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STATEMENT OF NEED AND REASONABLENESS

In the Matter of the Proposed Adoption of Rules of the Minnesota State Lottery relating to Lottery Retailers, M.R. ch. 7856

1. INTRODUCTION AND BACKGROUND.

The nature of the proposed rules of the Minnesota State Lottery (hereinafter referred to as the "Lottery") contained in Minnesota Rules chapter 7856 is to amend the lottery retailers rules in order to implement statutory provisions enacted by the Legislature in 1996; to amend the rules relating to a lottery retailer's contract to permit a retailer to sell lottery tickets at more than one location under a single contract; to amend the rule relating to lottery retailer requirement to clarify that a retailer does not have to have a bond or other security deposit to have a contract with the Lottery; and to clarify a rule regarding change in location of a lottery retailer.

A Notice of Solicitation of Outside Information and Opinion regarding this rule was published in the State Register on March 11, 1996.

Legislation was enacted in 1996 which authorizes the Director of the Lottery to permit a lottery retailer to sell lottery tickets at more than one business location under a single contract (Minnesota Laws 1996, Chapter 288, §1). The 1996 Legislature also enacted changes to eliminate the mandatory requirement that lottery retailers post a bond, securities, or an irrevocable letter of credit in order to have a contract authorizing the retailer to sell lottery tickets (Minnesota Laws 1996, chapter 288, §2). These legislative changes have been incorporated into the proposed rule amendments.

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

The proposed rule amendments are necessary in order to insure that the Lottery's rules act in concert with the law, and that no conflicts exist that could cause confusion by lottery retailers.

2. STATEMENT OF THE LOTTERY'S STATUTORY AUTHORITY.

The Lottery's statutory authority to adopt these rules is set out in Minnesota Statutes, §349A.02, subdivision 3, which lists the powers and duties of the Director of the Lottery (hereinafter referred to as the "Director"), and in §349A.05, which authorizes the Director to adopt rules under chapter 14 governing the lottery. More specifically Minnesota Statutes, section 349A.05 clause (2) provides that rules may be adopted governing the qualifications of lottery retailers and the application procedures for lottery retailer contracts; and clause (10) provides that other rules may be adopted as the Director considers necessary for the efficient operation and administration of the Lottery.

Minnesota Statutes, §349A.06, subdivisions 1, 3, and 11 were amended by the Legislature in 1996, and those changes are included in the proposed rule amendments.

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

The persons affected by the proposed rules are retailers in the State of Minnesota who are qualified to have a contract with the Lottery authorizing them to sell lottery tickets or who currently have a contract with the Lottery authorizing them to sell lottery tickets.

There are no costs that will be borne by the affected class of persons if the proposed rule amendments are adopted, except for costs currently required under existing rules. The affected persons referred to above will receive the benefit of the proposed rule amendments by reducing the paperwork and other related costs associated with entering into a contract with the Lottery authorizing that person to sell lottery tickets. The affected persons will also receive the benefit of reduce costs associated with not being required to having to post a bond, securities or letter of credit in order to have a contract with the Lottery to sell lottery tickets.

4. LOTTERY CHARGES IMPOSED BY THE RULE.

Minnesota Statutes §16A.1285 is inapplicable because the Lottery is exempt from requirements of Minnesota Statutes, Chapter 16A pursuant to Minnesota Statutes, §349A.10, subdivision 3, paragraph (d). Pursuant to state law the Lottery does not receive an appropriation by the Legislature, nor is it included as part of the Department of Finance's budgeting process (except for inclusion for informational purposes only). Rather, under Minnesota Statutes, §349A.10 the Lottery must run its operations from the monies received from the sale of lottery tickets, up to a

maximum of 15% of gross revenue (gross revenue is defined as gross receipts from the sale of lottery tickets, fees or other money received by the Lottery, and interest earned on money in the lottery's account). At the close of each month the Lottery transfers to the state treasury the net proceeds from the previous month.

Further, Minnesota Statutes §16A.1285 is inapplicable since as more fully explained in sections 5 and 12 of this Statement, the proposed rule amendments do not change the fees charged by the Lottery, and to the extent that the effect of the adoption of the proposed rules reduces the amount collected by the Lottery as fees from lottery retailers, it is more than offset by a reduction in expenses incurred by the Lottery. The net affect of the adoption of the proposed rule amendments will be no reductions in earnings by the Lottery.

5. THE PROBABLE COSTS OF 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 discussion of the probable costs associated with the proposed rule amendments. Please refer to section 12 of this Statement for more specific discussion for each item.

There is a minimal cost to the Lottery for the preparation of a new contract for retailers that desire to be authorized to sell lottery tickets at more than one business location under a single contract. The Lottery's current standard retailer contract only permits the sale of lottery tickets at a single location. The Lottery will incur no costs in enforcing the proposed amendments, and no other agency will incur any costs to implement or enforce the proposed rule amendments.

There will be no affect on State Revenues inasmuch as the fees to be paid by lottery retailers, if the proposed amendments are adopted, are not being changed. The inclusion of a \$100 fee for an application to amend a lottery retailer's contract to add another business location is the same fee that retailers currently have to pay if the retailer adds a new location. Under existing rules, since each location has a separate contract, if a retailer adds a new location the retailer must apply for a new contract (accompanied by a nonrefundable fee of \$100). The \$20 fee for renewal of a lottery retailer's contract is not being changed by the proposed rule amendments. A lottery retailer may under the proposed rule amendments pay \$20 for renewal of its contract with that contract covering all of its locations authorized to sell lottery tickets. Under existing rules, a retailer would have to pay \$20 for each location, since each location would have a separate contract. To the extent that retailers execute a single contract with the Lottery covering more than one location, there may be a slight reduction in income received by the Lottery from retailers. Originally, the \$20 fee was intended to partially offset the costs associated with the renewal of the contracts. The Lottery

will not show any loss in net receipts (earnings), since the Lottery will no longer have to mail, handle, and otherwise process multiple contracts for retailers who are authorized to sell lottery tickets at more than one location. This reduction in expenses by the Lottery more than offsets any reduction in fee income that may occur if the proposed rule amendments are adopted.

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

The following is a summary discussion of any less costly or less intrusive methods for achieving the overall purpose of the proposed rule amendments. Please refer to section 12 of this Statement for any specific discussions of less costly or less intrusive methods considered by the Lottery.

The Lottery has determined that, for the most part, there are no less costly or less intrusive methods of achieving the purpose of the proposed rule. As more fully explained in sections 4, 5, 8 and 12 of this Statement, the adoption of the proposed rule amendments will reduce the costs incurred by lottery retailers. To the extent that costs are still incurred by lottery retailers, the Lottery is mandated by statute to enter into annual contracts with retailers authorizing the retailer to sell lottery tickets.

7. 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.

Please refer to section 12 of this Statement for a specific discussion of alternative methods considered or rejected. The following is a brief summary statement.

Since the proposed rule amendments merely implement the Legislative enactments no alternative methods for achieving the purpose of the proposed rule amendments were found. The Lottery did consider whether a fee should be charged for amending a lottery retailer's contract to permit the sale of lottery tickets at an additional business location, and if a fee was charged, the amount of said fee. The application fees paid by lottery retailers are intended to somewhat offset the costs incurred by the Lottery in processing that application and executing the contract with a retailer. Under the proposed amended rules, the Lottery will incur costs in processing an application by a lottery retailer to authorize that retailer to sell lottery tickets at an additional business location, therefore the Lottery rejected the alternative that no fee be charged for such an application. Further, since the costs associated with processing an application to add an additional business location to an existing

lottery retailer's contract is nearly the same as the process of a new retailer applying for an initial contract, the Lottery rejected the alternative that an application for an amendment to a lottery retailer contract to add an additional business location should be less than the current fee of \$100.

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

The following is a summary discussion of the costs associated with compliance with the proposed rule amendments. Please refer to section 12 of this Statement for specific discussions relative to the cost of compliance.

There will be no cost to lottery retailers to comply with the proposed rule amendments. The result of the adoption of the proposed rule amendments will likely be a cost savings for most lottery retailers. For companies that currently are authorized to sell lottery tickets at more than one business location (have more than one contract with the Lottery), that company will, under the proposed rule amendments, be able to enter into a single contract with the Lottery for all of its locations. This will result in a cost savings for retailers in that the retailer will only have to process a single document once each year instead of processing numerous contracts each month (a retailer with multiple locations may have contracts that expire at differing dates throughout the year which must then be renewed separately). Further, lottery retailer's with more than one business location will incur an additional cost savings by not having to pay a \$20 contract renewal fee for each business location authorized to sell lottery tickets (see section 5 of this Statement).

Also, most retailers will have a cost savings by not being required to purchase a bond within 90 days of entering into a contract with the Lottery authorizing the retailer to sell lottery tickets.

9. 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.

There are no federal requirements regarding the rules governing lottery retailers. Therefore, there are no differences between the proposed rule amendments and federal requirements.

10. ADDITIONAL NOTICE PROVIDED REGARDING THE PROPOSED RULE.

In addition to the notices published in the State Register regarding the proposed rule amendment the Lottery published notice that the lottery retailer rules were to be amended in the May edition of the Link. The Link is the Lottery's monthly newsletter which is furnished to each retailer authorized to sell lottery tickets. Notification of the proposed rule amendments was also sent to the Minnesota Grocers Association, a trade association which represents a majority of lottery retailers.

11. WITNESSES.

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

George R. Andersen, Director, Minnesota State Lottery
Dale L. McDonnell, Legal Counsel, Minnesota State Lottery
Don Feeney, Acting Marketing Director, Minnesota State Lottery
Cheryl Conroy, Key Accounts Program Manager, Minnesota State Lottery
Ginger Nelson, Retailer Contracts Supervisor, Minnesota State Lottery
Joe Newton, Assistant Attorney General, Minnesota Attorney General's Office

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

M.R. 7856.2010, Subpart 1 (Retailer Application)

It is necessary to amend the rule to delete the requirement that a separate application must be submitted for each location that a retailer desires to sell lottery tickets at, and to permit a retailer currently under contract to amend its contract to authorize the sale of lottery tickets at an additional business location so as to conform this rule to statute. Statutory changes made by the Legislature in 1996 (Minnesota Laws 1996, Chapter 288, §1) authorized the Director of the Lottery to permit a retailer to sell lottery tickets at more than one business location under a single contract.

The rule is reasonable because it insures that the rule is not in conflict with the statute by eliminating the requirement that lottery retailers submit a separate application for each location selling lottery tickets and it permits lottery retailers to amend their contract to allow sales at an additional business location.

The class of persons who will be affected by the rule include current lottery

retailers and potential lottery retailers. There will be a minimal cost incurred by the Lottery to implement this rule to the extent that a new contract form for lottery retailers with more than one location will have to be drafted, and a new application form to amend a retailer's contract to add an additional business location will also have to be drafted. There is no cost to state agencies to enforce the rule. Lottery retailers who have more than one business location selling lottery tickets may achieve a cost savings as a result of this rule by reducing the amount of paperwork involved (see sections 6 and 8 of this Statement). Because there will be a cost reduction associated with this rule, it was not necessary to consider or reject alternative 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. 7856.2010, Subpart 2 (Retailer Application Fee)

It is necessary to amend the existing rule to provide an application fee of \$100 for an application to amend a contract to permit the sale of lottery tickets at another business location in order to recoup some of the Lottery's expenses in processing such an application.

The proposed rule amendment is reasonable since the fee currently charged for an application for an initial contract is \$100, and the expenses to be incurred by the Lottery in processing an application to amend a contract to permit the sale of lottery tickets at an additional location are nearly the same as the expenses incurred in processing an application by a retailer for an initial contract. The changes are also reasonable since it is the same fee that a retailer would have had to file for a new location under the existing rules.

The class of persons who will be affected by the rule include lottery retailers and potential lottery retailers. 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 retailers will have to pay the same amount (\$100) to add a new location as the retailer now pays under existing rules. Less costly methods of achieving the purpose of the rule were considered and rejected as not being reasonable, since the cost of processing an application to add an additional business location is nearly the same as processing an initial application (see section 7 of this Statement). There are no federal requirements regarding this rule, so there is no difference between the rule and federal requirements.

M.R. 7856.2020, Subpart 2 (Factors to be Considered in Selecting a Retailer)

It is necessary to clarify that the factors to be considered listed in the existing rule before selecting a lottery retailer, also apply to selecting an additional business location for an existing lottery retailer. This rule amendment is necessary by the fact that the Director will be authorized under the proposed amendment to M.R. 7856.2010, subpart 1 to permit an existing lottery retailer who has a contract to sell lottery tickets at a particular location to apply to amend its contract to permit that retailer to sell lottery tickets at another business location.

This rule is reasonable since the factors listed in this rule must be utilized by the Director in order to determine whether the sale of lottery tickets should be authorized by a particular retailer at a particular location. Some of the factors listed in the rule require the Director to determine whether it is justified that lottery tickets be sold at a particular location. Since lottery retailers will be permitted under Minnesota Statutes §349A.06, subdivision 1 to sell lottery tickets at a number of business locations under a single contract, and lottery retailers will be permitted to make such an application to amend their contract under M.R. 7856.2010, subpart 1, it is reasonable that the Director use the same factors to determine whether to authorize sales at the additional location as the Director is required to utilize in order to select a new retailer.

The class of persons who will be affected by the rule include current lottery retailers and potential lottery retailers. There is no cost to state agencies to implement or enforce this rule. There is no cost to lottery retailers or potential lottery retailers to comply with the rule. Because there is no cost associated with compliance with this 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. 7856.3010, Subpart 1 (Issuance of Retailer Contracts)

It is necessary to clarify that in addition to retailer contracts, the Director may also amend an existing lottery retailer's contract to sell at additional business locations to conform to statute. Statutory changes made by the Legislature in 1996 (Minnesota Laws 1996, chapter 288, §1) authorized the Director of the Lottery to permit a retailer to sell tickets at more than one business location under a single contract.

The rule is reasonable because it insures that the rule is not in conflict with the statute by permitting lottery retailers to apply to amend the retailer's contract to authorize sales at additional business locations.

The class of persons who will be affected by the rule include current lottery retailers and potential lottery retailers. There is no cost to state agencies to implement or enforce this rule. There is no cost to lottery retailers or potential lottery retailers to comply with the rule. Because there is no cost associated with compliance with this 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. 7856.3010, Subpart 4 (Types of Retailer Contracts)

It is necessary to clarify that lottery retailer contracts may also be distinguished by the number of locations at which the retailer is authorized to sell lottery tickets to conform to statute. Statutory changes made by the Legislature in 1996 (Minnesota Laws 1996, chapter 288, §1) authorized the Director to permit a retailer to sell tickets at more than one business location under a single contract.

The rule is reasonable because it insures that the rule is not in conflict with the statute by authorizing the Director to issue a contract to a lottery retailer authorizing that retailer to sell lottery tickets at more than one business location under a single contract.

The class of persons who will be affected by the rule include current lottery retailers and potential lottery retailers. There is no cost to state agencies to implement or enforce this rule. There is no cost to lottery retailers or potential lottery retailers to comply with the rule. Because there is no cost associated with compliance with this 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. 7856.3011 (Denial of Application)

It is necessary to clarify the rule which permits the Director to deny an application for a lottery retailer contract to also apply to an application to amend its contract to authorize the retailer to sell lottery tickets at an additional business location. Since it may be necessary to deny an application for a lottery retailer contract, so it may also be necessary to deny an application to amend a retailer's contract for any of the factors set forth in M.R. 7856.2020, subpart 2. Further, it is necessary to provide lottery retailers with a procedure to request reconsideration of the Director's decision to deny such an application to amend their contract. Statutory changes made by the Legislature in 1996 (Minnesota Laws 1996, chapter 288, §1)

authorized the Director to permit a retailer to sell tickets at more than one business location under a single contract.

The rule is reasonable because it provides the Director with the same authority to deny an application to amend a contract as the Director has to deny an application for an initial contract. Further, the rule is reasonable since it provides a retailer whose application to amend its contract to sell lottery tickets at another business location if denied has the same rights and procedures to request a reconsideration from the Director, as exist currently when an application for an initial contract is denied.

The class of persons who will be affected by the rule include current lottery retailers and potential lottery retailers. There is no cost to state agencies to implement or enforce this rule. There is no cost to lottery retailers or potential lottery retailers to comply with the rule. Because there is no cost associated with compliance with this 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. 7856.3020, subpart 1 (Issuance of a Certificate)

It is necessary to clarify the rule which requires the Lottery to issue a certificate to a retailer to also require issuance of a certificate upon issuance of an amendment to a contract authorizing the sale of lottery tickets at an additional business location to conform with statute. Since a certificate is only issued upon issuance of a contract, it is necessary to require the Lottery to issue a certificate for each location authorized to sell lottery tickets. Statutory changes made by the Legislature in 1996 (Minnesota Laws 1996, chapter 288, §1) authorized the Director to permit a retailer to sell tickets at more than one business location under a single contract.

The rule amendment is reasonable since it requires the issuance of a certificate upon the authorization to sell lottery tickets at a particular location as is now required under existing rules.

The class of persons who will be affected by the rule include current lottery retailers and potential lottery retailers. There is no cost to state agencies to implement or enforce this rule. There is no cost to lottery retailers or potential lottery retailers to comply with the rule. Because there is no cost associated with compliance with this 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. 7856.3020, subpart 2 (Display of the Certificate and Decal)

It is necessary to clarify that a lottery retailer display the certificate and mount the decal issued by the Lottery at each business location at which the retailer is authorized to sell lottery tickets to conform with statute. Statutory changes made by the Legislature in 1996 (Minnesota Laws 1996, chapter 288, §1) authorized the Director to permit a retailer to sell tickets at more than one business location under a single contract.

The rule amendment is reasonable since it requires the display of the certificate and mounting of the decal at each business location authorized to sell lottery tickets as is now required under existing rules.

The class of persons who will be affected by the rule include current lottery retailers and potential lottery retailers. There is no cost to state agencies to implement or enforce this rule. There is no cost to lottery retailers or potential lottery retailers to comply with the rule. Because there is no cost associated with compliance with this 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. 7856.4020 (Bonding of Retailers)

It is necessary to amend the rule to delete the requirement that a retailer's bond take effect within 90 days of the initial contract and subsequent renewals to conform this rule to statute. Statutory changes made by the Legislature in 1996 (Minnesota Laws 1996, Chapter 288, § 2) eliminated the mandatory requirement that lottery retailer must post a bond, securities, or an irrevocable letter of credit in order to be authorized to sell lottery tickets. Further, to the extent that a bond may be required of a retailer to avoid monetary loss to the state because of the retailer's financial instability, it is necessary to amend the rule to permit the retailer to deposit securities or a letter of credit in lieu of a bond or a type or in the form provided by Minnesota Statutes, §349A.07, subdivision 5, paragraphs (b) and (c) to conform to the statutory changes made by the Legislature in 1991 (Minnesota Laws, Chapter 336, article 2, §38) which provided lottery retailers with this option.

The rule is reasonable because it insures that the rule is not in conflict with the statute by eliminating the mandatory requirement that lottery retailers must have a bond to be authorized to sell lottery tickets and allowing retailers who are required to post a bond the alternative to deposit securities or an irrevocable letter of credit.

The class of persons who will be affected by the rule include current lottery retailers and potential lottery retailers. There is no cost to state agencies to implement or enforce the rule. Lottery retailers who are no longer required to post a bond will achieve a cost savings as a result of this rule by eliminating the expense incurred in purchasing such a bond. Because there will be a cost reduction associated with this rule, it was not necessary to consider or reject alternative 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. 7856.4050 (Nontransferability and Nonassignability of Lottery Retailer Contracts)

M.R. 7856.4050 provides that if the nature of the business or location to which the contract is issued or the ownership substantially changes the Director reserves the right to approve or cancel the contract. This rule further provides that if the location of the retailer changes the contract must terminate. This later provision is in conflict with the former in that the former provision only provides that the Director has the right to approve or cancel the contract if the change is substantial, while the later provision provides that a contract terminate upon any change in location. Therefore, the amendment to this rule is necessary to eliminate a conflict in the existing rule.

The amendment to this rule is reasonable to the extent that if a retailer's location change is nonsubstantial there is no need for the retailer's contract to terminate, while at the same time the rule provides that the Director has the authority to cancel a contract if the location change is deemed to be substantial.

The class of persons who will be affected by the rule include current lottery retailers and potential lottery retailers. There is no cost to state agencies to implement or enforce this rule. There is no cost to lottery retailers or potential lottery retailers to comply with the rule. Because there is no cost associated with compliance with this 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. 7856.6010 (Cancellation, Suspension and Nonrenewal of Lottery Retailer Contracts)

It is necessary to provide that a lottery retailer's authorization to sell lottery tickets at a particular business location may be suspended, canceled or nonrenewed to conform this rule to statute. Statutory changes made by the Legislature in 1996 (Minnesota Laws 1996, Chapter 288, §1) authorized the Director to permit a retailer to sell lottery tickets at more than one business location under a single contract.

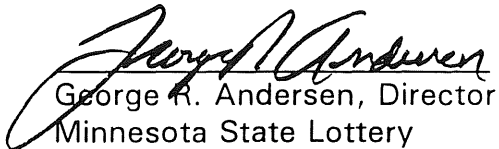
The rule is reasonable because it insures that the rule is not in conflict with the statute by providing that a lottery retailer's authorization to sell at a particular business location may be suspended, canceled or nonrenewed (Minnesota Laws 1996, Chapter 288, §3).

The class of persons who will be affected by the rule include current lottery retailers and potential lottery retailers. There is no cost to state agencies to implement or enforce this rule. There is no cost to lottery retailers or potential lottery retailers to comply with the rule. Because there is no cost associated with compliance with this 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.

12. CONCLUSION.

Based on the foregoing, the proposed amendments to Minnesota Rules, Chapter 7856 are both necessary and reasonable.

DATED: May 16, 1996


George R. Andersen, Director
Minnesota State Lottery

