies an organization's ability to apply for an organizational gambling license in a year in which they have held an exempt or excluded gambling event, which is the GCB's current interpretation of existing statute. Additionally, the proposed amendments make several changes surrounding profit carryover requests for organization fund losses by extending the time allowed for organizations to request to carryover profits to cover fund losses, requiring the GCB disclose the reasons for denial of profit carryover requests, and aiming to provide organizations facing a carryover denial more flexible options with how to resolve the fund loss without risking organizational insolvency.

Those who will be affected by this rule change are licensed gambling organizations in Minnesota, as well as those who participate in legal gambling. According to the GCB, local units of government cannot conduct licensed gambling under Minnesota Rules, Chapter 7861, so will not be directly impacted by these changes. Further, all gambling regulatory operations take place at the state level, without involvement of any local

governments. Thus, there would be no cost or revenue for any local unit of government due to these proposed amendments.

In summary, the proposed changes would not result in a fiscal impact for any local unit of government.

Sincerely,

Jack Indritz
Executive Budget Officer (MMB)

CC: Madeline Kennedy, Director of Budget Policy and Analysis (MMB)

EXHIBIT D