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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 898

02/08/2021

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

1.1 A bill for an act
1.2 relating to lawful gambling; modifying expenditure restrictions for organizations;
1.3 amending Minnesota Statutes 2020, section 349.15, subdivision 1.

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

1.5 Section 1. Minnesota Statutes 2020, section 349.15, subdivision 1, is amended to read:

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

1.10 (b) For each 12-month period beginning July 1, a licensed organization will be evaluated
1.11 by the board to determine a rating based on the percentage of annual lawful purpose
1.12 expenditures, excluding those expenditures defined in section 349.12, subdivision 25,
1.13 paragraph (a), clauses (8) and (18), when compared to ~~available gross profits~~ total allowable
1.14 expenses for the same period. The rating will be used to determine the organization's
1.15 profitability percent and is not a rating of the organization's lawful gambling operation. An
1.16 organization will be evaluated according to the following criteria:

1.17 (1) an organization ~~that expends 50~~ with a ratio of lawful purpose expenditures to
1.18 allowable expenses of 100 percent or more ~~of gross profits on lawful purposes~~ will receive
1.19 a five-star rating;

1.20 (2) an organization ~~that expends 40~~ with a ratio of lawful purpose expenditures to
1.21 allowable expenses of 80 percent or more but less than ~~50~~ 100 percent ~~of gross profits on~~
1.22 ~~lawful purposes~~ will receive a four-star rating;

2.1 (3) an organization ~~that expends 30~~ with a ratio of lawful purpose expenditures to
 2.2 allowable expenses of 60 percent or more but less than 40 80 percent of gross profits on
 2.3 ~~lawful purposes~~ will receive a three-star rating;

2.4 (4) an organization ~~that expends 20~~ with a ratio of lawful purpose expenditures to
 2.5 allowable expenses of 40 percent or more but less than 30 60 percent of gross profits on
 2.6 ~~lawful purposes~~ will receive a two-star rating; and

2.7 (5) an organization ~~that expends less than~~ with a ratio of lawful purpose expenditures
 2.8 to allowable expenses of 20 percent of gross profits on lawful purposes or more but less
 2.9 than 40 percent will receive a one-star rating; and

2.10 (6) an organization with a ratio of lawful purpose expenditures to allowable expenses
 2.11 of less than 20 percent will receive a zero-star rating.

2.12 (c) An organization that is licensed under this chapter with gross receipts from lawful
 2.13 gambling of more than \$750,000 in any fiscal year and fails to expend a minimum of 30 20
 2.14 percent annually of gross profits of its annual total allowable expenses on lawful purposes;
 2.15 or 20 percent annually for organizations that conduct lawful gambling in a location where
 2.16 the primary business is bingo; is automatically on probation effective July 1 for a period of
 2.17 one year. The organization must increase its rating to the required minimum or be subject
 2.18 to sanctions by the board. If an organization fails to meet the minimum after a one-year
 2.19 probation, the board may suspend the organization's license or impose a civil penalty as
 2.20 follows:

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

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

2.30 **EFFECTIVE DATE.** This section is effective the day following final enactment.