

STATE OF MINNESOTA

MINNESOTA GAMBLING CONTROL BOARD

STATEMENT OF NEED AND REASONABLENESS

**In the Matter of the Proposed Adoption of the Rules
of the Minnesota Gambling Control Board Relating to**

M.R. 7861.0010, DEFINITIONS

M.R. 7861.0040, PREMISES PERMITS

M.R. 7861.0060, CONDUCT OF LAWFUL GAMBLING

M.R. 7861.0070, BINGO

M.R. 7862.0010, BINGO HALL LICENSES

M.R. 7863.0020, DISTRIBUTOR OPERATIONS, ACCOUNTS, AND REPORTS

**M.R. 7864.0030, MANUFACTURER OPERATIONS, ACCOUNTS, AND
RECORDS**

1. INTRODUCTION AND BACKGROUND

The nature of the proposed rules of the Gambling Control Board (Board) contained in Minnesota Rules, parts 7861.0010, 7861.0060, 7861.0070, 7863.0020, 7864.0030, and 7862.0010 is to define terms that are commonly used throughout the industry in connection with the conduct of bingo; to further define the term "leased premises" as it relates to the conduct of bingo; to promulgate rules that allow for the effective and accurate regulation of bingo in Minnesota, including establishing a standardized accounting system and method for tracking the value of bingo paper; to establish mechanisms for licensed distributors and manufacturers of gambling equipment to assist in the overall tracking and accountability of bingo paper, and to revise bingo hall license application rules and bingo hall licensee reporting requirements to insure consistency with statute and other rules of the Board.

Three Notices of Solicitation of Outside Information and Opinion regarding proposed comprehensive bingo rules were published in the State Register: on March 19, 1993, January 24, 1994, and June 26, 1995. The membership of the Public Advisory Committee was published in the State Register on June 26, 1995.

Legislation passed in 1994 gave the Board broader authority in the area of license issuance, denial, revocation, and suspension. These legislative changes have been incorporated into the proposed bingo hall rule amendments. In addition, the 1994 legislature also made changes to the statutes governing bingo prizes. These changes have also been incorporated into the proposed rule amendments.

Interested parties should refer to the entire proposed rule amendment for the proposed language on specific rule amendments. The rules are published in the State Register on February 20, 1996 and are also being mailed to all persons on the Board's mailing list who have expressed an interest in the

rulemaking activities of the Board. Discretionary notice and a copy of the rule amendments is also being mailed to all licensed bingo halls who will be affected by the rule, all licensed manufacturers and distributors of bingo equipment, all persons serving on the Public Advisory Committee, and all persons on the special mailing list for the bingo rules process.

The proposed amendments are necessary in order to effectively regulate bingo in the state, and to insure that the public interest is protected. The Board, on a periodic basis, will undertake review and revision of different parts of its rules. The Board believes that such periodic review and revision are necessary to the viability of its rules, to ensure that rules remain consistent with statutory requirements, and to make sure that the rules continue to meet the needs of the lawful gambling industry as well as the regulatory mandates of the Board.

2. STATEMENT OF THE BOARD'S STATUTORY AUTHORITY

The Board's statutory authority to adopt these rules is set out in Minnesota Statutes, section 349.151, subdivision 4(a), (1994), which lists the powers and duties of the Board. Section 349.151, subdivision 4(a), clause (1) authorizes the Board to regulate lawful gambling to ensure that it is conducted in the public interest; clause (5) authorizes the Board to make rules authorized by this chapter; and clause (17) authorizes the Board to take all necessary steps to ensure the integrity of and public confidence in lawful gambling. M.S. 349.151, subd. 13 (1994) authorizes the Board to adopt rules when necessary or proper in discharging the Board's powers and duties.

M.S. 349.12, subdivisions 4, 8, 18, and 21; M.S. 349.151, subdivisions 4(a), 8, 9, 10, 11, 12 and 13; M.S. 349.152, subdivisions 2 and 3; M.S. 349.155, subdivisions 1, 2, 3, 4, 5, 6, 7, and 8; M.S. 349.16, subdivisions 6, 8, and 9; M.S. 349.162, subdivisions 2 and 4; M.S. 349.164, subdivisions 1, 6, and 10; M.S. 349.166, subdivision 1; M.S. 349.17, subdivisions 2, 5, and 6; M.S. 349.122, subdivisions 1 and 2; and M.S. 349.2127, subdivision 8 were amended by the 1994 Legislature. Those legislative changes are reflected in the proposed rule amendments.

3. PUBLIC ADVISORY COMMITTEE

The Board formed a Public Advisory Committee to assist in researching the comprehensive bingo rule amendments. The Public Advisory Committee met on eight different occasions for the purpose of reviewing and suggesting revisions to the proposed rule drafts. Members of the Public Advisory Committee were as follows:

Mary Magnuson
NAFTM
10 South 5th Street #810
Minneapolis MN 55402
612-339-2071

Roger Franke
Arrow International
11975 Portland Avenue S #126
Burnsville MN 55337
612-890-7180

Leeann Klimek
Carousel Bingo
7324A Lakeland Ave N
Brooklyn Park MN 55428
612-493-2065

Karen Wirkus
Allied Charities of Minnesota
6524 Crosby Avenue E
Inver Grove Heights MN 55076
612-457-2353

Ken Lien
Lien Games
PO Box 564
Fargo ND 58107
701-232-7755

Bonnie Althaus
Bingo Emporium
1876 38th St S
St Cloud MN 56301
612-252-3607

Jellie Crowe-Ring
MN Dept of Public Safety
1600 University Avenue
St Paul MN 55104
612-643-3006

Bud Weber

No St Paul American Legion
2654 E 18th Ave
No St Paul MN 55109
612-770-5692

Stephen Baker

Accountax
PO Box 1613
St Cloud MN 56302
612-253-5175

Vic Grell, Jr.

Triple Crown Gaming
2769 Clearwater Rd
St Paul MN 56302
612-251-5373

Valerie Siegrist

Bingo King
3211 Nebraska Ave
Council Bluffs IA 51501
712-323-1488

King Wilson

Allied Charities of Minnesota
PO Box 21264
Minneapolis MN 55421-0264
612-571-7485

Harry Burns II

Burns Law Offices P.A.
111 9th Avenue No
St Cloud MN 56302
612-251-6512

Robert Matson

No. Suburban Youth Association
1751 W Co Rd B #107
Roseville MN 55113
612-638-4600

Roger Swanson
MN Dept of Revenue
10 River Park Plaza
St Paul MN 55146
612-297-2150

Mark Plasha
American Legion Post #334
11640 Crooked Lake Blvd NW
Coon Rapids MN 55433
612-421-6260

Danna Shofner
Pengilly VFW
Pengilly MN 55775-0038
218-885-3145

Gambling Control Board members participating in the Public Advisory Committee meetings were Mary McLeod, Chair of the Rules Committee, Allen Fonfara, Rules Committee member, and Peggy Moon, Rules Committee member. Pat McCormack (Senate Research) and John Williams (House Research) were invited to attend all meetings and were furnished with all rule drafts and pertinent documents. Gambling Control Board staff members participating in the Committee were Harry Baltzer, Executive Director, Sharon Beighley, Rules Program Coordinator, Mike Strauss, Compliance Agent, Warren Walberg, Compliance Specialist, and Sandra Loney, Licensing Clerk. Beth Richter, Assistant Attorney General, also attended all meetings.

Additional notice to interested and affected persons was provided throughout the course of the rule drafting effort. All bingo hall licensees were furnished with rule drafts and meeting notices for PAC meetings where issues of concern to bingo hall owners were on the agenda. Monthly updates on the status of the rule drafting efforts were published in the Gaming News, the Gambling Control Board's monthly newsletter which is furnished to all licensees. A mailing list specific to the bingo rules process was initiated at the first PAC meeting and maintained and updated throughout the course of the rule drafting process. Each person or entity on that list received all rule drafts and meeting notices.

4. SMALL BUSINESS CONSIDERATIONS

Minnesota Statutes, section 14.115 requires an agency, when proposing a new rule or amending an existing rule that may affect small businesses, to consider certain methods of reducing the impact of the rule on small businesses. The following indicators were considered by the Board in regard to the effect on small business if the proposed rule is successfully adopted.

The establishment of less stringent compliance or reporting requirements for small businesses. The Board carefully considered whether reporting and/or

compliance requirements could be eased for small charitable gambling organizations or distributors of lawful gambling equipment. Because the Board is charged with protecting the integrity of charitable gambling in Minnesota the Board believes that, in most cases, compliance and reporting requirements for small organizations could not be less than the requirements for larger organizations. The Board has attempted to ease the burden on small organizations by making specific exemptions to some rules for organizations with gross receipts from bingo of less than \$150,000 in their last fiscal year. With regard to a standardized accounting system for all organizations, the Board believes that large and small organizations will be able to comply with the proposed rule and there is no need for exceptions. As far as licensed distributors of lawful gambling equipment are concerned, the Board believes that it cannot make an exception to compliance and/or reporting requirements for small business distributors. To do so could possibly harm the integrity of lawful gambling in Minnesota, and cause damage to the industry as a whole.

The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses. Again, the Board reviewed the ramifications of reporting deadlines and schedules. The vast majority of schedules and deadlines are mandated by statute and cannot be eased at the Board's discretion. Because of the increased accuracy in bingo records that will occur when organizations use a standardized accounting system, the need for relaxed schedules or deadlines for reporting requirements is negated.

The consolidation or simplification of compliance or reporting requirements for small businesses. Compliance and reporting requirements for lawful gambling organizations conducting bingo will be made easier with the adoption of the standardized accounting system. Because the Board will be prescribing the information to be recorded in the accounting system and either providing or prescribing forms, organizations will have more accurate reporting and a simplified accounting method.

The establishment of performance standards for small business to replace design or operational standards required in the rule. The Board very carefully reviewed this statutory criteria, and determined that establishing a system to accurately account for the value of all bingo paper sheets, packets, packages, and hard cards sold in Minnesota, in conjunction with establishing a reporting and accounting system for organizations conducting bingo, will be very helpful to both large and small organizations. The Board cannot be less stringent in its application of rules to one class of licensee over another. To do so would invite abuse of the system, which could result in harm to the integrity of the entire lawful gambling industry in Minnesota.

The exemption of small business from any or all requirements of the rule. In order to protect the integrity of charitable gambling, the Board must apply its rules equally to all classes of licensees. To do otherwise would violate statute. To apply lesser standards for small organizations would compromise the Board's ability to effectively regulate bingo in Minnesota, and could cause harm to the entire industry.

5. COSTS TO LOCAL PUBLIC BODIES

The Dual Notice of Intent to Adopt a Rule does not contain a statement of estimated costs to local public bodies pursuant to Minnesota Statutes, section 14.11, subdivision 1, because there is no cost to local public bodies and, therefore, the reasonable estimate of the total cost to public bodies to implement the rule for the two years following the adoption of the rule is less than \$100,000 and section 14.11, subdivision 1 is not applicable.

6. AGRICULTURAL LAND IMPACT

Minnesota Statutes, section 14.11, subdivision 2, is inapplicable because the proposed rule does not have a direct and substantial adverse impact on agricultural land.

7. DEPARTMENTAL CHARGES IMPOSED BY THE RULE

Minnesota Statutes 16A.1285 is inapplicable because the proposed rule does not impose any departmental charges or fees.

8. FISCAL IMPACT

A fiscal note is not require pursuant to section 3.892 as the rule will not force any local agency or school district to incur costs.

9. WITNESSES

If these rules go to a public hearing, the witnesses below may testify on behalf of the Board in support of the need for and reasonableness of the proposed rule. The witnesses will be available to answer questions about the development and the content of the rules.

**Harry W. Baltzer, Executive Director, Gambling Control Board
Sharon A. Beighley, Rules Program Coordinator, Gambling Control Board
Warren Walberg, Lawful Gambling Specialist, Gambling Control Board
Roger Swanson, Minnesota Department of Revenue
Jellie Crowe-Ring, Minnesota Department of Public Safety
Beth Richter, Assistant Attorney General**

10. A DESCRIPTION OF THE CLASSES OF PERSONS WHO WILL PROBABLY BE AFFECTED BY THE PROPOSED RULE, INCLUDING CLASSES THAT WILL BEAR THE COSTS OF THE PROPOSED RULE AND CLASSES THAT WILL BENEFIT FROM THE PROPOSED RULE

The classes of persons who will be affected by this rule include bingo players, lawful gambling organizations that conduct bingo, licensed bingo hall owners, persons or entities applying for a license to own a bingo hall, owners of premises where bingo is conducted, licensed manufacturers of bingo equipment, and licensed distributors of bingo equipment.

Classes of persons who will bear the cost of the proposed rule include lawful gambling organizations that conduct bingo, licensed bingo hall owners, persons or entities applying for a license to own a bingo hall, owners of premises where bingo is conducted, licensed manufacturers of bingo equipment, and licensed distributors of bingo equipment. The probable costs of complying with the proposed rule are discussed in greater detail in section 14 of this Statement.

Classes of persons that will benefit from the proposed rule include bingo players, lawful gambling organizations that conduct bingo, and regulatory agencies that are charged with insuring the integrity of lawful gambling in Minnesota. In general, the proposed rules provide greater assurances that bingo games are conducted in the public interest, and that all bingo receipts and prizes awarded are properly accounted for.

11. THE PROBABLE COSTS TO THE AGENCY AND TO ANY OTHER AGENCY OF THE IMPLEMENTATION AND ENFORCEMENT OF THE PROPOSED RULE AND ANY ANTICIPATED EFFECT ON STATE REVENUES

The following is a summary of the probable costs to the Gambling Control Board and other state agencies to implement and enforce the rule. Please refer to section 16. of this Statement for specific costs that may pertain to various subparts and items of the rule.

There will be a small cost to the Board as a result of M.R. 7861.0070, subpart 5a(A)(4) to provide storage space for the bingo programs that are submitted by the organizations conducting bingo, and for clerical time to file the programs. Organizations do not change their bingo programs frequently, so one or two submissions per year per organization is probably an accurate estimate. This would amount to no more than 3700 bingo programs, which can easily be stored in existing files. Clerical time to file the programs will cost the agency approximately \$100.00.

There is a cost to the Board to develop the necessary forms for the bingo paper tracking, accounting, and inventory methods prescribed in the proposed rule. Staff time to develop the forms is approximately \$2,000.00. There is also a cost to the Board to provide training and education to the industry in the use of the new forms and systems prescribed in the rule. This will be accomplished through the Board's existing system of continuing education classes. The costs involved will be developing the teaching and training materials, overheads, and copying of handouts for attendees at the classes. The estimated costs for developing the training curriculum and materials is \$2,500.00.

There is also a minimal cost to the Board in conjunction with M.R. 7862.0010, Renewal of Bingo Hall Licenses. The cost will involve staff time to monitor the expiration date of existing bingo hall licenses to insure that no lapses occur because of the proposed change to the effective date of a renewal bingo hall license. The issue is discussed more thoroughly in section 16 of this Statement. The cost of staff time to monitor the expiration date of bingo hall licenses will not be higher than \$500.00.

The Board will accrue some additional costs in relation to M.R. 7863.0020, subpart 4(A)(6), which prescribes distributor invoicing requirements for bingo paper products. The additional costs will involve staff time to review distributor invoices when conducting compliance reviews on organizations, and is estimated to be no more than \$1,000 per year. In addition, proposed rule M.R. 7863.0020, subpart 2(B)(9) will impose a minimal cost on the Department of Revenue to receive, verify, and store the bingo paper inventory information submitted by licensed distributors. This submission is a one-time only occurrence, and the cost will be less than \$1,000.

12. A DETERMINATION OF WHETHER THERE ARE LESS COSTLY OR LESS INTRUSIVE METHODS FOR ACHIEVING THE PURPOSE OF THE PROPOSED RULE

The following is a recap of whether or not less costly or less intrusive methods were discussed for this rule. Please refer to specific rule discussions in Section 16. of this Statement for more detailed information.

With regard to proposed rule M.R. 7861.0040, Subpart 4(A)(9), the Board considered establishing in rule maximum amounts that lessors could charge for the cost of services such as trash removal, snow removal, parking lot maintenance, etc. This method was rejected because it was deemed too difficult to establish the value of these services on a statewide basis, and also because it appeared to be too intrusive on private business arrangements between the lessor and lessee. The Board ultimately decided to require that the goods or services included in a lease agreement be valued at "fair market value" which means that the rule is flexible enough to be used on a statewide basis, and can easily be used by all lessors and lessees of gambling premises. Regarding the proposed language in M.R. 7861.0040, Subpart 4(A)(12)(e), the Board considered requiring the submission of the subject information on a regular basis. After careful consideration, however, the Board decided that this approach was too intrusive and of no real value to the Board. The Board, as well as other state agencies, can demand access to information of this nature should the need arise, so there is no need to require the submittal of the information on a regular reporting schedule.

In drafting proposed rule M.R. 7861.0070, subpart 1(B), the Board considered applying the restrictions to all bingo employees and volunteers, regardless of the size of the organization or the number of bingo occasions conducted during a year. The Board also considered eliminating all distinctions between large and small organizations, and simply requiring that the restrictions in subpart 1 apply to all organizations. The Board ultimately decided that in the interest of fairness to small organizations, a distinction had to be made between large and small organizations and the restrictions that would apply to each size organization. In regard to M.R. 7861.0070, subpart 1(B), the Board considered banning all types of contact between these individuals during a bingo occasion. This was deemed to be ultimately unworkable, and too intrusive, especially for small organizations in small towns.

Many organizations use coupons, the use of which is allowed in M.R. 7861.0070, subpart 1(J). The Board and the Department of Revenue did not want to prohibit the use of the coupons, but did believe that a way had to be found to insure that an organization is held accountable for all coupons it issued. A great deal of thought and discussion was given to this issue, and the result is the rule as proposed. The other option considered was to ban the use of coupons in the bingo industry. The Board did not want to prohibit coupons, because they are a valuable marketing tool for organizations conducting bingo in Minnesota.

The proposed rules will require, in M.R. 7861.0070, subparts 5a(A)(4) and 5(a)(B)(4), that organizations submit copies of their bingo programs to the Board in advance of the effective date of the program. The proposed rules also require that when changes are made to bingo programs, that the amended program be submitted to the Board in advance of implementation of the change. The Board considered allowing the organizations to keep and maintain on their premises copies of the bingo programs. This would certainly have been less costly and less intrusive; however, the Board would then have no method for verifying when the program was actually changed or approved for use by the organization. If Board staff had questions during the course of a compliance review with regard to the amount of prizes paid out during an occasion (or other questions regarding the occasion), the organization could counter allegations or claims by stating that a different program had been used during that particular occasion. Having the programs submitted ahead of time is the only means whereby the Board can actually ascertain what was scheduled to occur during any particular bingo occasion.

Proposed rule 7861.0070, subpart 5a(A)(6) will require organizations using bingo hard cards and using coupons to retain those redeemed coupons for 3-1/2 years so that the Board can verify that the redemption of the coupon, if necessary. A less costly and less intrusive method is to ban the use of coupons entirely. The industry expressed a desire to retain the ability to offer coupons and discounts, and is willing to accept the requirement of retaining the redeemed coupons.

Proposed rule 7861.0070, subpart 5(a)(B)(6) is similar to the requirement discussed in the preceding paragraph, except that it deals with organizations who use bingo paper sheets, packages, and packets. Since these organizations typically have a far greater sales volume than organizations using bingo hard cards, the rule will allow for the organization to maintain a record of all coupons redeemed, and does not specifically require that the actual coupon be retained in the files. This would certainly be too cumbersome for most organizations. The alternative to this rule would be to ban the use of coupons entirely. The industry was willing to accept the requirements set forth in this rule in lieu of banning coupons altogether.

The proposed rules allow, in M.R. 7861.0070, subpart 6a(F), organizations some degree of flexibility in determining prize levels for bingo occasions; specifically allowing prize levels to be adjusted after an occasion has

started. The less costly and less intrusive method for achieving the purpose of the rule was to ban all bingo games where the prize level could not be established and announced prior to the start of that particular occasion. The Board recognizes that organizations need to retain some marketing flexibility in order to remain competitive with tribal casinos, and the industry has indicated a willingness to comply with the requirement found in this rule of preparing prize receipts for games of this type.

The language found in proposed rule M.R. 7861.0070, subpart 6a(L) clarifies a statutory requirement that allows organizations to base the value of a bingo prize on the price that the player paid for the winning bingo paper sheet packet or package. The Board considered, as a less costly or less intrusive method for achieving the purpose of the rule, establishing a threshold level of \$100 as the minimum prize amount for which a prize receipt would be required. The potential for organizations to manipulate bingo prize records is high, and the Board decided to require a prize receipt for all bingo games where the prize level is determined by the amount the player has paid for his or her package or packet. In the interest of protecting the integrity of bingo, the Board could not ease its restrictions in this regard.

Proposed rule M.R. 7862.0010, subpart 12, deals with renewals of bingo hall licenses. Currently, licenses expire on any given day of a month; however, the renewal licenses are not effective until the first day of a month following approval by the Board. What occurs is that a bingo hall licensee technically operates "without a license" from the date of expiration of its existing license until the first of the month after the Board has approved the renewal. The proposed rule will insure that all bingo hall licenses expire on the last day of a month to prevent future "gaps" in the license. What this will mean for the licensee (on a one-time only basis) is a one-time cost, at a maximum of \$205.50. This cost would accrue when a license expires on the 30th day of a month with 31 days. The cost is based on the present cost of a bingo hall license, which is \$2,500 per year. The Board considered allowing the existing license to remain in effect for the additional number of days until the renewal license went into effect, but this method was not approved by the Department of Finance or the Legislative Auditor. The Board also considered charging a one-time only fee of \$6.85 per day for the number of days between expiration of the existing license and the effective date of the renewal license. This would not solve the problem, since the situation would reoccur every year. The Department of Finance and the Legislative Auditor were not in favor of this method. The proposed rule is deemed to be the least costly and least intrusive method for achieving the purpose of the rule.

M.R. 7863.0020, Subpart 4(A)(6) deals with records and reports of licensed distributors. The Board considered requiring manufacturers of bingo paper to preprint the prices on the bingo paper, but this method was rejected because many manufacturers lack the technical capability to preprint prices on bingo paper, and requiring the preprinting of prices would create an "island" for Minnesota products and increase the costs to the organizations.

The proposed language in M.R. 7864.0030, subpart 7(B)(6) deals with manufacturer invoicing requirements. Again, the only alternative method considered was requiring the manufacturers to preprint the prices on the bingo paper. This method was rejected because of cost factors and the impracticality of creating product solely for Minnesota.

13. A DESCRIPTION OF ANY ALTERNATIVE METHODS FOR ACHIEVING THE PURPOSE OF THE PROPOSED RULE THAT WERE SERIOUSLY CONSIDERED BY THE AGENCY AND THE REASONS WHY THEY WERE REJECTED IN FAVOR OF THE PROPOSED RULE.

Following is a brief discussion of any alternative methods for achieving the purpose of the rule that were considered. Please refer to section 16 of this Statement for specific discussions of alternative methods as they relate to specific subparts and items of the rule.

In regard to M.R. 7861.0040, subpart 4(A)(9), the Board considered establishing maximum amounts that lessors could charge for goods and services included in the lease agreement. This method was rejected because it was deemed impractical and too difficult to establish these costs on a statewide basis.

In regard to proposed rule M.R. 7861.0040, subpart 4(A)(12)(e), the Board considered requiring the submission of information on a regular basis. This method was rejected as being too intrusive. The Board can always demand that the records be submitted should the need arise.

In proposed rule M.R. 7861.0070, subpart 1, the Board considered applying the restrictions in item B to all employees and volunteers, regardless of whether the organization was large or small. The Board also considered dropping all distinctions between large and small organizations, and simply requiring that the rules apply equally to all organizations regardless of size. These methods were rejected for reasons of fairness to small organizations and rural communities. It was simply not fair to impose the same restrictions on small organizations and towns as those for large organizations in metropolitan areas. The Board also considered prohibiting all contact between employees and volunteers and their immediate family members during bingo occasions. This was rejected because it would be difficult to enforce in small communities.

The Board also considered, in proposed rule M.R. 7861.0070, subpart 1(A) prohibiting gambling employees from participating in gambling at their place of employment regardless of whether or not they were working at the time. This was deemed to be intrusive and irrelevant to the regulation of lawful gambling.

The Board considered banning the use of coupons and other promotional discounts by organizations conducting bingo. The proposed language in M.R. 7861.0070, subpart 1(J) allows for the use of coupons provided that the organizations abide by the requirements in Board rule concerning coupons. The Board recognized that the use of coupons and

discounts is important to the industry, and a necessary marketing tool to remain competitive with tribal casinos offering bingo.

With regard to M.R. 7861.0070, subpart 5a(I), the Board considered mandating the use of amplification equipment, but this was deemed to be too costly to the organizations.

14. THE PROBABLE COSTS OF COMPLYING WITH THE PROPOSED RULE.

Following is a summary discussion of the probable cost of compliance with the proposed rule. Please refer to section 16 of this Statement for a more thorough discussion of proposed costs as they relate to specific subparts and items of the rule.

There is a minimal cost to owners of bingo premises to comply with M.R. 7861.0040, subpart 4(A)(9). The cost per bingo hall license applicant should not exceed \$25.00 in staff time to compile the required information and include it in the application.

Lessors of bingo premises will incur a minimal cost to comply with proposed rule M.R. 7861.0040, subpart 4(A)(12)(e). Those costs will include staff time to record payments and monies received from organizations and should not exceed \$120.00 per year per lessor. This estimate is based on one hour of staff time per month at a salary of \$10 per hour.

Organizations conducting bingo will be required to obtain a bingo ball selection device as required in M.R. 7861.0070, subpart 2(A). Costs of bingo ball selection devices range from the very inexpensive (\$100.00 or less) to the most modern technology (\$10,000.00 or more). This is a cost of doing business, can be paid for from gambling accounts as an allowable expense, and is a commonly accepted industry cost.

Organizations will be required, pursuant to M.R. 7861.0070, subparts 5a(A)(3) and 5a(B)(2) to obtain and keep copies of the latest rules and statutes at each site where it conducts bingo. The cost to organizations to comply is \$6.95 per copy for the rules and \$6.95 per copy for the statutes. Costs of obtaining statutes will be an annual expense for the organization. Costs for rules will be less since the rules governing bingo change on an infrequent basis.

Under the terms of M.R. 7861.0070, subparts 5a(A)(4), 5a(A)(5), 5a(B)(4) and 5a(B)(5), organizations will be required to submit copies of their new and amended bingo programs to the Board. Since organizations already use programs under existing rule, the only new cost will be postage or courier service to the Board. This is estimated to be a very minimal cost, and should not exceed \$10.00 or \$15.00 per organization per year.

Organizations conducting bingo using hard cards, and offering coupons, will be required to keep the redeemed coupons for a period of 3-1/2 years. The

costs include storage space, and should not be over \$40.00 per year. Organizations conducting bingo using bingo paper sheets, packages, and/or packets will be required to maintain a record of all coupons redeemed for 3-1/2 years, pursuant to the terms of M.R. 7861.0070, subpart 5a(B)(6). A more thorough discussion of the costs involved to the industry can be found in section 16 of this statement. A brief summary of potential costs to the organization is the purchase of an impression machine or small photocopy machine in order to comply with the identification requirements found in the rule. These devices range in price from \$50.00 to \$500.00. The items are an allowable expense, and can be paid for from gambling funds.

With regard to proposed rule 7861.0070, subpart 6a(F), the organization will incur a minimal printing cost to include the prize structure in its programs. The cost of printing programs is already a required cost, so the additional printing cost should not amount to more than \$10.00 per program.

Under the terms of proposed rule M.R. 7861.0070, subpart 7(H)(1), organizations will be required to conduct an inventory and submit it to the Department of Revenue. This is a one-time only cost, and should be accomplished for under \$500.00 for larger organizations and under \$150.00 for small organizations. Similarly, M.R. 7861.0070, subpart 7(H) will require organizations to follow inventory procedures outlined in rule. The Board provides free education to organizations on issues such as this, so the only cost to the organizations will be to insure that all necessary personnel receive Board-provided training. This cost is estimated to be less than \$500.00 per organization, and can be paid for from gambling accounts as an allowable expense.

Proposed rule M.R. 7861.0070, subpart I requires organizations to maintain occasion records as prescribed in Board rule. The cost to the organizations will involve training for staff. The Board provides education and training to the organizations at no cost, so the only cost to the organization will be for staff time to learn the new systems. This is estimated to be about \$500.00 per organization.

Under the terms of proposed rule M.R. 7862.0010, subpart 3, a bingo hall license applicant may need to include more persons in its application process. This could mean more staff time in preparation of the application, but costs should not exceed more than \$100.00 per application.

M.R. 7862.0010, subpart 13 will require bingo hall licensees to maintain certain records. The costs to the licensee will include staff time and storage space for the records, and should be no more than \$500.00 per licensee per year.

M.R. 7863.0020, subpart 4(A)(6) will make new requirements of distributors with regard to bingo paper. Distributors with computer systems will need to reprogram their systems to deal with the invoicing requirements. This is a minimal cost, and should not exceed \$1,000 per distributor. Under the terms of M.R. 7863.0020, subpart 4(B)(9), distributors will be required to

conduct an inventory of bingo paper products and submit the inventory to the Department of Revenue. This is a one-time only cost, and should not exceed \$500.00 per distributor.

Proposed rule M.R. 7864.0030, subpart 7 imposes certain costs on manufacturers of bingo paper with regard to serial numbers. If manufacturers choose to change their manufacturing processes to produce bingo paper with uniform serial numbers, the costs could approach \$200,000 to \$300,000 per manufacturer. Most, if not all, manufacturers do plan to switch to this type of system regardless of whether or not Minnesota adopts the proposed rule. The rule, as proposed and drafted, allows manufacturers a window of opportunity to put new manufacturing systems in place before the effective dates required in the rule. Manufacturers also have the option of not changing their manufacturing processes, and simply continuing to submit serial number manifests along with their shipments of bingo paper to Minnesota. Most manufacturers will, however, elect to change their processes to provide uniform serial numbers on bingo paper. Two or three major manufacturers have already begun the process, so the remainder of the manufacturers will follow suit in order to remain competitive.

15. AN ASSESSMENT OF ANY DIFFERENCES BETWEEN THE PROPOSED RULE AND EXISTING FEDERAL REGULATIONS AND A SPECIFIC ANALYSIS OF THE NEED FOR AND REASONABLENESS OF EACH DIFFERENCE.

Federal requirements pertaining to proposed rule M.R. 7861.0070, subparts 1(E) and 1(F) are found in the Americans with Disabilities Act (ADA). There is no difference between the Board's proposed rule and federal regulations.

16. DETAIL OF THE PROPOSED RULE AND STATEMENT OF NEED AND REASONABLENESS

M.R. 7861.0010 - Definitions

M.R. 7861.0010, Subpart 1 (Scope):

It is necessary to make a technical change to this subpart to make sure that the rule is grammatically correct. The rule change is reasonable because it does not change the meaning of the rule, and it merely insures that the rule is grammatically correct.

M.R. 7861.0010, Subpart 2 (Bingo):

It is necessary to expand upon the statutory definition of bingo to clarify that electronic bingo is not permitted. It is also necessary to inform licensed organizations that they are not prohibited from using closed circuit television at their bingo sites, provided that the signal cannot be transmitted between various sites owned or leased by one organization. Organizations may find it necessary to use closed circuit television if they use more than one room, or area, for the conduct of a bingo game. Non-smoking areas of bingo halls or leased bingo premises are many times confined to a "separate room". The

organizations will use closed circuit television to insure that the players in these separate rooms or areas are able to see the bingo balls as they are drawn by the organization's caller. The rule is reasonable because it provides clear permission for the use of closed circuit television, while clearly prohibiting electronic transmission or receiving of bingo games from remote sites.

The classes of persons who will be affected by this rule include bingo players, licensed organizations, licensed bingo hall operators, and owners of premises where bingo is conducted. There will be no cost to state agencies to implement and enforce this rule, and there are no costs associated with compliance on the part of the industry or the players. Since there is no cost associated with the rule, no determination was necessary on less costly or less intrusive methods for achieving the purpose of the rule. There were no alternative methods considered or rejected. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 3 (Bingo leased premises):

During the course of rule drafting, and during meetings conducted with the Board's Public Advisory Committee, it became apparent that a definition for bingo leased premises was necessary. Confusion has existed in the past, and misunderstandings have occurred because the difference between "bingo leased premises" and "bingo owned premises" was not always clear, and the types of activities that an organization can engage in during the operation of its bingo occasions is dependent upon whether the premises are leased or owned. Organizations that wholly own their bingo premises (such as VFW's, American Legions, etc.) may use their entire premises for the conduct of bingo occasions. Usually these sites are stand-alone structures, housed in one building. On the other hand, some organizations may lease their space from a commercial bingo hall or another entity. In this instance, they do not have control of the entire site and, therefore, it is necessary to clearly state in rule format the areas of a leased site that may be used for an organization's bingo operation.

The rule is reasonable because it will remove existing confusion in the industry, and will deter the potential for rule and statute violations to occur among organizations who lease their space. The rule is also reasonable because it will inform the public about the differences in gambling premises. The lack of a definition has resulted in some inquiries to the Board about the perception that some organizations are being treated differently, and allowed to operate in a fashion outside the scope of law or rule. The rule is reasonable because it imposes no hardships on the organizations or the lessors.

The classes of persons who will be affected by this rule include bingo players, organizations that conduct bingo, and lessors of bingo premises. There is no cost to state agencies to implement and enforce the rule, and there are no costs associated with compliance on the part of the industry. Inasmuch as there are no costs involved, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements

regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0010, Subpart 4 (Bingo Occasion):

The statutory definition of bingo occasion is being included in the Board's rules. It is necessary to define bingo occasion in rule because a certain amount of confusion exists within the industry regarding the terms "bingo occasion" and "bingo session". The confusion arises because a bingo occasion may or may not be comprised of more than one session. A bingo occasion may be divided into bingo sessions by the use of intermissions. The Board believes it is necessary to include the statutory definition of bingo occasion in order to make its rules easier to use by the industry. It does no harm to include the statutory definition, and allows the organization greater ease when looking up lawful gambling definitions. The rule is reasonable because the organization will not have to look in two different documents to find the definition.

The classes of persons who will be affected by this rule include bingo players, organizations conducting bingo, and licensed bingo halls. There will be no cost to state agencies to implement and enforce this rule, and there are no costs associated with compliance on the part of the industry or the players. Since there is no cost associated with the rule, no determination was necessary on less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered and rejected. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 5 (Bingo paper package):

The term "bingo paper package" is used frequently by licensed organizations. Organizations offer "packages" for sale to players as a means of promoting their bingo occasions. Typically, a bingo paper package consists of a bingo paper sheet packet that has been manufactured in a specific color collation ordered by the organization. To this bingo paper sheet packet, the organization may add individual bingo paper sheets or sealed breakopen bingo paper sheets and offer a "package" for sale.

It is necessary to define "bingo paper package" to provide a standard definition for a term that is widely used throughout the bingo industry. The proposed definition conforms to the informal definition in use by the industry. The definition is necessary as an aid to newcomers to the industry, and to provide a regulatory tool to insure that organizations are all "operating on the same page" with regard to bingo paper packages. The rule is reasonable because it does not set forth any new requirements; the definition is widely accepted and understood. The rule is reasonable because it provides continuity throughout the industry, from manufacturer to distributor to organization.

The classes of persons who will be affected by this rule include bingo players and licensed organizations. There will be no cost to state agencies to

implement and enforce this rule, and there are no costs associated with compliance on the part of the industry. The definition will not add any costs to the manufacture of bingo paper. Since there is no cost associated with the rule, no determination was necessary on less costly or less intrusive methods for achieving the purpose of the rule. There were no alternative methods considered or rejected. There are no federal requirements regarding this definition, so there is no difference between this rule and any federal requirements.

M.R. 7861.0010, Subpart 6 (Bingo paper sheet):

It is necessary to provide a definition for "bingo paper sheet". Because many different terms exist within the industry in regard to bingo paper in general, the Board decided to define in rule the different types of bingo paper. Bingo paper may be manufactured with one or more different faces per sheet. It may also be manufactured in tablet form, with one or more different faces on each sheet in the tablet. Bingo paper sheets may also be manufactured in sealed cellophane packets where the face is concealed until the player opens the cellophane to reveal the bingo face. Bingo paper sheets may also be manufactured with numbers preprinted, or with blank spaces to be filled in by the player. Items (A) through (D) of the proposed rule further define the characteristics of a bingo paper sheet. These characteristics are common on all bingo paper sheets that are manufactured today. Some or all of the characteristics may be present on any particular bingo paper sheet.

The rule is reasonable in order to provide a standard definition that is accepted by the industry, and that can be easily understood by newly licensed organizations as well as players. The rule is reasonable because it will remove existing confusion with regard to the term "bingo paper sheet".

The classes of persons who will be affected by this rule include manufacturers of bingo paper sheets, bingo players, and organizations conducting bingo. There will be no cost to state agencies to implement and enforce the rule, and there are no costs associated with compliance by either the companies that manufacture bingo paper, or the organizations who purchase the bingo paper. No manufacturing processes will have to be changed in order to comply with the rule. Manufacturers currently make bingo paper sheets that are in conformance with this proposed definition. Since there is no cost associated with the rule, no determination was necessary on less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 7 (Bingo paper sheet packet):

This proposed rule provides a clear definition of a "bingo paper sheet packet". The rule is necessary in order to differentiate between a "bingo paper sheet packet" and a "bingo paper package". Both of these terms are widely used throughout the industry, sometimes interchangeably. Even though the

terms may be used interchangeably, they clearly have different meanings. This rule will clearly state that a bingo paper sheet packet is manufactured by the manufacturer as a single unit. The definition is also necessary to clearly state that bingo paper sheet packets cannot be separated and sold as individual bingo paper sheets. The rule is reasonable because it will provide the lawful gambling industry with a definition that is accepted by all classes of persons, and can be easily understood. The rule is also reasonable because it provides a regulatory tool for the Board to use when determining whether or not organizations are in compliance with all applicable laws and rules relative to bingo paper sheet packets.

The classes of persons who will be affected by this rule include manufacturers of bingo paper sheet packets and licensed organizations who conduct bingo. There is no cost to state agencies to implement and enforce this rule, and there are no costs associated with compliance on the part of the industry. Since there is no cost associated with the rule, no determination needed to be made on less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding this rule, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 8 (Bingo pattern):

It is necessary to define "bingo pattern" in rule. Even though the term is widely used and accepted throughout the industry, the definition is necessary for newcomers to bingo and newly licensed or authorized organizations. It is also necessary to promulgate a standardized definition that all classes of persons in the industry are comfortable with. The rule is reasonable because it merely defines the term "bingo pattern". It does not attempt to mandate or regulate the bingo patterns that organizations must use.

The classes of persons who will be affected by this rule include bingo players and organizations conducting bingo. There is no cost to state agencies to implement and enforce this rule, and there are no costs associated with compliance on the part of the industry. Since there is no cost associated with the rule, no determination was necessary on less costly or less intrusive methods for achieving the purpose of the rule. It was not necessary to consider or reject alternative methods. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 9 (Bingo program):

The Board believes that a definition of "bingo program" is necessary in its rules. Proposed rules contained in M.R. 7861.0070 (Bingo) mandate the contents of an organization's bingo program. The term "bingo program" is also referred to in other areas of the Board's rules. The rule is necessary to make sure that organizations are aware that their bingo programs must be printed, and cannot be merely read aloud at the start of a bingo occasion. The rule is reasonable because it clearly defines what the industry recognizes as a "bingo program". The rule is reasonable because it provides a standardized and

generic version of "bingo program" that can be easily understood by all organizations conducting bingo in Minnesota.

The classes of persons who will be affected by this rule include bingo players and organizations conducting bingo. There is no cost to state agencies to implement and enforce this rule, and there are no costs associated with compliance on the part of the industry or the players. There are costs associated with bingo programs in general, but those costs are discussed later in this statement. This rule is a definition only and, as such, carries no cost. All organizations currently provide bingo programs to their players. Since there is no cost associated with the rule, no determination was necessary on less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods needed to be considered or rejected. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 10 (Bingo session):

This rule defines the commonly accepted and used term of "bingo session". The term has been used interchangeably with "bingo occasion", even though the two may have different meanings. A bingo occasion may consist of one or more sessions, separated by intermissions. Inasmuch as the Board is proposing to define the term "bingo occasion" in M.R. 7861.0010, subpart 4, it is also necessary to define the term "bingo session". The rule is necessary in order to provide clear and defining language differentiating between bingo occasions and bingo sessions. The rule is reasonable because it provides guidance to the industry, and does not impose any new regulatory requirements on licensees.

The classes of persons who will be affected by this rule include bingo players and organizations that conduct bingo. There is no cost to state agencies to implement and enforce the rule; likewise, there is no cost to the industry to comply with the proposed rule. Since there is no cost associated with the rule, no determination was necessary on less costly or less intrusive methods for achieving the purpose of the rule. It was not necessary to consider or reject alternative methods. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, subpart 11 (Breakopen bingo):

In 1993 the Board promulgated rules allowing organizations to conduct breakopen bingo, also known as "bonanza" bingo. At that time a definition was not provided for breakopen bingo. It is necessary to provide a standardized definition in order to provide continuity to the rules, and allow greater ease in the use of the Board's rules. The rule is reasonable because it does not change the manner in which breakopen bingo is played, it provides a definition for the game in rule format, and provides a concise definition of breakopen bingo.

The classes of persons who will be affected by this rule include manufacturers of breakopen bingo paper sheets, bingo players, and organizations conducting breakopen bingo. There is no cost to state agencies to implement and enforce the rule. There will be no additional costs to manufacturers of breakopen bingo paper sheets, inasmuch as the product is currently being manufactured in accordance with the proposed definition. Since there are no costs associated with the rule, no determination was necessary on less costly or less intrusive methods of achieving the purpose of the rule. It was not necessary to consider or reject alternative methods for dealing with the proposed rules. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 12(Case paper):

Single bingo paper sheets (which may contain one or more bingo faces), are typically furnished by the manufacturer in case lots. Sometimes the sheets are loose, and at other times are bound or padded together in tablet form. The industry commonly refers to this type of bingo paper as case paper. It is necessary to clearly state in the proposed definition that organizations using the padded tablet form of case paper may remove single sheets from the tablet for individual sale, or for inclusion in a bingo paper package. Without this explanatory language, it could be interpreted to mean that the organization could sell the tablets as a unit, thereby creating a bingo paper packet. Packets can only be manufactured and assembled by licensed manufacturers. It is necessary to include a standard definition for "case paper" in the proposed rules because other portions of the proposed rules refer to "case paper", thereby creating the need for a definition. The rule is reasonable because it does not change the manner in which case paper is manufactured or sold. The rule is also reasonable because it is definitive in nature, and imposes no new requirements on organizations conducting bingo.

The classes of persons who will be affected by this rule include manufacturers of bingo paper, and organizations conducting bingo. There is no cost to state agencies to implement and enforce the rule, and there are no costs associated with compliance on the part of the industry. Since there is no cost associated with the rule, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the definition, so there is no difference between the rule and federal requirements.

M.R. 7861.0010, Subpart 13 (Cash):

The Board's existing rules regarding the play of bingo, as well as other forms of lawful gambling such as pull-tabs, tipboards, and paddlewheels contain statements that "only cash sales are permitted". The potential for confusion regarding the definition of "cash sales" does exist. Many retail establishments consider personal checks as "cash sales". M.S. 349.2127, subd. 7 specifically prohibits organizations from accepting checks from patrons

for the purchase of gambling equipment (bingo paper, pull-tabs, tipboards, and paddletickets) The Board proposes to define the term "cash" with specific language in M.R. 7861.0010 in order to remove any confusion regarding cash sales. The rule is necessary to clearly state that personal checks or credit cards are not to be considered cash, and thus may not be used to purchase bingo paper sheets, bingo hard cards, bingo paper packets, bingo paper packages, or other types of gambling equipment. The rule is reasonable because it serves to clarify statutory language and place it in rule format that is easily accessible to all licensees of the Board. The rule is also reasonable because it does not impose any standards not found in statute.

The classes of persons who will be affected by the rule include lawful gambling players and organizations conducting lawful gambling. There will be no cost to state agencies to implement and enforce this rule, and there will be no costs associated with compliance on the part of the industry. Since there is no cost associated with the rule, no determination was needed on less costly or less intrusive methods for achieving the purpose of the rule. It was not necessary to consider or reject alternative methods. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 17 (Continuation bingo game):

It is necessary to define "continuation bingo game" as one of the various games of bingo that an organization can offer. Organizations conducting bingo need to vary the types of games offered at their bingo occasions for marketing reasons, and to maintain interest among the players. A definition of this variation in rule format will insure that all organizations conduct continuation bingo games in the same fashion, and that players will not experience different variations of continuation bingo games between bingo halls. The definition is also necessary to provide information to new players and to newly licensed organizations who may wish to offer this type of bingo game. The rule is reasonable because it does not impose any new requirements. Continuation bingo games are already being played in accordance with this definition in many of the licensed bingo operations in Minnesota. The rule is also reasonable because it provides a standard guideline for continuation bingo games.

The classes of persons who will be affected by this rule include bingo players and lawful gambling organizations. There will be no cost to state agencies to implement and enforce this rule, and there are no costs associated with compliance on the part of the industry. Since there is no cost associated with the rule, no determination was necessary on less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods needed to be considered or rejected. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 18 (Control Number):

The Board is proposing, in M.R. 7861.0070 (Bingo), to add an option that organizations using bingo paper sheets or packets of bingo paper sheets may assign control numbers for ease in tracking bingo paper inventory, and a requirement that organizations using bingo paper packages assign control numbers to those packages as a means of inventory control. The need for and reasonableness of assigning control numbers is discussed in detail later in this Statement. It is necessary to promulgate a definition for "control number" so that all organizations are aware of the meaning. It is also necessary to provide a standard definition that can be applied to all organizations who will be required to assign control numbers. The rule is reasonable because, the definition alone does not impose any requirements, and is being promulgated in rule format for informational purposes.

The classes of persons who will be affected by this rule include organizations who conduct bingo. There is no cost to state agencies to implement and enforce this rule. There may be minimal costs associated with assigning and tracking the control numbers by organizations that use bingo paper packages. The costs would typically involve clerical time to assign and track the control numbers, and should not involve more than one or two hours per week of clerical time. It was not possible to quantify the cost of the clerical assistance, since organizations and bingo halls pay their employees at differing rates. Alternative methods considered and rejected included requiring all organizations who use bingo paper sheets and bingo paper packets to also assign control numbers. During the course of the public advisory committee meetings, agreement was reached that organizations using bingo paper sheets and bingo paper sheet packets should be able to assign control numbers if they wish, but that there would be no mandatory requirement. Organizations using bingo paper packages, however, will be required to assign control numbers because this is the only way that the individual components of the bingo paper package can be tracked for inventory and reporting purposes. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 21 (Fair market value):

The Board's proposed rules, in M.R. 7861.0070, require that organizations assign values to bingo prizes when those prizes are other than cash. The proposed rules also require that the assigned values for merchandise prizes be established at the "fair market value". Because of this requirement, it is necessary to define the term "fair market value" in this part of the Board's rules. The definition is necessary so that organizations have a guideline to use when establishing or assigning values to merchandise prizes, or donated prizes. The rule is reasonable because it is not restrictive, allows for price differentials in different geographical areas of the state, and it imposes no new restrictions or requirements on the organization. The rule is also reasonable because it provides a standardized guideline for all organizations to use when assigning bingo prize values.

The classes of persons who will be affected by this rule include bingo players and organizations conducting bingo. There is no cost to state agencies to implement and enforce this rule, and there are no costs associated with compliance on the part of the industry or the players. Since there is no cost associated with the rule, no determination was necessary on less or costly or less intrusive methods for achieving the purpose of the rule. No alternative methods needed to be considered or rejected. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 24 (Flashboard):

Even though flashboards are not defined as gambling equipment in statute or rule, and organizations are not required to use them, the term is referred to in the Board's rules regarding the conduct of bingo (M.R. 7861.0070), and is commonly used throughout the industry. Inasmuch as the Board's rules refer to flashboards, it is necessary to define the term in this part of the rules. The definition is necessary for newcomers to the industry, and to establish a standard definition for the term. The rule is reasonable because it is informative in nature, and makes no new requirements on organizations. Organizations are not required to use flashboards, but if they choose to do so the flashboard(s) must fit within this standard definition. The rule is also reasonable because it mirrors the meaning of the term "flashboard" in use within the industry in Minnesota today.

The classes of persons who will be affected by this rule include bingo players and organizations conducting bingo. There is no cost to state agencies to implement and enforce this rule, and there are no costs associated with compliance on the part of the industry. All flashboards currently in use in Minnesota will comply with this definition. Since there is no cost associated with the rule, no determination was necessary on less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods needed to be considered or rejected. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 29 (Gambling Equipment):

The Board's proposed rules governing bingo differentiate between the various types of bingo paper sheets, i.e., bingo paper sheets, bingo paper packages, and bingo paper packets. It is necessary to include these terms in the definition of gambling equipment in order to avoid confusion and possible misunderstandings in the industry the Board regulates. The proposed change is reasonable because it does not expand the scope of the statutory definition of permanent gambling equipment; it merely clarifies statute to insure that all types of bingo paper sheets and cards are included in the definition.

The classes of persons who will be affected by this rule include organizations conducting lawful bingo, and manufacturers and distributors of bingo paper sheets and packets. There is no cost to state agencies to

implement and enforce the rule, and there are no costs associated with compliance on the part of the industry or the players. Since there is no cost associated with the rule, no determination was necessary on less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 30 (Gambling volunteer):

This definition is necessary so that organizations can make proper determinations as to the "employee or volunteer" status of persons who perform services for the organization's lawful gambling operations. The rule is reasonable because it makes no additional requirements on the organization. The rule is also reasonable because it is informational in nature, and will provide organizations a mechanism for determining the correct status of its employees and volunteers.

The classes of persons who will be affected by this rule include organizations, and volunteers and employees of organizations. There is no cost to state agencies to implement and enforce this rule, and there are no costs associated with compliance on the part of the industry. Since there is no cost associated with the rule, no determination was necessary on less costly or less intrusive methods of achieving the purpose of the rule. No alternative methods needed to be considered or rejected. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 35 (Limiting ball count):

"Limiting ball count" is a variation on the standard game of bingo, and is widely used by organizations as a means of offering different types of games. The ability to offer different types of bingo games is an important marketing strategy on the part of the organizations who conduct bingo. It is necessary to establish a definition in rule for the term "limiting ball count" so that all organizations conduct the game in the same fashion. The rule is necessary to provide continuity throughout the industry, and to remove any confusion that might currently exist with regard to this term. The rule is reasonable because organizations currently conduct "limiting ball count" games in this fashion. The rule is also reasonable because it does not impose any new requirements or restrictions on limiting ball count, and serves to inform the industry and the players about the requirements when a limiting ball count is used.

The classes of persons who will be affected by this rule include bingo players and organizations conducting bingo. There will be no cost to state agencies to implement and enforce the rule. There are no costs associated with compliance on the part of the bingo industry. Since there are no costs associated with the rule, no determination was necessary on less costly or less intrusive methods of achieving the purpose of the rule. No alternative methods needed to be considered or rejected. There are no federal requirements

regarding this definition, so there are no differences between this rule and federal requirements.

M.R. 7861.0010, Subpart 45 (Progressive bingo game):

"Progressive" bingo games are variations on the standard game of bingo. As discussed earlier in this statement, organizations need to vary the types of games that they offer as a means of marketing and promoting their bingo operation. Some confusion has existed within the industry in the past regarding what a progressive bingo game is. The definition in rule is necessary to remove confusion and provide a standardized definition for use by the industry. The rule is reasonable because progressive bingo games are currently played in this manner, and the rule is intended to be informational in nature. Organizations are not required to offer progressive bingo games but, if they choose to do so, the games must be operated within the parameters of the defined term.

The classes of persons who will be affected by this rule include bingo players and organizations conducting bingo games. There is no cost to state agencies to implement and enforce this rule, and there are no costs associated with compliance on the part of the industry or the players. Since there is no cost associated with the rule, no determination was necessary or less costly or less intrusive methods of achieving the purpose of the rule. No alternative methods needed to be considered or rejected. There are no federal requirements regarding this definition, hence there are no differences between this rule and federal requirements.

M.R. 7861.0040 - Premises Permits

M.R. 7861.0040, Subpart 4(A)(9) (Attachments to application):

The Board proposes to add a new item to the documents that must be attached to an organization's application for a premises permit. Owners of bingo halls and other premises where bingo is conducted have a certain amount of power to dictate to the organizations the terms of the lease agreement that the organization must enter into in order to obtain a premises permit. While the amount of actual rent that a lessor can levy is prescribed in existing rule (M.R. 7861.0060, subpart 2(D)), no limits exist on what a lessor can demand from an organization in terms of remuneration for services such as trash removal, parking lot maintenance, snow removal, etc. In the past, some lessors have used this opportunity to obtain large payments from the organization over and above the actual amount of rent charged. In addition, in bingo hall situations where the hall is located in a shopping mall, or other large public building, the organization will probably not have the opportunity to select and pay its own vendor for such goods and or services. In a sense, the organization becomes captive to the lessor in issues such as this.

The proposed rule is necessary because it will allow the Board to monitor the charges that are being levied against organizations for goods and services of this type. The rule is also necessary because it requires that any

goods or services included in the lease have to be valued at the fair market value of those goods or services. This will prevent the organizations from being subjected to inflated prices by lessors who may believe that the organization has no choice but to agree to its terms. The rule is necessary so the Board can effectively regulate lawful gambling, and insure that organizations are not required to make improper payments from gambling proceeds for the lease of their space.

The proposed rule is reasonable because it does not set limits on the amounts that can be levied by lessors. The rule is reasonable because it merely requires that the information be included within the lease, and properly identified as a cost to the organization. The rule is reasonable because it provides a regulatory tool for the Board to use in determining that organizations are properly expending gambling proceeds.

The classes of persons who will be affected by this rule include bingo hall owners, lessors of sites where bingo is conducted, and gambling organizations who conduct bingo. There will be no cost to state agencies to implement and enforce the rule, inasmuch as the rule requires only the submission of information. There will be a minimal cost to comply on the part of the lessors of sites and bingo hall owners, as they will have to expend time to list and include these costs in the lease agreement. Alternative methods considered by the Board included establishing maximum amounts that could be charged for goods and services, but this method was rejected because it was deemed very difficult to establish these costs on a statewide basis, and as being too intrusive. By requiring that the goods or services included in the lease agreement be valued at their fair market value, the rule is flexible enough to be used on a statewide basis, and can be easily used by all organizations and lessors. There are no federal requirements regarding this rule, and so there are no differences between this rule and federal requirements.

M.R. 7861.0040, Subpart 4(A)(12)(e) (Attachments to application):

The rationale for this proposed rule is quite similar to that discussed in the preceding item. The rule is necessary in order to insure that bingo hall owners, and other lessors of bingo premises maintain records (and make the records available upon demand) of any monies that they receive from an organization during the term of the lease. The rule is necessary to insure that lessors and owners do not attempt to require payments from organizations over and above what is required in the lease agreement. This has been a problem in the past with some owners and lessors. The rule is necessary in order to protect the overall integrity of lawful gambling and the game of bingo in Minnesota. The rule is also necessary to protect the Board's licensed organizations from attempts by lessors or owners to obtain additional money in addition to the cost of the lease.

The rule is reasonable because it does not require the submission of the information by the lessor or owner, it merely requires the maintenance of the information and furnishing of the information upon demand. The rule is reasonable because it protects the integrity of lawful gambling in Minnesota by

protecting the organizations from being required to pay sometimes exorbitant amounts of money to lease space for bingo.

Classes of persons affected by this rule will be owners of bingo halls and lessors of sites where bingo is conducted. There will be no cost to state agencies to implement and enforce the rule. There will be very minimal, if any, cost to the lessors and owners to comply with the rule. Lessors and owners that keep accurate accounting records will already be documenting and retaining this type of information for purposes of tax filings. This approach was deemed to be the least intrusive method for achieving the purpose of the rule. The Board considered requiring the submission of this information on a regular basis, but decided that this approach was too intrusive and of no real value to the Board. Since the Board and other state agencies can demand access to the information should the need arise, there is no need to submit this information on a regular reporting schedule. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements. As discussed earlier in this paragraph, prudent business practices indicate that lessors and owners should already be documenting records of monies received from organizations.

M.R. 7861.0060 - Conduct of Lawful Gambling

M.R. 7861.0060, Subpart 1(B) (General restrictions):

The Board is proposing to add clarifying language to the sentence regarding traveler's checks and money orders. Even though the Board proposes to define cash in M.R. 7861.0010, it is necessary to retain the language in this part for the sake of logic and ease in using the rules. The rule is reasonable because it does not change the meaning of the rule, and it does not add to or lessen the requirements. The change is reasonable because it makes the rule easier to understand.

Classes of persons who will be affected by this rule include lawful gambling players and lawful gambling organizations. There will be no cost to state agencies to implement and enforce the rule. There are no costs to the industry to comply with the rule. Since there are no costs associated with the rule, it was not necessary to determine a less costly or less intrusive method to achieve the objective of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding this rule, hence there are no differences between this rule and federal requirements.

M.R. 7861.0060, Subpart 2(E) (Restrictions for gambling on leased premises):

The Board is proposing to add a new item that will allow organizations to sell or dispense food and beverages within their permitted bingo premises. The rule is necessary in order to expressly allow this type of activity. The industry has informally petitioned the Board for a rule of this nature. After consideration, the Board believes that no harm will be done to the integrity of

lawful gambling provided that the costs of the food and beverages, as well as the cost of preparing and serving them, are not to be paid for from gambling revenues of the organization. It is necessary to allow for this type of activity so that organizations can remain competitive with other forms of legalized bingo within the state. At the present time, persons playing bingo in the permitted areas must get up and walk to a concession stand in order to obtain food and beverages. The new rule will allow waitpersons to bring the food and beverages into the bingo playing area.

The rule is reasonable because it gives organizations more flexibility in providing services to its patrons. The rule is reasonable because no harm is done to the integrity of lawful gambling by allowing this type of activity to occur, and there is no reason to prohibit it. The rule is also reasonable because it allows the organization to provide services to patrons who may not be physically able to make one or more trips to a remote concession area at the bingo site.

Classes of persons who will be affected by this rule include bingo players, employees and volunteers of organizations, and lawful gambling organizations. There will be no cost to state agencies to implement and enforce the rule. If an organization opts to provide this type of service to its patrons, the costs of compliance will include the overhead costs of the food and beverages being dispensed, and the costs for employees or volunteers to serve the food and beverages. No determination was made on less costly or less intrusive methods for achieving the purpose of the rule, because providing food and beverages, and absorbing the costs, is a voluntary decision on the part of the organization and not required by rule. There are no federal requirements regarding this rule, hence there are no differences between this rule and federal requirements.

M.R. 7861.0060, Subpart 2(F) (Restrictions for gambling on leased premises):

The Board is proposing to add clarifying language to this item to permit the proposed activities in item (E) above to occur. The rule is necessary because in some instances the organization will have an agreement with the lessor to provide food and beverage service within the organization's leased space. The rule is necessary in order to allow this type of activity to occur. The rule is reasonable because it does not require the organization to have such an agreement with the lessor, and the decision on whether or not to offer food and beverage service in the leased space is strictly a voluntary decision on the part of the organization. The rule is also reasonable because organizations should be able to offer services of this type, and in fact need to do so in order to remain competitive with other types of legalized gambling in the state.

Classes of persons who will be affected by the rule include bingo players, organizations, bingo hall owners, and owners of premises where bingo is conducted. There will be no cost to state agencies to implement and enforce this rule, and there are no required costs to the industry to comply with the rule. This is not a mandatory requirement, and organizations can certainly opt

not to offer such services. Since there is no mandatory cost associated with the rule, no determination was necessary on less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding this rule, so there are no differences between this rule and federal requirements.

M.R. 7861.0040, Subpart 2(G) (Restrictions for gambling on leased premises):

The Board proposes to delete this restriction. The deletion is necessary for two reasons: (1) the parts of the Board's rules that deal with specific forms of lawful gambling, i.e., bingo, pull-tabs, tipboards, paddlewheels, etc., each contain a specific restriction with regard to employees gambling at their organization's premises; and (2) gambling employees of organizations that lease space from a bingo hall or other lessor should not be treated differently than gambling employees of organizations that wholly own their space and are not involved in a lease agreement. American Legions and VFW Posts, among others, wholly own their sites. Under the terms of existing item G. of this subpart, employees of American Legions and VFW's are allowed to gamble at their place of employment (because the premises are owned and not leased), and employees of other organizations who lease space, are prohibited from gambling. This is an inequity in the rules that needs to be corrected. It is necessary to remove this item in order to correct the inequity.

The rule was originally promulgated to enhance the public perception of the integrity of lawful gambling. If patrons observed employees playing bingo or purchasing pull-tabs, it was believed that the patrons would think the employees had "inside information" with regard to the outcome of the game being played. Actual practice indicates that a rule is not necessary to achieve the purpose of protecting the patrons' perception of integrity in the games. Patrons do not hesitate to complain to management if they believe that an employee or volunteer has had inside information regarding a game. Such complaints result in action from the management prohibiting their employees from playing.

Removing the rule is reasonable because the Board proposes to place a restriction in M.R. 7861.0070 (Bingo) that will allow employees to gamble during periods when they are not working, and which also provides that organizations may adopt broader restrictions regarding employee participation if they so desire. Deletion of the rule is reasonable because it will place the responsibility upon the organizations to decide whether or not their employees may gamble at the premises. The responsibility rightly belongs with the organization, and not the Board. The deletion is also reasonable because it removes an inequity within the present rule that treats one class of employees differently than another.

The classes of persons who will be affected by this rule include employees and volunteers of organizations, and lawful gambling organizations. There will be no cost to state agencies to implement and enforce the rule. There are no costs associated with compliance on the part of the industry.

Alternative methods for achieving the purpose of the rule were not considered or rejected; removing the present rule is the least intrusive method of dealing with the issue. There are no federal requirements regarding this rule, so there are no differences between this rule and federal requirements.

M.R. 7861.0070 - Bingo

M.R. 7861.0070, Subpart 1 (Restrictions):

It is necessary to clearly state that restrictions on bingo employees also apply to bingo volunteers. Even though volunteers are not compensated for their services, they function as employees and have the ability to control the play of bingo and affect the outcome of the game to the same degree that employees do. It is also necessary to make an exception to proposed item B of this part for employees of smaller organizations. In small-town situations, it is simply not practical to prohibit employees from having direct contact with family members who may be playing bingo during that occasion. In bingo hall situations, or large bingo operations, this restriction will not be a problem. The problem with adopting this restriction for small organizations and/or small-town bingo operations is that many of the workers are volunteers. There are problems in recruiting volunteers if this restriction is in place. It is also necessary to clarify that, when making a distinction between a large and a small organization, the \$150,000 in gross receipts from bingo is after the organization has applied any discounts or free plays resulting from coupon redemption.

In using the figure of \$150,000 to differentiate between large and small organizations, the Board was guided by M.S. 297E.06, subd. 4, which states, in part, that organizations with gross receipts of less than \$150,000 in its last fiscal year, are exempt from the requirement of filing an annual audit with the Department of Revenue. It seems necessary and logical to use the same figure when differentiating between large and small organizations in the rules governing lawful gambling.

The rule is reasonable because it exempts volunteers who work for small organizations, and makes a clear distinction between large and small organizations in terms of gross receipts from gambling. The rule is reasonable because it makes it clear that volunteers are considered the same as employees with regard to the restrictions placed upon them by rule. The rule is also reasonable because it makes no undue demands or sets no restrictions that organizations cannot comply with.

The classes of persons who will be affected by this rule include employees and volunteers of bingo organizations and the organizations themselves. There is no cost to state agencies to implement and enforce the rule. There are no costs associated with compliance with the rule on the part of the industry. The rule, as proposed and drafted, is the least costly and least intrusive method of achieving the purpose of the rule. Other alternatives considered included applying the restrictions of item B to all employees and volunteers, whether the organization was large or small. Another issue

considered was dropping the distinction between large and small organizations altogether, and requiring the rule to apply to all organizations regardless of size. There are no federal requirements regarding this rule, so there are no differences between this rule and federal requirements.

MA 7861.0070, Subpart 1(A) (Restrictions):

The Board proposes to delete existing language, which contains a broad prohibition against an employee playing bingo during a bingo occasion at which he or she works. In the alternative, the Board is proposing new language which restricts the employee from participating in an occasion during which he or she works, but that also allows the organization to adopt broader restrictions. The rule is necessary in order to allow bingo employees to play bingo during occasions which they do not work, unless their employer (the organization) has adopted more stringent policies. The Board is proposing to delete M.R. 7861.0060, subpart 2(G), which prohibits employees from participating as players at leased premises. The reasons for this deletion were discussed earlier in this Statement. It is necessary to delete the proposed language in subpart 1(A) of this part and replace it with the proposed language in order to have continuity in the Board's rules, and to allow the organization to adopt stricter restrictions if it so desires.

The rule is reasonable because it allows the organization the flexibility to prohibit its employees from participating as players at any time if it so desires. This responsibility should lie with the organization, and not the Board. The issue is one of public perception, and the organization's patrons will ultimately be the deciding factor in whether or not the organization allows its employees to gamble. The rule is reasonable because it shifts responsibility from the Board to the Organization, without causing harm to the integrity of gambling in general.

The classes of persons who will be affected by this rule include bingo employees and volunteers, and organizations conducting bingo. There will be no cost to state agencies to implement or enforce the rule. The only cost to the organization may be in reprinting its house rules if it chooses to adopt stricter standards than are found in rule. This cost should be minimal. The Board considered prohibiting any gambling employees from participating in gambling at their place of employment at any time, but decided that the rule as drafted is the least costly and least intrusive method of achieving the objective of the rule. There are no federal requirements regarding this rule, so there are no differences between this rule and federal requirements.

M.R. 7861.0070, Subpart 1(B) (Restrictions):

The Board is proposing to amend the language in this item to clarify that the restriction applies only to gambling employees of the organization. The rule is also being rewritten to make it clear that the direct contact or communication that is prohibited pertains to the play of bingo only, and not any other incidental contact that may occur. The last sentence has also been

deleted, because "immediate family" is defined in M.R. 7861.0010, and this definition is redundant and unnecessary.

The rule amendment is necessary in order to add clarity to the existing rule and to make it clear that gambling employees of an organization are not to communicate or have contact with their immediate family members regarding the play of bingo, except for small organizations where it is not practical to prohibit such contact. The rule is necessary in order to maintain the integrity of bingo games conducted under the regulation of the Board, and to preserve the public perception of bingo being conducted in a fair and consistent manner.

The rule is reasonable because it does not impose any undue hardships on the organizations, or employees or volunteers of the organization. The rule is reasonable because it makes an exception in the case of small organizations that would find it practically impossible to comply with the rule.

The classes of persons who will be affected by the rule include bingo players, employees and volunteers of organizations, and lawful gambling organizations that conduct bingo. There is no cost to state agencies to comply with the rule; likewise, there is no cost to organizations to comply with the rule. The proposed rule is the least costly and least intrusive method of achieving the purpose of the rule. The other alternative was to prohibit all contact whatsoever. Because the proposed rule represents the least costly and least intrusive method, no alternative methods were considered or rejected. There are no federal requirements regarding this rule, so there are no differences between this rule and federal requirements.

M.R. 7861.0070, Subpart 1(C) (Restrictions):

This rule is necessary to prohibit the photocopying of bingo hard cards or bingo paper sheets for use at bingo occasions. Both statute and rule specifically provide that an organization must purchase all of its gambling equipment (which includes bingo hard cards and bingo paper sheets) from a licensed distributor. If organizations were allowed to make photocopies of bingo paper or bingo cards, the inventory and tracking system prescribed later in this chapter would be meaningless. In addition, unscrupulous organizations would have the opportunity to falsify records concerning the sale of bingo cards and sheets. The rule is necessary in order to preserve the integrity of lawful gambling in Minnesota, and to ensure that all purchases and sales of bingo hard cards and bingo paper sheets are properly documented by the organization.

The rule is reasonable because it does not impose a hardship on the organization. The rule is reasonable because it serves to insure that the organizations are able to accurately account for all bingo paper and bingo hard card purchases and sales.

The classes of persons that will be affected by this rule include organizations who conduct bingo. There is no cost to state agencies to

implement and enforce the rule. There are no costs associated with compliance on the part of the industry. Since there is no cost associated with the rule, it was not necessary to make a determination on less costly or less intrusive methods of achieving the purpose of the rule. There are no federal requirements regarding this rule, hence there are no differences between this rule and federal requirements.

M.R. 7861.0070, Subpart 1(D) (Restrictions):

This rule is necessary in order to insure that bingo paper sheet packets are not separated by the organization and sold as individual bingo paper sheets. Likewise, it is necessary to prohibit the cutting of case paper. Bingo paper sheets in case paper form may be manufactured with several bingo faces per sheet. The bingo paper sheet is intended to be sold as a unit, and not cut or separated into individual bingo faces for resale to the player. The rule is necessary in order to insure that the organization is accountable for all bingo paper sheet packets and all case paper that it purchases from a licensed distributor for use in its bingo occasion. The rule is reasonable because it insures that organizations will remain accountable, it will protect the integrity of the game of bingo, and it will provide a regulatory tool for the Board to use in making sure that all bingo paper sheet packets and all case paper can be accurately accounted for and tracked from the manufacturer to the distributor to the organization.

The classes of persons who will be affected by the rule include organizations that conduct lawful bingo within the State. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Alternative methods for achieving the purpose of the rule were not considered, as there appeared to be no alternative methods available. Less costly or less intrusive methods for achieving the purpose of the rule were not taken into consideration. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 1(E) (Restrictions):

This rule is necessary in order to clarify the statutory prohibition found in M.S. 349.17, subd. 5(a) and subd. 5(b) (1995). The statute prohibits organizations with gross receipts from bingo in excess of \$150,000 in its last fiscal year from using bingo hard cards. The clarification is necessary in order to allow for the use of braille bingo hard cards by blind persons. Braille bingo cards are not manufactured in "bingo paper sheet" format; they are only manufactured in "hard card" format. Thus, it is necessary to expand upon the statutory prohibition to allow equal access to blind players who may wish to participate.

The rule is reasonable because it allows for blind persons to participate in a bingo games operated by organizations. The rule is reasonable because it does not change the meaning of the statutory prohibition, nor does it make allowances not anticipated during the legislative process.

Classes of persons who will be affected by this rule include bingo players, and organizations who conduct bingo. There is no cost to state agencies to implement and enforce this rule, and there are no costs associated with compliance on the part of the industry or the players. Since there is no cost associated with the rule, no determination was necessary on less costly or less intrusive methods of achieving the purpose of the rule. Federal requirements regarding the rule are found in the Americans with Disabilities Act (ADA), which requires that organizations operating bingo games that are open to the public make reasonable accommodations for disabled individuals. There is no difference between this rule and federal requirements found in the ADA.

M.R. 7861.0070, Subpart 1(F) (Restrictions):

Organizations that conduct bingo are prohibited from purchasing gambling equipment from any entity other than a licensed distributor. In turn, licensed distributors are prohibited from purchasing gambling equipment from any entity other than a licensed manufacturer. The only entity that manufactures braille bingo hard cards is the American Society for the Blind. The American Society for the Blind is not a licensed manufacturer, nor does it wish to become a licensed manufacturer. There is no way for bingo organizations to legally obtain braille bingo hard cards for use by their patrons. This rule will allow blind bingo players to bring their own personal braille hard cards to a bingo occasion, provided that the cards meet the standards of this rule.

The rule is reasonable because it does not harm the integrity of lawful gambling in Minnesota, and allows blind persons to participate in bingo occasions. The rule is reasonable because it assists the organization in offering bingo to blind persons, and it also serves to make bingo occasions accessible to blind persons.

The classes of persons who will be affected by this rule include bingo players and organizations that conduct bingo occasions. There is no cost to state agencies to implement and enforce the rule. There is no cost associated with compliance on the part of the industry. Inasmuch as there are no costs associated with the rule, there was no need to consider and reject less costly or less intrusive methods for achieving the purpose of the rule. Federal requirements regarding this rule are found in the ADA, which mandates accessibility to handicapped individuals. There is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 1(G) (Restrictions):

This rule is necessary to protect the integrity of bingo occasions, and to enhance the public perception of fairness in the games conducted by organizations. If patrons were to observe other patrons picking up "reserved" bingo paper sheets, packages, or packets, they might be inclined to believe that

those "reserved" materials contained the winning letters and numbers for the games being offered during that occasion.

The rule is reasonable because it promotes public perception of fairness in the games offered, insures the integrity of the games, and insures that all players have an equal opportunity to win bingo games. The rule is also reasonable because it imposes no undue hardship on the organization.

Classes of persons affected by the rule include bingo players and organizations conducting bingo occasions. There is no cost to state agencies to implement and enforce the rule. There is no cost to organizations to comply with the rule. Since there are no costs associated with compliance, no determination was made on less costly or less intrusive methods of achieving the purpose of the rule. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 1(H) (Restrictions):

Bingo paper sheets and bingo paper packets are manufactured in a "series" method. An "18000" series would have 18,000 unique faces in the series. Organizations are able to purchase many different series of bingo paper sheets and bingo paper packets. This rule is necessary in order to prohibit them from offering bingo paper sheets or packets with identical faces during the same bingo occasion. It is important that identical faces not be offered during any bingo occasion to reduce the opportunity to manipulate the outcome of a game and to avoid the perception of collusion between patrons and the organization.

The rule is reasonable because organizations have no difficulty in insuring that duplicate faces are not in play during any occasion. The prohibition exists in present rule (M.R. 7861.0070, subp. 5(F)) and organizations have complied with the rule. The rule is also reasonable because it enhances the integrity of bingo games, and insures the patrons that all participants have an equal chance to win a bingo game.

It is also necessary in the rule to clarify that breakopen bingo paper sheets may have identical faces. Organizations have no knowledge of the faces on breakopen bingo paper sheets until the sheets are purchased and opened by the patron. This portion of the rule is reasonable because it makes an exception for a possible event that the organization would have no way of knowing about ahead of time.

The classes of persons who will be affected by the rule include bingo players and organizations conducting bingo. There is no cost to state agencies to implement and enforce the rule. There is no cost to the organizations to comply with the rule. Since there is no cost involved, it was not necessary to make a determination on less costly or less intrusive methods of achieving the purpose of the rule. There are no federal requirements regarding this rule, so there are no differences between this rule and federal requirements.

M.R. 7861.0070, Subpart 1(I) (Restrictions):

It is possible that a bingo player could purchase bingo paper sheets, packets, or packages and not daub them as the numbers are called. This could occur for any number of reasons. This rule is necessary in order to make sure that the organization does not retrieve sold but undaubed bingo paper sheets, packets, or packages and resell them at its next occasion or session. If they did so, they would then be collecting money twice for the same bingo paper sheet, packet, or package. The organization would then have the opportunity to falsify reports on bingo receipts on its tax returns or other reports to the Board. The rule is necessary in order to insure the integrity of the bingo occasions or sessions conducted by the organization.

The rule is reasonable because it will not cause an undue hardship for the organization, and it will serve to enhance the integrity of bingo games played under the regulation of the Board. The rule is also reasonable because the Board should not provide opportunities for organizations to file false reports and misrepresent the amount of money taken in on the sale of bingo paper sheets, packets, or packages.

The classes of persons who will be affected by this rule include organizations that conduct bingo. There is no cost to state agencies to implement and enforce the rule. There is no cost to organizations to comply with the rule. Since there are no costs associated with compliance, no determination was necessary on less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 1(J) (Restrictions):

In accordance with the requirements of proposed rule, organizations will be allowed to offer discounts on the purchase of bingo hard cards, paper sheets, packets, or packages. Those requirements are discussed in greater detail later in this Statement. This restriction is necessary in order to clarify that, if an organization intends to offer discount coupons, it must do so in accordance with these rules. To allow organizations carte blanche in determining the methods of offering and redeeming coupons would destroy the integrity of the reporting system prescribed in these rules, and would allow the organizations ample opportunity to under-report the amount of receipts from the sale of bingo hard cards, paper sheets, packets, or packages. This, in turn, would have a deleterious effect on the integrity of bingo games.

The rule is reasonable because the Board has provided, later in these rules, a method for organizations to offer discounts through the use of coupons should they choose to do so. This rule is reasonable because, in and of itself, it imposes no undue hardships on the organization or any new requirements. The rule is reasonable because it will ensure that any coupon method used by an organization must meet the requirements of the Board's rules.

The classes of persons who will be affected by this rule include organizations who offer discounts on bingo paper sheets, packets, or packages through the use of coupons. There is no cost to state agencies to implement and enforce this specific rule. There are no costs associated with compliance by organizations for this specific rule. Other methods considered for achieving the objective of this rule included banning the use of coupons altogether, but this course of action was objectionable to the industry and deemed too intrusive by the Board. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 1(K) (Restrictions):

This restriction currently exists in slightly different format in M.R. 7861.0070, subpart 5(T). The rule is necessary to insure that organization employees or volunteers and persons playing bingo do not make attempts to affect the outcome of any bingo game. The rule is necessary in order to preserve the integrity of lawful gambling, and particularly bingo, in Minnesota.

The rule is reasonable because it has been successfully applied to date, with slightly different language, by the Board. The rule is also reasonable because it insures that the Board's regulatory mandate to preserve the integrity of lawful gambling in Minnesota is maintained.

Classes of persons who will be affected by the rule include bingo employees and volunteers, organizations conducting bingo, and persons participating in a bingo game. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since no costs are associated with the rule, no determination was made on less costly or less intrusive methods of achieving the purpose of the rule. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 2(A) (Bingo equipment to be used):

The proposed language change will allow for new technology in the field of bingo ball machines or devices. The present language is restrictive and requires the use of a "machine or device". M.R. 7864.0030 clearly outlines standards for bingo ball selection devices and machines, and requires that they be submitted to the Board for approval before being offered for sale in Minnesota. The proposed language is reasonable because it will allow new types of bingo ball selection devices to be reviewed and approved by the Board, and will help to ensure that this rule does not become "obsolete" with time.

Classes of persons that will be affected by this rule include bingo players and organizations that conduct bingo. There is no cost to state agencies to implement and enforce the rule. There will be no costs to the industry over the usual and customary costs associated with the purchase of a bingo blower machine or squirrel cage for the drawing of bingo balls. All currently licensed organizations that conduct bingo either have access to a bingo blower machine, own such a device, or have a squirrel cage. For new organizations, this is a

commonly accepted cost of doing business. Less costly or less intrusive methods of achieving the purpose of this rule do not exist, to the best of the Board's and the industry's knowledge. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 2(B) (Bingo equipment to be used):

Even though bingo balls are not defined in statute or rule as gambling equipment, it is necessary to prescribe certain standards with regard to the bingo balls used in the conduct of a bingo game. It is necessary to specify in rule the letters and numbers that must appear on the bingo balls. Without this specificity, organizations would be free to pick and choose the letters and number they wanted to appear on the bingo balls, thus designing their own games and having the ability to manipulate the outcome of a bingo game. It is also necessary to clearly state that any given bingo ball can contain no more than one letter and one number; again, to avoid giving the organization the opportunity to manipulate the outcome of a bingo game. The amended rule language also requires that a player inspect the bingo balls before the start of each bingo occasion. Existing rule merely requires that the bingo balls "be available" for inspection before the start of an occasion. Requiring that they be inspected adds to the integrity of the game, and enhances the public perception of fairness. It is also necessary to amend the rule to make an exception, with regard to each bingo ball being present in the receptacle before the start of each game, for continuation bingo games. Existing rule conflicts with the rule that allows organizations to conduct continuation bingo games.

The rule is reasonable because it insures inspection of the bingo balls by a player, which in turn adds credibility to the game and insures the integrity of the game. It is also reasonable to mandate the letters and numbers on each bingo ball in order to be sure that bingo games are conducted in accordance with Board rule. The rule is reasonable because it provides a regulatory tool for the Board to insure conformance with existing industry standards for bingo balls.

The classes of persons who will be affected by this rule include bingo players and gambling organizations that conduct bingo games. There is no cost to state agencies to implement and enforce the rule. There are no costs associated with compliance on the part of the industry. Since there is no cost associated with the rule, it was not necessary to make a determination on less costly or less intrusive methods of achieving the purpose of the rule. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 2(C) (Bingo equipment to be used):

It is necessary to specifically state in rule format that organizations may use video displays and cameras if they wish. In bingo hall operations, separate rooms for smoking and non-smoking patrons are used, and it is necessary to have a video monitor in each room where bingo is conducted so that all patrons

can see the bingo balls that have been drawn and called. The rule is reasonable because it allows all bingo players to see the drawn bingo balls, which contributes to increased integrity of the game and enhanced public perception of fairness.

The classes of persons who will be affected by this rule include bingo players and organizations that conduct bingo. There are no costs to state agencies to implement and enforce the rule. The only cost to organizations is the cost of the video equipment, if they choose to purchase it. Since the rule does not require the purchase and use of video cameras and displays, there is no need to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 2(D) (Bingo equipment to be used):

This item requires organizations to purchase all bingo paper sheets and packets of bingo paper sheets from licensed distributors. The rule is necessary to preserve the integrity of bingo games conducted by organizations in Minnesota, to insure that all bingo paper sheets and packets meet uniform standards established by rule, and to enable the Board to track all bingo paper sheets and packets from the manufacturer through the distributor to the organization and, ultimately, the player. It is an integral part of the Board's plan to insure that organizations can account for all bingo paper sheets and packets purchased and sold, and that the revenue from organizations conducting bingo is reported accurately to the Department of Revenue.

The rule is reasonable because it imposes no undue hardships on any of the Board's licensees. It is reasonable to establish a method whereby the value of bingo paper sheets and packets can be accurately tracked in the State.

Classes of persons who will be affected by the rule include distributors of bingo paper sheets and packets, and organizations that conduct bingo in Minnesota. There is no cost to state agencies to implement and enforce this particular rule. There is no additional cost to the industry to comply with the rule. Organizations have always been required to purchase gambling equipment only from licensed distributors in Minnesota. Because of the need to regulate and account for all bingo paper sheets and packets sold by organizations in Minnesota, there is no less costly or less intrusive method for achieving the purpose of the rule. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 2(E) (Bingo equipment to be used):

This rule is intended not only to insure that equipment owned by the organization is maintained in sound working condition, but also to require lessors and bingo hall owners to make sure that equipment they own is also maintained in good repair. This rule will give the organizations who rent the space some leverage over the owners to make sure that lighting and sound

systems, chairs, tables, etc. (which are used in the conduct of bingo), are well maintained.

The rule is reasonable because it imposes no undue requirements on the organization, and will help to insure that the lessors and owners maintain their property so that bingo can be safely conducted at the site. The rule is also reasonable because it helps to protect the health and welfare of the persons who play bingo.

The classes of persons who will be affected by the rule include lessors and owners of bingo sites, and organizations that conduct bingo. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry, over and above the cost of repairing and maintaining their own equipment, to comply with the rule. This is the least costly and least intrusive method of achieving the objective of the rule. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 5a(A)(1), (Manner of conducting bingo):

It was necessary to differentiate between organizations that use bingo hard cards and organizations that use bingo paper sheets, packets, or packages. Organizations with gross receipts from bingo in excess of \$150,000 in their last fiscal year are prohibited by statute from using hard cards. However, nothing precludes an organization with gross receipts of less than \$150,000 from using bingo paper sheets, packets, or packages. Establishing separate items will make the rules easier to use.

This item is necessary to be sure that organizations prominently post the prices they charge for each bingo hard card, as well as information regarding cash sales. It is necessary to make sure that the notice can be easily read and understood by all patrons. The rule is necessary in order to insure that all patrons pay the same price for bingo hard cards, and that they are fully informed before a decision is made to play. The rule is reasonable because it insures that bingo players are informed about the cost to play prior to purchasing bingo hard cards. The rule is also reasonable because it will serve to deter organizations from changing prices from occasion to occasion, or change the price during an occasion to defray expenses when the crowd turnout is less than anticipated.

Classes of persons who will be affected by the rule include bingo players and organizations conducting bingo with hard cards. There is no cost to state agencies to implement and enforce the rule. There is no additional cost to the industry to comply with the rule. A similar requirement exists in the current rules. Since there are no additional costs involved, it was not necessary to consider and reject less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 5a(A)(2), (Manner of conducting bingo):

This item requires an organization to post its house rules. In addition to the generic requirements for posting house rules found in M.R. 7861.0060, subpart 4, it is necessary to include additional requirements for organizations conducting bingo with hard cards. Item (a) is necessary to remove the potential for confusion regarding declaring bingo and last number called. Without this requirement, the organization could have an "unwritten" policy on last number called, which could result in regular, or "favorite" players being allowed to declare and win bingo over other individuals. This item is also necessary to insure that players are fully informed regarding the organization's policy before deciding to play. Item (b) is necessary to insure that the organization does not cancel bingo occasions for frivolous reasons, or simply because the crowd is not large enough to make a profit on the occasion for the organization. This does not mean that the organization cannot establish a minimum player level before proceeding with the occasion, only that any minimum player requirement must be stated in the house rules. Organizations should not be able to cancel occasions simply because a certain player or group of players is unable to attend, or because of a lack of employees or volunteers without first stating the conditions in the house rules. Item (c) is necessary in order that the players be fully informed about state rules and regulations governing the conduct of bingo at that particular site. This item is necessary to protect the integrity of bingo games, and to encourage dialog between players and regulators about the conduct of bingo. It is also necessary to require that the house rules be posted in such a fashion that players can see them before deciding to participate. The requirement is necessary because, without requiring it in rule, some small organizations, that conduct bingo once or twice a year at community functions, may not comply.

The rule is reasonable simply because it helps to insure that bingo players are well informed prior to participating. It is reasonable to require that the organization determine and post a policy on last number called in order to prevent confusion during the play of bingo, and in order to prevent persons from attempting to manipulate the outcome of a specific bingo game. It is also reasonable that the organization determine in advance and post a policy on the reasons why it might cancel a bingo occasion. Again, as long as the organization lists the reasons for cancellation, it can include any such events that could possibly exist for cancellation, such as insufficient players, inclement weather, etc. It is reasonable that players have access to, or know where to obtain, the rules and statutes governing the bingo games that they participate in. Well-informed players tend to police bingo occasions and games more effectively than regulators who cannot be present. It is also reasonable that house rules be posted in such a manner as to be accessible prior to the start of an occasion, or game. This will save time and effort for the organization as it will not have to answer the same questions over and over for different players.

Classes of persons who will be affected by the rule include bingo players and organizations that conduct bingo with hard cards. There will be no cost to state agencies to implement and monitor the rule. Persons that wish to obtain

a copy of the rules and statutes will be directed to the Minnesota Bookstore, which offers such materials for sale. The only cost to the industry to comply will be to prepare and print copies of its house rules. Again, this will be a minimum cost. It should be pointed out that organizations are already required in existing rule to post copies of house rules. With regard to obtaining copies of rules and statutes, the Board considered requiring that the organization make these materials available to the players, but this was deemed too costly to the organizations. The rule as proposed is the least costly and least intrusive method of achieving the objective of the rule, which is to inform bingo players to the fullest extent possible prior to participation in the game. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(A)(3) (Manner of conducting bingo):

An organization needs to be informed of the rules and statutes governing bingo, and to insure that its employees and volunteers are also informed of the regulations. It is necessary that at least one copy of the current rules and statutes are located at each bingo site so that employees and volunteers have access to needed information during the conduct of a bingo occasion. The rules are specific as to requirements for prize receipts and manner of conducting bingo. Employees and volunteers will be easily able to determine the proper method for dealing with situations that may arise during a bingo occasion or bingo game. This rule is necessary especially for smaller organizations that conduct few occasions, because there is a greater likelihood that those employees and volunteers will need to refer to the rules more frequently.

The rule is reasonable because it will insure that the organization's employees and volunteers conduct the bingo occasion in accordance with applicable laws and rules. The rule is reasonable because the cost to comply is minimal. Rules and statutes can be easily obtained from the Minnesota Bookstore for a marginal cost. The cost can be paid for from Gambling funds as an allowable expense. The rule is reasonable because it will enhance and protect the integrity of bingo conducted by lawful gambling organizations in Minnesota.

The classes of persons who will be affected by this rule include employees and volunteers of organizations conducting bingo and, to some possible extent, bingo players. There is no cost to state agencies to implement and enforce the rule. The cost to organizations to comply is \$6.95 for each set of rules and \$6.95 for each copy of the statutes ordered from the Minnesota bookstore. Since the rule applies to all premises where bingo is conducted (and some organizations will conduct bingo at more than one site) the cost will be higher for those organizations with multiple sites. Since statutes change on a yearly basis, the cost of the statutes will be an annual expense for the organizations. Rules governing bingo will change less frequently, so this will be a random expense for the organization. After consideration and discussion, this was deemed the least costly and least intrusive method of achieving the purpose of the rule. Alternatives considered and rejected were to require the

organizations to maintain and dispense copies of rules and statutes to any interested person. There are no federal requirements regarding this rule, so there are no differences between this rule and federal requirements.

M.R. 7861.0070, Subpart 5a(A)(4) (Manner of conducting bingo):

It is necessary to require that organizations using bingo hard cards develop and maintain bingo programs for each occasion that they conduct. In many instances, the same program can be used for all occasions when the number and types of games are identical from one occasion to the next. It is also necessary to mandate in rule the contents of the program. Copies of the programs are submitted to the Board and used to verify the number of games, type of games, and winners for each occasion. It is necessary that the program contain the information required in subitem (a) so that players will know what types of games are being played, and so that the Board can verify that the game was actually played as stated in the organization's program. Subitem (b) is necessary so that players will know the amount of cash prizes and/or the value of non-cash prizes that are offered for each game at that occasion. An organization will, at times, use specific occasion or game-related indices to determine the amount of prizes that will be offered at an occasion. For instance, the prize structure for an occasion with 100 players could be different than the prize structure for an occasion with 25 players. This is permitted, as long as the organization clearly states the determining factors in its program. It is also necessary that the organization place the date of implementation on the program itself. This is required in order for the Board to verify the amount of prizes paid out at a specific occasion.

This rule also contains a requirement for smaller organizations (those with gross receipts from bingo of less than \$150,000 in the immediately preceding fiscal year) to explain the methodology used in instances when the organization must deviate from the prize structure listed in the program. For example, the organization could be offering a large prize for a coverall game at a specific occasion when the turn-out is expected to be high. For unforeseen reasons, i.e., weather, the turn-out could be extremely small and the organization may deem it prudent to withhold the large prize for a future occasion. Again, this is permitted as long as the organization explains its methodology in its program.

Another requirement in this item is that the organization's bingo program must be approved, in advance, by the organization's membership, and that a copy of the approved program be sent to the Board office 24 hours in advance of implementation of the program. This is necessary in order to insure that the members of the organization are aware of the bingo programs being offered, and in order to maintain overall responsibility for the organization's gambling operation with the membership itself, not merely a committee or subcommittee of the organization. The program must be submitted 24 hours in advance so that there will be no question about which program was being followed on any given date. The Board needs this information in order to verify the prizes paid out and gross receipts at each bingo occasion.

It is reasonable that organizations should be expected to make programs available to players prior to the start of a bingo occasion. Without informing the player what types of games will be played, and the prize structure, a bingo game could be manipulated by the organization (or an organization employee or volunteer) to adversely affect the outcome of the game. It is reasonable to require that the organization place the date of implementation on the program. This is the only method the Board will have of reconciling the prizes paid and gross receipts reported for each bingo occasion. Further, it is reasonable to require the organization to include in its program the various methods it may use to determine the value of prizes when the prizes differ from those listed in the program. The organization will be able to determine, in advance, any eventualities which would trigger an adjustment in the prize structure. It is reasonable to require that bingo programs, both new and amended, be approved by the general membership of the organization. As stated previously, it is vital that the membership of the organization be knowledgeable about gambling activities that the organization is participating in. Disciplines and sanctions against the organization for violation of law or rule relating to gambling can be very severe, and affect the entire organization. For this reason, it is reasonable that members be kept aware of gambling activities. The requirement that the program be furnished to the Board 24 hours in advance of implementation is reasonable. The rule merely requires that it be "postmarked" (or delivered) 24 hours in advance of implementation. This does not pose a hardship on the organization.

The classes of persons that will be affected by the rule include bingo players and organizations that conduct bingo using hard cards. The cost to state agencies to implement and enforce the rule will include storage space for bingo programs submitted by the organizations. Inasmuch as organizations do not change programs frequently, the storage space needed should be minimal. The cost to organizations to comply with the rule will include printing of programs, and postage or courier service to deliver the program to Board within the required time period. Less costly and less intrusive methods considered and rejected included allowing the organization to maintain the bingo programs with their occasion records, and make the programs available to the Board upon demand. This method was rejected because the Board would have no way of verifying the validity of the program when comparing it to the receipts and prizes paid out for a specific occasion. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 5a(A)(5) Manner of Conducting Bingo:

In considering the overall impact of the rule, the Board realized that organizations will need to change their bingo programs from time to time, and that sometimes the changes need to be made quickly. Subitem (5) will allow organizations to make changes to approved bingo programs, provided that the changes are made pursuant to rule. Subitem (a) requires, again, that the Board be notified in advance by receiving a copy of the amended bingo program 24 hours prior to implementation of the change. It may not always be possible for the organization to convene a membership meeting before the date of the

proposed change. This possibility is taken care of with the language in subitem (b), which allows the changes to be approved by the membership at the next meeting, as long as the approval is included in the minutes for that meeting. It is necessary that the Board be informed of changes to bingo programs, and receive copies of the amended programs prior to implementation in order to verify the types of games conducted, gross receipts from the occasion, and prizes paid out. The rule is reasonable because it will provide organizations with flexibility to make changes to bingo programs, and will still insure that the organization is in compliance with rule and statute. The rule is reasonable because it imposes no undue hardships on the organization.

The classes of persons that will be affected by the rule include bingo players and organizations that conduct bingo using hard cards. The cost to state agencies to implement and enforce the rule will include storage space for bingo programs submitted by the organizations. Inasmuch as organizations do not change their programs frequently, the storage space needed should be minimal. The cost to organizations to comply with the rule will include postage or courier service to deliver the program to the Board within the required time period. Less costly and less intrusive methods considered and rejected included allowing the organizations to maintain the bingo programs with their occasion records, and make the programs available to the Board upon demand. This method was rejected because the Board would have no way of verifying the validity of the program when comparing it to the receipts and prizes paid out for a specific occasion. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(A)(6) (Manner of conducting bingo):

Under the proposed rule, organizations that use hard cards and have gross receipts from bingo of less than \$150,000 in the immediately preceding fiscal year, and that wish to offer promotions or discounts through the use of coupons will be permitted to do so, as long as the organization retains all the redeemed coupons. Retaining the coupons is necessary in order for the Board to verify that the organization has actually redeemed a coupon and given a discount. Without this method, the organization or its employees/volunteers could falsely claim to have redeemed coupons, thus creating a difference between the amount of money collected, and the amount of money reported to the Department of Revenue on their tax return. It is necessary that the redeemed and retained coupons bear the printed name and signature of the person redeeming the coupon so that the Board, or the Department of Public Safety, can verify that the coupon was indeed redeemed by that individual and that a discount was given to that individual.

The rule is reasonable because it allows the organizations to offer promotional coupons and discounts for free bingo plays. The organizations need to offer such promotions in order to remain competitive with casino bingo. The rule is also reasonable because requiring the organization to retain the signed coupon with its occasion records will allow the Board, or the Department of Public Safety, to verify that the coupon was indeed redeemed

and that a discount or free play was given. The integrity of the game is not harmed, as long as the proposed rule is adhered to.

The classes of persons that will be affected by the rule include bingo players and organizations conducting bingo. There is no cost to state agencies to implement and enforce the rule. The cost to the organizations who wish to offer coupons will include storage space for redeemed and retained coupons. This cost should be minimal, because the coupons can be easily stored with the other required records for that occasion. The only other option considered by the Board was to ban the use of coupons entirely. Since the industry was quite adamant about the need to offer coupons, this compromise arrangement was devised. Clearly, the proposed rule presents the least costly and least intrusive method of achieving the purpose of the rule. There are no federal requirements regarding this rule, so there are no differences between this rule and federal requirements.

M.R. 7861.0070, Subpart 5a(A)(7) (Manner of conducting bingo):

Item (7) of this rule is necessary in order to require that all sales of bingo hard cards take place upon the premises where the bingo occasion will be held. Bingo hard cards cannot be sold in advance of the day on which the occasion will be held, or sold from remote locations. It is necessary to require that the bingo hard cards be used during the occasion for which they were purchased. If players were allowed to "carryover" a bingo hard card to another occasion or session, the accounting and tracking systems prescribed in rule would be skewed.

The rule is reasonable because it will insure that the organization can accurately account for all bingo hard cards sold during the occasion. The rule is reasonable because organizations are complying with this requirement under existing rule. The rule does not impose any undue hardships on the organizations or the players.

The classes of persons who will be affected by the rule are bingo players and organizations that conduct bingo. There is no cost to state agencies to implement and enforce the rule. Since there are no costs associated with compliance, there was no need to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 5a(A)(8) (Manner of conducting bingo):

It is necessary that the organization notify the players if duplicate bingo hard card faces will be in play during any specific bingo game. Players need to know if the chance exists for a prize to be split between two or more players. This is an issue of fairness, and public perception of the game in general.

The rule is reasonable because it serves to inform the players whether or not prizes may need to be split. The rule is reasonable because it imposes no

undue hardship on the organization, and is currently being complied with under existing rules of the Board.

The classes of persons who will be affected by the rule include bingo players and organizations that conduct bingo. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since there are no costs involved, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding this rule, so there are no differences between this rule and federal requirements.

M.R. 7861.0070, Subpart 5a(A)(9) (Manner of conducting bingo):

Organizations that use bingo hard cards are required by law to use one more checkers for each bingo occasion that they conduct. Item (9) is necessary to prescribe the manner in which the checkers record occasion information. Checkers are necessary when hard cards are in use because the potential for error is greater in verifying valid bingos. The checkers need to verify that the winning hard card was indeed sold by the organization for use at that occasion, and that the winning hard card is not the personal property of a player.

The rule is reasonable because organizations using hard cards currently use checkers, and this will not be a new requirement. Checkers are currently in use under existing rules of the Board. It is reasonable that hard cards be checked and verified in order to determine their validity before paying out a prize.

The classes of persons who will be affected by this rule include bingo players and organizations conducting bingo with hard cards. There is no cost to state agencies to implement and enforce the rule. The cost to organizations, to employ checkers, is not a new or additional cost. Alternative methods to determine less costly or less intrusive methods for achieving the purpose of the rule were not considered, inasmuch as this is a statutory requirement. There are no federal requirements regarding this rule, so there are no differences between this rule and federal requirements.

M.R. 7861.0070, Subpart 5a(B)(1) (Manner of conducting bingo):

This rule is necessary in order to require that organizations post the prices for which they intend to sell bingo paper sheets, packets, or packages and the statutory requirement that only cash sales are permitted. It is necessary to make sure that the notice is clearly printed and legible for all players. The rule is reasonable because it will insure that bingo players are fully informed regarding prices prior to deciding to participate. The rule is also reasonable because it will serve to deter organizations from changing prices during an occasion.

Classes of persons who will be affected by the rule include bingo players and organizations conducting bingo. There is no cost to state agencies to implement and enforce the rule. There is no additional cost to the industry to

comply with the rule, as the requirement currently exists under present rule. Since there are no additional costs involved, it was not necessary to consider and reject less costly or less intrusive methods of achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(B)(2) (Manner of conducting bingo):

This item requires an organization to post its house rules. In addition to the generic requirements for posting house rules found in M.R. 7861.0060, subpart 4, it is necessary to include additional requirements for organizations that are specific to bingo. Item (a) is necessary to remove the confusion that could result from an unwritten policy regarding declaring bingo and last number called. Without this requirement, the organization could have an unwritten policy on last number called, which could result in regular or "favorite" players being allowed to declare and win bingo over other individuals. This item is also necessary to insure that players are fully informed regarding the organization's policy before deciding to play. Item (b) is necessary to insure that the organization does not cancel bingo occasions for frivolous reasons, or simply because the crowd is not large enough to generate a profit for the organization. This does not mean that the organization cannot establish a minimum player level before proceeding with the occasion, only that any minimum player requirement must be stated in the house rules. Organizations should not be allowed to cancel occasions simply because a certain player or group of players is unable to attend, or because of a lack of staffing, without first indicating those reasons in its house rules. Item (c) is necessary in order to fully inform players about state rules and regulations governing the conduct of bingo. This item is necessary to protect the integrity of lawful gambling, and to encourage dialog between players and regulators about the conduct of bingo. It is also necessary to require that the house rules be posted in such a fashion that players have access to them before deciding to participate. The requirement is necessary because, without requiring it in rule, many organizations may not comply.

The rule is reasonable because it insures that bingo players are well informed prior to participating. It is reasonable to expect that an organization will post its policy on declaring bingo and last number called in order to prevent confusion during the occasion, and in order to prevent persons from attempting to manipulate the outcome of a specific bingo game. It is also reasonable to expect the organization to determine in advance and post the reasons why it might be necessary to cancel a bingo occasion. Again, as long as the organization lists the reasons for possible cancellations, the list can include any events that the organization anticipates might occur, such as an insufficient number of players, weather conditions, etc. It is reasonable that the players have access to, or know where to obtain, rules and statutes governing bingo games operated by lawful gambling organizations. Well-informed players tend to aid the Board in policing bingo games. We frequently receive calls from players who have observed infractions of rule or statute. It is also reasonable that house rules be posted in such a manner as to be accessible prior to the start of an occasion. This will also save time and effort

for the organization as it will not have to answer the same questions over and over for different players.

Classes of persons who will be affected by the rule include bingo players and organizations that conduct bingo. There will be no cost to state agencies to implement and enforce the rule. Persons who wish to obtain a copy of the rules and statutes will be directed to the Minnesota Bookstore, which offers such materials for sale at a reasonable cost of \$6.95 per set. The only cost to the industry to comply will involve preparation and printing of its house rules. Again, this will be a minimal figure. Organizations are already required in existing rules to post copies of house rules. With regard to obtaining copies of rules and statutes, the Board considered requiring the organization to provide the materials upon request. However, this was deemed too costly to the organizations. The rule as proposed is the least costly and least intrusive method of achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(B)(3) (Manner of conducting bingo):

An organization needs to be informed of the rules and statutes governing bingo, and to insure that its employees and volunteers are also informed of the regulations. It is necessary that at least one copy of current rules and statutes are located at each bingo site so that employees and volunteers have access to needed information during the conduct of a bingo occasion. The rules are specific as to requirements for prize receipts and manner of conducting the game. Employees and volunteers will easily be able to determine the proper method for dealing with situations that may arise during a bingo occasion or bingo game.

The rule is reasonable because it will insure that the organization's employees and volunteers conduct the occasion in accordance with applicable laws and rules. The rule is reasonable because the cost to comply is minimal. Rules and statutes can be easily obtained from the Minnesota Bookstore for a marginal cost. The cost can be paid for from gambling funds as an allowable expense. The rule is reasonable because it will enhance and protect the integrity of bingo conducted by lawful gambling organizations in Minnesota.

The classes of persons who will be affected by this rule include employees and volunteers of organizations conducting bingo and, to some possible extent, bingo players. There is no cost to state agencies to implement and enforce the rule. The cost to organizations to comply is \$6.95 for each set of rules and \$6.95 for each copy of the statutes ordered from the Minnesota Bookstore. Since the rule applies to all premises where bingo is conducted (and some organizations will conduct bingo at more than one site) the cost will be higher for those organizations with multiple sites. Since the law changes on a yearly basis, the cost of new statutes will be an annual expense for the organizations. Rules governing bingo will change less frequently, so this will be a random expense for the organization. After consideration and discussion, this was deemed to be the least costly and least intrusive method for achieving

the purpose of the rule. Alternatives considered and rejected were to require the organizations to maintain and dispense copies of rules and statutes upon request to any interested party, but this was deemed to be too costly for the organizations. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(B)(4) (Manner of conducting bingo):

It is necessary to require organizations conducting bingo to maintain bingo programs for each occasion that they conduct. In many instances, the same program can be used for all occasions when the number of games and type of games is identical from one occasion to the next. It is also necessary to mandate in rule the contents of the program. Copies of the programs must be submitted to the Board and used to verify the number of games, type of games, and winners for each occasion. It is necessary that the program contain the information required in subitem (a) so that players will know what types of games are being played, and so that the Board can verify that the game was actually played as stated in the organization's program. Subitem (b) is necessary so that players will be able to identify and use the correct bingo paper sheet face for the game being offered. Being specific as to the color of the paper, number of faces per sheet, number of sheets in each packet, and the additional sheets added to packages is necessary for the Board to verify the use of that specific paper, packet or package to a specific occasion. This is an integral part of the tracking and inventory system prescribed later in the proposed rules. Subitem (c) is necessary so that players will know the amount of cash prizes and/or the value of non-cash prizes that are offered for each game at the occasion. An organization will, at times, use specific occasion or game-related indices to determine the amount of prizes that will be offered at an occasion. For instance, the prize structure for an occasion with 100 players could be different than the prize structure for an occasion with 25 players. This is permitted, as long as the organization clearly states the determining factors in its program. It is also necessary that the organization place the date of implementation on the program itself. This is required in order for the Board to verify the amount of prizes paid out, games played, and bingo sheets, packets and/or packages related to a specific occasion.

The rule also contains a requirement for smaller organizations (those with gross receipts from bingo of less than \$150,000 in the immediately preceding fiscal year) to explain the methodology used in instances when the organization must deviate from the prize structure listed in the program. For instance, the organization could be offering a large prize for a specific occasion when the turn-out is expected to be high. For unforeseen reasons, such as inclement weather, the turn-out could be poor and the organization may deem it prudent to withhold the large prize for a future occasion. Again, this is permitted as long as the organization explains its methodology in its program.

Another requirement in this item is that the organization's bingo program must be approved, in advance, by the organization's membership and that a copy of the approved program be sent to the Board office 24 hours in advance of implementation of the program. This is necessary in order to insure

that members of the organization are aware of the bingo programs being offered, and in order to maintain overall responsibility for the organization's gambling operation with the membership itself, not merely a committee or subcommittee of the organization. The program must be submitted to the Board 24 hours in advance so that there will be no question about which program was being followed on any given date. The Board needs this information in order to verify the prizes paid out and gross receipts at each bingo occasion.

It is reasonable that organizations should be required to make programs available to players prior to the start of a bingo occasion. Without informing the player of what types of games will be played, the bingo paper, packets or packages to be used, and the prize structure, a bingo game could be manipulated by the organization (or an organization employee or volunteer) to adversely affect the outcome of a game. It is reasonable to require that the organization place the date of implementation on the program. This is the only method the Board will have for reconciling the prizes paid and gross receipts reported for each bingo occasion. Further, it is reasonable to require the organization to include in its program the various methods it may use to determine the value of prizes when the prizes differ from those listed in the program. The organization will be able to determine, in advance, any eventualities which would trigger an adjustment in the prize structure. It is reasonable to require that bingo programs, both new and amended, be approved by the general membership of the organization. As stated previously, it is vital that the membership of the organization be knowledgeable about gambling activities that the organization is participating in. Disciplines and sanctions against the organization for violation of law or rule relating to gambling can be very severe, and affect the entire organization. For this reason, it is reasonable that members be kept aware of gambling activities. The requirement that the program be furnished to the Board 24 hours in advance of implementation is reasonable. The rule merely requires that it be postmarked or delivered 24 hours in advance of implementation. This does not pose a hardship on the organization.

The classes of persons that will be affected by the rule include bingo players and organizations conducting bingo. The cost to state agencies to implement and enforce the rule will include storage space for bingo programs submitted by the organizations. Inasmuch as organizations do not change programs frequently, the storage space needed should be minimal. The cost to organizations to comply with the rule will include printing of the program and postage or courier service to deliver the program to the Board with the required time period. Less costly and less intrusive methods considered and rejected included allowing the organization to maintain the bingo programs with their occasion records, and make the programs available to the Board upon demand. This method was rejected because the Board would have no way of verifying the validity of the program when comparing it to the receipts and prizes paid out for a specific occasion. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 5a(B)(5) (Manner of Conducting Bingo):

In considering the overall impact of the rule, the Board realized that organizations will need to change their bingo programs from time to time, and that sometimes the changes need to be made relatively quickly. The proposed rule allows organizations to make changes to approved bingo programs, provided that the changes are made pursuant to rule. Subitem (a) requires, again, that the Board be notified in advance by receiving a copy of the amended bingo program 24 hours prior to implementation of the change. It may not always be possible to convene a membership meeting of the organization before the date of the proposed change. This possibility is taken care of by the language in subitem (b), which allows the changes to be approved by the membership at its next meeting, as long as the approval is included in the minutes for that meeting. As stated before, it is necessary that the Board be informed of changes to bingo programs and receive copies of the amended programs prior to implementation in order to verify the types of games conducted, gross receipts from the occasion, and the value of prizes paid out.

The rule is reasonable because it will provide organizations with the flexibility they need to make changes to their bingo programs in a relatively quick fashion, while remaining within the constraints defined in law and rule. The rule is also reasonable because it imposes no undue hardship on the organization.

The classes of persons that will be affected by the rule include bingo players and organizations conducting bingo. The cost to state agencies to implement and enforce the rule will include storage space for bingo programs submitted by the organizations. Inasmuch as organizations do not change programs frequently, the storage space needed should be minimal. The cost to organizations to comply with the rule will include postage or courier service to deliver the amended program to the Board office within the required time period. Less costly and less intrusive methods for achieving the purpose of the rule included allowing the organizations to maintain the bingo programs with their occasion records, and make the programs available to the Board upon demand. This method was rejected because the Board would have no way of verifying the validity of the program when comparing it to the receipts and prizes paid out for a specific occasion. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(B)(6) (Manner of conducting bingo):

Under the proposed rule, organizations that use bingo paper sheets, packets, or packages and that have gross receipts from bingo of less than \$150,000 in the immediately preceding fiscal year that wish to offer promotions or discounts through the use of coupons will be permitted to do so, provided that the organization retains all redeemed coupons. This is necessary for the Board to verify that the organization has actually redeemed a coupon and given a discount to a player. Without this method, the organization (or its employees or volunteers) could claim to have redeemed coupons and then pocketed the difference in money between the regular price and the discounted price. It is

necessary that the redeemed and retained coupons bear the printed name and signature of the person redeeming the coupon so that the Board, or the Department of Public Safety, can verify that the coupon was indeed redeemed by that individual and that a discount was applied.

Organizations with gross receipts from bingo in excess of \$150,000, that use bingo paper sheets, packets, or packages and also wish to offer coupons or discounts are permitted to do so, provided that the organization can properly identify each person redeeming a coupon, and provide the identity of the person to the Board upon demand. The information required by subitems (a), (b), and (c) are necessary in order for the Board to determine the authenticity of redeemed coupons and discounts. In subitem (a), the person redeeming a coupon will be required to provide proper identification. One of the problems inherent in this requirement is that many senior citizens do not have drivers' licenses or other forms of picture identification. A great deal of thought and discussion was given to this issue. The Board ultimately decided that, if a person did not have a drivers' license or other form of identification, a "second-party" identification would be acceptable. The second party would provide identification merely to verify that a bingo coupon had been redeemed, or another form of discount applied for an individual playing bingo. The second party is not inconvenienced, would volunteer to perform this service, and would only be called on by the Board if the need arose to verify a coupon redemption or discount. For each coupon redeemed, the organization is also required to clearly state the difference between the price of the bingo paper sheet or packet which appears on the distributor's invoice, and the actual price paid by the player after the coupon has been redeemed or the discount applied. The log, or record, maintained by the organization must also bear the signature and name of the person redeeming the coupon.

The rule is reasonable because it allows organizations to offer promotional coupons and discounts, which is necessary so the organization can remain competitive with bingo offered at casinos. The rule is also reasonable because the Board will be able to verify the identity of each person redeeming a coupon or receiving a discount. The rule is reasonable because it allows for a "secondary" form of identification for players who do not have drivers' licenses or other forms of picture identification. The rule is reasonable because it will allow organizations to establish player identification methods of their own, i.e., issuing player "membership" cards, etc. The organization can also maintain a "log" of regular players, containing photocopies of drivers' licenses, etc. This log of regular players will be helpful to organizations in that "regulars" will not have to present identification each time they redeem a coupon or receive a discount.

The classes of persons that will be affected by the rule include bingo players and organizations conducting bingo. There is no cost to state agencies to implement and enforce the rule. Costs to the organization include the purchase of an impression machine or small photocopy machine in order to comply with the player identification requirements in the rule. These items can be paid for with gambling proceeds as an allowable expense. There will be a minimal cost to small organizations to maintain redeemed coupons. Again,

this cost should be minimal as the redeemed coupons can easily be stored with the other records for that occasion. The only other option considered by the Board was to ban the use of coupons and discounts entirely. This method was rejected, as the organizations feel quite strongly that they need to offer coupons and discounts in order to remain competitive. Clearly, the proposed rule represents the least costly and least intrusive method of achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 5a(B)(7) (Manner of conducting bingo):

This item is necessary in order to insure that all sales of bingo paper sheets, packets, or packages take place upon the premises where the bingo occasion will be held and to insure that such sales take place on the day of the occasion. It is necessary to require that bingo sheets, packets, or packages be used during the occasion or session for which they were purchased by the player. If players were allowed to retain and take home unused bingo paper sheets, packets, or packages the entire inventory and accounting system would be skewed. Sometimes bingo players will arrive after the occasion or session has begun, and one or more games have already been played. It is permissible for the organization to still sell bingo packets or packages to those individuals, but it is necessary that they deface the bingo sheet faces for the games that have already been played. This will insure that those sheets are not retained and resold at another occasion, or that the player does not attempt to save them for future use.

The rule is reasonable because it will insure that organizations can accurately account for all bingo paper sheets, packets, and packages offered for sale or sold at each occasion. It is also reasonable because organizations are currently complying with this requirement under existing rule. The rule imposes no undue hardships on the organizations or the players.

Classes of persons who will be affected by the rule include bingo players and organizations that conduct bingo. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since there are no costs associated with compliance, there was no need to consider and reject alternative methods of achieving the objective of the rule. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 5a(B)(8) (Manner of conducting bingo):

It is necessary to clearly state that all bingo paper sheets, packets, and packages are for immediate use for a specific occasion. To allow players to retain the materials and bring them back for another occasion would jeopardize the accounting and inventory systems required for complete accountability on the part of the organization. The rule is reasonable because organizations already prohibit this type of activity. The rule is reasonable in that it causes no undue hardship to either the players or the organizations.

The classes of persons who will be affected by this rule include bingo players and organizations conducting bingo. There is no cost to state agencies to implement and enforce this rule; likewise, there is no cost to organizations to comply with the rule. Inasmuch as no costs are involved, and organizations are currently operating in this fashion, there was no need to explore less costly or less intrusive methods for achieving the objective of the rule. There are no federal requirements regarding the rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 5a(C) (Manner of conducting bingo):

It is necessary to clearly explain in rule the requirements that an organization must adhere to regarding each bingo game it conducts. For example, the rule requires that the organization establish and announce a predetermined pattern prior to drawing and calling the first bingo ball for that game. This is necessary to insure that players are fully informed prior to the drawing of the first bingo ball in each game. It is also necessary to make sure that games where the players fill in the letters and numbers on a blank bingo paper sheet face are played in the same manner as other games conducted by the organization. These types of games are commonly called "U-Pick-Em" games. In games of this type, the player has the option of filling in the numbers under the preprinted letter columns in the space of his or her choosing. The rule requires, however, that only certain letters can be placed under specific numbers.

The rule is reasonable because it insures that all organizations will conduct bingo games in the same fashion, that all bingo hard card and paper sheet faces will be covered or daubed in accordance with rule or statute, and that players are informed of the required winning pattern prior to the start of a specific game. It is also reasonable to require that the U-Pick-Em games are conducted in the same fashion as other games, the only difference being that the player chooses the square under the appropriate letter in which to write in the number.

The classes of persons who will be affected by the rule include bingo players and organizations conducting bingo. There is no cost to state agencies to implement and enforce the rule. There is no cost to organizations to comply with the rule. Since there are no costs involved, it was not necessary to consider and reject alternative methods for achieving the purpose of the rule. There are no federal requirements regarding this rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(D) (Manner of conducting bingo):

It is necessary to expressly permit continuation bingo games and to prescribe the manner in which they must be conducted. The rule is reasonable because it outlines the basic requirements for this type of bingo game. The rule is also reasonable because organizations currently conduct continuation bingo games in this manner. It is also reasonable for the Board's rules to be as

inclusive as possible with regard to the types of bingo games that are allowed, either by statute or rule.

The classes of persons who will be affected by the rule include bingo players and organizations that conduct bingo. There is no cost to state agencies to implement and enforce the rule; likewise, there is no cost to organizations to comply with the rule. Inasmuch as there are no costs associated with compliance, it was not necessary to consider and reject less costly or less intrusive methods for achieving the objective of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(E) (Manner of conducting bingo):

As is the case with M.R. 7861.0070, subpart 5a(D), it is necessary to clearly state that progressive bingo games are permitted, and to provide a summary statement regarding the conduct of a progressive bingo game. The rule is reasonable, because progressive bingo games are permitted by law, and organizations have been conducting them under the conditions permitted in statute. Statutory requirements do not differ from those in the proposed rule. The rule is reasonable because it serves to provide guidance to the organization regarding progressive bingo games, and it also is informative for players who may need to review the rules. The rule is also reasonable because it makes a summary explanatory statement regarding the play of progressive bingo games.

Classes of persons who will be affected by the proposed rule include bingo players and organizations conducting bingo. There is no cost to state agencies to implement and enforce the rule. There is no cost to organizations to comply with the rule. Since there are no costs associated with compliance, it was not necessary to consider and reject less costly or less intrusive methods of achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(F) (Manner of conducting bingo):

This item is necessary in order to fully explain the conditions under which an organization may use a limiting ball count in the conduct of its bingo occasions. The rule explains clearly the procedures an organization must employ if it wishes to use a limiting ball count. The rule is necessary in order to provide a standardized method for the use of limiting ball counts, and to insure that the players are treated equally by all organizations who use this type of bingo game. The rule is necessary to protect the integrity of the bingo games conducted in Minnesota by lawful gambling organizations, and to establish criteria for the Board to determine whether or not an organization is in full compliance with the rules.

The rule is reasonable because it imposes no new requirements or undue hardships on organizations. In fact, organizations are currently conducting limiting ball count bingo games in this fashion. The rule is

reasonable because it insures that all such bingo games will be operated in a similar fashion, and players can expect the same "rules of play" from one organization to another. The rule is also reasonable because there is no cost associated with compliance.

The classes of persons who will be affected by the rule include organizations that conduct bingo games, and bingo players. There is no cost to the state to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since there are no costs associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected with regard to this rule. There are no federal requirements regarding the rule, so there are no differences between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(G) (Manner of conducting bingo):

It is necessary to have a clear and concise statement as to when a game of bingo actually begins, and the conditions under which a game is completed and won by a player or players. It is necessary that all organizations open and conduct bingo games in a manner consistent with law and rule. If organizations were permitted to conduct games in different ways and using different methods, the opportunity for a person to adversely affect the outcome of a game, or manipulate the outcome of a game, would be very great. It is necessary that bingo games be conducted in a consistent manner so that the Board can effectively regulate the games and be sure that all players are treated uniformly and fairly by the organizations sponsoring the games.

The rule is reasonable because it will preserve the integrity of bingo games by insuring uniformity to the extent that uniformity is possible. The rule is also reasonable because those standards of uniformity are minimum standards, and the organization remains free to conduct bingo as it so desires, as long as the methods are not in conflict with appropriate statutes and this rule. The rule is also reasonable because it protects the players from unfair practices by the organizations, and insures that all players have an equal chance to win a bingo game.

The classes of persons who will be affected by the rule include bingo players and organizations conducting bingo. There is no cost to state agencies to implement and enforce the rule. There is no cost to organizations to comply with the rule. The majority of organizations are currently operating their bingo games in accordance with these procedures. Since there are no costs associated with compliance, there was no need to consider and reject less costly or less intrusive methods of achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no differences between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(H) (Manner of conducting bingo):

This rule is necessary to prohibit the potential for a bingo caller to draw more than one ball at a time, and then call the bingo balls in a different order

than the balls were actually drawn. A bingo caller could try to use this method in order to manipulate the outcome of a bingo game, or to insure that a certain player wins a particular game. The rule is also necessary to prevent possible manipulation of a game by the drawing of a certain bingo ball more than once during a game. The rule is necessary in order to protect the integrity of bingo games conducted by lawful gambling organizations.

The rule is reasonable because it protects the integrity of bingo games, it helps to insure that each player has an equal chance of winning, and it removes the potential for a bingo caller to engage in conduct that would harm the integrity of lawful gambling and/or the organization for which he/she works. The rule is reasonable because organizations currently comply with this requirement without any difficulty.

The classes of persons who will be affected by the rule include bingo players, organizations that conduct bingo, and employees or volunteers of organizations who act as bingo callers. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since there are no costs associated with compliance, it was not necessary to explore less costly or less intrusive methods for achieving the objective of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(I) (Manner of conducting bingo):

This rule is necessary in order to be sure that organizations make every effort to insure that all players can hear the bingo caller. The rule is reasonable because players need to be able to clearly hear and understand the caller.

The classes of persons who will be affected by the rule include bingo players, organizations conducting bingo, and employees or volunteers of organizations who serve as bingo callers. There is no cost to state agencies to implement and enforce the rule. There is no cost to the organization to comply with the rule. The Board considered requiring that organizations use amplification equipment when calling numbers and letters, but this method was deemed to be too costly to the organizations. The proposed rule as written will leave it up to the organization to decide the method and manner in which bingo balls are called to the players. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(J) (Manner of conducting bingo):

This item is necessary to further protect the integrity of a bingo game. Requiring the caller to display the drawn bingo ball adds credence to the requirement for calling the letter and number of the ball. Since some bingo halls have more than one room where the same bingo game is being played simultaneously (i.e., non-smoking rooms, etc.), it is also necessary to require that the displayed ball is visible to the "majority" of the players. The rule is

reasonable so that players are assured that the bingo ball that was drawn corresponds to the letter and number called by the bingo caller. The rule is also reasonable because it does not require that all players be able to see the drawn ball, only a majority of the players.

The classes of persons who will be affected by the rule include bingo players, organizations conducting bingo, and organization employees or volunteers. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule, because the rule does not mandate the use of closed circuit television or video monitors. Because no cost is involved with compliance, it was not necessary to consider and reject less costly or less intrusive methods for achieving the objective of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(K) (Manner of conducting bingo):

It is necessary to prescribe a method for dealing with the possibility of the caller making an error. While this is an unlikely occurrence, it could happen. It is necessary to establish a uniform and concise method for correcting an error, to insure that all players are treated fairly and the outcome of the game is not affected by an error of the caller. The rule is reasonable because it imposes no undue hardships on the organization or its employees or volunteers. The rule is reasonable because it protects the players from inconsistencies in the manner in which errors are treated, and it also reduces the potential for confusion when a wrong letter or number has been called.

The classes of persons who will be affected by the proposed rule include bingo players, organizations conducting bingo, and employees and volunteers of organizations. There is no cost to state agencies to implement and enforce the rule; likewise, there is no cost to the organization to comply with the rule. Since there are no costs associated with implementation, enforcement, or compliance it was not necessary to consider and reject less costly or less intrusive methods for achieving the objective of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(L) (Manner of conducting bingo):

It is necessary to require that, if an organization owns a flashboard, it must be used at all times and not on selective occasions determined by the organization. The rule adds to the integrity of the game, and insures that if the organization has a flashboard, it is consistently used to assist players in seeing the letters and numbers of drawn bingo balls. The rule is reasonable because it does not require the purchase or use of a flashboard; only that if a flashboard is used by the organization, it must be used in a consistent manner and not at the whim of the organization or the caller.

Classes of persons who will be affected by the rule include bingo players, organizations conducting bingo, and employees or volunteers of organizations.

There is no cost to state agencies to implement and enforce the rule. There is no cost to organizations to comply with the rule, because the use of a flashboard is not required. Because there are no required costs associated with compliance, it was not necessary to consider and reject less costly or less intrusive methods for achieving the objective of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(M) (Manner of conducting bingo):

It is necessary to require that an organization employee or volunteer state aloud the winning face number and serial number of the winning bingo paper sheet face, or face number of the winning bingo hard card, and to have the winning bingo sheet face or winning bingo hard card verified by an organization employee and a neutral player. These controls are required to insure the integrity of the game, and to make sure that the winning bingo paper sheet face or winning bingo hard card was among those offered for sale at that particular occasion. This requirement protects the organization from persons who may attempt to bring their own bingo paper sheets or cards. The requirement that the winning numbers and letters on the bingo sheet face, or the face number of the winning bingo hard card be verified by an organization employee and a neutral player adds credence to the integrity of the game for all participating players and, again, gives the organization an opportunity to insure the validity of the winning bingo paper sheet face or hard card. It was also necessary to give a brief definition of a "neutral" player to avoid possible confusion during the bingo occasion.

The rule is reasonable because it protects the integrity of the bingo game being conducted, protects the organization against contraband bingo paper sheet faces and hard cards being used, and enhances the players' confidence in the integrity of the games. It is reasonable to provide a definition of a neutral player so that confusion or disagreements do not occur during the conduct of the occasion.

The classes of persons who will be affected by the rule include bingo players, organizations conducting bingo, and employees or volunteers of organizations. There is no cost to state agencies to implement and enforce the rule. There is no cost to organizations to comply with the rule. Similar procedures are already in place in existing rules of the Board. Since there are no costs associated with compliance, it was not necessary to consider and reject less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 5a(N) (Manner of conducting bingo):

It is necessary to prescribe in rule a complete and concise procedure for closing each bingo game. This is important in order to insure continuity among all organizations conducting bingo, and to protect the organization from awarding prizes for invalid bingos. It is necessary to specifically state that a

prize shall not be awarded unless the bingo paper hard card or bingo paper sheet face was among those offered for sale at that occasion by the organization. If the organization does not verify the serial number and face number, and a prize is awarded, the required records for that occasion will be skewed and the organization will not be able to account for inventory sold and prizes awarded. It is necessary that the organization inquire if there are any other bingos. Bingo games are very social events, and there is a great deal of visiting among the players. It is possible that someone could have a bingo and not realize it until the caller asks again for other bingos. It is also possible for players to make errors and call a bingo inadvertently. For this reason, it is necessary to require the caller to take the next ball out of the machine, to be called as the next ball, in the event that the bingo has been called in error. It is also necessary to make an exception in this rule for continuation games, where it is required that the next ball be held and used as the first bingo ball for the next game.

The rule is reasonable because it prescribes a standardized method for closing a bingo game. It is reasonable that players should expect continuity from one organization to another in the procedures that are used. The rule is reasonable because it not only protects the organization, but protects and enhances the integrity of all bingo games conducted by lawful gambling organizations in the state. The rule is also reasonable because relating winning bingo hard cards and paper sheet faces to a particular occasion is an integral part of the inventory and tracking systems prescribed later in these proposed rules. It is reasonable to require callers to ask twice if there are any other bingos. Depending upon the noise level at the occasion, and the sometimes fast pace of the game, it is possible that players will not hear the caller the first time. The requirement that the next ball out of the machine be removed before shutting the machine off is reasonable because it adds credence and integrity to the game, and ensures that if the called bingo is not valid, the game will proceed as if no interruption had occurred.

The classes of persons who will be affected by the rule include bingo players, organizations conducting bingo, and employees and volunteers of organizations. There is no cost to state agencies to implement and enforce the rule. There is no cost to organizations to comply with the rule. Since no costs are associated with compliance, it was not necessary to consider and reject less costly or less intrusive methods of achieving the purpose of the rule. There are no federal requirements regarding this rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 6a (Bingo prizes):

It is necessary to promulgate a rule dealing with bingo prizes, and to make it clear that prizes won by players must be awarded at the occasion or session during which the winning bingo occurred. It is necessary to have clear and concise rules governing the purchase of prizes by an organization, and also the awarding of those prizes to players. It is necessary that the prizes be awarded during the occasion or session at which they were won. If this were not the case, organizations could get into difficulty by awarding prizes that they

have not yet purchased, or do not have the sole ownership interest in. This requirement is necessary in order to protect the integrity of bingo games conducted by lawful gambling organizations.

The rule is reasonable because players are entitled to have clear and concise rules regarding the awarding of prizes. The rule is reasonable because it insures the integrity of bingo conducted by lawful gambling organizations in Minnesota. The rule is reasonable because it will provide a standardized method and system for all organizations to abide by in the area of bingo prizes.

The classes of persons who will be affected by this rule include bingo players, and lawful gambling organizations conducting bingo games in Minnesota. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since there are no costs associated with compliance with the rule, it was not necessary to determine less costly or less intrusive methods for achieving the objective of the rule. There are no federal requirements regarding the rule, so there are no differences between this rule and federal requirements.

M.R. 7861.0070, Subpart 6a(A) (Bingo prizes):

This item is necessary for several reasons. It is important that if a prize is established prior to the bingo game during which it will be won, that the prize be included in the program and verbally announced prior to the start of that bingo game. At the same time, it is also necessary to allow the organization to retain some flexibility with regard to the types of games offered and the prizes that can be won. For example, the organization may wish to base the cash value of a bingo prize on the percentage of gross receipts from the occasion, or on another factor such as the number of the last ball called. Organizations are permitted to adjust prize levels in this fashion, provided that their program includes the methodology for determining the amount of the prize. This rule will allow flexibility, while still requiring accountability on the organization's part regarding the amount of the prize. Without the amount of the prize being announced, or the methodology printed in the program, an organization or an organization employee could manipulate the outcome of a bingo game by substituting a prize of lesser value at the conclusion of a game. It is also necessary to clarify in rule that a prize cannot consist of lawful gambling equipment, and also make an exception to allow organizations to give away bingo paper packages or "birthday" packages, provided that these giveaways be accomplished through the use of coupons. Organizations using coupons will be required to either retain the coupon, or maintain a record of persons redeeming coupons.

The rule is reasonable because it will insure that all bingo players are treated fairly and equally in regard to bingo prizes, it will limit discretion on the part of the organization in the awarding of prizes, and insure that all bingo games conducted under the auspices of Board rule are conducted in a uniform and fair manner. The rule is also reasonable because it provides a clear and concise method for organizations to use in determining the value of bingo prizes. Most importantly, the rule is reasonable because it will allow the

organizations flexibility in determining the prize structure for any given occasion or session, with the requirement that the methodology for determining the prize level be included in the program.

The classes of persons who will be affected by this rule include bingo players, and organizations conducting lawful bingo in Minnesota. There is no cost to state agencies to implement and enforce the rule. There are no new costs to organizations to comply with the rule. Organizations currently print the value of bingo prizes in their programs. Since there are no new costs associated with the rule, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding this rule, hence there are no differences between this rule and federal requirements.

M.R. 7861.0070, Subpart 6a(B) (Bingo Prizes):

This rule is necessary in order to clearly state the conditions under which a bingo prize can be awarded. The rule is necessary in order to insure that organizations do not invent or devise other mechanisms or systems to award bingo prizes. The rule is reasonable because organizations are currently following this practice. The rule is reasonable because it will protect the integrity of bingo games conducted by lawful gambling organizations, and helps to insure that all organizations award bingo prizes under the same conditions.

The classes of persons who will be affected by the rule include bingo players, and organizations that conduct lawful bingo in Minnesota. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since there are no costs associated with the rule, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 6a(C) (Bingo Prizes):

The rule is necessary in order to reiterate the statutory prohibition against bingo prizes for single games exceeding \$100. Even though the requirement is mandated by law, reiterating it in rule format will insure that organizations and players are fully informed. Placing the requirement in rule format is also necessary in order to fully protect organizations from making inadvertent errors in determining the amount of a bingo prize.

The rule is reasonable because it is intended to make sure that organizations and players are informed of statutory requirements. Not all organizations and certainly not all players will have access to statute books. The rule is reasonable because fully informed organizations are less likely to make errors that could result in disciplinary action by the Board.

The classes of persons who will be affected by the rule include bingo players and organizations that conduct lawful bingo in Minnesota. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since there are no costs associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule; hence there are no differences between the rule and federal requirements.

M.R. 7861.0070, Subpart 6a(D) (Bingo prizes):

This item is quite similar in nature to item (C) above. It is necessary to specifically state that cover-all bingo games may exceed the \$100 prize limit, as long as the aggregate value of all cover-all prizes in an occasion does not exceed \$1,000. This requirement is contained in statute but, again, it is necessary to reiterate the language in rule format so that players and organizations can be fully informed regarding prize limitations. The rule is reasonable because it does not place undue requirements on the organization that exceed the requirements found in statute. The rule is reasonable because it serves as a vehicle for fully informing bingo players and conducting organizations of the requirements.

The classes of persons who will be affected by this rule include bingo players and organizations conducting lawful bingo in Minnesota. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. The requirements currently exist in statute, and organizations are currently complying. Because there are no costs associated with compliance, there was no need to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there are no differences between this rule and federal requirements.

M.R. 7861.0070, Subpart 6a(E) (Bingo prizes):

Again, this item is necessary in order to clearly state statutory requirements for prize limitations on progressive bingo games. It is necessary to clearly and fully inform organizations who conduct progressive games of the prize limitations and related requirements. Bingo players and organizations do not always have access to statutes and rules.

The rule is reasonable because it will insure the integrity of progressive bingo games played under the auspices of Board rule. The rule is reasonable because it will insure that organizations and players can be clearly and fully informed regarding prizes for progressive bingo games. Further, the rule is reasonable because it imposes no undue requirements on the organization beyond those contained in law.

The classes of persons who will be affected by the rule include bingo players and organizations conducting lawful bingo in Minnesota. There is no

cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since there are no costs associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, hence there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 6a(F) (Bingo prizes):

This rule is necessary in order to allow organizations a degree of flexibility in determining prize levels for certain bingo games, while still allowing the Board to properly regulate and monitor those types of games. It is necessary to obtain a prize receipt for these types of bingo games, regardless of the amount of the prize, so that the Board can determine and verify the actual amount of the prize that was paid out. The rule also requires organizations to explain in their programs the factors that will be used to determine the amount of the prize for bingo games of this type.

The rule is reasonable because it will allow the organization to retain some control and flexibility over the prize structure of certain bingo games, and allow them to offer certain games that would otherwise be prohibited. The rule is reasonable because the Board will be able to verify the amount of the prize paid out, and to verify that the amount of the prize was determined in accordance with the factors that the organization included in its bingo program for that occasion or session.

The classes of persons who will be affected by this rule include bingo players, and organizations conducting lawful bingo in Minnesota. There is no cost to state agencies to implement and enforce the rule. There will be a minimal cost to the organization for the cost of including prize structure information in its programs. The proposed rule represents the least costly and least intrusive method for achieving the purpose of the rule. The Board considered banning bingo games where the value of the prize could not be established and announced prior to the start of a game, but realized that lawful gambling organizations do need to retain the ability to offer games of this type, in order to remain competitive with tribal bingo in Minnesota. There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 6a(G) (Bingo prizes):

This rule is necessary to prohibit organizations from randomly assigning values to merchandise prizes. If organizations were allowed to do so, the total value of prizes awarded at an occasion could be misrepresented. Such a practice would allow organizations to misrepresent the cost of the prizes, as well as the value of the prizes awarded. Such misrepresentations could result in inaccurate recordkeeping and also disciplinary actions by the Board or the Department of Revenue. If players were permitted to convert merchandise prizes into cash, the prize records of the organization would be inaccurate. The potential would exist for the organization to assign inflated or deflated values to

prizes for the purpose of adjusting the amount of cash or merchandise prizes awarded at an occasion.

The rule is reasonable because it protects players from receiving prizes with inflated values. The rule is also reasonable because it insures that the organization will be able to maintain accurate prize records for each occasion that it conducts. Organizations currently operate in this manner, and this rule will not cause any undue hardships on organizations. The rule is reasonable because it protects the overall integrity of lawful bingo games conducted in Minnesota, and insures that all organizations assign prize values in a uniform manner.

The classes of persons who will be affected by this rule include bingo players and organizations that conduct bingo. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since there are no costs associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 6a(H) (Bingo prizes):

Many times smaller organizations that participate in community festivals or fairs will receive donated prizes from merchants to defray the cost of the bingo occasion. For this reason, it is necessary to require the organization to report the actual fair market value of those donated prizes when compiling their bingo occasion records. This is necessary in order to insure that organizations remain in compliance, and do not over-state or under-state the value of the prizes. The rule is reasonable because it will help organizations stay in compliance and avoid disciplinary action by the state. The rule is also reasonable because the players will be aware of the actual value of the donated prize they are playing for.

The classes of persons that will be affected by the rule include organizations conducting bingo who accept donated prizes, and bingo players. There is no cost to the state to implement and enforce the rule. There is no cost to the organizations to comply with the rule. Because there are no costs associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 6a(I) (Bingo prizes):

This item is necessary to insure that the organization has fully paid for and has title to any real or personal property that it chooses to offer as a bingo prize. Without this rule, organizations could obtain prizes on credit from merchants, anticipating paying for the cost of the prizes with receipts from the

bingo occasion. The state would be remiss if it allowed such a practice, which could lead to serious financial difficulties for the organizations if the bingo receipts were insufficient to pay for the cost of the prizes. The rule is reasonable because it protects the organizations from incurring debts for prizes. The rule is reasonable because it also protects the players from receiving prizes that may have liens attached. Further, the rule is reasonable because it insures that the integrity of bingo games conducted by lawful gambling organizations will be protected.

The classes of persons who will be affected by the rule include organizations that conduct lawful bingo, and bingo players. There is no cost to the state to implement and enforce the rule. There is no cost to the industry to comply with the rule. The Board believes that the cost of prizes is a reasonable cost for the organization to bear, and that the organization should have sufficient fiscal strength to pay for its prizes up front. Since there is no cost associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between this rule and federal requirements.

M.R. 7861.0070, Subpart 6a(J) (Bingo prizes):

This rule is necessary in order to be sure that all bingo players are treated fairly and equally. It has been common practice for some organizations to offer special games, such as "good neighbor" games where the person sitting to the immediate right or left of the winner wins a smaller prize. This would incorporate another element of chance into the bingo game, which is prohibited by law. Another example of this practice would include offering a small prize to a person based on the number of cards or bingo sheets purchased. The rule is necessary in order to protect the integrity of bingo games, and to be sure that all bingo prizes are awarded in the same fashion throughout the state, i.e., only to the winner of a bingo game.

The rule is reasonable because it insures that all players are treated fairly. The rule is also reasonable because the organization will be able to adequately account for all bingo prizes in its bingo occasion records. The rule is reasonable because it imposes no undue hardships on the organization, and will make it easier for them to maintain occasion records.

The classes of persons who will be affected by the rule include bingo players and organizations that conduct bingo. There is no cost to the state to implement and enforce the rule. There is no cost to the organization to comply with the rule. Since there are no costs associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 6a(K) (Bingo prizes):

This rule is necessary to clearly state the procedures that must be employed when more than one person declares bingo for a particular bingo game, or one person has more than one winning bingo face. It is also necessary to prescribe a standardized procedure for use by all organizations so that players know what to expect when playing at different bingo halls or sites across the state. The rule clearly states that all cash prizes must be divided equally among the winning bingo faces, but allows the organization to round fractional dollars downward. If organizations were to round dollars up rather than down, they could run into difficulties in exceeding the prize limits for an occasion, even if only by a few cents. It is also necessary to establish a procedure for merchandise prizes. Again, this is necessary to prevent organizations from overpaying prizes for a particular occasion. The rule is necessary in order to protect bingo players and to insure that prizes are awarded in a uniform manner as prescribed by rule. The rule is necessary to protect the overall integrity of bingo games, and to insure that the games are conducted within the scope of law and the Board's rules.

The rule is reasonable because organizations are currently operating in this manner. The rule is also reasonable because it does not impose any undue hardships on the organization, it will serve to protect the organizations from overpayment of prizes, and it will protect the integrity of lawful gambling in Minnesota. The rule is reasonable because it provides a standardized method for the awarding of prizes, and insures that players will be treated the same at all bingo sites in Minnesota.

The classes of persons who will be affected by the rule include organizations conducting lawful bingo in Minnesota and bingo players. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the proposed rule. It is was not necessary to consider or reject less costly or less intrusive methods for achieving the purpose of the rule. The proposed method is the least costly way to protect the players and insure that bingo prizes are awarded fairly. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 6a(L) (Bingo prizes):

Legislation was enacted in 1995 that allows lawful gambling organizations to relate the value of a bingo prize to the amount that the winner has paid for his or her bingo paper packet or bingo paper package. For example, identical bingo paper packets or packages could be sold for different amounts, say \$10, \$15, or \$20. If a player who paid \$10 for that particular packet or package declares and has a valid bingo, his or her prize amount would be less than if that person had paid \$20 for that packet or package. This rule will require organizations who use this method of determining the value of a bingo prize to prepare a prize receipt for all prizes awarded under this method. Without this rule, an organization could overstate or understate the total amount of prizes awarded at an occasion, which would result in inaccurate records for that particular occasion. Without requiring a prize

receipt, an organization could report that it had paid a higher cash prize than what was actually awarded, with the difference being pocketed by the organization and not reported on the organization's tax records for that occasion. Organizations are currently required to issue prize receipts, so the basic concept is not new to the industry. Subitems (1) through (7) of the rule specify the contents of the prize receipt. Subitem (1) essentially will permit what is current practice within the industry. Many senior citizens, who constitute a majority of bingo players, don't have a driver's license or other form of picture identification. Organizations have commonly allowed such persons to use a friend's identification for purposes of prize receipts. While this is certainly not the most efficient way of handling the issue, the proposed rule does recognize current practice and allows bingo players to win prizes without going through the expense of obtaining a state-issued identification card or another form of picture identification. The proposed language is the result of negotiations with the industry, and results in a rule that will work for both the industry and the state. Many bingo hall operators have indicated that they plan to issue identification cards to their regular players at no cost, which will certainly alleviate any potential problems. The Board's position is that as long as the State has the name and address of a person to contact in order to verify that a particular prize was indeed paid out to a specific individual, accountability will be maintained and the integrity of lawful gambling will not be compromised. Subitems (2) through (7) are consistent with existing requirements in Board rule.

The rule is reasonable because it does not impose any undue hardship on the organization. Organizations currently are required to issue prize receipts for any prize awarded in excess of \$100. This rule will simply require that, if organizations choose to use the newly permitted method for determining the value of a prize, that a prize receipt form be completed. The requirement that a prize receipt be completed for prizes of \$100 or more is not new, and exists in current rule. The rule is reasonable because it will insure that an organization's occasion records are accurate, and that all prize monies awarded are accurately reported and accounted for. The rule is also reasonable because it will insure the integrity of bingo games in general, and specifically the awarding of prizes using the newly permitted methodology.

The classes of persons who will be affected by the rule include organizations conducting bingo, and bingo players. There is no significant cost to state agencies to implement and enforce the rule. Board staff and the Department of Revenue will be required to carefully examine the bingo prize receipts for each occasion to ascertain that the proper amount of taxes have been paid by the organization. There is also no significant cost to organizations to comply with the rule. Organizations who choose not to issue identification cards of their own may be required to purchase a small photocopy machine, or an imprinting device. Such items can be purchased for under \$100, and can be paid for from the organization's gambling receipts as an allowable expense. Organizations already use prize receipts, as discussed above. They will now be required to fill out additional receipt forms if they choose to use this method. Again, the rule is reasonable because the use of this prize determination method is voluntary, and the organization(s) can choose not to use this

method. Less costly or less intrusive methods considered included not requiring a prize receipt unless the prize was in the amount of \$100 or more, as currently stated in law. However, the potential for organizations to manipulate bingo occasion records is too great. The Board elected to require a receipt in order to fully protect the integrity of lawful bingo games conducted in Minnesota. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart (7) (General bingo records and reports):

This rule amendment is necessary to state in rule format the types of records and reports that organizations conducting bingo are required to maintain, and which state agencies and departments will have access to those records. Previous rule referred only to bingo occasion records, and the proposed rule amendments contemplate enhanced inventory and recordkeeping requirements. It is necessary to retain items A through G for six months after the new rules become effective, because the new inventory and recordkeeping requirements do not take effect immediately upon the effective date of the rule. The Board has allowed organizations additional time to prepare for the new requirements. Allowing the additional time meant that items A through G needed to be retained in the interim period.

The rule is reasonable because it allows for the existing requirements to remain in full force and effect after the new rules become effective, but prior to the effective dates of some of the rule amendments. The rule is reasonable because it clearly explains which state agencies and departments will have access to the organization's bingo records. The rule is also reasonable because it does not increase or change any requirements currently in place for organizations conducting bingo.

The classes of persons who will be affected by the rule include organizations conducting lawful bingo in Minnesota. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because no enforcement or compliance costs are associated with the rule, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 7(H)(1) (General bingo records and reports):

This rule is necessary for the inventory and bingo paper tracking systems proposed in these rules to function properly. The requirement that the rule be effective on the first day of the twelfth month from the date of the rule works in conjunction with proposed rule 7864.0030, subpart 7(B)(6)(v) and (vi), which will require that manufacturers of bingo paper record the serial numbers from each sheet in a bingo paper packet, or the serial number from the top sheet in each packet if the serial numbers are uniform throughout the packet. Up until this time, manufacturers have the option of recording only the serial

number from the top sheet in each packet and advising licensed distributors that only the serial number from the top sheet is being tracked. This option will sunset on the first day of the twelfth month from the effective date of the rule. Requiring the organizations to submit an inventory is necessary in order for the Board and the Department of Revenue to have accurate knowledge of all bingo paper in an organization's inventory prior to the sunset date of M.R. 7864.0030, Subpart 7(B)(6)(vi).

The rule is reasonable because it provides an accurate starting point for the inventory and tracking systems. The rule is reasonable because the organizations have a full year from the effective date of the rule to consume existing inventory, and prepare to submit an itemized inventory of remaining bingo paper. The rule is also reasonable because it does not present an undue hardship to the organization, and will result in accurate record keeping. The rule will also reduce the potential for confusion regarding bingo paper in an organization's inventory that may not be in compliance with the new standards for manufacture.

The classes of persons who will be affected by the rule are organizations conducting bingo in Minnesota, who may have existing inventory of bingo paper that does not fit within the requirements of this rule. There is no cost to state agencies to implement and enforce the rule. There will be a minimal cost to organizations to conduct an inventory and submit it to the department of revenue. Inasmuch as this item as an integral part of the inventory/tracking system, no alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 7(H)(2) (General bingo records and reports):

Item No. 2 of the proposed rule is necessary to require organizations to maintain inventory records in a format prescribed by the Board. It is necessary to require compliance to insure that all organizations operate in the same manner, and to insure that all receipts from charitable bingo in Minnesota are properly accounted for and the required taxes paid to the state. Requiring the recording of serial numbers is required for adequate and accurate accounting of all bingo paper purchased and sold by an organization.

The rule is reasonable for several reasons. This item does not become effective until six months from the effective date of the rule. This will allow organizations ample time to prepare to begin using the new system, to try the system out, and fine-tune their operations. The rule is reasonable because it gives options to organizations. For instance, rather than recording each and every serial number for bingo paper sheets and packets, the organization has the option of assigning a control number for each case of bingo paper or each bingo paper sheet packet. Assigning a control number will save the organization time by not recording individual serial numbers. Again, this is an option. The organization can either record the serial numbers or assign a control number. Bingo paper sheet packets are manufactured in two different ways. The organization can obtain packets that have uniform serial numbers

throughout the packet, or they can purchase packets where the serial numbers are not uniform throughout the packet, but where all the packets in a series will be similarly numbered from packet to packet. In subitem (c) we have also given the organization the option of simply attaching one of the packets to the distributor's invoice for that shipment. This will allow the tracking and inventory systems to function properly. The rule is also reasonable because the Board is not prohibiting organizations from using computer-generated inventory and accounting forms, as long as they contain the same information prescribed by the Board's rules and forms.

It should be noted at this point that the entire inventory and tracking system is reasonable and well thought out. The Board appointed a Public Advisory Committee, made up of industry members. Those members included operators of large and small bingo halls, as well as manufacturers and distributors of bingo paper and representatives of the Departments of Revenue and Public Safety. During the course of the Public Advisory Committee meetings, the systems were field-tested in the members' bingo halls with good results. Industry representatives using the system reported good success, and relatively few problems with switching over to the new system.

The classes of persons who will be affected by the rule include organizations conducting bingo in Minnesota. There is no cost to state agencies to implement and enforce the rule. The cost to the organizations to comply with the rule will be minimal, if any. Initial set-up of the system and training of personnel will be the only known costs. Since this is an important part of the overall tracking and inventory system, no alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 7(H)(3) (General Bingo Records and Reports):

This item is necessary because it clearly explains the inventory information the organization will be required to maintain for bingo paper sheets (case paper). It is necessary to maintain pertinent information about the paper itself, i.e., serial numbers, color, series numbers, description, and number of sheets, as well as information regarding the organization, the distributor who the paper was purchased from, the cost and selling price of the paper. These are all necessary components of the entire system.

The rule is reasonable because it is somewhat similar to what organizations are currently maintaining for case bingo paper. The rule is reasonable because it will result in organizations maintaining accurate records for case bingo paper, and insure that the gross receipts are accurately reported to the state. The rule is reasonable because it will not present any undue hardships to the organization, and compliance should not be a problem.

The classes of persons who will be affected by the rule include organizations conducting bingo. There is no cost to state agencies to implement and enforce the rule. There should be virtually no cost to the organizations to comply with the rule, other than training of personnel and

initial inventory set-up. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 7(H)(4) (General Bingo Records and Reports):

This item is necessary to clearly state the required inventory information for bingo paper sheet packets. As with the previous discussion on case bingo paper, it is necessary to have specific information about the packets themselves, as well as the organization and distributor. The rule is reasonable because the organizations have options, i.e., assigning control numbers or attaching a bingo paper sheet packet to the distributor's invoice for that shipment. The rule is reasonable because it will insure that the organizations can maintain accurate inventory records for bingo paper packets, and that receipts are accurately reported to the state. The rule is reasonable because the system has been tested in the field and found to operate successfully with a minimal amount of adaptation required by the organization.

The classes of persons who will be affected by the rule include organizations conducting bingo. There is no cost to state agencies to implement and enforce the rule. There is virtually no cost to the industry to comply with the rule, other than training personnel and initial system set-up and preparation. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 7(H)(5) (General Bingo Records and Reports):

This item is necessary to prescribe in rule the inventory requirements for bingo paper packages. Because bingo paper packages are assembled by the organizations from packets, case paper, and/or breakopen bingo paper sheets, it is necessary to require that a control number be assigned for each package. Organizations are not required to sell packages, thus this requirement is not a hardship. The control number on packages is necessary to account for the individual components in the package. Without a control number, the required record-keeping would be voluminous, and the potential for errors would exist. The rule is reasonable because the organization has the option of recording the serial number from the top sheet in the packet used to build the package, or attaching a copy of the packet to the distributor's invoice for that shipment. The information required in subitems (b) through (f) is necessary for accurate inventory and accounting records, and to insure that receipts are properly and accurately reported.

The classes of persons that will be affected by the proposed rule include organizations that conduct bingo and sell bingo paper packages. There is no cost to state agencies to implement and enforce the rule. There is virtually no cost to the industry to comply with the rule, other than training of personnel and initial system set-up. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 7(H)(6) (General Bingo Records and Reports):

This item is necessary in order to require organizations perform a monthly physical inventory of bingo paper. The monthly inventory is necessary in order to verify the inventory records entered during the month, and for reporting purposes to the Department of Revenue along with the monthly tax returns. The Board has prescribed a form for this purpose, but the organization has the option of using a computer-generated form provided that it contains all the requisite information on the Board's forms. Again, this is an integral part of the whole system for inventory and tracking of bingo paper. Requiring organizations to perform monthly inventories is reasonable in that it will insure that the organizations stay in compliance with statute and rule, and that receipts are accurately and promptly reported to Revenue. The rule is reasonable because it does not pose an undue hardship for the organizations. Under existing rule, organizations are required to maintain perpetual inventory information for bingo paper. This rule is very similar to existing rule.

The classes of persons that will be affected by the rule include organizations conducting bingo in Minnesota. There is no cost to state agencies to implement and enforce the rule. There is virtually no cost to the industry to comply with the rule, other than initial personnel training and system set-up. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 7(I)(1) (General Bingo Records and Reports):

This item is necessary in order to clearly explain the information an organization must maintain for each bingo occasion that it conducts. Item (1) pertains only to organizations that conduct bingo using hard cards. Bingo occasion records and accounting work in general is much simpler for organizations using hard cards. Because hard cards are used over and over, inventory records are much easier to maintain. For this reason, occasion records are also simpler to maintain for organizations using hard cards. The proposed rules require that the bingo caller complete a form during the occasion, recording the winning letter and number for each bingo game. The form will also require that the face number of the winning bingo hard card be recorded. This will enable the Board to verify that the winning hard card was included in the organization's inventory for that occasion, and ensure that hard cards are not brought in by players. It is also necessary to require that a copy of the bingo program be maintained with the occasion records, in order for the Board to verify the types of games offered and the prizes paid out. The total number of players in attendance is required in order to verify the gross receipts against the total number of cards sold. It is also necessary to require the total amount of cash collected, as well as cash on hand at the beginning and end of the occasion. Again, this is needed to verify the gross receipts against the number of cards sold. It is necessary that prize receipts be attached to verify that the prize was actually paid out or awarded to specific individuals. Likewise, it is necessary that all redeemed coupons be retained so that the

Board and the Department of Revenue can account for differences in gross receipts when compared to the number of cards sold. The signature of the checker is required by statute.

The rule is reasonable because it imposes no undue hardships on the organization, and is not unlike current reporting requirements in existing rule. The rule is reasonable because it provides a mechanism for the state to verify the gross receipts from bingo, and to insure that accurate tax reporting is accomplished. Further, the rule is reasonable because the system has been field-tested in large and small bingo operations, and found to work well.

The classes of persons who will be affected by the rule include organizations who conduct bingo using hard cards. There is no cost to state agencies to implement and enforce the rule. There is virtually no cost to organizations to comply with the rule, other than personnel training and initial system start-up. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and Federal requirements.

M.R. 7861.0070, Subpart 7(I)(2) (General Bingo Records and Reports):

This rule is very similar to item (1), except that it pertains to organizations that conduct bingo using paper sheets, packets, and/or packages. By necessity, occasion records will require somewhat different information from occasion records of organizations that use hard cards. It is necessary to require the total amount of packages available for sale and returned to inventory at the conclusion of the occasion, as well as a sales summary and prize information for each game conducted during the occasion. It is necessary that the caller verification form and copy of the program be attached to the occasion record so that the Board can verify the winning bingos, and types of games and prizes offered. It is also necessary to require an occasion summary which includes number of players in attendance, sales and coupon redemption information, and prize information. This information is all necessary for the Board and the Department of Revenue to verify the organization's gross receipts reported and insure that accurate tax returns are filed by the organization.

The rule is reasonable because it does take effect until six months after the effective date of the rule, which gives the organization ample time to prepare and train their personnel for the new systems. The rule is also reasonable because it will insure accurate reporting mechanisms for gross receipts, and it provides a mechanism for the state to verify the organizations' occasion reporting.

The classes of persons that will be affected by the rule include organizations conducting bingo with paper sheets, packets and packages. There is no cost to state agencies to implement and enforce the rule. There is virtually no cost to the organizations to comply with the rule, other than personnel training and initial system set-up. No alternative methods were

considered and rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 7(J) (General Bingo Records and Reports):

Statute requires that discrepancies of more than \$20 be reported to the Board. This rule is necessary in order to require that the checkers' reports be verified and discrepancy reports prepared. It is necessary to require that discrepancy reports be submitted on forms prescribed by the board for the sake of continuity among all organizations. The rule is necessary to insure the integrity of bingo games conducted by organizations, and to make sure that all receipts from the sales of hard cards and paper sheets, packets and packages are accurately reported for tax purposes.

The rule is reasonable because organizations currently use this procedure. The rule is reasonable because it provides a regulatory tool for the Board to use in verifying organizational compliance to the rules and statutes. Further, the rule is reasonable because it imposes no undue hardship on the organization and serves to establish a standardized method for reporting discrepancies.

The classes of persons who will be affected by the rule include organizations that conduct bingo in Minnesota. There is no cost to state agencies to implement and enforce the rule. There is no cost to organizations to comply, other than the statutorily required submission of the report to the board. No alternative methods were considered or rejected, because this is a statutory requirement. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 8 (Breakopen bingo):

The technical change in the first sentence is both necessary and reasonable to change the spelling of breakopen, and to insure consistency throughout the rule.

M.R. 7861.0070, Subpart 8(A) (breakopen bingo):

The Board proposes to make a technical change in the rule by inserting the word "paper" before "sheet(s)" in the last sentence. The change is necessary because the Board is proposing, in other parts of its rules, to differentiate between bingo paper sheets, packets, and packages. The rule change is reasonable because it is technical in nature, and does not change the meaning of the existing rule.

The classes of persons that will be affected by the proposed rule include organizations that operate breakopen bingo games in Minnesota. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the proposed rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal

requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 8(B) (Breakopen bingo):

This technical change is necessary and reasonable to insure that the item conforms to other items in this rule concerning breakopen bingo. This is a technical change only.

M.R. 7861.0070, Subpart 8(C) (Breakopen bingo):

The change in the second to the last sentence is necessary to accommodate changes in bingo blowers that now allow organizations to maintain separate sets of bingo balls within one bingo blower device. The last sentence is new, and simply requires that the bingo balls must be in view of the players at all times during the conduct of a breakopen bingo game. The rules governing breakopen bingo require that the game be played with a separate set of bingo balls. Existing rule provides that the organization use a separate bingo blower device when conducting breakopen bingo games. The rule change is necessary to allow the organizations to use a separate tray within an existing bingo blower, or a separate bingo ball container.

The change is reasonable because it saves the organization the expense of renting or purchasing an additional bingo blower, and allows organizations to use a different type of container, as long as the bingo balls can be viewed by the players. These devices are very costly, and allowing the use of a separate container will help the organizations to save money. The rule is reasonable because the integrity of the game is maintained, and it allows the organization more flexibility in conducting breakopen games. The rule is reasonable because it will enhance the organization's efficiency in conducting breakopen bingo games.

The classes of persons who will be affected by the rule include organizations that conduct lawful bingo games in Minnesota and manufacturers of bingo blower devices. There is no cost to the state to implement and enforce the rule. There is no cost to the industry to comply with the rule; rather, costs savings will be effected. Less costly or intrusive methods for achieving the purpose of the rule were unnecessary. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 8(D) (Breakopen bingo):

The change in this item is technical, and merely insures that the spelling of the term "breakopen bingo" is consistent throughout this item of the Board's rules. The change is reasonable because it does not change the meaning of the rule.

M.R. 7861.0070, Subpart 8(E) (Breakopen bingo):

The Board proposes to make a minor technical change to the rule by changing "must" to "shall" in the first and last sentences. The change is necessary in order to provide continuity with existing rules of the Board, and to absolutely require that the organization abide by the rule. The change is reasonable because it will not change the way in which organizations operate their breakopen bingo games, and it is merely included in this rulemaking promulgation as a technical language change.

The classes of persons who will be affected by the rule include organizations conducting breakopen bingo games in Minnesota. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to consider less intrusive or less costly methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 8(F) (breakopen bingo):

It is necessary to make an exception in existing rule for progressive bingo games that are played with breakopen bingo sheets. By nature, progressive games are carried over from one occasion to the next. Existing rule requires that all breakopen games be played in their entirety within a bingo occasion. The Board has determined that no harm will be done to the integrity of lawful gambling if it permitted progressive breakopen bingo games to be conducted. Discussions were held regarding the ability of the players to retain breakopen bingo sheets and reuse them at a different occasion when a progressive game was being held. This could not occur because organizations are required to date-stamp the breakopen bingo paper sheets that are sold for each occasion. A player wishing to participate in a breakopen progressive game would simply have to purchase a new breakopen bingo paper sheet at the succeeding occasion. The Board also proposes to change "must" to "shall" in this item, to insure that the organizations are required to abide by the rule. The change is necessary in order to provide continuity with other parts of the Board's rules.

The rule is reasonable because it will allow organizations to offer breakopen progressive bingo games. Existing rules appear to prohibit this type of breakopen game. The rule is reasonable because the integrity of the game is not harmed, and the organization will easily be able to ascertain whether a player is attempting to carryover a breakopen bingo sheet from one occasion to a succeeding occasion by means of the date-stamp.

The classes of persons that will be affected by the rule include bingo players, and organizations that conduct breakopen or progressive bingo games. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal

requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 8(G) (Breakopen bingo):

There has been some confusion over the existing rule and the requirement that the organization mark each breakopen bingo paper sheet with a unique symbol that could be tied to a particular occasion. It is necessary to amend the rule to provide clarity, and to allow the organization to date-stamp the breakopen bingo sheets in lieu of using a "unique symbol". The Board also proposes to insert the word "paper" prior to "sheet" to insure that persons reading the rules are aware that the sheets referred to are breakopen bingo paper sheets.

The rule change is reasonable because it allows the organization flexibility in identifying its breakopen bingo paper sheets for each occasion. The rule change is reasonable because it does not harm the integrity of the breakopen bingo game, and the organization will still be able to account for each breakopen bingo paper sheet sold at each occasion.

The classes of persons that will be affected by the rule include organizations that conduct breakopen bingo games. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule; the use of a date-stamp in lieu of a unique symbol is voluntary on the organization's part. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 8(H) (Breakopen bingo):

The Board proposes to make minor technical changes throughout this item, by changing the word "must" to "shall" where appropriate and clarifying that the sheets referred to are breakopen bingo paper sheets. The rule change is necessary to provide continuity and clarity. We are also proposing to delete the requirement that original breakopen bingo sheets be blue. With the proposed inventory and tracking systems prescribed in these proposed rules, the requirement that the original sheet be blue is no longer necessary. The original breakopen bingo paper sheets must still, however, be of a different color than the trade-in sheets to avoid the potential for errors when selling breakopen bingo paper sheets. The change is reasonable because it provides a clearer explanation of the rule, and informs the organization that compliance is required. The change is reasonable because it does not change the meaning or intent of the rule as originally promulgated. The change is also reasonable because it will allow the organizations greater flexibility in deciding the colors of the original breakopen bingo paper sheets.

The classes of persons that will be affected by the rule include bingo players and organizations that conduct breakopen bingo games. There is no

cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the objective of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0070, Subpart 8(I) (Breakopen bingo):

The Board proposes to delete this item. It is unnecessary to include it in the rules governing breakopen bingo. The requirement currently exists in the rules governing distributors, where it is more appropriately located. The deletion is reasonable because the integrity of the game is not harmed; and the rule exists in another part of the Board's rules.

The classes of the persons who will be affected by the deletion of this rule are distributors of breakopen bingo paper sheets and organizations that conduct breakopen bingo games. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

7862.0010 BINGO HALL LICENSES

M.R. 7862.0010, Subpart 2 (License required):

Deletion of the word "and" in the first line and substituting the word "or" is necessary to correct a typographical error in the existing rules. Use of the word "and" seems to imply that an organization and local unit of government lease facilities in partnership. This is not true; organizations must obtain approval from a local unit of government, and the rule should not imply a partnership of any type between organization and government. It is also necessary to make it clear that the rule pertains to facilities in Minnesota only. The Board cannot regulate licensees' activities outside of Minnesota. The rule is necessary to make sure that persons understand that a valid license is necessary. The existing language (having obtained) could imply that a license had been obtained in the past by the applicant and a licensee could wrongly assume that once having obtained a license would negate the need for renewing a license on an annual basis. The existing language is somewhat confusing and subject to differing interpretations. The proposed rule also adds a clarifying sentence regarding the requirement that application for licensure must be made annually. The rule amendments are necessary to provide clarity to the existing rule, and to remove the potential for different interpretations to be applied.

The rule amendments are reasonable because they don't impose any new requirements for obtaining a bingo hall license. They merely provide clarification to the existing language. The amendments are reasonable because

they provide clear and effective information for those persons seeking licensure as bingo hall owners.

The classes of persons who will be affected by the proposed rule include present and future bingo hall licensees. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. The Board, in conjunction with its Public Advisory Committee, determined that less costly or less intrusive methods for achieving the purpose of the rule were not necessary. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 3 (Qualifications):

The new sentence at the beginning of this item is necessary to clearly define the types of persons the Board is referring to in its rules regarding qualifications for licensure. Much confusion has arisen in the past, and many different interpretations and definitions were applied to the categories in existing rule. The rule language is identical to the language recently promulgated for M.R. 7863.0010 and M.R. 7864.0010 with regard to qualifications for licensure as a distributor or a manufacturer. The proposed definitions have meaning within the lawful gambling industry, and can be easily understood by all current and potential applicants for a bingo hall license. Inclusion of the terms "limited liability company", "partner" and "governor" are necessary in order to insure consistency between the Board's rules and statutory requirements. The 1995 legislature enacted statutory changes which refer to these three terms in conjunction with licenses for bingo halls. Including them in the rule is necessary to insure consistency between rule and statute. The remainder of the changes are either grammatical in nature, or minor technical changes to the present rule.

The rule changes are reasonable because they add clarity to the existing rule, insure that the rule is consistent with existing statutes, and clearly define the types of persons who need to meet the qualifications for a bingo hall license. The rule changes are reasonable because they are consistent with other parts of the Board's rules. The changes are also reasonable because they impose no undue hardships on the applicant, and will tend to help the applicant to submit a complete and accurate application.

The classes of persons who will be affected by the rule include bingo hall license applicants, and persons who work for a bingo hall license applicant. There is no cost to state agencies to implement or enforce the rule. The cost to the industry to comply is negligible. An applicant may need to include more employees in its application process, which may take additional time when completing an application. The other proposed changes will result in no additional costs to the applicant. The board did not consider less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 3(C)(2) (Qualifications):

This is a minor technical change which is necessary to insure that the rule is consistent with other parts of the Board's rules regarding qualifications for licensure. The change is reasonable because it does not change the meaning of the rule; it merely provides clarification to the rule, and insures that the language is consistent with statutory language regarding this qualification.

The classes of persons who will be affected by the rule include bingo hall license applicants and persons who work for bingo halls in capacities outlined in subpart 3 of this part. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 3(C)(3) (Qualifications):

This is a minor technical and grammatical change to existing rule to insure consistency with statutes and to provide better readability of the rule. The change is reasonable because it does not change the meaning of the rule, or impose any new requirements on the applicant.

The classes of persons who will be affected by the rule include bingo hall license applicants and persons who work for bingo halls in a capacity as outlined in subpart 3. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 3(D) (Qualifications):

It is necessary to include this qualification in the rule because of legislative action during the 1994 legislative session. The Legislature made the above language a mandatory qualification for licensure, not only for bingo hall licensees, but also for distributor and manufacturer license applicants. It is necessary to include the requirement in rule format so that potential licensees can be aware of the qualifications they must meet in order to be licensed. The rule is reasonable because it imposes no undue hardships, and does not go beyond the Board's statutory authority to promulgate rules. The rule is also reasonable because it will serve to enhance and preserve the integrity of lawful gambling in Minnesota.

The classes of persons who will be affected by the rule include bingo hall licensees and license applicants, and persons who work in certain capacities for those entities. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because this is a statutory requirement, it was not necessary to determine less costly or less

intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 3(E) (Qualifications):

It is necessary to amend the existing language to add clarity and remove the potential for confusion. Using a literal interpretation, the existing language could be interpreted to mean \$500 in delinquent taxes to the Federal government, or to another state or jurisdiction. The Board has no authority or jurisdiction outside of Minnesota, therefore it was necessary to amend the rule. The rule change is reasonable because it makes the rule easier to understand, and removes the possibility of the rule being interpreted in differing ways from one situation to the next. The rule is also reasonable because it does not diminish the Board's authority or lessen the Board's ability to determine qualifications for licensure.

The classes of persons who will be affected by the rule include bingo hall licensees and bingo hall applicants, as well as certain employees of those entities. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Less costly or less intrusive methods for achieving the purpose of the rule were not determined. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0020, Subpart 3(F) (Qualifications):

This item is necessary in order to insure that the same licensing qualifications are placed on bingo hall licensees as other licensees of the Board. The rule is necessary in order to ascertain the qualifications of the applicant for licensure, and to protect the integrity of lawful gambling within the state. The rule is necessary in order to allow the Departments of Public Safety and Revenue to conduct complete background investigations into license applicants' qualifications.

The rule is reasonable because it does not impose any undue hardships on the license applicant, and serves to insure the applicant's fitness to obtain a license to operate a bingo hall. The rule is reasonable because it protects the integrity of lawful gambling, and insures that those entities that participate in lawful gambling are qualified to do so under all applicable laws and rules.

The classes of persons who will be affected by the rule include bingo hall license applicants, and certain employees or affiliates of the applicant. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 3(G) (Qualifications):

This language change is necessary to insure that the rule is clear and concise regarding the requirement for filing taxes. "Failing to file" taxes may imply that the applicant or entity has simply made an error, or committed an oversight with regard to the filing of taxes. Use of the words "not filed" clearly covers all instances where an applicant has not filed tax returns, for any reason at all. The Board must treat all applicants in the same manner, and not be lenient toward some applicants with regard to "failure to file" taxes.

The language change is reasonable because it adds clarity to the rule, and ensures that there will be no misunderstanding about the requirement to file taxes in Minnesota. The rule is reasonable because it imposes no undue hardships on the licensee. The rule is reasonable because it serves to protect the integrity of lawful gambling in Minnesota. The rule is also reasonable because it insures that all applicants will be subject to the same criteria with regard to the filing of taxes.

The classes of persons who will be affected by the rule include bingo hall license applicants, and certain employees or affiliates of the applicant. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 3 (Qualifications):

The last paragraph in the proposed rule is necessary to carry over a new statutory requirement into rule format. The inclusion in rule is required in order to fully inform the applicants of the conditions and qualifications of licensure. The threshold level of "five percent financial interest" insures that attempts to hide ownership or control of a licensee will not be successful. The rule is also required to place the applicants on notice that all the qualifications required in this subpart carry over to investors of five percent or more in the applicant.

The rule is reasonable because it insures the integrity of lawful gambling in Minnesota. The rule is reasonable because it will provide a clear and concise picture of the ownership of the entity applying for a bingo hall license. The rule is reasonable in that proper identification of the applicant will be made in a timely manner, and the Board and Department of Public Safety will be able to verify ownership of the entity.

The classes of persons who will be affected by the rule include bingo hall license applicants and persons who have invested financially in the applicant. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as this is a statutory requirement, it was not necessary to determine, consider, or reject less costly methods for achieving the purpose of the rule. There are no federal

requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 4 (Restrictions):

This language is necessary in order to fully inform the applicant or licensee that restrictions apply only to activities within the state of Minnesota. Bingo hall owners in Minnesota are certainly not precluded from owning bingo halls in other states or gambling jurisdictions, and the Board should not imply that it is attempting to place restrictions on other activities of the applicant or licensee outside of Minnesota. The rule is also necessary to include agents and employees of the applicant under the scope of this subpart. Agents and employees could have an adverse effect on the applicant's license status should they participate in any of the restricted activities; therefore it is only logical to include them in the rule language. The inclusion of these classes of persons in this subpart also insures that the integrity of lawful gambling is protected, and provides a regulatory tool for the Board to use in disciplinary proceedings against a bingo hall licensee. It is also necessary to provide an exception in rule for licensees that may lease space to other organizations for the conduct of lawful gambling, in addition to conducting lawful gambling of its own. Without the exception language, licensees would be prohibited from participating in the conduct of their own gambling activities.

The rule is reasonable because it clearly and concisely states that the restrictions apply only to activities in Minnesota. It is also reasonable to include agents and employees of bingo halls in this subpart to insure accountability on the part of the licensee, and to prevent the licensee from "passing the buck" for violations on to agents or employees thereby avoiding discipline. The rule places accountability on the licensee to insure that its agents and employees abide by the restrictions contained in this subpart. The rule is also reasonable because it allows for instances in which the licensee conducts lawful gambling, and also leases space to other organizations for the conduct of lawful gambling.

The classes of persons who will be affected by the rule include bingo hall licensees and applicants, agents, and employees of bingo halls. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. Alternative methods were not considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 4(B) (Restrictions):

This rule is necessary in order to insure that bingo hall owners, agents, or employees do not have a conflict of interest by being involved in lawful gambling activities conducted by a licensed organization, or by negotiating gambling equipment purchases for organizations to which they may lease space or organizations which they may be a member of. Bingo hall owners,

employees, or agents have a certain amount of power over the charitable organizations to which the bingo hall leases space. Without this rule, the potential exists for bingo hall owners, employees or agents to attempt to influence leasing organizations in purchasing decisions. The rule is necessary to protect lawful gambling organizations from attempts by lessors to exert influence over decisions that rightfully belong to the organization itself.

The rule is reasonable because it does not preclude a bingo hall owner, agent, or employee from being a member of any charitable organization; it merely restricts them from participating in any lawful gambling activities conducted by that organization, or from influencing or giving advice on purchasing decisions with regard to gambling equipment. The rule is reasonable because it serves to protect the integrity of lawful gambling in Minnesota, and to protect the charitable organizations against attempts to influence gambling activities or purchases.

The classes of persons who will be affected by the rule include licensed bingo halls, agents, and employees of bingo halls, as well as charitable gambling organizations and their employees. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 4(C) (Restrictions):

It is necessary to expand the scope of this restriction to encompass employees of distributors of alcoholic beverages. As it would be a conflict of interest for a distributor of wholesale alcoholic beverages to be involved in a bingo hall operation, it is logical to also restrict employees of those distributors in the scope of this subpart. Employees would also have an opportunity to exert influence on organizations conducting bingo at bingo halls where alcoholic beverages are served. The rule is necessary to protect charitable gambling organizations from undue pressures from lessors, and to insure the integrity of lawful gambling in Minnesota.

The rule is reasonable because it causes no undue hardships on bingo hall licensees or applicants, and provides a regulatory tool for the Board to use to insure that bingo halls are operated in the public interest. The rule is also reasonable because it protects charitable gambling organizations from being pressured by landlords. A distributor of alcoholic beverages, or an employee of such a distributor, could attempt to influence the lessor's decisions with regard to renting space to charitable organizations, through the use of liquor prices.

The classes of persons that will be affected by the rule include bingo hall owners. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as no compliance costs are involved, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative

methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 4(F) (Restrictions):

Statutory changes made during the 1994 legislative session now permit lessors to provide storage for gambling equipment for organizations who lease their premises. This rule change is necessary for the rule to be in conformance with statute. The rule change is reasonable because it will insure that rules do not appear to be in conflict with statute, and thereby create the potential for confusion when reading the rules and statutes.

The classes of persons who will be affected by the rule include bingo hall owners and charitable organizations that conduct bingo in a bingo hall setting. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Simply removing the restriction against providing storage does not require a bingo hall to provide storage. Costs involved with providing storage are not a requirement, and will be a matter between the bingo hall owner and the organization. There are no costs involved with compliance with the rule, so it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 4(G) (Restrictions):

This rule amendment is necessary to insure that owners of bingo halls, or agents or employees of bingo halls, do not assist the organization with recordkeeping. This restriction is necessary and vital to the integrity of lawful gambling. Organizations must be held fully accountable for all records and reports, and if lessors (or agents or employees of the lessors) were allowed to assist, the organization would lose accountability. The rule is necessary in order to provide a regulatory tool for the Board to use in determining an organization's compliance with all statutes and rules regarding lawful gambling.

The rule is reasonable because it imposes no undue hardships on the industry, and serves to protect organizations against losing accountability for their gambling operations. The rule is reasonable because it is logical to prohibit such activities between lessors and lessees, and it removes the potential for inaccurate recordkeeping or the falsification of records.

The classes of persons who will be affected by the rule include bingo hall owners, agents, and employees, and lawful gambling organizations. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as there are no costs involved, it was not necessary to determine less costly or less intrusive methods for achieving the objective of the rule. No alternative methods were considered or

rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 4(M) (Restrictions):

This item is necessary to prohibit bingo hall owners from attempting to influence lawful gambling activities by suggesting or recruiting gambling managers or assistant gambling managers for organizations that they may lease space to. Again, this would represent a potential conflict of interest for both the bingo hall owner and the organization. The rule is necessary in order to fully protect the integrity of lawful gambling in Minnesota, and to insure that it is conducted in the public interest.

The rule is reasonable because it imposes no undue hardships on either the bingo hall owner or the organization leasing space. The rule is also reasonable because it is designed to prevent a conflict of interest. If a bingo hall owner, agent, or employee could influence the organization's choice of a gambling manager or assistant gambling manager, the integrity of gambling could be harmed.

The classes of persons that will be affected by the rule include bingo hall owners and organizations conducting lawful gambling. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as no costs are associated, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 4(N) (Restrictions):

This item is necessary to prohibit bingo hall licensees, agents, or employees from becoming involved in the organization's purchase of gambling equipment. Again, the potential for a licensee to attempt to influence the type of gambling equipment purchased, and from whom the equipment is purchased, is very great. A bingo hall licensee could be tempted to enter into agreements with distributors of gambling equipment in attempts to force the use of that distributor's equipment. The rule is necessary to provide a tool for the Board to use to insure that lawful gambling is conducted within the public interest, and that the integrity of lawful gambling is protected.

The rule is reasonable because it does not impose a hardship on the licensee, or agents or employees of bingo halls. The rule is reasonable because such restrictions currently exist for manufacturers and distributors of gambling equipment, and it is logical to impose the same restriction on bingo hall owners, agents, and employees. The rule is also reasonable because it protects charitable organizations from attempts to influence the choice of gambling equipment purchased, and the vendor from which it is purchased.

The classes of persons who will be affected by the rule include bingo hall owners, agents, and employees, charitable organizations conducting gambling, and distributors of lawful gambling equipment. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Less costly or less intrusive methods for achieving the purpose of the rule were not contemplated. Alternative methods were not considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 4(O) (Restrictions):

This rule is necessary in order to conform this chapter to similar prohibitions found in the rules governing manufacturers and distributors of gambling equipment. The rule is necessary in order to insure that lawful gambling is carried out in the public interest. The rule is necessary to provide a mechanism for the board to insure that its members and employees are not influenced by licensees in the course of their daily activities on behalf of the Board.

The rule is reasonable because it makes sense to prohibit gift-giving and favors of this type. To allow Board members or employees to accept such items would place the member's or employee's impartiality in jeopardy, thus causing potential harm to the integrity of lawful gambling.

The classes of persons who will be affected by the rule include bingo hall owners, agents, and employees, as well as members of the Minnesota Gambling Control Board and its staff. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. Alternative methods were not considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7861.0020, Subpart 4(P) (Restrictions):

This item is necessary in order to prohibit bingo hall licensees from unduly influencing organizations or their employees by providing gifts or other gratuities. Allowing such a practice would create a potential conflict of interest situation for both the bingo hall licensee and the charitable organization. The rule is necessary to protect the integrity of lawful gambling, and to enhance and protect the public perception that lawful gambling is conducted in the public interest.

The rule is reasonable because it does not prevent bingo hall licensees, agents, or employees from making charitable contributions, or participating in fund-raising events for charity, as long as the events or contributions are unrelated to the organization's gambling activities. The rule is reasonable because it prevents conflict of interest situations from arising. The rule is reasonable because it insures that the integrity of lawful gambling will be

protected. The rule is also reasonable because it serves to protect charitable organizations conducting gambling from being influenced by gifts or donations from bingo hall owners that they may lease space from.

The classes of persons who will be affected by the rule include bingo hall owners, agents, and employees, and charitable gambling organizations and their employees. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because there are no costs associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. Alternative methods were not considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 6 (Contents of Application):

The language change is necessary in order to make it clear that the application form is provided by the Board. Present language could be interpreted to mean that an applicant could simply submit the required information in a prescribed manner. The rule change is necessary to be sure that all applications are consistent as to content and form, and so that the data can be easily downloaded into a computer data base.

The rule change is reasonable because it is really a simple language change, intended to add clarity to the existing rule and insure that licensees and applicants are aware that the license form is provided by the Board. The rule is reasonable because it will insure that all applicants submit the same data, and that each application is completely filled out.

The classes of persons who will be affected by the proposed rule include bingo hall licensees and applicants. There is no additional cost to state agencies to implement and enforce the rule. The Board has been providing the forms for quite some time. Costs involved with providing the form include the cost of paper, postage, staff time in designing the form, and staff time in inputting the contents of the form into the Board's computerized data base. There is no cost to the industry to comply with the rule. The fact that the Board provides the form makes the application process easier for the applicant. Inasmuch as no costs are associated with compliance, it was not necessary to investigate less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 6(A) (Contents of Application):

It was necessary to modify the language in the existing rule to expand the phrase dealing with the legal nature of the applicant. 1994 statutory changes expanded the scope of the legal entities, by including the underlined categories of business. It is also necessary to require complete names and DBA's to remove confusion when processing applications or other

communications from the license applicant. For instance, a bingo hall may be licensed under a corporate name, but be doing business under another name for marketing or advertising purposes.

The rule change is reasonable because it is in keeping with 1994 statutory changes. The rule change is reasonable because it will allow Board staff to easily identify the applicant, and to recognize the name(s) that the licensee may be doing business as. The rule is reasonable because it imposes no undue hardships on the licensee. It will not be difficult to include the additional information in the license application. The rule is reasonable because it will allow Board staff greater ease in processing applications and other correspondence from applicants and licensees.

The classes of persons who will be affected by the rule include bingo hall licensees and applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to bingo hall licensees or applicants to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 6(C) (Contents of Application):

When reviewing the existing rules, it was determined that it is not necessary to collect the information regarding the county where the bingo hall is located. The rule change is necessary in order to delete the requirement, and to insure that the rule does not require an item that does not appear on the application form.

The rule change is reasonable because it lessens the requirements on the applicant to submit information. The rule change is also reasonable because it does not harm the integrity of lawful gambling, or hamper the Board's ability to effectively monitor and regulate lawful gambling in Minnesota.

The classes of persons who will be affected by the rule include bingo hall licensees and applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since no costs are involved, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 6(F) (Contents of Application):

This rule is necessary to ensure that the rule is grammatically correct and easy to read. The rule change is reasonable because it does not change the meaning of the existing rule, or the requirements contained therein.

M.R. 7862.0010, Subpart 6(G) (Contents of Application):

Many times, applicants will already have been assigned tax ID numbers by the Department of Revenue. It is necessary to require disclosure of this information in the rule, so that the Board and Department of Public Safety can more expeditiously process the license application. It is also necessary to require the tax ID number in order to be certain that the applicant is not in arrears on any tax payments or filings to the state.

The rule is reasonable because it does not impose any undue requirements on the license applicant. Should the application be approved, the licensee would then have to obtain a tax ID number in any event. The rule is reasonable because it will insure that the Board and Department of Public Safety have adequate information to perform the required background checks on the applicant. The rule is reasonable because it helps to insure the integrity of lawful gambling in Minnesota.

The classes of persons who will be affected by the proposed rule include bingo hall licensees and license applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since there are no costs associated with the rule, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 6(H) (Contents of Application):

The additional language is necessary so that the rule will conform to statutory changes made by the 1994 legislature. Those changes require that licensure requirements also apply to persons or entities that have a five percent or more financial interest in the applicant. Therefore, the rule is necessary in order to require the disclosure of the names of those investors. The rule is necessary to be sure that complete disclosure of ownership has occurred on the application, and to enable the Board and the Department of Public Safety to adequately perform background investigations on the owners of the bingo hall.

The rule is reasonable because it imposes no undue hardships not contained in statute, and will insure the integrity of lawful gambling in Minnesota. The rule is reasonable because the required disclosure is information that is readily available to the applicant. The rule is reasonable because it provides an adequate tool for regulators to perform background investigations and insure that the applicant is qualified for licensure.

The classes of persons who will be affected by the rule include bingo hall license applicants, and persons who invest in bingo hall license applicants with an investment of 5% or more. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule.

Since there are no costs associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 6(I) (Contents of Application):

It is necessary to delete the existing language in item I of this subpart. The information is now required in items A. and G. of this subpart . The deletion is necessary in order to avoid duplication, and the relocation of the items was necessary to provide a chronological flow to this subpart.

The rule is reasonable because the requirements are not being deleted; they are merely being relocated within this subpart. The deletion is reasonable in order to be sure that the rules read clearly and can be easily understood by all persons using the Board's rules.

The classes of persons who will be affected by the rule include bingo hall owners. There is no cost to state agencies to implement and enforce the rule. There is no cost to bingo hall owners to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 6(K), (Contents of Application):

It is necessary to delete the existing language since it has been relocated elsewhere within this subpart. The deletion and relocation is necessary to add continuity and clarity to the Board's rules, and to insure that the subpart flows logically. The deletion is reasonable because the requirements are not being deleted; they are merely being relettered as other items in this subpart. The requirements have not changed. The rule change is reasonable because it helps to insure that the rules are easier to understand and use by licensees and other persons using the Board's rules.

The classes of persons who will be affected by the rule include bingo hall licensees and applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since no new requirements are being added or no requirements deleted, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 6(J) (Contents of Application):

This item is necessary because many times bingo halls are located in shopping malls, or other multi-tenant buildings, where trash removal, snow

removal, or parking lot maintenance is factored into the cost of the lease. In situations like this, the organization does not have an opportunity to enter into contracts for these services with vendors of its own choosing. Because of situations like this, bingo hall owners have an opportunity to inflate the costs of those services because they are aware of the rent maximums set by rule. Past experience has indicated that bingo hall lessees sometimes pay far more for these services than other tenants of the building. It is necessary to require the lessor to break out the cost of those goods or services, and specifically identify the costs included in the lease. It is also necessary to require that the cost of those goods or services be valued at fair market value. The rule is necessary to protect charitable organizations from being unfairly treated by bingo hall licensees.

The rule is reasonable because it will insure that lawful gambling is conducted in the public interest. The rule is reasonable because it will help to insure that organizations' licenses are not put in jeopardy because of unreasonable lease costs. The rule is reasonable because it imposes no hardships on the lessor; the lessor can still levy for those services but the costs must be identified, and charged at fair market value.

The classes of persons who will be affected by the proposed rule include bingo hall lessors, and charitable organizations that lease space in bingo halls. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Bingo hall owners will easily be able to identify and break out the required costs in the lease agreement. Because there are no costs associated with compliance with the rule, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. Alternative methods were not considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 6(L) (Contents of Application):

This deletion is necessary inasmuch as the requirement has been moved to item M. of this subpart. The deletion and relocation is necessary in order to provide a logical flow to the rule. It is also necessary so the rule will conform to the requirements currently existing for other licensees of the Board. The rule change is reasonable because it does not delete the requirement for a signature. The change is reasonable because it does not impose any new or undue requirements upon the applicant. The change merely makes the entire subpart easier to read and provides clarity and a more logical flow to the layout of the subpart.

The classes of persons who will be affected by the rule include bingo hall licensees and applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as there are no costs associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There

are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 6(M) (Contents of Application):

This item is necessary in order to require a signature on the application form. The requirement previously existed as item L. It is being changed to item M. to provide a more logical flow to the rule, and to insure that the rule conforms with requirements of the Board for other categories of licensure. The rule is reasonable because the requirement is not new. The rule is reasonable because it does not impose any new or undue hardships on the licensee or applicant. Further, the rule is reasonable because it insures that the layout of this particular subpart follows a logical layout, which can be easily understood and followed by those persons using the Board's rules.

The classes of persons who will be affected by the rule include bingo hall licensees and applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 6 (Contents of application):

The last paragraph is necessary because the existing language is ambiguous and unclear. Stating that additional information may be required does not inform the licensee or applicant who may require the additional information.

The rule change is reasonable because it will make the rule easier to understand, and fully inform the licensee or applicant of the entity that may require the additional information. The rule change is also reasonable because it conforms to licensing requirements of the Board for other categories of licensure such as manufacturers and distributors.

The classes of persons who will be affected by the rule include bingo hall licensees and applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 7 (Attachments to application):

The above language change is necessary to remove ambiguity and add clarity to the rule language. It is also necessary to change the grammatical

structure of the item from plural to singular. The existing language, which states that the language "applies to" to attachments to license applications is unclear, and does not provide direction to the user as to what must be done. Changing the language to "must be included" is much clearer and provides definite direction to the applicant or licensee that the items must be included with the license application or renewal form.

The rule change is reasonable because it does not alter the requirements for submittal of attachments to the application; it merely makes the language clearer and easier to understand. The rule change is also reasonable because it conforms to other parts of the Board's rules governing submission of documents.

The classes of persons who will be affected by the rule include bingo hall license applicants and licensees. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. No determinations were made regarding less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 7(A) (Attachments to application):

The language change is necessary to make it clear that the Board provides the form which licensees use to prepare their occasion list(s). Current language refers to the form being prescribed by the Board. Changing prescribed to provided makes it clear that the licensee must use the Board-designed form. It is also necessary to make it clear that the Board can request additional information regarding bingo hall occasion lists. Including the words "at a minimum" removes limitations on what the licensee can be required to submit, and allows the Board to request additional information or to revise the form should it become necessary.

The rule is reasonable because requiring the licensee to submit an occasion list is an effective tool for the Board to use in comparing the organizations' occasion records to those of the bingo hall licensee. Discrepancies can be easily noted and the appropriate action taken by the Board. The rule is reasonable because it provides a standardized form for all licensees to use when submitting occasion information, and insures that the information will be provided in a consistent manner by all bingo hall licensees. The rule is reasonable because it does not impose any undue hardships on the licensee or the applicant, and compliance can be easily achieved.

The classes of persons who will be affected by the rule include bingo hall licensees and applicants. There is no additional cost to state agencies to implement and enforce the rule. The Board is currently providing the occasion list form. Additional costs to state agencies would be minimal, and would include staff time to redesign and distribute forms if that need should arise. There is no cost to the industry to comply with the rule. No determinations

were made relative to less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 7(A)(2) (Attachments to application):

This rule is necessary in order to properly identify the organizations that will be conducting bingo on the premises. Existing rule merely requires the name of the organization, and there is the potential for errors to occur in transcribing names. It is also possible that the licensee or applicant could include an "incomplete" organization name, such as "Hopkins VFW" rather than "Hopkins VFW Post #4444". With over 1700 organizations conducting lawful gambling in Minnesota, the potential for error is too great. Also, requiring the bingo hall licensee or applicant to include the license or exempt number will insure that the bingo hall is not entering into a lease agreement with an unlicensed organization, thus putting their own license in jeopardy.

The rule is reasonable because the information regarding license or exempt numbers is readily available to the bingo hall licensee or applicant. The rule is reasonable because it will serve to protect the bingo hall against leasing space to unauthorized organizations. The rule is also reasonable because it provides a safeguard for the Board to verify that the organization name and license or exempt number are correct before entering the information into the computerized data base. The rule is reasonable because it imposes no undue hardships on the applicant or licensee, and actually serves to protect them.

The classes of persons who will be affected by the rule include bingo hall licensees and license applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since there are no costs involved, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 7(A)(3) (Attachments to application):

It is necessary to delete "exemption permit number" from this item, since the requirement now exists in item (A)(2) above. Relocating the item to A(3) was necessary to provide a logical flow to the rule, and to avoid confusion wherever possible. The rule is reasonable because it does not delete the requirement for including the exemption permit number; the requirement is merely being relocated.

The classes of persons who will be affected by the rule include bingo hall licensees and applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. No determinations were made regarding less costly or less intrusive methods for

achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 7(A)(4) (Attachments to application):

This rule is necessary in order to be sure that the licensee submits complete and accurate information regarding starting and ending times for bingo occasions. The rule is necessary so the Board can be sure that no more than one organization has rented space in the bingo hall for the same identical time period. The rule is reasonable because the information will be known to the applicant, and can be readily supplied. The rule is also reasonable because it will insure that more than one organization has not leased the same time period in the same bingo hall.

The classes of persons who will be affected by the rule include bingo hall owners and license applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because there are no costs associated with compliance, it was not necessary to identify less costly or less intrusive methods for achieving the objective of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 7(B) (Attachments to application):

It is necessary to restructure this item because of statutory changes made by the Legislature in 1994 which included limited liability companies and sole proprietorships as categories of businesses to be included for purposes of issuing a license. In addition, current language, "provided for" is somewhat ambiguous and does not state that the form must be completed by the classes of persons listed in subitems (1) through (5) of the proposed rule. The Board deemed it necessary to delete the existing language referring to "officers, directors, managers, and supervisors" and replace it with the language in subitems (1) through (5). Existing language is confusing and open to many different interpretations by different licensees. For instance, the definition of "supervisor" could be interpreted differently by various licensees. This has resulted in the Board not receiving the correct information, or receiving too much or too little information with the personnel forms. Subitems (1) through (5) are very specific, and will be interpreted in identical fashions by all licensees and applicants, thereby reducing the margin for error when submitting applications or renewals. The rule change is necessary in order to insure that consistent information is received from all applicants or renewal applicants. The rule is necessary to insure that the Board receives background information on the persons necessary to be backgrounded during the course of a license application investigation.

It was necessary to rework the section dealing with the information required on the personnel form to make it clear that the personnel form is provided by the Board, and that it is not the responsibility of the applicant or individual to submit a separate document containing the information required

in the subitems. Current language is confusing, because it refers to a form "prescribed by" the Board. In subitem (1) grammatical changes were made to insure that the rule is grammatically sound, and to require the personnel form to bear the license number of the bingo hall. In cases of renewal applications, this information will be readily available to the licensee. The language in this subitem also states "if issued", so failure to provide the number will not result in an incomplete application. The changes in subitem (2) are necessary to make it clear that the information being requested pertains to the individual filling out the form. Current language could be confusing, and interpreted to mean that all of the requirements pertain to the spouse of the individual filling out the form. The proposed subitem will also require the home telephone number of the person filling out the form. This is necessary so that the Board or Department of Public Safety can contact the individual regarding any questions or concerns that might arise during the licensing process. In subitem (5), it was necessary to more clearly state what the Board is requesting in terms of citizenship information. Existing language is ambiguous, and could be interpreted to mean that the persons merely has to state whether or not he/she is a citizen of the United States. The proposed language is much clearer, and will provide the information the Board is seeking. The change in subitem (6) is necessary in order to make the rule grammatically correct. It was necessary to make changes to subitem (10) to make it clear that the required information pertains to the person filling out the form, and not to the entity applying for licensure. New language in this subitem will require disclosure of any exempt organizations that the individual may belong to. This information is important when conducting background investigations, and is invaluable to the Board when considering the license application. The new language in subitem (11) is required in order for the Department of Revenue to ascertain that the individual is in full compliance with all tax laws and rules of the State of Minnesota. Subitem (12) is necessary because the Board is proposing to combine the existing personnel form and affidavit into one document, thereby saving time and paper. The change to subitem (13) is also necessary because of the proposal to combine the affidavit and personnel form in one document. Requiring the notarized signature of the person will negate the need for a notarized affidavit. The last stand-alone sentence is necessary to allow the Board and/or Departments of Public Safety and Revenue to request additional information to complete background investigations during the course of the licensing process. The need for a venue to request additional information is important: without such a venue, the licensee or applicant would have to resubmit the entire application.

The rule changes are reasonable because they result in a rule that flows logically. The proposed rule makes it clear that the required information pertains to the individuals filling out the personnel forms, and not to the license applicant (bingo hall owner). The rule is also reasonable because it insures that the Board will receive the necessary information to conduct background investigations as part of the licensure process. Lastly, the rule is reasonable because it removes the requirement for submitting a separate affidavit, thereby reducing the amount of paperwork that the individual must complete and submit.

The classes of persons who will be affected by the proposed rule include bingo hall licensees and license applicants, as well as certain individuals who work for the licensee or applicant. There is no cost to state agencies to implement and enforce the rule. There is no cost to the applicant or licensee to comply with the rule. Because no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 7(C) (Attachments to application):

It is necessary to delete this requirement from existing rule, as in the proposed rule the affidavit is now incorporated into the bingo hall personnel form. The deletion is reasonable because it is no longer a separate requirement. The deletion is also reasonable because it negates the need for a separate piece of paper to be executed and submitted to the Board.

The classes of persons who will be affected by the rule include bingo hall licensees and applicants, and certain employees of those licensees and applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 8 (Changes in application information):

Existing rule language is confusing, in that it may be interpreted to mean that changes to an application that has been filed, but where no license has yet been issued, must be reported to the Board. While this is also true, the intent of this rule is to have any changes reported throughout the term of the license, rather than prior to issuance of the license. The rule change is necessary in order to insure that the requirement is clearly understood by all applicants and licensees. It is also necessary to require that the changes be reported in writing, in order to provide the licensee assurances that the Board has received the changes and duly noted them in the file. Without submitting the changes in writing, the licensee or applicant does not have a defensible position should the issues ever be questioned by the Board or other state agencies.

The rule changes are reasonable because they add clarity to the rule, and insure that licensees and applicants are fully aware of the reporting requirements. The changes are reasonable because they provide the licensee or applicant with a legally defensible position should issues ever arise with the Board or Department of Public Safety regarding the reporting of changes in application information. The changes are reasonable because they do not impose an undue hardship on the licensee or applicant, and serve to protect them from legal problems regarding the reporting of changes.

The classes of persons who will be affected by the rule include bingo hall licensees and license applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because no costs are involved, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 9 (License fee):

For rules that deal with statutorily established fees, it is necessary to refer to the statute and not reiterate the amount of the fee in rule format. Leaving the rule in its current form would require a costly and time-consuming rule promulgation whenever the statutorily mandated fee changed. The rule change is reasonable because it saves time and money by not amending rules whenever the license fee is changed by the Legislature.

The classes of persons who will be affected by the rule include bingo hall licensees and license applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. No determination was made regarding less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 10a (Investigation):

This rule is necessary in order to inform the applicant or licensee that a background investigation may be performed. The rule is included for informational purposes for the entity to use in evaluating whether or not to pursue obtaining a bingo hall license. Because license fees are submitted with the application, the applicant is putting a great deal of money at risk in expectation of receiving a license. By informing the applicant up front that an investigation may be performed, the Board is being fair and open with potential license applicants regarding the costs associated with licensure.

The rule is reasonable because it serves to inform applicants prior to submitting the license fee and application forms. The rule is reasonable because it imposes no hardships on either the applicant or the Board. The rule is reasonable because it may save potential applicants time and money should they decide not to apply for a license after reading the rules. It is only fair that applicants be advised of all potential costs before proceeding with the licensing process.

The classes of persons who will be affected by the rule include bingo hall license applicants and renewal applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply

with the rule. Since no costs are involved with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 11(A),(B),(C) (Issuance and Denial):

It is necessary to delete the existing language in these three items because the entire subpart is being rewritten to conform to statutory requirements, and to provide a more logical flow to the rule. The existing rule is in conflict with statutory requirements regarding the applicant's right to a hearing. The deletion is reasonable because the issuance and denial requirements are now being addressed in proposed new items A. through D. of this subpart.

The classes of persons who will be affected by the rule include bingo hall licensees and applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Since there are no costs associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 11(A) (Issuance and denial):

This item is necessary in order to set forth the conditions under which the Board must issue a bingo hall license to an applicant. The rule is necessary in order to inform the applicant of the conditions that must be met in order to obtain a license. The rule is also necessary in order to inform applicants of the statutory requirements for licensure.

The rule is reasonable because it does not expand the Board's statutory authority, and clearly sets forth the conditions under which the Board must issue a bingo hall license. The rule is reasonable because it imposes no undue hardships or conditions that do not exist in statute, and the rule is merely intended to inform the applicant of the conditions that must be fulfilled prior to receiving a license from the Board.

The classes of persons that will be affected by the rule include bingo hall licensees and applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 11(B) (Issuance and denial):

Again, this item is necessary in order to inform the applicant that its application shall be denied if the applicant does not meet the qualifications set forth in rule and statute. The rule is reasonable because it is informative in nature, and is intended to inform the applicant of the circumstances under which the Board must, by statute or rule, deny a license application.

The classes of persons that will be affected by the rule include bingo hall license applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because there are no costs associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the objective of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 11(C) (Issuance and denial):

The inclusion of the above language is necessary in order to carryover statutory requirements enacted by the 1994 Legislature. Inclusion of the language in rule format is necessary to fully inform licensees and applicants of the provisions attendant upon licensure as a bingo hall owner. It is necessary for informational purposes and for convenience for the applicant and licensee. The rule change is reasonable, because it does not go beyond the Board's statutory authority in issuing or denying bingo hall licenses; nor does it change the meaning of the statutory language. The rule change is reasonable because it serves to inform applicants and licensees of licensure requirements. If applicants and licensees are fully informed before filing their license application and accompanying fee, they can make an appropriate decision as to whether or not to file an application and pay the required fee.

The classes of persons who will be affected by the rule include bingo hall licensees and applicants for a bingo hall license. There is no cost to state agencies to implement and enforce the rule. There is no cost to the licensee to comply with the rule. Since no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 11(D) (Issuance and Denial):

This rule is necessary in order to clearly state the rights that a licensee or applicant has upon denial of its renewal license or original application. While the requirements are contained in statute, it is necessary and advisable to reiterate them in rule format so that licensees and applicants are clearly informed of their rights and remedies under law and rule. The rule is reasonable because it places no demands on the licensee or applicant, and is intended to be informative in nature. The rule is reasonable because it provides the licensee or applicant with clear information prior to submitting a renewal or original license application. Further, the rule is reasonable because

licensees and applicants have a need to be informed of the procedures should their application or renewal be denied by the board or director.

The classes of persons who will be affected by the rule include bingo hall license applicants and licensees applying for renewal licenses. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 11a (Length of license):

This rule is necessary because the Board proposes to delete existing subpart 5 of this rule, which deals with the term of bingo hall licenses. Subpart 5 was deleted and the language renumbered as subpart 11a in order to have a logical and chronological flow to the rule, and to insure that this part conforms to the layout of other parts of the Board's rules that deal with length of license. The rule is reasonable because no provisions or requirements are being changed, and the length of the license term is not being changed from existing rule. The rule is also reasonable because it provides concise information to the licensee or applicant with regard to the length of a bingo hall license.

The classes of persons who will be affected by the rule include bingo hall licensees and license applicants. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 11b (License effective):

This item is necessary to clearly state when a new license will be effective. In the past, there has been some confusion with regard to the effective date of a bingo hall license. The Board considers bingo hall license applications at its monthly meetings, which are typically held the third Monday of every month. Applicants could easily be confused and assume that their license was effective because it had been approved by the Board. Clearly stating in the rule when the license will be effective is necessary to insure that new licensees remain in compliance with statute and rule, and do not begin bingo hall operations until the license is actually in effect.

The rule is reasonable because it is informational in nature, and will remove any doubts or existing confusion with regard to the effective dates of bingo hall licenses. The rule is reasonable because it imposes no undue hardships or requirements on the licensee, and will help to insure compliance.

The rule is reasonable because it is informative in nature, and is intended to assist licensees.

The classes of persons who will be affected by the rule include bingo hall licensees. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 12 (License renewals):

The above rule changes are necessary to delete unnecessary language, and to change the referenced subpart numbers in accordance with proposed revisions in this part. It is necessary to include new language to clearly explain what will occur when a license expires and is renewed on any day of the month other than the last day. The rule is necessary in order to insure conformity with other parts of the Board's rules that deal with license renewal requirements for manufacturers and distributors of gambling equipment. It is necessary to require that licenses issued by the Board expire on the last day of a month so that the Board's computerized data bases and information retrieval systems will be accurate and up-to-date. The rule is also necessary to insure that all classes of licensees regulated by the Board are treated in the same manner with regard to license renewals.

The rule is reasonable because it does not impose any undue hardship on the bingo hall renewal applicant. The rule is reasonable because it clearly delineates the effective date of renewal bingo hall licenses. Further, the rule is reasonable because it will insure that all licensees of the Board are treated equally and fairly in terms of license renewal. The rule is reasonable because it was discussed with industry representatives, and was determined to be the most effective and least costly method for achieving the purpose of the rule. In addition, the rule is reasonable because it will only affect license renewal applicants on a one-time basis; i.e., for the first license renewal occurring after the effective date of the proposed rule. Thereafter, each applicant's license will expire on the last day of a month, and the renewal license will be effective the following date. This will insure that there is no time gap between license expiration and renewal which would force the licensee to cease operations.

The classes of persons who will be affected by the rule include bingo hall license renewal applicants. There is a minimal cost to state agencies to implement and enforce the rule, in that Board clerical staff will have to devote more time to processing license renewals. There is also a minimal cost to renewal applicants to comply with the rule; however it is stressed that this cost is a one-time only cost to the renewal applicant. The maximum cost to a renewal applicant will be \$205.50. The maximum cost would accrue when a license expires on the 30th day of a month with 31 days, and based on the current cost of a bingo hall license, which is \$2,500 per year. This equates to

\$6.85 per day for thirty days, or \$205.50. Again, this issue was discussed with PAC members and other industry representatives and it was determined that this was the best method for dealing with the issue. It needs to be pointed out that the "cost" is not a fee that will be charged by the Board, but rather a loss absorbed by the licensee from its previous year's license.

Less costly or less intrusive methods for achieving the purpose of the rule included allowing the existing license to remain in effect for the additional number of days until the renewal license became effective. This method was not approved by the Department of Finance or the Legislative Auditor. The Board also considered charging an additional one-time only fee of \$6.85 per day for the number of days between expiration of the existing license and effective date of the renewal license. Again, this was not deemed feasible because the same problem would occur on every following year thereafter. Also, the Department of Finance and the Legislative Auditor did not concur with this proposed method. Other than these two methods, no alternative methods were considered or rejected.

There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 12(C) (Appeals):

It is necessary to delete the language in subitem (2) because the requirement is now addressed in subpart 11 of the proposed rules. The deletion is necessary in order to avoid redundancy and confusion in the Board's rules. The rule change is reasonable because it provides a logical and chronological flow to the entire part, and aids the licensee in using and reading the rules.

The classes of persons who will be affected by the proposed rule include bingo hall licensees and applicants. There is no cost to state agencies to implement and monitor the rule, other than the costs incurred and referenced in proposed subpart 11. There is no cost to the industry to comply with the rule. Because the procedures and requirements are statutory, less costly or less intrusive methods for achieving the objective of the rule were not considered. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7862.0010, Subpart 13 (Records and reports required):

Subitem (A) is necessary in order to clarify statutory requirements enacted by the 1994 Legislature. While the requirements are included in statute, it is necessary and advisable to include them in rule so that the licensee is fully aware of the requirement and cannot plead ignorance of either law or statute for failure to report properly. The rule is necessary in order to protect the integrity of lawful gambling in Minnesota, and to insure that it is conducted in the public interest.

Subitem (B) is necessary in order to be sure that licensed, exempt, or excluded organizations are not being forced to pay additional monies to bingo hall owners, other than the costs identified in the lease agreement between the bingo hall owner and the organization. In addition, the rule is necessary in order to verify that the monies paid by the organizations to the bingo halls are reported accurately and correctly to the Board and the Department of Revenue. The rule is necessary to insure the integrity of lawful gambling in Minnesota, and to verify the accuracy of reporting done by organizations and bingo hall owners.

The rule is reasonable because it does not impose undue or harsh requirements on either the bingo hall owner or the organization conducting bingo at that bingo hall. The rule is reasonable because it will protect organizations from being forced to pay extra amounts of cash beyond what is contained in the lease agreement. The rule will also protect bingo hall owners from inaccurate reporting by organizations. The rule is reasonable because it protects the integrity of lawful gambling in Minnesota, and provides an effective tool for the Board to verify accuracy in reporting.

The classes of persons who will be affected by the rule include bingo hall licensees. There is no cost to state agencies to implement and enforce the rule. The only cost, which should be minimal, to the licensee will be to preserve and maintain the required records. Less costly or less intrusive methods for achieving the purpose of the rule were not determined. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7863.0020, Distributor Operations, Accounts, and Reports:

M.R. 7863.0020, Subpart 2(A)(4) (Sale of Gambling Equipment):

This item is necessary in order for the proposed inventory and accounting systems to function as intended. Distributors cannot be allowed to sell partial series of bingo paper to an organization because the remainder of that partial series would end up being shipped to another organization. Because distributors will be allowed, for the first twelve months from the effective date of the rule, to track only the serial number from the top sheet in each packet, the potential exists for different organizations to have the same serial numbered paper in inventory, thus making the accountability of each organization for its bingo paper an impossible task. The rule is necessary to insure that licensed organizations do not receive duplicate serial numbered paper from their distributors. At the same time, it was necessary to make an exception for smaller organizations that conduct exempt or excluded bingo on a limited number of occasions per year. Because these types of organizations typically have gross revenues from bingo of less than \$150,000 per year, their accounting and reporting requirements are somewhat different in the proposed rules.

The rule is reasonable because it imposes no undue hardships on the distributor. Distributors who participated in the PAC meetings indicated that,

for the most part, shipments of bingo paper are already being handled in the proposed manner. The rule is also reasonable because it makes an exception for the smaller organizations that would be hampered by having to buy an entire series of bingo paper at one time.

The classes of persons who will be affected by the rule include distributors of bingo paper products, and organizations who use bingo paper sheets and bingo paper sheet packets. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the proposed rule. Because there are no costs involved, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7863.0020, Subpart 3(B) (Registration of gambling equipment):

The Board proposes to delete this item from existing rule. With the new proposed requirement for organizations to maintain inventory and tracking records for bingo paper sheets, packets, and packages by serial number, the need to specifically identify the top sheet in each bingo paper packet by a specific color no longer exists.

The proposed deletion is reasonable because it will remove a requirement that the industry has found troublesome in the past. The deletion is reasonable because it will not harm the integrity of lawful bingo operations as long as the organizations are required to account for all bingo paper sheet packets by serial number. The change is reasonable because it will allow the organizations more flexibility in making marketing decisions on the color of the bingo paper packets that they offer for sale.

The classes of persons that will be affected by the proposed deletion include manufacturers and distributors of bingo paper sheet packets, as well as organizations who use bingo paper sheet packets. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was determined that the least costly and least intrusive method for achieving the purpose of the rule was to require the organizations to maintain records of serial numbers for each bingo paper sheet packet purchased and sold. Alternative methods considered included requiring the manufacturers to preprint the prices on the bingo paper sheet packets. This was not the optimum solution in that not all manufacturers are physically capable of providing this service, and some manufacturers would then drop out of the Minnesota market. This would have reduced the options the organizations have to obtain competitive pricing and the types of bingo paper packets needed for their bingo operation. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7863.0020, Subpart 4(A)(5) (Records and reports required):

This rule amendment is necessary in order to differentiate between the various types of bingo paper, i.e., bingo paper sheets and bingo paper sheet packets, and also to require that distributor invoices for breakopen bingo paper sheets specifically identify whether the set of sheets is an "original" or "trade-in" set. The last sentence in the proposed rule is necessary in order not to have conflicting requirements in rule when item 4(A)(6) of the proposed rule (discussed below) goes into effect.

The rule is reasonable because it imposes no undue hardships on the distributor, and it is not unlike the practice currently in place in existing rule. The rule is reasonable because it contains a sunset provision so as not to conflict with other new proposed rules.

The classes of persons who will be affected by the proposed rule include distributors of bingo paper products. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule, since distributors already operate in this fashion. Inasmuch as no costs are involved, there was no need to investigate less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7863.0020, Subpart 4(A)(6) (Records and reports required):

This item is necessary in order to prescribe in rule the invoicing requirements for bingo paper. The requirements are different than existing rule, and are necessary in order to insure that all bingo paper sheets and packets can be tracked from the manufacturer to the distributor and on to the organization. It is necessary that the rule have a future effective date so that distributors can upgrade computer software if necessary, and ship existing inventory to organizations under existing rule. The requirements in item 6(a) are necessary for bingo paper sheet packets. The color in the order of collation is required to insure that the packets are not tampered with or disassembled at the organization level. The number of sheets and number of faces per packet is also required so that the distributor's invoice can be compared to the organization's inventory records to insure that all sheets and faces in a packet have been properly accounted for and the appropriate amount of taxes have been paid by the organization. The series number is required for the same reason, i.e., to insure accountability in the organization's reporting methods. The organization must tell the distributor, when ordering packets, the price it intends to charge for the packets. The distributor, in turn, will be required to include this price on its invoice to the organization. This will insure that the organizations do not charge greater prices for the packets than appear on the distributor's invoice, which could lead to under-reporting of gross receipts from bingo. Items (vi) and (vii) provide alternative methods for the distributor to report serial numbers on its invoices. Some bingo paper packets are manufactured in such a fashion that the serial number is uniform throughout the entire packet. In this case, the distributor only needs to record the serial number from the top sheet in the packet. In cases where the serial numbers

are not uniform throughout the packet, the distributor can still record only the serial number from the top sheet or provide a manifest of all the serial numbers in each packet. If the distributor chooses to record only the serial number from the top sheet in the packet, and the serial numbers are not uniform, the rule requires that the invoice to the organization indicate that only the serial number from the top sheet is being tracked, and the tracking responsibilities then fall to the organization.

A similar requirement in M.R. 7864.0030 will require all manufacturers to provide only uniform serial numbers on bingo paper sheet packets at a date certain in the future. Once this rule goes into effect, distributors will only receive bingo paper sheet packets with uniform serial numbers. Therefore, it was not necessary to include a sunset date in item (6) of this subpart. Manufacturer's requirements are discussed in detail later in this statement.

Item (b) of (6) is necessary to detail the invoicing requirements for bingo paper sheets (case paper). Again, it is necessary to know the color and number of sheets per case, as well as the number of faces per sheet and the series number. It is also necessary to require that the organization's selling price be on the distributor's invoice. These items are necessary to insure trackability and accountability on the part of the organizations using the bingo paper sheets. Requiring the serial number from the top sheet in the case is necessary in order to verify the organization's inventory of case paper.

The rule is reasonable because it will provide a regulatory tool for the Board and the Department of Revenue to insure that bingo paper sheet packets and case paper are being sold at the price indicated on the distributor's invoice. The rule is reasonable because organizations may charge whatever price they wish for the bingo paper sheet packets and case paper; they merely need to inform the distributor what that price will be for invoicing purposes. The rule is reasonable because it is an integral part of the inventory and tracking systems. It was thoroughly discussed in the PAC meetings, and meets with approval of other state agencies as well as distributors and organizations.

The classes of persons who will be affected by the proposed rule include distributors of bingo paper and organizations who use bingo paper products. The cost to state agencies to implement and enforce the rule will include staff time during compliance reviews in comparing distributor invoices to the organization occasion records to insure that the proper prices were charged to the players for the bingo paper. The cost to the industry to comply will be minimal, and will involve computer programming work on the part of the distributors. Again, the distributors on the PAC indicated that this would not be a problem. Less intrusive or less costly methods of achieving the purpose of the rule included requiring the manufacturer to preprint the prices on the bingo paper sheets and packets. This was deemed to be unworkable because many manufacturers lack the technical capability to comply, and the industry itself decided that this system could be troublesome. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7863.0020, Subpart 4(B)(9) (Records and reports required):

It is necessary to require distributors to submit an inventory of bingo paper prior to the effective date of the rule governing organization inventory and reporting requirements. Without such an inventory, the potential for inaccurate reporting and record keeping exists. The rule is necessary in order to allow distributors to continue to ship and sell all pre-existing inventory, as long as the inventory was properly reported to the department of revenue in accordance with the proposed rule. The inventory provides a means for verifying organization and distributor records of bingo paper shipments.

The rule is reasonable because it poses no undue hardship on the distributor. The rule is reasonable because it will insure that accurate records and reports will be maintained on both the distributor and organizational level. Further, the rule is reasonable because it provides a regulatory tool for the board and the department of revenue to verify the accuracy of reports and records. Lastly, the rule is reasonable because it allows the distributor to ship and sell all inventory, as long as the inventory was reported to the department of revenue.

The classes of persons who will be affected by the rule include distributors of bingo paper products. The cost to state agencies to implement and enforce the rule will include staff time to verify the receipt of inventories in a timely manner. The cost to the industry to comply with the rule includes staff time to conduct the inventory and submit the documentation to the Department of Revenue. No alternative methods were considered or rejected, because this was deemed to be the only manner in which an accurate accounting and inventory could be obtained. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7863.0020, Subpart 4(C)(1)(e) (Records and reports required):

Distributors are currently required, under existing law and rule, to submit monthly pricing reports to the Board. The pricing reports disclose the price at which lawful gambling equipment will be sold by that distributor. Because these rules contemplate defining bingo paper sheet packets, it is necessary to amend this item to refer to bingo paper sheet packets. The rule change is reasonable because it does not change any existing requirements for the distributor; it is merely a language change. Distributors currently include this information in their pricing reports under the category of bingo paper sheets. The rule is reasonable because it insures that the various parts of the Board's rules are uniform with regard to terminology.

The classes of persons who will be affected by the rule include licensed distributors selling bingo paper sheet packets. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the proposed rule. Alternative methods for achieving the purpose of the proposed rule were not considered. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule.

There are no federal requirements regarding this rule, so there is no difference between this rule and federal requirements.

M.R. 7863.0020, Subpart 4(E)(1)(d) (Records and reports required):

This rule is necessary to use the same terminology throughout this proposed rule amendment. The rule change is also necessary to require the serial number and the series number when reporting defective equipment. The rule is necessary to be sure that all returned equipment is reported properly, and that the Board's rules are uniform with regard to terminology. The rule amendment is reasonable because it imposes no undue hardships on the distributor, and merely clarifies requirements in existing rule.

The classes of persons who will be affected by the rule include distributors of bingo products. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because no costs are involved with compliance or implementation, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7863.0020. Subpart 4(F)(1) (Records and reports required):

This rule change is not specifically related to bingo, but the amendment is necessary in order to insure that the Board's rules are consistent with statute. During the 1995 legislative session, the statutory time period for this requirement was changed from 30 to 35 days. The rule change is reasonable because it imposes no undue hardships on distributors, and eases requirements on lawful gambling organizations. The rule change is also reasonable because it insures that the Board's rules are consistent with statutory requirements, therefore making the rules easier to use.

The classes of persons who will be affected by the rule change include licensed distributors and organizations that conduct lawful gambling activities. There is no cost to state agencies to implement and enforce the rule. There is no additional cost to the industry to comply, since reporting is currently being done under existing laws and rules. Because this is a statutory requirement being carried over to rule, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

7864.0030 MANUFACTURER OPERATIONS, ACCOUNTS, AND RECORDS

M.R. 7864.0030, Subpart 1(C) (Standards for the Manufacture of Gambling Equipment):

This rule change is technical in nature, and merely deletes references to "subpart 1". The change is reasonable because it does not alter the meaning of the rule, and causes no hardship to persons affected by the rule.

The classes of persons who will be affected by the rule include manufacturers of gambling equipment. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Inasmuch as no costs are involved with compliance, it was not necessary to consider less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7864.0030, Subpart 1(D) (Sale of lawful gambling equipment):

This rule change is necessary in order to insure consistency with other parts of the Board's proposed rules, that now refer to bingo paper sheet packets. The change is considered technical and minor in nature. The rule change is reasonable because it does not change the meaning of the rule as currently in existence, it is informational in nature, and it serves to further clarify the meaning of the rule. Differentiating among the various types of bingo cards and sheets is necessary so that the industry and others who use the Board's rules remain in compliance with the rule. The rule change is necessary in order to provide uniformity throughout the proposed rule.

The classes of persons who will be affected by the proposed rule change include licensed manufacturers of bingo products. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7864.0030, Subpart 1(D)(1) (Sale of lawful gambling equipment):

This rule change is necessary because, with the proposed amendments, the rules will now refer separately to bingo hard cards and bingo paper sheet packets. This change is necessary in order to be sure that the rules are consistent from one part to another, and to remove any confusion on the part of persons who use the rules. The rule change is reasonable because it does not change the meaning of the existing rule, it merely clarifies the difference between bingo hard cards and bingo paper sheet packets. The rule change is reasonable because it imposes no undue hardships on the manufacturer, and is included for clarification and informational purposes.

The classes of persons who will be affected by the rule change include manufacturers of bingo hard cards and bingo paper sheet packets. There is no cost to state agencies to implement and enforce the rule. There is no cost to licensed manufacturers to comply with the rule. Determining less costly or less intrusive methods for achieving the purpose of the rule is not applicable in this instance. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7864.0030, Subparts 1(D)(2) and 1(D)(3)(Standards for the manufacture of gambling equipment:)

It is necessary to include the words "bingo" and "face" in these requirements because a bingo paper sheet may contain more than one face, and it is crucial that each bingo face contain a serial number and face number. In order for the Board's rules to be uniform throughout, it is also necessary to include the word "bingo". The rule is reasonable because manufacturers are currently complying with the requirement, and this allows the organization to maintain accurate accounting records for each bingo occasion or session that it conducts.

The classes of persons that will be affected by the rule include manufacturers of bingo paper sheets. There is no cost to state agencies to implement and enforce the rule; nor is there a cost to the industry to comply with the rule inasmuch as the manufacturers are currently manufacturing bingo paper in this fashion. Since there are no costs associated with compliance, it was not necessary to consider and reject less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7864.0030, Subpart 1(D)(5)(Standards for the manufacture of gambling equipment:)

It is necessary to delete this requirement because the need for a solid blue top sheet is no longer necessary due to the proposed inventory and tracking requirements contained throughout these proposed rules. The deletion is reasonable because it was a requirement that was onerous to the industry to begin with, and caused shipping and manufacturing problems for licensed manufacturers. The requirement created a separate industry standard for Minnesota, and may have contributed to increases in the cost of bingo paper.

The classes of persons who will be affected by the proposed deletion include manufacturers of bingo paper sheet packets, as well as distributors and organizations. There is no cost to state agencies because of the rule deletion. There is no cost to the industry as a result of the proposed deletion. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7864.0030, Subpart 2(D) (Prior approval of gambling equipment required):

This rule change is necessary in order to properly differentiate between bingo paper sheets and bingo paper sheet packets. The rule change is informational in nature, and will serve to add clarification to the existing language. Without the rule change, it could be interpreted to mean that

manufacturers would only have to submit bingo paper sheets to the Board for approval when, in reality, bingo paper sheet packets also need to be submitted for approval. The rule is necessary in order to be sure that licensed manufacturers clearly understand the Board's requirements with regard to submittal of equipment. The rule change is reasonable in that it imposes no undue hardships on the manufacturer. Manufacturers are currently complying with the requirement. The rule is reasonable because it adds clarification to the existing rule.

The classes of persons who will be affected by the proposed rule include manufacturers of lawful gambling equipment. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7864.0030, Subpart 2(D)(3) (Prior approval of gambling equipment required):

The rationale for this rule change is identical to that in the preceding item. The rule is necessary in order to clearly spell out the differences in the various types of bingo paper and hard cards that are manufactured for sale in Minnesota. The change is necessary to add clarification to the Board's rules, and to be sure that they can be easily understood and interpreted by all who use them. The rule change is reasonable because it imposes no undue hardships on the manufacturer. Manufacturers are currently complying with the requirement under the existing rule. The rule change is reasonable because it will provide consistency in bingo terminology for all parts of the board's rules.

The classes of persons who will be affected by the rule include manufacturers of lawful gambling equipment. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7864.0030, Subparts 2(E) and 2(F) (Prior Approval of Gambling Equipment Required):

These changes are minor and technical in nature, and are necessary in order to remove unnecessary references in the rule. The rule changes are reasonable because they do not change the meaning of the rule, not affect persons governed by the rule.

The classes of persons who will be affected by the rule include manufacturers of gambling equipment. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply

with the rule. Inasmuch as no costs are involved with compliance, it was not necessary to identify less intrusive or less costly methods for achieving the objective of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7864.0030, subpart 3(I) (Sale of approved gambling equipment):

This rule is necessary in order to insure that the bingo paper tracking and inventory requirements prescribed throughout these rules are consistent from the manufacturer to the distributor and on to the organization. It is necessary to prohibit the shipment of partial series to be sure that distributors do not end up with bingo paper sheets or packets that may bear identical serial numbers. Allowing this to occur would skew the entire system and place distributors and, in turn, organizations, in jeopardy by not being able to explain why they have the same serial numbered paper in stock as another distributor or organization.

The rule is reasonable because manufacturers have indicated that very small amounts, if any, of bingo paper are shipped in a partial series; thus, business is already being conducted in the manner prescribed in the proposed rule. The rule is reasonable because it will insure that bingo paper products shipped to distributors will be unique enough to be tracked accurately and quickly by the Board and the Department of Revenue. The rule is also reasonable because it is an integral part of the bingo paper tracking and inventory system being prescribed throughout the proposed rules.

The classes of persons that will be affected by the proposed rules include manufacturers of bingo paper products and licensed distributors of those products. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because no costs are associated with compliance, it was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7864.0030, Subpart 7(A)(1)(e) (Records and reports):

The rule change is necessary in order to require manufacturers to file pricing reports that differentiate between bingo paper sheets and bingo paper sheet packets. It necessary that the reporting on these items be done separately, in order to insure continuity among all manufacturers filing pricing reports. The rule is also necessary so that the Board can accurately track the prices of bingo paper sheets and packets from the manufacturer through to the organization level. The rule is reasonable because it imposes no new or undue hardships on the manufacturers. Manufacturers are presently reporting their prices in this fashion. There is no cost to state agencies to implement and enforce the rule There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for

achieving the purpose of the rule. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7864.0030, Subpart 7(B)(5)(b) (Records and reports):

It is necessary to add a new sentence to the last item in subitem 5. to indicate that the subitem will have a sunset date. New invoicing requirements are being prescribed that will be specific to the different types of bingo paper referred to throughout these rules. Because the new invoicing requirements do not take effect immediately, it was necessary to keep subitem 5 in place until the new rule becomes effective at a date certain in the future.

The rule is reasonable because it allows current requirements in existing rule to remain in place and effect until the new requirements come into play. The rule is reasonable because it is informative in nature, and does not change the meaning or the intent of the existing rule.

The classes of persons that will be affected by the rule include manufacturers of bingo paper products. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. Because there are no costs involved, it was not necessary to determine less costly or less intrusive methods for achieving the objective of the rule. No alternative methods were considered or rejected. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7864.0030, Subpart 7(B)(6) (Records and reports):

This rule is necessary for many reasons. First, it is necessary to establish a date certain in the future for the requirement to become effective. A future date is required in order to provide time for manufacturers to comply with the rule, and to have continuity with other parts of the proposed rules that have future effective dates. It is also necessary to divide the rule into smaller items that will be specific to each type of bingo paper product.

It is necessary to know the serial number and color of breakopen bingo paper sheets so that serial number tracking at all levels can be accomplished. The color is necessary for the Board and the Department of Revenue to track breakopen bingo paper sheets, and to know whether the sheets being shipped to distributors are original or trade-in sets. Because originals and trade-ins sell for different prices established by the organization, we need to know the color to determine whether the breakopen bingo paper sheets are originals or trade-ins.

With regard to bingo paper sheet packets, it is necessary to know the color of each sheet in the packet in order of collation in order to accurately track the distributor's inventory and, ultimately, the inventory maintained by the organization. Requiring this information on the invoice will insure that distributors do not disassemble the packets to sell the paper as individual sheets. The need to know the number of up's and on's per packet is also

necessary to track the paper being shipped to the distributor. If this information is contained in the invoice, the distributor will not be able to sell the packets in any other fashion but as a complete packet. The series number is required for tracking purposes and to identify the paper shipped to each distributor.

Subitems (v) and (vi) represent two different options for the manufacturer for the first year that this rule is in effect. Two bingo paper manufacturers currently are capable of producing bingo paper sheet packets with uniform serial numbers throughout the packet. Subitem (v) will allow the manufacturer to either provide the serial number from the top sheet in each packet for uniformly numbered packets, or the serial number from the top sheet in the packet if the serial numbers are not uniform. Subitem (vi) will sunset on the first day of the twelfth month from the effective date of the rule. The effect of this sunset date will be that manufacturers will no longer have the option of recording only the serial number from the top sheet in the packet for bingo paper that is not uniformly numbered, and instead requiring that all serial numbers be listed. The net effect will be that most, if not all, manufacturers will supply bingo paper sheet packets that have uniform serial numbers.

The invoicing requirements for case paper are necessary in order to track the paper shipped to a distributor by color and quantity, as well as series number and serial number. Again, the invoicing requirements are necessary for the complete tracking and inventory systems to function as intended, and to insure that gross receipts from bingo are accurately reported to the state.

The rule is reasonable because it provides a method for the state to accurately account for all bingo paper products manufactured and shipped into Minnesota. Without this component of the proposed rule, the entire system would be skewed and unworkable. The rule is reasonable because manufacturers have indicated an ability to comply, and most manufacturers have begun the technical and engineering changes necessary to produce uniform serial numbers on bingo paper sheet packets. Manufacturers participated in the PAC meetings, and other licensed manufacturers were advised of the proposed requirement. No serious objections have been received from the manufacturers. Manufacturers have indicated that they understand that uniform serial numbers will soon be a requirement in other jurisdictions as well, and they expressed an understanding that they will need to adjust their manufacturing processes in order to remain competitive. The rule is reasonable because it adds a tremendous amount of credibility and integrity to lawful gambling in Minnesota through its ability to track bingo paper products from shipment to use.

The classes of persons who will be affected by the rule include manufacturers of bingo paper products. There is no cost to state agencies to implement and enforce the rule. If manufacturers choose to change their processes so that bingo paper sheet packets will have uniform serial numbers, the costs are significant, and could reach two or three hundred thousand dollars per manufacturer. However, it needs to be pointed out again that most, if

not all, manufacturers will switch to this type of product eventually in order to remain competitive in the market. Minnesota has a national reputation as a leader in the field of regulation and enforcement of charitable gambling, and other states and jurisdictions will undoubtedly make the same requirements in the future. Also, many manufacturers have begun the re-engineering process in order to prepare for these new requirements. Less costly or less intrusive methods for achieving the purpose of the rule would be to require that manufacturers preprint prices on bingo paper sheet packets and case paper. This was not as desirable to the industry, and would have had the effect of creating an "island" for Minnesota products which may not be able to be marketed in other states or jurisdictions. The rule, as proposed and drafted, allows manufacturers time to get their systems in place. Manufacturers also have the option of not changing their systems, and continuing to furnish listings of serial numbers to distributors. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

M.R. 7864.0030, Subpart 7(C)(d) (Records and reports):


This rule pertains to returned equipment reports that manufacturers are required to file with the Board. This particular amendment is necessary in order to inform the manufacturer that it needs to report separately on case paper and bingo paper sheet packets. The existing rule does not make this differentiation. The rule amendment is necessary to add clarification to existing rules, and to be sure that this item conforms to other parts of the Board's proposed rules. The rule is reasonable because it imposes no undue hardships on the manufacturer. The rule is reasonable because it is informational in nature, and serves to provide a clear delineation between case paper and bingo paper sheet packets.

The classes of persons who will be affected by the rule include manufacturers of bingo paper. There is no cost to state agencies to implement and enforce the rule. There is no cost to the industry to comply with the rule. It was not necessary to determine less costly or less intrusive methods for achieving the purpose of the rule, inasmuch as the proposed rule does not levy any costs on the manufacturer. There are no federal requirements regarding the rule, so there is no difference between the rule and federal requirements.

17. CONCLUSION

Based on the foregoing, the proposed Minnesota Rules parts 7861.0010, 7861.0040, 7861.0060, 7861.0070, 7862.0010, 7863.0020, and 7864.0030 are both necessary and reasonable.

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HARRY W. BALTZER
EXECUTIVE DIRECTOR
MINNESOTA GAMBLING CONTROL BOARD

