

**SENATE**  
**STATE OF MINNESOTA**  
**NINETY-FIRST SESSION**

**S.F. No. 577**

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DATE  
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D-PG

Introduction and first reading  
 Referred to State Government Finance and Policy and Elections

OFFICIAL STATUS

1.1 A bill for an act  
 1.2 relating to state government; adjusting percentage of gross profits that an  
 1.3 organization must expend on lawful purposes; amending Minnesota Statutes 2018,  
 1.4 section 349.15, subdivision 1.

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

1.6 Section 1. Minnesota Statutes 2018, section 349.15, subdivision 1, is amended to read:

1.7 Subdivision 1. **Expenditure restrictions, requirements, and civil penalties.** (a) Gross  
 1.8 profits from lawful gambling may be expended only for lawful purposes or allowable  
 1.9 expenses as authorized by the membership of the conducting organization at a monthly  
 1.10 meeting of the organization's membership.

1.11 (b) For each 12-month period beginning July 1, a licensed organization will be evaluated  
 1.12 by the board to determine a rating based on the percentage of annual lawful purpose  
 1.13 expenditures when compared to available gross profits for the same period. The rating will  
 1.14 be used to determine the organization's profitability percent and is not a rating of the  
 1.15 organization's lawful gambling operation. An organization will be evaluated according to  
 1.16 the following criteria:

1.17 (1) an organization that expends 50 percent or more of gross profits on lawful purposes  
 1.18 will receive a five-star rating;

1.19 (2) an organization that expends 40 percent or more but less than 50 percent of gross  
 1.20 profits on lawful purposes will receive a four-star rating;

1.21 (3) an organization that expends 30 percent or more but less than 40 percent of gross  
 1.22 profits on lawful purposes will receive a three-star rating;

2.1 (4) an organization that expends 20 percent or more but less than 30 percent of gross  
2.2 profits on lawful purposes will receive a two-star rating; and

2.3 (5) an organization that expends less than 20 percent of gross profits on lawful purposes  
2.4 will receive a one-star rating.

2.5 (c) An organization that fails to expend a minimum of ~~30~~ 20 percent annually of gross  
2.6 profits on lawful purposes, ~~or 20 percent annually for organizations that conduct lawful~~  
2.7 ~~gambling in a location where the primary business is bingo~~, is automatically on probation  
2.8 effective July 1 for a period of one year. The organization must increase its rating to the  
2.9 required minimum or be subject to sanctions by the board. If an organization fails to meet  
2.10 the minimum after a one-year probation, the board may suspend the organization's license  
2.11 or impose a civil penalty as follows:

2.12 (1) in determining any suspension or penalty for a violation of this paragraph, the board  
2.13 must consider any unique factors or extraordinary circumstances that caused the organization  
2.14 to not meet the minimum rate of profitability. Unique factors or extraordinary circumstances  
2.15 include, but are not limited to, the purchase of capital assets necessary to conduct lawful  
2.16 gambling; road or other construction causing impaired access to the lawful gambling  
2.17 premises; and flood, tornado, or other catastrophe that had a direct impact on the continuing  
2.18 lawful gambling operation; and

2.19 (2) notwithstanding section 349.151, subdivision 4, paragraph (a), clause (10), the board  
2.20 may impose a civil penalty under this subdivision up to \$10,000.