Revisor's ID Number: R-04966

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Type of Rulemaking Authority: (mark one)

Chapter 14: ☒ Permanent (full process) ☐ Exempt Permanent ☐ Expedited Permanent

Game & fish laws: ☐ Exempt Permanent Fisheries ☐ Expedited Emergency Game and Fish

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Rule title: Modernization of Gambling Control Board's Approach and Transparency Relating to Organization's Fund Losses and Profit Carryover Requests

Chapter number(s): Minnesota Rules Chapter 7861.0320, Subps. 5 and 9.

Describe the need for the rule and provide background information: First and foremost, a "fund loss" refers to when an organization incurs a shortfall of inventory or cash commonly attributable to theft or fraudulent activity. In such instances, the organization is required to reimburse its gambling account using non-gambling funds (i.e. from the organization's general fund) unless the Gambling Control Board approves a request for a "profit carryover adjustment". If approved by the Board, the organization would no longer need to make such a reimbursement to its gambling account under Minnesota law.

The existing rule in place governing organizational fund losses – Minn. R. 7861.0320, Subp. 9 – generally concerns two processes. First the existing rule establishes what an organization must do when it incurs a fund loss. Second, the existing rule establishes what the Gambling Control Board must consider in evaluating a request for profit carryover adjustment stemming from the fund loss. The existing rule provides extensive discretion to the Board to deny profit carryover adjustment requests.

The proposed changes to this rule will aim to: 1) provide greater transparency to organizations as to why the Board approved or denied its profit carryover adjustment requests, and 2) limit the punitive effect of fund losses on organizations when possible.

Agency impact: The likely outcome of this proposed rule change will be a slight limiting of the discretion of the Board to deny profit carryover requests if an organization meets certain express requirements set out by the rule and/or a possible cap on the amount an organization would have to reimburse.

Additionally, organizations will likely have more readily available access to the reasoning used by investigators to either recommend approvals or denials to the Board. This would not limit the Board's authority to pursue corrective action outside of the fund loss process.

If Exempt or Expedited rulemaking process is being used, please explain why:

N/A

Rulemaking authority and other relevant statutes:

Authority to adopt the rules: Minn. Stat. § 349.151, Subd. 13.

Authority to adopt the rules using expedited or exempt process: N/A

Fiscal impact for agency:

☐ Yes ☒ No ☐ Undetermined