

HOUSE RESEARCH

Bill Summary

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Overview

This bill authorizes the placement of gaming machines by the state lottery at Canterbury Park racetrack. The state would receive 40 percent of adjusted gross revenue (amounts wagered less prizes paid out) for the general fund.

Section

- 1 **Purses.** Requires a racetrack that has gaming machines to set aside at least 7.25 percent of adjusted gross gaming machine revenue for horse racing purses. Allows the racetrack and the majority horsepersons' organization to negotiate a different percentage. Requires 20 percent of this money to go to the Minnesota breeders fund for purse supplements.
- 2 **In-lieu tax.** Requires the state lottery to pay a tax based on adjusted gross gaming machine revenue in lieu of sales tax as follows:

- ▶ 51 percent for the biennium ending in 2005
- ▶ 34 percent for the biennium ending in 2007
- ▶ 40 percent beginning July 1, 2007.

Requires the revenue to be deposited in the general fund, except for:

- ▶ 5 percent to human services department for compulsive gambling programs
- ▶ 2 percent to department of corrections for costs of presentence investigation of offenders who have indicated proclivity to compulsive gambling
- ▶ 2 percent to district courts
- ▶ 1 percent to board of public defense

- 3 **Gambling device possession.** Exempts gambling devices possessed by the state lottery from the general prohibition against possession of gambling devices.
- 4 **Gambling device distributors.** Allows licensed gambling device distributors and manufacturers to sell, lease, or rent gambling devices to the state lottery.
- 5 **Gambling in licensed liquor establishments.** Exempts gambling devices at racetracks from the prohibition against gambling devices at establishments licensed for retail liquor sales.
- 6 **Lottery procurement contract definition.** Adds contracts for gaming machines to the definition of "lottery procurement contract."
- 7 **Gaming machine definition.** Defines "gaming machine" as a machine into which a coin or token is deposited to play a game that uses a video display or an electromechanical device with a spinning reel.
- 8 **Gaming machine game.** Defines "gaming machine game" as a game played by a gaming machine.
- 9 **Gaming machine play.** Defines "gaming machine play" as a record that proves participation in a gaming machine game.
- 10 **Adjusted gross gaming machine revenue.** Defines "adjusted gross gaming machine revenue" as all money received by the lottery from gaming machine plays, less prizes paid out.
- 11 **Lottery operations account.** Excludes from the limit of 15 percent of gross revenue that the lottery may spend on lottery operations amounts transferred or retained by a racetrack under a location contract for gaming machines.
- 12 **Restrictions.** Exempts gaming machines from the prohibition against the lottery installing any coin-operated games.
- 13 **Gaming machine operation.** Provides for the operation of gaming machines by the state lottery at a racetrack.

Subd. 1. Location contract. Authorizes the lottery director to enter into a contract with a class A racetrack operating as of the effective date of the act, under which the racetrack provides locations for gaming machines. Requires contracts to allow compensation to the racetrack of a percentage of the adjusted gross gaming machine revenue as follows:

- ▶ 34 percent for the biennium ending in 2005
- ▶ 51 percent for the biennium ending in 2007
- ▶ 45 percent beginning July 1, 2007.

Requires the racetrack to pay .5 percent of adjusted gross gaming machine revenue annually to both the city and county in which it is located.

Subd. 2. Machine operation. Requires machines to be operated, controlled, and owned or leased by the lottery. Requires them to be maintained by the lottery or a lottery contractor. Requires a central communications system that monitors each machine. Requires the lottery to supervise counting of money from machines and supervise general security arrangements. Requires lottery to approve all advertising related to machines.

Subd. 3. Specifications. Requires machines to have a permanent record, on a nonresettable meter, of all transactions on the machine, and to be capable of being linked electronically to a central communications system.

Subd. 4. Games. Requires the director to specify the games played on gaming machines, including horse racing.

Subd. 5. Examination of machines. Provides for examination of prototypes of

gaming machines, with costs paid by manufacturer. Allows the director to contract for testing.

Subd. 6. Testing. Authorizes the director to require working models of a machine to be brought in for testing, at the manufacturer's expense.

Subd. 7. Prizes. Prohibits persons under age 18 from claiming a prize from a gaming machine. Makes gaming machine prizes subject to the same laws as other lottery games with respect to player rights. Exempts gaming machine prizes from the law that authorizes withholding of unpaid taxes from lottery prizes.

Subd. 8. Prohibitions. Prohibits persons under age 18, and the lottery director and lottery employees and their immediate families, from playing gaming machines.

Subd. 9. Compulsive gambling notice. Requires the director to post the compulsive gambling hotline number at gaming machine locations. Requires the director and racetrack to develop a proactive plan to identify problem gamblers and take appropriate action.

Subd. 10. No local license. Prohibits political subdivisions from licensing, regulating, or taxing gaming machines.

- 14 Recovery of money lost.** Exempts gaming machine play from the law that allows persons to sue to recover gambling losses.
- 15 Gambling debts void.** Exempts gaming machine play from the law that makes gambling debts void.
- 16 Exemption from gambling laws.** Adds gaming machine plays to the list of gambling activities that are not bets for purposes of state laws that prohibit gambling.
- 17 Exemption from gambling laws.** Exempts manufacture, possession, sale, and operation of gaming machines from anti-gambling laws.
- 18 Effective date.** Makes all sections effective immediately.