



Minnesota Gambling Control Board

Suite 300 South
1711 West County Rd B
Roseville, MN 55113
651-539-1900
www.mn.gov/gcb

October 18, 2018

Legislative Reference Library
645 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Re In The Matter of the Proposed Rules of the Minnesota Gambling Control Board Governing Lawful Gambling, Primarily Electronic Games, Sports-Themed Tipboards, and Other Changes; Revisor ID # RD4555


Dear Librarian:

The Minnesota Gambling Control Board intends to adopt rules governing lawful gambling, primarily electronic games, sports-themed tipboards, and other changes, Revisor ID # RD4555. We plan to publish a Notice of Intent to Adopt Rules without a Public Hearing in the October 22, 2018, *State Register*.

The Board has prepared a Statement of Need and Reasonableness. As required by Minnesota Statutes, sections 14.131 and 14.23, the Board is sending the Library an electronic copy of the Statement of Need and Reasonableness at the same time we are mailing our Notice of Intent to Adopt Rules.

If you have questions, please contact me at 651-539-1951.

Best wishes,


Peggy Mancuso



Peggy Mancuso | Executive Assistant
Minnesota Gambling Control Board
peggy.mancuso@state.mn.us | 651.539.1951

Attachment: Statement of Need and Reasonableness

Minnesota Gambling Control Board

STATEMENT OF NEED AND REASONABLENESS

Proposed Amendment to Rules Governing Lawful Gambling, Primarily Electronic Games, Sports-Themed Tipboards, and Other Changes; *Minnesota Rules*, Chapters 7861, 7863, and 7864; Revisor ID # R-04555

Introduction. The Minnesota Gambling Control Board (Board) is governed by *Minnesota Statutes*, chapter 349, which states the Board's purpose of regulating lawful gambling, ensuring the integrity of operations, and providing for the use of net profits only for lawful purposes.

In 2012 the Legislature amended *Minnesota Statutes*, chapter 349, by passing *Minnesota Laws* 2012, chapter 299, to provide for electronic pull-tab games, electronic linked bingo games, and sports-themed tipboard games.

After six years of experience with electronic games, the Board sees a need for clarification involving the electronic game format. Electronic pull-tabs have shown tremendous growth since first offered in 2012. With the evolution of electronic games along with advances in technology, the Board must keep its rules current and relevant.

Sports-themed tipboards have been allowed in statute since 2012. However, because federal law prohibited the wagering on the outcome of sporting events, the Minnesota Gambling Control Board held off on approving any sports tipboard games. The U.S. Supreme Court recently decided in favor of states to legalize sports betting. For lawful gambling in Minnesota, that means that sports tipboards can move forward.

There are a few other proposed rule amendments, but the main focus is to strengthen the authorized regulatory oversight as it pertains to electronic games and sports tipboards by:

- Standardizing electronic game terminology and point-of-sale (POS)/portal reports.
- Automating licensed organizations' (charities') daily reconciliation of cash with electronic game receipts.
- Eliminating common causes of profit carryover variances related to electronic games.
- Increasing efficiency and effectiveness of paddlewheel with a table regulation.
- Providing, as allowed in statute, standards and conduct guidelines for sports tipboards.

These and other measures contained in the proposed rules ensure the continued integrity of lawful gambling. The standards for electronic game systems will ensure all vendors abide by the same allowances and restrictions and allow better oversight of the licensed vendors providing products and services to the charitable gambling industry. Lawful gambling is a \$2 billion industry with over 2,800 sales locations in Minnesota. Taxes are collected on lawful gambling receipts. These rules will ensure the continued integrity of the conduct of operations and the manufacturing and distribution of games to help fund charities' missions and report tax revenue. In proposing these rules, the Board and its staff strived to improve and strengthen the integrity of lawful gambling while at the same time allowing flexibility by lawful gambling participants and Board staff in responding to unanticipated situations.

The Board employed the use of a Public Advisory Committee (PAC) consisting of licensed lawful gambling organizations, licensed manufacturers, licensed linked bingo game providers, licensed distributors, game testing laboratory personnel, the Departments of Revenue and Public Safety, and other interested parties. The PAC met on four occasions to work through language that resulted in the final version. A Request for Comments was published in the *State Register*, emailed to all PAC members, posted on the Board's website, and posted in the Board's main lobby. The Request was also mailed to all licensed manufacturers, linked bingo game providers, distributors, Allied Charities of Minnesota and the Electronic Gaming Group (industry trade associations and resources on charitable gambling issues to their members), and to the National Association of Fundraising Ticket Manufacturers (a trade association of companies that manufacture pull-tabs, bingo paper, and related supplies for the North American charitable gaming industry).

Alternative Format. Upon request, this information can be made available in an alternative format, such as large print, braille, or audio. To make a request, contact Peggy Mancuso, Minnesota Gambling Control Board, 1711 W. County Road B, Roseville MN 55113; phone (651) 539-1951, fax (651) 639-4032; or email peggy.mancuso@state.mn.us.

Statutory Authority. The Gambling Control Board's statutory authority to adopt rules is stated in *Minnesota Statutes*, Section 349.151, subdivision 4, paragraph (a), clauses (5) and (20); subdivision 4e; and subdivision 13:

Subd. 4. **Powers and duties.** (a) The board has the following powers and duties:

(5) to make rules authorized by this chapter;

(20) to take all necessary steps to ensure the integrity of and public confidence in lawful gambling.

Subd. 4e. **Sports-themed tipboard rules.** The board may adopt rules for the conduct of tipboards for which the winning numbers are determined in whole or in part by the numerical outcome of one or more professional sporting events. The rules must provide for operation procedures, internal control standards, posted information, records, and reports. The rules must provide for the award of prizes, method of payout, wagers, determination of winners, and the specifications of these tipboards.

Subd. 13. **Rulemaking.** In addition to any authority to adopt rules specifically authorized under this chapter, the board may adopt, amend, or repeal rules under chapter 14, when necessary or proper in discharging the board's powers and duties.

The proposed rules meet the Board's statutory charge for regulating lawful gambling and ensuring the integrity of games and operations.

Regulatory Analysis. *Minnesota Statutes*, Section 14.131, sets out eight factors for a regulatory analysis that must be included in the SONAR. Paragraphs (1) through (8) below quote these factors and then give the Gambling Control Board's answer.

(1) A description of the classes of persons who probably will be affected by the proposed rule, including classes that will bear the costs of the proposed rule and classes that will benefit from the proposed rule.

- Classes of affected persons. The classes of affected persons are licensed lawful gambling (charitable) organizations, licensed manufacturers of gambling systems and equipment, linked bingo game providers of electronic linked bingo game systems, licensed distributors of gambling systems, and players of the games. The rules also affect the Department of Revenue (for tax collection purposes).
- Classes that will bear costs. There likely will be costs to manufacturers of electronic games and to linked bingo game providers to bring previously approved games into compliance. There will be a cost to seven licensed organizations that conduct paddlewheel with table games to bring their DVR recording systems into compliance with the real-time access requirement. We polled all seven, asking about cost and why they currently do not use real-time access. The majority of responses were that they "kept what they had" because real-time access "was not required". From information provided by these organizations, the cost should be between \$500 and \$1,000. Each organization expressed a willingness to comply with the upgraded recording systems; not one organization objected.

The Board asked the PAC, made up of lawful gambling industry representatives, an industry trade association that represents many charitable organizations throughout Minnesota, and the National Association of Fundraising Ticket Manufacturers (NAFTM), membership of which comprises of several Minnesota licensed lawful gambling manufacturers, for advice and expertise in forming the rules, and for the probable costs of complying with the proposed rules.

- Classes that will benefit from proposed rules. Those that will benefit from the proposed rules are, in general, the entire lawful gambling industry.
 - Licensed gambling organizations will have further confidence in electronic game formats offered to the public. Organizations will have easier point-of-sale reporting, control over electronic pull-tab game closure, and tighter internal control via strengthening password authorization and electronic reporting. The easier and more secure the games are, the more charitable dollars the organizations will realize. The sports tipboard games are an additional vehicle for the charities to raise funds.
 - Manufacturers will benefit by being able to offer additional electronic game features, such as auto close and enhanced reporting for ease of use by licensed organizations, and by being able to offer sports tipboards for sale in Minnesota.
 - Linked bingo game providers will benefit by greater control over winner verification, enabling easier jackpot prize payout.
 - Distributors will gain by having additional electronic game features to offer its customers and by having an additional game format in the form of sports tipboards to offer for sale.
 - As a result of the rules, the public will have the continued confidence that electronic games and the new sports tipboards are trustworthy games of chance.

(2) 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.

- Probable costs to the Gambling Control Board of implementation and enforcement. There are minimal costs to the Board to edit the Lawful Gambling Manual, applicable forms, continuing education class materials, the Board's website, gambling manager seminar materials to reflect the updates to the electronic game formats. The number of hours required to perform the additional functions imposed by the rules is expected to be minimal.
- Probable costs to any other state agency of implementation and enforcement. There are no identifiable probable costs to any other agency of implementation and enforcement.
- Anticipated effect on state revenues. There currently is a tax imposed on lawful gambling gross receipts and a tax on lawful gambling equipment. These taxes will continue to be applied. Sports tipboards are tax exempt. The proposed rule will not affect state revenues.

(3) A determination of whether there are less costly methods or less intrusive methods for achieving the purpose of the proposed rule.

- The Board has carefully considered any cost and burden of the proposed rules. Aside from these proposed rules, there is no other method to achieve the purpose of these rules.
- The "*Summary of Rulemaking Process and Public Advisory Committee (PAC) Role*" distributed to PAC members, made up of Minnesota licensed lawful gambling organizations, manufacturers, linked bingo game providers, distributors, and representatives of NAFTM, asked for advice and expertise in forming the rules, plus any probable costs of complying with the proposed rules. As of this date, all cost comments from PAC members, from any lawful gambling representative, or from any individual, entity, or other state agency have been resolved.

(4) A description of any alternative methods for achieving the purpose of the proposed rule that were seriously considered by the agency and the reasons why they were rejected in favor of the proposed rule.

- No alternative method for achieving the purpose of the proposed rules was considered. It is necessary to amend the current rules in place to further secure the electronic game format. There are no rules regulating sports tipboards, making it necessary to put manufacturing standards and game operation rules in place to enable participation in this form of lawful gambling.

(5) The probable costs of complying with the proposed rule, including the portion of the total costs that will be borne by identifiable categories of affected parties, such as separate classes of governmental units, businesses, or individuals.

- The Minnesota Gambling Control Board is the primary government entity affected by additional costs under the proposed rules. Some of the proposed changes increase Board staff workload, though the

increase should not be unduly burdensome. See (2) above for probable costs to the Board for the implementation and enforcement of the proposed rules, and for potential costs to any other agency.

- As stated above, the Board used a PAC consisting of lawful gambling industry representatives, licensed manufacturers, licensed linked bingo game providers, licensed distributors, a trade group representing charitable organizations throughout Minnesota, and NAFTM. All PAC members received the “*Summary of Rulemaking Process and Public Advisory Committee (PAC) Role*” asking for PAC advice and expertise in forming the rules, plus any probable costs of complying with the proposed rules.

There initially was concern about the cost of bringing previously approved electronic games into compliance with the new rules. By working with licensed electronic game manufacturers and linked bingo game providers, we strived to keep costs as minimal as possible. Some of the electronic game changes may require additional independent lab testing for which there is a cost of up to \$10,000. One linked bingo game provider in particular is affected by the rule amendments, indicating a potential \$70,000 to \$80,000 in costs. See the “**Cost of Complying for Small Business or City**” section for further information. However, all of the manufacturers and linked bingo game providers understand the reason behind the requirements and there is now consensus on the necessity of bringing these games into compliance with the rules. Manufacturers and linked bingo game providers have had almost two years of notice, and will have 180 days to come into compliance once the rules are effective.

At the time of our initial draft rule writing, the Board sought out information from the 15 organizations licensed to conduct paddlewheels regarding upgrading recording systems to accommodate real-time access. Most have already complied, and each indicated that they had no problem with complying with the cost of the upgrade requirement. Of those remaining, they, too, have 180 days to come into compliance. Each organization expressed a willingness to comply with the upgraded recording systems; not one organization objected.

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

- A consequence of not adopting the proposed rules is that needed adjustments to and fine-tuning of electronic game systems will not occur. The proposed rules add security to the electronic systems by tightening access to the systems. The proposed rules also allow for additional features for organizations in conducting electronic games, make the games easier to report, define the terms being used in electronics, and more, all of which lend themselves to greater integrity of lawful gambling, and greater efficiencies and savings to licensed organizations.
- A further consequence of not adopting the proposed rules is that sports tipboards, as intended by the Legislature, will have no manufacturing standards or operating guidelines for licensed organizations. These sports tipboards are expected to be quite popular, and there is excitement about adding this form of lawful gambling as another tool for licensed organizations to raise funds.

(7) An assessment of any differences between the proposed rule and existing federal regulations and a specific analysis of the need for and reasonableness of each difference.

- There is no federal regulation related to the specific purpose of this rulemaking, thus this portion of the Regulatory Analysis does not apply to these rules. Further, the U.S. Supreme Court’s decision in favor of legalized sports betting allows regulation of sports betting to lie with each state.

(8) An assessment of the cumulative effect of the rule with other federal and state regulations related to the specific purpose of the rule.

- There is no federal regulation related to the specific purpose of this rulemaking. One objective of this rulemaking is to improve electronic game system requirements, game conduct guidelines, and standards for both the Minnesota lawful gambling industry and for regulators. Another objective is to provide standards and conduct requirements for sports tipboards, which falls solely with each state.
- The proposed rules assist the Minnesota Department of Revenue by providing the requirements by which lawful gambling organizations must file with the Department of Revenue resulting in proper reporting of tax revenue.

- The proposed rules do not overlap with other federal or state regulations and are performance based. As the sole regulatory requirements for the affected parties, the cumulative effect comes only from these rules.

Performance-Based Rules. *Minnesota Statutes*, Sections 14.002 and 14.131, require that the SONAR describe how the Board, in developing the rules, considered and implemented performance-based standards that emphasize superior achievement in meeting the Board's regulatory objectives and maximum flexibility for the regulated party and the Board in meeting those goals.

One of the objectives of the proposed lawful gambling rules is to provide the lawful gambling industry with upgraded standards and conduct guidelines. True performance-based rules would set specific outcomes and leave the means of achieving those outcomes up to the lawful gambling organization, manufacturer, linked bingo game provider, distributor, or player. However, an entirely performance-based approach is not possible for the lawful gambling industry as self-regulation would allow too much flexibility and minimal accountability for a \$2 billion industry.

There is, however, a fair amount of flexibility within the proposed rules. For example, manufacturers of electronic games may add enhanced game features, such as auto game close or innovative accounting systems, if they so choose. Manufacturers may choose to use local servers as long as real-time communication occurs at all times between the central server and game play. Another example is that sports tipboards may be manufactured and played in three different ways (with tickets but without seals, with tickets and with seals, and without tickets and with seals).

Superior achievement in the proposed rules comes from:

- high standards for the manufacture, distribution, and conduct of games that optimize electronic reporting and minimize the potential for manipulation, theft, or tampering;
- requiring appropriate manufacture of the games, enabling strong oversight within specific parameters and reduction of theft and manipulation potential;
- allowing for sports tipboard games as an additional fundraising tool for licensed charities; and
- charities being able to run successful lawful gambling operations to help accomplish their missions with appropriate and meaningful regulation.

The proposed rules are performance-based rules because the proposed rules:

- enable the ability of lawful gambling regulators to approve and monitor the conduct of all forms of lawful gambling, thus ensuring the integrity of the games as required by statute;
- upgrade manufacturing standards for electronic games;
- allow for innovation and features that likely make it easier for charities to conduct these games;
- provide for the conduct of, restrictions on, and manufacturing standards for sports tipboard games; and
- provide improved security procedures and requirements for electronic and sports tipboard games, thus enabling these games to be played in a lawful and fair manner.

The proposed rules contain new and enhanced requirements for (1) the manufacture of electronic and sports tipboard games; (2) security of electronic systems at the organization level; (3) organization (charity) conduct of games; and (4) gambling equipment standards and requirements. Some unnecessary requirements are removed. Some requirements are reorganized to be more easily found and, in some cases, are more easily read and thus complied with. In many areas, the proposed rules also make participating in lawful gambling more clear and less cumbersome, benefiting both organizations and players alike.

Because manufacturers, linked bingo game providers, distributors, and lawful gambling organizations currently have regular interaction with the Board's staff, there will be minimal costs incurred to comply with the proposed rules. Because Board staff and the PAC have worked together on these rules for almost two years, many of the affected parties have already put compliance measures in place. In some instances the rule changes clarify requirements, such as conduct, standards, and security for the new games, which reduces the amount of time that licensed organizations, linked bingo game providers, distributors, and manufacturers spend on communication and consultation with Board staff.

While some of the proposed rules are the Board's response to issues found after almost six years of initial implementation of electronic games, Board staff has taken the further step of searching for and finding other rules that impede superior achievement in regulation and in flexibility for regulated parties. Those findings are reflected in the proposed rules.

In further support of the proposed rules being performance based, the "*Summary of Rulemaking Process and Public Advisory Committee (PAC) Role*" distributed to PAC members asked for advice and expertise in forming the rules as follows:

"Minnesota Statutes, Sections 14.002 and 14.131, require that the SONAR describe how the agency, in developing the rules, considered and implemented performance-based standards that emphasize superior achievement in meeting the agency's regulatory objectives and maximum flexibility for the regulated party and the agency in meeting those goals.

- The Gambling Control Board will look to you for advice and information on how we can make the rules work better for you, while still meeting our goals for these rules.
- Are there any special situations that we should consider in developing the rules?
- Are there any ways to reduce the burdens of the rules?
- Do you have any other insights on how to improve the rules?"

As a result, the Board received comments and suggestions. Wherever possible, language was revised, added, or deleted to make the rules more workable for those who must comply with the rules. Such collaboration on the proposed language further enhanced the performance-based goal of these proposed rules.

Additional Notice. The Board's Additional Notice Plan is identical to the plan used in recent rulemaking processes, and believes it has cast a very wide net in providing affected parties with opportunity to be informed of the Board's rulemaking plans and to offer a great deal of input on the rules.

To provide notice to all persons who may be affected by the proposed rules, the Board's Additional Notice Plan consists of:

1. Publication of a Request for Comments in the *State Register* (the initial Request for Comments published October 3, 2016).
2. Publication:
 - notices in several editions of the quarterly Board's industry publication, *Gaming News*;
 - continuous notices on the Board's website since October 2016; and
 - continuous posting in the Board's lobby since October 2016.
3. Monthly announcement at the Board's official monthly board meetings since October 2016.
4. Mailing the Request for Comments to Allied Charities of Minnesota—an industry trade association representing one-third of the licensed lawful gambling organizations, and distributors and manufacturers of lawful gambling equipment—for inclusion in its newsletter and on its website.
5. Mailing the Request for Comments to the National Association of Fundraising Ticket Manufacturers (NAFTM)—a trade association of companies that manufacture pull-tabs, bingo paper, and related supplies for the charitable gaming industry.
6. Mailing the Request for Comments to all licensed lawful gambling distributors, linked bingo game providers, and manufacturers.
7. Mailing to a previous rules' process mailing list.
8. A Public Advisory Committee (PAC) was formed to assist in identifying and discussing the issues and to provide comments on draft rules language and, in many cases, to propose language itself. The PAC was comprised of a wide spectrum of industry representatives and State of Minnesota regulators, and met on three occasions. In addition, comments were continually welcomed, received, and responded to for almost two years. The formal Request for Comments was also emailed to each PAC member.

As previously stated, the Board has cast a wide net so that affected parties have had opportunity to be informed of the Board's rulemaking plans and to offer significant input on the rules.

The Board's Notice Plan also includes giving notice required by statute. We will mail the Notice of Intent to Adopt to everyone who has registered to be on the Board's rulemaking mailing list under *Minnesota Statutes*, Section 14.14, subdivision 1a, and make a copy of the proposed rules available both on our website, and by hard copy if requested. We will also give notice to the Legislature per *Minnesota Statutes*, Section 14.116. Our Notice Plan did not include notifying the Commissioner of Agriculture because the rules do not affect farming operations per *Minnesota Statutes*, Section 14.111.

Consultation with MMB on Local Government Impact. As required by *Minnesota Statutes*, Section 14.131, the Board consulted with Minnesota Management and Budget (MMB) by sending MMB copies of the documents that we sent to the Governor's Office for review and approval on the same day we sent them to the Governor's office. This was done before the Board's publishing the Notice of Intent to Adopt. The documents included the Governor's Office Proposed Rule and SONAR Form, the proposed rules, and the SONAR. The Board will submit a copy of any response received from MMB to the OAH with the documents it submits for ALJ review.

Analysis by the Board indicates no known fiscal impact or benefit of the proposed rules on local governments.

Determination about Rules Requiring Local Implementation. The Board has determined that local units of government do not have any authority or responsibility because the Board has the sole authority to enforce the rules for lawful gambling in *Minnesota Statutes*, Chapter 349. The Board has not delegated this responsibility to any local unit of government. There are no proposed rules requiring any change to local government lawful gambling requirements, so this section does not apply.

Cost of Complying for Small Business or City. As required by *Minnesota Statutes*, Section 14.127, the Gambling Control Board has considered whether the cost of complying with the proposed rules in the first year after the rules take effect will exceed \$25,000 for any small business or small city.

The Board believes that the cost of complying with the proposed rules in the first year after the rules take effect may exceed \$25,000 for one of the licensed linked bingo game providers in order to bring its linked bingo games into compliance. The original electronic rules prohibit an electronic pull-tab game from containing winning numbers or symbols in a non-straight line pattern or from simulating spinning reels (which could potentially mimic a video game of chance/slot machine). Due to an oversight, the same prohibition was not added to the linked bingo game standards in the rules originally promulgated for electronic games. Consequently, a linked bingo game provider created linked bingo games containing non-straight line wins. While not strictly prohibited in current rule, the original intent was to prohibit that feature. The Board is correcting that oversight in these rules. The linked bingo game provider has indicated a cost over time of \$70,000 to \$80,000. The linked bingo game provider is a member of the PAC and has been actively participating in the rules process for almost two years, with input on the language contained in the rules. The affected linked bingo game provider has taken steps to begin eliminating these particular games, and will have 180 days after the effective date of these rules for those particular games to come into compliance.

Rule-By-Rule Analysis.

Notes:

- Electronic linked bingo and electronic pull-tab game requirements and standards are similar but different because each are played differently. Because of this, the rule-by-rule analysis of some subparts are similar or identical.
- Some subparts are included by the Revisor because their subpart numbers changed; there are no other changes to these subparts.
- Items, subitems, and cross references are relettered or renumbered as necessary.

7861.0210 (definitions). The Board and the lawful gambling industry have been using specific terms in conjunction with electronics (as opposed to non-electronic games, which are very different) for several years. Already used on the required monthly reporting forms, in continuing education classes, and at the monthly gambling manager seminars, these terms are defined in rule to ensure that manufacturers, linked bingo game providers, and licensed organizations are on the same page, and that reporting portal and point-of-sale terminology are standardized and the meanings understood by all parties. It is reasonable to define terms

related to electronic gaming as they are used throughout the rule. It is reasonable and necessary to define these standardized terms in rule for those involved with electronic gaming—whether existing licensees or those new to electronic gaming. It is also reasonable and necessary to provide definitions of terms used in the manufacturing and conduct subparts for the new sports tipboard games. The following definitions apply, and are based on standardized terms currently in use for continuity and uniformity:

- Subp. 9a. Cash out.
- Subp. 11a. Commingled pull-tab deal.
- Subp. 15a. Designated time frame.
- Subp. 15b. Determination of winner.
- Subp. 15c. Electronic bingo device.
- Subp. 15e. Electronic game cash on hand.
- Subp. 15h. Electronic linked bingo game.
- Subp. 15i. Electronic linked bingo gross receipts.
- Subp. 15j. Electronic linked bingo net proceeds at premises.
- Subp. 15k. Electronic linked bingo net receipts.
- Subp. 15l. Electronic linked bingo prizes awarded at premises.
- Subp. 15m. Electronic linked bingo prizes paid.
- Subp. 15n. Electronic net value of credits or electronic net.
- Subp. 15o. Electronic pull-tab gross receipts.
- Subp. 15p. Electronic pull-tab net receipts.
- Subp. 15q. Electronic pull-tab prizes awarded at premises.
- Subp. 15r. Electronic pull-tab prizes paid.
- Subp. 26a. Handheld, portable electronic device.
- Subp. 40d. Professional sporting event.
- Subp. 44a. Real time.
- Subp. 45a. Reporting portal.
- Subp. 48a. Software.
- Subp. 48b. Sports-themed tipboard grid or grid.
- Subp. 48c. Sports-themed tipboard grid square or grid square.
- Subp. 48d. Start of an event.
- Subp. 49a. Straight line.
- Subp. 49b. Total value of credits purchased.
- Subp. 49c. Total value of credits redeemed.
- Subp. 49d. Unredeemed credits.
- Subp. 51. Winning symbol combination.

Two non-electronics-related definitions:

7861.0210, subp. 15s (emergency expenditure). This definition is being moved almost verbatim (with a grammatical correction) to the definitions part from 7861.0320, subpart 3, item D, and is being stricken from 7861.0320, subpart 3, item D. It is reasonable to move the definition of emergency expenditure from a specific subpart in rule to the definitions part so that it is easily found by rule users.

7861.0210, subp. 40c (point-of-sale systems), specifies point-of-sale (POS) requirements for paper pull-tab games, electronic pull-tab games, and electronic linked bingo games to match the upgraded standards being proposed in rule. It is necessary and reasonable to link the definition of point-of-sale system to the specific standards for each type of game to enable enhanced reporting.

7861.0215, (incorporation by reference), adds the term “as amended” to the national standards requirement. It is reasonable to add this language to cover future updates, rather than update the rule each time the national standards are updated, to ensure electronic game systems used in Minnesota meet national standards at all times.

7861.0240, subp. 3 (lease required for leased premises), adds a reference to the restrictions on lessor game play (being clarified in part 7861.0260, subpart 1 (general restrictions, below)). Currently, restrictions on who may and may not participate in lawful gambling are scattered throughout statute and rule. The

change to this subpart and to 7861.0260, subpart 1, brings together in one area all player restrictions. This will mean individuals will find player restrictions in one place in the rules, rather than having to read through all of the rules to find the various restrictions.

7861.0260, subp. 1 (general restrictions), brings together all player restrictions that are currently scattered throughout statute and rule, and in different parts of rule. Currently, it is virtually impossible for players (and sometimes staff) to find every place in statute and rule where player restrictions are located. Bringing the restrictions together will make it much easier for those who wish to participate in lawful gambling to find if they are eligible to play. Lessor play restrictions from 7861.0240, subpart 3, are relocated here. Electronic linked bingo player eligibility is added; experience has shown too many instances of an ineligible player winning an electronic linked bingo game jackpot, only to have to inform the "winner" that they were ineligible to play. It is reasonable to make it easier to locate all player restrictions pertaining to lawful gambling without having to search through many pages of statute and rule to help players (and licensed organizations) be compliant.

Also listed under restrictions is the prohibition against organization employees or volunteers sharing electronic game system passwords or unique identifying codes. This security measure is reasonable and necessary in order to identify an individual in the event investigators need to track down who had access to a game system at any given time.

7861.0260, subp. 3 (advertising), allows electronic bingo devices and electronic pull-tab devices to contain advertising, but that advertising must directly relate to the organization's lawful gambling activity. For example promotion of lawful gambling, such as "Bingo Fridays at 7:00 pm", is allowed. However, to retain the integrity of each electronic game (no interruption of games), advertising is prohibited during actual game play. It is reasonable to allow advertising directly related to a licensed organization's lawful gambling on electronic gaming devices to generate game interest, and necessary to restrict that advertising so that there is no interruption of game play, which could compromise the game's integrity.

7861.0260, subp. 5 (prize receipt or winner verification form required), adds a winner verification requirement for electronic progressive pull-tab prize winners and electronic linked bingo jackpot winners, similar to the existing prize receipt requirement. There have been instances of an ineligible player winning an electronic linked bingo game jackpot, making it necessary to require non-payment of the jackpot prize. We receive complaints from ineligible players who were not paid who feel they have a right to the winnings, only to discover afterward that they were ineligible to play. It is reasonable and necessary to require a player to acknowledge eligibility. Manufacturers and linked bingo game providers already use these prize verification forms for winners. The rule language codifies the practice, which is reasonable and necessary in order to verify winner identity and eligibility, to identify the electronic game operator, to provide the timeframe for payment, and to withhold appropriate federal and state taxes before payment.

7861.0260, subp. 9 (electronic game occasion; records and reports), changes the subpart from required procedures for closing a game to ensuring electronic game cash security. To secure an organization's assets, when game cash reaches \$2,000 or more (less the starting cash bank), the cash on hand must be secured in a safe until it can be deposited at a bank (within four business days as already required in rule). This provides necessary security for the organization's cash assets. Organizations must maintain a monthly record of the electronic net value of credits for each electronic game occasion, and that record must balance with the amounts deposited or reimbursed. For reporting and recordkeeping purposes, at the end of each month electronic game cash (less starting cash bank) must also be secured until taken for deposit. We have found more cash variances and shortages with organizations that do not separate/reconcile starting cash banks each month, and this requirement will assist in accurate accounting. This requirement also allows organizations to accurately report their outstanding deposit amount and any cash long/short amount on their monthly reports, and makes for clean recordkeeping at the start of each month. These changes establish clear and reasonable procedures and timeframes for handling cash from electronic games and are not controversial. Accountants have told us that they like this proposed rule because it is so much easier to reconcile an organization's records if organizations follow the procedure in the proposed rule.

Point-of-sale (POS) system is hyphenated; the correction is made whenever found in subparts being amended.

The records a POS system is required to produce are clarified so that it is clear which records must be produced at the end of each electronic game occasion. Prizes awarded may differ from prizes redeemed, and that distinction is necessarily explained in the rule.

Further changes in this subpart specify the timeframe for records, change terminology to reflect newly codified definitions necessary for recordkeeping and reporting purposes, and break out the generic term "credits" into electronic net value credits and unredeemed credits. The changes also break out the prizes awarded at premises vs. value of prize contribution, two separate and distinct items (also necessary for tracking).

To keep track of electronic game cash, the rules also require licensed organizations that provide the starting cash bank to track the amount of cash prior to the start of the electronic game occasion, the amount of cash at the conclusion of the electronic game occasion, any amount removed from the cash drawer, and any amount added to the cash drawer. The person who counted, removed, or added the cash must initial or list the person's unique identifying code on the tracking form.

It is reasonable and necessary to require these internal controls to assist organizations with reporting, and to safeguard cash at each point of game play.

7861.0270, subp. 3a (use of electronic bingo devices), references the newly codified definition of electronic bingo device. It specifies that, once a bingo game has begun on an electronic device, no additional bingo faces may be sold for that game—making it consistent with the existing rule for paper bingo games. The provision also prohibits the electronic bingo device from containing any other games or interactive entertainment. The proposed rules also add linked bingo game providers to those authorized to service electronic bingo devices. It is reasonable and necessary to bring electronic bingo games in line with paper bingo regarding prohibiting the sale of bingo faces after a game has started, which speaks directly to integrity of a bingo game being played. It is also reasonable and necessary to prohibit electronic devices from containing games other than those authorized for lawful gambling in Minnesota so that only allowed forms of lawful gambling are contained on those devices. It is necessary and reasonable to authorize linked bingo game providers to service its own devices.

Statute limits the number of electronic devices at a site (Minn. Stat. §§ 349.17, subd. 9; and 349.1721, subd. 4). Because an electronic device may be used to play both electronic pull-tabs and electronic linked bingo, this rule amendment is necessary to ensure that there aren't more devices in play than what statute allows. The device may not be used simultaneously for each, but a player does have the ability to flip back and forth from one type of game to another, using the same credits. For this reason, it is reasonable and necessary to clarify that electronic devices that have the option of using credits for both types of games are thus counted as an electronic linked bingo device and an electronic pull-tab device for device limit purposes.

7861.0270, subp. 4 (hard card and paper bingo programs made available). Because electronic linked bingo programs appear on an electronic device and include player eligibility verification, the program requirements for electronic linked bingo are being given their own subpart (new subpart 4a, below). The changes to subpart 4 are reasonable and necessary to make subpart 4 applicable to only hard card and paper bingo programs, and not to electronic linked bingo programs.

7861.0270, subp. 4a (electronic linked bingo program information), contains requirements for electronic linked bingo programs. Similar to existing requirements for hard card and paper bingo, electronic linked bingo also contains player eligibility verification. There have been instances of a player winning an electronic linked bingo jackpot, only to find out the winner was ineligible to play. It is reasonable and necessary to contain this problem by including player eligibility verification in an electronic program.

7861.0270, subp. 9 (breakopen bingo game), references the definition of electronic bingo device to apply to nonlinked bingo card minders and clarifies that trade-in facsimiles of sealed bingo paper may not be used with electronic bingo devices. It is reasonable and necessary to clarify what is and is not allowed when using sealed bingo paper and facsimiles of sealed bingo paper with each device.

7861.0280, subp. 1 (paper pull-tab restrictions), tightens up security of multiple seal games by prohibiting players from touching a seal or chance ticket display. Players are required to indicate to the seller which seal they select, thus eliminating scenarios where a seller hands the player the flare or chance ticket display allowing the player to handle the flare or chance display to make the selection, only to have the player say they meant a different seal after the results are revealed. It is reasonable and necessary to prohibit a player from touching a flare or chance ticket display so that a player cannot alter the game flare or attempt to partially open multiple windows to find a major winner. This speaks directly to the integrity of games in play.

7861.0280, subp. 6 (operation of progressive paper pull-tab game), clarifies and sets the order for what an organization must do if a progressive jackpot of \$100 or more is won. Rather than requiring payment by check only, an organization would have the option to pay a jackpot winner by check, cash, or a combination of check and cash.

7861.0285, subp. 1 (operation of electronic pull-tab games). Statute limits the number of electronic devices at a site (Minn. Stat. §§ 349.17, subd. 9; and 349.1721, subd. 4). An electronic device may be used to play both electronic pull-tabs and electronic linked bingo. A device may not be used simultaneously for both, but a player does have the ability to flip back and forth from one type of game to another, using the same credits. This rule change eliminates the argument that a device that can count as exclusively an electronic pull-tab device whenever a player isn't playing electronic linked bingo or exclusively as an electronic linked bingo device whenever the player isn't playing electronic pull-tabs. For this reason, it is reasonable and necessary to designate electronic devices that have the option of using credits for both types of games to count as both an electronic linked bingo device and an electronic pull-tab device for device limit purposes.

The requirement for game deposits to be based on total daily activity of all electronic games in play is removed because it is not the accurate procedure for organizations that conduct electronic linked bingo games.

Requirements for progressive electronic pull-tab jackpot prizes of \$600 or more are clarified in part 7861.0285, subpart 3, making it necessary to clarify that these jackpots do not get credited to the device. Unclaimed credits left in an electronic pull-tab device no longer need to be reported as other income because it has proven difficult for organizations to report unclaimed prizes on a separate line as other income. It's extremely unusual for players to accidentally leave unredeemed credits on electronic devices; however, when it has happened, it's reported as cash long. It is necessary and reasonable to change this rule to allow what has been in practice for six years, especially when it assists organizations in proper reporting.

7861.0285, subp. 3 (operation of electronic progressive pull-tab game), adds the requirement that each ticket contribute the same amount to the jackpot. It is reasonable and necessary to require each pull-tab ticket to contribute to a jackpot so that each ticket in a deal is contributing equally to the jackpot, to ensure jackpot integrity.

Similar to prize receipt requirements already in rule, for electronic game winners of \$600 or more a prize verification form signed by the winner is required. The prize verification form includes player eligibility acknowledgment signed by the winner. Already in rule is the provision that a jackpot prize of \$600 or greater is paid by check within four business days of the signed verification form; the new rule allows for jackpot winnings of \$599 or less to be added to the device in the form of credits. Organizations will also now have the option to pay a winner by check, cash, or a combination of check and cash. It is reasonable to allow organizations the flexibility to pay jackpots in a manner that works for them and for their players, and to allow jackpot prizes of less than \$600 to be added as credits on the device, allowing a player to continue to play if they so choose. This amendment allows flexibility while retaining tracking records.

It is reasonable and necessary to add the winner verification requirement for electronic progressive pull-tab prizes, similar to the existing prize receipt requirement. Manufacturers and linked bingo game providers already use prize verification forms for winners. There have been instances of an ineligible player winning an electronic game jackpot, and it is reasonable and necessary to require a player to acknowledge eligibility to eliminate this problem. It is further reasonable to require organizations to provide players with federal and

state tax forms when applicable, and provide the order in which an organization performs the steps necessary to pay a jackpot winner.

7861.0285, subp. 4 (commingled deals in an electronic pull-tab device). Previous language allowing for commingling of electronic pull-tab games was somewhat ambiguous and occasionally questioned by vendors; the rule is being clarified to allow for a currently used commingling method that, while meeting the existing definition of commingling, leaves no question as to its validity. The rule allows the auto close feature for with commingled electronic pull-tab deals. It is reasonable and necessary to further clarify the already-allowed commingling language to remove any question of its use, and to clarify that the auto close feature may be used with these commingled games.

7861.0290, subp. 1 (restrictions). Prohibits scores from professional sporting events from being used to determine winners of non-sports tipboard games. Since statute allows professional sporting event scores to be used to determine winners of only sports tipboards, it is necessary to prohibit those scores from being used to determine winners of regular (non-sports) tipboards.

7861.0290, subp. 1a (sports-themed tipboard prize limits), necessarily provides the maximum prizes allowed for sports tipboards.

7861.0290, subp. 3 (operation of tipboard game). Sports tipboard games are tipboard games, but different. Because of differences between regular tipboard games and sports tipboard games, it is necessary to differentiate between the two. The amendment to this subpart adds specifics applicable to sports tipboard games and amends regular tipboard game language so that regular tipboard games may continue to be played without crossover language from sports tipboards affecting that game play. This is reasonable and necessary so that organizations have clear guidelines on the operation of each type of game.

7861.0290, subp. 4 (operation of progressive tipboard game). Prize receipt requirements already in rule require tipboard winners of \$100 or more to sign a prize receipt form. Amendment to the progressive tipboard game rule clarifies that dollar amount to also apply to progressive tipboard games. It is reasonable to require organizations to provide players with applicable federal and state tax forms, and provide the order in which an organization performs the steps necessary to pay a jackpot winner. The rule will allow an organization to pay a winner by check, cash, or a combination of check and cash, allowing flexibility while retaining tracking records. It is reasonable to allow organizations the flexibility to pay jackpots in a manner that works for them and for their players.

7861.0290, subp. 7 (tipboard records and reports), adds sports tipboard flares to the records that may not be converted or stored electronically. Sports tipboard flares will be different sizes, and will have items hand-written in permanent ink on the front, and potentially the back, of the flare. It is necessary to retain the original sports tipboard flare for game audit purposes.

7861.0295 (sports-themed tipboards) provides the requirements and game conduct for the newly allowed sports tipboards. Following existing rules for regular tipboards, and receiving input from the manufacturers of these games, the rules for sports tipboards specifically provide the following restrictions and allowances.

- References that part 7861.0260 (conduct of lawful gambling restrictions and allowances) applies to sports tipboards.
- Allows the Board to approve additional professional sporting events other than those defined, and to also remove a league or an event if run in such a manner that lacks integrity and therefore does not ensure the event outcome, directly affecting the integrity of sports tipboard games.
- Requires that a sports tipboard be used for only one professional sporting event, prohibits a sports tipboard that has been put into play from being transferred from one site to another, and prohibits the transfer of sports tipboard games in play between a leased booth and bar operation. However, if an organization owns the site, a tipboard game in play may be transferred between its booth and bar operation.
- Prohibits opening or revealing any part of a sports tipboard seal until all chances have been sold, or after any unsold tickets have been secured, and all unused grid squares have been marked "void". A game with seals that are compromised constitutes a voided game, and the steps an organization

- must take to ensure the security of the game are provided in the proposed rule.
- Prohibits the use of a tipboard in an altered or a defaced condition; however, completing the flare in permanent ink as required by rule is not considered "altering".
- Tickets and grid squares must be sold for the price preprinted on the flare.
- Prohibits an organization from redeeming tipboard tickets sold by another organization.
- Prohibits progressive or cumulative sports tipboards.
- Provides flare and house rules requirements for sports tipboards.
- Prescribes how to operate the various sports tipboard games.

Most of the sports tipboard game requirements are based on requirements already in rule for regular tipboard games. However, because the games are played differently, it is necessary to provide specific restrictions and conduct requirements for the newly allowed sports tipboards.

7861.0295, subs. 3 to 6 (operation of sports-themed tipboard games), provides the specific steps on how to conduct sports tipboard games. Subpart 3 provides the steps applicable to the three types of sports tipboards. Subpart 4 provides the conduct requirements for sports tipboard games with tickets but without seals; subpart 5 covers sports tipboard games with tickets and with seals; and subpart 6 applies to sports tipboard games without tickets but with seals. Because each type of game has distinct nuances and requires specific conduct requirements, it is reasonable and necessary to provide the restrictions and allowances for each of these games so that the licensed organizations may lawfully conduct these games.

7861.0300, subp. 7 (use of DVR system for paddlewheels with a paddlewheel table; real-time access), adds the requirement of real-time, read-only remote access of the operation of the paddlewheel table. Under current DVR system requirements in rule, organizations are required to keep the recordings for 90 days. There have been several recent incidences where recordings have been requested for review, only to find that the videos have not been kept for the 90 days and, as a result, citations have been issued to these organizations. This is eliminated by requiring real-time access to the paddlewheel table. Of the 15 organizations that conduct paddlewheels with a table, eight already have real-time access. We polled the remaining seven, asking about cost and why they currently do not use real-time access. The majority of responses were that they "kept what they had" because real-time access "was not required". There will be a cost to the remaining seven licensed organizations that conduct paddlewheel with table games to bring their DVR recording systems into compliance with the real-time access requirement. From information provided by these organizations, the cost should be between \$500 and \$1,000. One organization indicated that real-time remote access involves only an IP address and internet costs, which are minimal. These organizations have expressed a willingness to comply with the upgraded recording systems; not one organization objected. To smooth out the cost, the Board is allowing two years from the effective date of the rules (rather than the usual 180 days) for the DVR systems to come into compliance.

7861.0320, subs. 3 and 4 (gambling bank accounts; expenditures of gambling funds; deposits and transfers of gambling receipts). Gambling money must be kept in a separate account from an organization's general fund money (Minn. Stat. § 349.19, subd. 2). Gambling funds may not be transferred to a general fund account. Two exceptions in statute are emergency expenditures and payment of taxes where organizations are restricted to one electronic fund transfer (ETF) (Minn. Stat. § 349.19, subd. 2, para. (b)). Rule did not allow for an ETF tax payment to an organization's general fund, in effect tying an organization's hands in instances where only one ETF tax payment is allowed. For instance, one ETF tax payment is allowed from the general fund, but some of the taxes come from the gambling fund. The rule is amended to allow organizations to transfer funds from the gambling fund to the general fund so that an organization may make just one ETF for taxes from the general fund. To make the term "emergency expenditure" easier for organizations to find (it is referred to in other parts of the rules), the term is stricken from this subpart and given its own definition (7861.0210, new subp. 15s). It is necessary and reasonable to make ETF tax transfers easier for organizations, and to make the definition of emergency expenditure easier to locate by strike and moving it to the definitions part.

7863.0220, subp. 2 (sale or lease of gambling equipment). The proposed rules provide for a manufacturer's or linked bingo game provider's approved games to be valid for three years (parts 7863.0270, subp. 36, item H; and 7864.0230, subp. 1, item D). If an approved game has not been shipped into Minnesota for sale within 36 months, the game approval is considered abandoned by the manufacturer. If a

distributor has an abandoned game in its inventory, this provision will allow a distributor to sell the game until abandoned-game inventory is depleted. This means a distributor does not have to track its inventory for abandoned games, and it is reasonable to allow a distributor to sell this gambling product.

7863.0220, subp. 4 (return of defective paper pull-tab and tipboard game; return of electronic pull-tab deals; issuing credit invoices). In the event a defective electronic pull-tab game is discovered, the amendment to this subpart requires a distributor to accept the return of said defective electronic pull-tab game. The identical requirement is in existing rules for paper pull-tabs and other lawful gambling equipment. It is necessary to provide consistency to the requirements for defective lawful gambling equipment.

7863.0250, subp. 5 (attachments to linked bingo game provider license application), requires the linked bingo game provider's management plan to list the procedure that will be used for handling ineligible winners. Experience has shown too many instances of an ineligible player winning an electronic linked bingo game jackpot, only to have to inform the "winner" that they were ineligible to play. Steps are being taken to alleviate this problem but, in the event of an ineligible win, it is necessary to require linked bingo game providers to indicate the procedure for handling ineligible winners in its management plan on file with the board.

7863.0260, subp. 1 (board approval; purchase or lease of gambling equipment and linked bingo services), for linked bingo game, allows previously approved electronic linked bingo equipment to come into compliance with new rule requirements within 180 days of the effective date of the rules. The amendment also corrects erroneous references to manufacturers, when this subpart applies only to linked bingo game providers. It is reasonable and necessary to provide a date by which compliance will occur. Because we have been working with the industry on these rules for almost two years, our licensees have had a heads up on future requirements. Most licensees are already complying with the new requirements, and this language allows six months following the rule effective date to come into compliance.

7863.0260, subp. 2a (conduct of linked bingo game), requires a linked bingo game provider to report prize winner verification to the Board within one business day of a jackpot win, listing the jackpot winner's name, address, and phone number. The prize winner verification form must include acknowledgment of the winner's eligibility to play. Because there have been instances of an ineligible player winning an electronic linked bingo game jackpot, it is necessary and reasonable to require a winner to acknowledge eligibility.

7863.0260, subp. 7a (game records and reporting requirements for electronic linked bingo). This subpart lists the items that the Board needs to ensure the integrity of each electronic linked bingo game. The information must be searchable by the Board. By agreement between the Board and currently licensed linked bingo game providers, these records are already being kept by each linked bingo game provider; adding the requirements to rule codifies the agreement. It is both reasonable and necessary to add this requirement to rule to ensure linked bingo game providers, present and future, continue to keep these specific records, which are vital to the integrity of electronic linked bingo game play.

7863.0270, subp. 3a (no simultaneous play), prohibits concurrent electronic pull-tab and electronic linked bingo play on one device. A player may use credits on the device for either, and toggle between electronic pull-tab games and electronic linked bingo games, but may not play both simultaneously. This is necessary because the organization must keep records separate from and specific to each form of lawful gambling.

7863.0270, subp. 5 (secured data transmission), requires data for each linked bingo game provider and manufacturer to be secure, separate from, and inaccessible to other linked bingo game providers and manufacturers. The exception is board-approved shared point-of-sale arrangements. It is necessary and reasonable to keep individual vendors' data separate and secure from, and inaccessible to, each other both for recordkeeping and reporting, and for vendor proprietary purposes.

7863.0270, subp. 6 (changes in software or hardware). Current rule allows the director to approve changes that do not affect the outcome of the game. The rule amendment allows for the director to review changes in electronic game software or hardware that do not affect the outcome of the game, rather than requiring full board approval. As with other gambling equipment, the director will forward the changes to the full board for approval if necessary. Obtaining full Board approval can take several months; director review

takes considerably less time. It is reasonable to speed up the time for software and hardware change approval that do not affect the outcome of games, which in turn diminishes any downtime for a linked bingo game provider's software or hardware, and sales can continue. It is necessary and reasonable to include changes in electronic game software and hardware that do not affect the outcome of a game to obtain director review, and makes the provision consistent with other lawful gambling equipment provisions already in rule.

7863.0270, subp. 8 (application software), requires electronic game software applications to be designed to accommodate assistive technology to assist persons with disabilities. It is reasonable and necessary to require game software to accommodate assistive technology to enable participation in this form of lawful gambling.

7863.0270, subp. 10 (independent verification check), requires Minnesota board-approved electronic games to be identical to the games given to a certified independent testing lab, including user acceptance and quality assurance. User acceptance and quality assurance are two important elements of electronic games, both of which ensure that the games work as expected, and it is reasonable and necessary to require that these components are tested and identical to games approved for sale in Minnesota.

7863.0270, subp. 13 (restricted use), amends language to conform to changes elsewhere in rule removing reference to local server. While local servers are not prohibited, individual components (including local servicers, if used) of an electronic game system from being used as a stand-alone unit—including a local server, if used. It is vital to game integrity at its most basic to clarify that no component may be used separately for any other function not permitted by electronic game rules. It is also necessary to clarify that this restriction applies to the entire game system, not just the device.

This subpart also prohibits any component of an electronic linked bingo system from retaining personal player information, other than that required on a prize verification form. Players clubs are not allowed.

7863.0270, subp. 14 (memory backup), removes reference to local servers and makes grammatical corrections. It is necessary and reasonable to remove specific references to local servers because they are not a required component of electronic game systems.

7863.0270, subp. 18a (animated win determination), provides that electronic linked bingo games may contain animated game win determinations, but prohibits spinning reels and non-straight win lines. It is necessary to correct an oversight from a previous rule promulgation where this prohibition applied only to electronic pull-tab games and should equally apply to electronic linked bingo games.

7863.0270, subp. 19 (game auditing), limits access to and secures the reporting portal, vital to tracking who was in the system when and to eliminate insider information. It is reasonable and necessary to require strict internal controls on the reporting portal to prevent persons from circumventing the system to gain inside information. Language in this subpart also prohibits anyone with reporting portal access from playing electronic bingo games.

7863.0270, subps. 24 and 25 (system access; password/system log-in and log-out requirements), adds volunteers to the list of persons with authorized system access who must be registered with the Board. This change is necessary to track individuals accessing the system.

Access to an electronic system is tightened by requiring users to have both a personal ID code and a personal password. The gambling manager is permitted to authorize system log-in and log-out requirements for additional users. It is reasonable to allow the gambling manager to authorize access to the system and to require the use of personal ID codes and personal passwords by those authorized. It is necessary to tighten security for electronic system access to lessen the chance of unauthorized access and to maintain system integrity.

The language stricken in item A is revised and moved to the beginning of the subpart, and the language in item B is no longer necessary.

7863.0270, subp. 26 (electronic accounting and reporting; record of daily system transactions), allows for and encourages innovation by linked bingo game providers in electronic reporting.

Because reference to local server is being removed from rule, the language in item B is reworded to clarify that the database records must be maintained on the central server. The language also clarifies that the record of daily transactions are maintained in a database, which is current practice and has been since 2012. It is necessary to codify this practice for current and future licensees.

7863.0270, subp. 26a (point-of-sale system requirements). For security, electronic game operators must use a unique identifying code to open a point-of-sale system (POS), and that code must be recorded by the POS. The user list must be available on the portal. For accurate accounting and reporting, the POS must produce data to track sales, prizes, and credits, and a POS system may only include game-related transactions. It is necessary to require secure access to the POS and to be able to track that access by the ID code and user list to ensure integrity of access. The POS is where the game play details are located and it is vital for accurate tracking of sales, prizes, and credits, making this provision necessary. These reporting functions will now be part of the POS system and contained on electronic reports, making it easier for an organization to access this data for their electronic reports. Minimizing paper reporting of information that is already on the POS makes reporting easier and faster for an organization conducting electronic games.

7863.0270, subp. 27 (reporting requirements of electronic accounting system), removes specific reference to the Board. This is necessary because the Department of Revenue must also have access to these reports.

Amendment to this subpart also requires that the active site reports contain the version (or code build number) of the current software of the electronic game system. "Revenue" reports is changed to "Sales" reports so that there is no misinterpreting "Revenue" as the Department of Revenue. For tracking, the sales reports must include the linked bingo game provider's name for all active sites.

Added to the month-end report requirements are details of all games (as opposed to only closed games) conducted at the site, the number of bingo faces sold, prizes paid, net receipts, and the linked bingo game provider fees collected for each electronic linked bingo game. Inventory reports now must also include game tracking, showing the trail from when the game was created to when the game closed. These reporting functions will now be part of the POS system and contained on electronic reports, minimizing paper reporting by the organization.

Real-time game monitoring is clarified, and must be without disruption of the game or knowledge of the seller, for integrity (disruption) and security (no seller knowledge) purposes. These changes are necessary for tracking all components of these games. It is also necessary to report the amount of credits redeemed, and clarity for that point is provided.

We have found that the system user list was incomplete; more individuals have necessary access to the system than was provided in the original rule. Users' unique identifying codes, required elsewhere in rule, is added to this subitem. This is necessary to allow for tracking of who was in the system and when. Reference specific to Gambling Control Board investigator was broadened because there are other investigators who may access the system, who must also have unique identifying codes.

In order for organizations to participate in electronic linked bingo, it is necessary for the linked bingo game provider to invoice the organization each month. This is an integral part of the linked bingo game provider reporting and tracking system, necessary so that organizations know (1) how much they grossed and netted, (2) what were the payout percentage and prizes paid, (3) what were the site-specific prizes, (4) what is the linked bingo game provider's fee, and (5) what line numbers to use to report these amounts on their monthly reports, extremely helpful to the participating organizations.

This subpart also requires the most recent historical electronic data from all lawful gambling sites to be available to the Board for 3-1/2 years; data older than 3-1/2 years must be transferred to the Board. This is necessary when manufacturers and linked bingo game providers terminate licensure; the Gambling Control Board and Department of Revenue may need this historical information for future investigations. Electronic

game information, including game sales and report data, must be searchable by the Board and have the ability to be electronically transmitted to the Board upon demand. This is consistent with current rule wherein gambling records for all forms of lawful gambling are retained for 3-1/2 years.

After having worked with electronic games for the last six years, each of these changes were found to be necessary to further ensure internal controls (reporting, tracking, and auditing) for and integrity of these games.

7863.0270, subp. 28 (electronic game system), changes "a" server (generic) to "the central" server (specific) to make unambiguous reference to central servers. While previous rules did not require local servers, they did refer to them in several subparts, including this one. Because an electronic game system is required to communicate in real time from the central server to the electronic device, the use of a local server is optional (some electronic systems use them and some do not) and therefore, reference in rule is not necessary.

The IEEE 802.11 standards contained in the Wi-Fi Protected Access II (WPA2) authentication protocols were erroneously omitted from this subpart for electronic linked bingo systems in the last rules promulgation, and it is added here to be consistent with other electronics standards in rule. The IEEE 802.11 standards language that tightens game system security, which is being added to electronic pull-tab game systems, is also added here.

7863.0270, subp. 30 (firewall protection), requires separate network paths for linked bingo game providers and manufacturers, which keep data secure, separate from, and inaccessible to other linked bingo game providers and manufacturers, excluding board-approved shared POS arrangements. This is necessary so that there is no commingling of vendor data.

7863.0270, subp. 36 (prior board approval required for electronic gambling equipment; conformance with standards for previously approved electronic gambling equipment; independent laboratory testing required for certain electronic gambling equipment), clarifies that if there are changes to previously approved games, these games must be submitted for review and approval by the Board before sale in Minnesota. Previously, the games were only to be submitted for approval; however, it is necessary for review of these games prior to any recommendation for approval. Also with any changes to electronic games, it is necessary to require the approved version be the only version allowed for sale in Minnesota.

Amendment to this subpart also allows for previously approved electronic devices with power cords to remain in play for 180 days from the effective date of the rules, at which time they must be permanently removed from play. All other previously approved gambling equipment must come into compliance within 180 days of the effective date of the rules. In order to be portable, electronic devices must contain an integrated battery and no cable connection to a power source. There is consensus on the necessity of bringing this equipment into compliance with the rules. Linked bingo game providers have had almost two years of notice, and will have 180 days to come into compliance once the rules are effective.

Defective games that are not immediately corrected are added to the conditions for when the Board shall withdraw approval.

The proposed rules provide for approved linked bingo games to be valid for three years. If an approved game has not been shipped into Minnesota for sale in the last 36 months, the game is considered abandoned by the linked bingo game provider. The linked bingo game providers, manufacturers, and the Board have all agreed to this provision, which makes the database of approved games relevant and manageable. The database goes back to 2002, is cumbersome, is inaccurate and incomplete for early years. This has proven problematic, and necessitates making the database more accurate and less cumbersome. The database contains mainly approved pull-tab games; electronic linked bingo games were non-existent prior to 2012. However, this will apply to electronic linked bingo games from 2012 forward. Vendors already have been providing names of games they wish to keep in the database. This rule is reasonable and necessary to so the database of approved games will be relevant and manageable. It also reduces or eliminates vendor and Board recordkeeping, at a cost savings to both.

Added to the testing by independent testing labs is user acceptance and quality assurance. User-acceptance testing ensures the system and software function exactly as it should (accurate game simulation); a player can rely on the number of winners and prize amounts as conveyed to the public. Quality assurance, similar to user acceptance, ensures that the nuts and bolts of the game work as purported in the bingo program, and that the proposed game version and the version provided to the Board for consideration are identical. User acceptance and quality assurance are two important elements of electronic games, both of which ensure that the games work as expected, and it is reasonable and necessary to require that these components are tested and identical to games approved for sale in Minnesota.

7864.0230, subp. 1 (prior board approval required for paper pull-tab games, tipboard games, promotional paper pull-tab or tipboard tickets, raffle boards, and bingo boards; conformance with standards for previously approved games). This amendment is similar to the requirement for electronic linked bingo game approvals valid for 36 months after the game was last shipped into Minnesota (see part 7863.0270, subp. 36, above), but applies to paper pull-tab and tipboard games. The necessity for the rule is identical: The database goes back to 2002, is cumbersome, is inaccurate and is incomplete for early years. This has proven extremely problematic when tracking down an older previously approved game, and necessitates making the database more accurate and less cumbersome. Over 95% of approved games are limited production runs, "one and done" games, or current event themes. Printing technology (quality/trends/redesigns) usually necessitates game upgrades anyway; this provision will remove the older, obsolete games. Vendors already have been providing names of games they wish to keep in the database. Again, with this rule in place, the database of approved games will be relevant and manageable, and reduces or eliminates vendor and Board recordkeeping, at a savings to both.

New item F requires that any changes to the payout structure or ticket count for any approved game necessitates a new game form number and submission for review and approval prior to the game being offered for sale in Minnesota. Only approved versions of gambling equipment may be sold in Minnesota. This requirement is necessary and reasonable because it prohibits previously approved games that contain subsequent changes from being sold in Minnesota before the changes are reviewed for compliance with standards.

7864.0230, subp. 1a (manufacturing standards for paper pull-tab and tipboard ticket information), adds the new sports tipboard tickets to the manufacturing standards for pull-tabs and traditional tipboard ticket information. This is necessary because sports tipboard tickets are not identical to traditional tipboard tickets, yet they must conform to production standards regarding the information appearing on the tickets.

Because sports tipboards are tax-exempt, this subpart also requires the letters "XB" to be used in front of the game's form number on sports tipboard tickets, and prohibits the use of "XB" in the form numbers for pull-tabs and traditional tipboard tickets, which are not tax-exempt. It is necessary to make this distinction for tax reporting and collecting purposes. This change is beneficial to the Department of Revenue in determining tax status of games, and Revenue is in agreement with this amendment.

This subpart also clarifies a rule that went into effect in 2016 regarding multiple chance paper pull-tab games by requiring a qualifying winning ticket to contain the preprinted seal number to be opened, and requiring a space for a player to indicate the chosen seal number and initials. These additional requirements for multiple chance games leave little chance for tampering, and are necessary to ensure the integrity of the game.

The term "qualifying winning tickets" is clarified to apply to qualifying winning tickets used with chance ticket displays. It is necessary to distinguish the difference because there are "qualifying winning tickets" in games other than those used with chance ticket displays, and this subpart applies to those qualifying winning tickets in games using chance ticket displays.

7864.0230, subp. 1b (Manufacturing standards for design and manufacture of paper pull-tab and tipboard tickets). Pull-tab and regular tipboard tickets are not permitted to leave a lawful gambling site; if they do, they cannot be redeemed. However, sports tipboard games are different than pull-tab or regular tipboard games in that they are based on the outcome of a professional sporting event, and tickets are sold days, or maybe weeks, prior to the professional sporting event. This necessitates allowing sports tipboard

tickets to leave a site. To eliminate the potential for ticket resale, it is necessary to require that sports tipboard tickets state "Not for resale".

7864.0230, subp. 1c (Manufacturing standards for packaging of paper pull-tab and tipboard tickets).

While some types of progressive and cumulative games are allowed, progressive or cumulative sports tipboards are not allowed. Because of this, it is necessary to prohibit the packaging of these games as progressive or cumulative packaged games.

7864.0230, subp. 1d (manufacturing standards for paper pull-tab and tipboard flares, and sports-themed tipboard flares), makes the flare manufacturing standards also apply to the new sports tipboard games, along with the flare requirements contained in statute. The unique form number on the flare must contain the letters "XB" in front of the sports tipboard game's form number to distinguish the game's tax-exempt status. The prize amounts for sports tipboard games must be predetermined and preprinted on the sports tipboard flare, and the flare must state that only sellers may open the game seals. Reference to "operators" is replaced with "organization employees or volunteers", for clarity. Reference to "Indian" is replaced with "Native American".

Sports tipboard flares with seals are required to contain a grid for players' names. The standards for sports tipboard flares and grids of this type of game are added to this subpart; there must be enough room for an organization to add, in permanent ink, the details of the professional sporting event on which the game is based, players' names, prize structure and amounts, and how a winner is determined. The flare must also contain a statement that winning tickets must be redeemed within seven calendar days of the conclusion of the professional sporting event, as outlined in the game conduct part. There are other requirements unique to sports tipboard flares that are contained in these standards, all of which are necessary to ensure the integrity and ease of play for both the organization and the player, while maintaining appropriate regulation.

7864.0230, subp. 1h (manufacturing standards for promotional paper pull-tab and promotional tipboard flares). Standards for flares for each type of pull-tab game is provided in current rules, except for promotional paper flares. It is necessary to provide standards for this type of flare, and amendment to this subpart provides those standards.

7864.0230, subp. 6 (manufacturing standards for electronic bingo devices). Minnesota Statutes, section 349.13, prohibits an electronic game device from being a slot machine. Amendment to this subpart provides that electronic bingo devices may contain animated game win determinations, but they must not contain slot-machine-like spinning reels, non-straight win lines, or the use of tickets, tokens, coins, currency, or other cash equivalent to be inserted to activate play. Linked bingo game providers have had almost two years of notice that game win determinations approved prior to the effective date of these rules must come into compliance within 180 days of the effective date of the rules.

While there is no statutory definition of slot machine, the proposed rule language necessarily tightens the restriction on electronic devices by specifically prohibiting spinning reels or other representations that typically mimic a "slot machine". Reference to a less clear definition of mimicking a video game of chance is stricken in favor of the more stringent proposed rule. This language is both reasonable and necessary in order to restrict an electronic game device from being perceived as a slot machine.

7864.0230, subp. 9a (manufacturing standards for electronic paddlewheels), removes reference to local server for electronic paddlewheel systems. Local servers, while previously allowed, are not a required component of an electronic game system. For subpart 9a, reference to local server is stricken. There are no electronic paddlewheels currently approved or submitted for approval in Minnesota, but it is necessary to tighten up this language not only to be consistent but for in the event an electronic paddlewheel is submitted for future approval.

7864.0230, subp. 11 (prior board approval of all gambling equipment required; independent testing required for certain gambling equipment), clarifies that if there are changes to previously approved games, these games must be submitted to review and approval by the Board before sale in Minnesota. Previously, the games were only to be submitted for approval; however, it is necessary for review of these games prior to any recommendation for approval.

For games approved by production copies, the Board no longer requires the manufacturer to attach a flare for any of the game's family members. These extra flares are not necessary to certify conformance with the previously approved production copies, and elimination of this requirement relieves manufacturers of an unneeded step and also relieves the Board of archiving unnecessary flares.

7864.0235, subp. 3 (electronic pull-tab flare required features). Language is added to electronic pull-tab flare requirements to provide for electronic progressive game flares. Electronic progressive pull-tab games are played differently than regular electronic pull-tab games, so players need to be aware of how to play electronic progressive games, the number of deals contained in the game, the progressive jackpot prize, and other important game information. It is necessary to include this information for players on electronic progressive pull-tab game flares.

Players also need to know that a game may close at any time; this notification requirement pertains to all electronic pull-tab games, and is appropriately included in these progressive electronic pull-tab flare requirements. No game status information, or criteria used to determine when a game will be closed, may be posted on the flare. A player may falsely rely on such information to presumably provide some kind of advantage when playing electronic pull-tabs. However, if a game is preprogrammed to automatically close, a statement may be posted that a major prize remains. The date that the game was placed into play may be provided on the game flare. Providing the date a game was put into play may provide the player with a "perceived edge", but it does not. It would only be an issue if combined with other information, which is prohibited, that would allow a player to hypothesize about which prizes remain available. It is reasonable to allow the date a game was placed into play for player interest and enthusiasm for the game. This is much like the allowance for paper pull-tab games where prizes may or may not be crossed off a public placard, or where a player can visually see if a box of pull-tabs is full or is getting low.

The misspelled word "denomination" is corrected in item A, subitem (5).

7864.0235, subp. 4 (electronic pull-tab ticket required features), requires the quantity of bonus plays to be on an electronic pull-tab ticket, and requires bonus symbols to be connected to a straight-line win in order to trigger bonus play. This necessarily eliminates a perceived appearance of a slot machine. It is also necessary to clarify that qualifying bonus and free play symbols are considered winning ticket symbols, regardless of the outcome of those bonus and free play symbols. (The bonus and free play symbols are not required to be winners.) These clarifications are reasonable and necessary to avoid player confusion.

7864.0235, subp. 5b (no simultaneous play), is virtually identical to electronic linked bingo language in part 7863.0270, subpart 3a, but applicable to electronic pull-tabs. The language in subpart 5b prohibits concurrent electronic pull-tab and electronic linked bingo play on one device. A player may use credits on the device for either, and toggle between electronic pull-tab games and electronic linked bingo games, but may not play both simultaneously. This is necessary because the organization must keep records separate from and specific to each form of lawful gambling.

7864.0235, subp. 5c (electronic progressive pull-tab game features), specifies the required features of an electronic progressive pull-tab game. These features are necessary ensure the integrity of electronic progressive pull-tab games by providing deal requirements, requiring random distribution, requiring each ticket or deal to contribute equal amounts to the progressive jackpot, setting prize payout limits, and prohibiting commingling of progressive electronic pull-tab deals.

7864.0235, subp. 6 (application software), is virtually identical to electronic linked bingo game language in part 7863.0270, subpart 8, but applicable to electronic pull-tabs. The provision requires electronic game software applications to be designed to accommodate assistive technology to assist persons with disabilities. It is reasonable and necessary to require game software to accommodate assistive technology to enable participation in this form of lawful gambling.

7864.0235, subp. 7 (changes in software or hardware), is virtually identical to electronic linked bingo game language in part 7863.0270, subpart 6, but applicable to electronic pull-tabs. Current rule allows the director to approve changes that do not affect the outcome of the game. The rule amendment allows for the

director to review changes in electronic game software or hardware that do not affect the outcome of the game, rather than requiring full board approval. As with other gambling equipment, the director will forward the changes to the full board for approval if necessary. Obtaining full Board approval can take several months; director review takes considerably less time. It is reasonable to speed up the time for software and hardware change approval, that do not affect the outcome of games, which in turn diminishes any downtime for a manufacturer's software or hardware, and sales can continue. It is necessary and reasonable to include changes in electronic game software and hardware that do not affect the outcome of a game to obtain director review, and makes the provision consistent with other lawful gambling equipment provisions already in rule.

7864.0235, subp. 7a (same version; updates), requires a manufacturer's software and system version to be identical at all lawful gambling sites. It is not only necessary but imperative to maintaining game integrity that each site conducting electronic pull-tab games have the identical software and version.

7864.0235, subp. 9 (secured data transmission), is virtually identical to electronic linked bingo game language in part 7863.0270, subpart 5, but applicable to electronic pull-tabs. The provision requires data for each linked bingo game provider and manufacturer to be secure, separate from, and inaccessible to other linked bingo game providers and manufacturers. The exception is board-approved shared point-of-sale arrangements. It is necessary and reasonable to keep individual vendors' data separate and secure from, and inaccessible to, each other both for recordkeeping and reporting, and for vendor proprietary purposes.

7864.0235, subp. 12 (independent verification check), adds user-acceptance testing and quality assurance required by part 7864.0235, subpart 38, to the items to be included in the independent laboratory testing/verification check (similar to electronic linked bingo requirements in part 7863.0270, subpart 10). User acceptance and quality assurance are two important elements of electronic games, both of which ensure that the games work as expected, and it is reasonable and necessary to require that these components are tested and identical to games approved for sale in Minnesota.

7864.0235, subp. 15 (restricted use), is virtually identical to electronic linked bingo language in part 7863.0270, subpart 13, but applicable to electronic pull-tabs. The provision amends language to conform to changes elsewhere in rule removing reference to local server. While local servers are not prohibited, individual components (including local servicers, if used) of an electronic game system from being used as a stand-alone unit—including a local server, if used. It is vital to game integrity at its most basic to clarify that no component may be used separately for any other function not permitted by electronic game rules. It is also necessary to clarify that this restriction applies to the entire game system, not just the device.

This subpart also prohibits any component of an electronic pull-tab game system from retaining personal player information, other than that required on a prize verification form. Players clubs are not allowed.

7864.0235, subp. 16 (memory backup), is virtually identical to electronic linked bingo language in part 7863.0270, subpart 14, but applicable to electronic pull-tabs. The provision removes reference to local servers and makes grammatical corrections. It is necessary and reasonable to remove specific references to local servers because they are not a required component of electronic game systems.

7864.0235, subp. 18 (game information), clarifies that required data is maintained on the electronic game itself, and not on the device. The term "overall" is corrected by replacing it with the term "ideal" to conform to language in *Minnesota Statutes*, section 349.2133. An electronic pull-tab game must include on flare information all possible outcomes of bonus games, and a total for the entire game, not just a bonus game, for instance. It is necessary and reasonable to provide the player with game play information.

No information on the details or status of a game in play or criteria used to determine when a game will be closed may be posted on the flare. It is necessary to prohibit these details and criteria so that a player does not falsely rely on such information to presumably provide some kind of advantage when playing electronic pull-tabs. However, if a game is preprogrammed to automatically close, a statement may be posted that the game contains an automatic game close feature so that a player is aware of a game potentially closing.

Minnesota Statutes, section 349.13, prohibits an electronic game device from being a slot machine.

Amendment to this subpart provides that electronic pull-tab games may contain animated game win determinations, but they must not contain slot-machine-like spinning reels or non-straight win lines. It is necessary to provide restrictions to avoid an electronic game device from being perceived as a slot machine.

7864.0235, subp. 22 (game auditing), is similar to electronic linked bingo language in part 7863.0270, subpart 19, but applicable to electronic pull-tabs. The provision limits access to and secures the reporting portal, vital to tracking who was in the system when and to eliminate insider information. It is reasonable and necessary to require strict internal controls on the reporting portal to prevent persons from circumventing the system to gain inside information.

This subpart is also amended to require a game to immediately terminate if a manual audit or other game determination by anyone other than the organization's gambling manager is conducted while a game is in play. The gambling manager may choose an automatic game close feature, and those parameters must be chosen prior to play and not changed once the game is in play. This is necessary to prevent game manipulation during the course of play and because it gives real-time inside information that could compromise the integrity of the game. When the automatic game-close criteria are selected, the gambling manager may not access finite game details or any game-determining factors for games in play. The gambling manager is allowed to close the game at any time, identical to paper pull-tab games.

Terms specific only to this subpart are defined for clarity and specificity in reading this subpart. It is reasonable and necessary to provide these subpart-specific definitions for ease of use by the gambling manager when applying a game audit or manual or automatic game close.

7864.0235, subps. 27 and 28 (system access; password/system log-in and log-out requirements), are virtually identical to electronic linked bingo language in 7863.0270, subparts 24 and 25, but applicable to electronic pull-tabs. The provision adds volunteers to the list of persons with authorized system access who must be registered with the Board. This change is necessary to track individuals accessing the system.

Access to an electronic system is tightened by requiring users to have both a personal ID code and a personal password. The gambling manager is permitted to authorize system log-in and log-out requirements for additional users. It is reasonable to allow the gambling manager to authorize access to the system and to require the use of personal ID codes and personal passwords by those authorized. It is necessary to tighten security for electronic system access to lessen the chance of unauthorized access and to maintain system integrity.

The language stricken in item A is revised and moved to the beginning of the subpart, and the language in item B is no longer necessary.

7864.0235, subp. 29 (time signature), requires the game system and the central server to have identical time signatures. This is necessary for accurate gambling operations, tracking, recordkeeping, and activity during the statutory business hour confines. Ensuring all components have an identical time signature is necessary to basic integrity of the electronic system.

7864.0235, subp. 30 (electronic accounting and reporting; record of daily system transactions), virtually identical to electronic linked bingo language in part 7863.0270, subpart 26, but applicable to electronic pull-tabs, allows for and encourages innovation by manufacturers in electronic reporting.

Because reference to local server is being removed from rule, the language in item B is reworded to clarify that the database records must be maintained on the central server. The language also clarifies that the record of daily transactions are maintained in a database, which is current practice and has been since 2012.

7864.0235, subp. 30a (point-of-sale system requirements), is identical to electronic linked bingo language in part 7863.0270, subpart 26a, but applicable to electronic pull-tabs. For security, electronic game operators must use a unique identifying code to open a point-of-sale system (POS), and that code must be recorded by the POS. The user list must be available on the portal. The POS must produce data to track sales, prizes, and credits, and a POS system may only include game-related transactions. It is necessary to require secure access to the POS and to be able to track that access by the ID code and user list. The POS

is where the game play details are located, and this is vital for accurate tracking of sales, prizes, and credits. These reporting functions will now be part of the POS system and contained on electronic reports, making it easier for an organization to access this data for their electronic reporting. Minimizing paper reporting of information that is already on the POS makes reporting easier and faster for an organization conducting electronic games.

7864.0235, subp. 31 (reporting requirements of electronic accounting system), is virtually identical to electronic linked bingo language in part 7863.0270, subpart 27. Like electronic linked bingo reporting, this provision removes specific reference to the Board. This is necessary because the Department of Revenue must also have access to these reports. It is necessary for the active site reports to be up to date to enable accurate real-time tracking.

Amendment to this subpart also requires that the active site reports contain the version (or code build number) of the current software of the electronic game system. "Revenue" reports is changed to "Sales" reports so that there is no misinterpreting "Revenue" as the Department of Revenue. For tracking, the sales reports must include the also include the licensed distributor's name for all active sites. Added to the month-end report requirements are the cumulative net receipts available for deposit (necessary for tracking cash), and the number of tickets sold, prizes paid, and net receipts (also necessary for tracking and balancing game specifics).

Inventory reports now must also include game tracking, showing the trail from when the game was created to when the game closed. Real-time game monitoring is clarified, and must be without disruption of the game or knowledge of the seller, for integrity (disruption) and security (no seller knowledge) purposes. These changes are necessary for tracking all components of these games. Devices may be redeemed, but it is also necessary to report the amount of credits redeemed, and clarity for that point is provided.

We have found that the system user list was incomplete; more individuals have necessary access to the system than was provided in the original rule. Users' unique identifying codes, required elsewhere in rule, is added to this subitem. This is necessary to allow for tracking of who was in the system and when. Reference specific to Gambling Control Board investigator was broadened because there are other investigators who may access the system, who must also have unique identifying codes.

For recordkeeping and reporting purposes, it is necessary for the distributor of a manufacturer's game to invoice the organization each month. This is an integral part of the reporting and tracking system, necessary so that organizations know (1) how much they grossed and netted, (2) what were the payout percentage and prizes paid, (3) what were the site-specific prizes, (4) what is the manufacturer's fee, and (5) what line numbers to use to report these amounts on their monthly reports, extremely helpful to the participating organizations.

This subpart also requires the most recent historical electronic data from all lawful gambling sites to be available to the Board for 3-1/2 years; data older than 3-1/2 years must be transferred to the Board. Electronic game information, including game sales and report data, must be searchable by the Board and have the ability to be electronically transmitted to the Board upon demand. This is consistent with current rule where gambling records for all forms of lawful gambling are retained for 3-1/2 years.

After having worked with electronic games for the last six years, each of these changes were found to be necessary to further ensure internal controls (reporting, tracking, and auditing) for and integrity of these games.

7864.0235, subp. 34 (electronic game system), is virtually identical to electronic linked bingo part 7863.0270, subpart 28, changing "a" server (generic) to "the central" server (specific) to make unambiguous reference to central servers. While previous rules did not require local servers, they did refer to them in several subparts, including this one. Because an electronic game system is required to communicate in real time from the central server to the electronic device, the use of a local server is optional (some electronic systems use them and some do not) and therefore, reference in rule is not necessary.

The IEEE 802.11 standards contained in the Wi-Fi Protected Access II (WPA2) authentication protocols were

erroneously omitted from this subpart for electronic linked bingo systems in the last rules promulgation, and it is added here to be consistent with other electronics standards in rule. The IEEE 802.11 standards language that tightens game system security, which is being added to electronic pull-tab game systems, is also added here.

7864.0235, subp. 36 (firewall protection), is virtually identical to electronic linked bingo part 7863.0270, subpart 30, and requires separate network paths for linked bingo game providers and manufacturers, which keep data secure, separate from, and inaccessible to other linked bingo game providers and manufacturers, excluding board-approved shared POS arrangements. This is necessary so that there is no commingling of vendor data.

7864.0235, subp. 38 (prior board approval required for electronic gambling equipment; conformance with standards for previously approved electronic gambling equipment; independent laboratory testing required for certain electronic gambling equipment), is similar to electronic linked bingo part 7863.0270, subpart 36, and clarifies that if there are changes to previously approved games, these games must be submitted for review and approval by the Board before sale in Minnesota. Previously, the games were only to be submitted for approval; however, it is necessary for review of these games prior to any recommendation for approval. Also with any changes to electronic games, it is necessary to require the approved version be the only version allowed for sale in Minnesota.

Amendment to this subpart also allows for previously approved electronic devices with power cords to remain in play for 180 days from the effective date of the rules, at which time they must be permanently removed from play. All other previously approved gambling equipment must come into compliance within 180 days of the effective date of the rules. The manufacturer of this particular device understands that in order to be portable, electronic devices must contain an integrated battery and no cable connection to a power source. There is consensus on the necessity of bringing this equipment into compliance with the rules. Manufacturers have had almost two years of notice, and will have 180 days to come into compliance once the rules are effective.

Defective games that are not immediately corrected are added to the conditions for when the Board shall withdraw approval.

The proposed rules provide for approved pull-tab games to be valid for 36 months. If an approved game has not been shipped into Minnesota for sale in the last 36 months, the game approval is considered abandoned by the manufacturer.

This change will make the game database manageable. The database goes back to 2002, is cumbersome, is inaccurate and incomplete for early years. This has proven problematic, and necessitates making the database more accurate and less cumbersome. Over 95% of approved games are limited production runs, "one and done" games, or current event themes. Printing technology (quality/trends/animation/redesigns) usually necessitates game upgrades anyway; this provision will remove the older, obsolete games. Manufacturers already have been providing names of games they wish to keep in the database. With this rule in place, the database of approved games will be relevant and manageable, and reduces or eliminates manufacturer and Board recordkeeping, at a cost savings to both.

Added to the testing by independent testing labs is user acceptance and quality assurance. User-acceptance testing ensures the system and software function exactly as it should (accurate game simulation); a player can rely on the number of winners and prize amounts as conveyed to the public. Quality assurance, similar to user acceptance, ensures that the nuts and bolts of the game work as purported, and that the proposed game version and the version provided to the Board for consideration are identical. User acceptance and quality assurance are two important elements of electronic games, both of which ensure that the games work as expected, and it is reasonable and necessary to require that these components are tested and identical to games approved for sale in Minnesota.

7864.0240, subp. 4 (return of paper pull-tab and tipboard games, raffle boards, or bingo boards; return of electronic pull-tab deals; determination of defective game; credit invoice issued), clarifies the steps a manufacturer must take if a defective electronic pull-tab deal is found, and requires a manufacturer to

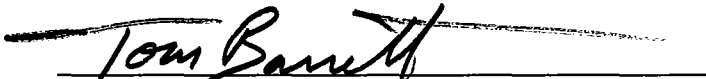
accept the return of unplayed electronic pull-tab deals. This is necessary to ensure appropriate invoicing and tracking of defective games.

Repealed:

7861.0210, subp. 33a (local server), is being repealed because the use of a local server is not required for an electronic gaming system. System protections and security are in place whether a manufacturer chooses to use a local server as part of its system or not. It is reasonable to repeal the definition of an electronic component that is not required or necessary for electronic game systems.

Conclusion. For all of these reasons, the Minnesota Gambling Control Board has the statutory authority to promulgate the proposed rules and has demonstrated, through an affirmative presentation of facts, the need and reasonableness for each rule.

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Tom Barrett, Executive Director
Minnesota Gambling Control Board