

STATE OF MINNESOTA

MINNESOTA GAMBLING CONTROL BOARD

STATEMENT OF NEED AND REASONABLENESS

**In the Matter of the Proposed Amendment, Repeal, and
Adoption of the Rules of
The Minnesota Gambling Control Board Governing:**

7861.0010, 7861.0020, 7861.0030, 7861.0040, 7861.0050, 7861.0060, 7861.0070, 7861.0080, 7861.0090, 7861.0100, 7861.0110, 7861.0120, 7861.0130, 7861.0140, 7862.0010, 7863.0010, 7863.0020, 7863.0050, 7863.0060, 7864.0010, 7864.0030, 7864.0035, 7865.0010, 7865.0020, 7865.0025, 7865.0030, 7865.0040, and 7865.0050, repealed and reenacted as:

M.R. 7861.0210 – DEFINITIONS

M.R. 7861.0220 – LICENSED ORGANIZATION

M.R. 7861.0230 – GAMBLING MANAGER

M.R. 7861.0240 – PREMISES PERMIT

M.R. 7861.0250 – ILLEGAL GAMBLING

M.R. 7861.0260 – CONDUCT OF LAWFUL GAMBLING

M.R. 7861.0270 – BINGO

M.R. 7861.0280 – PULL-TABS

M.R. 7861.0290 – TIPBOARDS

M.R. 7861.0300 – PADDLEWHEELS

M.R. 7861.0310 – RAFFLES

M.R. 7861.0320 – ORGANIZATION OPERATIONS, ACCOUNTS AND REPORTS

M.R. 7861.0330 – EXCLUDED BINGO AND RAFFLES

M.R. 7861.0340 – EXEMPTED LAWFUL GAMBLING

M.R. 7863.0210 – DISTRIBUTORS, DISTRIBUTOR SALESPERSONS

M.R. 7863.0220 – DISTRIBUTOR OPERATIONS, ACCOUNTS, AND REPORTS

M.R. 7863.0250 – LINKED BINGO GAME PROVIDER LICENSES

M.R. 7863.0260 – LINKED BINGO GAME PROVIDER OPERATIONS, ACCOUNTS, AND REPORTS

M.R. 7864.0210 – MANUFACTURER LICENSES

M.R. 7864.0230 – MANUFACTURER STANDARDS FOR LAWFUL GAMBLING EQUIPMENT

M.R. 7864.0240 - MANUFACTURER OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS

M.R. 7865.0210 – COMPLIANCE REVIEW GROUP

M.R. 7865.0220 – SUSPENSIONS OR REVOCATIONS OF LICENSES OR PERMITS

M.R. 7865.0225 – REIMBURSEMENTS TO GAMBLING BANK ACCOUNT

M.R. 7865.0230 – FINES AND OTHER SANCTIONS

M.R. 7865.0240 – STAYS OF IMPOSITION FOR SUSPENSION, REVOCATION, OR CIVIL FINE

M.R. 7865.0250 – VARIANCES TO BOARD RULES

M.R. 7865.0260 - HEARINGS AND APPEALS OF INCOMPLETE OR DENIED LICENSE AND PERMIT APPLICATIONS

INTRODUCTION AND BACKGROUND

The nature of the proposed rules of the Minnesota Gambling Control (Board) contained in Minnesota Rules, parts 7861.0010, 7861.0020, 7861.0030, 7861.0040, 7861.0050, 7861.0060, 7861.0070, 7861.0080, 7861.0090, 7861.0100, 7861.0110, 7861.0120, 7861.0130, 7861.0140, 7862.0010, 7863.0010, 7863.0020, 7863.0050, 7863.0060, 7864.0010, 7864.0030, 7864.0035, 7865.0010, 7865.0020, 7865.0025, 7865.0030, 7865.0040, and 7865.0050 is as follows.

The above-listed chapters/parts are being deleted in their entity and reenacted with new chapter and part numbers as follows: Minnesota Rules, 7861.0210, 7861.0220, 7861.0230, 7861.0240, 7861.0260, 7861.0270, 7861.0280, 7861.0290, 7861.0300, 7861.0310, 7861.0320, 7861.0330, 7861.0340, 7863.0210, 7863.0220, 7863.0250, 7863.0260, 7864.0210, 7864.0230, 7864.0240, 7865.0210, 7865.0220, 7865.0225, 7865.0230, 7865.0240, 7865.0250, and 7865.0260. Chapter 7862 is being repealed and not reenacted.

With a rules process originally intended to only address statutory changes related to bingo, the use of electronic bingo devices, and obsolete rules, the Board decided to open the rules process for all chapters so that a reorganization of rule language can be accomplished. The goal is to make the rules more user-friendly by creating smaller subparts, as many exceed eight pages or more, and one subpart is almost 13 pages in length. These lengthy subparts make the existing rules difficult to reference for all readers. Subparts are being given the same titles in each related chapter/part to make language consistent, especially in the area of licensing requirements and the conduct of lawful gambling. The current numbering/lettering of some subparts has made it difficult to locate and reference rule cites, such as Subpart 5a in existing 7861.0070. In addition, unnecessary language is being deleted, and the rules are rewritten in the "spoken and active voice" when possible, making them easier to understand. In doing so, many changes are made to clarify what entity is required to perform an action. Although current rule implies what entity that is, new rule language eliminates any possible confusion. The use of negative words at the beginning of sentences is eliminated, i.e. "No person may...unless". Negative words at the beginning of sentences make rules difficult to comprehend without reading the rule several times. The Board also is consolidating rule language related to similar requirements or restrictions. This same concept is applied to rule language in all chapters to ensure that all related language is consolidated appropriately and easily located by the reader. For example, lessor restrictions are currently contained in different parts of chapter 7861, making it difficult for the reader to locate all restrictions pertaining to a lessor. All lessor restrictions will be placed in 7861.0240 where they are more logically placed.

In new **7861.0210 (Definitions)** changes are being made to language reenacted from 7861.0010.

- The definition of "scope" is being amended to clarify that the definitions in this part apply to all other chapters/parts related to lawful gambling and not just to chapter 7861.
- Some of the existing definitions are being deleted because of statutory changes in 2005 that pertain to bingo. Some of the bingo terminology is being moved to other chapters/parts or amended to clarify existing language and allow for changes in games and electronic technology.
- Statute now provides clarifying language for bingo occasions that is no longer needed in rule.
- Some bingo terms are being deleted and moved to 7861.0070 where they are more appropriately located.
- A new definition for "bingo numbers" will allow a random number generator to be used to select bingo "letters and numbers."
- While breakopen bingo games are not new, linked bingo games are relatively new and a clarification is needed to eliminate any confusion between the two types of bingo games when sealed bingo paper sheets are used.
- "Electronic bingo devices" are defined as gambling equipment, although they may not be used by itself as a gambling device. This treats electronic bingo devices in the same manner as a pull-tab dispensing device, which is not used by itself as a gambling device.
- A new definition of "sealed bingo paper sheet" is added to clarify that an organization may not create its own sealed sheets and that the sheets must be factory-sealed.

Several terms defined in existing **7861.0010** (new 7861.0210) are referenced less than two times in other existing chapters or parts, and therefore are being deleted from the definitions in this part and moved to the chapters/parts where they are used. These infrequently-used terms include consultant, column, electronic currency validator, player's guide, stacker box, and test vend.

In new **7861.0220 (Licensed Organization)**, which is reenacted language from existing 7861.0020, a significant change is made in the organization license process by eliminating the requirement that an organization must submit a copy of its internal controls to qualify for a license, and eliminating the requirement that an organization must submit any changes in its internal controls during the term of its license to the Board. Another significant change is a new reporting requirement for 501(c)(3) organizations and 501(c)(4) festival organizations that wish to donate lawful purpose expenditures to themselves in compliance with Minnesota Statutes, section 349.154, subdivision 1. Existing rule [7861.0120, Subpart 5, item C, subitem (2)] for compliance with this statutory requirement is confusing and hard to understand. Other rule changes in this part are primarily grammatical in nature, with consolidation and standardization of language. Language pertaining to the notification of a denied license and the appeal process is being reenacted and consolidated in new 7865.0260 where it is more appropriately located and consolidated.

In new **7861.0230 (Gambling Manager)**, which is reenacted language from existing 7861.0030, many changes are primarily grammatical in nature, changing the language to the active voice, with consolidation, clarification, and standardization of language. The restriction that a lessor may not be a gambling manager is being moved from existing 7861.0060 to Subpart 2 (Licensing qualifications). This will logically place all gambling manager qualifications in one part/subpart to ensure that the reader is informed of all gambling manager qualifications. A new subpart is added to clarify existing education requirements for the gambling manager and for replacement gambling managers. Language pertaining to the appeal process for a denied license is consolidated, clarified, and moved to new 7865.0260, Subpart 2, where it is more logically consolidated.

In new **7861.0240 (Premises Permit)**, which is reenacted language from existing 7861.0040, language is amended to clarify that the registration of the storage address for gambling equipment includes any temporary address. While this is not a new requirement, the Board needs to ensure that the location of all gambling equipment storages sites, both permanent and temporary, are registered with the Board as required by statute. Based upon a new statutory requirement that became effective on August 1, 2005, a clarification is being made in respect to the lease agreement, i.e. directing the reader to the statute pertaining to the consequences when a lessor is determined to be the responsible party for conducting illegal gambling at a premises. The remaining rule changes in this part are primarily grammatical in nature, with consolidation, clarification, and standardization of existing language. All illegal gambling language (contained in the lease agreement) is being consolidated into one subitem. Language pertaining to the appeal process for a denied license is consolidated, clarified, and reenacted in new 7865.0260, Subpart 2, where it is more logically located and consolidated.

The Board is deleting existing **7865.0050 (Illegal Gambling)** and reenacting the language in new 7865.0220, Subparts 2 and 3, where it is more logically located.

The Board is making extensive changes to new **7861.0260 (Conduct of Lawful Gambling)**, which is reenacted language from existing 7861.0060, to consolidate and standardize language. Currently, similar language for general restrictions, posting of information and house rules, prizes awarded, and prize receipts is contained in existing 7861.0070 Bingo; 7861.0080 Pull-tabs; 7861.0090 Tipboards; 7861.0100 Paddlewheels; and 7861.0110 Raffles. The Board is proposing to move related language, from these parts, and consolidate the language in new 7861.0260 to ensure that the requirements apply in a consistent manner to all five forms of lawful gambling. This will also help to reduce the bulk of rule language. The Board is proposing to add a restriction relating to the purchase of merchandise prizes, i.e. prohibiting the purchase of prizes from the owner or lessor of a permitted premises at which lawful gambling is conducted by the licensed organization leasing space at that premises. This is in response to legislative changes in recent years that make payments for the lease of premises all-inclusive unless approved by the Board director (Minnesota Statutes, section 349.18). This restriction will prevent "augmentation of rent" and the lessor from making undue demands on organizations. The Board is proposing to eliminate the restriction that "certificates of service" may only be offered as a raffle prize. Other changes in this part are grammatical in nature for easier reading, and language is changed to the active voice.

The Board is making extensive changes to new **7861.0270 (Bingo)**, which is reenacted language from existing 7861.0070, by reorganizing the information with new and shorter subparts. This extensive change will help to make this part easier to read and to locate information. Grammatical changes are also made to existing language and incorporating the active voice, which will make the rules easier to understand.

With a statutory change that removed the minimum numbers of games required to be conducted within a bingo occasion and a statutory change to increase the bingo occasion timeframe to "up to eight hours," an organization and its gambling manager need greater flexibility to create new bingo programs in response to changing business conditions, while still being required to submit them to the Board in advance of play. In this same vein, an organization will be allowed to obtain membership approval of bingo programs at its next meeting, instead of requiring that the membership approve the bingo program before being implemented. This allows the organization to be more pro-active in its conduct of bingo.

Effective August 1, 2005, a statutory change under Minnesota Statutes, section 349.151, subdivision 4c authorizes the use of electronic bingo devices when rules are promulgated by the Board. At the request of the lawful gambling industry, the optional use of "electronic bingo devices" is being added to rule language, with restrictions regarding their use. Legislative changes were sought in the 2006 session to expand the Board's rulemaking authority to authorize the use of "facsimile of bingo paper sheets" in conjunction with these devices, and to make other statutory technical corrections regarding "liquid daubers," which are not used with electronic bingo devices, unless bingo paper is used.

A new subpart is added regarding the return of defective linked bingo paper to the provider, which makes it consistent with the return of defective pull-tab and tipboard games to distributors.

In new **7861.0280 (Pull-tabs)**, which is reenacted language from existing 7861.0080, the majority of changes consist of grammatical changes, changing the language to active voice for better comprehension, and consolidating similar requirements in new subparts.

Based upon the request of the lawful gambling industry and a suggestion made by a gambling manager, the Board is proposing to modify a rule that became effective in the last rules process (effective November 1, 2004). The proposed rule modification will allow a lessor to access the cash compartment of a pull-tab dispensing device to remove the cash box but not have keys to open the cash box. This change will allow a lessor to remove the cash box from a pull-tab dispensing device at the end of the day and secure the cash box, thereby eliminating the restriction that only an organization employee could access the cash compartment and cash box.

Legislative changes that occurred in 2006 will be incorporated, i.e. the Board is required to allow by rule the conduct of pull-tab games with multiple seals, pull-tab games with cumulative or carryover prizes, and pull-tab event games in which certain winners are determined by the random selection of one or more bingo numbers or by another method approved by the Board.

In **7861.0290 (Tipboards)**, which is reenacted language from existing 7861.0090, language is being added for the play of cumulative tipboard games at the request of the lawful gambling industry. Because multi-ply tickets (pull-tabs) are used in some tipboard games, language is added to define the "sale of tipboards," similar to pull-tabs. Changes are made to clarify that an organization will be allowed to discontinue the conduct of a tipboard game at its discretion, similar to the play of pull-tabs. This change also applies to the conduct of a progressive tipboard game. This change was made based upon the receipt of many rule variance requests pertaining to the close of progressive tipboard games. A change is made to clarify that a progressive tipboard jackpot must not exceed the limit in statute, not that it must progress to the statutory limit. This allows for progressive tipboard games where the prize limit will be less than the statutory limit. Other changes in this part are grammatical in nature.

In **7861.0300 (Paddlewheels)**, which is reenacted language from existing 7861.0100, the Board is proposing to reorganize the language with new and shorter subparts. This extensive change will help to make this part easier to read and to locate information. Grammatical changes are made to existing language and incorporate the active voice, which will also make the rules easier to understand. The Board is proposing to add a new requirement that a gambling manager must attend a Board class before

implementing the conduct of a paddlewheel game with a paddlewheel table. This is an existing optional class that gambling managers have voluntarily attended. Incorporating a requirement that the gambling manager attend the class will ensure that an organization understands the complexities of using a paddlewheel table and will help to ensure the integrity of the game. The class has helped to prevent many problems in the conduct of paddlewheels with a table, i.e. how to watch for and detect possible fraudulent activity by paddlewheel operators and players through the use of the required video surveillance system.

In **7861.0310 (Raffles)**, which is reenacted language from existing 7861.0110, the Board is proposing to reorganize the language with new subparts. New language is incorporated to address recent legislative changes allowing "certificates of participation" (2005) and "button raffles" (2006). A new subpart is also added for conducting an alternative raffle as approved by the Board. A new subpart is added to clarify the procedures to use when a raffle is cancelled. While house rules have always been required for the other forms of lawful gambling but not raffles, house rules will now be required for raffles. This recognizes the fact that whether a raffle is conducted using "certificates of participation" or raffle tickets, the player needs to be informed of the method of how winners are selected. New language is added to allow an organization to request a raffle extension date for "other circumstances beyond the control of the organization." A new subpart is added to clarify calendar raffles that have been conducted since the Board's creation in 1985.

In **7861.0320 (Organization operations, accounts, and reports)**, which is reenacted language from existing 7861.0120, language is moved and modified to create new and shorter subparts with clear subpart titles to better inform the reader of the subpart contents. This extensive reorganization will help to make the information easier to locate. The requirement that changes made to the internal controls during the term of the organization's license is deleted to coincide with the deletion of this requirement in existing 7861.0020, Subpart 4, item A.

Organizations that experience a fund loss by questionable means and choose not to request an adjustment from the Board will be required to report the loss to the membership. This is a new requirement to ensure that the membership is informed of all losses and to avoid cover-up of any losses.

Extensive changes are made to the expense calculation requirements to clarify and incorporate statutory changes that become effective on August 1, 2005 and on July 1, 2006.

Standards for 501(c)(3) organizations or 501(c)(4) festival organizations are being established in a new subpart. These changes were made in response to concerns raised by the Legislative Auditor in a recent program evaluation involving charitable gambling, i.e. standards for the operation and licensing of 501(c)(3) organizations or 501(c)(4) festival organizations. Existing rule 7861.0120, Subpart 5, item C is deleted, and the new standards, based on Minnesota Statutes, section 349.154, subdivision, are placed in new subpart 14.

In **7861.0330 (Excluded Bingo)**, which is reenacted language from existing 7861.0130, the title of this part is being changed to "Excluded Bingo" and references to raffles are deleted to reflect a statutory change that no longer requires the registration of excluded raffles with the Board. The Board is proposing to delete the restriction that a licensed organization may not conduct excluded bingo in the same year that it was licensed. This restriction is obsolete and unnecessary as statutory language states that a *licensed* organization that *holds* a license may not conduct excluded bingo. This change will allow a licensed organization that terminates its license to be able to conduct excluded bingo at a later date in the calendar year. In **7861.0340 (Exempted Lawful Gambling)**, which is reenacted language from existing 7861.0140, the Board is proposing to delete the same restriction, i.e. that a licensed organization may not conduct exempt activity in the same year that it was licensed. The remainder of changes are primarily grammatical in nature.

Chapter 7862.0010 (Bingo Hall Licenses) will be repealed because effective August 1, 2005, bingo hall licenses were repealed in statute, making this entire chapter obsolete. Therefore, the language will not be reenacted. References to bingo halls will be deleted in other parts.

In **7863.0210 (Distributors; Distributor Salespersons)**, which is reenacted language from existing 7863.0010, obsolete and unnecessary language is being deleted. To consolidate and clarify all existing restrictions, "gambling manager" is added to Subpart 3, item C. Other changes are primarily grammatical in nature with standardization and clarification of language. A new subpart is added to clarify the requirements of a distributor salesperson license application. Language pertaining to appeals for denied licenses is being moved to new 7865.0260, Subpart 2, where it is more appropriately located and consolidated. Language is consolidated and amended in this part to clarify the process for issuing or denying a new or license renewal to be consistent with other rule chapters pertaining to licensing.

In **7863.0220 (Distributor Operations, Accounts, and Reports)**, which is reenacted language from existing 7863.0020, the title of this part will be changed to "Distributor Operations, Accounts, Records, and Reports" to be consistent with the organization, linked bingo game provider, and manufacturer chapters. New subparts with clear titles are being created to better organize and consolidate information and help the reader easily locate information. Requirements for the sale or lease of gambling equipment are being consolidated in Subpart 2. Within Subpart 2, all requirements for the lease or sale of a pull-tab dispensing device are being consolidated in item G. Within Subpart 2, requirements for the lease of an electronic bingo device are being added in item I, and also restricts these devices from being sold to an organization. Redundant language contained in other parts or in statute is being deleted. The registration of permanent gambling equipment is being clarified as to which equipment must have a state registration stamp affixed to it, or be registered in another manner with the Board. This will incorporate the method of registration for electronic bingo devices, which will not require a state registration stamp. At the request of the industry (distributors), changes are made in Subpart 4 to shorten the time in which defective games are returned to the manufacturer and credit invoices are issued to the distributor and in turn to the organization.

In **7863.0250 (Linked Bingo Game Provider Licenses)**, which is reenacted language from existing 7863.0050, changes are primarily grammatical in nature, unnecessary language is being deleted, and other language is consolidated. In Subpart 3, item E, a portion of the language is not being reenacted to reflect a statutory change that became effective on May 19, 2006, i.e. eliminating the restriction of providing nominal gifts to organizations. Language pertaining to appeals of denied licenses is moved to 7865.0260, Subpart 2 where it is more appropriately located and consolidated for all licensees.

In **7863.0260 (Linked Bingo Game Provider Operations, Accounts, and Reports)**, which is reenacted language from existing 7863.0060, the title of this part is being changed to "Linked Bingo Game Providers Operations, Accounts, Records, and Reports" to be consistent with similar parts in organization, distributor, and manufacturer chapters. New subparts with new titles are created to consolidate and organize existing information in a more logical manner to make the information easier to locate. In Subpart 2, item C, a clarification is made that when an organization's license is terminated in any manner, that the agreement is canceled without further obligation but that the linked bingo equipment must be returned by the organization to the linked bingo game provider. In Subpart 3 (return of defective linked bingo paper; issuing credit invoice) and Subpart 4 (recall of gambling equipment, issuing credit invoice), language is made consistent with changes in 7863.0220, Subparts 4 and 5. Language pertaining to "delinquent organizations" is being standardized to be consistent with similar language in distributor and manufacturer rules. An addition is made for the conduct of linked bingo games, i.e. that the linked bingo game provider must comply with certain (existing) requirements, including the management plan required by rule and approved by the board.

In **7864.0210 (Licensed Manufacturers)**, which is reenacted language from existing 7864.0010, the changes are primarily grammatical in nature. The term "linked bingo game provider" is being added to Subparts 1 and 3 to clarify the type of licensees to which a manufacturer may sell gambling equipment. Language in existing 7864.0010, Subpart 4, item A, is essentially manufacturing standards and therefore is being reenacted in 7864.0230 where it is logically placed with other manufacturing standards. In Subpart 5, the definition of "consultant" is being reenacted from existing 7861.0010, Subpart 16, for a more logical placement of language. Language pertaining to appeals of a denied license is being reenacted in 7865.0260, Subpart 2 where it is more logically placed.

All language in existing **7864.0030 (Manufacturer Operations, Accounts, and Records)** will be stricken and reenacted into two new parts, **7864.0230 (Manufacturer Standards for Lawful Gambling Equipment)** and **7864.0240 (Manufacturer Operations, Accounts, Reports, and Records)**.

7864.0230 (Manufacturer Standards for Lawful Gambling Equipment) will contain 11 new subparts and new titles to consolidate and reorganize language and help the reader to easily locate information for manufacturing standards. Currently, there are six lengthy subparts for manufacturing standards. Existing Subpart 1 for manufacturing standards is 12-1/2 pages in length and very cumbersome to read and understand. Separate subparts will be created for manufacturing standards for each type of gambling equipment. The Board is reducing the requirements of game components a manufacturer must simultaneously submit to the Board with the first shipment of a game into Minnesota for sale to a distributor. New language is added for the manufacturing standards of legislatively-authorized electronic bingo devices, progressive or cumulative pull-tab flares, prize pool boards, and cumulative tipboard games.

7864.0240 (Manufacturer Operations, Accounts, Reports, and Records). In existing 7864.0030, Subpart 7 is over five pages in length; new subparts will be created for:

- sales restrictions and requirements; exclusive lawful gambling equipment and agreements;
- sales invoices and sales report required;
- pricing and rebate reports required;
- return of pull-tab and tipboard games; determination of defective game; credit invoice issued;
- returned gambling equipment report required;
- recall of gambling equipment; credit invoices;
- report of delinquent distributor or linked bingo game provider required; and
- examination of books and records.

The title of this part will be changed to "Manufacturer Operations, Accounts, Records, and Reports." Language will be amended in several areas to point the reader to the statute for specific requirements. In Subpart 4 (return of pull-tab and tipboard games, determination of defective game, and credit invoice issued) changes are made to existing requirements to shorten the time frame in which a manufacturer determines whether a game is defective and issues a credit invoice to the distributor. The change is being made to be consistent with timeframes in 7863.0220, Subpart 4. Similar changes are made in Subpart 6 (recall of gambling equipment) to be consistent with changes made in 7863.0220, Subpart 5.

In **Chapter 7865**, which is reenacted language from existing chapter 7865, many changes are grammatical in nature to make the language easier to read and understand. Language is rearranged and consolidated in more appropriate subparts, and redundant language is deleted. Language in **7865.0220**, Subparts 2 and 3 is reenacted from existing 7861.0050 (Illegal Gambling) for a more logical placement.

New language is added in **7865.0230 (Fines and Other Sanctions), Subpart 2 (Imposition of fines and sanctions by board or director for violation of Minnesota Statutes, section 349.15, subdivision 1 (expense calculation))**. That statute (2006) gives the Board authority to impose sanctions or penalties on organizations that exceed the expenditure restrictions in violation of the law.

A new part is added for **7865.0260 Hearings and Appeals of Incomplete or Denied License and Permit Applications**. The language is a consolidation and clarification of language reenacted from existing:

- 7861.0020, Subparts 7 and 8 (Licensed Organizations);
- 7861.0030, Subpart 10 and 11 (Gambling Manager);
- 7863.0010, Subparts 9 and 10; (Distributors, Distributor Salespersons);
- 7863.0010, Subparts 12 and 15 (Distributors, Distributor Salespersons);
- 7863.0050, Subparts 7 and 9 (Linked Bingo Game Provider Licenses); and
- 7864.0010, Subparts 11 and 14 (Licensed Manufacturer).

ALTERNATIVE FORMAT

Upon request, this Statement of Need and Reasonableness can be made available in alternative format, such as large print, Braille, disk, CD, or cassette tape. To make a request, contact Bernice Caruth at Minnesota Gambling Control Board, 1711 West County Road B, Suite 300 South, Roseville, Minnesota 55113; telephone 651-639-4030; fax 651-639-4032; or e-mail Bernice.caruth@gcb.state.mn.us.

STATUTORY AUTHORITY

OVERALL RULE MAKING AUTHORITY

The Board's statutory authority to adopt these rules is in Minnesota Statutes, section 349.151, subdivision 4(a) which lists the powers and duties of the Board.

- Minnesota Statutes, section 349.151, subdivision 4, paragraph (a) clause (1) authorizes the Board to regulate lawful gambling to insure that it is conducted in the public interest.
- Minnesota Statutes, section 349.151, subdivision 4, paragraph (a), clause (5) authorizes the Board to make rules authorized by this chapter.
- Minnesota Statutes, section 349.151, subdivision 4, paragraph (a), clause (20) authorizes the Board to take all necessary steps to insure the integrity of and public confidence in lawful gambling.
- Minnesota Statutes, section 349.151, subdivision 13 authorizes the Board to adopt, amend, or repeal rules under chapter 14, when necessary or proper in discharging the Board's powers and duties.
- Minnesota Statutes, section 349.155, subdivision 1, allows the Board to prescribe a form for all license applications.

Statutory authority is also included in the following:

ORGANIZATIONS

- Minnesota Statutes, section 349.165, subdivision 1 requires the Board to prescribe a form for permit applications, and subdivision 2 authorizes the Board to require information deemed necessary to complete premises permit applications, including lease information for leased sites.
- Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (1) authorizes the Board to prescribe standards for licensed 501(c)(3) organizations and 501(c)(4) festival organizations under section 349.154.
- Minnesota Statutes, section 349.168, subdivision 1 requires the Board to prescribe a form used for the registration of paid gambling employees.
- Minnesota Statutes, section 349.18, subdivision 1, paragraph (a) authorizes the Board to prescribe lease forms and gives the Board the option to prescribe by rule limits on the amount of rent that an organization may pay for bingo.
- Minnesota Statutes, section 349.19, subdivision 8 requires the Board to develop rules pertaining to licensed organization license termination plans.

GAMBLING MANAGERS

- Minnesota Statutes, section 349.12, subdivision 19, clause (3) gives the Board the authority to establish by rule other gambling manager qualifications.
- Minnesota Statutes, section 349.167, subdivision 4 requires the Board to establish by rule the training requirements for gambling managers.

EXPENDITURES AND REPORTS (ORGANIZATIONS)

- Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (6) authorizes the Board to establish rules for lawful purpose expenditures made in recognition of military service.
- Under Minnesota Statutes, section 349.12, subdivision 3a, the Board may adopt rules to regulate the content of the advertising to ensure that the content is consistent with the public welfare.
- Minnesota Statutes, section 349.15, subdivision 1, requires the Board by rule to prescribe operating standards for licensed 501(c)(3) organizations and 501(c)(4) festival organizations, and standards for expenditures.
- Minnesota Statutes, section 349.154, subdivision 2, allows the Board to prescribe a form used by organizations to report on each expenditure and contribution of net profits from lawful gambling.
- Minnesota Statutes, section 349.166, subdivision 2, paragraph (a), clause (6) authorizes the Board to prescribe a reporting form used to report financial information by organizations exempt from licensing.
- Minnesota Statutes, section 349.19, subdivision 1 gives the Board the authority to provide by rule for the methods by which expenses are documented.

EXPENDITURES AND REPORTS (ORGANIZATIONS) - continued

- Minnesota Statutes, section 349.19, subdivision 2 allows the Board to define emergency expenditures by rule.
- Minnesota Statutes, section 349.19, subdivision 3, paragraph (a) authorizes the Board by rule to authorize at least two persons who must sign checks or authorizations for electronic fund transfers for expenditures of gross profits.
- Minnesota Statutes, section 349.19, subdivision 5 requires the Board to prescribe the format in which a licensed organization reports a financial summary to its membership and to the Board.
- Minnesota Statutes, section 349.19, subdivision 7 authorizes the Board by rule that it may require each licensed organization to provide copies of forms it files with the United States Department of the Treasury (IRS) which are required for organizations exempt from income tax.

DISTRIBUTORS, LINKED BINGO GAME PROVIDERS, AND MANUFACTURERS

- Minnesota Statutes, section 349.151, subdivision 4, paragraph (a), clause (2) authorizes the Board to issue licenses to distributors, distributor salespersons, linked bingo game providers, and manufacturers.
- Minnesota Statutes, section 349.161, subdivision 2 authorizes the Board to prescribe a license application form for distributors.
- Minnesota Statutes, section 349.162, subdivision 5, paragraph (b) gives the Board rule authority to prescribe the method of sale and shipment of gambling equipment, in addition to requirements of the Department of Revenue.
- Minnesota Statutes, section 349.163, subdivision 1, gives the Board the authority to prescribe additional manufacturer criteria.
- Minnesota Statutes, section 349.163, subdivision 5, states that no person other than a manufacturer may manufacture, alter, modify, or otherwise change a flare for a deal of pull-tabs or tipboards, except as allowed by Minnesota Statutes, section 349 or Board rules.
- Minnesota Statutes, section 349.163, subdivision 6, requires that the Board inspect and test all gambling equipment it deems necessary to determine the equipment's compliance with law and Board rules and allows the Board to require that gambling equipment be tested by an independent laboratory prior to submission to the Board for approval.
- Minnesota Statutes, section 349.163, subdivision 7 gives the Board the authority by rule to prohibit a manufacturer from selling gambling equipment to a licensed distributor.
- Minnesota Statutes, section 349.1635, subdivision 2 states the Board may issue a license to a linked bingo game provider who meets the qualifications of Minnesota Statutes, chapter 349 and the rules promulgated by the Board, and the application must be on a form prescribed by the Board.
- Minnesota Statutes, section 349.1635, subdivision 3, clause (3) gives the Board authority to require by rule other information necessary for a linked bingo game provider application.
- Minnesota Statutes, section 349.169 authorizes the Board to require pricing reports from manufacturers and distributors in a format that the director prescribes.
- Minnesota Statutes, section 349.191, subdivision 3 allows the Board to develop rules regarding distributors who are delinquent in payment for more than 30 days to manufacturers.

GENERAL CONDUCT OF LAWFUL GAMBLING

- Minnesota Statutes, section 349.151, subdivision 4, paragraph (a), clause (7) requires the Board to provide by rule for the mandatory posting by organizations conducting lawful gambling of rules of play and the odds and/or house percentage on each form of lawful gambling.
- Minnesota Statutes, section 349.211, subdivision 3 requires the Board to develop rules pertaining to prize limits.

CONDUCT OF PULL-TABS AND PULL-TAB DISPENSING DEVICES

- Minnesota Statutes, section 349.151, subdivision 4, paragraphs (a), (b), and (c) authorizes the Board to adopt rules governing the sale of pull-tabs through pull-tab dispensing devices.
- Minnesota Statutes, section 349.1721, subdivision 1 requires the Board by rule to permit pull-tab games with multiple seals and to adopt rules for pull-tab games with cumulative or carryover prizes.
- Minnesota Statutes, section 349.1721, subdivision 2 requires the Board by rule to permit pull-tab games in which certain winners are determined by the random selection of one or more bingo numbers or by another method approved by the Board.
- Minnesota Statutes, 349.19, subdivision 10, paragraph (a) requires the Board to adopt rules regarding the identification of pull-tab winners and to maintain records of winning pull-tabs over \$50 and the identification of those winners.
- Minnesota Statutes, 349.19, subdivision 10, paragraph (c) authorizes the Board to adopt rules regarding the standards for and use of cash registers by organizations conducting pull-tabs.

CONDUCT OF BINGO AND ELECTRONIC BINGO DEVICES

- Under Minnesota Statutes, section 349.12, subdivision 4, the Board has the authority to adopt rules for the conduct of bingo.
- Minnesota Statutes, section 349.151, subdivision 4c gives the Board the authority to adopt rules governing the optional use of electronic bingo devices by bingo players.
- Minnesota Statutes, section 349.17, subdivision 5 requires the Board to establish by rule the mandatory requirements for the use of bingo cards and sheets.
- Minnesota Statutes, section 349.17, subdivision 8, paragraph (c) gives the Board the authority to adopt rules governing the play of linked bingo games.

CONDUCT OF TIPBOARDS

- Minnesota Statutes, section 349.1711, subdivision 5 allows the Board to adopt rules governing tipboard games with multiple seals, and tipboard games with cumulative or carryover prizes.

CONDUCT OF PADDLEWHEELS

- Minnesota Statutes, section 349.151, subdivision 4a requires the Board to promulgate rules governing paddlewheels, including operation procedures, internal control standards, posted information, records, and reports.

CONDUCT OF RAFFLES

- Minnesota Statutes, section 349.173, paragraph (c) states that methods of selecting winning entries from a raffle other than prescribed in rule may be used with the prior written approval of the Board.

REGULATORY ANALYSIS

Describe the classes of persons who will probably be affected by the rules, including those who will bear the cost of the rules, and those who will benefit from the rules.

In general, the rule amendments will affect all segments of the lawful gambling industry in Minnesota. This includes persons employed in the industry, nonprofit organizations, lessors of lawful gambling premises, gambling managers, distributors, distributor salespersons, manufacturers, linked bingo game providers, and the players of the games. The rules also affect other state agencies, i.e. the Departments of Revenue and Public Safety.

These same entities will also benefit from the proposed rules. Organizations conducting bingo will be allowed, but not required, to provide bingo players with electronic bingo devices used to monitor bingo paper. (Other states, such as Nebraska, stated that organizations bingo receipts increased when using electronic bingo devices.) Rules have been written to allow for the use of changing technology in submitting information to the Board. Changes in technology affect the manufacture and use of gambling equipment such as electronic bingo devices and random number generators (bingo number selection device) and rules have been written to reflect that fact. Some information requirements of the licensing process have been eliminated as it was determined the information was not relevant to the license application process. The proposed rules have been extensively reorganized so that readers can more easily locate information. With direction from the Office of the Revisor of Statutes, all chapters were entirely stricken, and then reenacted and reorganized with new subparts and subpart titles for a more logical flow of information while keeping most of the existing requirements. To make all rules easier to read and understand, the proposed rules have also been extensively rewritten using an active and spoken voice when possible. Legalistic language has been eliminated as much as possible, meaningless or ambiguous adjectives deleted, and simpler language replaces words not commonly used or frequently misunderstood.

The only costs associated with the revised rules will primarily affect manufacturers who must have an independent testing laboratory certify certain permanent gambling equipment (bingo number selection device, electronic bingo device, or pull-tab dispensing device) before it is approved by the Board for sale in Minnesota. This is an existing requirement for pull-tab dispensing devices, and this same rule is being applied to electronic bingo devices that were authorized by the legislature in 2005 and for bingo number selection devices. The rule will be applied to bingo number selection devices, electronic bingo devices, and pull-tab dispensing devices that are approved by the board after these rules go into effect. (It will not apply to equipment that was approved by the board before these rules went into effect.) Testing laboratories were contacted, and based on average costs it was estimated that one-time testing costs for new equipment to be around \$2,000. Costs could be more depending on the complexity of the equipment. These costs are voluntary, however, since it is a marketing decision on the part of the manufacturer whether to manufacture and sell or lease this equipment for use in Minnesota. For games requiring board approval before being sold in Minnesota, manufacturers will be allowed the option to electronically submit game samples instead of shipping them to the Board. This will result in reduced costs for the manufacturers. Also, for new pull-tab games that are approved by the board, manufacturers will only be required to submit to the Board one complete deal at the same time they simultaneously ship a game into Minnesota for sale to a distributor. Previously, they were required to ship to the Board one deal with 20 tickets: one unopened ticket, one opened high tier winner, five additional opened winners for each game, and 13 additional unopened tickets for each game. This will streamline and reduce the cost of the board-approval process required for manufacturers.

For 501(c)(3) organizations and 501(c)(4) festival organizations that choose to transfer gambling funds to their general account as a lawful purpose expenditure to themselves, there should be minimal costs, if any at all, to document and classify their expenditures from their general fund for program services, fund raising costs, and management and general costs. This would pertain to organizations that do not submit an unrelated business income tax report to the IRS. It is noted that 501(c)(3) organizations and 501(c)(4) festival organizations are not required to transfer funds into their general account for a lawful purpose expenditure to themselves; they are allowed to make lawful purpose expenditures for their program services directly from their gambling account.

Other costs to organizations might include training for their members and employees and to change internal reporting forms, if needed. These costs should be quite minimal, if any. Training in general will be provided by the Board.

In general, the entire industry will benefit from the proposed rules. The rules will provide all licensees with rules that are easier to read and understand. The industry will benefit from the deletion of obsolete and unnecessary rules, the deletion of rules that are duplicative of statute, new rules that allow for the use of changing electronic technology, for new pull-tab and tipboard games, and for alternative methods of conducting raffles.

Discuss 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.

There are costs to the Board to edit the Lawful Gambling Manual, forms, continuing education class materials, web site, gambling manager seminar, and gambling manager examinations. These costs are estimated to be about \$15,000 and will be absorbed by the Board. There will be training costs for staff to become familiar with rule changes, and to provide training and mentoring to the industry. This cost is estimated to be about \$5,000 and will also be absorbed by the Board.

Department of Revenue staff attended the Public Advisory Committee meetings, participated in rule edits, and are aware of the proposed changes. Department of Public Safety staff (Alcohol and Gambling Enforcement) reviewed proposed rules and are aware of the changes.

There will be no effect on state revenues as a result of these changes.

Discuss whether there are less costly or less intrusive methods for achieving the purpose of the rules.

A significant portion of the proposed rules changes was to simplify and reorganize the rules language, with some existing requirements being deleted. While not required to do so, the Board elected to promulgate rules for the use of electronic bingo devices. Without the Board doing so, the industry would have been prohibited from using these devices. The industry did request that the Board promulgate rules for the use of these devices.

As outlined previously, the Board has extensive authority to promulgate rules and in many cases is required to promulgate rules. There was no other method to achieve the purpose of the rules, other than to seek legislative changes.

Estimate the probable costs of complying with the proposed rules.

Most of the rule changes carry no financial impact. The changes to the manufacturing standards rules will have a financial impact for the certification of certain permanent gambling equipment, i.e. electronic bingo devices and bingo number selection devices. The cost to a manufacturer is estimated to be approximately \$2,000 or less if they currently manufacture equipment for use in other states and those devices meet board standards. If manufacturers are required to make modifications to their devices (electronic bingo devices), the cost may increase several thousand dollars. The manufacturers were aware of this impact during the rules process. This is a regulated business cost that is part of the manufacturing process. Manufacturers are free to decide what type of equipment they want to sell or lease for use in Minnesota. It is estimated that the cost will be primarily for electronic bingo devices and bingo number selection devices using an electronic random number generator that have previously not been allowed for sale in Minnesota.

In developing rules for the use of electronic bingo devices that will be offered by licensed organizations to bingo players, the Board considered various possibilities of how the sale of a "facsimile of a bingo paper sheet" would be documented. The industry indicated that requiring the electronic representation of bingo faces to be printed on a sales receipt at the point of sale would be extremely cumbersome, time consuming, and expensive for the organization. The Board reviewed rules from other states and determined that the "range of the series" could be substituted for the electronic representations sold to players, thereby eliminating any unnecessary and extraordinary expense for the organization, while allowing a tracking mechanism for the Board and Revenue to verify bingo receipts.

Discuss the probable costs or consequences of not adopting the proposed rule, including those costs or consequences borne by identifiable categories or affected parties, such as separate classes of government units, businesses, or individuals.

One consequence of not adopting the rules would be that organizations would not be able to offer the use of electronic bingo devices to their bingo players. In addition, it would affect the organization's ability to increase their bingo gross receipts if rules were not adopted for the use of these devices. Manufacturers would not be able to provide these devices to distributors who in turn provide them to the organizations. If the proposed rules were not adopted, some parts of the rule would be obsolete, inaccurate, duplicative of statutes, and conflict with recent statutory changes of 2005 and 2006. Also, the Board is mandated to promulgate rules under Minnesota 349.1721, subdivisions 1 and 2 (legislative change effective May 19, 2006) for new types of pull-tab games, i.e. event games, and cumulative or carryover games.

Discuss any differences between the rules and existing federal regulations.

Federal regulations exist with regard to organizations that are classified as 501(c)(3) organizations or 501(c)(4) festival organizations (exempt from income tax). Federal requirements exist pertaining to bank checks, and these requirements have been incorporated into the rules under 7861.0320, Subpart 3, item A (which references Department of Revenue requirements that are based on the federal requirements). There is no difference between these rules and federal regulations.

PERFORMANCE BASED RULES

The Board believes that these rules are performance based rules that provide flexibility for the regulated party in meeting the goals established in rules and at the same time meet the Board's regulatory objectives. For example:

- 501(c)(3) organizations or 501(c)(4) festival organizations will have the option to spend gambling funds for their mission (primary purpose) in two ways:
 - as a lawful purpose expenditure directly from their gambling checking account, or
 - as a lawful purpose expenditure to themselves, by transferring an amount from their gambling checking account to their general fund account, as long as they meet rule standards for expenditures made in the two most recent fiscal years from their general fund.This gives the organizations two options, and it allows the Board the ability to ensure that statutory requirements for standards are met.
- Gambling equipment manufacturers have flexibility in developing permanent gambling equipment that meets the rule standards and is certified to meet those standards by an independent laboratory. Manufacturers may use changing electronic technology when developing new equipment, without having rules specify the technology they have to use.
- The elimination of the requirement that a copy of the internal controls and changes be submitted to the Board reduces a burdensome and unnecessary requirement. Organizations are allowed to make changes to their documented internal controls, as long as they comply with the rule standards for internal controls and achieve the desired outcomes outlined in part 7861.0320, Subpart 1.
- In the past year and a half, the Board received numerous rule variance requests related to rule changes that became effective on November 1, 2004, i.e. pull-tab dispensing devices and progressive tipboard games. Based upon an analysis of those variance requests, the Board decided to propose rule changes in those areas, i.e. allowing a lessor to have a key to access the cash compartment to remove the cash box but not allowing keys to open the cash box, and to allow tipboard games, including progressive tipboard games, to be closed at the organization's discretion in the same manner as pull-tab games. These changes are performance based rules that will allow organizations to make business decisions while still maintaining the integrity of its operations.
- By eliminating the restriction that "certificates of service" may only be offered as a raffle prize, an organization will be able to offer a wider variety of prizes for all games (bingo, pull-tabs, paddlewheels, and tipboards), as long as those prizes are identified as part of the game. This performance based rule allows an organization to make a business decision in determining what types of prizes to offer in its conduct of lawful gambling.
- The Board is proposing to delete the requirement that an organization obtain membership approval before implementing any bingo program, and instead require membership approval after the program has been implemented. This is a performance based rule that will allow an organization and its gambling manager to make timely business decisions pertaining to the conduct of bingo.

ADDITIONAL NOTICE

The Board developed and implemented an extensive Additional Notice Plan that was approved by the Office of Administrative Hearings on July 27, 2005. The Board provided additional notice to persons who may be affected by the proposed rules by:

- publishing the Request for Comments and draft copies of the proposed rule changes on the Board's web site at www.gcb.state.mn.us
- publishing in the Board's bi-monthly newsletter, *Gaming News*, the following:
 - the Request for Comments in the July/August 2005 issue,
 - an amended Request for Comments in the November/December 2005 issue,
 - an amended Request for Comments in the May/June 2006 issue,
 - a notice that the Requests are on the Board's web site,
 - a notice that the draft copy of the rules is on the Board's web site, and
 - a rules process update in the September/October 2006 issue.
- notifying lawful gambling trade associations:
 - Allied Charities of Minnesota, an association comprised of organizations licensed to conduct lawful gambling in Minnesota, and requesting that they publish all notices in their newsletter,
 - National Association of Fundraising Ticket Manufacturers, a national trade association of manufacturers of gambling equipment, and
 - Electronic Bingo Manufacturers Association, a national association of electronic bingo device manufacturers,
- notifying licensed entities that do not have a trade association, i.e. linked bingo game providers and distributors of lawful gambling equipment,
- giving notice to the Legislature as required by Minnesota Statutes, section 14.116, and
- mailing the Notice of Intent to everyone who registered to be on the Board's rulemaking mailing list under Minnesota Statutes, section 14.14., subdivision 1a

We believe our Additional Notice Plan complies with the statute because it comprehensively covers all affected parties in the lawful gambling industry.

PUBLIC ADVISORY COMMITTEE

The Board appointed a Public Advisory Committee to assist in researching and discussing the issues in this rulemaking process. The Committee was composed of a wide spectrum of industry representatives from Minnesota and across the United States, state of Minnesota regulators, and representatives from the Departments of Revenue and Public Safety.

1. Alistair Milne, Minnesota Linked Bingo, Kent, WA
2. Anna Vogt, Larson Allen, Buffalo, MN
3. Bob Matson, North Suburban Youth Foundation, Roseville, MN
4. Bob Nelson, VFW Post 3817, East Grand Forks, MN
5. Bonnie Merklng, Cathedral High School, St. Cloud, MN
6. Brian Walter, GameTech International Inc. Reno, NV (replacing Keith Larkin; Nina McIntosh)
7. Clifton Lind, MegaBingo, Austin, TX
8. Colin Minehart, MN Licensed Beverage Association, St. Paul, MN
9. David Nelmark, Lawful Gambling Enforcement, City of St. Paul, MN
10. David VanBurkleo, Bass Gambling, Spring Lake Park, MN
11. Estevan Sandoval, Dream Games of Arizona, Phoenix, AZ
12. Fabian Hoffner, Hoffner Firm Ltd, Minneapolis, MN
13. James Landsem, Aeon Gaming LLC, St. Paul, MN
14. Jim Farrell, MN Licensed Beverage Association, St. Paul, MN
15. Jim Sorman, ITS, Spring Lake Park, MN
16. John Vaydich, Duluth Softball Players, Duluth, MN
17. Jon Latcham, Three Diamond, Shoreview, MN
18. Karen Wirkus, MegaBingo, Austin, TX
19. King Wilson, Allied Charities of Minnesota
20. Larry Porter, Forest Lake Athletic Association, Lindstrom, MN
21. Linda Rolland, Twin Cities Gaming Supplies, Mendota Heights, MN
22. Mary Magnuson, National Association of Fundraising Ticket Manufacturers, St. Paul, MN
23. Mary Perren, Cottage Grove Athletic, Cottage Grove, MN
24. Maureen Vachuska, Church of Immaculate Conception, Columbia Heights, MN
25. Mike Kerr, Planet Bingo, Rancho Mirage, CA
26. Mike Mahoney, Carousel Bingo, Brooklyn Park, MN
27. Paul Quinlan, Universal Manufacturing Co., Kansas City, MO
28. Ray Lehotsky, Electronic Game Solutions, Maryland Heights, MO
29. Rob Davis, Ben's Wholesale, Minneapolis, MN
30. Roger Franke, Arrow International, Brooklyn, Ohio
31. Steve Baker, Steven V. Baker, LTD (accountant), Sauk Rapids, MN
32. Tamara Dietrich, Electronic Bingo Manufacturers Association, Fountain Hills, AZ

Regulatory staff on the PAC included:

1. Tom Barrett, Executive Director, Gambling Control Board
2. Bernice Caruth, Rules Writer/Coordinator, Gambling Control Board
3. Gary Danger, Compliance Officer, Gambling Control Board
4. Cliff Emmert, Alcohol and Gambling Enforcement, Department of Public Safety
5. Glen Kleven, Lawful Gambling Tax Unit, Department of Revenue
6. Chris Mau, Compliance Specialist, Gambling Control Board
7. Ginger Nelson, Compliance Supervisor, Gambling Control Board
8. Steve Pedersen, Licensing Supervisor, Gambling Control Board
9. Roger Swanson, Lawful Gambling Tax Unit, Gambling Control Board
10. Warren Walberg, Compliance Specialist, Gambling Control Board
11. Darren DeJong, Assistant Attorney General

RULE-BY-RULE ANALYSIS - OVERVIEW

This rule-by-rule analysis is being simplified in the following manner.

- **Unless otherwise mentioned specifically in each rule-by-rule analysis, the regulatory analysis contained earlier in this document contains information related to the classes of persons affected, costs to affected parties, other methods to achieve the purpose of the rule, costs for compliance with proposed rule, and differences between proposed rules and federal statutes.**
- A broad statement of need and reasonableness is applied to all rule changes where the rule reenactment changes are only simplification of language, grammatical changes, changing sentences to an active and spoken voice, and changing sentence structure for easier reading and understanding.
- In many parts of the rules, the terminology "on a form prescribed by the board" is being changed to "in a format prescribed by the board." This will allow a licensee to submit the required information electronically when the Board has the capability in the future to accept information in that format. The new terminology allows for the submission of paper forms, and when allowed by the Board information could be submitted electronically. Changing the terminology will prevent the rules from becoming obsolete and allows the Board to implement technology without having to go back and amend the rules.
- For each chapter/part that has been reenacted, the Revisor has renumbered all chapters, parts, and subparts (as noted below in the RULE-BY-RULE ANALYSIS). Previously, as rules were amended with new subparts, some subparts were also numbered with letters, such as 7861.0070, Subpart 5a. This numbering/lettering system created problems when referencing and citing rules. With the renumbering, the Board is able to provide consistent subparts for related parts in other chapters.

RULE-BY-RULE ANALYSIS: 7861.0210 DEFINITIONS (reenacted language from 7861.0010)

The Board is proposing to reenact language from existing 7861.0010 as follows.

7861.0210, Subpart 1. Scope. (reenacted from existing 7861.0010, Subpart 1.)

The Board is proposing to clarify the definition of "scope" so that it references all rule parts to which it pertains, in this case, rule parts 7861, 7863, 7864, and 7865. Part 7862 is not included as bingo hall language is being repealed in its entirety due a statutory repeal of bingo hall licenses.

7861.0210, Subpart 2. Agent of the organization. (reenacted from existing 7861.0010, Subpart 1a.)

The Board is proposing not to reenact from existing language "for the benefit of" and insert "on behalf." This clarifies that a person who "might not act for the benefit of the organization" is still an agent of the organization by mutual consent.

Existing 7861.0010 Subpart 1b. Bar bingo.

The Board is proposing not to reenact the definition for "bar bingo" because effective August 1, 2005, the definition of bar bingo is defined in statute, making this existing rule language obsolete.

Existing 7861.0010, Subpart 3. Bingo leased premises.

The Board is proposing to reenact this language in 7861.0210, Subpart 31, Leased bingo premises, where it is more logically located for reference next to Subpart 30, Leased premises. The industry does not use the term "bingo leased premises." The term "leased bingo premises" is used. It is necessary and reasonable to delete obsolete terms and to use and clarify existing terms.

Existing 7861.0010, Subpart 4. Bingo occasion.

The Board is proposing not to reenact this language because effective August 1, 2005, a new definition of bingo occasion is contained in statute. It is necessary and reasonable to delete obsolete language.

7861.0210, Subpart 3. Bingo numbers.

The Board is proposing to add a new definition for bingo numbers. This definition is based on language being reenacted from existing 7861.0070, Subpart 2, item B. Currently, an organization is required to call both the letter and number of a ball selected from a bingo **ball** selection device. The new definition will allow a random number generator to be used as a bingo **number** selection device. This change allows the industry to use new technology in the conduct of bingo, especially for linked bingo games.

7861.0210, Subpart 4. Bingo paper package. (reenacted from existing 7861.0010, Subpart 5)

The Board is proposing to reenact and clarify the definition of "bingo paper package" with minor grammatical language changes. It is reasonable and necessary to clarify that a package is either one packet plus single sheets, or is a group of sheets sold together as one unit.

7861.0210, Subpart 5. Bingo paper sheet. (reenacted from existing 7861.0010, Subpart 6.)

- In the introductory sentence the Board is proposing to clarify the use of "breakopen" bingo paper sheets by deleting "breakopen" and inserting "sealed." Organizations use a "breakopen" bingo paper sheet, which is a sealed bingo paper sheet, in the conduct of breakopen bingo games and may also use a "breakopen" bingo paper sheet for a linked bingo game. Breakopen bingo games and linked bingo games are two unique bingo games. Therefore, this definition change is necessary and reasonable to clarify that a linked bingo game is not a breakopen bingo game when sealed paper is used.
- In item A, the Board is proposing not to reenact the existing reference to "book" and insert "record." This reflects the fact that the format for the master information may be in an electronic version, versus a paper book. It is necessary and reasonable to modify the rule to incorporate electronic technology.
- The Board is proposing not to reenact the definition of bingo permutation in this chapter as the term is not used in chapter 7861. The language is being reenacted in 7864.0230, Subpart 4, item F, as this is a term used by manufacturers for bingo equipment.

7861.0210, Subpart 6. Bingo paper sheet packet. (existing 7861.0010, Subpart 7.)

The Board is proposing to reenact existing language. No new requirements are added.

7861.0210, Subpart 7. Bingo pattern. (reenacted from existing 7861.0010, Subpart 8.)

The Board is proposing to amend the reenacted definition to allow for other bingo patterns to be played, for example, a pattern in which certain numbers do not have to be called, such as odd/even. The phrase "or numbers" is added to accomplish this. Also, the phrase "facsimile of a bingo paper sheet" is added to allow for the use of electronic bingo devices. The existing requirement that a bingo pattern be "filled in" is being changed to "covered" to reflect how bingo is actually conducted, and that most bingo games do not use bingo paper that needs to be "filled in." This is a technical correction that does not affect the conduct of bingo and serves to accurately reflect the current methods of conducting bingo. It is necessary and reasonable to incorporate these changes to allow organizations greater flexibility in conducting bingo games.

Existing 7861.0010, Subpart 9. Bingo program.

The Board is proposing not to reenact this language as it is contained in 7861.0270, Subpart 4, "Bingo programs, statutes, and rules made available."

Existing 7861.0010, Subpart 10. Bingo session.

The Board is proposing not to reenact this definition as it is an obsolete term no longer used by the industry. A statutory change to the definition of bingo occasion allows organizations to conduct shorter bingo occasions, making the term "session" obsolete. It is necessary and reasonable to delete obsolete language.

7861.0210, Subpart 8. Breakopen bingo game. (reenacted from existing 7861.0010, Subpart 11.)

The Board is proposing to correct the reenacted definition in the first sentence, which currently appears to state that an organization must post only the "quantity" of numbers selected, rather than the actual "selected bingo numbers." The Board is proposing to amend this definition by replacing "breakopen bingo paper sheets" with "sealed bingo paper sheets," and add "game" in the subpart title to clarify that this is a specific type of game. These changes are necessary and reasonable because this type of paper may be used in games other than "breakopen games" i.e. linked bingo games. The Board is proposing not to reenact the existing second sentence because the language is redundant of existing 7861.0070, Subpart 8, which is being reenacted in 7861.0270, Subpart 9 (Breakopen bingo game) and provides information on the manner of conducting a breakopen bingo game.

7861.0210, Subpart 9. Case paper. (reenacted from existing 7861.0010, Subpart 12).

The Board is proposing a minor grammatical change in the reenacted language.

7861.0210, Subpart 10. Cash. (existing 7861.0010, Subpart 13.)

The Board is proposing to amend the reenacted definition to clarify that "debit cards" are not included in the definition of "cash." With changing technology, it is necessary and reasonable to clarify the rule.

7861.0210, Subpart 11. Civic celebration (reenacted from existing 7861.0010, Subpart 13a)

No changes are made in the reenacted language.

Existing 7861.0010, Subpart 14. Column.

The Board is proposing not to reenact this language as the term is used only once in manufacturing standards, 7864.0230, Subpart 2. Providing detail on the internal structure of permanent gambling equipment in definitions provides no value for performance-based rules and is unnecessary. It is noted that the term is used in 7861.0280, Subpart 7 but the definition is not necessary for that rule.

7861.0210, Subpart 12. Compensation (reenacted from existing 7861.0010, Subpart 15)

The Board is proposing minor grammatical changes in the reenacted language.

Existing 7861.0010, Subpart 16. Consultant.

The Board is proposing to delete and move this term, which is only used twice in rules, and incorporate it with the licensing language in 7863.0210 (Distributor License), Subpart 5, item A, subitem (7) and in 7864.0210 (Manufacturer Licenses), Subpart 5, item A, subitem (8). Reenacting the terminology in the only two places where it is used is logical for ease of use and serves to better inform the reader.

7861.0210, Subpart 13. Continuation bingo game. (reenacted from existing 7861.0010, Subpart 17.)

The Board is proposing to amend the reenacted definition of "continuation bingo game" by reenacting language from existing 7861.0070, Subpart 5a, item L into this definition. This will consolidate language pertaining to a continuation bingo game. "Up to three games" is being added to reflect current practice and existing language in 7861.0070, Subpart 5a, item L. The Board is proposing to add the last sentence to clarify existing practice. In addition, the Board is proposing to delete the reference to "bingo balls" in the language being reenacted from 7861.0070, Subpart 5a, item L and replace it with "bingo numbers." This will allow for the use of a random number generator to select numbers. It is necessary and reasonable to clarify and consolidate language in one subpart for this definition. The Board is also proposing to amend the reenacted language by including "facsimile of a bingo paper sheet" to reflect the new allowance for electronic bingo devices. It is necessary and reasonable to include language based on recent statutory changes that allow the use of electronic bingo devices.

7861.0210, Subpart 14. Control number. (reenacted from existing 7861.0010, Subpart 18.)

The Board is proposing not to reenact a portion of the existing definition for control number. In new 7861.0270, Subpart 12, item B; Subpart 13, item C; Subpart 14, item C; Subpart 15, item C; and Subpart 16, item C, the Board is proposing to include language that allows an organization to determine the type of control number to use. Therefore, it is necessary and reasonable to delete the language that is clarified more appropriately in another part of rules.

7861.0210, Subpart 15. Cumulative pull-tab or tipboard game.

The Board is proposing to add a new definition for a "cumulative pull-tab or tipboard game." This change is necessary and reasonable because the Board is required to promulgate rules for cumulative tipboard games under Minnesota Statutes, section 349.1711, Subdivision 5 and to promulgate rules for cumulative pull-tabs under Minnesota Statutes, section 349.1721, Subdivision 1.

Existing 7861.0010, Subpart 20. Electronic currency validator.

The Board is proposing not to reenact the definition of "electronic currency validator" as it is only referenced in manufacturing standards in 7864.0230, Subpart 2, item D. The language contained in the manufacturing standards already addresses what the validator must accomplish. The definition language does not add any relevance to the rule in chapter 7861 and therefore can be deleted without impacting the integrity of the manufacturing standard rules. Providing detail on the internal structure of permanent gambling equipment in definitions provides no value for performance-based rules and is unnecessary.

7861.0210, Subpart 16. Event game.

The Board is proposing to add a new definition for "event game." The new language is necessary and reasonable because the Board is required under Minnesota Statutes, section 349.1721, Subd. 2 to permit by rule event games, and the definition is based on existing games conducted in other states.

Existing 7861.0010, Subpart 20a. Exclusive game.

The Board is proposing to reenact this language in 7864.0240, Subpart 1, item E. It is necessary and reasonable to move and clarify language where it is more logically placed.

7861.0210, Subpart 17. Facsimile of a bingo paper sheet.

The Board is proposing to add a new definition for a term used in conjunction with electronic bingo devices that will be allowed for use in Minnesota when these rules are promulgated and adopted. It is necessary and reasonable to clarify the term so that organizations understand that they won't be required to "print" a copy of each electronic face on the sales receipt at the point of sale, which would be extremely cumbersome to accomplish and very expensive, and will be allowed to print "the range of the series sold."

7861.0210, Subpart 18. Fair market value. (reenacted from existing 7861.0010, Subpart 21.)

In the reenacted language the Board is proposing to delete the term "purchased" and insert "acquired" to reflect the fact that some prizes may be donated to the organization.

7861.0210, Subpart 19. Family (reenacted from existing 7861.0010, Subpart 22.)

7861.0210, Subpart 20. Family member. (reenacted from existing 7861.0010, Subpart 23.)

The Board is proposing not to reenact the term "jar ticket" in these two definitions because the term is being deleted in manufacturing standards. It is noted that the Board is proposing to reenact the definition of "jar ticket" in 7861.0210, Subpart 28 to eliminate any potential confusion regarding a jar ticket being considered a pull-tab.

7861.0210, Subpart 21. Flashboard. (reenacted from existing 7861.0010, Subpart 24.)

The Board is proposing not to reenact the existing reference to "letters" and insert "numbers" in the reenacted language. This is consistent with the Board's other rule changes that will allow the optional use of a random number generator to select "numbers" as an alternative to using a bingo ball selection device that selects "a ball containing a number and a letter."

7861.0210, Subpart 22. Form number or part number. (reenacted from existing 7861.0010, Subpart 25)

The Board is proposing to make only grammatical changes to the reenacted language.

7861.0210, Subpart 23. Fraternal organization. (reenacted from existing 7861.0010, Subpart 26)

The Board is proposing to make only grammatical changes to the reenacted language.

7861.0210, Subpart 24. Fund raising costs. (reenacted from existing 7861.0010, Subpart 27.)

The Board is proposing not to reenact the existing definition of "fundraising costs." The Board is proposing to clarify the definition because it is necessary for part 7861.0220, Subpart 3, item L [Contents of organization license application) and part 7861.0320, Subpart 14 [Standards for 501(c)(3) organizations and 501(c)(4) festival organizations]. The existing reference points the reader to Minnesota Statutes, section 309.50, subdivision 12 that states, "'Fund-raising costs" means costs determined to be fund-raising by generally accepted accounting principles." The industry requested that specific language be included in rules. The new language is based on existing IRS standards and instructions. It is necessary and reasonable to provide clear direction to the industry, to eliminate ambiguous language, and to be consistent with federal requirements and guidelines.

7861.0210, Subpart 25. Gambling bank account. (reenacted from existing 7861.0010, Subpart 28) The Board is proposing to make only grammatical changes to the reenacted language.

7861.0210, Subpart 26. Gambling volunteer. (reenacted from existing 7861.0010, Subpart 30) The Board is proposing to reenact the existing language with no changes.

7861.0210, Subpart 27. Immediate family. (reenacted from existing 7861.0010, Subpart 31) The Board is proposing to reenact the existing language with one grammatical change.

7861.0210, Subpart 28. Jar ticket. (reenacted from existing 7861.0010, Subpart 32) The Board is proposing to reenact the existing language with grammatical changes.

7861.0210, Subpart 29. Lawful gambling. (reenacted from existing 7861.0010, Subpart 33.) In past years the industry has attempted to obtain legislative changes to allow sports betting, but legislation has not been passed. (There is a federal prohibition pertaining to sports betting.) The Board is proposing to reenact the existing language and amend the last sentence with "except as otherwise permitted by law or rule" to prevent the rule from becoming obsolete should a legislative change occur that would permit such an activity.

7861.0210, Subpart 30. Leased premises. (reenacted from existing 7861.0010, Subpart 34.) The Board is proposing to reenact the existing definition and change the term "gambling organization" to "licensed organization" to reflect the type of organization to which this rule pertains, and to make it consistent with language used throughout the Board's rules.

7861.0210, Subpart 31. Leased bingo premises. (reenacted from existing 7861.0010, Subpart 3.)

The Board is proposing to reenact and clarify language from existing 7861.0010, Subpart 3. This will consolidate in one area of rule definitions pertaining to leased premises, i.e. next to Subpart 30, Leased premises, and to reflect current terminology used by the industry, i.e. "leased bingo premises." The Board is proposing to change the language being reenacted from existing Subpart 3 into new items as follows:

- The existing phrase "bingo hall" is obsolete because of legislation that became effective on August 1, 2005, repealing bingo halls. Bingo halls (premises) are treated the same as a permitted premises.
- The term "patrons" is replaced by "players" to make the rule easier to understand and consistent with other rule language and language used by the industry.
- In addition, the language is being modified to include statutory changes in regards to bingo rent [Minnesota Statutes, section 349.19, subdivision 1, paragraph (c)]. Effective August 1, 2005, an organization has the option of paying bingo rent based on:
 - (1) a percentage of the monthly gross profit, **or**
 - (2) the cost per square foot.

Therefore it is necessary to clarify what is included in a leased bingo area when rent is paid on a square footage basis (instead of a percentage basis).

7861.0210, Subpart 32. Limiting bingo number count. (reenacted from existing 7861.0010, Subpart 35.)

The Board is proposing to reenact and amend the definition of limiting ball count by reenacting language from existing 7861.0070, Subpart 5a, item N. This will consolidate, in this definition, all language pertaining to limiting ball counts. In addition, the Board is proposing to change the subpart title to "limiting bingo number count" to reflect the fact that a random number generator may be used to select numbers, rather than bingo balls. It is necessary and reasonable to amend the definition so that it is consistent with changing technology that will be allowed in the conduct of bingo.

7861.0210, Subpart 33. Linked bingo equipment. (reenacted from existing 7861.0010, Subpart 35a.) The Board is proposing to reenact the existing definition with no changes.

7861.0210, Subpart 34. Management and general costs. (reenacted from existing 7861.0010, Subpart 36.)

The Board is proposing not to reenact the existing definition. The Board is proposing to clarify the definition of "management and general costs" to provide clearer and specific guidance to licensed organizations because of requirements in part 7861.0120, Subpart 3, item L [Contents of organization license application] and part 7861.0320, Subpart 14 [Standards for 501(c)(3) organizations and 501(c)(4) festival organizations]. The existing reference points the reader to Minnesota Statutes, section 309.50, subdivision 11, that states "'Management and general costs" means costs determined to be management and general by generally accepted accounting principles." The industry requested specific language be included in rules. The proposed language is based for the most part on existing IRS standards and instructions. It is necessary and reasonable to provide clear direction to the industry, to eliminate ambiguous language, and to be consistent with federal requirements and guidelines.

7861.0210, Subpart 35. Manufacturer's seal. The Board is proposing to reenact the existing language with minor grammatical changes.

7861.0210, Subpart 36. Merchandise prize. (reenacted from existing 7861.0010, Subpart 37a.)

The Board is proposing to reenact existing language but delete unnecessary language in this definition. The existing second sentence is not necessary as clarifying and consolidated language pertaining to prizes is contained in part 7861.0260, Subpart 4. The Board is proposing not to reenact the language from the existing third sentence. This will essentially eliminate the restriction on certificates for services. This is necessary and reasonable to allow organizations the opportunity to offer a wider variety of prizes in their conduct lawful gambling.

7861.0210, Subpart 37. Multiple seal pull-tab game.

The Board is proposing to add a new definition for multiple seal pull-tab games that are authorized under Minnesota Statutes 349.1721, Subdivision 1, effective May 19, 2006. It is necessary and reasonable to comply with a statutory requirement to allow these games by rule.

7861.0210, Subpart 38. Net receipts. (reenacted from existing 7861.0010, Subpart 38.)

The Board is proposing to reenact existing language and make a necessary and reasonable change to delete "actually paid out" and insert "awarded." This reflects the prizes are "awarded" whether they are a merchandise prize or a cash prize.

7861.0210, Subpart 39. Other nonprofit organization. (reenacted from existing 7861.0010, Subpart 39.) The Board is proposing to reenact existing language with grammatical changes.

Existing 7861.0010, Subpart 43. Paddlewheel.

The Board is proposing not to reenact the definition of paddlewheel as it is redundant of language contained in Minnesota Statutes, section 349.12, subdivision 29, and is also contained in manufacturing standards in 7864.0230, Subpart 8. It is necessary and reasonable to delete redundant language.

7861.0210, Subpart 40. Paddlewheel table. (reenacted from existing 7861.0010, Subpart 44.) The Board is proposing to reenact existing language with grammatical changes.

Existing 7861.0010, Subpart 44a. Player's guide.

The Board is proposing not to reenact the definition for "player's guide" in this part as this term is used only once in rules. The language is reenacted in 7861.0270, Subpart 10, item K, subitem (4) where it is more logically placed, i.e. conduct of linked bingo games.

7861.0210, Subpart 41. Progressive bingo game.

The Board is proposing to reenact language from existing 7861.0070, Subpart 5a, item M, to be consistent with the fact that other bingo games are defined in this part. The Board is also proposing to clarify the definition by not reenacting the reference from existing language that a progressive bingo game could be based on a progressive increase in the number of bingo balls called. A progressive bingo game has historically been interpreted and played as a progressive increase in prizes only. It is necessary and reasonable to make the definition technically correct.

7861.0210, Subpart 42. Progressive pull-tab or tipboard game. (reenacted from existing 7861.0010, Subpart 45a.)

- The Board is proposing to reenact existing language and amend the language with "pull-tab" because progressive pull-tab games are allowed under Minnesota Statute, section 349.1721, Subdivision 1, effective May 16, 2006, and the board is required to promulgate rules for their use.
- The Board is proposing not to reenact:
 - the reference to "seal card," as that is a manufacturing standard for the game and is not necessary for the definition of this game;
 - the term "game" and insert "deal" to reflect industry terminology, i.e. a deal is a game within the entire progressive pull-tab or tipboard game; and
 - the specific prize amount because the top level of a jackpot prize is not required to be \$2,500, rather, it must not exceed \$2,500 (the statutory limit).
- The Board is proposing to clarify that the manufacturer must determine the predetermined amount and print it on the flare, to comply with Minnesota Statute 349.211, Subdivision 2C. With this clarification the existing last sentence is not necessary and is not being reenacted (The jackpot contribution amount from each tipboard games may not exceed \$500.)

It is necessary and reasonable to change language to prevent the rule from being in conflict with statutory language, and to amend language with current industry terminology.

7861.0210, Subpart 43. Promotional pull-tab. (reenacted from existing 7861.0010, Subpart 45b.) The Board is proposing to reenact existing language with a grammatical change.

7861.0210, Subpart 44. Random number generator. (reenacted from existing 7861.0010, Subpart 47a.)

The Board is proposing to reenact existing language and amend the definition to reflect changes in technology, both present and future. It is necessary and reasonable to make a change that allows for changing technology and gives manufacturers greater flexibility in developing random number generators.

7861.0210, Subpart 45. Religious organization. (reenacted from existing 7861.0010, Subpart 48.) The Board is proposing to reenact existing language with no changes.

7861.0210, Subpart 46. Seal card.

The Board is proposing to add a new definition for seal card. Seal cards are currently used with tipboard games. It is necessary and reasonable to define a component of a pull-tab or tipboard game because of statutory changes that allow for new types of pull-tab and tipboard games.

7861.0210, Subpart 47. Sealed bingo paper sheet.

The Board is proposing to add this new definition to clarify that sealed bingo paper sheets used in a breakopen bingo game or linked bingo game must be sealed by the manufacturer. It is necessary and reasonable to clarify that breakopen bingo paper sheets are bingo paper sheets that are "factory-sealed" by the manufacturer and not by the organization. This is not a new requirement.

7861.0210, Subpart 48. Shrink-wrap. (reenacted from existing 7861.0010, Subpart 48a.)

The Board is proposing to reenact and amend this definition by adding "tipboards" to reflect existing requirements, as some tipboard games contain multi-ply tickets that are essentially pull-tab tickets. It is necessary and reasonable to clarify the definition to reflect current practices.

Existing 7861.0010, Subpart 49. Stacker box.

The Board is proposing not to reenact the definition of "stacker box" as the term is used only once in the manufacturing standards, 7864.0230, Subpart 2, item D, subitem (5). Providing detail on the internal structure of permanent gambling equipment in definitions provides no value for performance-based rules. It is necessary and reasonable to delete a definition that is unnecessary.

7861.0210, Subpart 49. State registration stamp. (reenacted from existing 7861.0010, Subpart 49a.)

The Board is proposing to reenact existing language and change the phrase "bingo **ball** selection device" to "bingo **number** selection device" to make it consistent with other rule changes allowing the use of random number generators as a bingo number selection device. The rule is necessary and reasonable to allow manufacturers to keep up-to-date with changing electronic technology in the manufacture of gambling equipment, and allows organizations to keep up-to-date with changing electronic technology in the conduct of lawful gambling. This also makes the language consistent with Minnesota Statutes, section 349.12, subdivision 18, that references "devices for selecting bingo **numbers**."

Existing 7861.0010, Subpart 50. Test vend.

The Board is proposing not to reenact the definition of "test vend" as the term is only used once in rule in manufacturing standards 7864.0230, Subpart 2, item C, subitem (6) where it is more appropriately located. It is necessary and reasonable to delete a definition that is unnecessary in this part.

7861.0210, Subpart 50. Veterans organization. (reenacted from existing 7861.0010, Subpart 51.)

The Board is proposing to reenact existing language and clarify the definition so that the reader will understand that the veterans organization must be located within Minnesota, not any "state." It is necessary and reasonable to clarify the definition so that the reader is accurately informed of requirements.

RULE-BY-RULE ANALYSIS: 7861.0220 LICENSED ORGANIZATIONS (reenacted language from 7861.0020)

The Board is proposing to reenact language from existing 7861.0020 as follows.

Existing rule 7861.0020	Reenacted in:
Subpart 1	7861.0220, Subpart 1 (license required)
Subpart 2	7861.0220, Subpart 2 (qualifications)
Subpart 3, items A to C	7861.0220, Subpart 3, items A to C (contents)
Subpart 3, item D The Board is proposing not to reenact the requirement that the name of "other members of the organization's governing body" be included in the organization license application. This will reflect current practice, as the Board has determined that this information is not necessary in the application process, and that the Board has the authority to request such information if it becomes necessary. It is necessary and reasonable to eliminate unnecessary information from being required in the organization license application.	7861.0220, Subpart 3, item D
Subpart 3, items E to K	7861.0220, Subpart 3, items E to K
Subpart 3, item L	7861.0220, Subpart 3, item N
Subpart 4, item A The Board is proposing not to reenact the requirement that a copy of the internal control system be submitted with the organization license application. Experience has shown that this requirement does not add any merit to licensing qualifications of an organization. Organizations are currently required to comply with internal control requirements as outlined extensively in existing 7861.0120, Subpart 1 (new 7861.0320, Subpart 1). Compliance with those internal control requirements is determined by the Board's compliance staff in a compliance review of the organization's records and operations after the organization: (1) is licensed, (2) has conducted gambling for a period of time, and (3) has gained experience with its management and internal control system. It is necessary and reasonable to delete an obsolete and unnecessary requirement for the organization license application.	
Subpart 4, item B	7861.0220, Subpart 4, item A (attachments)
Subpart 4, items C to F	7861.0220, Subpart 4, items B to E
Subpart 5	7861.0220, Subpart 5 (changes)
Subpart 7, items A to C	7861.0220, Subpart 6, items A to C (issuing/denying licenses)
Subpart 7, item A, last sentence	7861.0220, Subpart 7 (effective date)
Subpart 7, item D	7865.0260 , Subpart 2
Subpart 8	7861.0220, Subpart 6
Subpart 8, item A, 2 nd paragraph, 2 nd sentence	7865.0260 , Subpart 2, item B,

Existing rule 7861.0020	Reenacted in:
Subpart 8, item C The Board is proposing not to reenact the existing second sentence (expense calculation limits) because of new language in Minnesota Statutes, section 349.15, subdivision 2, effective July 1, 2006. The language is clarified in 7861.0320, Subparts 10 to 12 and is not necessary in this part. It is necessary and reasonable to delete language that is in conflict with statutory language and clarified elsewhere in rule.	
Subpart 8, item D	7865.0260 , Subpart 2
Subpart 9	7861.0220, Subpart 8 (termination)

7861.0220, Subpart 1. Organization license required. (reenacted from existing 7861.0020, Subpart 1.)

- The Board is proposing to reenact existing language as noted in the table above and amend the title of this subpart so that the reader is easily informed of its contents.
- The Board is proposing to amend the language pertaining to an organization license to clarify that it is an organization that may obtain an organization license, not a "person." It is necessary and reasonable to provide clear language on what entity is qualified to apply for an organization license.
- The Board is proposing to clarify that an organization may not conduct gambling unless it has received a license "or license renewal." This clarification is based upon language being deleted from existing 7861.0020, Subpart 8, existing item A, last sentence.
- The Board is proposing not to reenact the language pertaining to the director considering the application. It is necessary and reasonable to delete the language because 7861.0220, Subpart 6 requires the director to either issue or deny a license. It is necessary and reasonable to eliminate duplicative language.

7861.0220, Subpart 2. Organization licensing qualifications. (reenacted from existing 7861.0020, Subpart 2.)

- The Board is proposing to reenact language from existing 7861.0020, Subpart 2, and amend the title so that the reader is easily informed of its contents.
- **In item C**, the Board is proposing to clarify "incomplete consent order or license termination" by adding "requirements" after that phrase. This is a clarification that a consent order or license termination, if any, contain requirements pertaining to the organization. It is necessary and reasonable to clarify the reenacted language.

7861.0220, Subpart 3. Contents of organization license application. (reenacted from existing 7861.0020, Subpart 3.)

- The Board is proposing to reenact language from existing 7861.0020, Subpart 3, and amend the title so that the reader is easily informed of its contents.
- **In item L**, the Board is proposing to add new language that requires 501(c)(3) organizations and 501(c)(4) festival organizations to provide the Board with information regarding the percentage of general fund revenues used in its most recent fiscal year for fundraising costs and for management and general costs, as required by 7861.0220, Subpart 14. This is a reporting requirement only if the organization intends to make a lawful purpose expenditure to itself. This language ties into part 7861.0320, Subpart 14, that establishes standards for these organizations. (See SONAR for 7861.0320, Subpart 14.) It is necessary and reasonable to provide this language so that the intent of the statutory language (MS349.154. Subd. 1) is clearly explained, organizations comply with the requirement, and that the reader is aware of the requirements for these types of organizations.
- **In item M**, the Board is proposing to add new language requiring the organization to acknowledge the provisions of 7861.0320, Subpart 14. It is necessary and reasonable to include this new language to ensure that an organization is aware of the new standards pertaining to 501(c)(3) organizations and 501(c)(4) festival organizations that wish to make lawful purpose expenditures to themselves.

7861.0220, Subpart 4. Attachments to organization license application. (reenacted from existing 7861.0020, Subpart 4.)

- The Board is proposing to reenact existing 7861.0020, Subpart 4, and amend the title of this subpart so that the reader is easily informed of its contents.
- **In item A**, the Board is proposing to clarify that a 501(c)(3) organization or 501(c)(4) festival organization must submit, as proof of their nonprofit status for licensing purposes, proof of their IRS income tax exempt status. Some organizations have dual nonprofit status, i.e. from the Minnesota Secretary of State and the IRS, and in the past might have only submitted proof from the Secretary of State. To ensure that the Board has proper information regarding the organization's nonprofit status as it relates to the organization's qualifications to transfer lawful purpose expenditures to themselves under 7861.0320, Subparts 14 and 15, item B, it is necessary and reasonable to require that the organization provide information upfront regarding their IRS income tax exempt status to verify that they are in fact a 501(c)(3) organization or 501(c)(4) festival organization. This is not a new requirement; it is merely clarification that the proof of nonprofit status as evidenced by a letter from the IRS for the organization's income tax exempt status must be submitted for proper verification for licensing purposes.
- **In item D**, the Board is proposing to reenact language from existing 7861.0020, Subpart 4, item E, and amend the language with a reference to the statutory cite regarding active members. It is necessary and reasonable to point the reader to the statutory definition of active member.
- **In item E**, the Board is proposing to reenact language from existing 7861.0020, item F but not reenact the existing requirement that an affidavit be completed "by other members of the governing body of the organization." This deletion will reflect current practice, as the Board has determined that this information is not necessary in the application process. It is necessary and reasonable to eliminate unnecessary information from being required in the organization license application because the Board has the authority under Subpart 3, item N, (and statutory authority) to request such information if it becomes necessary.
- **In item F**, the Board is proposing to add the new requirement that a 501(c)(3) organization or 501(c)(4) festival organization choosing to make lawful purpose contributions to itself has the option to attach to the application "the organization's unrelated business income tax report provided to the Internal Revenue Service," or "in a format prescribed by the board." It is necessary and reasonable to clarify what information must be attached to the application to comply with 7863.0220, Subpart 3, item L and 7861.0320, Subparts 14 and 15, item B.

7861.0220, Subpart 5. Changes in organization license application information. (reenacted from existing 7861.0020, Subpart 5.)

- The Board is proposing to reenact existing language from 7861.0020, Subpart 5, and amend the title of this subpart so that the reader is easily informed of its contents.
- The Board is proposing to clarify that an organization must submit changes in application information to the Board during "the term" of the license. Many organizations frequently fail to submit changes in application information, making it difficult to contact the organization and/or to ensure that an organization is in compliance with licensing qualifications. It is necessary and reasonable to clarify when information changes are required.

Existing 7861.0020, Subpart 7. Issuance and denial, and Subpart 8. Renewals (see table above and narrative below for new Subpart 6 and existing Subpart 8)

7861.0220, Subpart 6. Issuing or denying a new or renewal organization license. (reenacted from existing 7861.0020, Subparts 7 and 8.)

- In this subpart the Board is proposing to combine requirements/criteria for issuing or denying a new or renewal organization license by reenacting language from existing 7861.0020, Subparts 7 and 8. This will reduce the bulk of rule language and consolidate language that contains the same requirements for the issuance and denial of licenses, whether they are new or renewal.
- The Board is proposing to amend the title of this subpart so that the reader is easily informed of its contents.
- **In item A, subitem (1)**, the Board is proposing not to reenact existing language "by subparts 3 and 4" and in its place insert "in the application and application attachments." This will make the rule easier to understand for the reader, as subparts 3 and 4 are the application and attachments.
- **In item A, subitem (3)**, the Board is proposing not to reenact existing language "Minnesota Statutes, section 349.16, subdivision 2" because the statutory cite is already included in Subpart 2. It is necessary and reasonable not to reenact redundant and unnecessary language.
- **In item B, subitem (1)**, the Board is proposing not to reenact existing language "Minnesota Statutes, section 349.16, subdivision 2" because the statutory cite is already included in Subpart 2. It is necessary and reasonable to delete redundant and unnecessary language.
- **In item B, subitem (3)** the Board is proposing to reenact language from existing 7861.0020, Subpart 8, item B.
- **In item B, subitem (3), unit (b)**, the Board is proposing to amend the reenacted language to clarify that if an organization spends gambling gross profits in excess of the limit under Minnesota Statutes, section 349.15, the organization is in violation of that statute. Current rule language gives the impression that an organization is "permitted" to spend in excess of the statutory limit. (SEE also SONAR for 7861.0320, Subparts 10 to 12, and 7865.0230, Subpart 2 for related information.)
- **In item B, subitem (3), unit (c)**, the Board is proposing to amend the language being reenacted from existing 7861.0020, Subpart 8, item B, subitem (3), unit (b) by deleting "349" and inserting "297E" to reflect the fact that the Board does not collect gambling taxes, as it once did from 1985 to 1988, and that the taxes are collected by the Department of Revenue under Minnesota Statutes, chapter 297E. This is a technical change that does not impose any new requirement on licensed organizations as organizations currently report and pay taxes to the Department of Revenue. It is necessary and reasonable to correct the statutory reference to make the rule accurate.
- **In item B, after unit (c)**, the Board is proposing to add new language to clarify that the director, when denying a license, must give a prompt written notice to the organization stating the grounds for the action and reasonable notice of the rights of the organization to request an appeal. The language also points the reader to 7865.0260 for information regarding an appeal. It is necessary and reasonable to make the amendments so that this item is consistent with other rule parts pertaining to the denial of a new or renewal license and the reader is clearly informed of the process.
- **In item C** the Board is proposing to amend the reenacted language by adding language pertaining to the additional fee required for a reapplication. It is necessary and reasonable to keep this existing requirement.
- **In item D**, the Board is proposing to include language stating that "all fees submitted with a new or renewal license application are considered earned and are not refundable." This makes the language consistent with reenacted language pertaining to licenses and permits contained in other chapters of the Board's rules. [It is noted that this is one of the few instances in which statutory language (from MS349.155, Subd. 6) is included in rules.] This is necessary and reasonable to ensure a consistent application in how fees are handled for all licensees.

Existing 7861.0020, Subpart 8. Renewals.

- The Board is proposing to strike this subpart and reenact and consolidate most of the existing requirements in 7861.0220, Subpart 6 (Issuing or denying a new or renewal organization license). This will help to reduce the bulk of rule language by consolidating in one subpart the same existing requirements for new and renewal licenses.

7861.0220, Subpart 7. Effective date for organization license.

- The Board is proposing to create a subpart regarding the effective date for an organization license to be consistent with information flow in other licensing parts and so that the reader can easily locate this information.
- The Board is proposing to amend reenacted language (from existing 7861.0020, Subpart 7, item A, last sentence) with "or as otherwise determined by the director." There are times when an organization is unable to or doesn't complete its application process until the middle of the month and the organization is then ready to begin the conduct of lawful gambling. Amending this subpart will give the director flexibility to issue a license mid-month but still keep the term of the license at two years from the beginning of the month in which the license was issued. Although a license might be issued mid-month, the license is still "effective" from the first day of the month but an organization must not have conducted lawful gambling before the actual date that the license was issued. It is necessary and reasonable to allow flexibility when issuing an organization license without affecting the term of the license.

7861.0220, Subpart 8. Termination of organization license. (reenacted from existing 7861.0020, Subpart 9.)

- The Board is proposing to reenact existing language.
- **In item C**, the Board is proposing to add language pertaining to "an acknowledgement of compliance with pending issues as a condition of license reapplication in the future." This is not a new requirement. It is a clarification of what the Board has required for license termination plans in the past. The Board has statutory authority under Minnesota Statutes, section 349.19, Subdivision 8, to require an organization to revise a termination plan. This language is necessary and reasonable because it is a clarification of what the Board will require of an organization that terminates its license, and organizations will be informed upfront in rule of the requirement and restriction pertaining to a future license if they file a license termination plan.

RULE-BY-RULE ANALYSIS: 7861.0230 GAMBLING MANAGER (reenacted language from 7861.0030)

The Board is proposing to reenact language from existing 7861.0030 as follows.

Existing rule 7861.0030	Reenacted in:
Subpart 1 The Board is proposing not to reenact the language stating that the application must be considered by the director. This language is not necessary because Subpart 6 already contains language requiring the director to either issue or deny a license. It is necessary and reasonable not to reenact redundant and unnecessary language.	7861.0230, Subpart 1
Subpart 2, items A to D	7861.0230, Subpart 2, items A to D
Subpart 2, item E	7861.0230, Subpart 2, item E (referenced), and 7861.0230, Subpart 3 (clarified)
Subpart 2, item F	7861.0230, Subpart 2, item C
Subpart 2a (failure to complete education)	7861.0230, Subpart 6, item E
Subpart 4 (length of license)	7861.0230, Subpart 7
Subpart 5, items A to I	7861.0230, Subpart 4, items A to I In item E, the Board is proposing not to reenact language pertaining to the current status of the license because the board can easily determine this information from its data base.
Subpart 5, item J	7861.0230, Subpart 4, item E
Subpart 5, item K	7861.0230, Subpart 4, item J
Subpart 7 (changes in application)	7861.0230, Subpart 5
Subpart 9 (gambling manager duties)	7861.0230, Subpart 8
Subpart 10 (issuance and denial)	7861.0230, Subpart 6

Existing rule 7861.0030	Reenacted in:
Subpart 10, item A, last sentence (effective date)	7861.0230, Subpart 7
Subpart 10, item A, subitem (3) The Board is proposing not to reenact the reference to "Minnesota Statutes, section 349.167" because this statutory cite is already included in Subpart 2. It is necessary and reasonable to delete redundant language.	7861.0230, Subpart 6, item A, subitem (3)
Subpart 10, item C (appeals)	7865.0260 , Subpart 2
Subpart 10, item D (appeals)	7865.0260 , Subpart 4
Subpart 10, item D, last sentence (fees)	7861.0230, Subpart 6, item F
Subpart 11, items A and B (renewals)	7861.0230, Subpart 6, items A and B
Subpart 11, item A, last sentence	7861.0230, Subpart 1
Subpart 11, item C	7861.0230, Subpart 6, item C
Subpart 11, item D, 1 st paragraph	7861.0230, Subpart 6, item D
Subpart 11, item D, 2 nd paragraph (appeal language)	7865.0260 , Subpart 2
Subpart 12 (assistant gambling manager duties)	7861.0230, Subpart 9
Subpart 12, item C, last paragraph The Board is proposing not to reenact the requirement that an organization submit a list of an assistant gambling manager's duties for that organization. The Board can easily get this information from the involved organizations if it is deemed necessary. Also, this subpart already defines the duties that the assistant gambling manager may perform. It is necessary and reasonable to eliminate an unnecessary and burdensome requirement.	
Subpart 13	7861.0230, Subpart 3, item C

7861.0230, Subpart 1. Gambling manager license required. (reenacted from existing 7861.0030, Subpart 1.)

- The Board is proposing to amend the title of this subpart so that the reader is easily informed of its contents.
- The Board is proposing to amend the reenacted language to clarify that a gambling manager must receive a license renewal to continue to act as an organization's gambling manager. This is an existing requirement being reenacted from existing 7861.0030, Subpart 11, item A, last sentence.

7861.0230, Subpart 2. Gambling manager licensing qualifications. (reenacted from existing 7861.0030, Subpart 2.)

- The Board is proposing to reenact existing language and amend the title of this subpart so that the reader is easily informed of its contents.
- **In item A**, the Board is proposing to amend the reenacted language with language from existing 7861.0060, Subpart 2, item G (lessor), so that all gambling manager qualifications are contained in one location in rules. This is necessary and reasonable so that any confusion regarding qualifications is eliminated and the reader can easily find all gambling manager licensing qualifications in one subpart.

Existing 7861.0030, Subpart 2a. Emergency gambling manager.

The Board is proposing to strike and reenact this language in 7861.0230, Subpart 6, item E, where all requirements pertaining to an emergency gambling manager are consolidated and clarified. It is necessary and reasonable to consolidate all requirements for an emergency gambling manager where it is more logically placed in rule.

7861.0230, Subpart 3. Gambling manager seminar and continuing education requirements.

- The Board is proposing to create a new subpart to consolidate and clarify reenacted language (from existing 7861.0030, Subpart 2, item E) for education requirements for new gambling managers, gambling managers who are renewing their license, and for emergency replacement gambling managers.
- **In item C**, the Board is proposing to amend the reenacted language to clarify the proof of identification required for attendances to board-authorized seminars, classes, and examinations. Attendees will be required to provide proof of identification from a driver's license or ID card issued by Minnesota, or a state or province of Canada "contiguous to Minnesota." This is necessary and reasonable to ensure that the gambling manager lives in or in close proximity to Minnesota and is able to perform the duties as a gambling manager for an organization licensed in Minnesota.
- As there is confusion as to when a gambling manager must attend a class each year during the term of their license to comply with the statutory requirement for education (MS349.167, Subd. 4), it is necessary and reasonable for the Board to clarify the existing statutory and rule requirements. It is noted that the Board will seek a legislative change in 2007 to simplify education requirements, but until and unless that occurs the current and proposed rule language is necessary.
- It is necessary and reasonable to consolidate all requirements pertaining to education in one subpart.

Existing 7861.0030, Subpart 4. Length of license.

The Board is proposing to strike existing language, and then reenact and clarify the language in 7863.0230, Subpart 7 to be consistent with the format and information flow of other rule parts pertaining to licenses and permits.

7861.0230, Subpart 4. Contents of gambling manager license application. (reenacted from existing 7861.0030, Subpart 5.)

- The Board is proposing to amend the reenacted title of this subpart so that the reader is easily informed of its contents.
- **In item E**, the Board is proposing to amend the reenacted language to clarify what education is required for new and renewal applications.
- **In item F**, the Board is proposing to amend reenacted language by pointing the reader to the statutory language for the type of bond required. Previously, a fidelity bond was required. A statutory change that became effective on August 1, 2005, changed this to a dishonesty bond. Pointing the reader to the statutory language will prevent the rule from becoming obsolete or incorrect if legislative changes occur in the future.
- **In item I**, the Board is proposing to amend the reenacted language by adding "Revenue," and "tax check or review" to reflect existing requirements of Minnesota Statutes, section 349.167, subdivision 2 and to reflect existing practice of obtaining a tax check for gambling manager license applicants.
- It is necessary and reasonable to make the proposed changes to consolidate and clarify reenacted requirements.

7861.0230, Subpart 5. Changes in gambling manager license application information. (reenacted from existing 7861.0030, Subpart 7.)

- The Board is proposing to reenact existing language and clarify that changes in license application information must be submitted during the "license" term. Gambling managers frequently fail to submit changes in application information, making it difficult to contact the gambling manager and/or to ensure that a gambling manager is in compliance with licensing qualifications. It is necessary and reasonable to clarify when information changes are required.

Existing 7861.0030, Subpart 9. Gambling manager duties.

The Board is proposing to strike this subpart, and reenact the language in 7861.0230, Subpart 8 (Gambling manager duties) in order to locate the information next to the subpart for assistant gambling manager duties. It is necessary and reasonable to relocate information where it is more logically placed for reference.

7861.0230, Subpart 6. Issuing and denying a new or renewal gambling manager license; license for an emergency gambling manager. (reenacted from existing 7861.0030, Subparts 10 and 11.)

- The Board is proposing to change the title of this subpart to make it consistent with language in other chapters pertaining to licenses, and to reenact and consolidate language/requirements from existing 7861.0030, Subparts 10 and 11. It is necessary and reasonable to change the title to clarify the contents that are being consolidated in this subpart, i.e. criteria for issuing or denying new and renewal licenses.
- **In item A, subitem (1)**, the Board is proposing not to reenact language that points the reader to another subpart in this part and, and amend it with "in the gambling manager application" so that the reader can easily understand the requirements.
- **In item B**, the Board is proposing to include new language clarifying that:
 - the application must be denied if it remains incomplete for more than 90 days after its initial submission. This change will make the requirement consistent with language reenacted in other rule parts pertaining to the denial of an application. This is not a new requirement.
 - the director, when denying a license, must give a prompt written notice to the licensee stating the grounds for the action and reasonable notice of the rights of the licensee to request an appeal. The amendment will make this item consistent with other rule parts pertaining to the denial of a new license. It is necessary and reasonable to clarify the director's responsibility to act promptly and notify an applicant when denying a license application.
- **In item E**, the Board is proposing to amend the reenacted language to clarify that the Board may summarily suspend a license under Minnesota Statutes, section 1641 for failure to pass the examination or complying with licensing qualification. It is necessary and reasonable to inform that the reader of the reasons for a possible summary suspension under this subpart.

Existing 7861.0030, Subpart 11. Renewals.

- The Board is proposing to delete this subpart and reenact most of the language in 7861.0230, Subpart 6 where it will be consolidated with similar language. (See table and SONAR for Subpart 6, above, for additional information.)

7861.0230, Subpart 7. Effective date and length of gambling manager license. (existing 7861.0030, Subpart 4.)

- The Board is proposing to create a subpart for the effective date and length of gambling manager license using reenacted language from existing 7861.0030, Subpart 4.
- The Board is proposing to amend the language pertaining to the effective date of the license to include "or as otherwise determined by the director." Organizations have to shut down its gambling operation for a few days until the replacement gambling manager obtains their license, as statute prohibits an organization from conducting lawful gambling without a licensed gambling manager that meets the qualification in statute and rule. The shutdown phase is usually three days or less, because the Board processes applications for emergency replacement gambling managers immediately upon receipt. It is necessary and reasonable to amend the language to reflect the fact that a license for an "emergency replacement" gambling manager may be issued at times other than the first day of the month, as is the current practice. This will help to ensure that an organization has minimal disruption in its lawful gambling operations.

7861.0230, Subpart 8. Gambling manager duties. (reenacted from existing 7861.0030, Subpart 9.)

The Board is proposing to reenact language from existing 7861.0030, Subpart 9 and place it next to 7861.0230, Subpart 9 (Assistant gambling manager duties and restrictions) so that the duties of a gambling manager and assistant manager can easily be referenced in adjoining subparts. It is necessary and reasonable to place related information in close proximity to one another.

7861.0230, Subpart 9. Assistant gambling manager duties and restrictions. (reenacted from existing 7861.0030, Subpart 12.)

- The Board is proposing to reenact existing 7861.0030, Subpart 12, and amend the title so that the reader is accurately informed of its contents.
- **In item C, first sentence**, (reenacted language from existing 7861.0030, Subpart 12, item C), the Board is proposing not to reenact the reference to "licensed bingo hall" and replace it with "permitted premises" in the first instance. The licensing of bingo halls was repealed legislatively, effective August 1, 2005. The second mention of the term "licensed bingo hall" is replaced with "owner or lessor of the premises." Premises where bingo is conducted are considered permitted premises, and therefore the new language is necessary and reasonable to ensure that the existing requirements remain in place, are clear to the reader, and are consistent with statutory language.
- **In item C, subitem (2), unit (f)**, the Board is proposing to reenact language from existing 7861.0030, Subpart 12, item D, subitem (6), and clarify that the assistant gambling manager may be employed by more than one organization at a site where bingo is conducted by more than one organization, but may not be employed by another organization "at another site." This is not a new restriction. It is necessary and reasonable to clarify the existing and reenacted restriction in clearer language.

Existing 7861.0030, Subpart 13. Proof of identification

The Board is proposing to strike the language in existing 7861.0030, Subpart 13 and reenact and clarify it in 7861.0230, Subpart 3 (Gambling manager seminar and continuing education requirements). It is necessary and reasonable to consolidate and clarify all language pertaining to education in one subpart.

RULE-BY-RULE ANALYSIS: 7861.0240 PREMISES PERMITS (reenacted language from 7861.0040)

The Board is proposing to reenact language from existing 7861.0040 as follows.

Existing rule 7861.0040	Reenacted in:
Subpart 1	7861.0240, Subpart 1
Subpart 2 (effective date)	7861.0240, Subpart 6
Subpart 3 (contents of application)	7861.0240, Subpart 2
Subpart 4, item A, subitems (1) to (5)	7861.0240, Subpart 3, subitems (1) to (5)
Subpart 4, item A, subitem (6) The Board is proposing not to reenact language from existing 7861.0040, Subpart 4, item A, subitem (6) (bingo leased premises) because effective on August 1, 2005, "all-inclusive" bingo rent, with exceptions approved by the Board director, was established by the Legislature under Minnesota Statutes, section 349.18, subdivisions 1(c) and 1(d). It is necessary and reasonable to remove obsolete language that conflicts with statute.	
Subpart 4, item A, subitem (7), units (a) to (d)	7861.0240, Subpart 3, item A, subitem (6), units (a) to (d)
Subpart 4, item A, subitem (7), units (e) to (g)	7861.0240, Subpart 3, item A, subitem (6), unit (e)
Subpart 4, item A, subitem (7), unit (h)	7861.0240, Subpart 3, item A, subitem (6), unit (f)
Subpart 4, item A, subitem (8)	7861.0240, Subpart 3, item A, subitem (7), unit (a)
Subpart 4, item A, subitem (9)	7861.0240, Subpart 3, item A, subitem (7), unit (b)
Subpart 4, item A, subitem (10)	7861.0240, Subpart 3, item A, subitem (6), unit (e)
Subpart 4, item A, subitem (11)	7861.0240, Subpart 3, item A, subitem (7), unit (c)
Subpart 4, item A, subitem (12)	7861.0240, Subpart 3, item A, subitem (7), unit (d)
Subpart 4, item A, subitem (13)	7861.0240, Subpart 3, item A, subitem (7), unit (e)
Subpart 4, item A, subitem (14)	7861.0240, Subpart 3, item A, subitem (8)
Subpart 4, item A, subitem (15)	7861.0240, Subpart 3, item A, subitem (9)
Subpart 4, item B	7861.0240, Subpart 3, item B

Existing rule 7861.0040	Reenacted in:
<p>Subpart 5 The Board is proposing not to reenact the language that requires an organization to notify the local unit of government of changes in application and lease information. That requirement is better left at the local level whereby a city or county can determine if they want the information and within what timeframe they require it. Local units of government have authority under Minnesota Statutes, section 349.213 to be more restrictive in its regulation of lawful gambling. It is necessary and reasonable to allow local units of government the option to determine if they want to receive information changes.</p>	7861.0240, Subpart 4
Subpart 6 (renegotiated leases)	7861.0240, Subpart 4, items B and C
<p>Subpart 8, item A The Board is proposing not to reenact this language because it is not necessary to spell out in rule that an organization must take an application to the local unit of government.</p>	
Subpart 8, item B	7861.0240, Subpart 3, item B
<p>Subpart 8, item C The Board is proposing not to reenact this language as this requirement is already referenced in Subpart 3, item B (Attachments to application). It is necessary and reasonable not to reenact redundant language.</p>	
Subpart 8, item D (local denial)	7861.0240, Subpart 5, item B, subitem (2)
Subpart 9, item A (issuing permit criteria)	7861.0240, Subpart 5, item A
Subpart 9, item A, last sentence (effective date)	7861.0240, Subpart 6
Subpart 9, item B, subitems (1) and (2)	7861.0240, Subpart 5, item B, subitem (1)
Subpart 9, item B, subitems (3) to (5)	7861.0240, Subpart 5, item B, subitems (3) to (5)
<p>Subpart 9, item B, subitem (6) The Board is proposing not to reenact the definition of "complete change of ownership" in this subpart. The reader will be pointed to 7865.0210, Subpart 3, item C, where the definition of "complete change of ownership" will be reenacted.</p>	7861.0240, Subpart 5, item B, subitem (7)
Subpart 9, items C and D (except for last sentence of item D)	7865.0260 , Subparts 2 and 4
Subpart 9, item D, last sentence (fees)	7861.0240, Subpart 5, item D
Subpart 10, item A, 1 st paragraph	7861.0240, Subpart 5, item A, subitem (1)
<p>Subpart 10, item A, 2nd paragraph, 1st sentence The Board is proposing not to reenact this language because Board staff assist organizations with the application process to ensure that their permit renewal application is completed in a timely manner. This restriction is obsolete.</p>	
Subpart 10, item A, 2 nd paragraph last sentence (expired permit)	7861.0240, Subpart 1
Subpart 10, item B, 1 st sentence	7861.0240, Subpart 5, item A, subitem (1)
Subpart 10, item B, 2 nd sentence	7861.0240, Subpart 5, item B, subitem (6)
Subpart 10, item C	7861.0240, Subpart 5, item C
Subpart 10, item D, subitems (1) to (3)	7865.0260 , Subparts 2 and 4

7861.0240, Subpart 1. Premises permit required. (reenacted from existing 7861.0040, Subpart 1.)

- The Board is proposing to amend the reenacted and consolidated language by adding "premises permit renewal" to clarify that a renewal permit must be obtained in order to continue gambling at the premises.
- The Board is proposing not to reenact language pertaining to the director considering an application. This requirement is already contained in new Subpart 5 that requires the director to either issue or deny an application for a license. It is necessary and reasonable to delete unnecessary and redundant language.

Existing 7861.0040, Subpart 2. Length of permit.

The Board is proposing to strike the existing language and reenact it in Subpart 6 (Permit effective date and length of premises permit) to be consistent with the placement of similar language in other rule chapters. It is necessary and reasonable to be consistent with rule language placement so that a reader can easily locate similar information.

7861.0240, Subpart 2. Contents of premises permit application. (reenacted from existing 7861.0040, Subpart 3.)

- The Board is proposing to reenact language from existing 7861.0040, Subpart 3, pertaining to the contents of premises permit applications, with some grammatical changes.
- **In item F**, the Board is proposing to amend the language to clarify that all storages spaces, "temporary" or permanent, must be registered with the Board. This is necessary and reasonable because an organization is required to account for its inventory of gambling equipment at all times. For example, gambling equipment might be delivered to the gambling manager's home before the equipment is transferred to a premises where the equipment is "permanently" located. The gambling manager's home address would have to be registered as a "temporary" location, in addition to all permanent storage locations. This is not a new requirement. It is necessary and reasonable to clarify an existing requirement contained in Minnesota Statutes, section 349.18, subdivision 1a(a).

7861.0240, Subpart 3. Attachments to premises permit application of lease and local government approval. (reenacted from existing 7861.0040, Subpart 4.)

- The Board is proposing to reenact language from existing 7861.0040, Subpart 4, and clarify the title of this subpart so that the reader is easily informed of its contents.
- **In item A, subitem (5)**, the Board is proposing to clarify the language by referencing the statutory language that restricts the rent amount that may be paid for a leased premises. Minnesota Statutes, section 349.19, subdivision 2, requires that all gambling expenses be paid from the gambling account, and Minnesota Statutes, section 349.18, subdivision 4, paragraph (b) prohibits an organization from paying rent from any account other than its gambling account. The amended language is necessary and reasonable because this is an existing restriction that is being clarified.
- **In item A, subitem (7), unit (e)**, the Board is proposing to include new language that must be included in the contents of the Board's prescribed lease. This is a new statutory restriction [MS349.18, Subd. 1(a)] that became effective on August 1, 2005. Including this reference is necessary and reasonable to inform the organization and the lessor of a leased premises of statutory language pertaining to rent and illegal gambling, and the consequences when the lessor is determined to be the responsible entity for conducting the illegal gambling.
- All existing language that is being reenacted referencing **penalties** (7861.0050, Subparts 1 and 3) will be changed to point the reader to the appropriate subpart in 7865.0220 where language pertaining to penalties for illegal gambling is being reenacted and consolidated.
- **In item A, subitem (8)**, the Board is proposing to reenact language from existing 7861.0060, Subpart 2, item A (providers of gambling equipment and services and use of net profits for lawful purpose). This is not a new restriction. It is necessary and reasonable to consolidate existing lease language in one place for a more logical reference and eliminate any confusion for the reader.
- **In item B**, the Board is proposing to simplify the reenacted language and consolidate the requirements for the resolution of approval that must be obtained by an organization from a local unit of government. It is necessary and reasonable to consolidate all requirements pertaining to the local resolution in one item.

7861.0240, Subpart 4. Changes in premises permit application and lease information. (reenacted from existing 7861.0040, Subpart 5.)

- The Board is proposing to reenact language from existing 7861.0040, Subpart 5 and amend the title so that the reader is easily informed of its contents.
- **In items B and C**, the Board is proposing to reenact language from existing 7861.0040, Subpart 6 (Renegotiated leases), delete the term "renegotiated" and amend it with "amended," the term commonly used in the industry. It is necessary and reasonable to place and clarify all related requirements for application and lease changes in one subpart so that the reader can easily locate and reference the information.
- **In item B**, the Board is proposing to clarify that a lease amended with no change in ownership must be submitted to the board ten days before the effective date **of the change**, not ten days before the effective date **of the lease**. It is necessary and reasonable to clarify the timeframe so that the reader is accurately informed of the existing requirement.

Existing 7861.0040, Subpart 6. Renegotiated leases.

The Board is proposing to strike the language in this subpart and reenact it in 7861.0230, Subpart 4, items B and C. It is necessary and reasonable to move the language so that all language pertaining to changes in application and lease information is consolidated in one subpart.

Existing 7861.0040, Subpart 8. Local approval or denial.

- The Board is proposing to strike this subpart and reenact the language as noted in the table above.

7861.0240, Subpart 5. Issuing or denying a new or renewal premises permit; violation of lease agreement. (reenacted from existing 7861.0040, Subparts 9 and 10.)

- The Board is proposing to reenact language/requirements from existing 7861.0030, Subparts 9 and 10, and to consolidate requirements that are the same for new and renewal applications in one subpart as noted in the table above and as follows.
- The Board is proposing to amend the title of this subpart so that the reader is easily informed of its contents.
- **In item A**, the Board is proposing to amend reenacted language pertaining to appeals to point the reader to 7865.0260, Subpart 3, where appeal language is being consolidated.
- **In item B, subitem (2)**, the Board is proposing to add "application has been denied by the local unit of government" by reenacting language from existing 7861.0040, Subpart 8, item D. It is necessary and reasonable to place requirements where they are logically located.
- **In item B, subitems (4) and (5)**, the Board is proposing to amend the reenacted language to clarify that suspension or revocation pertains to illegal gambling and to delete "7861.0050" and replace it with "7865.0220, Subpart 3." It is necessary and reasonable to clarify existing language and to point the reader to the new chapter/part pertaining to suspensions or revocations for illegal gambling.
- **In item B, subitem (6)**, the Board is proposing to insert language clarifying that an application must be denied if it remains incomplete for more than 90 days after it is initial submission. This requirement is consistent with existing requirements for the denial of an organization license. It is necessary and reasonable to place a timeframe on the completion of applications because local units of government are also involved with the process.
- **In item B, subitem (7), unit (b)**, the Board is proposing to amend the language with "at the time of the first or second violation," language that is being reenacted from existing 7861.0030, Subpart 9, item B, subitem (6), unit (b) (last paragraph). It is necessary and reasonable to consolidate and clarify existing requirements in one subitem.
- At the **end of item B**, the Board is proposing to add language that informs the reader of the action the director must take when denying an application. It is necessary and reasonable to provide guidelines for notices given to organizations if an application is denied.
- **In item D**, the Board is proposing to make a necessary and reasonable amendment to reenacted language to clarify that fees submitted with "a permit" application are not refundable, as this subpart pertains to premises permits, not a license.

Existing 7861.0040, Subpart 10. Renewals.

The Board is proposing to delete this subpart and reenact the language as noted in the table above. It is necessary and reasonable to delete redundant language and to consolidate the same requirements for the denial of new and renewal premises permit applications in one subpart.

7861.0240, Subpart 6. Permit effective date and length of premises permit. (reenacted from existing 7861.0040, Subpart 2.)

The Board is proposing to create a new subpart, using reenacted language from existing 7861.0040, Subpart 2, to be consistent with the language and placement of similar language in other parts pertaining to licenses. The Board is proposing to reenact language from existing 7861.0040, Subpart 2 and make it the second sentence of this part (expiration date).

RULE-BY-RULE ANALYSIS: 7861.0050 ILLEGAL GAMBLING

The Board is proposing to repeal all language in this part and reenact, organize, and standardize the language in chapter 7865.0220, Subparts 2 and 3. It is necessary and reasonable to consolidate the same requirements for all licensees in one part.

RULE-BY-RULE ANALYSIS: 7861.0260 CONDUCT OF LAWFUL GAMBLING (reenacted language from 7861.0060)

The Board is proposing to reenact language from existing 7861.0060 as noted in the table and narrative below, and to reenact, incorporate, and consolidate some language from existing 7861.0070, 7861.0080, 7861.0090, 7861.0100, and 7861.0110, as noted in the narrative below. This consolidation will also help to reduce the bulk of rule language in those parts that are also being reenacted. It is necessary and reasonable to consolidate and standardize similar and related language and make the rule requirements consistent in its application to all five forms of lawful gambling: bingo, pull-tabs, tipboards, paddlewheels, and raffles.

Existing rule 7861.0060	Reenacted in:
Subpart 1, items A to D	7861.0260, Subpart 1, items A to D
Subpart 2, item A	7861.0240, Subpart 4, item A, subitem (8)
Subpart 2, item B The Board is proposing not to reenact this language because this restriction is duplicative of language contained in Minnesota Statutes, section 349.18, subdivision 4, paragraph (a). It is necessary and reasonable not to reenact duplicative language.	
Subpart 2, item C, subitem (1) The Board is proposing not to reenact this language because effective August 1, 2005 a legislative change established bingo rent limits in statute. It is necessary and reasonable not to reenact an obsolete rule.	
Subpart 2, item C, subitem (2) (rent amounts)	7861.0240, Subpart 3, item A, subitem (5)
Subpart 2, item D (food and beverages)	7861.0260, Subpart 1, item I
Subpart 2, item E The Board is proposing not to reenact this language because of a 2006 legislative change in Minnesota Statutes, section 349.18, subdivision 1, paragraph (f) that clarifies that "no entity other than the licensed organization may conduct any activity within a booth operation in a leased premises." It is necessary and reasonable not to reenact an obsolete rule and to eliminate any conflict with statutory language.	
Subpart 2, item F The Board is proposing not to reenact this language because effective May 19, 2006, Minnesota Statutes, section 349.18, subdivision 1, paragraph (g) clarifies that employees of a lessor not involved in the conduct of lawful gambling on the premises may participate with certain restrictions. It is noted that in 7861.0240, Subpart 3, item A, subitem (6), unit (d,) the rule requires an organization to obtain an irrevocable consent from the lessor (in the Board's lease form) stating that the "lessor, the lessor's immediate family, and any agent or gambling employees of the lessor will not participate in the conduct of lawful gambling on the premises." It is necessary and reasonable to delete the language to eliminate any conflict with statutory language, and to eliminate unnecessary language that is contained and clarified in another rule.	

RULE-BY-RULE ANALYSIS: 7861.0260 CONDUCT OF LAWFUL GAMBLING (reenacted language from 7861.0060)

The Board is proposing to reenact language from existing 7861.0060 as noted in the table and narrative below, and to reenact, incorporate, and consolidate some language from existing 7861.0070, 7861.0080, 7861.0090, 7861.0100, and 7861.0110, as noted in the narrative below. This consolidation will also help to reduce the bulk of rule language in those parts that are also being reenacted. It is necessary and reasonable to consolidate and standardize similar and related language and make the rule requirements consistent in its application to all five forms of lawful gambling: bingo, pull-tabs, tipboards, paddléwheels, and raffles.

Existing rule 7861.0060	Reenacted in:
Subpart 1, items A to D	7861.0260, Subpart 1, items A to D
Subpart 2, item A	7861.0240, Subpart 4, item A, subitem (8)
Subpart 2, item B The Board is proposing not to reenact this language because this restriction is duplicative of language contained in Minnesota Statutes, section 349.18, subdivision 4, paragraph (a). It is necessary and reasonable not to reenact duplicative language.	7861.0260, Subpart
Subpart 2, item C, subitem (1) The Board is proposing not to reenact this language because effective August 1, 2005 a legislative change established bingo rent limits in statute. It is necessary and reasonable not to reenact an obsolete rule.	
Subpart 2, item C, subitem (2) (rent amounts)	7861.0240, Subpart 3, item A, subitem (5)
Subpart 2, item D (food and beverages)	7861.0260, Subpart 1, item I
Subpart 2, item E The Board is proposing not to reenact this language because of a 2006 legislative change in Minnesota Statutes, section 349.18, subdivision 1, paragraph (f) that clarifies that "no entity other than the licensed organization may conduct any activity within a booth operation in a leased premises." It is necessary and reasonable not to reenact an obsolete rule and to eliminate any conflict with statutory language.	
Subpart 2, item F The Board is proposing not to reenact this language because effective May 19, 2006, Minnesota Statutes, section 349.18, subdivision 1, paragraph (g) clarifies that employees of a lessor not involved in the conduct of lawful gambling on the premises may participate with certain restrictions. It is noted that in 7861.0240, Subpart 3, item A, subitem (6), unit (d,) the rule requires an organization to obtain an irrevocable consent from the lessor (in the Board's lease form) stating that the "lessor, the lessor's immediate family, and any agent or gambling employees of the lessor will not participate in the conduct of lawful gambling on the premises." It is necessary and reasonable to delete the language to eliminate any conflict with statutory language, and to eliminate unnecessary language that is contained and clarified in another rule.	

Existing rule 7861.0060	Reenacted in:
Subpart 2, item G (gambling manager qualifications)	7861.0230, Subpart 2, item A
Subpart 2, item H, 1 st sentence (pull-tab dispensing devices)	7861.0280, Subpart 7
Subpart 2, item H, 2 nd sentence (pull-tab dispensing devices) The Board is proposing not to reenact the 2 nd sentence because Minnesota Statutes, section 349.165 references the premises permit that an organization must obtain to conduct lawful gambling. It is necessary and reasonable not to reenact unnecessary language.	
Subpart 2, item I (pull-tab dispensing device)	7861.0280, Subpart 7, item B
Subpart 2, item J (pull-tab dispensing device)	7861.0280, Subpart 7, item C
Subpart 2, item K (hours of conduct) The Board is proposing to reenact the language in 7861.0260, Subpart 1, item F, as this restriction applies to the conduct of all gambling at all permitted premises, whether leased or owned by the organization. It is necessary and reasonable to clarify restrictions for the general conduct of gambling at all permitted premises.	7861.0260, Subpart 1, item F
Subpart 3 (posting of flare) The Board is proposing not to reenact this language as these are essentially manufacturing standards contained in 7864.0230, and is information that must be listed on a flare by a manufacturer, not by an the organization. This change is necessary and reasonable because the contents of the flare are the manufacturer's responsibility.	
Subpart 5	7861.0260, Subpart 3
Subpart 6	7861.0260, Subpart 6
Subpart 7, 1 st sentence The Board is proposing not to reenact the language because of a previous statute change that allows only a licensed distributor to sell or provide gambling equipment to organizations conducting lawful gambling. It is necessary and reasonable to delete obsolete language.	
Subpart 7, 2 nd sentence (redemption of tickets)	7861.0280, Subpart 1, item D 7861.0290, Subpart 1, item E
Subpart 7, 3 rd sentence The Board is proposing not to reenact language pertaining to the prohibition of not transferring a pull-tab dispensing device without prior written notification to the board. Organizations are currently not required to inform the Board of the location of other registered permanent equipment. (Distributors are required to register permanent equipment with the Board.) This information can be easily obtained by the Board when needed from the organization and from licensed distributors. It is necessary and reasonable to eliminate a burdensome and unnecessary requirement.	

Existing rule 7861.0060	Reenacted in:
Subpart 7, 4 th sentence (transfer of games in play prohibited)	7861.0280, Subpart 1, item E 7861.0290, Subpart 1, item F 7861.0300, Subpart 1, item J
Subpart 8, items A to C	7861.0260, Subpart 7, items A to C
Subpart 8, item D, 1 st sentence The Board is proposing not to reenact this language because this is a requirement imposed on a distributor under 7863.0220, Subpart 4.	
Subpart 8, item D, 2 nd sentence	7861.0260, Subpart 7, item D

7861.0260, Subpart 1. General restrictions. (reenacted from existing 7861.0060, Subpart 1.)

- **In item A**, the Board is proposing to clarify the reenacted language by stating the age restrictions of participation in lawful gambling in a manner that is easier to understand
- **In item A, subitem (2)**, the Board is proposing to clarify that a person under 18 may not "claim a raffle prize." It is necessary and reasonable to clarify statutory restrictions that are often misinterpreted.
- **In item A, subitem (3)**, the Board is proposing to include language that points the reader to the statutory language for bingo restrictions as it is necessary and reasonable to prevent the rule from becoming obsolete if the statute changes in the future.
- **In item B**, the Board is proposing to amend reenacted language by inserting "certificates of participation" to reflect recent statutory changes that allow these certificates as an alternative to raffle tickets.
- **In item C, subitem (3)**, the Board is proposing to amend the reenacted language by inserting language from existing 7861.0080, Subpart 2, item L and from existing 7861.0090, Subpart 2, item D. The first part of the sentence is based upon Minnesota Statutes, section 349.18, subdivision 1a(a), and applies to all five forms of lawful gambling. The new language in subitem (3) consolidates an existing requirement for invoices (inventory records) that must be maintained at each premises and pertains to all five forms of lawful gambling. Minnesota Statutes 349.19, subdivision 6 authorizes the board and the commissioners of public safety and revenue or their agents to inspect gambling records at any reasonable time. To inform the reader of these requirements, the change is necessary and reasonable by consolidating these existing requirements in one part/subpart.
- **In item E**, the Board is proposing to reenact language from existing 7861.0070, subpart 1, item K and apply it equally to all five forms of lawful gambling. This change is necessary and reasonable to clarify and reaffirm 7861.0320, Subpart 1 (internal controls) that requires the fair play of all games to the public.
- **In item F**, the Board is proposing to reenact language from existing 7861.0060, Subpart 2, item K (restrictions on gambling on leased premises). The original intent of the language was that this language pertained to all premises, whether owned or leased. This change is necessary and reasonable to prevent "before hours" or "after hours" play of lawful gambling on any permitted premises by employees, which has a negative effect on the fair play of a game and the integrity of lawful gambling in Minnesota. This is not a new requirement; it is merely a clarification that this requirement pertains to all permitted premises whether owned or leased.
- **In item G**, the Board is proposing to reenact language from existing 7861.0080, Subpart 2, item C, to clarify that this requirement pertains to all five forms of lawful gambling, not just pull-tabs. This change is necessary and reasonable to ensure that all players have access to a fair game and that the integrity of lawful gambling in Minnesota is not jeopardized. This is not a new requirement, as the Board is mandated by Minnesota Statutes, section 349.11 to insure the integrity of operations.
- **In item H**, the Board is proposing to reenact language from existing 7861.0050, Subpart 1. This is a more logical placement of this restriction and will better inform the reader that illegal gambling may not be conducted at a premises for which a licensed organization has a premises permit to conduct lawful gambling. It is necessary and reasonable to inform the reader regarding the restrictions pertaining to illegal gambling, whether they are conducted by a licensed organization or other entity.
- **In item I**, the Board is proposing to reenact language from existing 7861.0060, Subpart 2, item D.

Existing 7861.0060, Subpart 2. Restrictions for gambling on leased premises.

The Board is proposing to strike this subpart and reenact the language as noted in the table above.

Existing 7861.0060, Subpart 3. Posting of flare.

The Board is proposing not to reenact this subpart as noted in the table above.

7861.0260, Subpart 2. Posting of information and house rules. (reenacted from existing 7861.0060, Subpart 4.)

- The Board is proposing to amend the title of this reenacted subpart by adding "house rules" so that the reader is clearly informed of the requirements in the subpart.
- **In item E**, the Board is proposing to amend the reenacted language with the phrase "visible to players before they purchase a chance to participate in lawful gambling" being reenacted from existing 7861.0080, Subpart 2, item G, and applied to all five forms of lawful gambling.
- **In item E**, the language outlines the general requirements of the house rule sign that applies to all five forms of lawful gambling. This is necessary and reasonable as language reenacted and consolidated in this subpart from existing 7861.0070, 7861.0080, 7861.0090, and 7861.0100 requires that house rules be prominently posted and a new rule in 7861.0310 requires house rules for raffles. [It is noted that posting language is also added as it specifically pertains to each form of lawful gambling in 7861.0270; 7861.0280; 7861.0290; 7861.0300; and 7861.0310.]

7861.0260, Subpart 3. Advertising. (reenacted from existing 7861.0060, Subpart 5.)

In the reenacted language, the Board is proposing to delete the phrase "and the premises permit number for the premises." This language is not necessary. As long as the advertising contains the organization's name and license number, the Board and public can easily identify the organization. The premises permit number is meaningless to the general public and adds no value to the rule requirement. The change is necessary and reasonable to reduce the requirements of advertising content for an organization and does not harm the integrity of lawful gambling.

7861.0260, Subpart 4. Prizes awarded; records required.

The Board is proposing to add a new subpart in which all existing rule language pertaining to prizes awarded from other rule parts is reenacted and consolidated in this subpart. Currently, similar but not consistent language is contained in other parts of the rule.

- **In items A, D, and E**, the Board is proposing to reenact and consolidate language from existing 7861.0070, Subpart 6a; 7861.0080, Subpart 5; 7861.0090, Subpart 3; 7861.0100, Subpart 8, item E; and 7861.0110, Subpart 2 and removing "service or real property" from that language.
- **In item B**, the Board is proposing to reenact language from existing 7861.0080, Subpart 5, item A.
- **In item C**, the Board is proposing to reenact language from existing 7861.0110, Subpart 4, item A.
- **In item D**, the Board is proposing to reenact language from existing 7861.0070, Subpart 6a, item A, last sentence, and amend it with "certificates of merchandise, certificates of service, gift certificates, or gift cards."

The consolidation and changes in items A through D of the reenacted language are necessary and reasonable to consolidate, standardize, and eliminate any inconsistencies in prize language requirements and restrictions. In the past, organizations have been prohibited from offering a "certificate of services" for any game other than a raffle. This prohibition has been deemed unnecessary and unreasonable and is being deleted from the prize language being reenacted in this subpart. This change is necessary and reasonable to allow organizations to offer a wider variety of prizes for its games. Also, it is necessary and reasonable to add new language allowing organizations to offer as prizes "gift certificates or gift cards." This reflects changing practices in the business community and will allow organizations to offer a wider variety of prizes for its games.

- **In item E**, the Board is proposing to reenact and consolidate language from:
 - Existing 7861.0070, Subpart 6a, item G (bingo);
 - Existing 7861.0080, Subpart 5, item E (pull-tabs);
 - Existing 7861.0100, Subpart 8, item E (paddlewheels); and
 - Existing 7861.0110, Subpart 2, item G (raffles).

It is necessary and reasonable to consolidate all language pertaining to ownership of prizes as they apply to all forms of lawful gambling and to reduce the bulk of reenacted rule language.

7861.0260, Subpart 4. Prizes awarded; records required. (continued)

- **In item F**, the Board is proposing to reenact and amend the language from existing 7861.0110, Subpart 2, item G, and modify the language pertaining to "prizes that will require registration or licensure by a government agency as a condition of ownership of the prize" to reflect that this existing requirement pertains to all forms of lawful gambling, not just raffles, when awarding these types of merchandise prizes. It is necessary and reasonable to clarify requirements pertaining to prizes offered for all forms of lawful gambling.
- **In item G**, the Board is proposing to include language that clarifies when prizes must be awarded for each game. This is not a new requirement. The language merely reflects current practice. This addition is necessary and reasonable to ensure that a player and the organization know when a cash prize must be awarded.
- **In item H**, the Board is proposing to reenact and consolidate language from existing 7861.0070, Subpart 6a; 7861.0080, Subpart 5; 7861.0090, Subpart 3; and 7861.0100, Subpart 8, item E. It is necessary and reasonable to consolidate and standardize in one location language pertaining to the display and awarding of merchandise prizes, along with any exceptions.
- **In item I**, the Board is proposing to reenact prize language from existing 7861.0110, Subpart 2, item A, that requires that prizes awarded must be consistent with federal and state laws, and to apply this provision to all five forms of lawful gambling, not just raffles. Including this language is necessary and reasonable as it is not a new requirement; it is merely a point of information that the organization needs to know that other federal (IRS) and state laws may apply.
- **In item J**, the Board is proposing to reenact language pertaining to merchandise prizes from:
 - Existing 7861.0070, Subpart 6a;
 - Existing 7861.0080, existing Subpart 5;
 - Existing 7861.0090, existing Subpart 3;
 - Existing 7861.0100, existing Subpart 8, item E; and
 - Existing 7861.0110, existing Subpart 2.

It is necessary and reasonable to reenact, consolidate, and standardize similar language pertaining to merchandise prizes for all five forms of lawful gambling in one place. These are not new requirements.

- **In item K** the Board is proposing to add new language to clarify that prizes may not be purchased from the owner or lessor of any permitted premises at which the organization conducts lawful gambling. It is necessary and reasonable to include this restriction because an organization, under Minnesota Statute 349.18, subdivision (1), paragraph (d), is restricted from augmenting rent, i.e. rent is all-inclusive. Further, this restriction is necessary and reasonable to prevent an organization from augmenting its rent under pressure from the lessor to purchase prizes from the lessor. It is necessary and reasonable to ensure the integrity of the organization's operations at the site, as mandated by Minnesota Statute, section 349.11.

7861.0260, Subpart 5. Prize receipts required.

The Board is proposing to include a new subpart in which existing rule language pertaining to prize receipts from other rule parts is reenacted, consolidated, and standardized. The language contains requirements stating which winning prizes require a prize receipt to be completed by the organization and player, and the contents of the prize receipt. Language is being reenacted from:

- Existing 7861.0070, Subpart 6a, item E, second sentence, and item J;
- Existing 7861.0080, Subpart 6, item C;
- Existing 7861.0090, Subpart 4, item C; and
- Existing 7861.0100, Subpart 16, 1st sentence.

It is necessary and reasonable to consolidate similar requirements in one place for the reader, to eliminate confusion regarding prize receipt requirements, and to reduce the bulk of rule language. (NOTE: Prize receipts are not required for raffle prizes.)

While reenacting the language from existing 7861.0070, Subpart 6a, item J as it pertains to bingo prize receipts, the Board is proposing not to reenact the requirement that an "impression or photocopy" of the winners' driver's license be obtained from a winner of a bingo prize. This will make the bingo prize receipt requirements consistent with pull-tabs, tipboards, and paddlewheels, by allowing bingo prize receipts to be scanned, or handwritten when necessary. This change is necessary and reasonable as it lessens the costs and burdens for all organizations conducting bingo. It is also necessary and reasonable because an "impression" cannot always be obtained from new forms of driver's licenses, and smaller organizations might not have a photocopy machine available to "photocopy" the license or other picture identification.

7861.0260, Subpart 6. Storing and securing equipment. (reenacted from existing 7861.0060, Subpart 6.)

- The Board is proposing to reenact language from existing 7861.0060, Subpart 6 and change the title of this subpart to accurately reflect the contents.
- In the contents of the subpart, the Board is proposing to change "stored" to "secured." It is necessary and reasonable to emphasize the importance of securing gambling equipment, not just storing it. This is not a new requirement.

Existing 7861.0060, Subpart 7. Exchange or transfer of gambling equipment prohibited.
See table above for details.

7861.0260, Subpart 7. Return of defective pull-tab or tipboard game to distributor or revenue. (reenacted from existing 7861.0060, Subpart 8.)

- The Board is proposing to reenact language from existing 7861.0060, Subpart 8.
- The Board is proposing to change the subpart title to clarify that this subpart pertains only to **defective pull-tabs or tipboards**, not to all gambling equipment, and that some equipment might be returned to a distributor or to Revenue. When originally written, this rule language was meant to apply only to pull-tabs and tipboards, but the language was written in a general manner using the term "gambling equipment." Gambling equipment includes both disposable and permanent gambling equipment. Replacing the term "gambling equipment" in this subpart with the commonly used terms "pull-tab or tipboard game," "deal," or "game" will eliminate the confusion that currently exists. These changes are necessary and reasonable to clarify existing requirements and to better inform the reader of those requirements.
- In this subpart, the Board is proposing not to reenact all references to "subpart 1" of 7864.0030. This is necessary and reasonable because the reader will be directed to new 7864.0230 where all manufacturing standards are easily located in new subparts for each type of gambling equipment.
- **In item A**, the Board is proposing to rearrange the order of the reenacted subitems so that they are grouped together in a logical manner when referenced in items B and C.
- **In item A, subitem (2)**, language is added at the request of Revenue. This is not a new requirement; merely an inclusion in rule of a game defect that occasionally occurs.
- **In item A, subitem (6)**, the Board is proposing to delete the existing term "winning" because item A pertains only to games "before being put in play," not to games "in play" which is when a winning ticket would be determined.
- It is necessary and reasonable to reenact and clarify existing requirements.

7861.0260, Subpart 8. Return of linked bingo paper to linked bingo game provider.

The Board is proposing to reenact language from existing 7863.0060, Subpart 3, item A (linked bingo game provider) into a new subpart. This requirement is not new. This language pertains to the return of "defective" linked bingo paper and is more appropriately contained in this part after Subpart 7. It is necessary and reasonable to provide rule language where it is appropriately located and easy to find by the reader.

RULE-BY-RULE ANALYSIS: 7861.0070 BINGO

This part has been amended many times over past years, to the point that information is difficult to locate and comprehend. Some subparts span several pages and the information is not placed in a logical order or in logical subparts. The Board is proposing to strike all language in 7861.0070 and reenact and reorganize the existing requirements in new subparts. Currently, there are seven subparts. The creation of 21 subparts will allow the Board to reorganize existing requirements in a more logical order and in logically named subparts. The 21 subparts are:

- Subpart 1 – Restrictions and definitions
- Subpart 2 – Posting of information and house rules
- Subpart 3 – Bingo equipment to be used
- Subpart 4 – Bingo programs, statutes, and rules made available
- Subpart 5 – Sales to bingo players
- Subpart 6 – Beginning a bingo game
- Subpart 7 – Closing a bingo game
- Subpart 8 – Awarding bingo prizes
- Subpart 9 – Breakopen bingo game
- Subpart 10 – Linked bingo game
- Subpart 11 – Records and reports
- Subpart 12 – Perpetual inventory records required for case paper.
- Subpart 13 – Perpetual inventory records required for linked bingo paper.
- Subpart 14 – Perpetual inventory records required for packets.
- Subpart 15 – Perpetual inventory records required for packages.
- Subpart 16 – Physical inventory records and discrepancy report required for bingo paper.
- Subpart 17 – Bingo occasion records required for hard cards.
- Subpart 18 – Bingo occasion records required for all bingo paper and facsimiles of bingo paper sheets
- Subpart 19 – Gross receipt and discrepancy report required for bingo hard cards and bingo paper.
- Subpart 20 – Records required for electronic bingo devices.
- Subpart 21 – Disposal of bingo records

RULE-BY-RULE ANALYSIS: 7861.0070 BINGO - Delete all

As a broad statement of need and reasonableness for 7861.0070 for the "delete all" language, the Board believed that it was necessary and reasonable to strike all language in 7861.0070 and reenact and reorganize it with new subparts, in a more logical order with simplified language.

Existing rule 7861.0070 Bingo	Reenacted in:
Subpart 1, first paragraph	7861.0270, Subpart 1, items A and B
Subpart 1, item A	7861.0270, Subpart 1, item G
Subpart 1, item B	7861.0270, Subpart 1, item H
Subpart 1, item C	7861.0270, Subpart 3, item I, subitem (1)
Subpart 1, item D	7861.0270, Subpart 3, item I, subitems (2) & (3)
Subpart 1, item E	7861.0270, Subpart 3, item J
Subpart 1, item F	7861.0270, Subpart 3, item K
Subpart 1, item G	7861.0270, Subpart 3, item F
Subpart 1, item H	7861.0270, Subpart 3, item G
Subpart 1, item I	Not reenacted because the language is redundant of existing 7861.0070 Subpart 5a, item I that is being reenacted in 7861.0270, Subpart 5, item C, subitem (5)
Subpart 1, item J	7861.0270, Subpart 5, item C, subitem (7)
Subpart 1, item K	7861.0260, Subpart 1, item E
Subpart 2, item A.	7861.0270, Subpart 3, item A
Subpart 2, item B, subitems (1) – (5)	7861.0210, Subpart 3. Bingo numbers.
Subpart 2, item B, paragraph after subitem (5)	7861.0270, Subpart 3, item B
Subpart 2, item C	7861.0270, Subpart 3, item C

Existing rule 7861.0070 Bingo	Reenacted in:
Subpart 2, items D and F – The Board is proposing not to reenact this language because statute requires an organization to purchase gambling equipment from a licensed distributor, and MS349.12, Subd. 25b allows a licensed linked bingo game provider to provide linked bingo sheets to licensed organizations. This language is redundant of statutory language and unnecessary.	
Subpart 2, item E	7861.0270, Subpart 3, item D
Subpart 2, items G	7861.0270, Subpart 3, item E
Subpart 5a, item A	7861.0270, Subpart 2, item B, subitems (1) and (2)
Subpart 5a, item B, and subitems (1), (2), and (3)	7861.0270, Subpart 2, item A, and subitems (1), (2), and (3)
Subpart 5a, item C	7861.0270, Subpart 4, first sentence
Subpart 5a, item D, first sentence	7861.0270, Subpart 4, second sentence
Subpart 5a, item D, second sentence and bingo program requirements	7861.0270, Subpart 4, item A, and subitems (1) to (5)
Subpart 5a, item N, third sentence	7861.0270, Subpart 4, item A, subitem (6)
Subpart 5a, item D, subitem (5). The Board is proposing not to reenact this language, because all methods of determining the value of a bingo prize must be included in the bingo program, as required by reenacted language in Subpart 4, item A, subitem (4). That language requires ALL organizations to include in the bingo program a statement regarding any factors used to determine the prize payout structure for each game. This is not a new requirement. The existing language in 7861.0070, Subpart 5a, item D, subitem (5) stating that this was a requirement for organizations with gross receipts from bingo of less than \$150,000 in its last fiscal year is not being reenacted, as it was meant for all organizations and as written was confusing. This change is necessary and reasonable to ensure that players are informed of what prizes they are playing for. This does not impose any burdensome requirement on the organization, as organizations are already complying with this existing requirement.	
Subpart 5a, item D, subitem (6). The Board is proposing not to reenact the language stating that an organization participating in a linked bingo game must identify the linked bingo game in its program. This language is repetitive of existing and reenacted language that requires that a description of all bingo games be identified in the bingo program, and is included in 7861.0270, Subpart 4, item A, subitem (2).	

Existing rule 7861.0070 Bingo	Reenacted in:
Subpart 5a, item E.	7861.0270, Subpart 4, item B. The Board is proposing to modify the reenacted language. The requirement that the bingo program be approved in advance by the organization's membership is being modified. Instead of requiring that the bingo program be approved by the membership <u>before</u> it is implemented, an organization will be allowed to obtain approval of its membership <u>after</u> the program has been implemented and include the program with the minutes of the next monthly meeting. The requirement that the bingo program be submitted to the board at least 24 hours before implementing the program will remain the same. (NOTE: The requirement that an organization notify the Board within 48 hours of making a bingo program substitution when a "bad weather program" is used is not being reenacted, as the organization is required to inform the Board in advance of whether a program will be used as a "bad weather" program.] These amendments are necessary and reasonable so that the organization's gambling manager is allowed to make changes in the bingo program in response to the business climate. This provides the gambling manager with the opportunity to make business decisions for its gambling operations in a more pro-active manner. This change is necessary and reasonable to eliminate a burdensome time requirement and will help to make an organization's bingo operation more efficient and cost effective.
Subpart 5a, item F. The requirement for a "bad weather program" will be reenacted. The requirement that an organization notify the Board within 48 hours of making a bingo program substitution when a "bad weather program" is used is not being reenacted.	7861.0270, Subpart 4, item B.
Subpart 5a, item G, first sentence, and subitems (1) to (3). The reference in existing subitem (2) to bingo hard cards is not being reenacted, as it is not necessary for the meaning of this subitem.	7861.0270, Subpart 5, item A, subitems (1) to (3)
Subpart 5a, item G, second sentence	7861.0270, Subpart 5, item B (coupons prohibition for linked bingo game)
Subpart 5a, item G, third sentence	7861.0270, Subpart 5, item A, subitem (2)
Subpart 5a, item G, fourth sentence. The Board is proposing not to reenact this language because the requirement that all bingo records be kept for 3-1/2 years is already stated in 7861.0270, Subpart 11. It is necessary and reasonable to eliminate redundant language.	

Existing rule 7861.0070 Bingo	Reenacted in:
Subpart 5a, item H. The Board is proposing to reenact the language but delete "bingo session" because this term is obsolete due to a statutory change in the definition of bingo occasion. Also, the Board is proposing to delete the reference to "leased or owned premises" and insert "permitted premises" to be technically correct and to avoid any confusion. This is not a new requirement.	7861.0270, Subpart 5, item C, subitems (1) to (4)
Subpart 5a, item I. The Board is proposing to reenact the language but delete "bingo session" because this term is obsolete due to a statutory change in the definition of bingo occasion.	7861.0270, Subpart 5, item C, subitem (5)
Subpart 5a, item J, subitem (1). While the reenacted language is somewhat redundant of language contained in Minnesota Statutes, 349.17, subdivision 4, the Board is proposing to reenact this language and clarify the contents in 7861.0270, Subpart 17, as part of the reorganized rule section for bingo records. These are existing requirements. The existing 1 st sentence of 7861.0070, Subpart 5a, item J, subitem (1) is not being reenacted because that is a specific requirement contained in Minnesota Statutes, 349.17, subdivision 4 (checker required) and is not necessary in rules.	7861.0270, Subpart 17, item G
Subpart 5a, item J, subitem (2).	7861.0270, Subpart 2, item B, subitem (3)
Subpart 5a, item K, 1 st sentence	7861.0270, Subpart 8, item A, subitem (2)
Subpart 5a, item K, 2 nd sentence	7861.0270, Subpart 6, item A
Subpart 5a, item K, 3 rd and 4 th sentences	7861.0270, Subpart 6, item A, subitem (1)
Subpart 5a, item L.	7861.0210, Subpart 13
Subpart 5a, item M.	7861.0210, Subpart 41 (modified – see SONAR)
Subpart 5a, item N, 1 st and 2 nd sentences. The Board is proposing not to reenact the first and second sentences as they are unnecessary.	
Subpart 5a, item N, 3 rd & 5 th sentences. The Board is proposing to reenact this language in 7861.0210, Subpart 32 to consolidate all language pertaining to the definition of a bingo game with a limiting ball count.	7861.0210, Subpart 32
Subpart 5a, item N, 4 th sentence	7861.0270, Subpart 4, item A, subitem (6)
Subpart 5a, item O, 1 st sentence	7861.0270, Subpart 6, 1 st sentence
Subpart 5a, item O, 2 nd sentence.	7861.0270, Subpart 6, item H
Subpart 5a, item O, subitems (1) and (2)	7861.0270, Subpart 8, item A, subitem (2)
Subpart 5a, item O, subitem (3)	7861.0270, Subpart 8, item A, subitem (3)
Subpart 5a, item O, subitem (4)	7861.0270, Subpart 8, item A, subitem (2)
Subpart 5a, item P, 1 st sentence	7861.0270, Subpart 6, item F
Subpart 5a, item P, 2 nd sentence	7861.0270, Subpart 6, item G, 1 st sentence
Subpart 5a, item P, 3 rd sentence	7861.0270, Subpart 6, item D, subitem (1), 2 nd sentence

Existing rule 7861.0070 Bingo	Reenacted in:
Subpart 5a, item P, 4 th sentence	7861.0270, Subpart 6, item G
Subpart 5a, item P, 5 th sentence. The Board is proposing not to reenact this language as other existing language pertaining to linked bingo games that is technically correct is being reenacted in 7861.0270, Subpart 10, item E.	
Subpart 5a, item Q	7861.0270, Subpart 6, item C
Subpart 5a, item R	7861.0270, Subpart 6, item D, subitems (1) & (2)
Subpart 5a, item S	7861.0270, Subpart 6, item E, subitems (1) to (3)
Subpart 5a, item T	7861.0270, Subpart 6, item D, subitem (3)
Subpart 5a, item U	7861.0270, Subpart 7, item C
Subpart 5a, item V, subitem (1)	7861.0270, Subpart 7, item A
Subpart 5a, item V, subitem (2)	7861.0270, Subpart 7, item B, subitem (1) & (2)
Subpart 5a, item V, subitem (3)	7861.0270, Subpart 8, item A, subitem (3)
Subpart 5a, item V, subitem (4), 1 st sentence	7861.0270, Subpart 7, item C, 1 st sentence
Subpart 5a, item V, subitem (4), 2 nd sentence	7861.0270, Subpart 8, item A, subitem (1)
Subpart 5a, item V, subitem (5)	7861.0270, Subpart 7, item D
Subpart 6a, 1 st paragraph	7861.0260, Subpart 4, item A, subitems (1) to (3)
Subpart 6a, item A, 1 st sentence	7861.0260, Subpart 4, item D
Subpart 6a, item A, 2 nd sentence, subitems (1) through (4)	7861.0260, Subpart 4, item D, subitem (4), units (a), (b), and (c)
Subpart 6a, item B, 1 st sentence. The Board is proposing not to reenact this language because organizations are currently required to announce the bingo prize to be awarded for these games. This is a technical error in the current rules that will be corrected in 7861.0270, Subpart 6, item B.	
Subpart 6a, item B, 2 nd sentence	7861.0260, Subpart 4, item A, subitems (2) - (4)
Subpart 6a, item B, 3 rd sentence	7861.0260, Subpart 4, item A, subitem (1)
Subpart 6a, item B, 4 th sentence. The Board is proposing not to reenact this language because this is a reporting requirement (actual purchase price of a merchandise prize) for the tax return required by Revenue, and is often confused with the fair market value of merchandise prizes required for determining compliance with prize limits. It is necessary and reasonable not to reenact language that may be confusing and misinterpreted by the reader.	
Subpart 6a, item B, 5 th & 6 th sentences	7861.0260, Subpart 4, item J
Subpart 6a, item B, 7 th sentence+-	7861.0260, Subpart 4, item A, subitem (1)
Subpart 6a, item B, 8 th sentence	7861.0260, Subpart 5, item A, subitem (2)
Subpart 6a, item B, 9 th sentence	7861.0260, Subpart 4, item D, subitem (1)
Subpart 6a, item C	7861.0270, Subpart 8, item A, subitem (2)
Subpart 6a, item D, 1 st sentence	7861.0260, Subpart 4, item A, 1 st sentence
Subpart 6a, item D, 2 nd sentence. The Board is proposing not to reenact this language because it is a duplication of similar language contained in existing 7861.0070, Subpart 5a, item M that is being reenacted and clarified in 7861.0210, Subpart 41.	

Existing rule 7861.0070 Bingo	Reenacted in:
Subpart 6a, item D, 3 rd & 4 th sentences. The Board is proposing not to reenact this language because 7861.0260, Subpart 4, where all prize language is being reenacted and consolidated, points the reader to the statute governing prize limits.	
Subpart 6a, item E, 1 st sentence	7861.0270, Subpart 6, item B
Subpart 6a, item E, 2 nd sentence	7861.0260, Subpart 5, item A, subitem (2)
Subpart 6a, item E, 3 rd sentence	7861.0270, Subpart 4, item A, subitem (4)
Subpart 6a, item F	7861.0260, Subpart 4, item H
Subpart 6a, item G, 1 st sentence	7861.0260, Subpart 4, item E
Subpart 6a, item G, 2 nd sentence.	7861.0260, Subpart 4, item A, subitem (5)
Subpart 6a, item H, first and third sentences	7861.0270, Subpart 8, item A, sentence after subitem (3)
Subpart 6a, item H, second sentence	7861.0270, Subpart 8, item A, subitem (2)
Subpart 6a, item I, subitem (1), 1 st & 2 nd sentence	7861.0270, Subpart 8, item B
Subpart 6a, item I, subitem (1), 3 rd sentence	7861.0260, Subpart 4, item A
Subpart 6a, item I, subitem (2), 1 st & 2 nd sentence	7861.0270, Subpart 8, item C.
Subpart 6a, item I, subitem (2), 3 rd sentence	7861.0260, Subpart 4, item A
Subpart 6a, item J. The Board is proposing not to reenact a restriction pertaining to the completion of a bingo prize receipt. Prize receipt language is being consolidated in 7861.0260, Subpart 5, item B for all five forms of lawful gambling. Currently, organizations are prohibited from completing a bingo prize receipt "by hand" (written). In the reenacted and consolidated language, an organization conducting bingo will be allowed to complete a bingo prize receipt by hand. It is necessary and reasonable to apply the same requirements for all forms of gambling, and eliminate a burdensome requirement for organizations conducting bingo.	7861.0260, Subpart 5, item A, subitems (1) & (2) 7861.0260, Subpart 5, item B.
Subpart 7, 1 st paragraph	7861.0270, Subpart 11
Subpart 7, item A, subitem (1), 1 st and 2 nd sentences	7861.0270, Subpart 11
Subpart 7, item A, subitem (1), unit (a)	7861.0270, Subpart 12, item B 7861.0270, Subpart 14, item B
Subpart 7, item A, subitem (1), unit (b)	7861.0270, Subpart 12, item C 7861.0270, Subpart 14, item C
Subpart 7, item A, subitem (1), unit (c)	7861.0270, Subpart 14, item C
Subpart 7, item A, subitem (2), units (a) – (j)	7861.0270, Subpart 12, items A to B, D to K
Subpart 7, item A, subitem (3), units (a) – (i)	7861.0270, Subpart 14, items A to G, I to K
Subpart 7, item A, subitem (4), units (a) – (j)	7861.0270, Subpart 15, items A to G
Subpart 7, item A, subitem (5), units (a) – (f)	7861.0270, Subpart 16, items A to E
Subpart 7, item A, subitem (6)	7861.0270, Subpart 16, last paragraph
Subpart 7, item B, subitem (1), units (a) – (i)	7861.0270, Subpart 17, items A to H.
Subpart 7, item B, subitem (2), units (a) – (i)	7861.0270, Subpart 18, items A to C, E to H
Subpart 7, item C, first paragraph	7861.0270, Subpart 19, first paragraph
Subpart 7, item C, subitem (1)	7861.0270, Subpart 19, item A
Subpart 7, item C, subitem (2)	7861.0270, Subpart 19, item B

Existing rule 7861.0070 Bingo	Reenacted in:
Subpart 8, item A. The Board is proposing not to reenact the criteria for a breakopen bingo paper sheet, as that is a manufacturing standard contained in 7864.0230, Subpart 4, item I, and is also contained in the definition of sealed bingo paper sheet in 7861.0210, Subpart 47. It is necessary and reasonable not to reenact duplicative and repetitive language.	
Subpart 8, item B	7861.0210, Subpart 8
Subpart 8, item C, 1 st sentence	7861.0270, Subpart 9, item B
Subpart 8, item C, 2 nd & 3 rd sentence	7861.0270, Subpart 9, item C, subitems (1) to (3)
Subpart 8, item D	7861.0270, Subpart 9, item D
Subpart 8, item E	7861.0270, Subpart 9, item E
Subpart 8, item F	7861.0270, Subpart 9, item F
Subpart 8, item G, subitems (1), (2), and (3)	7861.0270, Subpart 9, item G
Subpart 8, item G, subitem (4)	7861.0270, Subpart 2, item B, subitem (4)
Subpart 8, item G, subitem (5), from 1 st and 2 nd sentences, reenacting the "announcement" language	7861.0270, Subpart 9, item A
Subpart 8, item G, subitem (5), from 2 nd sentence, reenacting the "posting of house rules" language	7861.0270, Subpart 2, item B, subitem (4)
Subpart 9, item A. The Board is proposing not to reenact this language as it is contained in Minnesota Statutes, section 349.1635, subdivision 8.	
Subpart 9, item B	7861.0270, Subpart 10, item A
Subpart 9, item C	7861.0270, Subpart 10, item B
Subpart 9, item D	7861.0270, Subpart 10, item C
Subpart 9, item E	7861.0270, Subpart 10, item D
Subpart 9, item F	7861.0270, Subpart 10, item C
Subpart 9, item G	7861.0270, Subpart 10, item E
Subpart 9, item H	7861.0270, Subpart 10, item F
Subpart 9, item I	7861.0270, Subpart 10, item G
Subpart 9, item J	7861.0270, Subpart 10, item H
Subpart 9, item K	7861.0270, Subpart 10, item I
Subpart 9, item L	7861.0270, Subpart 10, item J, first sentence
Subpart 9, item M	7861.0270, Subpart 10, item K, subitem (5)
Subpart 9, item N, "continued play"	7861.0270, Subpart 10, item J, second sentence
Subpart 9, item N, "consolation prizes" in bingo program	7861.0270, Subpart 4, item A, subitem (4)
Subpart 9, item O	7861.0270, Subpart 10, item K, subitem (5)
Subpart 9, item P	7861.0270, Subpart 10, item K, subitem (6)
Subpart 9, item Q	7861.0270, Subpart 10, item K, subitem (3)
Subpart 9, item R	7861.0270, Subpart 10, item K, subitems (1) & (2)
Subpart 9, item S	7861.0270, Subpart 10, item K, subitem (4)

STATEMENT OF NEED AND REASONABLENESS FOR 7861.0270 BINGO (reenacted language from 7861.0070).

In addition to the table above, the narratives below provides additional details on language modifications and any new requirements required by statutory changes or deemed necessary by the board.

7861.0270, Subpart 1. Restrictions and definitions. (reenacted from existing 7861.0070, Subpart 1.)

In Subpart 1, the Board is proposing to reenact language from existing 7861.0070, Subpart 1, include existing restrictions, add the term "definitions" to the subpart title, and add new definitions.

- **In items C, D, E, and F,** the Board is proposing to add new definitions that are shortened versions of the defined terms as commonly used in the industry.
- **In item C,** the Board is including "linked bingo paper sheets" and "facsimile of a bingo paper sheet." It is necessary and reasonable to provide and use these terms to consolidate and reduce the bulk of rule language in this part and to use terminology commonly used in the industry.

7861.0270, Subpart 2. Posting of information and house rules.

- The Board is proposing to reenact and consolidate in Subpart 2 existing and specific requirements for posting of information that are scattered throughout existing 7861.0070.

It is necessary and reasonable to reenact and consolidate in one subpart all related language.

7861.0270, Subpart 3. Bingo equipment to be used. (reenacted from existing 7861.0070, Subpart 3.)

The Board is proposing to reenact and consolidate in this subpart all existing and specific requirements for bingo equipment used by an organization in the conduct of bingo.

- **In item H,** the Board is proposing to add clarifying language as to when sealed paper sheets must be used. This is an existing requirement that is necessary and reasonable to include in the rule.
- The language in **item L** is new. The Legislature authorized the use of electronic bingo devices by bingo players to monitor bingo paper, upon promulgation of rules by the Board.
- **In item L, subitems (1) and (3),** the Board is proposing to add language required to be included in rule by Minnesota Statutes, section 349.151, Subd. 4c.
 - The statutory requirement that the price of a face played on an electronic bingo device must not be less than the price of a face of a bingo paper sheet at the same occasion is contained in 7861.0270, Subpart 5, item C, subitem (6).
 - The statutory requirement pertaining to dial-up capability to remotely allow the board to monitor the operation and internal accounting systems is contained in manufacturing standards, 7864.0230, Subpart 6, item E, subitem (1).
- **In item L, subitem (2),** the Board is proposing to add language to clarify that the statute states that the number of bingo faces that may be played using a device is limited to 36, and the legislative intent was that a player be restricted to the play of 36 faces using a device. Therefore, subitem (2) contains language restricting a player to the use of one device. This restriction is necessary and reasonable to ensure that legislative intent is clear to organizations that choose to provide these devices to their players.
- **In item L, subitem (4),** the Board is taking a cautious approach to the use of these new devices. The Board is proposing to prohibit automatic electronic daubing but allow manual electronic "catch-up" daubing by a player. As an example, this would allow a bingo player to go outside for a cigarette break or go to the restroom, return to the game, and manually enters the numbers that were called in their absence. This prevents a device from being used "automatically without a bingo player."
- **In item L, subitem (5),** the Board is proposing to include language that informs the reader of the restrictions for the use of these devices, i.e. must be used as a part of a bingo occasion and must have no additional functions.
- **In item L, subitem (6),** the Board is proposing to require that organizations offer the use of these devices for the same price to all players. This is necessary and reasonable to ensure that players are treated equally.

7861.0270, Subpart 3. Bingo equipment to be used. (reenacted from existing 7861.0070, Subpart 3.) (continued)

- **In item L, subitem (7),** the Board is proposing to include language as to when all voids must be recorded. If voids occur after the second game the voids must be reported to the Board. In discussing this issue with other states that allow the use of electronic bingo devices, the Board deemed it necessary to place such a restriction in rule to deter any abuse of renting the devices to players for a price and then voiding the devices and not reporting bingo receipts from the rental. It will also place a red flag in place if an organization has a high number of voids, indicating that there is some potential abuse or that the devices themselves have a possible manufacturing defect. It is necessary and reasonable to provide guidance on the use of these devices to ensure their integrity and ensure that receipts are properly accounted for.
- **In item L, subitem (8),** the Board is adding language that prohibits the transfer of electronic bingo devices from one permitted premises to another, unless approved by the Board's director. It is necessary and reasonable to place this restriction in rule because the devices are portable devices and the Board needs to be assured of their location, their use, and the receipts generated.
- **In item M,** the Board is proposing to include new language to be consistent with similar restrictions pertaining to pull-tab dispensing devices (7861.0280, Subpart 7, item L). Because of the electronic nature of these devices, the Board is proposing to add this language to ensure that the devices are not modified by the organization after a manufacturer receives approval of the Board to manufacture the device. It is necessary and reasonable to add this restriction to ensure the integrity of the electronic device.

It is necessary and reasonable to consolidate in one subpart all related language, and to include requirements for new equipment authorized by the Legislature.

7861.0270, Subpart 4. Bingo programs, statutes, and rules made available.

The Board is proposing to reenact and consolidate in this subpart existing and specific requirements for information that must be provided or made available to bingo players.

- **In item A, subitem (1)** the Board is proposing to add a new item requiring the organization's name, address, and license number to be included on the bingo program. This is an existing practice. It is necessary and reasonable to require this information to inform the players and the Board in the bingo program which organization is conducting a bingo occasion.
- **In item A, subitem (6),** the Board is proposing to change the reenacted language from "limiting bingo ball count" to "limited bingo number" to be consistent with the definition changes made in 7861.0210, Subpart 32. It is necessary and reasonable that rule language be consistent.

7861.0270, Subpart 5. Sales to bingo players; use of coupons.

The Board is proposing to reenact and consolidate in this subpart existing requirements pertaining to sales made to bingo players and the use of coupons.

- **In item C,** the first sentence includes "rental of electronic bingo devices." It is necessary and reasonable to include the new equipment authorized by the legislature, as rules governing the use of the devices must be promulgated before organizations are allowed to offer them to players.
- The language in **item C, subitem (6)** is a new restriction required to be placed in the Board's rule by Minnesota Statutes, section 349.151, Subdivision 4c, paragraph (b), clause (4). It is necessary and reasonable to comply with the statutory requirement.

7861.0270, Subpart 6. Beginning a bingo game.

The Board is proposing to reenact and consolidate in this subpart existing and new requirements pertaining to the conduct of a bingo game, i.e. beginning the game.

- **In item H,** the Board is proposing to reenact language from existing 7861.0070, Subpart 5a, item O, and clarify that numbers on bingo paper must be permanently marked by a player, and includes a new requirement that when electronic bingo devices are used the numbers must be electronically daubed. It is necessary and reasonable to clarify existing language and amend it with language pertaining to the use of electronic bingo devices which are optional, not required.

7861.0270, Subpart 7. Closing a bingo game.

- The Board is proposing to reenact and consolidate in this subpart existing requirements pertaining to the conduct of a bingo game, i.e. closing the game. It is necessary and reasonable to consolidate in one subpart all related language for closing a bingo game.
- **In item C, subitem (2),** the Board is proposing to add language allowing a player to request at a bingo occasion to see the actual winning bingo card, paper face, or facsimile if an electronic bingo device is used. It is necessary and reasonable to ensure that players are confident in the integrity of the bingo operation and fair play of a bingo game.

7861.0270, Subpart 8. Awarding bingo prizes.

- The Board is proposing to consolidate in this subpart existing requirements pertaining to awarding bingo prizes. It is necessary and reasonable to consolidate in one subpart all related language.
- **In item C,** the Board is proposing to amend the language to clarify that cash may be awarded as substitutes prizes if there are multiple winners for merchandise prizes, as it is not necessary or reasonable to require the organization to have available substitute merchandise prizes that might not be awarded and result in an additional expense for the organization..

7861.0270, Subpart 9. Breakopen bingo game. (reenacted from existing 7861.0070, Subpart 8.)

- The Board is proposing to consolidate in this subpart existing requirements pertaining to breakopen bingo games. It is necessary and reasonable to consolidate in one subpart all related language. There are no new requirements.
- **In item D,** the Board is proposing to clarify the reenacted language by stating that sealed paper may be sold throughout the bingo occasion for the breakopen bingo game but not after the organization has resumed calling bingo numbers. It is necessary and reasonable to clarify when the sealed paper may be sold during a breakopen game and eliminate any confusion that may exist. This is not a new requirement.

7861.0270, Subpart 10. Linked bingo game. (reenacted from existing 7861.0070, Subpart 9.)

- The Board is proposing to reenact and consolidate in this subpart existing requirements pertaining to linked bingo games. It is necessary and reasonable to consolidate all related language.
- In the **first sentence of this subpart,** a specific reference to 7861.0270 is included instead of referencing "this part." Using the specific language will prevent confusion on the part of the reader who is not familiar with the legal terms of rules and might think that "part" means this subpart. It is necessary and reasonable to include specific language to eliminate reader confusion.
- **In item C,** the Board is proposing to add language prohibiting the use of an electronic bingo device for a linked bingo game. These devices are manufactured by licensed manufacturers, then sold or leased to licensed distributors, who in turn lease the devices to organization. Licensed linked bingo game providers sell linked bingo paper to licensed organizations. It is necessary and reasonable to take a cautious approach in implementing the use of electronic devices in the conduct of bingo and to prohibit their use for linked bingo games at the present time.
- **In item H,** the Board is proposing to clarify the reenacted language by stating that the sales must be reported to the linked bingo game provider before the first bingo number is selected. This is not a new requirement. It is necessary and reasonable to include this existing requirement because without that information the linked bingo game provider would not be able to determine and announce what the linked bingo game jackpot prize is before the game starts.

7861.0270, Subpart 11. Records and reports. (reenacted from existing 7861.0070, Subpart 7)

- The Board is proposing to create new subparts from language being moved from existing 7861.0070, Subpart 7 General bingo records and reports. Existing Subpart 7 currently spans over four pages in the rules. The existing language will be reorganized and clarified in nine new subparts that will make it easier for readers to locate and understand the requirements. The language in Subpart 11 contains general requirements that pertain to all bingo records an organization is required to keep. It is necessary and reasonable to create a subpart with requirements that pertain to all bingo records so that the language is not repeated in other subparts for bingo records.

7861.0270, Subpart 12. Perpetual inventory records required for case paper. (reenacted from existing 7861.0070, Subpart 7)

- The Board is proposing to create a subpart for inventory records required for case paper. The reenacted language is amended with "serial number," which is an existing requirement. It is necessary and reasonable to create a new subpart for case paper inventory records so that the reader can easily locate and understand the requirements. There are no new requirements.

7861.0270, Subpart 13. Perpetual inventory records required for linked bingo paper. (reenacted from existing 7861.0070, Subpart 7)

- Organizations are now authorized by statute to conduct linked bingo games using linked bingo paper. The Board is proposing to add this subpart for linked bingo paper perpetual inventory records. It is necessary and reasonable to include this subpart so that organizations are informed of the inventory requirements for linked bingo paper. No new requirements are being imposed. The requirements are based on existing requirements for other bingo paper, and linked bingo paper is considered "bingo paper."

7861.0270, Subpart 14. Perpetual inventory records required for packets. (reenacted from existing 7861.0070, Subpart 7)

- The Board is proposing to create a subpart for inventory records required for bingo packets based on existing requirements. It is necessary and reasonable to create a subpart for packet inventory records so that the reader can easily locate and understand the requirements.

7861.0270, Subpart 15. Perpetual inventory records required for packages. (reenacted from existing 7861.0070, Subpart 7)

- The Board is proposing to create a subpart for inventory records required for packages based on existing requirements. It is necessary and reasonable to create a new subpart for package inventory records so that the reader can easily locate and understand the requirements. There are no new requirements.

7861.0270, Subpart 16. Physical inventory records and discrepancy report required for all bingo paper. (reenacted from existing 7861.0070, Subpart 7)

- The Board is proposing to create a subpart for inventory records and the discrepancy report required for all bingo paper based on existing requirements. It is necessary and reasonable to create a new subpart for all bingo paper inventory records and the discrepancy report so that the reader can easily locate and understand the requirements. There are no new requirements.

7861.0270, Subpart 17. Bingo occasion and checker records required for hard cards. (reenacted from existing 7861.0070, Subpart 7)

- The Board is proposing to create a subpart for bingo occasion records required for hard cards and also clarify the checker records required under Minnesota Statutes, section 349.17, subdivision 4.
- **In item B**, the Board is proposing to amend the reenacted language by deleting "for the occasion" and inserting "for each game" to accurately reflect existing requirements.
- **In item D**, the Board is proposing to amend the reenacted language by deleting "series number" as it is not necessary for these records.
- **In item G**, the Board is proposing to amend the reenacted language by clarifying in rule what is currently required in the checker's records.

It is necessary and reasonable to create a new subpart for bingo occasion and checker records required for hard cards so that the reader can easily locate and understand the requirements. There are no new requirements.

7861.0270, Subpart 18. Bingo occasion records required for all bingo paper and facsimiles of bingo paper sheets. (reenacted from existing 7861.0070, Subpart 7)

- The Board is proposing to create a subpart for bingo occasion records required for all bingo paper.
- **In item B**, the Board is proposing to amend the reenacted language with "gift certificates sold and redeemed" to reflect current requirements.
- **In item D**, the Board is proposing to add new language pertaining to electronic bingo devices. This is consistent with other bingo records, as organizations are required by statute to account for and report all gambling receipts. It is necessary and reasonable to clarify that receipts from the rental of electronic bingo devices must be documented so that the amount is properly reported by the organization.
- **In item E**, the Board is proposing to amend the reenacted language by adding new language that clarifies that the amount contributed to the jackpot prize for a linked bingo game must be recorded. It is necessary and reasonable to include language pertaining to a newer bingo game authorized under Minnesota Statutes, section 349.12, Subd. 25a.
- **In item F**, the Board is proposing to amend the reenacted language by clarifying that the form is prescribed by the board, to reflect existing practice.

It is necessary and reasonable to create a new subpart for bingo occasions records required for all bingo paper and facsimiles of bingo paper sheets so that the reader can easily locate and understand the requirements.

7861.0270, Subpart 19. Gross receipt and discrepancy report required for bingo hard cards and bingo paper. (reenacted from existing 7861.0070, Subpart 7)

- The Board is proposing to create a subpart for the gross receipt and discrepancy reports required for bingo hard cards and bingo paper. It is necessary and reasonable to create a new subpart for the gross receipt and discrepancy reports required for bingo hard cards and bingo paper so that the reader can easily locate and understand the requirements. There are no new requirements.
- **In item A**, the Board is proposing to change the reporting threshold from \$20 to \$50. It is necessary and reasonable to be consistent with the amount contained in Minnesota Statutes, section 349.19, Subdivision 4.

7861.0270, Subpart 20. Records required for electronic bingo devices.

- The Board is proposing to create a subpart for the records required for electronic bingo devices. Organizations now have the option to offer bingo players the use of electronic bingo devices to monitor bingo paper during a bingo game. Because of the statutory change authorizing the use of these devices and giving the board the authority to promulgate rules for the optional use of electronic bingo devices, it is necessary and reasonable to provide organizations with the minimum requirements for recording the quantity of devices in inventory, rented for each occasion, amount charged, total amount collected, number of voids, and licensed distributor from which they were leased. This is consistent with other bingo records, as organizations are required by statute to account for and document all gambling receipts.

7861.0270, Subpart 21. Disposal of bingo records. (reenacted from existing 7861.0070, Subpart 7)

- The Board is proposing to create a subpart for the disposal and destruction of bingo records. The language is consistent with language for other rule parts pertaining to the disposal of records. It is necessary and reasonable to create a new subpart for the disposal of records that is consistent with other rule language, so that the reader can easily locate and understand the requirements.

RULE-BY-RULE ANALYSIS: 7861.0280 PULL-TABS (reenacted language from 7861.0080)**The Board is proposing to reenact language from existing 7861.0080 as follows.**

Existing rule 7861.0080 Pull-tabs	Reenacted in:
Subpart 1, item A, subitem 1 and subitem (2), 1 st sentence. The Board is proposing not to reenact this language because Minnesota Statutes, section 349.18, subdivisions 1(h) and (i) clarifies who may purchase pull-tabs.	
Subpart 1, item A, 2 nd sentence The Board is proposing to clarify that a gambling employee or volunteer involved in the sale of pull-tabs at the site may not purchase pull-tabs at the site, and reenact existing language that explains what "sale of pull-tabs" means. It is necessary and reasonable to provide information on the involvement of gambling employees or volunteers in the sale of pull-tabs.	7861.0280, Subpart 1, item A
Subpart 1, item B, 1 st sentence	7861.0280, Subpart 2, item C, 2 nd sentence
Subpart 1, item B, 2 nd sentence	7861.0260, Subpart 7, item A, subitems (6) & (7)
Subpart 1, item C	7861.0280, Subpart 1, item B
Subpart 1, item D	7861.0280, Subpart 7, item L, 2 nd sentence
Subpart 1, item E (language pertaining to last sale feature is being reenacted)	7861.0280, Subpart 7, item E The Board is proposing not to reenact the language pertaining to "free plays" because pull-tabs designed for Minnesota do not contain free plays. It is necessary and reasonable to eliminate unnecessary rule language.
Subpart 1, item F	7861.0280, Subpart 1, item C
Subpart 2, item A The Board is proposing not to reenact the language as it is similar to requirements contained in existing 7861.0080, Subpart 2, item C. It is necessary and reasonable to delete unnecessary language.	
Subpart 2, item B, 1 st to 3 rd sentence, 5 th sentence	7861.0280, Subpart 3, item A
Subpart 2, item B, 4 th sentence	7861.0280, Subpart 7, item H
Subpart 2, item C	7861.0280, Subpart 3, item B
Subpart 2, item D The Board is proposing not to reenact this language because it is a manufacturing standard contained in 7864.0230, Subpart 1, item D, subitem (6) and is not necessary for this rule part.	
Subpart 2, item E, 1 st and 2 nd sentences	7861.0280, Subpart 3, item D
Subpart 2, item E, 3 rd sentence The Board is proposing not to reenact the 3 rd sentence because pull-tab games designed for sale in Minnesota do not contain free plays. Historically pull-tab games have not contained a free play, as it would be impossible to award a free play after all the tickets in the game have been sold and would create an accounting error. It is necessary and reasonable to delete unnecessary and obsolete language.	

Existing rule 7861.0080 Pull-tabs	Reenacted in:
Subpart 2, item F The Board is proposing not to reenact the language because Minnesota Statutes, section 349.19, Subd. 10(b) prohibits commingled deals of pull-tabs, except when used in a pull-tab dispensing device. 7861.0280, Subpart 8 contains requirements and restrictions pertaining to commingled deals in a pull-tab dispensing device. It is necessary and reasonable to delete obsolete language and reenact language only where it is pertinent.	7861.0280, Subpart 8 (language pertaining to commingled deals only in a pull-tab dispensing device)
Subpart 2, item G	7861. 0260 , Subpart 2, 1 st sentence
Subpart 2, items H and I	7861.0280, Subpart 3, item E The Board is proposing to amend the first sentence of the reenacted language to recognize the fact that (although rare) a prize in a pull-tab game could potentially be merchandise, and therefore the language is changed from "pay a player" to "award a prize to a player." It is necessary and reasonable to clarify how prizes may be awarded for winning pull-tabs.
Subpart 2, item J	7861.0280, Subpart 3, item F The Board is proposing to amend the reenacted language with the term "immediately" to clarify and inform the reader when the ticket must be defaced. This is not a new requirement, but the Board believes it is necessary and reasonable to add the term so that a pull-tab seller doesn't put a winning ticket aside and forget to deface it. This ensures that the ticket, if misplaced, would not be redeemed a second time or used to make a counterfeit winning ticket.
Subpart 2, item K	7861. 0260 , Subpart 5
Subpart 2, item L	7861. 0260 , Subpart 1, item C
Subpart 2, item M, subitem (1)	7861.0280, Subpart 7, item D
Subpart 2, item M, subitem (2)	7861.0280, Subpart 7, item F, 1 st sentence
Subpart 2, item M, subitem (3)	7861.0280, Subpart 7, item G
Subpart 2, item M, subitem (4)	7861.0280, Subpart 7, item H
Subpart 2, item M, subitem (5)	7861.0280, Subpart 7, item H
Subpart 2, item M, subitem (6), units (a) to (e)	7861.0280, Subpart 7, item I, subitems (1) to (5) (See narrative regarding language modification in subitem (5).)
Subpart 2, item M, subitem (7)	7861.0280, Subpart 7, item J
Subpart 2, item M, subitem (8)	7861. 0260 , Subpart 2, item C
Subpart 2, item M, subitem (9)	7861.0280, Subpart 7, item K
Subpart 2, item M, subitem (10)	7861.0280, Subpart 7, item L
Subpart 3, item A	7861.0280, Subpart 2, item A
Subpart 3, item B	7861.0280, Subpart 3, item C
Subpart 4, item A	7861.0280, Subpart 8, item A
Subpart 4, item B	7861.0280, Subpart 2, item A
Subpart 4, item C	7861.0280, Subpart 8, item B
Subpart 4, item D	7861.0280, Subpart 8, item C
Subpart 4a, item A, subitem (1)	7861.0280, Subpart 9, item A
Subpart 4a, item A, subitem (2)	7861.0280, Subpart 9, item B
Subpart 4a, item A, subitem (3)	7861.0280, Subpart 9, item C
Subpart 4a, item A, subitem (4)	7861.0280, Subpart 9, item D

Existing rule 7861.0080 Pull-tabs	Reenacted in:
Subpart 4a, item A, subitem (5) The Board is proposing not to reenact this language as it is already contained in 7861.0280, Subpart 9, items G and H.	
Subpart 4a, item A, subitem (6)	7861.0280, Subpart 9, item E
Subpart 4a, item A, subitem (7)	7861.0280, Subpart 9, item F
Subpart 4a, item A, subitem (8)	7861.0280, Subpart 9, item G
Subpart 4a, item A, subitem (9)	7861.0280, Subpart 9, item H
Subpart 4a, item A, subitem (10)	7861.0280, Subpart 9, item I
Subpart 4a, item A, subitem (11)	7861.0280, Subpart 9, item J
Subpart 4a, item B, subitem (1) The Board is proposing not to reenact "located in the space leased or owned by the organization." It is necessary and reasonable not to reenact that language because an organization is no longer required to lease a specific space within the permitted premises. This is based on Minnesota Statute, section 349.18, subdivision 1, effective May 13, 2003, that requires an organization, when leasing a permitted premises, to pay (pull-tab) rent based on a percentage of receipts, instead of a specific area within the premises.	7861.0280, Subpart 10, item A
Subpart 4a, item B, subitem (2)	7861.0280, Subpart 10, item B
Subpart 4a, item B, subitem (3)	7861.0280, Subpart 10, item C
Subpart 4a, item B, subitem (4)	7861.0280, Subpart 10, item D
Subpart 4a, item B, subitem (5)	7861.0280, Subpart 10, item E
Subpart 4a, item B, subitem (6), units (a) and (b)	7861.0280, Subpart 10, item F
Subpart 4a, item B, subitem (6), unit (c)	7861.0260, Subpart 5, item A, subitem (3)
Subpart 4a, item B, subitem (7)	7861.0280, Subpart 10, item G
Subpart 4a, item B, subitem (8)	7861.0280, Subpart 10, item H
Subpart 4a, item C, subitems (1) to (4)	7861.0280, Subpart 10, item I
Subpart 4a, item C, subitem (5)	7861.0280, Subpart 11, item D
Subpart 5	7861.0260, Subpart 4 prize language consolidated
Subpart 6, intro sentence	7861.0280, Subpart 11, intro sentence
Subpart 6, item A, 1 st sentence	7861.0280, Subpart 11, item A
Subpart 6, item A, 2 nd & 3 rd sentences	7861.0280, Subpart 11, intro sentence
Subpart 6, item B	7861.0280, Subpart 11, item B
Subpart 6, item C	7861.0260, Subpart 5 (prize receipts)
Subpart 6, item D	7861.0280, Subpart 11, item C
Subpart 6, item E	7861.0280, Subpart 11, item C
Subpart 6, item F	7861.0280, Subpart 7, item F
Subpart 7	7861.0280, Subpart 12

7861.0280, Subpart 1. Restrictions. (reenacted from existing 7861.0080, Subpart 1.)

- In the **first sentence** of this subpart, the Board is proposing to amend the reenacted language to direct the reader to part 7861.0260 for additional information. With the consolidation of restrictions for all forms of lawful gambling, it is necessary and reasonable to inform the reader that there are additional restrictions of which they must be aware.
- **In items D and E**, the Board is proposing to reenact language from existing 7861.0060, Subpart 7 for a more logical placement of information.
- **In item E**, the language is being amended with "between a booth and bar operation" to ensure that any cash shortages that occur are accurately accounted for by organizations in booth and bar operations, as lessors are required by statute to reimburse for cash shortages in a bar operation (except for malfunctions in a pull-tab dispensing devices in a bar operation) and organizations are required to reimburse for cash shortages in a booth operation. This is not a new restriction. This is necessary and reasonable to ensure that the reader is informed of all restrictions and to provide for accurate accounting of cash shortages for both bar and booth operations.

7861.0280, Subpart 2. Posting of information and flare. (existing)

The Board is proposing to add a subpart for the posting of information and flare.

- In the **first sentence**, the reader is pointed to part 7861.0260, Subpart 2, that contains generic posting information required for all five forms of lawful gambling.
- **In item A**, the Board is proposing to reenact language from existing 7861.0080, Subpart 3, item A, pertaining to the requirement that the flare be posted.
- **In item B**, the Board is proposing to clarify the requirement that the entire flare be visible to players. It is necessary and reasonable to clarify an existing requirement and to address the problem that some organizations have folded the pull-tab flare, making portions of it not visible to players.
- **In item C**, the Board is proposing to clarify the existing restriction that an organization may not change the flare "except to post a progressive jackpot amount." It is necessary and reasonable to add language for newly-authorized progressive pull-tab games and make the language consistent with currently-authorized progressive tipboard games that are operated in the same manner.
- **In items D and E**, the Board is proposing to add language regarding posting requirements for newly-authorized progressive and cumulative pull-tab games.
- It is necessary and reasonable to create a new subpart for posting of information to be consistent with other rule parts for the conduct of lawful gambling, to recognize newly-authorized pull-tab games, and to include "flare" in the title of the subpart so that the reader is informed of the contents.

7861.0280, Subpart 3. Operation of pull-tab or event game. (reenacted from existing 7861.0080, Subpart 2)

The Board is proposing to reenact language as noted in the table above, add "event" to the title, and clarify requirements for newly-authorized event games.

- **In item G**, the Board is proposing to add new language pertaining to pull-tab event games that were authorized by the Legislature under Minnesota Statutes, 349.1721, Subdivision 2, effective May 19, 2006. The Board is required by statute to promulgate rules for these games. The rules are based in general on how the games are currently conducted in other states.

7861.0280, Subpart 4. Operation of cumulative pull-tab game.

The Board is proposing to add a subpart for the operation of cumulative pull-tab games that were authorized by the Legislature under Minnesota Statutes, 349.1721, Subdivision 1, effective May 19, 2006. Statutory language requires the Board by rule to allow this game. The proposed language is based on similar requirements in other states where this type of game is already conducted. It is necessary and reasonable to add this subpart to comply with Minnesota Statute, section 349.1721, subdivision 1.

7861.0280, Subpart 5. Operation of multiple seal games.

The Board is proposing to add a subpart for the operation of multiple seal games that were authorized by the Legislature under Minnesota Statutes, 349.1721, Subdivision 1, effective May 19, 2006. Statutory language requires the Board by rule to allow this game. The proposed language is based on similar requirements in other states where this type of game is already conducted. It is necessary and reasonable to add this subpart to comply with Minnesota Statute, section 349.1721, subdivision 1.

7861.0280, Subpart 6. Operation of progressive pull-tab games.

- The Board is proposing to add a subpart for the operation of progressive pull-tab games that were authorized by the Legislature under Minnesota Statutes, 349.1721, Subdivision 1, effective May 19, 2006. Statutory language requires the Board by rule to allow this game. The proposed language is based on similar requirements for progressive tipboard games (contained in existing 7861.0090, Subpart 2, item F). It is necessary and reasonable to add this subpart to comply with Minnesota Statute, section 349.1721, subdivision 1.

7861.0280, Subpart 7. Use of a pull-tab dispensing device.

The Board is proposing to create a subpart for the use of pull-tab dispensing device by reenacting language from existing 7861.0080, Subpart 2, item M, as noted in the table above and in the narrative below, and to reenact/consolidate all other requirements scattered throughout existing rules in this subpart, as noted below.

- **In items A, B, and C**, the Board is proposing to reenact language from 7861.0060, Subpart 2, items H, I, and J. This move will consolidate related language for pull-tab dispensing devices in one subpart.
- **In item A**, the language is amended to clarify that no more than 3 devices "in total" may be operated at the premises by all organizations. This is not a new requirement. It is merely a clarification of a longstanding statutory restriction.
- **In item C**, the Board is proposing to modify the reenacted language to reflect the statutory change effective August 1, 2005, that eliminated bingo halls. "Licensed bingo halls" will be deleted and "a permitted premises" will be added to the language.
- **In item E**, the Board is proposing to reenact language from existing 7861.0080, Subpart 1, item E, to consolidate all related information and restrictions pertaining to pull-tab dispensing devices in one subpart.
- **In item F, the 2nd and 3rd sentences** contain language being reenacted from existing 7861.0080, Subpart 6, item F. This will provide for consolidated information in one subpart for pull-tab dispensing devices and prevent a potential oversight in recordkeeping. There are no new requirements.
- **In item I, subitem (5)**, the Board is proposing to make a change to the reenacted language at the request of the lawful gambling industry. In the past rules process that became effective 11-01-04, the Board had determined that a lessor should not have access to the cash compartment of a pull-tab dispensing device, to insure that organizations maintained control of its cash assets at all times, and to preserve the integrity of the gambling operation. The Board is proposing to modify its position by allowing a lessor or employees of the lessor to have keys to the cash compartment so that they may remove the cash box contained within the cash compartment but not allow them to have a key to open the cash box itself. The Board has worked with distributors and manufacturers on this issue, to ensure that pull-tab dispensing devices could be modified or manufactured to comply with this provision, and they have assured the Board that they can comply. It is necessary and reasonable to make the proposed change so that an organization can manage limited resources (personnel and time required to go to a site each night and money to pay an organization employee to do so) while maintaining control over its cash assets and maintaining the integrity of its operations. An organization will have the option to choose whether it will allow the lessor a key to the cash compartment; it is not a requirement.
- **In item L, 2nd sentence**, the Board is proposing to reenact language from existing 7861.0080, Subpart 1, item D, to consolidate requirements and restrictions for the use of a pull-tab dispensing device in one subpart.
- It is necessary and reasonable to consolidate all requirements and restrictions for the use of pull-tab dispensing devices so that the reader can easily locate the information in one subpart.

Existing 7861.0080, Subpart 3. Single deals.

- See table above.

7861.0280, Subpart 8. Commingled deals in a pull-tab dispensing device. (reenacted from existing 7861.0080, Subpart 4.)

The Board is proposing to reenact the language for commingled deals from existing 7861.0080, Subpart 4 and amend the title so that the reader is easily informed of its contents, i.e. that commingled deals are allowed "in a pull-tab dispensing device." No new requirements are imposed.

7861.0280, Subpart 9. Standards for cash registers (reenacted from existing 7861.0080, Subpart 4a.)

The Board is proposing to reenact language from existing 7861.0080, Subpart 4a, item A, and title the subpart "Standards for cash registers." The language in the first sentence of existing 7861.0080, Subpart 4a, item A, that references how a cash register must be used and a monthly reconciliation report is required will be deleted, and will be referenced in new Subpart 10, Use of cash register; monthly audit and reconciliation report. No new requirements are imposed. It is necessary and reasonable to create a new subpart to make the rules easier to locate and read.

7861.0280, Subpart 10. Use of cash register; monthly reconciliation report. (reenacted from existing 7861.0080, Subpart 4b.)

The Board is proposing to reenact language from existing 7861.0080, Subpart 4a, items B and C. This subpart pertains to the optional use of a cash register for pull-tabs games, and if a cash register is used, the required reconciliation record and discrepancy report that must be prepared at month-end. The language is being clarified to reflect existing actual practices and requirements, to make the rule easier to understand. It is necessary and reasonable to reenact the existing language to create this new subpart, allowing the reader to easily locate and understand the information.

Existing 7861.0080 Subpart 5. Pull-tab prize limits.

The Board is proposing to delete all language in this subpart and reenact the language in 7861.0260, Subpart 4, where language pertaining to prizes for all forms of lawful gambling is being consolidated. This is necessary and reasonable to eliminate inconsistent language and to reduce the bulk of rule language.

7861.0280, Subpart 11. Records and reports. (reenacted from existing 7861.0080, Subpart 6.)

- **In item D** the Board is proposing to reenact language from existing 7861.0080, Subpart 4a, item C, subitem (5), to consolidate record retention information.
- **In item E**, the Board is proposing to add language requiring that the access log for a pull-tab dispensing device be kept along with all other records of the game. This is a requirement being reenacted and clarified from existing 7861.0080, Subpart 6, item F.
- It is necessary and reasonable to consolidate and clarifying existing requirements for records and reports in one location.

7861.0280, Subpart 12. Disposal of pull-tab games and records. (reenacted from existing 7861.0080, Subpart 7.)

In this subpart, the Board is proposing to reenact and reorganize language from existing 7861.0080, Subpart 7, make grammatical changes, and clarify that the retention period in item B is the time referenced in item A. New language is added pertaining to the retention of prize pool boards that contain unopened seals, to reflect the addition of new pull-tab games authorized by the Legislature in 2006. It is necessary and reasonable to reenact and clarify existing requirements and clarify new games.

RULE-BY-RULE ANALYSIS: 7861.0290 TIPBOARDS (reenacted language from 7861.0090)

The Board is proposing to reenact language from existing 7861.0090 and other parts as follows.

Existing rule 7861.0090 Tipboards	Reenacted in:
Subpart 1, item A, 1 st sentence The Board is proposing not to reenact this language because Minnesota Statutes, section 349.18 contains language stating who may and may not play. It is necessary and reasonable to delete language that is repetitive of statutory language.	
Subpart 1, item A, 2 nd sentence	7861.0290, Subpart 1, item A
Subpart 1, item B	7861.0290, Subpart 1, item B In item B, the Board is proposing not to reenact the phrase "or portion thereof" and replace it with "any part of a tipboard." This is necessary and reasonable to eliminate confusing phrases and replace it with language that is easier to understand.
Subpart 1, item C	7861.0290, Subpart 1, item C
Subpart 1, item D, 1 st sentence	7861.0290, Subpart 3, item C
Subpart 1, item D, 2 nd sentence	7861.0290, Subpart 3, item D
Subpart 1, item E	7861.0290, Subpart 2
Subpart 1, item F	7861.0290, Subpart 1, item D The Board is proposing to amend the reenacted language by clarifying the one exception when an organization can change the prize amount on a tipboard, i.e. "to post a progressive jackpot amount" for a progressive tipboard board. This is not new; it is merely a clarification of what is currently allowed. The Board is also proposing to amend the language to clarify that an organization may use a flare that has been altered by a distributor with a last sale sticker. This is not a new; it is merely a clarification of what is currently restricted/allowed by statute. These amendments make the language consistent with pull-tab language in 7861.0280.
Subpart 2, item A	7861.0290, Subpart 3, item A In the reenacted language, the Board is proposing to change the term "game" to "deal" to clarify that some types of tipboard games might contain more than one deal per game. It is necessary and reasonable to include terminology commonly used by the industry.
Subpart 2, item B The Board is proposing not to reenact this language as it is essentially existing manufacturing standards contained in 7864.0230, Subpart 3. It is necessary and reasonable to delete repetitive language and to ensure that requirements placed upon a licensee are in the correct rule part.	
Subpart 2, item C	7861.0260, Subpart 2 (house rules)
Subpart 2, item D	7861.0260, Subpart 1, item C (invoice language)

Existing rule 7861.0090 Tipboards	Reenacted in:
Subpart 2, item E	7861.0260, Subpart 7, item A (game info)
Subpart 2, item F, subitem (1), 1 st sentence	7861.0290, Subpart 4, item A
Subpart 2, item F, subitem (1), 2 nd sentence	7861.0290, Subpart 4, item B The reference to the statutory cite is not being reenacted, as the manufacturer places the predetermined amount that must be contributed to the jackpot on the game flare, as allowed by statute. This requirement is contained in Manufacturing standards 7864.0230, Subpart 3.
Subpart 2, item F, subitem (2)	7861.0290, Subpart 4, item C
Subpart 2, item F, subitem (3) The 1 st sentence is not necessary and will not be reenacted.	7861.0290, Subpart 4, item B The reference to the statutory prize limit of \$2,500 is not being reenacted, as the manufacturer places the predetermined amount that must be contributed to the jackpot on the game flare, as allowed by statute. (This requirement is contained in Manufacturing standards 7864.0230, Subpart 3. It is necessary and reasonable to eliminate rule language that is a manufacturing standard, as the jackpot may be up to \$2,500, not required to be \$2,500, and should not be located in this rule part.
Subpart 2, item F, subitem (4)	7861.0290, Subpart 4, item D and item F, subitem (1)
Subpart 2, item F, subitem (5)	7861.0290, Subpart 4, item F, subitem (1)
Subpart 2, item F, subitem (6) The Board found that organizations were not always able to have progressive tipboard game records available at the premises because of month-end audits, usually conducted off-site, that are required for reporting game/tax information to the Department of Revenue. It is necessary and reasonable not to reenact the language requiring that all games in play must be kept at the premises, to eliminate a burdensome requirement and clarify in 7861.0290, Subpart 7, item A that deals in play must be kept at the premises.	7861.0290, Subpart 7, item A (clarified with exception)
Subpart 2, item F, subitem (7) The Board is proposing not to reenact this language because in a progressive tipboard game, only cash prizes may be awarded. (Merchandise prizes are not progressive.) It is necessary and reasonable to delete unnecessary language.	
Subpart 2, item F, subitem (8)	7861.0290, Subpart 4, item F, subitems (1) to (3)
Subpart 2, item F, subitem (9)	7861.0290, Subpart 2
Subpart 2, item F, subitem (10)	7861.0290, Subpart 2
Subpart 2, item F, subitem (11)	7861.0290, Subpart 3, item C
Subpart 2, item F, subitem (12)	7861.0290, Subpart 7, item C

Existing rule 7861.0090 Tipboards	Reenacted in:
Subpart 2, item F, subitem (13) The Board is proposing not to reenact this language because an organization must always have gambling funds available to pay prizes when awarded. It is necessary and reasonable not to reenact unnecessary language.	
Subpart 3, items A and B (ticket price)	7861.0290, Subpart 3, item B
Subpart 3, item C, 1 st sentence The Board is proposing not to reenact the first sentence as this is a manufacturing standard. It is necessary and reasonable to have the prize limit requirement in the proper rule part.	7864.0230 , Subpart 3, item D
Subpart 3, item C, 2 nd sentence	7861.0290, Subpart 6, items D and E The Board is proposing to amend the reenacted language by clarifying that when discontinuing or closing a tipboard game, an organization must open the seal to determine a winner, if any.
Subpart 4, item A, 1 st sentence	7861. 0260 , Subpart 1, item C, subitem (3)
Subpart 4, item A, 2 nd sentence	7861. 0260 , Subpart 5, item A subitem (3) and item B (It is noted that prize receipts for progressive tipboard games are addressed in 7861.0290, Subpart 4, item F.)
Subpart 4, item B	7861.0290, Subpart 7, item A The Board is proposing to amend the reenacted language. Because an organization may have completed many deals in a progressive or cumulative tipboard game, it is impractical and not always possible for an organization to store all completed deals at a premises. Also, month-end audits for tax reporting are usually conducted off-site. The Board has recognized this as a problem and is making necessary and reasonable changes to only require deals in play to be kept at a premises, instead of "games." The current requirement is burdensome and impractical for these games in which multiple deals might be played over the course of several months.
Subpart 4, item C	7861. 0260 , Subpart 5
Subpart 4, item D	7861.0290, Subpart 7, item C
Subpart 4, item E	7861.0290, Subpart 7, item D
Subpart 4, item F	7861.0290, Subpart 7, item D
Subpart 5	7861.0290, Subpart 8, items A, B, and C

7861.0290, Subpart 1. Restrictions. (reenacted from existing 7861.0090, Subpart 1)

- In item A the Board is proposing to add new language defining the "sale of tipboards." The new language is similar to language contained in 7861.0280, Subpart 1, item A (pull-tabs). Because some tipboard games are played with the same multi-ply tickets (essentially a pull-tab ticket) as used in pull-tab games, it is necessary and reasonable to have the same definition for sales of pull-tabs and tipboards. This imposes no new requirements on organizations, as existing internal control standards (7861.0120, Subpart 1 reenacted in new 7861.0320, Subpart 1) already incorporate and require these restrictions.

7861.0290, Subpart 1. Restrictions. (reenacted from existing 7861.0090, Subpart 1) (continued)

- **In item E**, the Board is proposing to add new language making it consistent with pull-tab language in 7861.0280, Subpart 1, item D. It is necessary and reasonable to ensure that organizations maintain separate operations and funds for lawful gambling.
- **In item F**, the Board is proposing to add a new item to clarify that games in play may not be transferred between a booth and bar operation. This is necessary to ensure that cash shortages are accurately accounted for in booth and bar operations, as lessors are required to reimburse for cash shortages in a bar operation, and organizations are required to reimburse for cash shortages in a booth operation. This is not a new restriction. This is necessary and reasonable to ensure that the reader is informed of all restrictions and to provide for accurate accounting.

The reenacted language and changes proposed are necessary and reasonable to organize all restrictions in one subpart.

7861.0290, Subpart 2. Posting of information and flare. (reenacted from existing 7861.0090, new Subpart 1a.)

The Board is proposing to create a subpart for "Posting of information and flare," to be consistent with rule language and organization of information in other parts pertaining to the conduct of lawful gambling. In the first sentence the reader is pointed to 7861.0260, Subpart 2 where general posting requirements have been consolidated. It is necessary and reasonable to consolidate all related requirements so that the reader can easily locate the information. The language reflects existing practice and requirements.

7861.0290, Subpart 3. Operation of tipboard game. (reenacted from existing 7861.0090, Subpart 2.)

- The Board is proposing to title Subpart 3 as "Operation of tipboard game" to make it consistent with language in other rule parts so that the reader is easily informed of its contents.
- **In item B**, the Board is proposing to reenact language from existing 7861.0090, Subpart 3, items A and B.
- **In item C**, the Board is proposing to reenact language from existing 7861.0090, Subpart 1, item D, first sentence.
- **In item D**, the Board is proposing to reenact language from existing 7861.0090, Subpart 1, item D, for a more logical placement of information pertaining to restrictions for awarding a prize in the conduct of a tipboard game.
- **In item E**, the Board is proposing to amend reenacted language by clarifying when a winning ticket must be defaced. This is necessary and reasonable to be consistent with requirements for pull-tabs in 7861.0280, Subpart 3, item F. The term "immediately" is added to clarify and inform the reader when the ticket must be defaced. This is not a new requirement, but the Board believes it is necessary to add the term so that a tipboard seller doesn't put a winning ticket aside and forget to deface it. By immediately defacing the ticket, the organization is ensured that the ticket, if misplaced, would not be redeemed a second time or used to create a counterfeit ticket, resulting in a potential loss in profits for the organization. It is necessary and reasonable to ensure the integrity of the games.
- **In item F**, the Board is proposing to add new language to clarify that a tipboard game may be "discontinued" or closed by the organization. With input from the industry, the Board is taking a fresh look at old practices to allow for better play of the games. While Minnesota Statutes, section 349.1711, Subdivision 2 specifies a situation when a seal must be opened (all tickets sold or all lines filled), it does not prohibit an organization from opening the seal on a "dead game" and closing the regular tipboard game. This was clarified in the Board's bi-monthly newsletter, *Gaming News*, November/December 2005, page 7. It is necessary and reasonable to amend the language to allow organizations to close "dead" tipboard games, in the same manner that organizations are currently allowed to close "dead" pull-tab games. This change will make the tipboard games consistent with pull-tab games. The change does not affect the integrity of the game and will give organizations better options on when to close tipboard games. Also in item F it is necessary and reasonable to clarify that a seal must be opened when discontinuing or closing a tipboard game, to ensure that players who qualified have a chance at the winning prize. Also, the requirement that a seal be opened to determine a winner is reenacted from existing 7861.0090, Subpart 3, item C, 2nd sentence.

7861.0290, Subpart 4. Operation of progressive tipboard game.

The Board is proposing to create a subpart for the "Operation of progressive tipboard games" by reenacting language from existing 7861.0090, Subpart 2, item F, and amend and clarify it with language that is easier to understand and reflects more accurately how the game is conducted. There are no new requirements but there are new allowances as noted below.

- In the **1st sentence of this subpart**, the reader is reminded that the requirements of Subpart 3 also pertain to the operation of a progressive tipboard game. By referring the reader to Subpart 3, that language does not have to be repeated in this item, thereby reducing the bulk of reenacted rule language.
- **In item D**, the language "If the seal prize winner is present, the winner must select a progressive jackpot window or windows to be opened by the seller" is added. This is not a new requirement as the information is already required on the board-prescribed forms for winner contact information. This language is necessary and reasonable to clarify that the seller is the person who must open the window, not the winning player, to ensure the integrity of the game and that the game is not tampered with by a player.
- **In item E**, the Board is proposing to amend this subpart in response to a number of requests that it received for a rule variance from existing 7861.0090, Subpart 2, item F, subitem (3).

The Board is proposing to change how a progressive tipboard game is operated, i.e. clarify when a progressive tipboard game may be closed:

- (1) close a deal within progressive play and not continue progressive play; or
- (2) close the game when the jackpot prize is won.

[An organization could close the first deal, not start the progressive game (implied in rule, because a game is progressive only when a consecutive deal is put into play), and report the game as a regular tipboard game.]

The Board is proposing to allow an organization to discontinue a progressive tipboard game but require the organization to open the seal when doing so. This change is necessary and reasonable because it was found that many organizations that conducted a progressive tipboard game under current rule requirements were unable to close a game when a deal "went dead," i.e. there was no player participation in the game. To close a game, organizations had to request a rule variance from the Board or otherwise keep a dead game in play, which created reporting problems. This is a significant change that the Board deems necessary and reasonable so that progressive tipboard games can be closed in the same manner as pull-tab games. This is necessary and reasonable because organizations have experienced situations where there was no player interest in the game after deals were completed, or the major winners were awarded and unsold tickets remained in the deal, preventing the organization from putting another deal into play under current rules.

- **In item F, subitem (2)**, the Board is proposing to amend reenacted language to allow an organization the option to pay a winner, who is present when the jackpot window is opened, by cash if the prize is \$599 or less. It is necessary and reasonable to allow the organization to have flexibility in paying a winner, who is present, with cash and to place a limit on the amount allowed because there are certain IRS reporting requirements for prizes awarded that exceed \$599, and that is better accomplished "not on the spot."

7861.0290, Subpart 5. Operation of tipboard game with multiple seals.

The Board is proposing to create a subpart with language governing the conduct of a tipboard game with multiple seals. In the first sentence, the reader is directed to Subpart 3 for "generic" requirements of all tipboard games, thereby keeping the rules in this subpart to a minimum, . It is necessary and reasonable to establish these rules because the Board has been directed to promulgate rules under Minnesota Statutes, section 349.1711, subdivision 5 for games with multiple seals.

7861.0290, Subpart 5. Operation of cumulative tipboard game.

The Board is proposing to create a new subpart for cumulative tipboard games. The Board has been directed to promulgate these rules under Minnesota Statutes, section 349.1711, subdivision 5. The language allows organizations to conduct a new type of tipboard game, i.e. cumulative tipboard game. In the first sentence, the reader is directed to Subpart 3 for "generic" requirements of all tipboard games, thereby keeping the rules in this subpart to a minimum. It is necessary and reasonable to establish these rules that allows for the play of a new type of game authorized under Minnesota Statute, section 349.1711, subdivision 5. and for which the Board has been directed to promulgate rules.

Existing 7861.0090, Subpart 3. Tipboard prizes and cost per ticket limits.

See above table for reenactment information.

7861.0290, Subpart 7. Records and reports. (reenacted from existing 7861.0090, Subpart 4.)

- **In the first sentence**, the Board is proposing to add language stating that records, reports, and prize receipts must be kept for 3-1/2 years and make them available to the board. This is an existing requirement. It is necessary and reasonable to include the language to make it consistent with other rule parts (in the conduct of lawful gambling) that pertain to records, reports, and prize receipts.
- **In item B**, the Board is proposing to add new language that will clarify what game information must be kept. It is necessary and reasonable to clarify the required information, which is not a new requirement, and makes the language consistent with pull-tab rules.

7861.0290, Subpart 8. Disposal of played tipboards and records. (reenacted from existing 7861.0090, Subpart 5.)

In this subpart, the Board is proposing to reenact and reorganize existing 7861.0090, Subpart 5, make grammatical changes, and clarify that the retention period in new item B is the time frame referenced in item A. There are no new requirements. It is necessary and reasonable to make clarifying changes to make the language consistent with other rule parts pertaining to disposal of games and records in the conduct of lawful gambling.

RULE-BY-RULE ANALYSIS: 7861.0100 PADDLEWHEELS – Delete all and reenact in 7861.0300 and elsewhere as noted below.

As a broad statement of need and reasonableness for 7861.0100 for the "delete all" language, the Board is proposing to delete all language and reenact and reorganize it with new subparts, in a more logical order with simplified language. It is necessary and reasonable to make the rules easier to understand and to locate information.

The Board is proposing to reenact language from existing 7861.0100 as follows.

Existing rule 7861.0100 Paddlewheels	Reenacted in:
Subpart 1a	7861.0300, Subpart 1, item A, 2 nd sentence
Subpart 2, item A	7861.0300, Subpart 1, item A, 1 st sentence
Subpart 2, item B	7861.0300, Subpart 1, item B
Subpart 2, item C, 1 st , 2 nd , and 3 rd sentences	7861.0300, Subpart 1, item C
Subpart 2, item C, 4 th sentence	7861.0300, Subpart 1, item D
Subpart 2, item D	7861.0300, Subpart 3, item B
Subpart 2, item E	7861.0300, Subpart 11, item D
Subpart 2, item F, 1 st sentence	7861.0300, Subpart 4, item A, subitem (1)
Subpart 2, item F, 2 nd sentence	7861.0300, Subpart 4, item A, subitem (2)
Subpart 2, item G	7861.0300, Subpart 1, item E
Subpart 7, item A, 1st part of 1 st sentence	7861.0300, Subpart 2, item A
Subpart 7, item A, last part of 1 st sentence	7861.0300, Subpart 2, item B, 1 st sentence
Subpart 7, item A, subitems (1) to (3)	7861.0300, Subpart 2, item B, subitems (1) to (3)
Subpart 7, item B	7861.0300, Subpart 2, item C
Subpart 8, item A	7861.0300, Subpart 4, item A, subitem (1)
Subpart 8, item B, 1 st sentence	7861.0300, Subpart 4, item A, subitem (3)
Subpart 8, item B, 2 nd sentence	7861.0300, Subpart 1, item F, 1 st sentence
Subpart 8, item B, 3 rd sentence	7861.0300, Subpart 1, item F, 2 nd sentence
Subpart 8, item B, 4 th sentence	7861.0300, Subpart 1, item F, 3 rd sentence
Subpart 8, item B, 5 th sentence	7861.0300, Subpart 11, items E and F
Subpart 8, item B, 6 th sentence	7861.0300, Subpart 11, 1 st sentence, and item A
Subpart 8, item C, 1 st sentence	7861.0300, Subpart 1, item G, 1 st sentence
Subpart 8, item C, 2 nd sentence	7861.0300, Subpart 1, item H, 1 st sentence
Subpart 8, item C, 3 rd sentence	7861.0300, Subpart 1, item G, 1 st sentence
Subpart 8, item C, 4 th sentence	7861.0300, Subpart 1, item G, 2 nd sentence
Subpart 8, item C, 5 th sentence	7861.0300, Subpart 1, item G, 3 rd sentence
Subpart 8, item D, 1 st sentence	7861.0300, Subpart 4, item A, subitem (4)
Subpart 8, item D, 2 nd and 3 rd sentence	7861.0300, Subpart 4, item B, subitem (1)
Subpart 8, item D, 4 th and 5 th sentence	7861.0300, Subpart 4, item B, subitem (2)
Subpart 8, items E, F, and G	7861.0260, Subpart 4
Subpart 8, item H	7861.0300, Subpart 4, item B, subitem (3)
Subpart 8, item I, subitem (1) The Board is proposing not to reenact this language as it goes without saying that a paddlewheel must be spun to determine a winner. It is necessary and reasonable to delete unnecessary language.	
Subpart 8, item I, subitem (2)	7861.0300, Subpart 3, item A, subitem (1)
Subpart 8, item I, subitem (3)	7861.0300, Subpart 4, item A, subitem (2)
Subpart 8, item I, subitem (4)	7861.0300, Subpart 3, item A, subitem (2)
Subpart 8, item I, subitem (5)	7861.0300, Subpart 3, item A, subitems (3) & (4)

Existing rule 7861.0100 Paddlewheels	Reenacted in:
Subpart 8, item J The Board is proposing not to reenact the language requiring that the prize sign be at least 18 inches by 24 inches in size. The organization is free to determine what size is needed.	7861.0300, Subpart 3, item C
Subpart 9	7861.0300, Subpart 9, items A to D
Subpart 11, item A, subitems (1) to (4)	7861.0300, Subpart 7, item B, subitems (1), (2), (4), and (5)
Subpart 11, item B	7861.0300, Subpart 7, item C
Subpart 11, item C	7861.0300, Subpart 7, item D
Subpart 11, item D, subitems (1) to (3)	7861.0300, Subpart 7, item E, subitems (1) to (3)
Subpart 11, item E, 1 st & 3 rd sentence	7861.0300, Subpart 7, item F
Subpart 11, item E, 2 nd sentence	7861.0300, Subpart 7, item H
Subpart 11, item F	7861.0300, Subpart 7, item G
Subpart 11, item G	7861.0300, Subpart 6, item C
Subpart 11, item H	7861.0260, Subpart 4, item D, subitem (5)
Subpart 11, item I	7861.0300, Subpart 1, item G
Subpart 11, item J, 1 st sentence	7861.0300, Subpart 6, item D, subitem (3)
Subpart 11, item J, 2 nd sentence	7861.0300, Subpart 6, item D, subitem (4)
Subpart 11, item K	7861.0300, Subpart 6, item E, subitems (1) to (3)
Subpart 11, item L, 1 st sentence	7861.0300, Subpart 6, item D, subitem (1)
Subpart 11, item L, 2 nd sentence	7861.0300, Subpart 6, item D, subitem (2)
Subpart 11, item L, 3 rd and 4 th sentences	7861.0300, Subpart 1, item F, 2 nd and 3 rd sentences
Subpart 11, item L, 5 th sentence	7861.0300, Subpart 11, first sentence
Subpart 11, item L, 6 th sentence	7861.0300, Subpart 11, items E and F
Subpart 11, item M, 1 st and 2 nd sentence	7861.0300, Subpart 6, item D, subitem (5)
Subpart 11, item M, 3 rd sentence	7861.0300, Subpart 6, item F, subitem (1)
Subpart 11, item N	7861.0300, Subpart 6, item F, subitem (2)
Subpart 11, item O, 1 st and 2 nd sentences	7861.0300, Subpart 6, item F, subitem (3)
Subpart 11, item O, 3 rd sentence	7861.0300, Subpart 6, item F, subitem (5)
Subpart 11, item P	7861.0300, Subpart 6, item G, subitems (1) to (5)
Subpart 11, item Q	7861.0300, Subpart 6, item F, subitem (4), units (a) to (c)
Subpart 11, item R	7861.0300, Subpart 6, item G, subitem (6), units (a) and (b)
Subpart 11, item S, subitems (1) to (3)	7861.0300, Subpart 6, item H, subitems (1) and (2), units (a) to (c)
Subpart 11, item T, subitems (1) to (7), and (10) to (12).	7861.0300, Subpart 5, items C to L
Subpart 11, item T, subitem (8) and (9)	7861.0300, Subpart 3, item A, subitem (2)
Subpart 11, item U	7861.0300, Subpart 6, item I
Subpart 12, item A	7861.0300, Subpart 11, item B
Subpart 12, item B, subitems (1) to (6)	7861.0300, Subpart 11, item C, subitems (1) to (6)
Subpart 12, item C	7861.0300, Subpart 8, item A
Subpart 12, item D	7861.0300, Subpart 8, item B
Subpart 12, item E. The Board is proposing not to reenact the reference to "pooling of tips" as it is not necessary to address in rules how tips are handled, although the reenacted language in 7861.0300, Subpart 8, item C, does contain language requiring that tips be made with chips, an existing requirement and practice.	7861.0300, Subpart 8, item C

Existing rule 7861.0100 Paddlewheels	Reenacted in:
Subpart 12, item F, all language except 2 nd sentence	7861.0300, Subpart 8, item E
Subpart 12, item F, 2 nd sentence	7861.0300, Subpart 8, item D
Subpart 12, item G, 1 st paragraph	7861.0300, Subpart 8, item F
Subpart 12, item G, 2 nd paragraph, 1 st & 2 nd sentence	7861.0300, Subpart 8, item G
Subpart 12, item, G, 2 nd paragraph, 3 rd & 4 th sentence	7861.0300, Subpart 8, item H
Subpart 12, item G, 3 rd paragraph	7861.0300, Subpart 8, item I
Subpart 12, item G, 4 th paragraph	7861.0300, Subpart 8, item J
Subpart 12, item G, 5 th paragraph	7861.0300, Subpart 8, item K
Subpart 13, item A, subitems (1) to (4)	7861.0300, Subpart 10, item A, subitems (1) to (4)
Subpart 13, item B. The Board is proposing not to reenact the language pertaining to a separate prize sign because prize payouts are contained on the flare for the game. It is necessary and reasonable to delete an unnecessary requirement.	7861.0300, Subpart 5, item B (master flare)
Subpart 13, item C	7861.0300, Subpart 10, item B
Subpart 14, item A	7861.0300, Subpart 6, item B
Subpart 14, item B	7861.0300, Subpart 8, item C, 1 st sentence
Subpart 14, item C	7861.0300, Subpart 6, item D, subitem (6)
Subpart 15	7861.0300, Subpart 12, items A, B, and C
Subpart 16, 1 st sentence The Board is proposing not to reenact this language because the language is ambiguous to the reader, and the existing requirements will be clarified in 7861.0300, Subpart 11.	
Subpart 16, 2 nd sentence	7861.0300, Subpart 11, item B
Subpart 16, 3 rd and 4 th sentences	7861.0300, Subpart 11, items E and F

STATEMENT OF NEED AND REASONABLNESS FOR 7861.0300 PADDLEWHEELS (reenacted language from 7861.0100)

The Board is proposing to strike all language in 7861.0100 and reenact and reorganize the existing requirements in new subparts. This will allow the Board to place existing requirements in a more logical order for the conduct of the games and rewrite the language in a simplified active and spoken voice. The new 12 subparts are:

- Subpart 1. Restrictions and definitions.
- Subpart 2. Posting of information for paddlewheels without a paddlewheel table.
- Subpart 3. Posting of information for paddlewheels with a paddlewheel table.
- Subpart 4. Balancing, opening, closing, maintenance, and inspection of paddlewheels.
- Subpart 5. Conduct of paddlewheels without a paddlewheel table.
- Subpart 6. Conduct of paddlewheels with a paddlewheel table.
- Subpart 7. Use of paddlewheel surveillance system for paddlewheels with a paddlewheel table.
- Subpart 8. Operating procedures and internal controls for paddlewheels with a paddlewheel table.
- Subpart 9. Standards for paddlewheel chips for paddlewheels with a paddlewheel table.
- Subpart 10. Bet and prize pay out restrictions for paddlewheels with a paddlewheel table.
- Subpart 11. Records and reports.
- Subpart 12. Disposal of played paddlewheel tickets and records.

Existing 7861.0100, Subpart 1a. Two versions of paddlewheel games.

See table above.

7861.0300, Subpart 1. Restrictions. (reenacted from existing 7861.0100, reorganization of language from Subpart 8 and other language from this existing part)

The Board is proposing to consolidate all restrictions and definitions in one subpart using reenacted language as noted in the table above or as described below.

- **In item F, 2nd and 3rd sentences**, the Board is proposing to reenact language from existing 7861.0090, Subpart 8, item B, 3rd and 4th sentences and from existing 7861.0090, Subpart 11, item I, 3rd and 4th sentences. It is necessary and reasonable to consolidate the same requirements in one subpart.
- **In item H, 2nd sentence**, the Board is proposing to include new language clarifying that when a pointer stops directly on top of a peg, the number to the left of the peg seen when facing the wheel is the winning number. It is necessary and reasonable to clarify a question that was raised by the industry so that all organizations conduct paddlewheels in the same manner.
- **In item I**, the Board is proposing to add language clarifying that a prize may only be awarded to the holder of a winning paddleticket. This is not a new requirement.
- **In item J**, the Board is proposing to add language clarifying that paddleticket cards may not be transferred to another site. This is not a new requirement. It is necessary and reasonable to make the rule consistent with the same requirement for other lawful gambling games and to ensure that players at the site have a fair and equal chance of winning.
- It is necessary and reasonable to reenact and consolidate all existing restrictions and provide clarification for issues raised by the industry.

7861.0200, Subpart 2. Balancing, opening, closing, maintenance, and inspection of paddlewheels. (reenacted from existing 7861.0100, Subpart 7)

- The Board is proposing to reenact and consolidate existing language pertaining to balancing, opening, closing, maintenance, and inspections of paddlewheels in one subpart, as noted in the table above.

7861.0300, Subpart 3. Posting of information for paddlewheels without a paddlewheel table.

- The Board is proposing to create a new subpart by reenacting language from throughout existing 7861.0100. It is necessary and reasonable to create a subpart that is consistent with the standardized flow of information in other parts for the conduct of lawful gambling, and will make it easier for the reader to locate the information. Refer to the table above for reenactment information.
- **In item A, subitem (2)**, the Board is proposing to amend reenacted language by clarifying that when the pointer stops directly on top of a peg, the number to the left of the peg seen when facing the wheel is the winning number. It is necessary and reasonable to clarify an existing practice to ensure that all organizations conduct paddlewheel games in the same manner.
- **In item C**, the Board is proposing to add language requiring the posting of cash and merchandise prizes to be awarded. This is an existing practice, and it is necessary and reasonable to include it in rule language.

7861.0300, Subpart 4. Conduct of paddlewheels without a paddlewheel table. (reenacted from existing 7861.0100, Subpart 8)

The Board is proposing to reenact, reorganize, and simplify existing language for this subpart as noted in the table above.

7861.0300, Subpart 5. Posting of information for paddlewheels with a paddlewheel table. (reenacted from existing 7861.0100, Subpart 11)

- The Board is proposing to reenact, reorganize, and simplify existing language for this subpart as noted in the table above.
- **In the 1st sentence of this subpart and in item A**, the reader is pointed to other rules pertaining to posting information, to consolidate language and reduce the bulk of rule language without repeating the same information. This also helps to ensure that requirement language remains standardized.
- **In item E**, the Board is proposing to amend the reenacted language to clarify that "organization" employees are the personnel authorized to retrieve a chip dropped into a table betting slot.

7861.0300, Subpart 6. Conduct of paddlewheels with a paddlewheel table. (reenacted from existing 7861.0100, Subpart 11.)

- **In item A**, the Board is proposing to add a new requirement that a gambling manager must attend a Board class before conducting a paddlewheel game with a paddlewheel table. This is an existing optional class that gambling managers have attended. There have been no objections from the industry to attending this class. Incorporating a requirement that the gambling manager attend the class will ensure that an organization understands the complexities of using a paddlewheel table and helps to ensure the integrity of the game. The class has helped to prevent many problems in the conduct of paddlewheels with a table, i.e. how to watch for and detect possible fraudulent activity by paddlewheel operators and players through the use of the required video surveillance system. It is necessary and reasonable to incorporate an informal practice that has been proven to be a valuable regulatory tool for the Board, a valuable educational aid for organizations and gambling managers, and serves to maintain a higher level of integrity for this special type of paddlewheel game.
- **In item E, subitem (4)**, the Board is proposing to add new language that clarifies the existing practice of immediately placing the currency in the drop box. It is necessary and reasonable to add the requirement so that all organizations use the same procedures when conducting this type of game.
- **In item G, subitem (1)**, the Board is proposing to add new language clarifying that the spin numbering, which begins with "one" for the first spin, must progress until activity for the day is completed. It is necessary and reasonable to clarify in rule an existing practice and requirement.
- **In item H, subitem (2), unit (b)**, the Board is proposing to amend the reenacted language by clarifying that the paddlewheel operator must pay off the winning ticket in chips. It is necessary and reasonable to clarify in rule an existing practice and requirement.

7861.0300, Subpart 7. Use of paddlewheel surveillance system for paddlewheels with a paddlewheel table.

- **In item A**, the Board is proposing to add a new requirement that an organization must send to the Board a video recording of at least one day's activity within 14 days of the initial operation of the paddlewheel table. This is an existing informal practice with which organizations have complied. Incorporating a requirement that an organization submit a video recording of at least one day's activity is a valuable educational aid for the organization, as it provides the Board with a proactive opportunity to help the organization detect and prevent potential fraud and loss of gambling funds. It is necessary and reasonable to incorporate an informal practice that has been proven to be a valuable regulatory tool for the Board, a valuable educational aid for organizations and gambling managers, and serves to maintain a higher level of integrity for this special paddlewheel game.
- **In item B, subitem (3)** the Board is proposing to add new language to require that the "real date and time of the activity and record" be included in the video recording. It is necessary and reasonable to require the real (actual) date and time of when the recording took place so that the organization and the Board will know the actual date and time of the activity when reviewing the videotape for auditing purposes. Video systems are capable of including this information without any additional burden imposed on the organization. This is necessary and reasonable to ensure that for auditing purposes the organization and the Board know when the activity occurred by recording this information.
- **In item B, subitem (4)** the Board is proposing to amend the reenacted language with "drop box slot." It is necessary and reasonable to require that the drop box slot be included in the video recording to ensure that the box has not been tampered with during the activity.
- **In item H**, the Board is proposing to amend the reenacted language pertaining to "independent person" and clarify that it does not include a lessor, lessor's employees, and lessor's immediate family. It is necessary and reasonable to clarify the definition by including these entities and ensure the integrity of the game through an organization's internal controls.

7861.0300, Subpart 8. Operating procedures and internal controls for paddlewheels with a paddlewheel table. (reenacted from existing 7861.0100, Subpart 12)

The Board is proposing to reenact existing language as noted in the table above. No new requirements are imposed.

7861.0300, Subpart 9. Standards for paddlewheel chips for paddlewheel with a paddlewheel table. (reenacted from existing 7861.0100, Subpart 9.)

- The Board is proposing to reenact existing language as noted in the table above.
- **In item D**, the Board is proposing to make a reasonable and necessary modification to the reenacted language pertaining to printing the organization's license number and the dollar value of the chip, so that the organization can determine whether it wants to print the information on only one side or both sides.

7861.0300, Subpart 10. Bet and prize pay out restrictions for paddlewheel with a paddlewheel table. (reenacted from existing 7861.0100, Subpart 13.)

The Board is proposing to reenact language from existing 7861.0100, Subpart 13.

7861.0300, Subpart 11. Records and reports. (reenacted from existing 7861.0100, Subpart 16, and other existing rule language as noted.)

- The Board is proposing to reenact language from existing 7861.0100, Subpart 16, and from other existing rule language as noted in the table above. It is necessary and reasonable to consolidate all record requirements in one subpart.
- **In item C, subitem (2)** the Board is proposing to amend the reenacted language by deleting the term "state registration number" and inserting "table identification number." It is necessary and reasonable to clarify existing practice and requirements.
- **In item E**, the Board is proposing to add new language clarifying that an organization must close from play all partially played groupings of paddleticket cards and report as unsold any unplayed paddleticket cards at month-end. This language is being added at the request of the Department of Revenue, as their reporting requirements for partially played groupings is being changed to ensure that games are properly accounted for and reported. It is necessary and reasonable to add this requirement in rule to be consistent with Revenue requirements and to inform the reader of that requirement.

7861.0300, Subpart 12. Disposal of played paddlewheel tickets and records. (reenacted from existing 7861.0100, Subpart 15.)

- The Board is proposing to reenact language from existing 7861.0100, Subpart 15, and to clarify and standardize the language to be consistent with requirements for other forms of lawful gambling.

RULE-BY-RULE ANALYSIS: 7861.0310 RAFFLES (reenacted language from 7861.0110)

As a broad statement of need and reasonableness for 7861.0100 for the "delete all" language, the Board is proposing to delete all language and reenact and reorganize it in 7861.0310 with new subparts, in a more logical order with simplified language. It is necessary and reasonable to make the rules easier to understand and to locate information.

The Board is proposing to reenact language from existing 7861.0110 as follows.

Existing rule 7861.0110 Raffles	Reenacted in:
Subpart 1, item A	7861.0310, Subpart 4, item A
Subpart 1, item B	7861.0310, Subpart 4, item B
Subpart 1, item C	7861.0310, Subpart 4, item D
Subpart 1, item D	7861.0310, Subpart 4, item E
Subpart 1, item E	7861.0310, Subpart 4, item F
Subpart 1, item F	7861.0310, Subpart 4, item G, subitem (1)
Subpart 1, item G	7861.0310, Subpart 4, item G, subitem (2)
Subpart 2, item A	7861. 0260 , Subpart 4, item D The Board is proposing not to reenact the term "real property" as real property is considered a merchandise prize and is rarely, if ever, awarded as a raffle prize because the total value of raffle prizes that may be awarded in a calendar year is limited to \$100,000. It is not necessary to include the term in rule. It is noted that in 7861.0260, Subpart 4, item A, subitem (3), the Board is reenacting language pertaining to "assessed tax value of real property" so that if real property is awarded, that the reader is informed of what "value" means in this instance.
Subpart 2, item B	7861. 0260 , Subpart 4, item A
Subpart 2, item C The Board is proposing not to reenact the language "for reporting purposes" of the actual cost paid for a raffle prize, which is a tax reporting requirement for the Department of Revenue. The actual cost paid is not to be confused with the fair market value of a raffle prize that must be determined to be in compliance with the limits imposed for awarding raffle prizes, i.e. \$100,000 as determined by Board rule. It is necessary and reasonable not to reenact language that could be misinterpreted, and is not necessary because Revenue explains actual cost paid for raffle prizes in their tax instructions.	
Subpart 2, item D	7861. 0260 , Subpart 4, item D, subitem (4)
Subpart 2, item E, 1 st sentence	7861. 0260 , Subpart 4, item J, 1 st sentence
Subpart 2, item E, 2 nd sentence	7861. 0260 , Subpart 4, item J, subitem (4)
Subpart 2, item E, 3 rd sentence	7861. 0260 , Subpart 4, item A, subitem (1), 1 st sentence
Subpart 2, item F, 1 st sentence	7861. 0260 , Subpart 4, item A, subitem (1), 2 nd sentence
Subpart 2, item F, 2 nd sentence	7861. 0260 , Subpart 4, item A, subitem (3)
Subpart 2, item G, 1 st sentence	7861. 0260 , Subpart 4, item E
Subpart 2, item G, 2 nd , 3 rd , & 4 th sentence	7861. 0260 , Subpart 4, item F

Existing rule 7861.0110 Raffles	Reenacted in:
Subpart 3, item A, 1 st sentence	7861.0310, Subpart 1, item A
Subpart 3, item A, 2 nd sentence	7861.0310, Subpart 1, item D
Subpart 3, item A, 3 rd sentence	7861.0310, Subpart 1, item B
Subpart 3, item A, 4 th sentence, subitems (1) to (6)	7861.0310, Subpart 1, item C
Subpart 3, item B, subitems (1) to (12)	7861.0310, Subpart 10, items A to E
Subpart 4, item A	7861.0260, Subpart 4, item C
Subpart 4, item B	7861.0310, Subpart 4, item C
Subpart 4a, items A to E	7861.0310, Subpart 2, items A to E
Subpart 5, items A and B	7861.0310, Subpart 8, items A and B
Subpart 6, items A and C to H The Board is proposing not to reenact language in item B as it confusing to the reader, and is included by the Department of Revenue in their gambling tax instructions.	7861.0310, Subpart 11, items A to G
Subpart 7 The Board is proposing not to reenact existing language "The disposal must result in complete destruction such as shredding or burning." In this instance the Board makes the distinction that raffle records do not have to be shredded or burned because raffle records do not contain private data about individuals as they do in other forms of lawful gambling, i.e. prize receipts that might contain an individual's date of birth when a driver's license is scanned. While unsold raffle tickets do have to be kept for 3-1/2 years for documentation of raffle receipts, after that time period they have no value because those raffle tickets couldn't be used in other raffles conducted by an organization. In other forms of lawful gambling, unsold tickets must be destroyed so that they cannot be used to make a counterfeit winning ticket or used by an individual in an attempt to redeem a winning ticket that had not been previously opened. Those same concerns do not apply to raffle tickets.	7861.0310, Subpart 12

Certificates of participation – 7861.0310 Raffles.

As a broad statement of need and reasonableness, the Board is proposing to amend reenacted language in 7861.0310 as noted to acknowledge that certificates of participation may be used as authorized by statute. It is necessary and reasonable to clarify that when certificates are used in a raffle, a winner might not necessarily be "drawn from a raffle drum," but may be "selected" depending on the type of raffle conducted.

7861.0310 Subpart 1. Raffle ticket requirements. (reenacted from existing 7861.0110, Subpart 3)

- The Board is proposing to reenact existing language and reorganize and clarify it so the reader can easily locate the information.
- **In item C, subitem (2)** the Board is proposing to clarify reenacted language by referencing "location of the *selection* of winning entries" to reflect the fact that certificates of participation are allowed to be used as an alternative to raffle tickets. It is necessary and reasonable to clarify in rule recent statutory changes.
- **In item C, subitem (5)** the Board is proposing to clarify reenacted language by including language that allows an organization to list at a minimum the three most valuable prizes, as allowed by statute. It is necessary and reasonable to include that allowance in rule so that the reader is easily informed of all requirements in one place. (It is noted that including statutory language in this subitem is an exception and is deemed necessary by the Board for the reader.)

7861.0310 Subpart 1. Raffle ticket requirements. (reenacted from existing 7861.0110, Subpart 3) (continued)

- **In item E**, the Board is proposing to clarify that an **invoice** from a printer is required for all raffle tickets, including tickets printed with multiple pricing. This is language contained in existing 7861.0110, Subpart 4a, item D "multiple pricing levels of raffle tickets." It is necessary and reasonable to inform the reader that an invoice is required for all pricing levels of raffle tickets.
- **In item F**, the Board is proposing to clarify in the reenacted language that all raffle tickets in each raffle must be the same **size, shape, and thickness**. It is necessary and reasonable to ensure that a player is confident that the raffle ticket they purchase is the same as other tickets in the raffle.

These changes are necessary and reasonable to make the rule requirements easier to locate and understand for the reader.

7861.0310 Subpart 2. Multiple pricing levels of raffle tickets allowed. (reenacted from existing 7861.0110 Subpart 4a.)

The Board is proposing to reenact existing 7861.0110, Subpart 4a with grammatical changes and reorganization of information. It is necessary and reasonable to include existing requirements for multiple pricing levels of raffle tickets. No new requirements are added.

7861.0310 Subpart 3. Posting of information and house rules.

The Board is proposing to create a new subpart with new language pertaining to house rules.

- Under Minnesota Statutes, section 349.173, subdivision (c), other types of raffles are allowed with prior Board approval in addition to what has been the traditional raffle; i.e. buying a raffle ticket and the winning ticket is drawn from a "raffle drum."
- With the recent approval by the Board for new types of raffles, i.e. golf ball drop raffle, elimination raffle, duck race raffle (that use certificates of participations instead of raffle tickets) and in anticipation of additional types of raffles that may be approved by the Board, it is necessary and reasonable to include the requirement that **house rules be posted** at the point where raffle winners are selected. It is necessary and reasonable to require house rules for raffles so that persons buying a raffle ticket or certificate of participation understand the method by which raffle winners are selected and to prevent any possible confusion or misunderstanding of the selection process. It is necessary and reasonable to ensure that the conduct of raffles is consistent with other forms of lawful gambling, all of which require the posting of house rules for the conduct of the game.
- **In item F**, the Board is also proposing to add language that clarifies that a **person under 18** may not purchase a raffle ticket or certificate of participation or win a prize. In the past organizations have been confused about this statutory prohibition and sold raffle tickets to persons under 18. In one instance a person under 18 won a motorized vehicle for which they were not eligible to register ownership with the state because of their age. It is necessary to clarify a statutory prohibition and eliminate any confusion that currently exists.

7861.0310, Subpart 4. Conducting a raffle. (reenacted from existing 7861.0110, Subpart 1.)

- In this subpart, the Board is proposing to reenact for the most part language from existing 7861.0110, Subpart 1.
- **In item H**, the Board is proposing to clarify the reenacted language by including language that reminds the reader that "the organization must account for all proceeds and unsold tickets. Even though this language is contained in 7861.0310, Subpart 11, items A and F, the Board deems it necessary to repeat this information as some organizations in the past failed to report raffle receipts, failed to keep unsold tickets, and deposited the raffle receipts into their general account instead of the gambling account. It is necessary and reasonable to point out to the reader that unsold tickets must be accounted for, as this is a requirement of the Department of Revenue, and ensures that all proceeds are accounted for by the organization.

7861.0310, Subpart 5. Conducting a calendar raffle.

The Board is proposing to create a new subpart that addresses the conduct of calendar raffles that have been conducted by organizations for many years. This subpart merely acknowledges this type of unique raffle, and documents and clarifies that calendar raffles must comply with general rule requirements, while at the same time allowing for multiple drawing dates by a licensed organization. The language also addresses calendar raffles conducted by nonlicensed organizations that receive an exempt authorization from the Board, i.e. that they are limited to the dates submitted to the Board in their exempt permit application, under authority of Minnesota Statutes, section 349.166. It is necessary and reasonable to clarify in rule the conduct of calendar raffles that have been historically conducted within the parameters of existing rule and statutory requirements. The rule imposes no new requirements for calendar raffles. Based upon requests for information from the general public regarding calendar raffles, it is necessary and reasonable to include the new language.

7861.0310 Subpart 6. Conducting an alternative raffle.

- The Board is proposing to add a new subpart to clarify that organizations are allowed, with Board approval, to conduct raffles using other methods of selecting winners, i.e. using certificates of participation, as authorized by Minnesota Statute 349.12, Subd. 33 and Minn. Stat 349.173 (a), (b), and (c), effective on June 4, 2005. An example of an alternative method is a duck race, that uses rubber ducks in water to determine the raffle winner, instead of using raffle tickets to determine the raffle winner. Another type of alternative raffle that is allowed is a golf ball drop.
- The language is based on the criteria that the Board has developed and applied in the past year and a half and is performance-based to allow organizations creative ways in which to conduct raffles with alternative methods of selecting winners. To ensure that the alternative method conforms to statute and rule pertaining to raffles, organizations are required by statute to get board approval of the alternative method. Once a specific alternative method has been approved by the board, all organizations will be allowed to use that alternative method without getting additional board approval, making the rule performance based and efficient for organizations. The language outlines the minimum information that must be submitted to the Board to get approval for its alternative method of selecting winners in a raffle. When an alternative raffle has been approved by the Board, the Board will be required to post the details on the Board's web site so that all interested parties are informed of the requirements. (NOTE: An interested party may obtain the information by contacting the Board, although the Board finds that most but not all organizations use the Internet to obtain updated information.)

7861.0310, Subpart 7. Conducting a button raffle.

- The Board is proposing a create a new subpart for button raffles that were authorized by the Legislature under Minnesota Statutes, 349.173, paragraph (b), clause (2), effective May 18, 2006.
- "Buttons" may be used as "certificates of participation" in a raffle. These rules inform organizations of the minimum requirements for conducting a button raffle and how to account for unsold buttons and when they may be disposed.
- **In item A, subitem (3)**, the Board is proposing to restrict a button from being used to obtain trademarked merchandise for a reduced price or free at an event sponsored by the organization or community. It is necessary and reasonable to include this restriction because the Board is mandated by Minnesota Statutes, 349.11 "to regulate lawful gambling to prevent its *commercialization*."

7861.0310 Subpart 8. Raffle date. (reenacted from existing 7861.0110, Subpart 5)

- The Board is proposing to reenact language from existing 7861.0110, Subpart 5 and change the title to "Raffle date" instead of "Raffle drawing date" to reflect the inclusion of certificates of participation that are not "drawn" but are "selected." The title accurately reflects the contents of the subpart.
- The Board, at its September 19, 2005, board meeting, delegated its authority to approve raffle date changes to the Board's director. This was done to expedite the process, because in the past some raffle date change requests were received after the monthly Board meeting and the raffle date was before the next board meeting. As a result, the Board approved many raffle date change requests after the fact. It is necessary and reasonable to include language in item A that reflects the Board's delegation of authority to the director.

**7861.0310 Subpart 8. Raffle date. (reenacted from existing 7861.0110, Subpart 5)
(continued)**

- **In item A, subitem (3)**, the Board is proposing to add new language acknowledging that there may be other circumstances that cannot be foreseen and would prevent an organization from conducting a raffle. This language is necessary and reasonable to allow organizations to have the broadest options available when requesting approval from the Board's director for changing a raffle date.

7861.0310 Subpart 9. Canceling a raffle; issuing refunds.

The Board is proposing to add a new subpart governing the cancellation of a raffle, i.e. when a raffle is canceled all money must be returned to persons who purchased a chance to participate in a raffle, and that any person who purchased a ticket has up to a year to claim a refund. It is necessary and reasonable to document how receipts must be accounted for when a raffle is canceled, and to ensure that all players are treated equitably.

7861.0310 Subpart 10. Raffle log required. (reenacted from existing 7861.0110, Subpart 3, item B)

The Board is proposing to reenact language from existing 7861.0110, Subpart 3, item B. It is reasonable and necessary to establish a separate subpart so that the reader can easily locate the information. No new requirements are added.

7861.0310 Subpart 11. Records and reports. (reenacted from existing 7861.0110, Subpart 6.)

- The Board is proposing to reenact language from existing 7861.0110, Subpart 6.
- **In item A** the Board is proposing to use the term "gross receipts" instead of the existing term "proceeds" because there is no definition in statute or rule of "proceeds." It is necessary and reasonable to make this change so that the reader is accurately informed of an existing requirement.
- **In item C**, the Board is proposing to add the phrase "when tickets are used." It is reasonable and necessary to clarify what is required when raffle tickets are used, as opposed to a certificate of participation.
- **In item H**, the Board is proposing to add new language that clarifies if certificates of participation are used (as opposed to using a raffle ticket), records must comply with the information required in this part. It is necessary and reasonable to add clarifying language pertaining to raffles in which certificates of participation are used. The Board is proposing to make the language as performance based as possible so that organizations may determine what format to use, i.e. raffle log, printed spreadsheets, etc, because of the different methods that may be used for selling and recording the certificates.

7861.0310 Subpart 12. Disposal of raffle tickets and records. (reenacted from existing 7861.0110, Subpart 7.)

- The Board is proposing to reenact language from existing 7861.0110, Subpart 7 (Disposal of raffle tickets) and amend language by adding "certificates of participation." It is necessary and reasonable to add clarifying language so that organizations are properly informed of the requirement to account for certificates of participation in the same manner as a regular raffle ticket.
- **In item B** the Board is proposing to add new language pertaining to exempt organizations authorized to conduct limited gambling activity and required to provide a financial report to the Board within 30 days of the activity, under Minnesota Statutes, section 349.166. The Board may not issue any permit or license to an exempt organization that failed to file a financial report as required by statute. Some organizations have not filed reports within the required timeframe and subsequently file a report that might be a year or two later when applying for a new exempt permit. This is not a new authority or requirement, but it is necessary and reasonable to inform exempt organizations of the requirement to keep proper records and the timeframe of when they may dispose the records.

RULE-BY-RULE ANALYSIS: 7861.0320 ORGANIZATION OPERATIONS, ACCOUNTS, AND REPORTS (reenacted language from 7861.0120)

Existing part 7861.0320 has been amended many times in previous rules processes, making the language cumbersome and not logically organized in lengthy subparts. The Board is proposing to strike, reenact, and reorganize language in this part and create new subparts to make the information logically organized and easier to locate for the reader as follows.

The Board is proposing to reenact language from existing 7861.0120 as follows.

Existing rule 7861.0120 Organization Operations, Accounts, Reports, and Records	Reenacted in:
Subpart 1, items A to G	7861.0320, Subpart 1, items A to G
Subpart 1, item H The Board is proposing not to reenact this language because in 7861.0220, Subpart 4, the requirement to submit a copy of internal controls with a license application is not being reenacted from existing 7861.0020. It is necessary and reasonable to eliminate the language to ensure that the rule conforms to 7861.0220, Subpart 4.	
Subpart 2	7861.0320, Subpart 2
Subpart 3, item A	7861.0320, Subpart 18
Subpart 3, item B	7861.0320, Subpart 6
Subpart 3, item C	7861.0320, Subpart 7
Subpart 3, item D	7861.0320, Subpart 8
Subpart 3, item E	7861.0320, Subpart 9
Subpart 4, item A, 1 st sentence	7861.0320, Subpart 3, 1 st sentence
Subpart 4, item A, subitem (1), unit (a)	7861.0320, Subpart 3, item C
Subpart 4, item A, subitem (1), unit (b) [501(c)(3) organizations & 501(c)(4) festival organizations]	7861.0320, Subpart 4, item E (clarifying language) 7861.0320, Subparts 14 and 15 (new language) See narrative explanation below for Subpart 14
Subpart 4, item A, subitem (2)	7861.0320, Subpart 4, items A and B
Subpart 4, item A, subitem (3)	7861.0320, Subpart 4, item E
Subpart 4, item A, subitem (4)	7861.0320, Subpart 5
Subpart 4, item A, subitem (5)	7861.0320, Subpart 3, item B
Subpart 4, item A, subitem (6)	7861.0320, Subpart 4, item A
Subpart 4, item B	7861.0320, Subpart 4, item C
Subpart 5, item A, 1 st sentence	7861.0320, Subpart 6, item A
Subpart 5, item A, 2 nd sentence The Board is proposing not to reenact the language pertaining to "copies of the authorization must be sent to the board upon request." It is not necessary to include this language as the Board has statutory authority to request all records from an organization.	
Subpart 5, item B, subitems (1) and (2), unit (a), 1 st sentence	7861.0320, Subpart 10
Subpart 5, item B, subitem (2), unit (a), 2 nd sentence	7861.0320, Subpart 11, 1 st sentence
Subpart 5, item B, subitem (2), unit (a), 3 rd sentence	7861.0320, Subpart 10, item A 7861.0320, Subpart 11, item A
Subpart 5, item B, subitem (2), units (b) and (c)	7861.0320, Subpart 11, item A
Subpart 5, item B, subitem (2), unit (d)	7861.0320, Subpart 11, item B
Subpart 5, item B, subitem (2), unit (e)	7861.0320, Subpart 11, item C
Subpart 5, item B, subitem (3)	7861.0320, Subpart 13

Existing rule 7861.0120 Organization Operations, Accounts, Reports, and Records	Reenacted in:
Subpart 5, item C, subitem (1)	7861.0320, Subpart 15, item A
Subpart 5, item C, subitem (2)	7861.0320, Subpart 14, clarified with new language
Subpart 5, item C, subitem (3)	7861.0320, Subpart 15, item C (poverty, disability or homelessness)
Subpart 5, item C, subitem (4) Not being reenacted. See narrative below for explanation.	
Subpart 5, item C, subitem (5)	7861.0320, Subpart 15, item D (schools)
Subpart 5, item C, subitem (6)	7861.0320, Subpart 15, item E (scholarships)
Subpart 5, item C, subitem (7), units (a) & (b)	7861.0320, Subpart 15, item F (military)
Subpart 5, item C, subitem (7), unit (c)	7861.0320, Subpart 15, item I (humanitarian)
Subpart 5, item C, subitem (8)	7861.0320, Subpart 15, item G (youth)
Subpart 5, item C, subitem (9) Real estate taxes Not being reenacted. See narrative below for explanation.	
Subpart 5, item C, subitem (10)	7861.0320, Subpart 15, item H (government)
Subpart 5, item C, subitem (11)	7861.0320, Subpart 15, item J (trails)
Subpart 5, item C, subitem (12)	7861.0320, Subpart 16, item A (repair/maintain, ADA)
Subpart 5, item C, subitem (13)	7861.0320, Subpart 16, item B (Buildings replaced: fire, catastrophe, or eminent domain)
Subpart 5, item C, subitem (14)	7861.0320, Subpart 16, item C (increase in debt)
Subpart 5, item C, subitem (15)	7861.0320, Subpart 16, item A (ADA)
Subpart 5, item D, subitem (1)	7861.0320, Subpart 17, item A (interest)
Subpart 5, item D, subitem (2)	7861.0320, Subpart 17, item B
Subpart 5, item D, subitem (3) The Board is proposing not to reenact this language because new standards in 7861.0320, Subpart 14 do not include this restriction and 7861.0320, Subpart 15, item A does not reenact this restriction, which the Board has deemed not to be necessary. Licensed organizations may make contributions to these organizations because they have been recognized as nonprofit organizations by the IRS.	
Subpart 5, item D, subitem (4)	7861.0320, Subpart 15, item B, clarified
Subpart 5, item D, subitem (5)	7861.0320, Subpart 17, item C
Subpart 5, item D, subitem (6)	7861.0320, Subpart 17, item D
Subpart 5, item D, subitem (7)	7861.0320, Subpart 17, item E
Subpart 5, items E and F	7861.0320, Subpart 16, item F
Subpart 5, item G	7861.0320, Subpart 16, item D
Subpart 5, item H	7861.0320, Subpart 18

7861.0320 Subpart 1. Internal accounting and administrative controls required. (reenacted from existing 7861.0120 Subpart 1.)

- The Board is proposing to reenact language from existing 7861.0120, Subpart 1, items A to G.
- **In item B**, the Board is proposing to amend the reenacted language to state that "the organization must document the procedures and records required for its" system of accounting and administrative controls. Previously, organizations were required to provide their internal control systems to the Board. In part 7861.0220, Subpart 2, the Board is no longer requiring that a copy of an organization's internal control systems be submitted to the Board with the organization's license application (existing 7861.0020, Subpart 4, item A.) It is necessary and reasonable to ensure that an unnecessary and obsolete requirement is removed, and that the requirement is clarified in rule.
- **In item F, subitem (11)**, the Board is proposing to amend reenacted language pertaining to the reconciliation of bank statements to checks and deposits by adding "electronic transfers and payments" to reflect that electronic transfers and payments are allowed. It is necessary and reasonable to ensure that the rule reflects current practices allowed by statute.

7861.0220 Subpart 2. Method of accounting. (reenacted from existing 7861.0120, Subpart 2.)

- The Board is proposing to amend the reenacted language by clarifying the purpose of using the cash and accrual basis of accounting and to reflect existing requirements by the Department of Revenue.
- **In item A**, the Board is proposing to amend the language to clarify that the purchase of disposable (non-permanent) gambling equipment for all forms of lawful gambling is reported on an accrual basis and reflects existing requirements by the Department of Revenue.
- **In item B**, the Board is proposing to correct a technical error in citing statute (deleting "349.212" and inserting "297E.02"), and clarify that these items are reported on the accrual basis (liabilities not paid in the same month). The addition of the monthly regulatory fee is not a new requirement; it is an inclusion and clarification of an existing fee paid to the Board and reported in the monthly tax return to Revenue.

It is necessary and reasonable to make these proposed clarifications so that licensed organizations understand the proper method of accounting to use for their gambling operations as required by the Department of Revenue.

7861.0220 Subpart 3. Gambling bank accounts, expenditures of gambling funds; emergency expenditures. (reenacted from existing 7861.0120 Subpart 4)

- The Board is proposing to create a subpart for "Gambling bank accounts; expenditures of gambling funds; emergency expenditures" using reenacted language from existing 7861.0120, Subpart 4. Bank accounts.
- **In item A**, the Board is proposing to add a new requirement that organizations must maintain a checking account that "complies with requirements of Minnesota Statutes, section 297E.06, subdivision, as prescribed by the commissioner of revenue."

With recent changes in federal law that pertain to checking accounts, i.e. copies of check, the Department of Revenue is requiring that organizations maintain a checking account from which it can obtain, upon demand, the original check or a copy of the original check. Viewing only the front of a check is not adequate to verify that an expenditure was deposited into the account of the intended payee. The Board, and Revenue in some cases, need to verify the back of the check to see where the funds were deposited and who or what entity signed/endorsed the check for deposit. This helps to prevent funds from being embezzled or redirected for a purpose or to a person or entity not allowed under Minnesota Statutes 349 or 297E. This language does not require an organization to obtain a check or copy of a check unless and until it is required by the Board or Revenue. An organization has the option to request that a bank return a copy of all checks with its statement.

With changes in banking practices, i.e. original checks are not returned to the organization, this language is necessary and reasonable to ensure that the Board can verify questionable expenditures, as the Board is directed by Minnesota Statutes, section 349.11 to insure integrity of operations and to provide for the use of net profits only for lawful purposes. Pointing the reader to Revenue statutes ensures that the Board and Revenue are consistent in their requirements for gambling checking accounts.

7861.0120, Subpart 2b. Deposits and transfers of gambling receipts.

- The Board is proposing to reenact language in this subpart as noted in the table above.
- **In item C, subitem (3)**, the Board is proposing to amend the reenacted language pertaining to raffles by adding "other certificates of participation" to reflect the allowance of these certificates in the conduct of raffles. It is necessary and reasonable to include statutory changes in the rule so that the reader is accurately informed.

7861.0320, Subpart 5. Reimbursements to gambling bank account. (reenacted from existing 7861.0120, Subpart 4, item A, subitem 4.)

- The Board is proposing to create a subpart by reenacting language from existing 7861.0120, Subpart 4, item A, subitem (4). It is necessary and reasonable to create a new subpart so that the information can be easily located by the reader.
- **In item F**, the Board is proposing to add "advertising expenses as allowed by Minnesota Statutes, section 349.12, subdivision 3a" because there may be some instances when an organization has exceeded the statutory limit allowed for advertising. It is necessary and reasonable to clarify in rule an existing requirement.

Existing 7861.0120 Subpart 3. Records and reports required.

The Board is proposing to strike this language and reenact as detailed in the table above.

7861.0320 Subpart 6. Report to membership and approval of expenditures by membership required.

The Board is proposing to create a new subpart with the title "Report to membership and approval of expenditures by membership required" so that the reader is accurately informed of the contents in this subpart. The bulk of language in this subpart is language reenacted from existing 7861.0120, Subpart 3, item B.

- **In item A**, the language is reenacted language from existing 7861.0120, Subpart 5, item A, to consolidate information pertaining to approval of organization members for expenditures.
- **In item B, first sentence**, "or designee" is added to reflect the fact that the gambling manager might not always be available for a meeting due to vacation, illness, or other circumstances beyond their control.
- **In item B, subitem (9)** is added because 7861.0320, Subpart 9 (Fund loss request) includes a new requirement pertaining to the date that the fund loss was reported to the membership.
- **In item C**, the Board is proposing to add new language pertaining to a **financial report** that must be submitted each year by licensed organizations. The statutory requirement became effective on August 1, 2005, and is included in rule so that organizations will have knowledge of all reporting and record requirements. Language is included to require that the report be made in a format prescribed by the board. This ensures that all reports will be standardized and consistent with statutory requirements, as this information must be reported by the board to the legislature each year. Having a standardized format will ensure that the information can be compiled accurately and consistently for the legislative report.
- The reenacted language and new language in this new subpart are necessary and reasonable to ensure that organizations are informed of all reporting requirements for their membership by consolidating these requirements in one subpart for easier reference.

7861.0320 Subpart 7. Report of lawful purpose expenditures to board required.

The Board is proposing to create a new subpart with language reenacted from existing 7861.0120, Subpart 3, item C. The changes in existing language are grammatical in nature and impose no new requirements. In existing item C, a portion of the language in the first sentence is being deleted and replaced by the reference to the statutory language that determines the frequency of when the report must be submitted. This prevents the rule from become obsolete should future statutory changes occur. The language is also being amended to clarify that an alternative format can be used with board approval to file the required report. In the second paragraph--the term "activity" is commonly known in the industry as gaming activity that is reported to the commissioner of revenue. Therefore, this terminology is incorrect for purposes of this subpart and is being replaced by "expenditure." This will clarify that the "expenditures" are reported to the Board. The changes are necessary and reasonable to better inform the reader of requirements for the monthly report to the Board.

7861.0320 Subpart 8. Monthly report to revenue required.

- The Board is proposing to create a new subpart with language from existing Subpart 3, item D. This language is being amended to clarify that an alternative format may be used with the approval of the commissioner of revenue, and allows for future electronic transmission or other means of submitting information.
- Existing subitem (2) is deleted because this information is included in the information required under item A.
- Existing subitem (5) is deleted because the combined receipts tax schedule, while completed each month by an organization, is not submitted to the Department of Revenue. Rather, the Department of Revenue calculates the combined receipts tax based upon the monthly reports submitted by an organization.

The changes are necessary and reasonable to create a new and smaller subpart with item lettering so that the reader can easily locate information and understand the requirements.

7861.0320 Subpart 9. Fund loss report or request for a profit carryover adjustment due to fund loss.

The Board is proposing to create a new subpart for fund losses with language from existing Subpart 3, item E. In this subpart the Board is proposing to rearrange and format existing language and delete unnecessary language for easier reading and comprehension. A new title more accurately reflects the content of this subpart.

- **In item B, subitem (1)**, the Board is proposing to add new language to require that the date that the fund loss was reported to the membership is included in the report to the board when a fund loss profit carryover adjustment is not requested. This change will help to ensure that fund losses are reported to the full membership because reimbursements required by the board must come from a nongambling source, such as the organization's general account, and the membership must be aware of these losses and reimbursements. It is necessary and reasonable to add this requirement to ensure that an organization's membership is informed and aware of all aspects of its lawful gambling activities.
- **In item B, subitem (2)**, the Board is proposing to change the phrase "fund loss request" to "request for a profit carryover adjustment due to a fund loss" which accurately reflects the true nature of the request.
- The changes proposed **in items C and D** are grammatical in nature to clarify existing requirements, unnecessary language is deleted, and no new requirements are added. Existing subitems (b) and (c) are combined into new subitem (2) to reduce the bulk of rule language.
- **In item E**, the Board is proposing to consolidate existing requirements and delete unnecessary language. No new requirements are added.

It is necessary and reasonable to streamline existing language to make the rules easier to understand.

Existing 7861.0120 Subpart 4. Bank accounts.

Refer to the table above for details regarding reenactment.

Existing 7861.0120 Subpart 5. Expenditures

Refer to the table above for details regarding reenactment.

7861.0320 Subpart 10. Allowable expenses; expense calculations.

- Using reenacted language (see table above) the Board is proposing to create a new subpart for "Allowable expenses; expense calculations." It is necessary and reasonable to create a new subpart so that the information is easily located by the reader.

7861.0320, Subpart 11. Expense calculations for licenses issued with an effective date before July 1, 2006.

Because of a statutory change to Minnesota Statute 349.15, the Board is creating two subparts:

- Subpart 11 for "expense calculations for licenses issued with an effective date before July 1, 2006," and
- Subpart 12 for "expense calculations for licenses issued with an effective date of July 1, 2006 and after."

It is necessary and reasonable to clarify the requirements of statute to make it easier for the reader to understand the requirements.

- The Board is proposing to reenact and clarify language from existing 7861.0120, Subpart 5, item B.
- **In item A, subitem (1) and in item B, subitem (2),** the Board is proposing not to reenact the phrase "into its gambling account to bring it into compliance with the percentage limits on allowable expenses" and replace it with "for the amount the organization exceeded the percentage limits for allowable expenses in violation of Minnesota Statutes, section 349.15." This is necessary and reasonable to clarify that an organization may not violate the statute, reimburse its account, and consider that "compliance" with the statute that it knowingly violated.
- **In item B, subitem (4),** the Board is proposing to add new language clarifying that the organization must be in compliance for the 24th month. This requirement is based upon the statutory change to Minnesota Statutes, section 349.15 that requires an organization to be in compliance with expense calculations for the term of its license to be eligible for a license renewal. It is necessary and reasonable to provide clarifying language for the statutory change.
- **In item C,** the Board is proposing to amend reenacted language by adding "'as allowed by this subpart.'" If an organization has cumulative negative expense calculation amounts each month or in some months during the 1st or 2nd year of its license term, the organization is prohibited from reimbursing its gambling account from a source of nongambling funds *each month*. This is a current and reenacted requirement that ensures the Board will be able to accurately track reimbursements. It is necessary and reasonable to add the phrase "as allowed by this subpart" because an organization might have to reimburse more than once in a calendar year as follows: The organization would be required to reimburse its gambling account for the 12th month and for the 24th month if expense amounts were negative at the end of those months.

7861.0320, Subpart 12. Expense calculations for licenses issued with an effective date of July 1, 2006 and after.

- The Board is proposing to use language similar to 7861.0320, Subpart 11 to clarify a legislative change in Minnesota Statutes, section 349.15, subdivision 1, for licenses issued with an effective date of July 1, 2006 and after. The proposed language in this subpart is similar to existing and reenacted language pertaining to expense calculations, except that an organization is required to have a positive expense calculation amount on a biennial basis instead of an annual basis. Also, an organization's cumulative past expenditures are not allowed to be carried forward, except for a one-time allowance under Minnesota Statute 349.15, effective May 19, 2006. That exception will be clarified in the allowable expense calculation report prescribed by the commissioner of revenue, as required in 7861.0320, Subpart 10. It is necessary and reasonable to clarify in rule the statutory requirements and procedures necessary pertaining to allowable expense limits.

7861.0320, Subpart 13. Allowable expense for alternative premises payment.

- The Board is proposing to create a subpart titled "Allowable expense for alternative premises payment" using reenacted language from existing 7861.0120, Subpart 5, item B, subitem (3).
- **In item B,** the Board is proposing to clarify the existing requirements of statute, as currently required by the Board. This is not a new requirement. It is merely a clarification that is necessary to be included in the rule language.
- It is necessary and reasonable to create a new subpart and clarify the language so that the reader can easily locate and understand the information and requirements.

7861.0320, Subpart 14. Standards for 501(c)(3) organizations and 501(c)(4) organizations.

- The language in this subpart is in response to a legislative auditor report that recommended the Board strengthen its criteria for licensed 501(c)(3) organizations and 501(c)(4) organizations, as required by Minnesota Statutes, 349.154, Subdivision 1.
- Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (1) requires that a festival organization [501(c)(4) festival organization] must comply with the standards prescribed by the Board under section 349.154, and that the standards must apply to both types of organizations in the same manner and to the same extent.
- The Board reevaluated standards contained in existing 7861.0120, Subpart 5, item C, subitem (1), unit (b) and subitem (2) and is proposing not to reenact that language and to replace it with new language in this subpart. While the standards are essentially the same (70/30), an organization will be required to report to the Board the percentage of total general fund expenditures made for fundraising, management, and general costs for its most recent two fiscal years...if it wants to be eligible to make contributions to itself as allowed by Minnesota Statutes, 349.12, subdivision 25, paragraph (a), clause (1), i.e. transfer gambling funds to its general account.
- The Board is proposing to allow an organization to choose whether it wants to:
 - report the percentage (to the Board in its new license or license renewal application) and then make contributions to itself, i.e. transfer of gambling funds to its general account, or
 - not report the percentage and be required, if it chooses to make a "charitable contribution" for its program services, to make the expenditure directly from the gambling checking account for the program service (and not transfer the amount to its general bank account).
- If the Board determines that an organization did not meet the standards, the organization would be required to make any gambling fund expenditures for its program services, excluding fundraising, management, and general costs, directly from the gambling checking account. This does not preclude an organization from making other lawful purpose expenditures from its gambling checking account, as allowed under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clauses (2) to (19) and paragraph (b).

By establishing these standards, licensed 501(c)(3) organizations and 501(c)(4) organizations are provided clear information on how it must comply with Minnesota Statutes, 349.154 and 349.12, Subdivision 25, paragraph (a), clause (1). This does not place an undue or new burden on the organizations because the standards (70/30) are the same and have been clarified; the organization merely must now report its compliance with those standards to the Board if it wants to continue to make contributions to itself. It is necessary and reasonable not to reenact obsolete rule language and to re-clarify an existing statutory requirement.

7861.0320 Subpart 15. Lawful purpose expenditures allowed (reenacted from existing 7861.0120 Subpart 5, item C.)

- The Board is proposing to create a subpart for "lawful purposes expenditures allowed" by reenacting language from existing 7861.0120, Subpart 5, item C, as noted in the table above, with details noted below. It is necessary and reasonable to create this subpart so that the information is easily located by the reader.
- **501(c)(3) organizations and 501(c)(4) festival organizations (contributions to).**
In items A and B, the Board is proposing to clarify the reenacted language. The Board is proposing to clarify standards for these organizations in 7861.0320, Subpart 14, and provide new definitions for fundraising, management, and general costs in 7861.0210.
- **In item B,** the Board is proposing to clarify when these organizations may make may a contribution to itself. It is necessary and reasonable to clarify and update information required under Minnesota Statutes, section 349.154, subdivision 1 and as allowed under Minnesota Statutes, section 349.12, subdivision 25, paragraphs (a) and (b). (See SONAR for 7861.0320, Subpart 14, for additional information.)

7861.0320 Subpart 15. Lawful purpose expenditures allowed (existing 7861.0120 Subpart 5, item C.) (continued)

- **Poverty, homelessness, or disability.**

In item C, the Board is proposing to delete "physical or mental" (disability) from the reenacted language because of a statutory change that deleted those terms, effective June 4, 2005. The deletion does not impact expenditures allowed for disabilities because physical or mental disabilities are included in the last sentence of reenacted language in this item. It is necessary and reasonable to amend the rule to reflect a statutory change and keep the rule up-to-date.

- **Delayed posttraumatic stress syndrome.**

The Board is proposing not to reenact existing 7861.0120, Subpart 5, item C, subitem (4), "delayed posttraumatic stress syndrome" language, because it was deleted from lawful purpose under Minnesota Statutes, section 349.12, subdivision 25a, effective June 4, 2005. Because delayed posttraumatic stress syndrome would be considered as a disability, an organization may still make such a contribution under 7861.0320, Subpart 15, item C. It is necessary and reasonable to delete obsolete rule language to be consistent with statutory language.

- **Educational institution.**

In item D, the Board is proposing to clarify and simplify reenacted language. No new requirements are imposed in the proposed language changes. It is necessary and reasonable to ensure the rule is easy to read and comprehend by the reader.

- **Scholarships.**

In item E, the Board is proposing to clarify the criteria under which a contribution for scholarships may be made to reflect a statutory change. That change requires such contributions to be made not to a "scholarship fund" but rather to "an individual, public or private nonprofit education institution registered with or accredited by this state or any other state, or *to a scholarship fund of a nonprofit organization whose primary mission is to award scholarships.*" This change is necessary and reasonable to reflect a change in Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (5) that became effective May 19, 2006.

- **Recognizing military service.**

In item F, the Board is proposing not to reenact language referencing "humanitarian service." This proposed change reflects a statutory change made to Minnesota Statutes, section 349.12, subdivision 25, paragraph (a) that created a separate code for humanitarian service [MS 349.12, Subd. 25(a)(19)]. The "humanitarian service" language will be reenacted in 7861.0320, Subpart 15, item I.

New language is added to clarify that the restrictions in this item do not apply "to contributions or expenditures made for members who are active military personnel and their immediate family members in need of support services or to expenditures made for membership events allowed under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (17). These clarifications are added because of statutory changes that became effective June 4, 2005 [MS349.12, Subd. 25(a)(6)]. It is necessary and reasonable to update the reenacted rule to reflect statutory changes and to make the rule easier to read and understand.

- **Recreational/youth activity.**

In item G, the Board is proposing to amend reenacted language by eliminating the reference to the Higher Education Act because contributions to schools may be made as authorized under Minnesota Statutes, section 349.12, Subdivision 25, paragraph (a), clause (4). It is necessary and reasonable to delete obsolete references to keep the rule up-to-date.

- **Real estate taxes.**

The Board is proposing not to reenact existing 7861.0120, Subpart 5, item C, subitem (9), units (a) and (b) because a statutory change to Minnesota Statutes, section 349.12, subdivision 25(a)(9), effective June 4, 2005. The statutory change removed the limit that could be expended for real estate taxes on owned or wholly leased permitted premises. It is necessary and reasonable to delete obsolete rule language because of statutory changes.

7861.0320 Subpart 15. Lawful purpose expenditures allowed (existing 7861.0120 Subpart 5, item C.) (continued)

- **Government.**

In item H, the Board is proposing not to reenact language from existing 7861.0120, Subpart 5, item C, subitem (10) that is a repetition of Minnesota Statutes, section 349.12, subdivision 25, paragraph a, clause (10). The Board is proposing to include language that will point the reader to that statutory language. It is necessary and reasonable to include a statutory cite to prevent the rule from becoming obsolete should future statutory changes occur.

- **Humanitarian service.**

In item I, the Board is proposing to add new language to clarify a statutory change effective June 4, 2005, that established "the recognition of humanitarian service" as a separate lawful purpose. Previously it was combined with recognition of military service in Minnesota Statutes, section 349.12, Subdivision 25, paragraph (a), clause (6) and in existing rule 7861.0120, Subpart 5, item C, subitem (7), unit (c). The new language clarifies that expenditures related to blood donation programs are allowed under this provision, not under "recognition of military service." It is necessary and reasonable to reenact existing language that clarifies expenditures that were previously allowed under a different lawful purpose code and are now established in statute as a separate "lawful purpose code."

- **Snowmobile and all-terrain vehicle trails.**

In item J, the Board is proposing to reenact existing language from 7861.0120, Subpart 5, item C, subitem (11) and make the rule easier to read and understand. No new requirements are added.

7861.0320 Subpart 16. Lawful purpose expenditures requiring board or director approval. (reenacted from existing 7861.0120, Subpart 5, item C, subitems (12) to (15) and items D and E.)

The Board is proposing to create a new subpart for "Lawful purpose expenditures requiring board or director approval." By creating this subpart the reader will be able to easily locate and reference consolidated requirements for these types of expenditures. This will help inform the reader at a glance which expenditures require Board or Director approval.

- **Repair or maintenance of real property or capital assets.**

In item A, the Board is proposing to reenact existing language and make grammatical changes to make the rule easier to read and understand

- The Board is proposing to reenact language referencing "Americans with Disabilities Act" from existing 7861.0120, Subpart 5, item C, subitem (15) and place it in this item where it is logically placed.

- **Erection or acquisition of comparable building.**

In item B, the Board is proposing to amend reenacted language by deleting "sold under the threat of eminent domain" and clarifying that this provision is for a building "taken or sold under an eminent domain proceeding." The proposed change will make the rule consistent with reenacted language in the last paragraph that references "eminent domain proceedings." The term "sold under the threat of eminent domain" is ambiguous, and might not be verifiable or have credibility. It is necessary and reasonable to clarify that an actual eminent domain proceeding must take place in order for the organization to qualify for board consideration in this situation.

- **Increase in approved expenditures.**

In item C, the Board is proposing to reenact existing language. No new requirements are added.

- **Americans with Disabilities Act.**

Existing 7861.0120, Subpart 5, item C, subitem (15) is being reenacted in 7861.0320, Subpart 16, item A where it is more logically located.

- **Contribution to other licensed organizations**

In item D, the Board is proposing to reenact language from existing 7861.0120, Subpart 5, item G, that allows a contribution to another licensed organization with Board approval.

7861.0320 Subpart 16. Lawful purpose expenditures requiring board or director approval. (reenacted from existing 7861.0120, Subpart 5, item C, subitems (12) to (15) and items D and E.) (continued)

- **Capital assets**

In item E, the Board is proposing to add language that clarifies a statutory requirement of which some organizations are not aware [MS349.12, Subd. 25(b)(3)]. That statutory language is quite complex and difficult to comprehend. It is necessary and reasonable to include this clarification in rule.

- **Parent level programs**

In item F, the Board is proposing to reenact language from existing 7861.0120, Subpart 5, items E and F, delete the term "lawful purposes" and amend it with "charitable contributions as defined under Minnesota Statutes, section 349.12, subdivision 7a." This reflects a statutory change effective August 1, 2005 that clarifies what a charitable contribution is within the confines of lawful purpose expenditures.

- By including the statutory cite for the definition of charitable contribution, the reader is informed of the "lawful purposes" for which the parent organization may not use such contributions. The definition of charitable contribution does not include gambling taxes; real estate taxes; annual audit; water, fuel for heating, electricity, and sewer costs for a building wholly owned or wholly leased by and used as the primary headquarters of the licensed veterans organization; cost of up to \$5,000 by licensed veterans organizations for meals and other membership events; state gambling fees; repair or maintenance of real property; or erection or acquisition of real property.
- It is necessary and reasonable to clarify that a parent organization may not use contributions to pay for lawful purpose expenditures that could otherwise be considered "expenses" and are the responsibility of the licensed organizations, and to clarify that the contributions to a parent organization are to be used for charitable purposes under the auspices of their state-level programs. It is necessary and reasonable to reenact language pertaining to state-level parent organizations to this subpart where it is more logically placed and clarify that contributions may be made to the state-level within certain parameters.

7861.0320 Subpart 17. Lawful purpose expenditures not allowed.

In this new subpart for "lawful purpose expenditures not allowed," the Board is proposing to consolidate reenacted language as noted in the table above and simplify it with grammatical changes that will make the rule easier to read and understand.

- **In item B, subitem (2)**, the Board is proposing to reenact existing language but delete the language referencing 501(c)(3) and 501(c)(4) festival organizations and instead point the reader to the rule that allows for the exception. It is necessary and reasonable to make the proposed change because of changes made in other new (reenacted) subparts.
- **In item C**, the Board is proposing not to reenact the term "pecuniary" and clarify it with "monetary, economic, financial, or material benefit." The term "pecuniary" is difficult to pronounce and is not an every day term used by the average person. It is necessary and reasonable to make the proposed change so that the reader clearly understands the intent of the rule.
- **In item F**, the Board is proposing to add language clarifying that fundraising costs are not allowed except for 501(c)(3) or (4) organizations (SEE SONAR for Subpart 14, item A). This is not a new restriction; it is a longstanding interpretation of statutory restrictions pertaining to expenditures made from lawful gambling receipts that needs to be included in rule.

7861.0320, Subpart 18. Records and reports maintained. (reenacted from existing 7861.0120, Subpart 3, item A.)

The Board is proposing to reenact language from existing 7861.0120, Subpart 3, item A, pertaining to records and reports. No new requirements are imposed.

RULE-BY-RULE ANALYSIS: 7861.0330 EXCLUDED BINGO (reenacted language from 7861.0130)

- The Board is proposing to reenact language from existing 7861.0130 with clarifications as noted below.
- The Board is proposing to make changes in the reenacted to reflect statutory changes that became effective on August 1, 2005, in Minnesota Statutes, section 349.166, subdivision 1, paragraph (c), i.e. organizations conducting excluded raffles are no longer required to register that activity with the Board. All references to excluded raffles are deleted, the title of this part will be "Excluded Bingo", and subparts are retitled. Other language changes and deletions reflect that this part now pertains to excluded bingo only. It is necessary and reasonable to delete obsolete rule language so that the reader is accurately informed of current requirements and the rule is consistent with statute.
- **In Subpart 2**, the Board is proposing not to reenact a longstanding restriction, i.e. "An organization may not conduct excluded bingo if it has been licensed to conduct lawful gambling in the current calendar." Minnesota Statute 349.166, Subdivision 1 states "An organization that **holds a license** to conduct lawful gambling under this chapter may not conduct bingo under this subdivision." (emphasis added) In the past the Board took the position that if an organization had been licensed they should not be allowed to terminate its license and then apply for an excluded activity in the same calendar year, believing that some organizations would do so to circumvent payment of taxes on gambling receipts. The type of receipts generated by the conduct of excluded bingo would not be significant for an organization, and generally most excluded bingo activity is conducted as part of a community celebration. Therefore, the Board believes that it is necessary and reasonable to remove this restriction. It is noted that a licensed organization will still be prohibited from obtaining an excluded bingo permit while it has an active organization license, according to Minnesota Statute 349.166, Subdivision 1 (as noted above).
- **In Subpart 2**, the Board is proposing not to reenact the last sentence, "The organization conducting lawful gambling must comply with Minnesota Statutes, section 349.166." Statute already points out to the reader the provisions with which the organization must comply. It is necessary and reasonable not to reenact unnecessary and redundant language.
- The Board is proposing to change the title of Subpart 2 to "Denial of excluded bingo application." It is necessary and reasonable to change the title so that the reader is easily and accurately informed of the contents.

RULE-BY-RULE ANALYSIS: 7861.0340 EXEMPTED LAWFUL GAMBLING (reenacted language from 7861.0140)

- The Board is proposing to reenact language from existing 7861.0140 with clarifications as noted.
- **In Subpart 1, item I**, the Board is proposing to amend the language by including the phrase "*an accurate and complete* financial report" to provide clearer information on the requirements for the financial report required by Minnesota Statutes, section 349.166, subdivision 2, paragraph (6). It is necessary and reasonable to require that a report be accurate and complete, as required by statute, [Minn. Stat. 349.166, Subd. 2(b)] effective May 19, 2006.
- **In Subpart 1, item J**, the Board is proposing to add a new item pertaining to the application fee. It is necessary and reasonable to clarify in rule for the reader that a fee is required, and that it is not refundable. It is necessary and reasonable to make the language consistent with fee language in other parts of the rule. This is not a new requirement; it is merely a clarification of a statutory requirement.
- **In Subpart 2**, the Board is proposing to change the title to "Denial of exempt permit application" to more accurately reflect its content.
- **In Subpart 2**, the Board is proposing not to reenact the first sentence of existing 7861.0140, Subpart 4, that requires the organization to comply with statute. It is necessary and reasonable to delete the language because statute already contains that requirement, making this language redundant.
- **In Subpart 2, item A**, the Board is proposing to amend the reenacted language to clarify that it is a "*currently*" licensed organization that may not receive an exempt permit.
- **In Subpart 2, item B**, the Board is proposing to refer the reader to "7865.0220, Subpart 3" to reflect the new rule part pertaining to suspensions or revocations. It is necessary and reasonable to point the reader to the correct rule cite.

RULE-BY-RULE ANALYSIS: 7862.0010 BINGO HALL LICENSES

The Board is repealing this part because effective August 1, 2005, the requirement for bingo hall licenses was repealed legislatively, making this rule language obsolete.

RULE-BY-RULE ANALYSIS: 7863.0210 DISTRIBUTORS; DISTRIBUTOR SALESPERSONS (Reenacted language from 7863.0010)

The Board is proposing to strike all language in existing 7863.0010, reenact the language in 7863.0210, and clarify reenacted language by deleting unnecessary language and making grammatical changes to make the rules easier to read and understand, creating new subparts and titles, and amending reenacted language to be consistent with licensing language in other parts. The Board is proposing to make the numbering and titles of subpart consistent with language in other parts as follows:

- Subpart 1. Distributor or distributor salesperson license required.
- Subpart 2. Distributor or distributor salesperson licensing qualifications.
- Subpart 3. Distributor restrictions.
- Subpart 4. Contents of distributor license application.
- Subpart 5. Attachments to distributor license application.
- Subpart 6. Contents of distributor salesperson license application.
- Subpart 7. Changes in distributor or distributor salesperson license application information.
- Subpart 8. Issuing or denying a new or renewal distributor or distributor salesperson license.
- Subpart 9. Distributor license effective date
- Subpart 10. Distributor license termination.
- Subpart 11. License suspension.

Existing rule 7863.0010 Distributor; Distributor Salespersons	Reenacted in:
Subpart 2, 1 st paragraph The Board is proposing not to reenact language requiring the Board to consider the application because this requirement is already contained in 7863.0212, Subpart 8, i.e. the Board must either issue or deny the license.	7863.0210, Subpart 1 (license required)
Subpart 2, 2 nd paragraph	7863.0210, Subpart 2 (licensing qualifications)
Subpart 4, items A to C and E to G <ul style="list-style-type: none"> • The Board is proposing not to reenact language from item A pertaining to nominal gifts valued at \$25 or less, as that language is contained in Minnesota Statutes. 349.161, subdivision 5, paragraph (d). A reference to that statute is included in the introductory paragraph of this subpart. It is necessary and reasonable to delete redundant language contained in statute and to avoid the potential for conflicting language should the statute change in the future. • The Board is proposing not to reenact language from item C pertaining to "bingo hall" because effective August 1, 2005, bingo hall licenses were repealed in statute. It is necessary and reasonable to delete obsolete language so that the rule is consistent with statutory language. 	7863.0210, Subpart 3, items A to C and E to G (restrictions)
Subpart 6 The Board is proposing not to reenact the first sentence of Subpart 6 because language that requires an application form is referenced in 7863.0210, Subpart 1. It is necessary and reasonable to delete duplicative language.	7863.0210, Subpart 4 (application contents)
Subpart 7, item A, subitems (1) to (5) and (7) to (8)	7863.0210, Subpart 5, item A (attachments to application)

Existing rule 7863.0010 Distributor; Distributor Salespersons	Reenacted in:
Subpart 7, item A, subitem (6) The Board is proposing not to reenact this language as it is not necessary to define distributor salespersons duties, as Minnesota Statutes, section 349.161 contains information pertaining to sales.	
Subpart 7, item B In item B, subitem (3) the Board is proposing not to reenact the language requiring the "complete name of the individual's spouse, if married." It is necessary and reasonable to delete the language because board staff has determined this language to be unnecessary for license information.	7863.0210, Subpart 5, item B
Subpart 9	7863.0210, Subpart 7 (change in information)
Subpart 11	7863.0210, Subpart 8 (issuing/denying license)
Subpart 12, items A and B	7863.0210, Subpart 8, items B and C
Subpart 12, item C	7865.0260, Subparts 2 and 4 (appeals)
Subpart 12, item C, last sentence	7863.0210, Subpart 8, item D (fees)
Subpart 14	7863.0210, Subpart 9 (effective date)
Subpart 15 The Board is proposing not to reenact the requirement in the last sentence of existing item A, i.e. providing an affidavit. The Board provides the licensee with a preprinted renewal application containing the information previously submitted, and requires the licensee to only make changes on the renewal application when the information has changed. It is necessary and reasonable to eliminate an obsolete requirement because the Board has streamlined the renewal process.	7863.0210, Subpart 8 (issuing/denying license)
Subpart 16	7863.0210, Subpart 10 (license termination)
Subpart 17	7863.0210, Subpart 11 (license suspension)

**7863.0210 Subpart 1. Distributor or distributor salesperson license required.
(reenacted from existing 7863.0010, Subpart 2, first paragraph)**

- The Board is proposing to reenact language from existing 7863.0010, Subpart 2, first paragraph.
- In the first sentence, the Board is proposing to amend the language with "license renewal" to inform the reader that a license or *license renewal* must be obtained to sell gambling equipment. It is necessary and reasonable to make language consistent in all parts pertaining to licensing.

**7863.0210, Subpart 2. Distributor or distributor salesperson licensing qualifications.
(reenacted from existing 7863.0010, Subpart 2, second paragraph)**

The Board is proposing to create a new subpart to be consistent with rule language in other parts pertaining to licensing. The language is being reenacted from existing 7863.0010, Subpart 2, second paragraph. It is necessary and reasonable to make licensing language consistent in all parts so that the reader can easily locate licensing information in a similar location in rules.

**7863.0210, Subpart 3. Distributor restrictions.
(reenacted from existing 7863.0010, Subpart 4)**

- The Board is proposing to reenact and simplify language from existing 7863.0010, Subpart 4.
- In item C, the term "gambling manager" is being added and is not a new restriction. It is necessary and reasonable to add the term to clarify these restrictions in one item. This also ensures that the rule is consistent with 7861.0230, Subpart 2, item A (gambling manager licensing qualifications)
- In item D, the Board is proposing to reenact language from existing 7863.0010, Subpart 4, item C, last part of the sentence.

**7863.0210, Subpart 4. Contents of distributor license application.
(reenacted from existing 7863.0010, Subpart 6)**

- The Board is proposing to reenact language from existing 7863.0010, Subpart 6 pertaining to the contents of a distributor license application.
- **In item D**, the Board is proposing to consolidate the entities that must be listed in the distributor's application and who must complete other portions of the application (personnel form or salesperson application).
- **In item H**, the Board is proposing to add "licensing qualifications," and to delete "subpart 4" and add "subparts 10 and 11." It is necessary and reasonable to amend the language so that the reader is informed of the correct subparts to reference for licensing qualifications and restrictions.
- **In item J**, the Board is proposing to amend the reenacted language with "if the license is terminated or suspended" and point the reader to "subparts 16 or 17." It is necessary and reasonable to provide the reader with the specific requirement, instead of an ambiguous reference to "in this subpart" that is not correct, because the correct (new) subparts are 16 and 17.

**7863.0210, Subpart 5. Attachments to distributor license application.
(reenacted from existing 7863.0010, Subpart 7)**

- **In item A, subitem (8)**, the Board is proposing to add language requiring information for a non-sales employee. This is not a new requirement; it is merely establishing in rule an existing requirement.
- **In item B, subitem (9)**, the Board is proposing to clarify who must submit a recent photograph and acknowledge licensing qualifications and restrictions. These are not new requirements; it is merely a clarification of existing qualifications and restrictions.

7863.0210, Subpart 6. Contents of distributor salesperson license application.

- The Board is proposing to create a new subpart for distributor salesperson license applications. These are not new requirements; they are merely a clarification of existing statutory and rule requirements so that the reader can easily find and understand the requirements for a distributor salesperson application.
- The Board is proposing to clarify that the owner of a distributorship licensed by the board is not required to obtain a distributor salesperson license. It is necessary and reasonable to provide the clarification in rule.
- The Board is also proposing to clarify that an independent contractor is not eligible for a distributor salesperson license. It is necessary and reasonable to provide language that clarifies Minnesota Statute 349.161, Subdivision 8, that allows only employees of a distributor to make sales on their behalf.

7863.0210, Subpart 7. Changes in distributor or distributor salesperson application information.

(reenacted from existing 7863.0010, Subpart 9)

The Board is proposing to reenact language from existing 7863.0010, Subpart 9, and amend language in the title and this subpart with "distributor salesperson." It is necessary and reasonable to provide a reference for an entity that receives a separate license.

Existing 7863.0210, Subpart 11. Investigation.

The Board is proposing to delete all language contained in this subpart and reenact it in 7863.0210, Subpart 8, item A. It is necessary and reasonable to move the language to where it is more appropriately located, as it pertains to the criteria for issuing or denying a license application.

7863.0210, Subpart 8. Issuing or denying a new or renewal distributor or distributor salesperson license.

(reenacted from existing 7863.0010, Subparts 11, 12, and 15)

- The Board is proposing to consolidate the criteria for issuing new or renewal licenses in one subpart by reenacting language from existing 7863.0010, Subparts 11, 12, and 15.
- **In item A**, the Board is proposing to reenact language from existing 7863.0010, Subpart 11 (Investigation) and place it in this subpart where it is more logically placed as it pertains to the criteria for issuing or denying a license application. The Board is also proposing to clarify that the investigation requirement does not pertain to a distributor salesperson. It is necessary and reasonable to include language where it is logically placed for accurate reference and to clarify that it doesn't pertain to a distributor salesperson.
- **In item B**, the Board is proposing to amend the reenacted language to include "director if authorized by the board." In the past the Board determined that if a new salesperson had to wait for a monthly board meeting to receive approval for a distributor salesperson license, the person and distributorship would have to wait for up to four weeks to receive such a license and would unnecessarily impact the ability of the person to be employed in a timely manner to sell gambling equipment. It is necessary and reasonable to include language that reflects the current practice of allowing the director to issue or deny a distributor salesperson license.
- **In item C**, the Board is proposing to clarify the reenacted language by providing accurate references for the reader, i.e. "item A and subparts 2 and 3" and "part 7865.0260, subpart 2 or 4, whichever is applicable." It is necessary and reasonable to provide the reader with the correct references due to the reorganization of reenacted rule language in other parts/subparts.
- **After item C**, the Board is proposing to add new language clarifying that the board or director must give prompt notice to the applicant if the application will be denied. It is necessary and reasonable to include language that informs the reader of the action the director is required to take.

7863.0210, Subpart 9. License effective.

(reenacted from existing 7863.0010, Subpart 14)

The Board is proposing to reenact language from existing 7863.0010, Subpart 14, and amend it with "or as otherwise determined by the board." It is necessary and reasonable to amend the language so that the Board has the ability to be flexible in issuing new or renewal licenses.

Existing 7863.0210, Subpart 15. License renewal.

See table above for reenactment information.

7863.0210, Subpart 10. Distributor license termination.

(reenacted from existing 7863.0010, Subpart 16)

The Board is proposing to reenact language from existing 7863.0010, Subpart 16, and in item A clarify the contents of a gambling equipment inventory. It is necessary and reasonable to provide clarifying language for an existing requirement.

7863.0210, Subpart 11. License suspension.

(reenacted from existing 7863.0010, Subpart 17)

The Board is proposing to reenact language from existing 7863.0010, Subpart 17 with no new requirements imposed.

RULE-BY-RULE ANALYSIS: 7863.0030 DISTRIBUTOR OPERATIONS, ACCOUNTS, AND REPORTS

The Board is proposing to strike all language in existing 7863.0020, reenact the language in 7863.0210, and clarify reenacted language by deleting unnecessary language and making grammatical changes to make the rules easier to read and understand, and creating new subparts and titles so that information is easier to locate.

Existing rule 7863.0030 Distributor Operations and Reports	Reenacted in:
<p>Subpart 1</p> <ul style="list-style-type: none"> The Board is proposing not to reenact unnecessary language from the 1st, 2nd, and 3rd sentences of this existing subpart. The Board is proposing to consolidate the existing language and point the reader to "part 7864.0030" where manufacturing standards for gambling equipment is located. The Board is proposing not to reenact language referencing the purchase of gambling equipment from a licensed manufacturer, as this is redundant of statutory language. It is necessary and reasonable to delete unnecessary language and consolidate language. 	7863.0220, Subpart 1 (purchase or lease)
Subpart 2, item A, subitem (1)	7863.0220, Subpart 2, item A
Subpart 2, item A, subitem (2)	7863.0220, Subpart 2, item B
Subpart 2, item A, subitem (3)	7863.0220, Subpart 2, item F
Subpart 2, item B, subitems (1), (2), and (4)	7863.0220, Subpart 2, item G, subitems (1) & (2)
<p>Subpart 2, item B, subitem (3)</p> <p>The Board is proposing not to reenact language pertaining to a default in a lease agreement for a pull-tab dispensing device, as this is redundant of language in 7863.0220, Subpart 16 (Delinquent organization notice required) that require the distributor to report a delinquent organization to the Board. It is necessary and reasonable not to reenact duplicative language.</p>	
Subpart 2, item C	7863.0220, Subpart 4, item H
Subpart 2, item D	7863.0220, Subpart 2, item C
Subpart 2, item E	7863.0220, Subpart 2, item H
Subpart 2, item F	7863.0220, Subpart 2, item D
Subpart 2, item G	7863.0220, Subpart 2, item G, subitem (3)
Subpart 2, item H	7863.0220, Subpart 2, item E
<p>Subpart 3, item A</p> <p>The Board is proposing not to reenact language from item A because these requirements are contained in Minnesota Statutes, section 349.161, Subd. 1(a)(3) and are also referenced in the rules for manufacturing standards (7864.0030). It is necessary and reasonable to delete redundant and unnecessary language.</p>	
Subpart 3, item B, subitem (1)	7863.0220, Subpart 3, introductory sentence (registration of equipment)
Subpart 3, item B, subitem (2)	7863.0220, Subpart 3, item A
Subpart 3, item B, subitem (3)	7863.0220, Subpart 3, item D

Existing rule 7863.0030 Distributor Operations and Reports	Reenacted in:
Subpart 3a	7863.0220, Subpart 4 (return of defective games)
Subpart 3b	7863.0220, Subpart 5 (recall; credit invoices)
Subpart 4, item A, subitem (1), units (a) to (i)	7863.0220, Subpart 6, items A to H (sales invoices)
Subpart 4, item A, subitem (2), units (a) to (e)	7863.0220, Subpart 7, items A to E (invoices for pull-tabs & tipboards)
Subpart 4, item A, subitem (3), units (a) to (c)	7863.0220, Subpart 8, items A to C (invoices for paddleticket cards)
Subpart 4, item A, subitem (4), units (a) to (c)	7863.0220, Subpart 9, items A to C (invoices for sealed breakopen bingo paper)
Subpart 4, item A, subitem (5), unit (a), subunits (i) to (vi)	7863.0220, Subpart 10, items A to F (invoices for bingo paper sheet packets)
Subpart 4, item A, subitem (5), unit (b), subunits (i) to (vi)	7863.0220, Subpart 11, items A to F (invoices for bingo paper sheets – case paper)
Subpart 4, item A, subitem (6), units (a) & (b)	7863.0220, Subpart 12, items A & B (invoices for permanent gambling equipment)
Subpart 4, item A, subitem (7)	7863.0220, Subpart 14 (monthly sales report to revenue)
Subpart 4, item B	7863.0220, Subpart 17, last sentence
Subpart 4, item C	7863.0220, Subpart 15 (pricing report)
Subpart 4, item D	7863.0220, Subpart 13 (monthly sales report to board for permanent equipment)
Subpart 4, item E	7863.0220, Subpart 16 (delinquent organization notice to board)
Subpart 4, item F The Board is proposing not to reenact the language as it is redundant of Minnesota Statutes, section 349.151, Subd. 12; Minnesota Statutes, section 349.162, Subd. 5(c); and Minnesota Statutes, section 349.162, Subd. 2, all of which give the Board the authority to access records and premises. It is necessary and reasonable to delete language that is repetitive of statutory language.	
Subpart 4, item G	7863.0220, Subpart 17 (records and reports)

**7863.0020, Subpart 1. Purchase or lease of gambling equipment.
(reenacted from existing 7863.0020, Subpart 1)**

- In the first sentence of this subpart, the Board is proposing to amend the reenacted language by including a reference to "Minnesota Statutes, sections 349.161 and 349.162." It is necessary and reasonable to point the reader to the correct statutory language as it pertains to this subpart.

**7863.0220, Subpart 2. Sale or lease of gambling equipment.
(reenacted from existing 7863.0020, Subpart 1)**

- The Board is proposing to reenact, consolidate, and reorganize language (in a more logical flow) from existing 7863.0020, Subpart 2, as noted in the table above and in the narrative below.
- **In item I**, the Board is proposing to add new language pertaining to the lease of electronic bingo devices. The Legislature authorized the use of electronic bingo devices, and before they may be used the Board must develop rules pertaining to their sale and use.
- **In item I, subitem (1)**, the Board is proposing to require that the devices only be leased and not sold to licensed organizations. It is necessary and reasonable to require that the devices only be leased because of frequently changing technology that may be applied to these devices, to ensure that the distributor can account for the payments for their use, and to ensure that the distributor can account for the location of the devices.
- **In item I, subitem (2)**, the Board is proposing to allow a distributor to lease the same devices to more than one organization at the same permitted premises. It is necessary and reasonable to allow a distributor and licensed organizations to maximize their profits in a highly competitive field.

**7863.0220, Subpart 2. Sale or lease of gambling equipment.
(reenacted from existing 7863.0020, Subpart 1) (continued)**

- **In item I, subitem (3),** the Board is proposing to outline the minimum requirements of a lease agreement for electronic bingo devices, including a prohibition that the devices may not be transferred to another premises without the approval of the Board's director. It is necessary and reasonable to ensure that the Board, and the distributor leasing the devices, knows where these devices are located at all times. It is necessary and reasonable to allow a licensed organization to use the devices at another permitted premises with the director's approval, thereby minimizing the organization's expenses.
- **In item I, subitem (4),** the Board is proposing to require that the distributor submit a copy of the lease agreement to the Board within ten days of signing or amending the lease agreement. Requiring the lease agreement to be submitted to the Board is consistent with a similar requirement pertaining to lease agreements for pull-tab dispensing devices. It is necessary and reasonable to require a copy of the lease agreement so that the Board knows to whom the devices were leased and where the devices are located.

**7863.0220, Subpart 3. Registration of permanent gambling equipment.
(reenacted from existing 7863.0020, Subpart 3)**

- The Board is proposing to reenact language as noted in the table above and to make amendments as noted in the narrative below.
- **In item A,** the Board is proposing to amend the reenacted language by adding "This item does not pertain to an electronic bingo device." It is necessary and reasonable to include this language because the method of registering these devices is outlined in items B and C.
- **In item B,** the Board is proposing to add new language because some permanent gambling equipment may be registered with the board in an alternative format when it would not be practical to apply a registration stamp to some equipment, such as an electronic bingo device. Minnesota Statutes, section 349.162 contains language giving the Board the authority to prescribe the manner in which equipment must be registered. It is necessary and reasonable to include language pertaining to the distributor records that must be kept pertaining to electronic bingo devices, as part of the method of registering these devices with the Board (see item C).
- **In item C,** the Board is proposing to add new language clarifying how permanent equipment is registered with the Board. The Board determined that it is not practical to require a registration stamp be placed on an electronic bingo device, as manufacturers and distributors stated that players would most likely peel them off. It is necessary and reasonable to include the alternative method, as allowed by statute, for registering electronic bingo devices with the Board.
- **In item D** the Board is proposing to amend the language with "linked bingo game provider." It is necessary and reasonable to clarify that a linked bingo game provider, who can provide linked bingo paper sheets (nonpermanent gambling equipment) to organizations, is not authorized to receive registration stamps for permanent equipment from a distributor.

7863.0220, Subpart 4. Return of defective pull-tab and tipboard game; issuing credit invoices. (reenacted from existing 7863.0020, Subpart 3a)

- The Board is proposing to reenact language from existing 7863.0020, Subpart 3a, with changes as noted in the narrative below.
- The Board is proposing to change the subpart title to clarify that this subpart pertains only to defective pull-tabs or tipboards, not to all gambling equipment. When originally written, this rule language was meant to apply only to pull-tabs and tipboards, but the language was written in a general manner using the term "gambling equipment." Gambling equipment includes both disposable and permanent gambling equipment. Replacing the term "gambling equipment" in this subpart with "pull-tab or tipboard game," or "game" will help to clarify the Board's intent. These changes are necessary and reasonable to clarify existing requirements and to better inform the reader of those requirements.

7863.0220, Subpart 4. Return of defective pull-tab and tipboard game; issuing credit invoices. (reenacted from existing 7863.0020, Subpart 3a)

- At the request of the industry, the Board is proposing to amend the existing timeframe requirements for when a distributor is required to return a defective game to a manufacturer, the manufacturer determines the game is defective and issues a credit invoice to the distributor, and distributor then issues a credit invoice to an organization.
 - In item A, subitems (1) and (2), the timeframe has been changed from "seven" to "five" days
 - In item B, subitem (1), the timeframe has been changed from "seven" to "five" days
 - In item B, subitem (2), the timeframe has been changed from "14" to "five" daysCurrently, the overall process may take over 2 months to complete, which causes a great delay in issuing credits to an organization and the organization reporting the game to the Department of Revenue. The timeframes will be reduced so that the process from beginning to end can be completed within 45 days or less, depending on delivery and receipt dates of the games, and whether a parcel service, US mail, or other service is used. This change is being done in conjunction with 7864.0240, Subpart 4. The industry has assured the Board that reducing the timeframes is a workable solution. It is necessary and reasonable to reduce the timeframes so that organizations can receive credit invoices and report the games in a more timely manner to Revenue. It is necessary and reasonable to provide the industry with reasonable guidelines as requested.
- References to specific subparts are not being reenacted and the reader is instead directed to part 7864.0230 where standards are more clearly defined in new subparts for each type of gambling equipment. It is necessary and reasonable to make the rules easy to use for the reader.

7863.0220, Subpart 5. Recall of gambling equipment; credit invoices. (reenacted from existing 7863.0020, Subpart 3b)

- The Board is proposing to change the subpart title from "corrective action" and replace it with "recall of gambling equipment; credit invoices." It is necessary and reasonable to provide the reader with accurate and understandable information regarding the contents of a subpart.
- The remainder of the changes in the reenacted language from existing 7863.0020, Subpart 3b, are grammatical.

Existing 7863.0020, Subpart 4. Records and reports.

Existing 7863.0020, Subpart 4, which spans four pages, was originally intended to be a consolidation of records and reports, but it is too cumbersome to easily locate information. In existing 7863.0020, Subpart 4, item A alone spans two pages. Therefore, the Board is proposing to create 12 new subparts, Subparts 6 through 17 as noted below, by reenacting language from existing 7863.0020, Subpart 4. Refer to the table above for reenactment details. No new requirements are added. It is necessary and reasonable to reorganize reenacted language in smaller subparts so that the reader can easily locate information.

7863.0220, Subpart 6. Sales invoices.

- **In item G**, the Board is proposing to add new language prohibiting the lease price of an electronic bingo device (from distributor to licensed organization) from being based on a percentage of gross receipts. It is necessary and reasonable to provide guidance on the lease price so that organizations are ensured they pay a fair and reasonable price for the lease of the devices and still obtain profits for their bingo operations that have a higher operating cost than other forms of lawful gambling.

7863.0220, Subpart 7. Sales invoice for pull-tabs and tipboards

7863.0220, Subpart 8. Sales invoice for paddleticket cards

7863.0220, Subpart 9. Sales invoice for sealed breakopen bingo paper

7863.0220, Subpart 10. Sales invoice for sets of bingo paper sheet packets

7863.0220, Subpart 11. Sales invoice for bingo paper sheets (case paper)

7863.0220, Subpart 12. Sales invoice for permanent gambling equipment

7863.0220, Subpart 13. Monthly sales report to board required for permanent gambling equipment.

7863.0220, Subpart 14. Monthly sales report to revenue required.

7863.0020, Subpart 15. Pricing report to board required.

7863.0220, Subpart 16. Delinquent organization report required.

7863.0220, Subpart 17. Records and reports maintained.

RULE-BY-RULE ANALYSIS: 7863.0250 LINKED BINGO GAME PROVIDER LICENSES

The Board is proposing to strike all language in existing 7863.0050, reenact the language in 7863.0250, and clarify reenacted language by deleting unnecessary language and making grammatical changes to make the rules easier to read and understand, creating new subparts and titles, and amending reenacted language to be consistent with licensing language in other parts. The Board is proposing to make the numbering and titles of subpart consistent with language in other licensing parts as follows:

- Subpart 1. Linked bingo game provider license required.
- Subpart 2. Linked bingo game provider licensing qualifications.
- Subpart 3. Linked bingo game provider restrictions.
- Subpart 4. Contents of linked bingo game provider license application.
- Subpart 5. Attachments to linked bingo game provider application.
- Subpart 6. Changes in linked bingo game provider license application information.
- Subpart 7. Issuing or denying a new or renewal linked bingo game provider license.
- Subpart 8. Linked bingo game provider license effective date.

Existing rule 7863.0050 Linked Bingo Game Provider Licenses	Reenacted in:
Subpart 1, 1 st & 2 nd sentences	7863.0250, Subpart 1 (license required)
Subpart 1, 3 rd sentence The Board is proposing not to reenact this language because 7863.0250, Subpart 7 requires the Board to "consider" the application by either issuing or denying a license. It is reasonable and necessary not to reenact unnecessary language.	
Subpart 1, 4 th & 5 th sentences	7863.0250, Subpart 2, items A to C
Subpart 2 <ul style="list-style-type: none"> • From existing item A, the Board is proposing not to reenact the terms "licensed, exempt, or excluded." It is reasonable and necessary to delete the terms because statute addresses the types of organizations involved in the conduct of lawful gambling. • From existing item E, the Board is proposing not to reenact the language pertaining to gifts not to exceed \$25. Because of a statutory change in Minnesota Statute 349.1635, Subd. 4(a)(5), effective May 19, 2006, that clarified an existing conflict between rule and statute, it is necessary and reasonable to delete unnecessary language. 	7863.0250, Subpart 3 (restrictions)
Subpart 3	7863.0250, Subpart 4 (contents of application) In item D, the Board is proposing not to reenact the term "drawings" and in its place insert "selection of bingo <i>numbers</i> ." It is necessary and reasonable to amend the language because random number generators will be allowed to electronically "select bingo numbers" as an alternative to "drawing balls with letters and numbers" with a bingo <i>ball</i> selection device.
Subpart 4 <ul style="list-style-type: none"> • The Board is proposing not to reenact language from item B, subitem (3) requiring the name of the individual's spouse, if married. It is necessary and reasonable to delete the language because the Board determined this information is not necessary for license applications. 	7863.0250, Subpart 5 (attachments to application)
Subpart 4, item A	7863.0250, Subpart 5, item A
Subpart 4, item B, subitems (1) to (10)	7863.0250, Subpart 5, item B, subitems (1) to (8)

Existing rule 7863.0050 Linked Bingo Game Provider Licenses	Reenacted in:
Subpart 4, item C	7863.0250, Subpart 5, item C
Subpart 4, item D, subitems (1), (3), (13), & (14)	7863.0250, Subpart 5, item D, subitem (1)
Subpart 4, item D, subitems (2), (5), & (11) and reference to inventory forms from (10)	7863.0250, Subpart 5, item D, subitem (2)
Subpart 4, item D, subitems (4) (6), (7), (8) & (12)	7863.0250, Subpart 5, item D, subitem (3)
Subpart 4, item D, subitem (9)	7863.0250, Subpart 5, item D, subitem (4)
Subpart 4, item D, subitem (10)	7863.0250, Subpart 5, item D, subitem (5)
Subpart 4, item D, subitem (15)	7863.0250, Subpart 5, item D, subitem (6)
Subpart 4, item E	7863.0250, Subpart 5, item E
Subpart 4, item F, subitems (1) & (2)	7863.0250, Subpart 5, item F, subitem (1)
Subpart 4, item F, subitem (3)	7863.0250, Subpart 5, item F, subitem (2)
Subpart 4, item F, subitem (4)	7863.0250, Subpart 5, item F, subitem (3)
Subpart 4, item F, subitem (5)	7863.0250, Subpart 5, item F, subitem (4)
Subpart 4, item F, subitem (6)	7863.0250, Subpart 5, item F, subitem (5) The Board is proposing not to reenact the requirement that the log include the password authorized to make the changes. In retrospect, this language would not make the system secure if everyone has open access to a password. The Board is correcting this oversight by requiring the "name of the person who made the changes." It is necessary and reasonable to provide a technical correction so that the linked bingo system remains secure but allows changes to be made.
Subpart 4, item F, subitem (7)	7863.0250, Subpart 5, item F, subitem (6)
Subpart 4, item F, subitem (8), 1 st sentence	7863.0250, Subpart 5, item F, subitem (7)
Subpart 4, item F, subitem (8), 2 nd sentence The Board is proposing not to reenact the second sentence because 7863.0250, Subpart 5, item F, subitem (5) requires that sales data corrections may only be made through use of an audit menu.	
Subpart 4, item F, subitem (9)	7863.0250, Subpart 5, item F, subitem (7)
Subpart 4, item F, subitem (10)	7863.0250, Subpart 5, item F, subitem (8)
Subpart 4, item F, subitem (11)	7863.0250, Subpart 5, item F, subitem (9)
Subpart 4, item F, subitem (12) & (13)	7863.0250, Subpart 5, item F, subitem (10)
Subpart 4, item F, subitem (14)	7863.0250, Subpart 5, item F, subitem (11)
Subpart 5	7863.0250, Subpart 6 (changes in information)
Subpart 6 (investigations)	7863.0250, Subpart 7, item A (issuing or denying application)
Subpart 7, item A	7863.0250, Subpart 7, item B
Subpart 7, item B	7863.0250, Subpart 7, item C
Subpart 7, item C, 1 st sentence	7863.0250, Subpart 7, item C
Subpart 7, item C, 2 nd to 6 th sentences	7865.0260 , Subparts 2 and 4
Subpart 7, item C, 7 th (last) sentence	7863.0250, Subpart 7, item D
Subpart 8	7863.0250, Subpart 8 (effective date)
Subpart 9	7863.0250, Subpart 7

7863.0250, Subpart 1. Linked bingo game provider license required. (reenacted from existing 7863.0050, Subpart 1)

The Board is proposing to amend the language with "license renewal." It is necessary and reasonable to inform the reader that a license renewal is required to continue business.

7863.0250, Subpart 2. Linked bingo game provider licensing qualifications. (reenacted from existing 7863.0050, Subpart 1, as noted in table above)

The Board is proposing to create a new subpart for "Licensing qualifications" using reenacted language. It is necessary and reasonable to provide a subpart that is consistent with the placement of similar language in other parts pertaining to licensing and will enable the reader to easily locate the information.

7863.0250, Subpart 3. Linked bingo game provider restrictions. (reenacted from existing 7863.0050, Subpart 2)

- **In item A**, the Board is proposing to add "gambling manager" to the reenacted language. This is not a new restriction. It is necessary and reasonable to include an existing restriction (Minnesota Statute 349.1635, Subd. 4) so that the reader is accurately informed of all restrictions in one item.

7863.0250, Subpart 4. Contents of Linked bingo game provider license application. (reenacted from existing 7863.0050, Subpart 3)

- **In item F**, the Board is proposing to amend the reenacted language by inserting "licensing qualifications in subpart 2." It is necessary and reasonable to include this reference to a new subpart pertaining to licensing qualifications so that the reader is informed that there are restrictions and *qualifications* that pertain to the license. It is not a new requirement.

7863.0250, Subpart 5. Attachments to linked bingo game provider license application (reenacted from existing 7863.0050, Subpart 4).

- **In item B, subitem (2)**, the Board is proposing not to reenact the term "home" and in its place insert "daytime" in reference to telephone number. It is necessary and reasonable to include "daytime" phone number because most individual's cannot be reached at home during the day or have a cell phone number instead of a "home" phone number.
- **In item F, subitem (2)**, the Board is proposing to amend the reenacted language by clarifying that that data must be saved at all times, not after a system has failed and the data might not be recoverable. It is necessary and reasonable to provide correct information regarding back-up technology that is required.
- **In item F, subitem (5)**, the Board is proposing to amend the reenacted language to clarify that it is upon the "Board's demand" that a log be printed. It is necessary and reasonable to provide clarification because current language is vague as to who requires the log to be printed upon demand.

Existing 7861.0050, Subpart 6. Investigation.

The Board is proposing to strike the language and reenact it in 7863.0250, Subpart 7, item A. It is necessary and reasonable to reenact and place the language where it is more appropriately located as it is part of the criteria for issuing or denying a license.

7861.0250, Subpart 6. Changes in linked bingo game provider license application information. (reenacted from existing 7863.0050, Subpart 5)

The Board is proposing to amend reenacted language by clarifying that changes in the application information must be submitted to the Board "within ten days of the change" instead of "no later than ten days after the change has taken effect." It is necessary and reasonable to provide easy to understand language in rule.

7861.0250, Subpart 7. Issuing or denying a new or renewal linked bingo game provider license. (reenacted from existing 7863.0050, Subparts 6, 7, and 9)

- The Board is proposing to reenact language from existing 7863.0050, Subparts 6, 7, and 9, as noted in the table above.
- **In item B, subitem (2)**, the Board is proposing to make necessary and reasonable amendments and deletions for the following:
 - to include a reference to item A, that contains the reenacted investigation language,
 - to include a reference to Subparts 2 and 3 1a (Licensing qualifications and restrictions) so that the reader is fully informed of requirements pertaining to the license, and
 - not to reenact the reference to Minnesota Statutes, section 349.1635 because that statutory cite is already included in subpart 2, making it redundant.
- **In item C**, the Board is proposing to amend the language by including a reference to Subparts 2 and 3 (Licensing qualifications and restrictions), and to include language that clarifies that the board must give prompt notice to the applicant if the application will be denied. It is necessary and reasonable to provide clarifying language that informs the reader of licensing requirements and the director's responsibility to give a written notice regarding a denial.

Existing 7863.0250, Subpart 8. License effective.

The Board is proposing to delete this subpart and reenact the language in 7863.0250, Subpart 8. It is necessary and reasonable to move the language so that the placement of similar language is the same in all parts pertaining to licensees.

Existing 7863.0050, Subpart 9. License renewals.

- The Board is proposing to strike this language and reenact and consolidate the language in Subpart 7 (Issuing or denying a new or renewal license application).
- The Board is proposing not to reenact the last sentence of existing 7863.0050, Subpart 9, item A, i.e. providing an affidavit. The Board provides the licensee with a preprinted renewal application containing the information previously submitted, and requires the licensee to only make changes on the renewal application when the information has changed. It is necessary and reasonable to eliminate an obsolete requirement because the Board has streamlined the renewal process.

RULE-BY-RULE ANALYSIS: 7863.0260 LINKED BINGO GAME PROVIDER OPERATIONS, ACCOUNTS, AND REPORTS.

The Board is proposing to strike all language in existing 7863.0060, reenact the language in 7863.0260, and clarify reenacted language by deleting unnecessary language and making grammatical changes to make the rules easier to read and understand, and creating new subparts and titles so that information is easier to locate.

Existing rule 7863.0060 Linked Bingo Game Provider Operations and Reports	Reenacted in:
Subpart 1	7863.0260, Subpart 1
Subpart 2, items A to F	7863.0260, Subpart 2, items A to F
<p>Subpart 3, item A</p> <p>The Board is proposing to reenact this language in 7861.0260, subpart 8, where it is more appropriately located in "Conduct of Lawful Gambling" for licensed organizations. It is necessary and reasonable to make this change because language in item A is not a requirement imposed upon a linked bingo game provider, rather, it is a requirement imposed upon licensed organizations and needs to be located in the rule part that is normally referenced by licensed organizations.</p>	7861.0260, Subpart 8 (return of defective linked bingo paper)
Subpart 3, items B and C	7863.0260, Subpart 3, items A and B
Subpart 4	7863.0260, Subpart 4 (recall; credit invoice)
Subpart 4, item A	7863.0260, Subpart 4, introductory paragraph
Subpart 4, items B, C, and D	7863.0260, Subpart 4, items A, B, and C
Subpart 5, item A, subitems (1) & (2), units (a) to (h)	7863.0260, Subpart 5, items A to F (sales invoice)
Subpart 5, item A, subitem (3)	7863.0260, Subpart 6 (monthly sales report to revenue)
<p>Subpart 5, item B</p> <p>The Board is proposing not to reenact this language pertaining to a report for returned linked bingo paper. In the last rules process this same requirement was deleted for distributors because the information is reported by the manufacturers. It is necessary and reasonable to make rule requirements consistent and to delete a rule requirement that requires redundant information to be reported.</p>	
Subpart 5, item C	7863.0260, Subpart 7 (delinquent organization report)
<p>Subpart 5, item D</p> <p>The Board is proposing not to reenact the language because statutory language already gives the Board authority to inspect books and records. It is necessary and reasonable to delete language that is repetitive of statutory language.</p>	

Existing rule 7863.0060 Linked Bingo Game Provider Operations and Reports	Reenacted in:
Subpart 5, item E, subitems (1) & (2)	7863.0260, Subpart 8, items A (records required)
Subpart 5, item E, subitem (3)	7863.0260, Subpart 8, item B
Subpart 5, item E, subitems (4) & (5)	7863.0260, Subpart 8, item C
Subpart 5, item D, subitem (6)	7863.0260, Subpart 8, item D
Subpart 5, item E, subitem (7), units (a) & (b)	7863.0260, Subpart 8, item E, subitem (1)
Subpart 5, item E, subitem (7), units (c) & (d)	7863.0260, Subpart 8, item E, subitems (2) & (3)
Subpart 5, item E, subitem (7), units (e) & (f)	7863.0260, Subpart 8, item D, subitems (4) & (5)
Subpart 5, item E, subitem (8)	7863.0260, Subpart 8, item C
Subpart 5, item E, subitems (9) to (11)	7863.0260, Subpart 8, items F to H
Subpart 5, item F	7863.0260, Subpart 9 (records and reports)

7863.0260, Subpart 1. Purchase or lease of gambling equipment and linked bingo services. (reenacted from existing 7863.0060, Subpart 1).

There are no new requirements in the reenacted language.

7863.0260, Subpart 2. Sales of linked bingo paper; sale and lease of linked bingo game system equipment and services; conduct of linked bingo game. (reenacted from existing 7863.0060, Subpart 2)

- The Board is proposing to make a necessary and reasonable change to amend the title of this subpart so that the reader is informed of its content.
- **In item G**, the Board is proposing to add new language to clarify the requirements that pertain to a linked bingo game provider in the conduct of a linked bingo game. The linked bingo game provider is required to provide a management plan to the board and also provide a certificate from a board-approved independent testing laboratory certifying that the linked bingo game system meets board requirements. It is necessary and reasonable to clarify that in addition to providing these documents to the Board the provider must comply with the requirements as approved by the Board. These are not new requirements; they are merely a clarification.

7863.0260, Subpart 3. Return of defective linked bingo paper; issuing credit invoice. (reenacted from existing 7863.0060, Subpart 3)

- See table above for reenactment information.
- **In item A**, the Board is proposing to amend the language by clarifying that the provider has 14 "business" days to issue a credit invoice, not "14 days." It is necessary and reasonable to clarify the rule to make it consistent with other rule parts pertaining to return of defective gambling equipment.

7863.0260, Subpart 4. Recall of gambling equipment; issuing credit invoice. (reenacted from existing 7863.0060, Subpart 4)

- See table above for reenactment information.
- The Board is proposing to change the title of this subpart from "corrective action" to "recall of gambling equipment; issuing credit invoice." It is necessary and reasonable to retitle the subpart so that the reader is accurately and easily informed of its contents.
- **In item C**, the Board is proposing to clarify that the provider must issue credit invoices within seven "business" days of "receiving a credit invoice from the manufacturer", not seven days. It is necessary and reasonable to clarify the rule to make it consistent with other rule parts.

Existing 7863.0060, Subpart 5. Records and reports required.

The Board is proposing to reenact the language from existing 7863.0060, Subpart 5 into five new subparts as listed below (Subparts 5 to 9) to make the information easier to locate for the reader. Although originally intended to consolidate all records and reports in one subpart, it is cumbersome to locate the information. It is necessary and reasonable to create shorter subparts. (See table above for reenactment information.)

7863.0260, Subpart 5. Sales invoice.

In items G, H, and I, the Board is proposing to amend the reenacted language to be consistent with current requirements of the commissioner of revenue. It is necessary and reasonable to include all existing requirements. (See table above for reenactment information.)

7863.0260, Subpart 6. Monthly sales report to revenue required.

The Board is proposing to amend the reenacted language to reference "Minnesota Statutes, section 297E.05" so that the reader is informed of the statutory requirement. It is necessary and reasonable to inform the reader of all existing requirements. (See table above for reenactment information.)

7863.0260, Subpart 7. Delinquent organization notice required.

It is necessary and reasonable to rewrite and format the reenacted language so that the requirements and reporting process are easier to understand by the reader. No new requirements are imposed. (See table above for reenactment information.)

7863.0060, Subpart 8. Linked bingo game records required. (See table above for reenactment information.)

7863.0060, Subpart 9. Records and reports maintained.

The Board is also proposing to amend the reenacted language by inserted "as required by this part and by Minnesota Statutes, section 297E.05" so that the reader is accurately and easily informed of the requirements. No new requirements are imposed. (See table above for reenactment information.)

RULE-BY-RULE ANALYSIS: 7864.0210 LICENSED MANUFACTURERS

The Board is proposing to strike all language in existing 7864.0010, reenact the language in 7864.0210, and clarify reenacted language by deleting unnecessary language and making grammatical changes to make the rules easier to read and understand, creating new subparts and titles, and amending reenacted language to be consistent with licensing language in other parts. The Board is proposing to make the numbering and titles of subparts consistent with language in other parts as follows:

- Subpart 1. Manufacturer license required.
- Subpart 2. Manufacturer licensing qualifications.
- Subpart 3. Manufacturer restrictions.
- Subpart 4. Contents of manufacturer license application.
- Subpart 5. Attachments to manufacturer license application.
- Subpart 6. Changes in manufacturer license application information.
- Subpart 8. Issuing or denying a new or renewal manufacturer license.
- Subpart 9. Manufacturer license effective date.

Existing rule 7864.0010 Manufacturer Licenses	Reenacted in:
Subpart 2, 1 st paragraph The Board is proposing not to reenact the language requiring the Board to consider the application, because 7864.0210, Subpart 8 requires the Board to "consider" the application by either issuing or denying the license application. It is necessary and reasonable to delete redundant language.	7864.0210, Subpart 1 (license required)
Subpart 2, 2 nd paragraph	7864.0210, Subpart 2 (licensing qualifications)
Subpart 4	7864.0210, Subpart 3 (manufacturer restrictions)
Subpart 4, item A The Board is proposing not to reenact the language as it is already contained in 7864.0230, Subpart 1, item C, subitem (3) and required by 7864.0230, Subpart 3, item C, subitem (1). The language requires that the same serial number not be repeated for 3-1/2 years from the date of invoice to the distributor (for pull-tabs, tipboards, and paddlewheels). Deleting this language, which is not a licensing restriction but rather a manufacturing requirement, will help to eliminate unnecessary and redundant language, help to reduce the bulk of rule language, and have it appropriately located in manufacturing standards.	
Subpart 4, item B The Board is proposing not to reenact the phrase "participate in the conduct of lawful gambling."	7864.0210, Subpart 3, item A
Subpart 4, item B, language pertaining to "purchase of, or influence the purchase of gambling equipment"	7864.0210, Subpart 3, item B
Subpart 4, items C, D, and E	7864.0210, Subpart 3, items C, D, and E
Subpart 4, item F The Board is proposing not to reenact the language because effective August 1, 2005, bingo hall licenses were repealed in statute. It is necessary and reasonable to delete obsolete language so that the rules are consistent with statutory language.	
Subpart 4, items G, H, and I	7864.0210, Subpart 3, items F, G, and H

Existing rule 7864.0010 Manufacturer Licenses	Reenacted in:
Subpart 6 <ul style="list-style-type: none"> In the first sentence, the Board is proposing not to reenact the phrase "<i>form prescribed by the board</i>" because this requirement is already contained in 7864.0210, Subpart 1 (Licensed required). It is necessary and reasonable to delete unnecessary and duplicative language. Throughout this subpart the Board is proposing not to reenact the term "<i>applicant</i>" as it is redundant, confusing, and unnecessary, and to replace the term with "manufacturer" where necessary for a clearer meaning of the entity involved in the rule. 	7864.0210, Subpart 4 (contents of application)
Subpart 6, item A	7864.0210, Subpart 4, item A
Subpart 6, items B, C, and D	7864.0210, Subpart 4, item B
Subpart 6, item E	7864.0210, Subpart 4, item C
Subpart 6, item F	7864.0210, Subpart 4, item D
Subpart 6, item G	7864.0210, Subpart 4, item E
Subpart 6, item H	7864.0210, Subpart 4, item F
Subpart 6, item I	7864.0210, Subpart 4, item E
Subpart 6, items J to O	7864.0210, Subpart 4, items G to L
Subpart 7	7864.0210, Subpart 5 (attachments to application)
Subpart 7, item A The Board is proposing not to reenact the phrase "on a form" and amend it with "in a format." It is necessary and reasonable to amend the rule so that the Board can implement the submission of information via electronic technology or other means in the future.	7864.0210, Subpart 5, item A
Subpart 7, item B, subitems (1) & (2)	7864.0210, Subpart 5, item B, subitems (1) & (2)
Subpart 7, item B, subitem (3) The Board is proposing not to reenact "spouse information" because Board staff has determined that the information is not necessary for the license application.	
Subpart 7, item B, subitem (4)	7864.0210, Subpart 5, item B, subitem (3)
Subpart 7, item B, subitem (5)	7864.0210, Subpart 5, item B, subitem (4)
Subpart 7, item B, subitems (6) & (7)	7864.0210, Subpart 5, item B, subitem (5)
Subpart 7, item B, subitem (8)	7864.0210, Subpart 5, item B, subitem (6)
Subpart 7, item B, subitem (9)	7864.0210, Subpart 5, item B, subitem (7)
Subpart 7, item B, subitem (10)	7864.0210, Subpart 5, item B, subitem (8)
Subpart 7, item B, subitem (11)	7864.0210, Subpart 5, item B, subitem (9)
Subpart 7, item B, subitem (12)	7864.0210, Subpart 5, item B, subitem (10)
Subpart 7, item C	7864.0210, Subpart 5, item C
Subpart 7, item D	7864.0210, Subpart 5, item D
Subpart 8	7864.0210, Subpart 6 (changes in application)
Subpart 10 (investigation)	7864.0210, Subpart 7, item A (issuing/denying application)
Subpart 11	7864.0210, Subpart 7
Subpart 11, item A	7864.0210, Subpart 7, item B
Subpart 11, item B	7864.0210, Subpart 7, item C
Subpart 11, item C, 1 st sentence (notice of denial)	7864.0210, Subpart 7, item C
Subpart 11, item C, 2 nd to 6 th sentences	7865.0260 , Subparts 2 and 4

Existing rule 7864.0010 Manufacturer Licenses	Reenacted in:
Subpart 11, item D, 7 th sentence (fee)	7864.0210, Subpart 7, item D
Subpart 13	7864.0210, Subpart 8 (license effective)
Subpart 14, item A, 1 st & 2 nd sentences	7874.0210, Subpart 7, item B, subitems (1) to (3)
Subpart 14, item A, 3 rd sentence The Board is proposing to eliminate the requirement in the 3rd sentence of existing item A, i.e. providing an affidavit. The Board provides the licensee with a preprinted renewal application containing the information previously submitted or updated, and requires the licensee to only make changes on the renewal application if the information has changed. It is necessary and reasonable to eliminate an obsolete requirement because the Board has streamlined the renewal process.	

7864.0210, Subpart 1. Manufacturer license required. (reenacted from existing 7864.0010, Subpart 2, 1st paragraph)

- The Board is proposing to amend the title of this subpart so that the reader is easily informed of its contents.
- The Board is proposing to amend the language with "license renewal" to inform the reader that a license or "license renewal" must be obtained to manufacture and sell gambling equipment. It is necessary and reasonable to make language consistent in all parts pertaining to licensing.
- The Board is also proposing to add "linked bingo game provider" to clarify that a manufacturer must have a manufacturer's license to sell gambling equipment (linked bingo paper) to linked bingo game providers. It is necessary and reasonable to provide a clarification as to whom the manufacturer may sell gambling equipment.

7864.0210, Subpart 2. Manufacturer licensing qualifications. (reenacted from existing 7864.0010, Subpart 2, 2nd paragraph)

The Board is proposing to create a new subpart to be consistent with the location of similar rule language in other parts pertaining to licensing. It is necessary and reasonable to make licensing language consistent in all parts so that the reader can easily locate licensing information.

7864.0210, Subpart 3. Manufacturer restrictions. (reenacted from existing 7864.0010, Subpart 4)

- Refer to the table above for reenactment information.
- In the introductory sentence to this subpart, the Board is proposing to amend the reenacted language to include a reference to linked bingo game providers who are authorized to sell linked bingo paper.
- **In item A**, the Board is proposing to amend reenacted language by adding "paid employee, gambling volunteer," to clarify that a manufacturer may not be involved in the conduct of gambling by an organization. It is necessary and reasonable to clarify an existing restriction.

7864.0210, Subpart 4. Contents of manufacturer application. (reenacted from existing 7864.0010, Subpart 6)

- Refer to the table above for reenactment information.
- The Board is proposing to amend the title of this subpart so that the reader is easily informed of its contents.

7864.0210, Subpart 5. Attachments to manufacturer license application. (reenacted from existing 7864.0010, Subpart 7)

- Refer to the table above for reenactment information.
- The Board is proposing to amend the title of this subpart so that the reader is easily informed of its contents.
- **In item A, subitem (8)**, the Board is proposing to reenact the definition of consultant from existing 7861.0010, subpart 16, for a more logical replacement. It is necessary and reasonable to place language so that the reader is easily informed of requirements with a minimum of "cross-referencing."
- **In item B, subitem (8)**, the Board is proposing to amend the reenacted language by inserting "licensing qualifications in subpart 2 and restrictions in subpart 3." It is necessary and reasonable to include the reference as it pertains to licensing criteria and the contents of the license application.
- **In item C** the Board is proposing not to reenact the term "products" and to replace it with "gambling equipment" to be consistent with other rule language. It is necessary and reasonable to use consistent rule language.

7864.0210, Subpart 6. Changes in manufacturer license application information. (reenacted from existing 7864.0010, Subpart 8)

The Board is proposing to reenact language from existing 7864.0010, Subpart 8, and to amend the title of this subpart so that the reader is easily informed of its contents.

Existing 7864.0210, Subpart 10. Investigation.

The Board is proposing to strike this language and reenact it in Subpart 7, item A (Issuing or denying a new manufacturer license) where it is more appropriately located. It is necessary and reasonable to consolidate all criteria for new and renewal licenses in the appropriate subpart.

7864.0210, Subpart 7. Issuing or denying a new manufacturer license. (reenacted from existing 7864.0010, Subpart 11)

- See table above for reenactment information.
- The Board is proposing to amend the title of this subpart so that the reader is easily informed of its contents.
- The Board is proposing to reenact requirements for license renewals from existing 7864.0030, Subpart 14 (License renewal) and consolidate the requirements in this subpart. It is necessary and reasonable to consolidate in one subpart identical criteria for issuing new and renewal licenses and to reduce the bulk of rule language.
- **In item A**, the Board is proposing to reenact language from existing 7864.0010, Subpart 10 pertaining to investigations. It is necessary and reasonable to consolidate all criteria for issuing new and renewal licenses in the same subpart.
- **In item C, subitem (3)**, the Board is proposing to amend the language with a reference to "subparts 2 and 3" so that the reader is informed of licensing qualifications and restrictions. This is not a new requirement; it is merely a clarification of existing requirements.
- **In item C**, the Board is proposing to add new language clarifying that the board must give prompt notice to the applicant if the application will be denied. It is necessary and reasonable to provide clarifying language regarding notice requirements.

Existing 7864.0010, Subpart 13. License effective.

The Board is proposing to strike this language and reenact it in Subpart 18 (Manufacturer license effective date). It is necessary and reasonable to reenact the language in this subpart so that the placement of similar language is the same in all parts pertaining to licensees.

Existing 7864.0010, Subpart 14. Issuing or denying a manufacturer license renewal.

- The Board is proposing to amend the title of this subpart so that the reader is easily informed of its contents.

7864.0210, Subpart 8. License effective date for manufacturer license.

The Board is proposing to reenact language from existing 7864.0010, Subpart 13. It is necessary and reasonable to place the language in this subpart so that all rule parts pertaining to licensing are organized in a similar manner and the reader is able to easily locate the information.

RULE-BY-RULE ANALYSIS: 7864.0230 MANUFACTURER STANDARDS FOR LAWFUL GAMBLING EQUIPMENT (reenacted from existing 7864.0030)

The Board is proposing to strike all language in 7864.0030 and reenact the manufacturing standards from existing 7864.0030, Subparts 1 and 2 in 7864.0230 with new subparts. Existing 7864.0030, Subpart 1, Standards for manufacture of gambling equipment occupies 12-1/2 pages, making it extremely difficult to locate and comprehend requirements. It is necessary and reasonable to reorganize the reenacted language so that the reader can easily locate the information in the following subparts.

- Subpart 1. Manufacturing standards for pull-tab tickets and deals.
- Subpart 2. Manufacturing standards for pull-tab dispensing devices.
- Subpart 3. Manufacturing standards for tipboards and tipboard tickets.
- Subpart 4. Manufacturing standards for bingo hard cards, bingo paper sheets, bingo paper sheet packets, and sealed bingo paper sheets.
- Subpart 5. Manufacturing standards for bingo number selection devices.
- Subpart 6. Manufacturing standards for electronic bingo devices.
- Subpart 7. Manufacturing standards for paddletickets.
- Subpart 8. Manufacturing standards for paddlewheels intended for use without a paddlewheel table.
- Subpart 9. Manufacturing standards for paddlewheels intended for use with a paddlewheel table.
- Subpart 10. Manufacturing standards for paddlewheel tables.
- Subpart 11. Prior board approval of gambling equipment required; independent laboratory testing required for certain permanent gambling equipment.

It is necessary and reasonable to consolidate and reorganize information in smaller subparts so that the reader can easily locate the information.

Existing rule 7864.0030, Subparts 1 and 2 Manufacturer Operations, Accounts, and Records	Reenacted in:
Subpart 1, item A, subitem (1)	7864.0230, Subpart 1, item A (process approval)
Subpart 1, item A, subitem (2), 1 st sentence	7864.0230, Subpart 1, item B
Subpart 1, item A, subitem (2) 2 nd sentence	7864.0230, Subpart 1, item B, subitem (1)
Subpart 1, item A, subitem (2) 3 rd sentence	7864.0230, Subpart 1, item B, subitem (2)
Subpart 1, item A, subitem (2) 4 th sentence	7864.0230, Subpart 1, item B, subitem (3)
Subpart 1, item A, subitem (3)	7864.0230, Subpart 1, item B, subitem (4)
Subpart 1, item A, subitem (4)	7864.0230, Subpart 1, item C (pull-tab ticket)
Subpart 1, item A, subitem (4), units (a) to (f)	7864.0230, Subpart 1, item C, subitems (1) to (6)
Subpart 1, item A, subitems (5) & (6)	7864.0230, Subpart 1, item C, subitem (7)
Subpart 1, item A, subitem (7), units (a) to (g)	7864.0230, Subpart 1, item D, subitems (1) to (7)
Subpart 1, item A, subitem (8), 1 st , 2 nd , and 6 th sentences	7864.0230, Subpart 1, item D, subitem (9) (bar codes)
Subpart 1, item A, subitem (8), 3 rd & 4 th sentences	7864.0230, Subpart 1, item D, subitem (8) (Minnesota geographic boundary symbol)
Subpart 1, item A, subitem (8), 5 th sentence	7864.0230, Subpart 1, item D, subitem (10) (flare for games sold to Indian tribe)
Subpart 1, item A, subitem (9)	7864.0230, Subpart 1, item G, subitem (1)
Subpart 1, item A, subitem (10)	7864.0230, Subpart 1, item G, subitem (2)
Subpart 1, item A, subitem (11) The Board is proposing not to reenact the term delete "deal" and insert "ticket." It is necessary and reasonable to clarify that the requirements pertain to "each ticket, not to "each deal."	7864.0230, Subpart 1, item G, subitem (3)
Subpart 1, item A, subitem (12) 1 st sentence	7863.0230, Subpart 1, item C, subitem (3)
Subpart 1, item A, subitem (12), 2 nd sentence	7863.0230, Subpart 1, item D, subitem (2)
Subpart 1, item A, subitem (12), 2 nd sentence	7863.0230, Subpart 1, item C, subitem (3), last sentence
Subpart 1, item A, subitem (13)	7864.0230, Subpart 1, item G, subitem (4)
Subpart 1, item A, subitem (14), 1 st & 2 nd sentences	7864.0230, Subpart 1, item G, subitem (5)

Existing rule 7864.0030, Subparts 1 and 2 Manufacturer Operations, Accounts, and Records	Reenacted in:
Subpart 1, item A, subitem (14), 3 rd sentence	7864.0230, Subpart 1, item G, subitem (5), unit (a)
Subpart 1, item A, subitem (14), 4 th sentence	7864.0230, Subpart 1, item G, subitem (5), unit (b)
Subpart 1, item A, subitem (14), 5 th & 6 th sentences	7864.0230, Subpart 1, item G, subitem (5), unit (c)
Subpart 1, item A, subitem (15)	7864.0230, Subpart 1, item G, subitem (6)
Subpart 1, item A, subitem (16)	7864.0230, Subpart 1, item H (packaging)
Subpart 1, item A, subitem (16), unit (a)	7864.0230, Subpart 1, item H, subitem (1)
Subpart 1, item A, subitem (16), unit (b)	7864.0230, Subpart 1, item H, subitem (2)
Subpart 1, item A, subitem (16), unit (c)	7864.0230, Subpart 1, item H, subitem (3), 1 st sentence
Subpart 1, item A, subitem (16), unit (d)	7864.0230, Subpart 1, item H, subitem (4)
Subpart 1, item A, subitem (16), unit (e)	7864.0230, Subpart 1, item H, subitem (5)
Subpart 1, item A, subitem (16), unit (f)	7864.0230, Subpart 1, item H, subitem (6)
Subpart 1, item A, subitem (16), unit (g)	7864.0230, Subpart 1, item H, subitem (7)
Subpart 1, item A, subitem (16), unit (h)	7864.0230, Subpart 1, item H, subitem (8), 1 st sentence
Subpart 1, item A, subitems (17) and (18) The Board is proposing not to reenact language for the effective date of rules (November 1, 2004) from the last rules process. It is necessary and reasonable to delete obsolete language.	
Subpart 1, item A, subitem (19)	7864.0230, Subpart 1, item G, subitem (7)
Subpart 1, item B	7864.0230, Subpart 3 (tipboards and tickets)
Subpart 1, item B, subitem (1)	7864.0230, Subpart 3, item C, subitem (1)
Subpart 1, item B, subitem (2), unit (a)	7864.0230, Subpart 3, item D, subitem (1)
Subpart 1, item B, subitem (2) unit (b)	7864.0230, Subpart 3, item D, subitem (2)
Subpart 1, item B, subitem (2) units (c) & (d)	7864.0230, Subpart 3, item D, subitem (5)
Subpart 1, item B, subitem (2) unit (e)	7864.0230, Subpart 3, item D, subitem (4)
Subpart 1, item B, subitem (2) unit (f)	7864.0230, Subpart 3, item D, subitem (3)
Subpart 1, item B, subitem (2) unit (g)	7864.0230, Subpart 3, item D, subitem (7)
Subpart 1, item B, subitem (3), units (a) to (g)	7864.0230, Subpart 3, item E, subitem (2)
Subpart 1, item B, subitem (4), units (a), (b), (e), (g)	7864.0230, Subpart 3, item G, subitem (1)
Subpart 1, item B, subitem (4), unit (c)	7864.0230, Subpart 3, item G, subitem (5)
Subpart 1, item B, subitem (4), unit (d)	7864.0230, Subpart 3, item G, subitem (5)
Subpart 1, item B, subitem (4), unit (f)	7864.0230, Subpart 3, item G, subitem (4)
Subpart 1, item B, subitem (4), unit (h)	7864.0230, Subpart 3, item G, subitem (3)
Subpart 1, item B, subitem (4), unit (i)	7864.0230, Subpart 3, item G, subitem (6)
Subpart 1, item B, subitem (4), unit (j)	7864.0230, Subpart 3, item G, subitem (7)
Subpart 1, item B, subitem (4), unit (k)	7864.0230, Subpart 3, item G, subitem (8)
Subpart 1, item B, subitem (4), sentence after unit (k)	7864.0230, Subpart 3, item G, subitem (9)
Subpart 1, item B, subitem (5)	7864.0230, Subpart 3, item C, subitem (3)
Subpart 1, item B, subitem (6)	7864.0230, Subpart 3, item A
Subpart 1, item B, subitem (7)	7864.0230, Subpart 3, item B, subitems (1) to (3)
Subpart 1, item B, subitem (8)	7864.0230, Subpart 3, item B, subitem (4)
Subpart 1, item B, subitem (9), 1 st & 2 nd sentences	7864.0230, Subpart 3, item D, subitem (10)
Subpart 1, item B, subitem (9), 3 rd & 4 th sentences	7864.0230, Subpart 3, item D, subitem (9)
Subpart 1, item B, subitem (9), 5 th sentence	7864.0230, Subpart 3, item D, subitem (11)
Subpart 1, item B, subitem (10)	7864.0230, Subpart 3, item D, subitems (2) & (10)
Subpart 1, item B, subitem (11)	7864.0230, Subpart 3, item D, subitem (9)
Subpart 1, item C	7864.0230, Subpart 4 (bingo hard cards and paper)
Subpart 1, item C, subitems (1) to (5)	7864.0230, Subpart 4, items A to E

Existing rule 7864.0030, Subparts 1 and 2 Manufacturer Operations, Accounts, and Records	Reenacted in:
Subpart 1, item D, subitems (1) to (3)	7864.0230, Subpart 5
Subpart 1, item E, subitems (1) to (4)	7864.0230, Subpart 8, items A to D
Subpart 1, item F, subitem (1)	7864.0230, Subpart 8, item A
Subpart 1, item F, subitem (2)	7864.0230, Subpart 9, item B
Subpart 1, item F, subitem (3)	7864.0230, Subpart 9, item C
Subpart 1, item F, subitem (4)	7864.0230, Subpart 9, item D
Subpart 1, item F, subitem (5)	7864.0230, Subpart 9, item E
Subpart 1, item F, subitem (6)	7864.0230, Subpart 9, item F
Subpart 1, item F, subitem (7)	7864.0230, Subpart 9, item G
Subpart 1, item F, subitem (8)	7864.0230, Subpart 8, item C
Subpart 1, item F, subitem (9)	7864.0230, Subpart 9, item H
Subpart 1, item F, subitem (10)	7864.0230, Subpart 8, item D
Subpart 1, item F, subitem (11)	7864.0230, Subpart 10, item A
Subpart 1, item F, subitem (12)	7864.0230, Subpart 10, item B
Subpart 1, item F, subitem (13)	7864.0230, Subpart 10, item C
Subpart 1, item F, subitems (14) & (15)	7864.0230, Subpart 10, item D
Subpart 1, item F, subitem (16)	7864.0230, Subpart 10, item E
Subpart 1, item F, subitem (17)	7864.0230, Subpart 10, item F
Subpart 1, item G, subitem (1), units (a) & (b)	7864.0230, Subpart 7, item A, subitems (1) & (2)
Subpart 1, item G, subitem (2)	7864.0230, Subpart 7, item B
Subpart 1, item G, subitem (3)	7864.0230, Subpart 7, item C
Subpart 1, item G, subitem (4)	7864.0230, Subpart 7, item D
Subpart 1, item G, subitem (5), 1 st sentence	7864.0230, Subpart 7, item E
Subpart 1, item G, subitem (5), 2 nd & 3 rd sentences	7864.0230, Subpart 7, item E, subitem (7)
Subpart 1, item G, subitem (6), unit (a)	7864.0230, Subpart 7, item E, subitem (1)
Subpart 1, item G, subitem (6), unit (b)	7864.0230, Subpart 7, item E, subitem (3)
Subpart 1, item G, subitem (6), unit (c)	7864.0230, Subpart 7, item E, subitem (6)
Subpart 1, item G, subitem (6), unit (d)	7864.0230, Subpart 7, item F, subitem (3)
Subpart 1, item G, subitem (6), unit (e)	7864.0230, Subpart 7, item E, subitem (4)
Subpart 1, item G, subitem (6), unit (f)	7864.0230, Subpart 7, item E, subitem (5)
Subpart 1, item G, subitem (6), unit (g)	7864.0230, Subpart 7, item F, subitem (2)
Subpart 1, item G, subitem (6), unit (h)	7864.0230, Subpart 7, item E, subitem (2)
Subpart 1, item G, subitem (6), unit (i)	7864.0230, Subpart 7, item F, subitem (4)
Subpart 1, item H, subitem (1)	7864.0230, Subpart 2, item A, subitem (1)
Subpart 1, item H, subitem (2)	7864.0230, Subpart 2, item B, subitem (1)
Subpart 1, item H, subitems (3) & (4)	7864.0230, Subpart 2, item B, subitem (4)
Subpart 1, item H, subitem (5)	7864.0230, Subpart 2, item B, subitem (2)
Subpart 1, item H, subitem (6)	7864.0230, Subpart 2, item B, subitem (5)
Subpart 1, item H, subitem (7)	7864.0230, Subpart 2, item B, subitem (1)
Subpart 1, item H, subitem (8)	7864.0230, Subpart 2, item B, subitem (2)
Subpart 1, item H, subitem (9), unit (a)	7864.0230, Subpart 2, item B, subitem (6)
Subpart 1, item H, subitem (9), unit (b)	7864.0230, Subpart 2, item B, subitem (7)
Subpart 1, item H, subitem (9), sentence after unit (b) (currency validated)	7864.0230, Subpart 2, item B, subitem (8)
Subpart 1, item H, subitem (10)	7864.0230, Subpart 2, item A, subitem (2)
Subpart 1, item H, subitem (11)	7864.0230, Subpart 2, item B, subitem (8)
Subpart 1, item H, subitem (12)	7864.0230, Subpart 2, item B, subitem (3)
Subpart 1, item H, subitem (13)	7864.0230, Subpart 2, item E
Subpart 1, item H, subitems (14) & 15	7864.0230, Subpart 2, item A, subitem (5)
Subpart 1, item H, subitem (16)	7864.0230, Subpart 2, item E
Subpart 1, item H, subitem (17)	7864.0230, Subpart 2, introductory sentence
Subpart 1, item H, subitem (18)	7864.0230, Subpart 2, item C, subitem (7)
Subpart 1, item H, subitem (19)	7864.0230, Subpart 2, item C, subitem (6)

Existing rule 7864.0030, Subparts 1 and 2 Manufacturer Operations, Accounts, and Records	Reenacted in:
Subpart 1, item H, subitem (20), unit (a)	7864.0230, Subpart 2, item C, subitem (1)
Subpart 1, item H, subitem (20), unit (b)	7864.0230, Subpart 2, item C, subitem (2)
Subpart 1, item H, subitem (21)	7864.0230, Subpart 2, item C, subitem (3)
Subpart 1, item H, subitem (22)	7864.0230, Subpart 2, item A, subitem (4)
Subpart 1, item H, subitem (23)	7864.0230, Subpart 2, item C, subitem (4)
Subpart 1, item H, subitem (24)	7864.0230, Subpart 2, item B, subitem (9)
Subpart 1, item H, subitem (25)	7864.0230, Subpart 2, item C, subitem (5)
Subpart 1, item H, subitem (26)	7864.0230, Subpart 2, item A, subitem (3)
Subpart 1, item H, subitem (27), units (a), (b), (e), and (f)	7864.0230, Subpart 2, item D, subitem (1)
Subpart 1, item H, subitem (27), unit (c)	7864.0230, Subpart 2, item D, subitem (2)
Subpart 1, item H, subitem (27), unit (d)	7864.0230, Subpart 2, item D, subitem (3)
Subpart 1, item H, subitem (27), unit (g)	7864.0230, Subpart 2, item D, subitem (5)
Subpart 1, item H, subitem (27), unit (h)	7864.0230, Subpart 2, item D, subitem (4)
Subpart 2, introductory paragraph, 1 st sentence	7864.0230, Subpart 11, item A
Subpart 2, introductory paragraph, 2 nd sentence	7864.0230, Subpart 11, item A, subitem (2)
Subpart 2, introductory paragraph, 3 rd & 4 th sentences	7864.0230, Subpart 11, item A, subitem (3)
Subpart 2, introductory paragraph, 5 th sentence	7864.0230, Subpart 11, item A, subitem (4)
Subpart 2, introductory paragraph, 6 th sentence	7864.0230, Subpart 1, item H, subitem (8) 2 nd sentence (pull-tab game) 7864.0230, Subpart 3, item C, subitem (2) (tipboard game)
Subpart 2, item A, subitems (1) to (5)	7864.0230, Subpart 11, item B (consolidated, modified, and clarified – see narrative)
Subpart 2, item A, subitem (6)	7864.0230, Subpart 11, item A, item (5)
Subpart 2, item B (tipboards)	7864.0230, Subpart 11, item C
Subpart 2, item C (bingo hard cards and paper)	7864.0230, Subpart 11, item D
Subpart 2, item D (permanent equipment)	7864.0230, Subpart 11, item F
Subpart 2, item E (paddletickets)	7864.0230, Subpart 11, item E
Subpart 3, item B, subitem (4)	7864.0230, Subpart 2, item F
Subpart 3, item C	7864.0230, Subpart 1, item D, subitem (10) (pull-tabs) 7864.0230, Subpart 3, item D, subitem (11) (tipboards)

7864.0230, Subpart 1. Manufacturing standards for pull-tab tickets and deals. (reenacted from existing 7864.0030, Subpart 1)

- See table above for reenactment information.
- In items A and B, the Board is proposing to add new language pertaining to “flares with seals and prize pool boards.” It is necessary and reasonable to add new language because of new types of legislatively-authorized pull-tab games that contain seals and prize pool boards, i.e. event, cumulative, and progressive pull-tab games.
- In item C, subitem (5), the Board is proposing to change the reenacted language from “price per individual pull-tab” to “cost per play, not to exceed the limit under Minnesota Statutes, section 349.211, subdivision 2a.” It is necessary and reasonable to clarify that the “cost per play” must be listed on the ticket, not the price per individual pull-tab, which could be misconstrued to mean the cost to the organization for purchasing the tickets instead of the cost per play to be paid by the player. It is also reasonable and necessary to include the statutory cite so that the reader is pointed to the correct reference containing the cost per play limits. These changes make the language consistent with the requirements for the pull-tab flare contained in item D, subitem (6).

7864.0230, Subpart 1. Manufacturing standards for pull-tab tickets and deals. (reenacted from existing 7864.0030, Subpart 1) (continued)

- **In item C, subitem (7)**, the Board is proposing not to reenact the existing language that allowed pull-tab tickets with an unopened, overall area of less than 1.6 square inches (jar tickets) to be exempt from having the game name printed on the ticket. [See existing 7863.0030, Subpart 1, item A, subitem (5) containing the exemption from "subitem (4), unit (b)".] Problems have recently been detected by the Board in some games that were not properly identified, creating accountability and reporting problems for the conduct of those games. It is necessary and reasonable to require that the game name be printed on all pull-tab (jar) tickets to ensure the integrity of the games and to ensure accountability for receipts. This is not a burdensome requirement for manufacturers, as many already print the game name on the jar ticket.
- **In item D, subitems (5) and (6)**, the Board is proposing to add language referencing "Minnesota Statutes, section 349.211, subdivision 2a." It is necessary and reasonable to point the reader to the statutory cite containing the prize and cost per play limits.
- **In item D, subitems (11) and (12)**, the Board is proposing to add new language for the requirements for progressive, multi-seal, and cumulative pull-tab flares that were authorized by the Legislature, effective May 19, 2006, under Minnesota Statutes, section 349.1721, Subdivisions 1 and 2. It is necessary and reasonable to include manufacturing standards for these games that include existing requirements for pull-tab flares and include standards for pull-tab games with seals.
- **In item E**, the Board is proposing to add new language pertaining to the manufacturing standards for prize pool boards for a cumulative pull-tab game. It is necessary and reasonable to include similar (flare) requirements that pertain to these types of games, and the requirements are based on a review of games currently manufactured by manufacturers for use in other states.
- **In item F**, the Board is proposing to add new language pertaining to the manufacturing standards for a separate progressive jackpot flare. Progressive pull-tab games were recently authorized by the Legislature and the Board is required to promulgate rules for their use. It is necessary and reasonable to include requirements that are similar to existing progressive tipboard flares.
- **In item H, subitem (1)**, the Board is proposing to amend the reenacted language with new language that prohibits "subsets of a deal" and prohibiting a cumulative game from containing more than 10,000 tickets in a deal. These restrictions are necessary in light of the new games authorized by the Legislature, i.e. event, cumulative, and progressive pull-tab games, that require the Board to promulgate rules for their conduct. It is necessary and reasonable to prohibit subsets in a deal because organizations are required to place an entire deal of pull-tabs out for play at the same time, to ensure that players have a fair chance to win a prize. It is necessary and reasonable to place a restriction on the number of tickets in a cumulative game as the Board has deemed it necessary to ensure that these new games are easy to conduct by organizations without incurring significant losses if the game goes "dead," i.e. no player interest.
- **In item H, subitem (3), 3rd sentence**, the Board is proposing to amend the reenacted language by including language pertaining to a "heat-sealed process" to package tickets. This allows a manufacturer to use a heavy-duty plastic bag that is heat-sealed to package tickets as an alternative to using cardboard boxes. It is necessary and reasonable to include this language as it was requested by manufacturers, and the Board has been ensured of the integrity of this process as an alternative method to package tickets. The second sentence is added as a reminder of requirements for a manufacturer's seal and shrink-wrap (See definitions in 7861.0210, Subparts 46 and 48).
- **In item H, subitem (6)**, the Board is proposing to amend the language by including "according to Minnesota Statutes, section 297E.04, subdivision 2." It is necessary and reasonable to include the statutory cite so that the reader can easily locate the information required by revenue.
- **In item H, subitem (8)**, the Board is proposing to reenact language from existing 7863.0030, Subpart 1, item A, subitem (16), unit (h), and to reenact language from existing 7863.0030, Subpart 2, introductory paragraph, last sentence, pertaining to ideal sales and prize payout structure designed to result in a profit for the game. It is necessary and reasonable to place related requirements in the same subitem and subpart.
- **In item H, subitem (9)**, the Board is proposing to include new language pertaining to newly-authorized event games and require that the manufacturer include the method of selecting the winning ticket. It is necessary and reasonable to include this requirement to help organizations understand the conduct of these new games.

7864.0230, Subpart 2. Manufacturing standards for pull-tab dispensing devices. [reenacted from existing 7864.0030, Subpart 1, item H, subitems (1) to (28)]

The Board is proposing to create a subpart for manufacturing standards for pull-tab dispensing devices using reenacted language from existing 7864.0030, Subpart 1, item H, subitems (1) to (28).

- Refer to the table above for reenactment information.
- The introductory sentence is reenacted from existing 7864.0030, Subpart 1, item H, subitem (17).
- **In item A**, the Board is proposing to reenact and consolidate all electrical, electronic, and programming features.
- **In item A, subitem (1)** the Board is proposing not to reenact "three-prong ground at the male end" and replace it with "have an electrical power source." It is necessary and reasonable to delete obsolete language and clarify it with broader performance-based language.
- **In item B**, the Board is proposing to reenact and consolidate all requirements for the column and dispensing features of a pull-tab dispensing device.
- **In item C**, the Board is proposing to reenact and consolidate all requirements for accounting and access features of a pull-tab dispensing device.

7864.0230, Subpart 2. Manufacturing standards for pull-tab dispensing devices. [reenacted from existing 7864.0030, Subpart 1, item H, subitems (1) to (28)] (continued)

- **In item C, subitem (6)**, the Board is proposing to amend the reenacted language by including reenacting language from existing 7861.0010, Subpart 50 (definition of test vend). It is necessary and reasonable to place related information in the same subitem so that the reader is easily informed.
- **In item C, subitem (7)**, the Board is proposing to amend the reenacted language by adding the requirement that the keys to the cash compartment must not be the same as the keys to the cash box. This is a clarification that ties into a rule change being proposed in 7861.0280, Subpart 7 (Use of a pull-tab dispensing device) that restricts a lessor from having a key to the cash box but allows the lessor to have a key to the cash compartment. It is necessary and reasonable to clarify related rule restrictions and requirements.
- **In item D**, the Board is proposing to consolidate all requirements pertaining to the electronic currency validator of a pull-tab dispensing device.
- **In item E**, the Board is proposing to consolidate all requirements pertaining to the design and appearance of a pull-tab dispensing device.

7864.0230, Subpart 3. Manufacturing standards for tipboards and tipboard tickets. [reenacted from existing 7864.0030, Subpart 1, item B, subitems (1) to (11)]

The Board is proposing to create a subpart to consolidate manufacturing standards for tipboards and tipboard tickets using language reenacted from existing 7864.0030, Subpart 1, item B, subitems (1) through (11).

- Refer to the table above for reenact information.
- **In item C, subitem (4)**, the Board is proposing to add new language requiring that "an extra self-adhesive bar code must be included inside each deal." This is not a new requirement; it is merely a clarification of an existing requirement of the commissioner of revenue. The extra bar code is used as part of the report of the game to Revenue when the game is removed from play by an organization.
- **In item D, subitem (2)**, the Board is proposing to add "game name." This is not a new requirement; it is merely a clarification of an existing requirement in existing 7864.0030, Subpart 1, item B, subitem (1) which states "for tipboard tickets, the manufacturing standards in item A apply."
- **In item D, subitem (6)**, the Board is proposing to add language regarding prize amounts. This is not a new requirement; it is merely a clarification of existing 7864.0030, Subpart 1, item B, subitem (1) which states "for tipboard tickets, the manufacturing standards in item A apply."
- **In item D, subitem (7)**, the Board is proposing to change the term "cost per ticket" to "cost per play." It is necessary and reasonable to clarify that the information required pertains to the cost to be paid by a player, not the cost of the ticket to the organization purchasing the deal.
- **In item E, subitem (1)** the Board is proposing to amend the language to clarify the placement of the seal prize information, and consolidate the rest of the reenacted language from existing 7864.0030 Subpart 1, item B, subitem (3) by referring the reader to item D containing the same language.

7864.0230, Subpart 3. Manufacturing standards for tipboards and tipboard tickets.
[reenacted from existing 7864.0030, Subpart 1, item B, subitems (1) to (11)] (continued)

- **In item E, subitem (1),** the Board is proposing to add new language requiring that individually numbered seals contain the seal prize on the back of the seal tab. It is necessary and reasonable to include language for new types of tipboard games that organizations are authorized to conduct.
- **In item G, subitem (2),** the Board is proposing to add new language clarifying the use of seals that determine the seal prize winner who chooses one or more seals for a chance to win the progressive jackpot prizes. It is necessary and reasonable to include in rule an existing standard used by manufacturers for progressive tipboard games.
- **In item F,** the Board is proposing to add new language for cumulative tipboard games. It is necessary and reasonable to include minimum requirements for these newly-authorized games as required by statute.

7864.0230, Subpart 4. Manufacturing standards for bingo hard cards, bingo paper sheets, bingo paper sheet packets, and sealed bingo paper sheets. (reenacted from existing 7864.0030, Subpart 1, item C)

The Board is proposing to create a subpart for manufacturing standards for bingo hard cards and bingo paper, by reenacting language from existing 7864.0030, Subpart 1, item C. The existing language from Subpart 1, item C, is being used almost verbatim with the following deletion and amendment:

- **In item E,** the previous reference to a lamp of "up to and including 500 watts" is being deleted because lamps are not made with lights of up to 500 watts. It is necessary and reasonable not to reenact obsolete language.
- **In item F,** the Board is proposing to reenact language from existing 7861.0010, Subpart 6, item D pertaining to "bingo permutation" language. It is necessary and reasonable to place the language where it is more appropriately located.

7864.0230, Subpart 5. Manufacturing standards for bingo number selection devices. (reenacted from existing 7864.0030, Subpart 1, item D)

The Board is proposing to create a subpart for manufacturing standards for bingo number selection devices using language reenacted from existing 7863.0030, Subpart 1, item D. The existing language from Subpart 1, item D is being used almost verbatim with the following amendment:

- **In item A,** the Board is proposing to change the existing terminology of "75 bingo balls" to "75 bingo numbers." It is necessary and reasonable to make the amendment to reflect the new allowance for "random number generators" that electronically generate/select bingo numbers, i.e. do not contain bingo balls.

7864.0230, Subpart 6. Manufacturing standards for electronic bingo devices.

The Board is proposing to create a subpart for electronic bingo devices that were authorized by the Legislature, effective August 1, 2005. Under Minnesota Statute, section 349.151, Subdivision 4c the Board is authorized to promulgate rules for the operation of these optional devices. During the 2006 legislative session the Board sought a legislation clarification to define the devices as gambling equipment. The Legislature established that these devices are gambling equipment under Minnesota Statute, section 349.12, Subdivision 18, effective May 19, 2006. Under Minnesota Statutes, section 349.163, Subdivision 6, the Board is authorized to inspect and test all gambling equipment it deems necessary to determine the equipment's compliance with law and board rules. Therefore the Board is establishing the following criteria as manufacturing standards for these devices.

- In the introductory sentence to this subpart, the Board is proposing to point the reader to Minnesota Statutes, section 349.12, subdivision 12a, which contains information regarding the device.
- **In item A,** the Board is proposing to include information that is required to be placed in rule under Minnesota Statute, section 349.151, Subdivision 4c, i.e. limiting the number of bingo faces played with a device to 36.
- **In item B,** the Board is proposing to include information that is required to be placed in rule under Minnesota Statute, section 349.151, Subdivision 4c, i.e. device must be used with corresponding bingo paper sheets. In addition, the Board is clarifying that the device may be used with "facsimiles of bingo paper sheets printed at the point of sale." Board staff and the industry had indicated that using regular bingo paper sheets would create the potential for inventory problems, and the Board agreed. Therefore, the Board sought a legislative change in the 2006 session to allow for the use of facsimile bingo paper. (Minn. Stat. 349.12, Subd. 12a was amended, effective May 19, 2006).

7864.0230, Subpart 6. Manufacturing standards for electronic bingo devices. (continued)

- **In item B**, the Board is also proposing to include restrictive language that the device "must not mimic or appear to be a video game of chance as defined in Minnesota Statutes, section 609.75, subdivision 8." The Board is proposing to take a cautionary approach in the design of these devices. It is necessary and reasonable to include language that ensures that the devices do not have the appearance of illegal devices.
- **In item C**, the Board is proposing to include language requiring the device to have a silent system to notify a player of a winning face, except when used by visually impaired players. It is necessary and reasonable to ensure that the devices are manufactured and used only as an aid in the conduct of bingo and not to give the appearance of an entertainment device or device used for other business purposes. The Board is taking a cautionary approach for these devices to ensure that they are not used for commercial purposes, as Minnesota Statutes, 349.11 directs the Board to prevent the commercialization of lawful gambling.
- **In item D**, the Board is proposing to include language governing the security of the device. It is necessary and reasonable to provide standards that ensure the player's chances of winning are not manipulated.
- **In item E**, the Board is proposing to include language required to be placed in rule under Minnesota Statutes, section 349.151, Subdivision 4c. In addition the Board is clarifying that language by providing in subitems (1) to (4) the criteria for the central system. The criteria is based upon a review of existing systems that were demonstrated to the Board by manufacturers of these devices. (Informal meeting conducted at the Department of Revenue on November 16, 2005, with each manufacturer demonstrating their device.)
- **Costs** – SEE Regulatory Analysis.

7864.0230, Subpart 7, Manufacturing standards for paddletickets. (reenacted from existing 7864.0030, Subpart 1, item G)

The Board is proposing to create a subpart for the manufacturing standards for paddletickets using language being reenacted from existing 7864.0030, Subpart 1, item G, subitems (1) to (6). Refer to the table above for reenactment information.

No new requirements are added. The reenacted language is split into two items:

- **item E** - individual master flare for seal groupings of 100 or fewer sequentially numbered paddleticket cards, and
- **item F** – individual master flare for paddletickets used for paddlewheels with a paddlewheel table, and subitem (1) requires that all information in item E be included on this flare. This is an existing requirement.

It is necessary and reasonable to reenact and clarifying existing requirements.

7864.0230, Subpart 8. Manufacturing standards for paddlewheels intended for use without a paddlewheel table. (reenacted from existing 7864.0030, Subpart 1, item E)

The Board is proposing to create a subpart for the manufacturing standards for paddlewheels intended for use without a paddlewheel table using language being stricken from existing Subpart 1, item E, subitems (1) to (4). The language is used almost verbatim. There are no new requirements. It is necessary and reasonable to include existing standards.

7864.0230, Subpart 9. Manufacturing standards for paddlewheels intended for use with a paddlewheel table. (reenacted from existing 7864.0030, Subpart 1, item F)

The Board is proposing to create a subpart for the manufacturing standards for paddlewheels intended for use without a paddlewheel table by reenacted a portion of language in existing Subpart 1, item F.

- Refer to the table above for reenactment information.
- **In item A**, the Board is proposing to direct the reader to Subpart 8 for standards of a basic paddlewheel that must be incorporated into a paddlewheel intended for use with a paddlewheel table. This is an existing requirement (in 7864.0030, Subpart 1, item F, first sentence).

It is necessary and reasonable to reenact existing standards.

7864.0230, Subpart 10. Manufacturing standards for paddlewheel tables. (reenacted from existing 7864.0030, Subpart 1, item F, subitems (11) to (17))

The Board is proposing to create a subpart for the manufacturing standards for paddlewheel tables by reenacting language from existing 7864.0030, Subpart 1, item F, subitems (11) to (17). It is necessary and reasonable to reenact existing standards. There are no new requirements. Refer to the table above for reenactment information.

7864.0230, Subpart 11. Prior board approval of gambling equipment required. (reenacted from existing 7864.0030, Subpart 2)

The Board is proposing to create a subpart with criteria for the prior board approval of gambling equipment required by reenacting language from existing 7864.0030, Subpart 2. It is necessary and reasonable to reenact existing requirements.

- Refer to the table above for reenactment information.
- **In item A** (general requirements for submitting gambling equipment for approval), the Board is proposing to place the reenacted language in a list format for easier reading.
- **In item A, subitem (1)**, the Board is proposing to add language that allows a manufacturer to submit gambling equipment samples in an electronic format, or in another format approved by the Board. It is necessary and reasonable to include language that allows manufacturers to use electronic technology to submit game samples.
- **In item B** (pull-tabs), the Board is proposing to reenact language from existing 7864.0030, Subpart 2, item A; modify and clarify the submission requirements for games; and omit the existing requirements of submitting "five additional opened winners for each game and 13 additional unopened tickets for each game."
- **In item B**, the Board is proposing to modify reenacted language from existing 7864.0030, Subpart 2, item A, subitem (4) by lessening the information that must be submitted, i.e. requiring the attachment of a high tier winning ticket and losing ticket attached to the flare for all other game family members. It is necessary and reasonable to eliminate a requirement that has been deemed by the Board to be unnecessary and to lessen submission requirements for games approved by production copies.
- **In item F** (permanent gambling equipment), the Board is proposing to modify the reenacted language by changing "bingo number selection devices" to "bingo number selection" to reflect changes in other rules that incorporate the use of random number generators.
- **In item F**, the Board is proposing to include "electronic bingo devices" because they have been defined as gambling equipment under Minnesota Statutes, section 349.12, subdivision 18, effective May 19, 2006. It is necessary and reasonable to use existing standards, to modify language to be consistent with other proposed rule language changes, and to include clarification of new statutory language.

RULE-BY-RULE ANALYSIS: 7864.0240 MANUFACTURER OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS (reenacted from existing 7864.0030)

The Board is proposing to add a new part to chapter 7864 so that information for the manufacturer's operations, accounts, reports, and records are separated from the manufacturing standards part. The language is reenacted from existing 7864.0030, Subparts 3, 5, 6, and 7. It is necessary and reasonable to place this information in a smaller part to make it easier for the reader to locate the information in the following subparts.

- Subpart 1. Sales restrictions and requirements; exclusive lawful gambling equipment and agreements.
- Subpart 2. Sales invoices and sales report required.
- Subpart 3. Pricing and rebate reports required.
- Subpart 4. Return of pull-tab and tipboard games; determination of defective game; credit invoice issued.
- Subpart 5. Returned gambling equipment report required.
- Subpart 6. Recall of gambling equipment; credit invoices.
- Subpart 7. Report of delinquent distributor or linked bingo game provider required.
- Subpart 8. Examination of books and records.

Existing rule 7864.0030, Subparts 3, 5, 6, and 7. Manufacturer Operations, Accounts, and Records,	Reenacted in:
Subpart 3, item A, first sentence	7864.0240, Subpart 1, 2 nd sentence
Subpart 3, item A, second sentence	7864.0240, Subpart 1, 1 st sentence
Subpart 3, item B, subitem (1)	7864.0240, Subpart 1, item D
Subpart 3, item B, subitem (2)	7864.0240, Subpart 7
Subpart 3, item B, subitem (3)	7864.0240, Subpart 1, item D
Subpart 3, item B, subitem (4)	7864.0230, Subpart 2, item F
Subpart 3, item C	7864.0230, Subpart 1, item D, subitem (10) (pull-tabs) 7864.0230, Subpart 3, item D, subitem (11) (tipboards)
Subpart 3, item D	7864.0240, Subpart 1, item A
Subpart 3, item E The Board is proposing not to reenact this language as it is redundant of language in 7864.0230 requiring the placement of the manufacturer's logo on all gambling equipment manufactured for use in Minnesota.	
Subpart 3, item F	7864.0240, Subpart 1, item C
Subpart 3, item G	7864.0240, Subpart 1, item B
Subpart 5 (return of equipment)	7864.0240, Subpart 4
Subpart 5, item A	7864.0240, Subpart 4, item B
Subpart 5, item B, subitems (1) to (3)	7864.0240, Subpart 4, item A, subitems (1) to (3)
Subpart 6 (corrective action), introductory sentence and item A, subitems (1) and (2)	7864.0240, Subpart 6 (recall of gambling equipment) consolidated in introductory sentence.
Subpart 6, item B	7864.0240, Subpart 6, item A
Subpart 6, item C	7864.0240, Subpart 6, item B
Subpart 6, item D	7864.0240, Subpart 6 item C
Subpart 6, item E	7864.0240, Subpart 6, item D
Subpart 7, item A (pricing reports)	7864.0240, Subpart 3 (pricing and rebate reports)
Subpart 7, item A, subitem (1)	7864.0240, Subpart 3, item A
Subpart 7, item A, subitems (2), (3), & (4)	7864.0240, Subpart 3, item B
Subpart 7, item A, subitem (3)	7864.0240, Subpart 3, item
Subpart 7, item A, subitem (5), units (a) to (d)	7864.0240, Subpart 3, item C, subitems (1) to (4)
Subpart 7, item A, subitem (5), units (e) to (j)	7864.0240, Subpart 3, item C, subitem (5) (consolidated)
Subpart 7, item A, subitem (6), units (a) to (e)	7864.0240, Subpart 3, item D

Existing rule 7864.0030, Subparts 1 and 2 Manufacturer Operations, Accounts, and Records	Reenacted in:
Subpart 7, item A, subitem (7), units (a) to (c)	7864.0240, Subpart 3, item E, subitems (1) to (3)
Subpart 7, item A, subitem (8)	7864.0240, Subpart 3, item F, subitems (1) to (3)
Subpart 7, item A, subitems (9) to (11)	7864.0240, Subpart 3, item G (consolidated)
Subpart 7, item B (sales invoice)	7864.0240, Subpart 2 (Sales invoices/ sales report)
Subpart 7, item B, subitems (1) and (2)	7864.0240, Subpart 2, item A
Subpart 7, item B, subitems (3) and (4)	7864.0240, Subpart 2, item B
Subpart 7, item B, subitems (5)	7864.0240, Subpart 2, item C
Subpart 7, item B, subitem (6)	7864.0240, Subpart 2, item D
Subpart 7, item B, subitem (7), units (a) and (b)	7864.0240, Subpart 2, item E
Subpart 7, item B, subitem (8), units (a) and (b)	7864.0240, Subpart 2, item J, subitem (1)
Subpart 7, item B, subitem (8), unit (c)	7864.0240, Subpart 2, item J, subitem (2)
Subpart 7, item B, subitem (9), unit (a)	7864.0240, Subpart 2, item F
Subpart 7, item B, subitem (9), unit (b), subunits (i) to (v)	7864.0240, Subpart 2, item G, subitems (1) to (5)
Subpart 7, item B, subitem (9), unit (c), subunits (i) to (v)	7864.0240, Subpart 2, item H, subitems (1) to (5)
Subpart 7, item B, subitem (10)	7864.0240, Subpart 2, item I
Subpart 7, item B, subitem (11)	7864.0240, Subpart 2, item C
Subpart 7, item B, subitem (12)	7864.0240, Subpart 2, introductory sentence
Subpart 7, item C	7864.0240, Subpart 5 (returned equipment report)
Subpart 7, item C, subitem (1)	7864.0240, Subpart 5, introductory paragraph
Subpart 7, item C, subitem (1), unit (a)	7864.0240, Subpart 5, item A
Subpart 7, item C, subitem (2), unit (b)	7864.0240, Subpart 5, item B
Subpart 7, item C, subitem (3), unit (c) (standards not met, actions taken)	7864.0240, Subpart 5, item C
Subpart 7, item C, subitem (3), unit (c) (number of deals and form numbers)	7864.0240, Subpart 5, item D
Subpart 7, item C, subitem (3), unit (d) (serial number, series, cases)	7864.0240, Subpart 5, item E
Subpart 7, item C, subitem (3), unit (d) (standards not met, actions taken)	7864.0240, Subpart 5, item C
Subpart 7, item C, subitem (3), unit (e) (permanent equipment make, model, serial number, stamp)	7864.0240, Subpart 5, item G
Subpart 7, item C, subitem (3), unit (e) (standards not met, actions taken)	7864.0240, Subpart 5, item C
Subpart 7, item C, subitem (3), unit (f) (paddletickets, number of cards & form number)	7864.0240, Subpart 5, item F
Subpart 7, item C, subitem (3), unit (f) (standards not met, actions taken)	7864.0240, Subpart 5, item C
Subpart 7, item C, subitem (2)	7864.0240, Subpart 5, introductory paragraph
Subpart 7, item D (delinquent report required)	7864.0240, Subpart 7 (same title)
Subpart 7, item D, subitem (1)	7864.0240, Subpart 7, item A
Subpart 7, item D, subitem (1), units (a) & (b)	7864.0240, Subpart 7, item A, subitems (1) & (2)
Subpart 7, item D, subitem (1), paragraph after unit (b)	7864.0240, Subpart 7, item D, subitem (2)
Subpart 7, item D, subitem (2)	7864.0240, Subpart 7, item D, subitem (1)
Subpart 7, item D, subitem (3)	7864.0240, Subpart 7, item B
Subpart 7, item D, subitem (3), last sentence	7864.0240, Subpart 7, item E
Subpart 7, item D, subitem (4)	7864.0240, Subpart 7, item G
Subpart 7, item D, subitem (5), 1 st part (manufacturer notified board)	7864.0240, Subpart 7, item C
Subpart 7, item D, subitem (5), 2 nd part	7864.0240, Subpart 7, item F.
Subpart 7, item E	7864.0240, Subpart 8 (books and records)

7864.0240, Subpart 1. Sales restrictions and requirements; exclusive lawful gambling equipment and agreements. (reenacted from existing 7861.0030, Subpart 3)

The Board is proposing to create a subpart for sales restrictions and requirements using language reenacted from existing 7864.0330, Subpart 3.

- **In the introductory sentence of this subpart**, the Board is proposing to reenact language from existing 7864.0330, Subpart 3, item A, second sentence.
- **In the second sentence of this subpart**, the Board is proposing to add language that directs the reader to Minnesota Statute, section 349.163, which contains requirements and restrictions for manufacturers.
- **In item E**, the Board is proposing to reenact the definition of exclusive game from existing 7861.0010, Subpart 20a. It is necessary and reasonable to place the language where it is more appropriately located for reference.

It is necessary and reasonable to use existing requirements for this subpart.

7864.0240, Subpart 2. Sales invoices and sales report required. (reenacted from existing 7864.0030, Subpart 7, item B)

The Board is proposing to create a subpart for sales invoices and sales report required by reenact language from existing 7864.0030, Subpart 7, item B. It is necessary and reasonable to reenact existing requirements. Refer to the table above for reenactment information.

- **In the introductory paragraph**, the Board is proposing to reenact language from existing 7864.0030, Subpart 7, item B, subitem (12) and amend the language with a reference to Minnesota Statutes, section 297E.04 so that the reader is fully informed of the statutory authority. The second sentence is from existing 7864.0030, Subpart 7, item B, first sentence.
- **In item F**, the Board is proposing to change "breakopen bingo paper sheets" to "sealed bingo paper sheets" to reflect the same change made in other rule parts. It is necessary and reasonable to be consistent with proposed rule changes in other parts.

7864.0240, Subpart 3. Pricing and rebate reports required. (reenacted from existing 7864.0030, Subpart 7, item A)

The Board is proposing to create a subpart for "pricing and rebate reports required" using language being reenacted from existing 7864.0030, Subpart 7, item A. It is necessary and reasonable to reenact existing requirements for pricing and rebate reports.

- Refer to the table above for reenactment information.
- **In item G**, the Board is proposing to modify the reenacted language by changing the requirement that changes or additions in the pricing report must be reported to the board "at least two days before the date the new price will take effect." Currently, changes/additions must be reported to the board "by the first day of each month for which the price is effective." It is necessary and reasonable to make a reasonable accommodation for manufacturers to allow for "fire sales" of gambling equipment, instead of having to wait until the next month to have a sale. (NOTE: This same allowance was not applied to distributors rules because of regulatory concerns for sales at the local level.)

7864.0240, Subpart 4. Return of pull-tab and tipboard games; determination of defective game; credit invoice issued. (reenacted from existing 7864.0030, Subpart 5)

- **The Board** is proposing to create a subpart for "Return of pull-tab and tipboard games; determination of defective game; credit invoice issued" using language reenacted from existing 7864.0030, Subpart 5 (return of equipment). The title is clarified so that the reader is easily informed of the contents of the subpart. The Board is eliminating the use of the phrase "gambling equipment" and amending it with "pull-tabs or tipboards." This is necessary and reasonable because the language in this subpart was originally intended to apply only to defective pull-tab or tipboard games.
- **In item A, subitem (3)**, the Board is proposing not to reenact the last sentence of existing 7864.0030, Subpart 5, item B, subitem (3) referencing an affidavit for in-house destruction of a game. The Board has determined that such an affidavit is not necessary. The Board is proposing to include language requiring that documentation stating that the game was destroyed must be furnished to the board upon request. It is necessary and reasonable to clarify and lessen the burden of the existing requirement.

7864.0240, Subpart 4. Return of pull-tab and tipboard games; determination of defective game; credit invoice issued. (reenacted from existing 7864.0030, Subpart 5) (continued)

- **In item A, subitem (1)**, the Board is proposing to require that the manufacturer issue a credit invoice within 15 business days of receipt of the returned equipment, instead of 30 business days as is the current requirement, for games determined to be defective. The Board received a request to shorten the time period in which manufacturers may issue a credit invoice. The current time period, when including dates of shipping, extends well over 60 days. Distributors, who must issue credit invoices to organizations returning defective games, were waiting for long periods of time for a credit invoice from the manufacturer. Manufacturers have indicated that they can comply with the new timeframe. It is necessary and reasonable to establish new time frames so that credit invoices are issued in a timely manner to distributors who in turn issue credit invoices to organizations who must report the game to the commissioner of revenue.
- **In item B, subitem (1)**, the Board is proposing to require that the manufacturer determine within 15 business days, instead of 30 business days, if a game is defective; and in item B, subitem (2) the Board is proposing to require that the manufacturer must issue a credit invoice within 15 business days, instead of 30 business days, if the manufacturer determines that the game is defective. SEE SONAR for item A, subitem (1) above.

7864.0240, Subpart 5. Returned gambling equipment report required. (reenacted from existing 7864.0030, Subpart 7, item C)

The Board is proposing to create a subpart for "returned gambling equipment report required" using language reenacted from existing 7864.0030, Subpart 7, item C. Refer to the table above for reenactment information. It is necessary and reasonable to reenact existing requirements for the returned gambling equipment report.

- **In item G**, the Board is proposing to replace "bingo ball selection device" with "bingo number selection device" to be compatible with this language change in other parts, and to add "electronic bingo devices" that are classified as gambling equipment (Minn. Stat. 349.12, Subd. 18, effective May 19, 2006). An exception is made in this item for electronic bingo devices, i.e. no registration stamp number. SEE SONAR for 7863.0230, Subpart 3 for related information.

7864.0240, Subpart 6. Recall of gambling equipment. (reenacted from existing 7864.0030, Subpart 6)

The Board is proposing to create a subpart for "Recall of gambling equipment" using language being reenacted from existing 7864.0030, Subpart 6 (corrective action). In item A, the Board is proposing to use language from existing Subpart 6, item B. It is necessary and reasonable to reenact existing requirements. Refer to the table above for reenactment information.

- **In item B**, the Board is proposing to change the existing timeframe in which to issue credit invoices to distributors or linked bingo game providers from 45 business days to 15 business days. SEE SONAR for 7864.0240, Subpart 4, item A, subitem (1) and item B, subitem (1) for related information.
- **In item D**, the Board is proposing to modify the reenacted language by deleting "gambling equipment" and amend it with "pull-tab or tipboard game." It is necessary and reasonable to clarify that this item only pertains to pull-tab or tipboard games, not to all gambling equipment.

7864.0240 Subpart 7. Report of delinquent distributor or linked bingo game provider required. (reenacted from existing 7864.0030, Subpart 7, item D)

The Board is proposing to create a subpart for "report of delinquent distributor or linked bingo game provider" using language being reenacted from existing 7863.0030, Subpart 7, item D. Where appropriate, the term "or lease" is being added to reflect statutory requirement of Minnesota Statute, 349.191, subdivision 1 (sale or lease). It is necessary and reasonable to reenact existing language and reorganize it in a logical order. No new requirements are added.

- Refer to the table above for reenactment information.

7864.0240, Subpart 8. Examination of books and records. (reenacted from existing 7864.0030, Subpart 7, item E)

The Board is proposing to create a subpart for "Examination of books and records" using language being stricken from existing Subpart 7, item E. The language is essentially being used verbatim with no new requirements. It is necessary and reasonable to include existing requirements.

RULE-BY-RULE ANALYSIS: 7865.0210 COMPLIANCE REVIEW GROUP (Reenacted from existing 7865.0010)

The Board is proposing to reenact language from existing 7865.0010 with minor grammatical changes. It is necessary and reasonable to reenact existing requirements.

7865.0210, Subpart 1. Establishment of compliance review groups.

The Board is proposing to retitle this subpart so that the reader is easily informed of its contents.

7865.0210, Subpart 2. Powers and duties of compliance review groups.

- The Board is proposing to retitle this subpart so that the reader is easily informed of its contents.
- **In item D**, the Board is proposing to reenact language from existing 7865.0010, Subpart 1, item I and place it where it is logically located.

7865.0210, Subpart 3. Definitions.

The Board is proposing to add a new subpart for the definitions of suspension, revocation, and complete change of ownership.

- **In items A and B**, the Board is proposing to reenact language from existing 7865.0020, Subpart 1. It is necessary and reasonable to place the definitions of suspension and revocation where they are logically located.
- **In item C**, the Board is proposing to reenact the definition of "complete change of ownership" from existing 7861.0030, Subpart 9, item B, subitem (6), last paragraph and from existing 7861.0050, Subpart 4. It is necessary and reasonable to place the language in a more logical location and to standardize the language for consistency.

RULE-BY-RULE ANALYSIS: 7865.0220 SUSPENSIONS OR REVOCATIONS OF LICENSES OR PERMITS (Reenacted from existing 7865.0020)

- The Board is proposing to make a necessary and reasonable change to amend the title of this part so that the reader is easily informed of its contents.

Existing 7865.0020, Subpart 1 Definitions

- The Board is proposing to strike existing 7865.0020, Subpart 1 and reenact the language in 7865.0210, Subpart 3, items A and B, where the information is more logically placed.

7865.0220, Subpart 1. Factors considered for suspension or revocation of license or premises permit. (reenacted from existing 7865.0020, Subpart 2)

- The Board is proposing to amend the title so that the reader is easily informed of its contents
- In this subpart, the Board is proposing to amend the reenacted language with "revocation," "compliance review group," "following factors," and "premises permit." It is necessary and reasonable to make the language consistent and conform to the parameters outlined in 7865.0210.
- The Board is proposing not to reenact existing 7865.0020, items A through F, as those factors are already outlined in 7865.0210, item J, and instead point the reader to 7865.0210, subpart 2, item J. It is necessary and reasonable to consolidate the same language in one subpart/item and not to reenact duplicate language.
- The Board is proposing to reenact language from existing 7865.0020, Subpart 4 and place it in this subpart. It is necessary and reasonable to consolidate related language for suspensions and revocations in one part/subpart.
- The Board is proposing to reenact language from existing 7865.0020, Subpart 5 that references Minnesota Statutes, section 349.155, subdivision 4. It is necessary and reasonable to consolidate in one part/subpart all language pertaining to suspensions and revocations.

Existing 7865.0020, Subpart 4. Additional grounds.

- The Board is proposing to strike this language and reenact it in 7865.0220, Subpart 1. It is necessary and reasonable to consolidate factors for suspensions or revocations in one subpart.

Existing 7865.0020, Subpart 5. Compliance review groups.

- The Board is proposing to strike the language because factors that must be considered by a compliance review group for suspensions and revocations are contained in 7865.0210, Subpart 2, item J. It is necessary and reasonable to delete unnecessary and duplicative language.

7865.0220, Subpart 2. Suspension or revocation of organization license for illegal gambling. (reenacted from existing 7861.0050, Subpart 2.)

- The Board is proposing to create a new subpart containing information for the "suspension or revocation of organization license for illegal gambling."
- The Board is proposing to reenact language from existing 7861.0050, Subpart 2 (discipline against license) and amend the language with a reference to 7861.0260, subpart 1, item H. It is necessary and reasonable to place the language where it is more logically located. No new requirements are added.

7865.0220, Subpart 3. Suspension or revocation of premises permit for illegal gambling.

- The Board is proposing to create a new subpart containing information for the "suspension or revocation of premises permit for illegal gambling."
- The Board is proposing to reenact language from existing 7861.0050, Subpart 3 (discipline against premises permit) and amend the language with a reference to 7861.0260, subpart 1, item H. It is necessary and reasonable to place the language where it is more logically located. No new requirements are added.

RULE-BY-RULE ANALYSIS: 7865.0225 REIMBURSEMENTS TO GAMBLING BANK ACCOUNT (reenacted from existing 7865.0025)

- The Board is proposing to reenact language from existing 7865.0025, but strike existing items A to G (factors to consider) as they are already contained in 7865.0210, Subpart 2, item J, and insert a reference to "the factors in 7865.0210, subpart 2, item J." It is necessary and reasonable to delete duplicative language and instead refer the reader to the part/subpart that already contains the factors.
- In the first sentence the Board is proposing to strike obsolete language and amend it with an accurate reference to existing requirements being reenacted in "7861.0320, subpart 5."

RULE-BY-RULE ANALYSIS: 7865.0230 FINES AND OTHER SANCTIONS (reenacted from existing 7865.0030)

7865.0230, Subpart 1. Imposition of civil fine by board.

- The Board is proposing to reenact language from existing 7865.0030, Subpart 1, and amend the subpart title with "board" so that the reader is easily informed of its contents.
- The Board is proposing to eliminate unnecessary language, and to delete existing items A through G (factors to consider) and insert "factors in 7865.0210, subpart 2, item J." It is necessary and reasonable to delete duplicative language and instead refer the reader to the part/subpart that already contains the factors.

7865.0230, Subpart 2. Imposition of fines and sanctions by board or director for violation of Minnesota Statutes, section 349.15, subdivision 1 (expense calculations).

- The Board is proposing to create a new subpart that addresses a statutory change that became effective on May 19, 2006. Specifically, Minnesota Statutes 349.16, subdivision 2, paragraph (h) states "The board may by rule impose sanctions or penalties on organizations that exceed the expenditure restrictions under section 349.15, subdivision 1."
- The Board had originally proposed for each subsequent violation a progressive fine that would be a percentage of the amount the organization exceeded its expense calculation amount, but then realized that statute imposes a limit of \$500 per violation [MS349.151, Subd. 4(a)(10)].
- Some organizations have repeatedly violated the statutory allowable expense limit. Even though organizations are allowed to reimburse the excess amount from a source of nongambling funds, the organization is still in violation of a statutory requirement to keep its allowable expenses under a certain amount. The concern that the Board has had over the years is that 501(c)(3) organizations and 501(c)(4) festival organizations have been able to "contribute" gambling funds to themselves, deposit those funds into their general account, and then at times have used those same gambling funds to reimburse their gambling account, thereby circumventing the statutory limit imposed on allowable expenses.
- The Board is proposing to establish:
 - the fine amount at \$500, according to the statutory limit under Minnesota Statutes, section 349.151, Subdivision 4, paragraph (a), clause (10), or
 - a sanction of suspension or revocation of the organization's license.The Board will seek a legislative change to address the limitations placed on fines for this violation because of the excessive amounts that have been accrued by some organizations during the term of their two-year organization license.

It is necessary and reasonable to establish the fines and sanctions that are within the Board's current jurisdiction and limits under Chapter 349.

7865.0230, Subpart 3. Imposition of proposed fine by director, and payment or appeal of fine required. (reenacted from existing 7865.0030, Subpart 2)

- The Board is proposing to reenact language from existing 7865.0030, Subpart 2, and retitle this subpart so that the reader is easily and accurately informed of its contents, i.e. that the contents pertain to a proposed fine issued by *the director*.
- **In item A**, the Board is proposing to clarify that the factors to be considered are contained in "7865.0210, subpart 2, item J." It is necessary and reasonable to point the reader to the correct location for the factors that have been consolidated in 7865.0020, Subpart 2, item J.
- **In items B and C**, the Board is proposing to rearrange the reenacted language so that the rule requirements are easier to understand.
- It is necessary and reasonable to reenact existing requirements. There are no new requirements.

7865.0230, Subpart 4. Appeal from licensee of proposed fine by director. (reenacted from existing 7865.0030, Subpart 3)

- The Board is proposing to reenact language from existing 7865.0030, Subpart 3, and retitle this subpart so that the reader is easily informed of its contents. It is necessary and reasonable to reenact existing requirements.
- **In item B**, the Board is proposing to add new language that allows a licensee to provide with director with additional information, and then the director may determine whether the proposed fine should be rescinded, revised, or referred to the compliance review group. There have been instances in which additional information was provided to the Board and the fine was rescinded. It is necessary and reasonable to allow licensees to provide additional information to the director and make the process more efficient for licensees, director, and the Board.
- The remainder of changes in this subpart are the creation of items C, D, E, and F, using reenacted language from existing 7865.0030, Subpart 3. There are no new requirements. It is necessary and reasonable to make the information easy to locate and reference.

7865.0230, Subpart 5. Payment of fine from gambling gross receipts prohibited. (reenacted from existing 7865.0030, Subpart 4)

The Board is proposing to reenact and clarify language from existing 7865.0030, Subpart 4. No new requirements are added. It is necessary and reasonable to reenact existing requirements.

7865.0230, Subpart 6. Consequences of failure to correct violations. (reenacted from existing 7865.0030, Subpart 5).

The Board is proposing to reenact language from existing 7865.0030, Subpart 5. No new requirements are added. It is necessary and reasonable to reenact existing requirements.

RULE-BY-RULE ANALYSIS. 7865.0240. STAYS OF IMPOSITION FOR SUSPENSION, REVOCATION, OR CIVIL FINE. (reenacted from existing 7865.0040)

7865.0240, Subpart 1. Entitlement.

7865.0240, Subpart 2. Procedure.

The Board is proposing to reenact language from existing 7865.0040, Subparts 1 and 2, with only grammatical changes. It is necessary and reasonable to reenact existing requirements.

RULE-BY-ANALYSIS. 7865.0250. VARIANCES TO BOARD RULES. (reenacted from existing 7865.0050)

Existing 7865.0050, Subpart 1. Procedures and standards.

- The Board is proposing to strike this subpart and reenact the language in 7865.0250, Subparts 1 and 3. It is necessary and reasonable to strike and reenact language where it is more appropriately located.

7865.0250, Subpart 1. Variance request submitted to board. (reenacted from existing 7865.0050, Subpart 2)

- **In the introductory paragraph** the Board is proposing to reenact language from existing 7865.0050, Subpart 1, second sentence.
- **In item D**, the Board is proposing to reenact language from existing 7865.0050, Subpart 3 (filing fee).

It is necessary and reasonable to reenact and place language where it is logically located.

Existing 7865.0050, Subpart 3. Filing fee.

The Board is proposing to strike this subpart and reenact the language in 7865.0250, Subpart 1, item D, where it is more logically placed.

7865.0250, Subpart 2. Procedure for variance requests. (reenacted from existing 7865.0050, Subpart 4)

- The Board is proposing to reenact language from existing 7865.0050, Subpart 4, and to amend the reenacted language with grammatical changes to make the rules easy to read and understand.
- **In item A**, the Board is proposing to delete the existing requirement that the Board send a "written notice" and amend it with "notify" to allow for electronic notification, i.e. e-mail, etc. It is necessary and reasonable to amend the rule to make the process easier and more timely for all entities.
- **In item B**, the Board is proposing to delete the existing term "petitioner" and insert "person or licensee." It is necessary and reasonable to use language that is easy to understand by the reader.
- **In item D**, the Board is proposing to reduce the time period from 30 days to 5 days of notifying the person or licensee of the Board's action. The Board typically provides responses within five days of a board meeting for variance requests. It is necessary and reasonable to make the change so that the entity requesting the variance receives a timely response to their variance request.

7865.0050, Subpart 3. Criteria for approving and denying variance requests. (reenacted from existing 7865.0050, Subpart 5)

- The Board is proposing to reenact language from existing 7865.0050, Subpart 5 with grammatical changes. The title of the subpart is amended to provide clearer information of its contents.
- **In item F**, the Board is proposing to clarify that a variance request "is for a one-time variance, not an ongoing variance of the rule." This is not a new requirement; it is merely a clarification. It is necessary and reasonable to inform the reader of this requirement.

RULE-BY-RULE ANALYSIS. 7865.0260, HEARINGS AND APPEALS OF INCOMPLETE OR DENIED LICENSE AND PERMIT APPLICATIONS. (reenacted from existing 7865.0060)

In this new part, the Board is proposing to reenact and consolidate language from existing:

- 7861.0020 Subp. 4D and Subp. 8D (organization license)
- 7861.0030 Subp. 10C and D, and Subp. 11D (gambling license)
- 7861.0040, Subp. 9C and D, and Subp. 10D (premises permit)
- 7863.0010, Subp. 12 (distributor license)
- 7863.0050, Subp. 7C (linked bingo game provider license)
- 7864.0010, Subp. 11C (manufacturer license)

The above language will be reenacted in the following subparts:

- 7865.0260, Subpart 1. Appeal of denial or determination; application fees.**
- 7865.0260, Subpart 2. Appeal of denial of new application, or renewal application submitted after expiration of license or premises permit.**
- 7865.0260, Subpart 3. Contested case hearing to determine if organization failed to submit complete renewal application.**
- 7865.0260, Subpart 4. Contested case hearing for denial of renewal application.**

The reenacted language as noted above will serve to standardize the rule language pertaining to the appeal and hearing process for all licensees. It is necessary and reasonable to ensure that the process for hearings and appeals apply equally to all licensees, with the exception of Subpart 3. It is noted that Subpart 3 pertains only to licensed organizations, as licensed distributors, distributor salespersons, linked bingo game providers, and manufacturers have a vested business interest in maintaining a current license with no lapse in its terms, and historically have taken all necessary steps to ensure that there is no lapse in their license, and therefore it is only necessary to reference licensed organizations in Subpart 3.

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