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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SIXTH
SESSION

HOUSE FILE No. 2339

April 20, 2009

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The bill was read for the first time and referred to the Committee on Commerce and Labor

1.1 A bill for an act
1.2 relating to gambling; authorizing the director of the State Lottery to establish
1.3 lottery gaming machines and enter into a contract for the management and
1.4 placement of the machines; providing powers and duties to the director;
1.5 providing for gaming machine revenue; amending Minnesota Statutes 2008,
1.6 sections 240.13, by adding a subdivision; 240.35, subdivision 1; 297A.94;
1.7 299L.02, subdivision 1; 299L.07, subdivisions 2, 2a; 340A.410, subdivision
1.8 5; 349A.01, subdivision 10, by adding subdivisions; 349A.04; 349A.10,
1.9 subdivisions 3, 6; 349A.13; 541.20; 541.21; 609.651, subdivision 1; 609.75,
1.10 subdivisions 3, 4; 609.761, by adding a subdivision; proposing coding for new
1.11 law in Minnesota Statutes, chapters 297A; 349A.

1.12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.13 **ARTICLE 1**
1.14 **OPERATIONS**

1.15 Section 1. Minnesota Statutes 2008, section 349A.01, subdivision 10, is amended to
1.16 read:

1.17 Subd. 10. **Lottery procurement contract.** "Lottery procurement contract" means a
1.18 contract to provide lottery products, gaming machines, maintenance of gaming machines,
1.19 computer hardware and software used to monitor sales of lottery tickets and gaming
1.20 machine plays, equipment used to conduct and monitor other lottery games at a gaming
1.21 facility, equipment used for the conducting of other lottery games, and lottery tickets.

1.22 "Lottery procurement contract" does not include a contract to provide an annuity or prize
1.23 payment agreement or materials, supplies, equipment, or services common to the ordinary
1.24 operation of a state agency.

1.25 Sec. 2. Minnesota Statutes 2008, section 349A.01, is amended by adding a subdivision
1.26 to read:

2.1 Subd. 14. **Gaming machine.** "Gaming machine" means any machine, system, or
2.2 device which, upon payment of consideration in order to play a game, may award or
2.3 entitle a player to a prize by reason of skill of the player or application of the element
2.4 of chance, or both.

2.5 Sec. 3. Minnesota Statutes 2008, section 349A.01, is amended by adding a subdivision
2.6 to read:

2.7 Subd. 15. **Gaming machine game.** "Gaming machine game" means a game
2.8 operated by a gaming machine as authorized by the director.

2.9 Sec. 4. Minnesota Statutes 2008, section 349A.01, is amended by adding a subdivision
2.10 to read:

2.11 Subd. 16. **Gaming machine play.** "Gaming machine play" means a record that
2.12 proves participation in a gaming machine game.

2.13 Sec. 5. Minnesota Statutes 2008, section 349A.01, is amended by adding a subdivision
2.14 to read:

2.15 Subd. 17. **Adjusted gross gaming machine revenue.** "Adjusted gross gaming
2.16 machine revenue" means the sum of all money received for gaming machine plays less the
2.17 amount paid out in prizes.

2.18 Sec. 6. Minnesota Statutes 2008, section 349A.04, is amended to read:

2.19 **349A.04 LOTTERY GAME PROCEDURES.**

2.20 The director may adopt game procedures governing the following elements of the
2.21 lottery:

- 2.22 (1) lottery games;
- 2.23 (2) ticket prices;
- 2.24 (3) number and size of prizes;
- 2.25 (4) methods of selecting winning tickets; ~~and~~
- 2.26 (5) frequency and method of drawings;
- 2.27 (6) gaming machine games; and
- 2.28 (7) cost of gaming machine plays.

2.29 The adoption of lottery game procedures is not subject to chapter 14.

2.30 Sec. 7. Minnesota Statutes 2008, section 349A.10, subdivision 3, is amended to read:

3.1 Subd. 3. **Lottery operations.** (a) The director shall establish a lottery operations
3.2 account in the lottery fund. The director shall pay all costs of operating the lottery,
3.3 including payroll costs or amounts transferred to the state treasury for payroll costs, but
3.4 not including lottery prizes, from the lottery operating account. The director shall credit to
3.5 the lottery operations account amounts sufficient to pay the operating costs of the lottery.

3.6 (b) Except as provided in paragraph (e), the director may not credit in any fiscal
3.7 year thereafter amounts to the lottery operations account which when totaled exceed
3.8 nine percent of gross revenue to the lottery fund in that fiscal year. In computing total
3.9 amounts credited to the lottery operations account under this paragraph the director shall
3.10 disregard amounts transferred to or retained by lottery retailers as sales commissions or
3.11 other compensation and amounts transferred to or retained by a racetrack pursuant to a
3.12 location contract under section 349A.17.

3.13 (c) The director of the lottery may not expend after July 1, 1991, more than 2-3/4
3.14 percent of gross revenues in a fiscal year for contracts for the preparation, publication, and
3.15 placement of advertising.

3.16 (d) Except as the director determines, the lottery is not subject to chapter 16A
3.17 relating to budgeting, payroll, and the purchase of goods and services.

3.18 (e) In addition to the amounts credited to the lottery operations account under
3.19 paragraph (b), the director is authorized, if necessary, to meet the current obligations of
3.20 the lottery and to credit up to 25 percent of an amount equal to the average annual amount
3.21 which was authorized to be credited to the lottery operations account for the previous three
3.22 fiscal years but was not needed to meet the obligations of the lottery.

3.23 (f) Notwithstanding the provisions of this subdivision, the director may not credit, in
3.24 any fiscal year, to the lottery operations account which when totaled exceed ten percent of
3.25 adjusted gross revenue from the operation of gaming machines at the racetrack.

3.26 Sec. 8. Minnesota Statutes 2008, section 349A.10, subdivision 6, is amended to read:

3.27 Subd. 6. **Budget; plans.** The director shall prepare and submit a biennial budget
3.28 plan to the commissioner of finance. The governor shall recommend the maximum
3.29 amount available for the lottery in the budget the governor submits to the legislature under
3.30 section 16A.11. The maximum amount available to the lottery for operating expenses and
3.31 capital expenditures shall be determined by law. Operating expenses shall not include
3.32 expenses that are a direct function of lottery sales, which include the cost of lottery prizes,
3.33 amounts paid to lottery retailers as sales commissions or other compensation, amounts
3.34 paid to produce and deliver scratch lottery games, ~~and~~ amounts paid to an outside vendor
3.35 to operate and maintain an online gaming system, amounts paid to an outside vendor to

4.1 operate and maintain a central system for gaming machines, and amounts paid to acquire
 4.2 and maintain gaming machines. In addition, the director shall appear at least once each
 4.3 fiscal year before the senate and house of representatives committees having jurisdiction
 4.4 over gambling policy to present and explain the lottery's plans for future games and the
 4.5 related advertising and promotions and spending plans for the next fiscal year.

4.6 Sec. 9. Minnesota Statutes 2008, section 349A.13, is amended to read:

4.7 **349A.13 RESTRICTIONS.**

4.8 Nothing in this chapter:

4.9 (1) authorizes the director to conduct a lottery game or contest the winner or winners
 4.10 of which are determined by the result of a sporting event other than a horse race conducted
 4.11 under chapter 240;

4.12 (2) authorizes the director to install or operate a lottery device operated by coin or
 4.13 currency which when operated determines the winner of a game except as authorized
 4.14 under section 349A.17; and

4.15 (3) authorizes the director to sell pull-tabs as defined under section 349.12,
 4.16 subdivision 32.

4.17 Sec. 10. **[349A.17] GAMING MACHINES.**

4.18 Subdivision 1. Location contract. (a) The director may enter into a contract with
 4.19 a person to provide locations for gaming machines. Contracts entered into under this
 4.20 section are not subject to chapter 16C. The director may only enter a contract under this
 4.21 subdivision with a person that holds a class A license under chapter 240. The gaming
 4.22 machines may only be placed at the racetrack for which the class A license under chapter
 4.23 240 was issued.

4.24 (b) In order to be eligible for a contract under this section, at least 50 days of live
 4.25 racing must have been conducted at the licensee's class A facility in the preceding year. A
 4.26 contract under this section must contain a provision under which the contract terminates
 4.27 on the first day of any calendar year following a calendar year during which fewer than 50
 4.28 days of live racing were conducted at the licensee's class A facility.

4.29 (c) Contracts entered into must provide for compensation to the licensee in an
 4.30 amount equal to at least 65 percent of adjusted gross gaming machine revenue. From the
 4.31 amount received by the licensee under this section, the licensee shall annually remit an
 4.32 amount equal to one-half of one percent of the adjusted gross gaming machine revenue to
 4.33 both the city or town and the county where the racetrack is located.

5.1 (d) The director may cancel, suspend, or refuse to renew the location contract or
5.2 impose a civil penalty if the licensee:

5.3 (1) no longer holds a class A license under chapter 240;

5.4 (2) fails to account for proceeds from the gaming machines;

5.5 (3) fails to remit funds to the director in accordance with the location contract;

5.6 (4) violates a law, rule, or order of the director;

5.7 (5) fails to comply with any of the terms of the location contract; or

5.8 (6) has acted in a manner prejudicial to public confidence in the integrity of the
5.9 operation of the gaming machines.

5.10 The cancellation, suspension, or refusal to renew the location contract or imposition
5.11 of a civil penalty under this paragraph is a contested case under sections 14.57 to 14.69.

5.12 (e) No gaming machines may be located within a home rule charter or statutory city
5.13 or town unless the governing body of the city or town adopts a resolution approving the
5.14 location of the gaming machines within the city or town.

5.15 (f) The contract entered into under this section must provide for the following
5.16 provisions:

5.17 (1) Liquidated damages to recover the initial investment by the licensee in the event
5.18 the state, through legislation or constitutional amendment, revokes all or substantially all
5.19 of the forms of gambling authorized under this section. The liquidated damages may not
5.20 be greater than the unpaid balance of any debt incurred by the licensee after the location
5.21 contract has been executed and is limited to the debt incurred by the licensee for the
5.22 gaming facility license, initial construction, or acquisition of the gaming facility less the
5.23 present market value of the property or other assets related to the debt. Any liquidated
5.24 damages provision must expire within ten years.

5.25 (2) All costs associated with managing the day-to-day activity of gaming machines,
5.26 including, but not limited to, routine and minor service and maintenance, security
5.27 monitoring, verifying winners, paying winners, collecting money from gaming machines,
5.28 and advertising and marketing of gaming machines shall be borne by the licensee.

5.29 Subd. 2. **Operation.** (a) All gaming machines that are placed at a racetrack pursuant
5.30 to subdivision 1 must be operated and controlled by the director.

5.31 (b) Gaming machines must be owned or leased by the director.

5.32 (c) Gaming machines must be maintained by the lottery, or by a vendor that is under
5.33 the control and direction of the director.

5.34 (d) The director must have a central communications system that monitors activities
5.35 and provides auditing program information on each gaming machine. The central
5.36 communications system must be located at a lottery office.

6.1 (e) The director must approve the general security arrangements associated with and
6.2 relating to the operation of the gaming machines.

6.3 (f) Advertising and promotional material produced by the licensee relating to gaming
6.4 machines located at the racetrack must be approved by the director.

6.5 (g) There must be a reasonable number of gaming machines that are accessible
6.6 to individuals with disabilities. For the purposes of this subdivision, "individuals with
6.7 disabilities" includes any person who has a physical or sensory impairment which
6.8 materially limits one or more major life activities.

6.9 (h) A reasonable number of gaming machines that are placed at a racetrack pursuant
6.10 to subdivision 1 must afford players the option to receive winnings in the form of either
6.11 coins or tokens rather than in the form of a paper receipt.

6.12 (i) Gaming machines must maintain on nonresettable meters a permanent record,
6.13 capable of being printed out, of all transactions by the machine and all entries into the
6.14 machine.

6.15 (j) The director may implement other controls as are deemed necessary to ensure
6.16 and maintain the integrity of gaming machines operated under this section.

6.17 Subd. 3. **Games.** The director shall specify the games that may be placed on a
6.18 gaming machine as set forth under section 349A.04. Gaming machines may conduct
6.19 pari-mutuel wagering and display horse races pursuant to specifications set forth by the
6.20 director.

6.21 Subd. 4. **Examination of machines.** The director shall examine prototypes of
6.22 gaming machines and require that the manufacturer of the machine pay the cost of the
6.23 examination. The director may contract for the examination of gaming machines. The
6.24 director may require working models of a gaming machine transported to the locations the
6.25 director designates for testing, examination, and analysis. The manufacturer shall pay all
6.26 costs of any testing, examination, analysis, and transportation of the machine model.

6.27 Subd. 5. **Prizes.** A person who plays a gaming machine or plays any other lottery
6.28 game at the gaming facility agrees to be bound by the rules and game procedures
6.29 applicable to that particular game. The player acknowledges that the determination of
6.30 whether the player has won a prize is subject to the rules and game procedures adopted
6.31 by the director, claim procedures established by the director for that game, and any
6.32 confidential or public validation tests established by the director for that game. A prize
6.33 claimed from the play of a gaming machine game or the conduct of any other lottery game
6.34 is not subject to section 349A.08, subdivision 8.

6.35 Subd. 6. **Odds.** The approximate odds of winning a prize from a gaming machine
6.36 must be displayed on the face of the screen.

7.1 Subd. 7. **Prohibitions.** A person under the age of 18 years may not play a game on
7.2 a gaming machine or claim a prize from the operation of a gaming machine.

7.3 Subd. 8. **Compulsive gambling notice.** The licensee shall prominently post, in
7.4 areas of the gaming facility where gaming machines are located, the toll-free telephone
7.5 number established by the commissioner of human services in connection with the
7.6 problem and compulsive gambling program. The licensee shall establish, with the
7.7 approval of the director, a proactive plan relating to problem and compulsive gambling.

7.8 Subd. 9. **Local licenses; local fees.** A political subdivision may not require a license
7.9 to operate a gaming machine, restrict or regulate the placement of gaming machines, or
7.10 impose a tax or fee on the business of operating gaming machines.

7.11 Subd. 10. **Reimbursement; racing commission.** The racing commission under
7.12 section 240.02 shall require the licensee to reimburse the commission's actual costs,
7.13 including personnel costs, of regulating the licensee under this section. Amounts received
7.14 under this subdivision must be deposited as provided in section 240.155, subdivision 1.

7.15 Sec. 11. **EFFECTIVE DATE.**

7.16 This article is effective the day following final enactment.

7.17 **ARTICLE 2**
7.18 **CONFORMING AMENDMENTS**

7.19 Section 1. Minnesota Statutes 2008, section 240.35, subdivision 1, is amended to read:

7.20 Subdivision 1. **Generally.** A licensee of the commission may detain a person if
7.21 the licensee has probable cause to believe that the person detained has violated section
7.22 609.76 while at a card club authorized by section 240.30 or at a racetrack where gaming
7.23 machines are located under section 349A.17. For purposes of this section, "licensee"
7.24 means the commission's director of racing security or a security officer licensed under
7.25 Minnesota Rules, chapter 7878.

7.26 Sec. 2. Minnesota Statutes 2008, section 299L.02, subdivision 1, is amended to read:

7.27 Subdivision 1. **Lottery.** (a) The director shall when required under chapter 349A or
7.28 when requested by the director of the lottery conduct background checks on employees of
7.29 the State Lottery, lottery retailers, and bidders of lottery procurement contracts.

7.30 (b) The director shall, when so requested by the director of the State Lottery or when
7.31 the director believes it to be reasonable and necessary, conduct investigations of lottery
7.32 retailers, applicants for lottery retailer contracts, suppliers of goods or services to the State
7.33 Lottery, and persons bidding on contracts for goods or services with the State Lottery.

8.1 (c) The director shall conduct an annual security audit of the State Lottery, or arrange
8.2 for such an audit by an outside agency or person, firm, or corporation. The director shall
8.3 report to the director of the lottery on the results of the audit.

8.4 (d) The director shall deposit in a separate account in the state treasury all money
8.5 received from the director of the State Lottery for charges for investigations and
8.6 background checks relating to the owning and operating of gaming machines under
8.7 chapter 349A. Money in the account is appropriated to the director for the purpose of
8.8 carrying out the director's powers and duties under this subdivision.

8.9 Sec. 3. Minnesota Statutes 2008, section 299L.07, subdivision 2, is amended to read:

8.10 Subd. 2. **Exclusions.** Notwithstanding subdivision 1, a gambling device:

8.11 (1) may be sold by a person who is not licensed under this section, if the person (i) is
8.12 not engaged in the trade or business of selling gambling devices, and (ii) does not sell
8.13 more than one gambling device in any calendar year;

8.14 (2) may be sold by the governing body of a federally recognized Indian tribe
8.15 described in subdivision 2a, paragraph (b), clause (1), which is not licensed under this
8.16 section, if (i) the gambling device was operated by the Indian tribe, (ii) the sale is to
8.17 a distributor licensed under this section, and (iii) the licensed distributor notifies the
8.18 commissioner of the purchase, in the same manner as is required when the licensed
8.19 distributor ships a gambling device into Minnesota;

8.20 (3) may be possessed by a person not licensed under this section if the person holds
8.21 a permit issued under section 299L.08; ~~and~~

8.22 (4) may be possessed by a state agency, with the written authorization of the director,
8.23 for display or evaluation purposes only and not for the conduct of gambling; and

8.24 (5) may be possessed by the State Lottery as authorized under chapter 349A.

8.25 Sec. 4. Minnesota Statutes 2008, section 299L.07, subdivision 2a, is amended to read:

8.26 Subd. 2a. **Restrictions.** (a) A manufacturer licensed under this section may sell,
8.27 offer to sell, lease, or rent, in whole or in part, a gambling device only to a distributor
8.28 licensed under this section or to the State Lottery as authorized under chapter 349A.

8.29 (b) A distributor licensed under this section may sell, offer to sell, market, rent,
8.30 lease, or otherwise provide, in whole or in part, a gambling device only to:

8.31 (1) the governing body of a federally recognized Indian tribe that is authorized
8.32 to operate the gambling device under a tribal state compact under the Indian Gaming
8.33 Regulatory Act, Public Law 100-497, and future amendments to it;

9.1 (2) a person for use in the person's dwelling for display or amusement purposes in a
 9.2 manner that does not afford players an opportunity to obtain anything of value;

9.3 (3) another distributor licensed under this section; ~~or~~

9.4 (4) a person in another state who is authorized under the laws of that state to possess
 9.5 the gambling device; or

9.6 (5) the State Lottery as authorized under chapter 349A.

9.7 Sec. 5. Minnesota Statutes 2008, section 340A.410, subdivision 5, is amended to read:

9.8 Subd. 5. **Gambling prohibited.** (a) Except as otherwise provided in this
 9.9 subdivision, no retail establishment licensed to sell alcoholic beverages may keep, possess,
 9.10 or operate, or permit the keeping, possession, or operation on the licensed premises of dice
 9.11 or any gambling device as defined in section 349.30, or permit gambling therein.

9.12 (b) Gambling equipment may be kept or operated and raffles conducted on licensed
 9.13 premises and adjoining rooms when the use of the gambling equipment is authorized by
 9.14 (1) chapter 349, (2) a tribal ordinance in conformity with the Indian Gaming Regulatory
 9.15 Act, Public Law 100-497, or (3) a tribal-state compact authorized under section 3.9221.

9.16 (c) Lottery tickets may be purchased and sold within the licensed premises as
 9.17 authorized by the director of the lottery under chapter 349A.

9.18 (d) Dice may be kept and used on licensed premises and adjoining rooms as
 9.19 authorized by section 609.761, subdivision 4.

9.20 (e) Gambling devices may be operated and gambling permitted at a racetrack
 9.21 as authorized by chapter 349A.

9.22 Sec. 6. Minnesota Statutes 2008, section 541.20, is amended to read:

9.23 **541.20 RECOVERY OF MONEY LOST.**

9.24 Every person who, by playing at cards, dice, or other game, or by betting on the
 9.25 hands or sides of such as are gambling, shall lose to any person so playing or betting
 9.26 any sum of money or any goods, and pays or delivers the same, or any part thereof, to
 9.27 the winner, may sue for and recover such money by a civil action, before any court
 9.28 of competent jurisdiction. For purposes of this section, gambling shall not include
 9.29 pari-mutuel wagering conducted under a license issued pursuant to chapter 240, purchase
 9.30 or sale of tickets in the state lottery, purchase of gaming machine plays as authorized under
 9.31 chapter 349A, or gambling authorized under chapters 349 and 349A.

9.32 Sec. 7. Minnesota Statutes 2008, section 541.21, is amended to read:

9.33 **541.21 COMMITMENTS FOR GAMBLING DEBT VOID.**

10.1 Every note, bill, bond, mortgage, or other security or conveyance in which the whole
 10.2 or any part of the consideration shall be for any money or goods won by gambling or
 10.3 playing at cards, dice, or any other game whatever, or by betting on the sides or hands
 10.4 of any person gambling, or for reimbursing or repaying any money knowingly lent or
 10.5 advanced at the time and place of such gambling or betting, or lent and advanced for any
 10.6 gambling or betting to any persons so gambling or betting, shall be void and of no effect
 10.7 as between the parties to the same, and as to all persons except such as hold or claim
 10.8 under them in good faith, without notice of the illegality of the consideration of such
 10.9 contract or conveyance. The provisions of this section shall not apply to: (1) pari-mutuel
 10.10 wagering conducted under a license issued pursuant to chapter 240; (2) purchase of tickets
 10.11 in the state lottery or other wagering authorized under chapter 349A; (3) gaming activities
 10.12 conducted pursuant to the Indian Gaming Regulatory Act, 25 U.S.C. 2701 et seq.; or (4)
 10.13 lawful gambling activities permitted under chapter 349.

10.14 Sec. 8. Minnesota Statutes 2008, section 609.651, subdivision 1, is amended to read:

10.15 Subdivision 1. **Felony Fraud.** A person is guilty of a felony and may be sentenced
 10.16 under subdivision 4 if the person does any of the following with intent to defraud the
 10.17 State Lottery:

10.18 (1) alters or counterfeits a state lottery ticket or a credit receipt from a state lottery
 10.19 gaming machine;

10.20 (2) knowingly presents an altered or counterfeited state lottery ticket or credit receipt
 10.21 from a state lottery gaming machine for payment;

10.22 (3) knowingly transfers an altered or counterfeited state lottery ticket or credit
 10.23 receipt from a state lottery gaming machine to another person; ~~or~~

10.24 (4) tampers with or manipulates the outcome, prize payable, or operation of a state
 10.25 lottery gaming machine; or

10.26 (5) otherwise claims a lottery prize by means of fraud, deceit, or misrepresentation.

10.27 Sec. 9. Minnesota Statutes 2008, section 609.75, subdivision 3, is amended to read:

10.28 Subd. 3. **What are not bets.** The following are not bets:

10.29 (1) a contract to insure, indemnify, guarantee or otherwise compensate another for a
 10.30 harm or loss sustained, even though the loss depends upon chance;

10.31 (2) a contract for the purchase or sale at a future date of securities or other
 10.32 commodities;

11.1 (3) offers of purses, prizes or premiums to the actual contestants in any bona fide
11.2 contest for the determination of skill, speed, strength, endurance, or quality or to the bona
11.3 fide owners of animals or other property entered in such a contest;

11.4 (4) the game of bingo when conducted in compliance with sections 349.11 to 349.23;

11.5 (5) a private social bet not part of or incidental to organized, commercialized, or
11.6 systematic gambling;

11.7 (6) the operation of equipment or the conduct of a raffle under sections 349.11 to
11.8 349.22, by an organization licensed by the Gambling Control Board or an organization
11.9 exempt from licensing under section 349.166;

11.10 (7) pari-mutuel betting on horse racing when the betting is conducted under chapter
11.11 240; and

11.12 (8) the purchase and sale of state lottery tickets and plays on a gaming machine
11.13 under chapter 349A.

11.14 Sec. 10. Minnesota Statutes 2008, section 609.75, subdivision 4, is amended to read:

11.15 Subd. 4. **Gambling device.** A gambling device is a contrivance the purpose of which
11.16 is that for a consideration a player is afforded an opportunity to obtain something of value,
11.17 other than free plays, automatically from the machine or otherwise, the award of which
11.18 is determined principally by chance, whether or not the contrivance is actually played.
11.19 "Gambling device" also includes a video game of chance, as defined in subdivision 8, but
11.20 does not include a gaming machine operated by the State Lottery under chapter 349A.

11.21 Sec. 11. Minnesota Statutes 2008, section 609.761, is amended by adding a subdivision
11.22 to read:

11.23 Subd. 6. **Gaming machines.** Sections 609.755 and 609.76 do not prohibit the
11.24 manufacture, possession, sale, or operation of a gaming machine under chapter 349A.

11.25 Sec. 12. **EFFECTIVE DATE.**

11.26 This article is effective the day following final enactment.

11.27 **ARTICLE 3**
11.28 **REVENUE**

11.29 Section 1. Minnesota Statutes 2008, section 240.13, is amended by adding a
11.30 subdivision to read:

11.31 Subd. 5a. **Set asides; gaming machines.** From the commission received by a
11.32 licensee pursuant to a gaming machine location contract entered into under section

12.1 349A.17, the licensee must set aside an amount equal to not less than the following
 12.2 percentages of the adjusted gross gaming machine revenues as defined under chapter 349A:

12.3 (1) 12 percent for purses for live horse races conducted by the licensee. Purse
 12.4 payments made pursuant to this subdivision are in addition to purse payments otherwise
 12.5 established by law or contract;

12.6 (2) one percent to be transferred to the commission and used for the purposes
 12.7 in section 240.18, subdivisions 2, paragraph (d), and 3, paragraph (b), subject to the
 12.8 proportionality requirement in section 240.18, subdivision 1; and

12.9 (3) one percent to be transferred to the commissioner of agriculture to be used for
 12.10 grants for the purpose of nonracing equine development and promotion.

12.11 **Sec. 2. [297A.651] LOTTERY GAMING MACHINES; IN-LIEU TAX.**

12.12 Adjusted gross revenue from the operation of gaming machines authorized under
 12.13 chapter 349A are exempt from the tax imposed under section 297A.62. The State Lottery
 12.14 must on or before the 20th day of each month transmit to the commissioner an amount
 12.15 equal to the adjusted gross revenue from the operation of gaming machines, as defined
 12.16 in section 349A.01, for the previous month multiplied by 25 percent. The commissioner
 12.17 shall deposit the money transmitted under this section in the state treasury as provided
 12.18 in section 297A.94.

12.19 **Sec. 3. Minnesota Statutes 2008, section 297A.94, is amended to read:**

12.20 **297A.94 DEPOSIT OF REVENUES.**

12.21 (a) Except as provided in this section, the commissioner shall deposit the revenues,
 12.22 including interest and penalties, derived from the taxes imposed by this chapter in the state
 12.23 treasury and credit them to the general fund.

12.24 (b) The commissioner shall deposit taxes in the Minnesota agricultural and economic
 12.25 account in the special revenue fund if:

12.26 (1) the taxes are derived from sales and use of property and services purchased for
 12.27 the construction and operation of an agricultural resource project; and

12.28 (2) the purchase was made on or after the date on which a conditional commitment
 12.29 was made for a loan guaranty for the project under section 41A.04, subdivision 3.

12.30 The commissioner of finance shall certify to the commissioner the date on which the
 12.31 project received the conditional commitment. The amount deposited in the loan guaranty
 12.32 account must be reduced by any refunds and by the costs incurred by the Department of
 12.33 Revenue to administer and enforce the assessment and collection of the taxes.

13.1 (c) The commissioner shall deposit the revenues, including interest and penalties,
 13.2 derived from the taxes imposed on sales and purchases included in section 297A.61,
 13.3 subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them
 13.4 as follows:

13.5 (1) first to the general obligation special tax bond debt service account in each fiscal
 13.6 year the amount required by section 16A.661, subdivision 3, paragraph (b); and

13.7 (2) after the requirements of clause (1) have been met, the balance to the general
 13.8 fund.

13.9 (d) The commissioner shall deposit the revenues, including interest and penalties,
 13.10 collected under section 297A.64, subdivision 5, in the state treasury and credit them to the
 13.11 general fund. By July 15 of each year the commissioner shall transfer to the highway user
 13.12 tax distribution fund an amount equal to the excess fees collected under section 297A.64,
 13.13 subdivision 5, for the previous calendar year.

13.14 (e) ~~For fiscal year 2001, 97 percent; for fiscal years 2002 and 2003, 87 percent; and~~
 13.15 ~~for fiscal year 2004 and thereafter, 72.43 percent of the revenues, including interest and~~
 13.16 ~~penalties, transmitted to the commissioner under section 297A.65, must be deposited by~~
 13.17 ~~the commissioner in the state treasury as follows:~~

13.18 (1) 50 percent of the receipts must be deposited in the heritage enhancement account
 13.19 in the game and fish fund, and may be spent only on activities that improve, enhance, or
 13.20 protect fish and wildlife resources, including conservation, restoration, and enhancement
 13.21 of land, water, and other natural resources of the state;

13.22 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and
 13.23 may be spent only for state parks and trails;

13.24 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and
 13.25 may be spent only on metropolitan park and trail grants;

13.26 (4) three percent of the receipts must be deposited in the natural resources fund, and
 13.27 may be spent only on local trail grants; and

13.28 (5) two percent of the receipts must be deposited in the natural resources fund,
 13.29 and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and
 13.30 Conservatory, and the Duluth Zoo.

13.31 (f) Revenue, including interest and penalties, transmitted to the commissioner under
 13.32 section 297A.651 must be deposited by the commissioner in the state treasury in the
 13.33 general fund.

13.34 ~~(f)~~ (g) The revenue dedicated under paragraph (e) may not be used as a substitute
 13.35 for traditional sources of funding for the purposes specified, but the dedicated revenue
 13.36 shall supplement traditional sources of funding for those purposes. Land acquired with

14.1 money deposited in the game and fish fund under paragraph (e) must be open to public
14.2 hunting and fishing during the open season, except that in aquatic management areas or
14.3 on lands where angling easements have been acquired, fishing may be prohibited during
14.4 certain times of the year and hunting may be prohibited. At least 87 percent of the money
14.5 deposited in the game and fish fund for improvement, enhancement, or protection of fish
14.6 and wildlife resources under paragraph (e) must be allocated for field operations.

14.7 Sec. 4. **EFFECTIVE DATE.**

14.8 This article is effective the day following final enactment.

14.9 **ARTICLE 4**
14.10 **MISCELLANEOUS**

14.11 Section 1. **LOTTERY BUDGET; GAMING MACHINES.**

14.12 The director of the State Lottery shall submit a budget for the operation of gaming
14.13 machines at a racetrack as authorized under Minnesota Statutes, section 349A.17, to
14.14 the commissioner of finance. Notwithstanding Minnesota Statutes, section 349A.10,
14.15 subdivision 6, the director of the State Lottery may expend amounts necessary to operate
14.16 gaming machines. Amounts expended by the director of the State Lottery for the conduct
14.17 of gaming machines in fiscal years 2010 and 2011 are not subject to the maximum amount
14.18 set in law for the operation of the lottery.

14.19 Sec. 2. **SEVERABILITY; SAVINGS.**

14.20 If any part of this act is found to be invalid because it is in conflict with a provision
14.21 of the Constitution of the state of Minnesota or the Constitution of the United States, or
14.22 for any other reason, all other provisions of this act shall remain valid and any rights,
14.23 remedies, and privileges that have been otherwise accrued by this act, shall remain in
14.24 effect and may be proceeded with and concluded under the provisions of this act.

14.25 Sec. 3. **EFFECTIVE DATE.**

14.26 This article is effective the day following final enactment.