

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 1675
Version: As introduced

DATE: May 11, 2011

Authors: Kriesel

Subject: Minneapolis/Block E Casino

Analyst: Patrick McCormack

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

This bill authorizes an exclusive, single state owned casino in Minneapolis, at Block E, with slot machines, and a wide variety of games.

- 1 **Lottery facility games; in-lieu tax.** Creates an in-lieu of tax, which directs 20 percent of lottery gaming facility revenues to the state general fund.
- 2 **Deposit of revenues.** A transfer mechanism for lottery revenues to go from the commissioner of revenue to the general fund.
- 3 **Lottery.** Requires deposit of funds from investigations and background checks relating to the facility management contract. Appropriates these funds to the director for these duties.
- 4 **Exclusions.** Allows gambling devices to be operated at this casino site.
- 5 **Restrictions.** Allows manufacturers to sell machines to the State Lottery or facility manager.
- 6 **City of Minneapolis, lottery gaming enterprise, lottery gaming.** Allows the city of Minneapolis have a liquor license for non-contiguous and non-compact spaces at the casino site.
- 7 **Gambling prohibited.** Allows gambling devices to be operated at the new casino.
- 8 **Ancillary lottery gaming facility enterprise operations.** This definition includes non-lottery products and services, such as hotels, dining, parking, or other entertainment facilities.
- 9 **Card Club.** A part of the casino where card games are played.
- 10 **Card game.** Defines a card game, allows pai gow tile games.
- 11 **Electronic lottery credit.** The basic unit of play on an electronic lottery terminal.
- 12 **Electronic lottery credit receipt.** A receipt providing evidence of cash payment due a player from play.

- 13 Electronic lottery game.** A game authorized by the director played on the electronic lottery terminal. Invests authority over what games are allowed on the terminals by the director.
- 14 Electronic lottery terminal.** Defines a terminal to include a variety of types of machines, including mechanical, electrical, and other kinds of machines; allows for cash, tokens, or other forms of payment; allows bill validators and other technologies; allows multiple games to be played on a given machine. Requires direct linkage to a central communications system for security, monitoring, and auditing.
- 15 Electronic lottery game revenues.** Defines revenues to be total wagered excluding various non-cashable credits, including free play credits, less total winnings. This definition is used for allocation of revenues.
- 16 Lottery facility game.** Defines a game to mean any electronic lottery game, card game or non-electronic game, which is authorized by the director to be conducted. Seats control over what kinds of games are played with the director.
- 17 Lottery gaming enterprise.** Defines this enterprise as an entertainment enterprise including a lottery gaming facility, authorized by statute and includes ancillary operations with a coordinated business or marketing strategy.
- 18 Lottery gaming facility.** The portion of the enterprise reserved for lottery facility games.
- 19 Lottery gaming facility management contract.** A contract between the director and the lottery gaming facility manager. Authorizing management, construction, of a lottery gaming facility, the business of which is owned by the Minnesota Lottery.
- 20 Lottery gaming facility manager.** Defines the manager that will be contracted with the director.
- 21 Lottery gaming facility revenues.** Defines revenues - total wagered minus prizes.
- 22 Non-electronic game.** Any game other than an electronic game that is authorized by the director. Seats control over what games are authorized with the director.
- 23 Non-electronic game revenues.** A similar definition of these revenues, broadly creating a formula that takes total wagers, and backs out non-cashable credits, and then subtracts winnings.
- 24 Lottery procurement contract.** Broadens current definition to allow for a contract for a lottery gaming facility management contract.
- 25 Lottery retailer.** Makes it clear that the facility manager is not a retailer.
- 26 Lottery ticket or ticket.** Technical.
- 27 Powers and duties.** Technical.
- 28 Lottery game procedures.** Technical.
- 29 Proceeds of sales.** Technical.
- 30 Agreement by players.** Technical.
- 31 Payment; unclaimed prizes.** Requires that a winning receipt be presented within six months of the date it was printed. Those presented after that date are unclaimed, and the player shall have no further claim.

- 32 Withholding of delinquent state taxes or other debts.** Winners of prizes are reported to the Department of Revenue as required under federal law.
- 33 Deposit in prize fund.** Technical.
- 34 Deposit of net proceeds.** Technical.
- 35 Lottery ticket; retailer.** Adds this new casino to the prohibition on employees or family members participating in gambling. The lottery manager must have actual knowledge of a violation to be held responsible.
- 36 Restrictions.** Technical.
- 37 Operation of Lottery Gaming Facility.**
- Subd. 1. Purpose.** A purpose clause declaring the public policy of the state with respect to the new facility.
- Subd. 2. Location.** Locates the new casino on Hennepin Avenue in the downtown entertainment billboard district - states facility requirements that make Block E a likely candidate. Makes the facility non-smoking.
- Subd. 3. Types of gaming.** Allows the lottery director to decide the types of gaming. This means the lottery director could authorize new games, such as craps and roulette. Allows up to 3,200 gaming positions... machines and table slots.
- Subd. 4. Electronic lottery terminals.** Allows terminals to be owned or leased by the manager. Requires a central communications system. Requires security arrangements and lottery controls. Allows for testing of machines. Allows deactivation of machines.
- Subd. 5. Card club.** Authorizes operation of a card club. Makes the lottery facility manager responsible for conducting and supervising games. Requires a plan of operations.
- Subd. 6. Non-electronic games.** Allows the director to authorize games at the lottery gaming facility. Part of several sections giving the lottery director authority to set games of different kinds.
- Subd. 7. Lottery gaming facility contract; procedure.** Requires selection of a manager within 90 days of an RFP issued; sets standards for the RFP. Requires an application fee of \$150,000.
- Subd. 8. Lottery gaming facility management contract.** Requires a number of provisions for a management contract. Managers must be residents of Minnesota; have development experience on large projects. Capacity to spend at least \$200 million on investments in the new casino is required. A 15 year exclusive contract is required, with two five year renewal periods. A \$50 million privilege fee is required. An exclusive casino is pledged, until 2036, with return of the fee required for violation by future legislatures. A variety of control and management requirements are specified.
- Subd. 9. Personnel; vendors.** Prevents a variety of conflicts of interest in vending and contracts. Requires investigations. Allows background checks in cooperation with other agencies.
- Subd. 10. Prizes.** Requires players to be bound by game rules.
- Subd. 11. Restrictions.** An age 21 limit for play is required.

Subd. 12. Disposition of lottery gaming facility revenues. Allocates revenues. The state receives 20 percent directly to the general fund, under section 1 of this bill. Three percent goes to the city of Minneapolis, which may not assess other fees or taxes. 72 percent goes to the manager, who must pay costs of operations. Five percent goes to the Minnesota Lottery for administrative costs, out of which \$1.5 million is reserved for two compulsive gambling programs.

Subd. 13. Restrictions on lottery gaming facility manager. Requires accounting, reporting, and other standards on the manager. Specifies approval for sales or transfers of the facility contract. Requires posting of compulsive gambling notices.

Subd. 14. Charter limitation. Waives local charter limitations.

Subd. 15. Local tax. Prevents local taxes or fees from being assessed.

Subd. 16. Local restrictions. Prevents local restrictions or licenses.

- 38 **Recovery of money lost.** Technical.
- 39 **Commitments for gambling debt void.** Technical.
- 40 **What are not bets.** Technical.
- 41 **State lottery.** Technical.
- 42 **Federal exemption.** Proclaims state exemption from federal laws regarding transportation of gaming devices.
- 43 **Local approval.** Requires local approval of this act, by the City Council of Minneapolis.
- 44 **Lottery budget; Lottery Gaming Facility.** Requires the lottery director to submit a budget. Waives statutory limits on administrative costs, for the Lottery, in 2013 and 2014.
- 45 **Severability.** A severability clause.
- 46 **Effective date.** This act is effective the day following final enactment.