

## **S.F. No. 746 – Lawful gambling expenditure restrictions for organizations modification**

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S.F. 746 makes changes to the way organizations that are licensed to conduct charitable gambling are evaluated with regard to their application of the proceeds from lawful gambling.

### **Background**

Current law requires an annual evaluation of organizations that are licensed to conduct charitable gambling with regard to their application of proceeds from lawful gambling. Statute specifies a calculated measurement to be used for this evaluation. If the calculated measure is below a certain threshold, the organization is placed on probation; if that organization fails to reach the minimum threshold in the following year, the board of gambling control may suspend the organization's license or impose a civil penalty.

Further, the measurement is used in a star rating system. Based on the calculated measurement, the board of gambling control annually awards zero to five stars to each organization that is licensed to conduct lawful gambling. The board publishes the star ratings, providing the public with information about the degree to which each organization applies the proceeds from lawful gambling on charitable contributions and other lawful uses.

Under current law, the measure used for the evaluation and the star-rating system is the percent of gross profits that are spent on lawful purposes:

$$M = \text{Amount spent on lawful purposes} / \text{Gross profits (expressed as a percent)}$$

### **S.F. No. 746**

S.F. No. 746 changes this measure to a ratio of lawful purpose expenditures to allowable expenses:

$$M = \text{Amount spent on lawful purposes} / \text{Amount spent on allowable expenses.}$$

Section 1 modifies the thresholds for each star rating.

In addition, section 1 excludes two categories of the twenty-six “lawful purposes” expenditures listed in statute. These two categories include certain local, state, and federal taxes and fees.

Finally, this section limits the consequences for a low measurement to organizations with gross receipts from lawful gambling of more than \$750,000 in a fiscal year.