

HOUSE BILL No. 2415

By Representatives Yonally, Ballard, Burroughs, Cox, Crow, Flora, Gattewood, Grant, Henderson, Henry, Holland, Horst, Huff, Humerickhouse, Kirk, Lane, Long, Novascone, Owens, Peterson, Phelps, Ruff, Ruiz, Sawyer, B. Sharp, Showalter, Storm, Svaty, Winn and Yoder

2-9

12 AN ACT concerning lotteries; enacting the Kansas expanded lottery act;
13 authorizing operation of destination casinos, electronic gaming ma-
14 chines, video lottery terminals and other lottery games at certain lo-
15 cations; prohibiting certain acts and providing penalties for violations;
16 amending K.S.A. 74-8702, 74-8705, 74-8710, 74-8723 and 74-8830 and
17 K.S.A. 2004 Supp. 19-101a and 74-8711 and repealing the existing
18 sections; also repealing K.S.A. 2004 Supp. 19-101k.

19

20 *Be it enacted by the Legislature of the State of Kansas:*

21

KANSAS EXPANDED LOTTERY ACT

22

New Section 1. (a) Sections 1 through 35, and amendments thereto,
23 shall be known and may be cited as the Kansas expanded lottery act and
24 shall be part of and supplemental to the Kansas lottery act.

25

(b) If any provision of this act or the application thereof to any person
26 or circumstance is held invalid, the invalidity shall not affect any other
27 provision or application of the act which can be given effect without the
28 invalid provision or application.

29

DESTINATION CASINOS

30

New Sec. 2. As used in this act, unless the context otherwise
31 requires:

32

(a) "Accelerated destination casino net payment" means the ad-
33 vanced payment to the state treasurer of a portion of the state's future
34 share of destination casino net revenues pursuant to the final manage-
35 ment contract between the executive director and a destination casino
36 manager for the construction of a destination casino pursuant to the Kan-
37 sas expanded lottery act.

38

(b) "Ancillary destination enterprise operations" means a service, fa-
39 cility, or operation, such as a restaurant, hotel, entertainment venue, or
40 meeting space that is part of a destination enterprise and is likely to attract
41 or retain consumers at a destination enterprise and its related destination
42 casino.

43

(c) "Certificate of authority" means the executive director's written

- 1 authorization issued pursuant to section 3, and amendments thereto, for
2 a developer to propose development of a destination casino and submit
3 a qualified proposal for such development to the commission.
- 4 (d) "Destination casino" means a gaming operation which is owned
5 and operated by the state of Kansas, approved by the commission and
6 managed by the destination casino manager, pursuant to a contract with
7 the Kansas lottery and which is designed as part of a destination enterprise
8 to attract gaming consumers from outside its immediate area.
- 9 (e) "Destination casino expenses" means the normal business ex-
10 penses, as defined in the destination casino management contract pur-
11 suant to generally accepted accounting principles (GAAP), associated with
12 the development, ownership and operation of a destination casino. Des-
13 tination casino expenses also shall include: (A) Payments to any county
14 or city pursuant to the destination casino management contract; (B) pay-
15 ments to the gaming act oversight fund pursuant to such management
16 contract; and (C) payments to the problem gambling grant fund pursuant
17 to the management contract.
- 18 (f) "Destination casino games" means electronic gaming machine
19 games and any other games which, as of May 1, 2004, are authorized to
20 be conducted or operated at a tribal gaming facility, as defined in K.S.A.
21 74-9802, and amendments thereto, located within the exterior boundaries
22 of this state.
- 23 (g) "Destination casino management contract" means a contract, sub-
24 contract or collateral agreement between the state and the destination
25 casino manager, negotiated and signed by the executive director.
- 26 (h) "Destination casino manager" means a person authorized, pur-
27 suant to a destination casino management contract with the Kansas lot-
28 tery, to develop, construct and manage a destination casino.
- 29 (i) "Destination casino net revenues" means the balance of destina-
30 tion casino revenues remaining after deducting destination casino
31 expenses.
- 32 (j) "Destination casino revenues" mean the total revenues from des-
33 tination casino games at a destination casino after all related prizes are
34 paid.
- 35 (k) "Destination development zone" means one of the following
36 zones where one or more destination casinos may be operated pursuant
37 to this act as a part of an overall strategy of creating regional tourism
38 destinations to enhance the local and state economy through increased
39 tourism opportunities:
- 40 (1) The northeast Kansas development zone, which consists of Wy-
41 andotte county;
- 42 (2) the southeast Kansas development zone, which consists of Craw-
43 ford and Cherokee counties; or

1 (3) the south central Kansas development zone, which consists of
2 Sedgwick county.

3 (l) "Destination enterprise" means an entertainment enterprise
4 which includes a destination casino authorized pursuant to the Kansas
5 expanded lottery act and ancillary destination enterprise operations that
6 have a common business or marketing strategy. A destination enterprise
7 shall be designed to attract to its destination casino gaming consumers
8 from outside its immediate area.

9 (m) "Electronic gaming machine" means any electronic, electromechanical,
10 video or computerized device, contrivance or machine authorized
11 by the Kansas lottery which, upon insertion of cash, tokens, electronic
12 cards or any consideration, is available to play, operate or simulate the
13 play of a game authorized by the Kansas lottery pursuant to the Kansas
14 expanded lottery act, including, but not limited to, bingo, poker, black-
15 jack, keno and slot machines, and which may deliver or entitle the player
16 operating the machine to receive cash, tokens, merchandise or credits
17 that may be redeemed for cash. Electronic gaming machines may use bill
18 validators and may be single-position reel-type, single or multi-game
19 video and single-position multi-game video electronic game, including but
20 not limited to, poker, blackjack and slot machines. Electronic gaming
21 machines shall be directly linked to a central computer at a location de-
22 termined by the executive director for purposes of security, monitoring
23 and auditing. Electronic gaming machines may be connected to the cen-
24 tral video lottery terminal computer system.

25 (n) "Parimutuel licensee" means a facility owner licensee or facility
26 manager licensee under the Kansas parimutuel racing act.

27 (o) "Parimutuel licensee location" means the racetrack facility, as de-
28 fined in K.S.A. 74-8802, and amendments thereto, owned or managed by
29 the parimutuel licensee. A parimutuel licensee location may include any
30 existing structure at such racetrack facility or any structure that may be
31 constructed on real estate where such racetrack facility is located.

32 (p) "Technology provider" means any person or entity, other than a
33 destination casino manager, that designs, manufactures, installs, operates,
34 distributes, supplies or replaces an electronic gaming machine for sale,
35 lease or use in accordance with this act.

36 (q) "Temporary destination casino" means a gaming operation with
37 destination casino games which is owned and operated by the state of
38 Kansas, approved by the commission and managed by the destination
39 casino manager pursuant to a contract with the Kansas lottery and which
40 is located on the construction site of a destination casino. A temporary
41 destination casino facility shall not operate for a period of more than two
42 years from the date of execution of the destination casino management
43 contract.

1 New Sec. 3. (a) Upon application, the executive director may issue
2 a certificate of authority authorizing a developer to propose development
3 of a destination casino and submit a qualified proposal for such devel-
4 opment to the commission. A certificate of authority shall be issued after
5 successful completion of appropriate background checks and a finding
6 that the developer has sufficient experience and financial capability to
7 build and operate a destination casino. Such certificate shall not be un-
8 reasonably withheld and the executive director may issue a temporary
9 certificate of authority if the full review of qualifications cannot be com-
10 pleted within 30 calendar days.

11 (b) Any certificate of authority issued to a parimutuel licensee which
12 proposes to establish a destination casino at a parimutuel licensee location
13 shall be contingent upon approval by the Kansas racing and gaming com-
14 mission of a plan for compliance with the requirements for live racing
15 and purse supplements established pursuant to sections 16 and 24, and
16 amendments thereto. Upon application of a parimutuel licensee, the Kan-
17 sas racing and gaming commission shall open a proceeding to consider
18 such licensee's proposal for development of a destination casino at the
19 parimutuel licensee location. Such proposal shall include provisions for:
20 (1) Compliance with the requirements of section 16, and amendments
21 thereto; (2) payment of purse supplements from the appropriate funds
22 established by section 24, and amendments thereto; and

23 (3) a plan for protecting and promoting live racing in Kansas. The
24 Kansas racing and gaming commission shall hear evidence and testimony
25 from all interested parties. Upon a finding by the Kansas racing and gam-
26 ing commission that the proposal is in the best interest of live racing in
27 Kansas and more beneficial to live racing than placement of video lottery
28 terminals at such parimutuel licensee location, the Kansas racing and
29 gaming commission may approve such proposal and recommend issuance
30 of a certificate of authority by the executive director of the Kansas lottery
31 pursuant to this section.

32 (c) The commission is hereby authorized to review qualified appli-
33 cations for a destination casino from developers holding a certificate of
34 authority from the executive director. Upon a finding that the application
35 submitted by a developer meets the requirements established in section
36 5, and amendments thereto, the commission may authorize the executive
37 director to enter into negotiations with the developer for a destination
38 casino management contract pursuant to section 5, and amendments
39 thereto. If the commission finds that the application does not meet the
40 requirements of section 5, and amendments thereto, the commission may
41 reject the application and recommend changes for the developer to con-
42 sider, in the case of resubmission of the application, or enter into nego-
43 tiations with the developer for modifications of the application. The com-

1 mission shall complete review and consideration of an application within
2 60 calendar days after its submission to the commission, unless the com-
3 mission approves a mutually agreed extension of the deadline.

4 (d) The commission may charge applicants an administrative appli-
5 cation fee reasonably related to the actual costs of processing the
6 application.

7 New Sec. 4. (a) The commission, in its discretion, may authorize the
8 executive director to enter into a destination casino management contract,
9 if the commission determines that:

10 (1) The application constitutes a destination enterprise and a desti-
11 nation casino;

12 (2) the application meets the requirements of section 5, and amend-
13 ments thereto;

14 (3) the application: (A) Includes ancillary destination enterprise op-
15 erations which would provide for dining, lodging, meetings, conferences
16 and entertainment other than gaming; and (B) demonstrates through a
17 market study that, considering all other competing gaming and other en-
18 tertainment venues, the proposal would (i) be economically feasible, (ii)
19 be profitable for the state and (iii) not render economically infeasible any
20 other destination casino or other gaming facility which is approved by the
21 state and in which the state has a financial stake;

22 (4) the proposed destination enterprise either: (A) Consists of an in-
23 vestment in infrastructure, including ancillary destination enterprise op-
24 erations, of at least \$150,000,000; or (B) consists of an investment in
25 infrastructure, including ancillary destination enterprise operations, of at
26 least \$50,000,000 and demonstrates through a market study that at least
27 25% of its gaming consumers would reside outside the state of Kansas;
28 and

29 (5) the applicant: (A) Has sufficient access to financial resources to
30 support the activities required under the Kansas expanded lottery act; (B)
31 is current in payment of all taxes, interest and penalties owed to any taxing
32 subdivision where the person is located in Kansas; and (C) is current in
33 filing all applicable tax returns and in payment of all taxes, interest and
34 penalties owed to the state of Kansas, excluding items under formal ap-
35 peal pursuant to applicable statutes; and

36 (6) the applicant, the principals and the officers and directors, if a
37 corporation, have completed acceptable background investigations by
38 federal or state authorities.

39 (b) If the commission is considering more than one proposal for a
40 destination casino, the commission shall select the proposal or proposals
41 which, in the judgment of the commission, are in the best interest of the
42 state as a whole. The commission shall favor proposals that: (1) Have
43 larger investments in infrastructure; (2) create more jobs and have higher

1 payroll; (3) have lower management fees and expenses; (4) create more
2 revenue for the state; (5) are likely to succeed in the marketplace; (6)
3 have a more experienced and qualified management team; (7) have more
4 effective and aggressive plans for identifying and counteracting problem
5 gambling; (8) would attract more tourists; and (9) have the support of the
6 local community.

7 (c) The commission may authorize more than one destination casino
8 within a destination development zone if the commission determines that
9 it is in the best interest of the state to approve multiple proposals within
10 such zone. The commission shall determine through a review of market
11 studies included in proposals whether development of multiple destina-
12 tion casino facilities within the same marketplace is reasonably feasible.
13 If the commission deems it necessary, the commission may provide for
14 an independent market study to assess the market impact of more than
15 one destination casino within the same market area.

16 New Sec. 5. (a) A qualified application for a destination casino shall:

17 (1) Specify the location of the destination enterprise and destination
18 casino;

19 (2) be for a destination casino located in a destination development
20 zone and shall include marketing plans to encourage tourism develop-
21 ment, and plans for programs to enhance tourism opportunities, in or
22 near such zone;

23 (3) define the size, scope and nature of the destination enterprise and
24 include all agreements and contracts governing operation of any ancillary
25 destination enterprise operations and the business relationship between
26 the destination casino manager and the ancillary destination enterprise
27 operations;

28 (4) have binding financing commitments for construction of the des-
29 tination casino and the facilities for the ancillary destination enterprise
30 operations proposed in the application and any accelerated payments pro-
31 posed in the application;

32 (5) have ownership or binding commitments for acquisition of land
33 for facilities for the destination enterprise proposed in the application;

34 (6) have formal endorsements from local units of government where
35 the proposed destination casino would be built;

36 (7) be for a destination casino located in a county where the voters,
37 pursuant to section 6, and amendments thereto, have approved the op-
38 eration of a destination casino within the county;

39 (8) establish the disposition of destination casino revenues, subject to
40 the provisions of subsection (b);

41 (9) include: (A) A requirement that, at the time of execution of the
42 destination casino management contract, the applicant will make an ac-
43 celerated destination casino net payment of \$15,000 for each electronic

1 gaming machine to be operated at the destination casino; and (B) a sched-
2 ule for the destination casino manager's recovery of the accelerated des-
3 tination casino net payment from the state's share of the destination ca-
4 sino net revenues, which schedule shall be not less than five years and
5 shall provide that the amount of the recovery in any year shall not exceed
6 20% of the total amount of the accelerated destination casino net
7 payment;

8 (10) include any proposal to operate a temporary destination casino
9 on the proposed site for a period of not more than two years and provi-
10 sions for disposition of revenues from such temporary destination casino;

11 (11) include a proposed destination casino management contract; and

12 (12) include a comprehensive management plan, submitted by the
13 destination casino manager, for operation, oversight and monitoring of
14 the destination casino, including central computer placement and man-
15 agement systems. The plan shall provide for the management of the des-
16 tination casino by the destination casino manager but shall place full,
17 complete and ultimate ownership and control of the gaming operation of
18 the destination casino with the Kansas lottery. In addition, the manage-
19 ment plan shall include, but not be limited to:

20 (A) Accounting procedures to determine destination casino revenues,
21 destination casino expenses and destination casino net revenues;

22 (B) provisions for regular audits of the destination casino at any time
23 but at least one a year;

24 (C) the location and operation of electronic gaming machines;

25 (D) minimum requirements for the destination casino manager to
26 provide qualified oversight, security and supervision of the operation of
27 electronic gaming machines and destination casino games, including the
28 use of qualified personnel with experience in applicable technology;

29 (E) a requirement that any parimutuel licensee developing a desti-
30 nation casino pursuant to this act comply with all orders and rules and
31 regulations of the Kansas racing and gaming commission with regard to
32 the conduct of live racing, including the same minimum days of racing as
33 specified in section 16, and amendments thereto, for operation of video
34 lottery terminals at parimutuel licensee locations;

35 (F) a certification requirement and enforcement procedure for offi-
36 cers, directors, key employees and persons directly or indirectly owning
37 a 5% or more interest in a destination casino manager, which certification
38 requirement shall include compliance with such security, fitness and
39 background standards as the executive director may deem necessary re-
40 lating to competence, honesty and integrity, such that a person's repu-
41 tation, habits and associations do not pose a threat to the public interest
42 of the state or to the reputation of or effective regulation and control of
43 the destination casino; it being specifically understood that any person

1 convicted of any felony, a crime involving gambling or a crime of moral
2 turpitude within 10 years prior to applying for a certificate as such sales
3 agent or at any time thereafter shall be deemed unfit. The Kansas lottery
4 shall conduct the security, fitness and background checks required pur-
5 suant to this subsection;

6 (G) a certification requirement and enforcement procedure for those
7 persons, including electronic gaming machine manufacturers, technology
8 providers and computer system providers, who propose to contract with
9 a destination casino manager or the state for the provision of goods or
10 services related to a destination casino, including management services,
11 which certification requirements shall include compliance with such se-
12 curity, fitness and background standards of officers, directors, key gaming
13 employees and persons directly or indirectly owning a 5% or more interest
14 in such entity, as the executive director may deem necessary relating to
15 competence, honesty and integrity, such that a person's reputation, habits
16 and associations do not pose a threat to the public interest of the state or
17 to the reputation of or effective regulation and control of the destination
18 casino; it being specifically understood that any person convicted of any
19 felony, a crime involving gambling or a crime of moral turpitude within
20 10 years prior to applying for a certificate hereunder or at any time there-
21 after shall be deemed unfit. The executive director may determine
22 whether the certification standards of another state are comprehensive,
23 thorough, and provide similar adequate safeguards and, if so, may in the
24 executive director's discretion certify an applicant already certified in such
25 state without the necessity of a full application and background check.
26 The Kansas lottery shall conduct the security, fitness and background
27 checks required under this subsection;

28 (H) provisions for revocation of a certification provided for in para-
29 graph (F) or (G) upon a finding that the certificate holder, an officer or
30 director thereof or a person directly or indirectly owning a 5% or more
31 interest therein: (i) Has knowingly provided false or misleading material
32 information to the Kansas lottery or its employees; or (ii) has been con-
33 victed of a felony, gambling related offense or any crime of moral turpi-
34 tude; and

35 (I) provisions for suspension, revocation or nonrenewal of a certifi-
36 cation provided for in paragraph (F) or (G) upon a finding that the cer-
37 tificate holder, an officer or director thereof or a person directly or in-
38 directly owning a 5% or more interest therein: (i) Failure to notify the
39 Kansas lottery about a material change in ownership of the certificate
40 holder, or any change in the directors or officers thereof; (ii) a delin-
41 quency in remitting money owed to the Kansas lottery; (iii) any violation
42 of any provision of any contract between the Kansas lottery and the cer-
43 tificate holder; or (iv) any violation of any provision of the Kansas ex-

- 1 panded lottery act or any rule and regulation adopted hereunder.
- 2 (b) A qualified application for a destination casino shall provide for
3 the disposition of the gaming revenues from the destination casino as
4 follows:
- 5 (1) Pursuant to an agreement with the Kansas lottery, a percentage
6 of destination casino revenues to be credited to the gaming act oversight
7 fund established by section 23, and amendments thereto, but such per-
8 centage shall not exceed 2% of destination casino revenues;
- 9 (2) pursuant to agreements with the county and city, if any, where
10 the destination casino is located, a percentage of destination casino rev-
11 enues to be paid to such county and city, if any, but the aggregate payment
12 shall not exceed 4% of destination casino revenues. The application shall
13 include the executed agreements specifying the payments and the terms
14 of such agreements;
- 15 (3) a procedure for calculating and paying operating expenses of the
16 destination casino and mechanisms to control expenses using incentives
17 that benefit both the state of Kansas and the destination casino manager.
18 The procedure shall establish the process through which expenses are
19 credited to and paid from the destination casino operating expenses fund
20 established by section 25, and amendments thereto;
- 21 (4) a percentage of destination casino net revenues to be retained by
22 the state, but such percentage shall not be less than 22% of destination
23 casino revenues;
- 24 (5) 0.5% of destination casino revenues to be paid to the problem
25 gambling grant fund established by K.S.A. 2004 Supp. 79-4805, and
26 amendments thereto; and
- 27 (6) a percentage of destination casino net revenues to be paid to the
28 destination casino manager.
- 29 (c) Upon approval of the commission, the executive director shall
30 enter into a destination casino management contract with the destination
31 casino manager.
- 32 (1) The management contract shall implement the provisions of the
33 approved application and shall be limited by the terms of the application
34 approval. Such management contract shall allow the destination casino
35 manager to manage the destination casino in a manner consistent with
36 this act and rules and regulations of the Kansas lottery but shall place full,
37 complete and ultimate ownership and control of the gaming operation of
38 the destination casino with the Kansas lottery. Such contract shall not be
39 subject to the provisions of K.S.A. 75-3738 through 75-3744, and amend-
40 ments thereto. The management contract shall require the destination
41 casino manager to submit a detailed gaming plan to the executive director
42 for approval by the executive director. The gaming plan shall include
43 procedures to identify and counteract problem gambling. Failure to fol-

1 low these procedures shall be cause for canceling the management
2 contract.

3 (2) The destination casino management contract shall be for a term
4 of not less than 15 years and shall be automatically renewed for a period
5 of not more than 5 years, unless either party provides notice of termi-
6 nation at least 270 days prior to expiration of the original term of the
7 contract. At the end of the automatic renewal period, the contract is
8 renewable by mutual consent of the state and the destination casino man-
9 ager. The destination casino management contract shall provide that any
10 party may cancel the contract for cause. Provisions for termination or
11 cancellation of the destination casino management contract shall specify
12 disposition, value and ownership of the equipment, infrastructure and
13 facilities associated with the destination casino operation.

14 (3) The destination casino management contract shall:

15 (A) Specify monitoring and auditing functions of the central com-
16 puter system, as well as location of the state system, and cost recovery
17 for that portion of the central computer system allocated to the specific
18 destination casino operation;

19 (B) specify standards for advertising, marketing and promotional ma-
20 terials used by the destination casino;

21 (C) designate any employees or contractors providing services or
22 functions which are related to destination casino operations which the
23 executive director determines shall be classified as key employees; and

24 (D) specify the distribution of destination casino net revenues as ap-
25 proved by the commission's authorization.

26 New Sec. 6. (a) Before the lottery commission may consider propo-
27 sals for operation of a destination casino in a county, the qualified voters
28 of the county where a destination casino is proposed to be located must
29 approve the operation of a destination casino within the county as pro-
30 vided by this section.

31 (b) (1) The board of county commissioners of any county may submit
32 by resolution, and shall submit upon presentation of a petition filed in
33 accordance with this section, to the qualified voters of the county a propo-
34 sition to permit the operation of a destination casino within the county
35 pursuant to this section. The proposition shall be submitted to the voters
36 either at a special election called by the board of county commissioners
37 for that purpose and held not less than 90 days after the resolution is
38 adopted or the petition is filed or at the next general election, as shall be
39 specified by the board of county commissioners or as specified in the
40 petition, as the case may be.

41 (2) A petition to submit a proposition pursuant to this section shall
42 be filed with the county election officer. The petition shall be signed by
43 qualified voters of the county equal in number to not less than 10% of

1 the voters of the county who voted for the office of secretary of state at
2 the last preceding general election at which such office was elected. The
3 following shall appear on the petition: "We request an election to deter-
4 mine whether the Kansas lottery shall be authorized to contract for op-
5 eration of a destination casino in _____ county."

6 (3) Upon the adoption of a resolution or the submission of a valid
7 petition calling for an election pursuant to this section, the county election
8 officer shall cause the following proposition to be placed on the ballot at
9 the election called for that purpose: "Shall the Kansas lottery be author-
10 ized to contract for operation of a destination casino in _____
11 county?"

12 (4) If a majority of the votes cast and counted at such election is in
13 favor of approving the operation of a destination casino within the county,
14 the lottery commission may accept applications for operation of a desti-
15 nation casino within the county pursuant to this act. If a majority of the
16 votes cast and counted at an election under this section is against per-
17 mitting the operation of a destination casino within the county, the lottery
18 commission shall not accept applications for the operation of a destination
19 casino within the county. The county election officer shall transmit a copy
20 of the certification of the results of the election to the executive director.

21 (5) The election provided for by this subsection (b) shall be con-
22 ducted, and the votes counted and canvassed, in the manner provided by
23 law for question submitted elections of the county.

24 (c) The lottery commission may consider qualified applications for a
25 destination casino development in a county where the commission finds
26 that after March 1, 2005, the county has held an advisory election of
27 qualified voters pursuant to the county's home rule authority if the com-
28 mission determines that the ballot question was in substantial compliance
29 with the requirements of subsection (b)(3) and the election was admin-
30 istered by the county election officer in a manner consistent with the
31 requirements of state election law.

32 (d) The question of the operation of a destination casino in a county
33 may be submitted at the same election as the question of placement of
34 video lottery terminals in the county under section 12, and amendments
35 thereto.

36 New Sec. 7. (a) The Kansas lottery shall examine prototypes of elec-
37 tronic gaming machines to determine compliance with the requirements
38 of the Kansas expanded lottery act.

39 (b) No electronic gaming machine shall be operated pursuant to the
40 Kansas expanded lottery act unless the executive director first issues a
41 certificate for such machine authorizing its use at a specified destination
42 casino. Each electronic gaming machine shall have the certificate prom-
43 inently displayed thereon. Any machine which does not display the cer-

1 tificate required by this section is contraband and a public nuisance sub-
2 ject to confiscation by any law enforcement officer.

3 (c) The executive director shall require any manufacturer, supplier,
4 provider, destination casino manager or other person seeking the exam-
5 ination and certification of electronic gaming machines to pay the antic-
6 ipated actual costs of the examination in advance. After the completion
7 of the examination, the executive director shall refund any overpayment
8 or charge and collect amounts sufficient to reimburse the executive di-
9 rector for any underpayment of actual costs. The executive director may
10 contract for the examination of electronic gaming machines as required
11 by this subsection and may rely upon testing done by or for other states
12 regulating electronic gaming machines, if the executive director deems
13 such testing to be reliable and in the best interest of the state of Kansas.

14 (d) (1) Electronic gaming machines operated pursuant to the Kansas
15 expanded lottery act shall:

16 (A) Pay out an average of not less than 87% of the amount wagered
17 over the life of the machine;

18 (B) be directly linked to a central lottery communications system to
19 provide auditing and other program information as approved by the Kan-
20 sas lottery and specified in the management contract; and

21 (C) be on-line and in constant communication with a central com-
22 puter located at a location determined by the executive director pursuant
23 to the management contract.

24 (2) The Kansas lottery shall lease or purchase, pursuant to the man-
25 agement contract, all gaming equipment necessary to implement the
26 communications system and central computer. The executive director
27 shall select the computer system most suitable for conducting the mon-
28 itoring and auditing functions required by the Kansas expanded lottery
29 act. The communications system and central computer selected shall not
30 limit participation of electronic gaming machine manufacturers, distrib-
31 utors, suppliers or providers. The central computer system provider, and
32 any affiliate of such provider, shall be prohibited from providing elec-
33 tronic gaming machines for use in connection with the central computer
34 system.

35 New Sec. 8. In addition to any other power provided by this act, the
36 executive director, and employees and agents designated by the executive
37 director, shall have the power to:

38 (a) Investigate alleged violations of the Kansas expanded lottery act
39 and alleged violations of the destination casino management contract, this
40 act or rules and regulations adopted hereunder.

41 (b) Examine or cause to be examined by any agent or representative
42 designated by the executive director any books, papers, records or mem-
43 oranda of any destination casino manager or any business involved in

1 electronic gaming or lottery games authorized pursuant to the Kansas
2 expanded lottery act, for the purpose of ascertaining compliance with the
3 provisions of the destination casino management contract and this act and
4 rules and regulations adopted hereunder.

5 (c) Request a court to issue subpoenas to compel access to or for the
6 production of any books, papers, records or memoranda in the custody
7 or control of any destination casino manager, or to compel the appearance
8 of any destination casino manager for the purpose of ascertaining com-
9 pliance with the provisions of the destination casino management contract
10 and this act and rules and regulations adopted hereunder. Subpoenas
11 issued under the provisions of this subsection may be served upon natural
12 persons and corporations in the manner provided in K.S.A. 60-304, and
13 amendments thereto, for the service of process by any officer authorized
14 to serve subpoenas in civil actions or by the executive director or an agent
15 or representative designated by the executive director. In the case of the
16 refusal of any person to comply with any such subpoena, the executive
17 director may make application to the district court of any county where
18 such books, papers, records, memoranda or person is located for an order
19 to comply.

20 (d) Inspect and view the operation of all machines, equipment, sys-
21 tems or facilities where electronic gaming machines authorized pursuant
22 to this act are located.

23 (e) Inspect and approve, pursuant to the terms of the management
24 contract, all advertising by a destination casino manager which includes
25 any reference to the existence of gaming at the destination enterprise.

26 (f) Require, in accordance with the destination casino management
27 contract, appropriate security measures in any and all areas where elec-
28 tronic gaming machines or other destination casino games are located or
29 operated.

30 (g) Provide for audits of the electronic gaming machine operations of
31 each destination casino manager in accordance with the destination casino
32 management contract.

33 (h) The executive director shall have the power to take any other
34 action as may be reasonable or appropriate to enforce the provisions of
35 this act and any rules and regulations, orders and final decisions of the
36 executive director.

37 New Sec. 9. Each destination casino manager shall provide access
38 for the executive director or the executive director's designee to all the
39 destination casino manager's records and the physical premises where the
40 electronic gaming machine and destination casino game activities occur
41 for the purpose of monitoring or inspecting the electronic gaming ma-
42 chines and gaming equipment and the operation of other destination ca-
43 sino games. None of the information disclosed pursuant to this subsection

1 shall be subject to disclosure under the Kansas open records act, K.S.A.
2 45-216 et seq., and amendments thereto.

3 VIDEO LOTTERY TERMINALS

4 New Sec. 10. As used in this act, unless the context otherwise
5 requires:

6 (a) “Accelerated video lottery net payment” means the advanced pay-
7 ment to the state treasurer of a portion of the state’s future share of net
8 video lottery terminal income pursuant to the final management contract
9 between the executive director and a parimutuel sales agent for the op-
10 eration of video lottery terminals at a parimutuel licensee location.

11 (b) “Central video lottery terminal computer system” means the cen-
12 tral computer system, which monitors the operations of all video lottery
13 terminals, approved by the Kansas lottery and which is provided by the
14 central video lottery terminal computer system provider in accordance
15 with this act.

16 (c) “Central video lottery terminal computer system provider” means
17 a person with whom the executive director has contracted for the purpose
18 of providing and maintaining a central video lottery terminal computer
19 system and the related management facilities with respect to operating
20 and servicing the video lottery terminals.

21 (d) “Club location” means the licensed premises of a veterans
22 organization.

23 (e) “Gray machine” means any mechanical, electro-mechanical or
24 electronic device, capable of being used for gambling, that is: (1) Not
25 authorized by the Kansas lottery, (2) not connected to the central video
26 lottery terminal computer system, (3) available to the public for play and
27 (4) capable of simulating a game played on a video lottery terminal or any
28 similar gambling game authorized pursuant to the Kansas expanded lot-
29 tery act.

30 (f) “Net video lottery terminal income” means all cash or other con-
31 sideration utilized to play a video lottery terminal, less all cash or other
32 consideration paid out to winning players as prizes.

33 (g) “Parimutuel licensee” has the meaning provided by section 2, and
34 amendments thereto.

35 (h) “Parimutuel licensee location” has the meaning provided by sec-
36 tion 2, and amendments thereto.

37 (i) “Progressive video lottery game” means any game whose jackpot
38 grows and accumulates as it is being played on a video lottery terminal
39 and whose outcome is randomly determined by the play of video lottery
40 terminals linked to the central video lottery terminal computer system.

41 (j) “Veterans organization” means an organization which is exempt
42 from federal income taxation pursuant to section 501(c)(19) of the federal
43 internal revenue code, is licensed as a class A club pursuant to the club

- 1 and drinking establishment act and has been in continuous existence and
2 operation for a period of not less than five years prior to the date of
3 application to become a video lottery club sales agent.
- 4 (k) “Video lottery” means any lottery conducted with a video lottery
5 terminal or, with respect to a progressive game, a network of linked video
6 lottery terminals.
- 7 (l) “Video lottery club sales agent” means a veterans organization spe-
8 cifically certified by the Kansas lottery to become a certified video lottery
9 club sales agent and offer video lottery terminals for play at the club
10 location.
- 11 (m) “Video lottery game” means any electronically simulated game
12 of chance, including but not limited to video poker, keno, line-up, or
13 blackjack, displayed and played on a video lottery terminal.
- 14 (n) “Video lottery parimutuel sales agent” means a parimutuel li-
15 censee specifically certified by the Kansas lottery to become a certified
16 video lottery parimutuel sales agent and offer video lottery terminals for
17 play at the parimutuel licensee location.
- 18 (o) “Video lottery terminal” means any electronic machine in which
19 bills, coins, tokens or other media approved by the Kansas lottery are
20 deposited in order to play in a game of chance in which the results,
21 including options available to the player, are randomly and immediately
22 determined by the machine, and is connected to the central video lottery
23 terminal computer system. A video lottery terminal may use spinning
24 reels or video displays or both and must print and deliver a voucher
25 directly to each player with an existing credit balance at the end of play,
26 or if approved by the Kansas lottery may dispense cash directly to the
27 player.
- 28 (p) “Video lottery terminal associated equipment” means any pro-
29 prietary device, machine or part used in the manufacture, operation or
30 maintenance of a video lottery terminal.
- 31 (q) “Video lottery terminal management contract” means an agree-
32 ment between the Kansas lottery and a video lottery parimutuel sales
33 agent or video lottery club sales agent, which governs the placement and
34 operation of video lottery terminals, including allocation and payment of
35 expenses, agent commissions, recovery of any accelerated video lottery
36 net payment and the state’s share of net video terminal income. Such
37 contract shall specify that the state’s share shall not be less than 35% of
38 the net video lottery terminal income.
- 39 (r) “Video lottery terminal manufacturer” means any individual, firm,
40 corporation or other legal entity certified by the Kansas lottery to assem-
41 ble or produce video lottery terminals or video lottery terminal associated
42 equipment for sale or use in this state.
- 43 (s) “Voucher” means a bearer instrument in the form of a printed

1 ticket or facsimile issued by a video lottery terminal to a player that rep-
2 represents the existing credit balance accumulated by a player of the video
3 lottery terminal. A voucher is a secure document that carries a unique
4 identifier in the form of a serial number and bar code issued by the central
5 video lottery terminal computer system.

6 New Sec. 11. (a) The Kansas lottery shall implement a video lottery
7 program whereby the Kansas lottery places video lottery terminals at par-
8 imutuel licensee locations and club locations.

9 (b) The Kansas lottery shall not place video lottery terminals at any
10 parimutuel licensee location or club location unless the commission has
11 adopted rules and regulations as provided in sections 10 through 21, and
12 amendments thereto.

13 (c) The Kansas lottery shall not place video lottery terminals in a
14 county unless the question of the placement of video lottery terminals in
15 such county has been submitted to and approved by the voters of such
16 county as provided in section 12, and amendments thereto.

17 New Sec. 12. (a) Before the Kansas lottery places any video lottery
18 terminals in a county, the qualified voters of the county must approve the
19 placement of video lottery terminals in the county as provided by this
20 section.

21 (b) (1) The board of county commissioners of any county may submit
22 by resolution, and shall submit upon presentation of a petition filed in
23 accordance with this section, to the qualified voters of the county a prop-
24 osition to permit the placement of video lottery terminals in the county
25 pursuant to this subsection. The proposition shall be submitted to the
26 voters either at a special election called by the board of county commis-
27 sioners for that purpose and held not less than 90 days after the resolution
28 is adopted or the petition is filed or at the next general election, as shall
29 be specified by the board of county commissioners or as specified in the
30 petition, as the case may be.

31 (2) A petition to submit a proposition pursuant to this subsection shall
32 be filed with the county election officer. The petition shall be signed by
33 qualified voters of the county equal in number to not less than 10% of
34 the voters of the county who voted for the office of secretary of state at
35 the last preceding general election at which such office was elected. The
36 following shall appear on the petition: "We request an election to deter-
37 mine whether the Kansas Lottery shall be authorized to place video lot-
38 tery terminals in _____ county."

39 (3) Upon the adoption of a resolution or the submission of a valid
40 petition calling for an election pursuant to this section, the county election
41 officer shall cause the following proposition to be placed on the ballot at
42 the election called for that purpose: "Shall the Kansas Lottery be au-
43 thorized to place video lottery terminals in _____ county?"

1 (4) If a majority of the votes cast and counted at such election is in
2 favor of approving the placement of video lottery terminals in the county,
3 the executive director may enter into video lottery terminal management
4 contracts for placement of video lottery terminals in the county as pro-
5 vided by this act. If a majority of the votes cast and counted at an election
6 under this section is against placement of video lottery terminals in the
7 county, the executive director shall not enter into video lottery terminal
8 management contracts for placement of video lottery terminals in the
9 county. The county election officer shall transmit a copy of the certifi-
10 cation of the results of the election to the executive director.

11 (5) The election provided for by this section shall be conducted, and
12 the votes counted and canvassed, in the manner provided by law for
13 question submitted elections of the county.

14 (c) The lottery commission may place video lottery terminals in a
15 county where the commission finds that after March 1, 2005, the county
16 has held an advisory election of qualified voters pursuant to the county's
17 home rule authority if the commission determines that the ballot question
18 was in substantial compliance with the requirements of subsection (b)(3)
19 and the election was administered by the county election officer in a
20 manner consistent with the requirements of state election law.

21 (d) The question of the placement of video lottery terminals in a
22 county may be submitted at the same election as the question of operation
23 of a destination casino in the county under section 6, and amendments
24 thereto.

25 New Sec. 13. (a) In accordance with rules and regulations adopted
26 by the commission, the executive director shall have general responsibility
27 for the implementation and administration of the provisions of this act
28 relating to video lottery, including, without limitation, the responsibility
29 to:

30 (1) Establish a statewide video lottery terminal network in accordance
31 with the provisions of this act;

32 (2) review and determine promptly and in reasonable order all cer-
33 tificate applications or proceedings for suspension or revocation of
34 certificates;

35 (3) perform all duties required of the executive director under the
36 provisions of this act relating to video lottery;

37 (4) collect all fees imposed pursuant to sections 11 through 21, and
38 amendments thereto;

39 (5) certify net video lottery terminal income by inspecting records,
40 conducting audits, having agents of the Kansas lottery on site or by any
41 other reasonable means;

42 (6) assist the commission in the promulgation of rules and regulations
43 concerning the operation of a statewide video lottery terminal network,

1 which rules and regulations shall include, without limitation, the
2 following:

3 (A) The denomination of all bills, coins, tokens or other media
4 needed to play video lottery terminals;

5 (B) payout from video lottery terminals, provided that such payouts
6 (i) shall not be less than 87% on an average annual basis and (ii) shall not
7 exceed 95% on an average annual basis without express written approval
8 from the executive director, who may approve payouts up to 99%;

9 (C) a certification requirement and enforcement procedure for offi-
10 cers, directors, board members and key employees, specified by the ex-
11 ecutive director, of video lottery parimutuel sales agents and video lottery
12 club sales agents, which certification requirement shall include compli-
13 ance with such security, fitness and background standards as the executive
14 director may deem necessary relating to competence, honesty and integ-
15 rity, such that a person's reputation, habits and associations do not pose
16 a threat to the public interest of the state or to the reputation of or
17 effective regulation and control of the video lottery; it being specifically
18 understood that any person convicted of any felony, a crime involving
19 gambling or a crime of moral turpitude within 10 years prior to applying
20 for a certificate as such sales agent or at any time thereafter shall be
21 deemed unfit. The Kansas lottery shall conduct the security, fitness and
22 background checks required pursuant to such rules and regulations;

23 (D) a certification requirement and enforcement procedure for those
24 persons or entities, including video lottery terminal manufacturers and
25 the central video lottery terminal computer system providers, who pro-
26 pose to contract with a video lottery parimutuel sales agent, a video lottery
27 club sales agent or the state for the provision of goods or services related
28 to the video lottery, including management services, which certification
29 requirements shall include compliance with such security, fitness and
30 background standards of officers, directors, key employees specified by
31 the executive director and persons who own, directly or indirectly, 5% or
32 more of such entity, as the executive director may deem necessary relating
33 to competence, honesty and integrity, such that a person's reputation,
34 habits and associations do not pose a threat to the public interest of the
35 state or to the reputation of or effective regulation and control of the
36 video lottery; it being specifically understood that any person convicted
37 of any felony, a crime involving gambling or a crime of moral turpitude
38 within 10 years prior to applying for a certificate hereunder or at any time
39 thereafter shall be deemed unfit. The executive director may determine
40 whether the certification standards of another state are comprehensive,
41 thorough, and provide similar adequate safeguards and, if so, may in the
42 executive director's discretion certify an applicant already certified in such
43 state without the necessity of a full application and background check.

1 The Kansas lottery shall conduct the security, fitness and background
2 checks required under this rule and regulation;

3 (E) the number of video lottery terminals permitted in each pari-
4 mutuel location and club location. The total number of video lottery ter-
5 minals at all parimutuel locations shall not exceed 4,000. The total number
6 of video lottery terminals at all club locations shall not exceed 500;

7 (F) standards for advertising, marketing and promotional materials
8 used by video lottery parimutuel sales agents. Video lottery club sales
9 agents shall not advertise, market or promote the existence of video lot-
10 tery terminals at any club location, except to the members of the veterans
11 organization at which the video lottery terminals are located;

12 (G) the registration, kind, type, number and location of video lottery
13 terminals at any parimutuel licensee location or club location;

14 (H) the on-site security arrangements for the video lottery terminals;

15 (I) rules and regulations and procedures for the accounting and re-
16 porting of the payments required from video lottery parimutuel sales
17 agents and video lottery club sales agents under section 19, and amend-
18 ments thereto, including the calculations required for such payments;

19 (J) requiring the reporting of information about any video lottery pari-
20 mutuel sales agent or video lottery club sales agent, its employees, ven-
21 dors and finances necessary or desirable to ensure the security of the
22 video lottery system. None of the information disclosed pursuant to this
23 subsection shall be subject to disclosure under the Kansas open records
24 act; and

25 (K) the reporting and auditing of financial information of video lot-
26 tery parimutuel sales agents or video lottery club sales agents, including,
27 but not limited to, the reporting of profits or losses incurred by video
28 lottery parimutuel sales agents or video lottery club sales agents and the
29 reporting of such other information as the executive director may require
30 to determine compliance with the Kansas expanded lottery act and the
31 rules and regulations adopted hereunder. None of the information dis-
32 closed pursuant to this subsection shall be subject to disclosure under the
33 Kansas open records act.

34 (b) The executive director may request a district court to issue sub-
35 poenas and compel the attendance of witnesses, administer oaths and
36 require testimony under oath for the purpose of determining compliance
37 with the provisions of this act relating to video lottery.

38 (c) The Kansas lottery shall operate the video lottery terminal net-
39 work through the central video lottery terminal computer system. The
40 central video lottery terminal computer system shall be capable of audit-
41 ing the operation, financial data and program information of the video
42 lottery terminal network. All equipment or devices required for operation
43 of the central video lottery terminal computer system shall be included

1 in any contract made for the purpose of providing or operating such
2 system.

3 (d) The central video lottery terminal computer system shall be used
4 for the operation of the video lottery terminal network and shall incor-
5 porate electronic fund transfer procedures to facilitate the collection of
6 revenue, be capable of disabling any video lottery terminal from play, and
7 be capable of communicating with all video lottery terminals approved
8 by the Kansas lottery. The central video lottery terminal computer system
9 provider shall provide certified manufacturers with the protocol docu-
10 mentation and the audit information and controls necessary to enable the
11 manufacturers' video lottery terminals to communicate with the Kansas
12 lottery's central video lottery terminal computer system. The central video
13 lottery terminal computer system shall not limit participation to only one
14 manufacturer of video lottery terminals or video lottery terminal associ-
15 ated equipment. The central video lottery terminal computer system pro-
16 vider, and any affiliate of such provider, shall be prohibited from provid-
17 ing video lottery terminals for use in connection with the central video
18 lottery terminal computer system.

19 (e) The executive director may remove from play and confiscate any
20 video lottery terminal or gray machine that does not comply with the
21 requirements of the Kansas expanded lottery act. Any video lottery ter-
22 minal that the executive director determines has been modified or the
23 design of which has been modified without the consent of the executive
24 director may be removed from play, confiscated by the executive director
25 and disposed of in any manner allowed by law.

26 (f) With regard to minutes and records of the commission:

27 (1) The Kansas lottery shall keep and maintain a list of all applicants
28 for certification under the Kansas expanded lottery act, together with a
29 record of all actions taken with respect to such applicants. A file and
30 record of the Kansas lottery's actions shall be open to public inspection
31 pursuant to the Kansas open records act, but the information regarding
32 any applicant whose certificate has been denied, revoked or not renewed
33 shall be removed from such list five years after the date certification was
34 denied, revoked or not renewed.

35 (2) All information and data required by the Kansas lottery to be
36 furnished to it, or which may otherwise be obtained, relative to the fi-
37 nances, earnings or revenue, except the net video lottery terminal income,
38 of any vendor shall be considered confidential and shall not be revealed
39 in whole or in part without permission of the vendor, except in the course
40 of the necessary administration of the Kansas expanded lottery act, or
41 upon the lawful order of a court of competent jurisdiction, or with the
42 approval of the attorney general, to a duly authorized law enforcement
43 agency.

1 (3) All information and data pertaining to an applicant's criminal rec-
2 ord, family and background furnished to or obtained by the Kansas lottery
3 from any source shall be considered confidential and shall not be revealed,
4 in whole or part. Such information shall be released upon the lawful order
5 of a court of competent jurisdiction or, with the approval of the attorney
6 general, to a duly authorized law enforcement agency.

7 (4) Notice of the contents of any information released, except to a
8 duly authorized law enforcement agency pursuant to subsection (f), shall
9 be given to any applicant, certificate holder or vendor in a manner pre-
10 scribed by the rules and regulations adopted by the commission.

11 New Sec. 14. (a) The executive director may issue, suspend, revoke
12 and renew certificates for video lottery terminal manufacturers, video
13 lottery terminals, video lottery parimutuel sales agents or video lottery
14 club sales agents pursuant to rules and regulations adopted by the
15 commission.

16 (b) Any individual, firm, corporation or other legal entity seeking to
17 obtain a certificate pursuant to rules and regulations adopted by the com-
18 mission shall apply to the executive director for such certificate on forms
19 provided by the executive director.

20 (c) The executive director shall notify an applicant who is found, for
21 any reason, to be unfit for certification, of the specific reasons therefor
22 which constitute the basis for the finding.

23 (d) No certificate issued pursuant to this section shall be assignable
24 or transferable.

25 (e) The executive director may examine any or all accounts, bank
26 accounts, financial statements and records of the vendor in a vendor's
27 possession or under its control in which it has an interest and the vendor
28 must authorize all third parties, including parents, subsidiaries or related
29 entities, in possession or control of the accounts or records of the vendor
30 to allow examination of any or all of those accounts or records by the
31 executive director.

32 (f) A certificate shall be revoked upon a finding that the certificate
33 holder, or an officer, director or board member thereof:

34 (1) Has knowingly provided false or misleading material information
35 to the Kansas lottery or its employees; or

36 (2) has been convicted of a felony, gambling related offense or any
37 crime of moral turpitude.

38 (g) A certificate may be suspended, revoked or not renewed for any
39 of the following causes:

40 (1) Failure to notify the Kansas lottery about a material change in
41 ownership of the certificate holder, or any change in the directors, officers
42 or board members thereof;

43 (2) a delinquency in remitting money owed to the Kansas lottery;

1 (3) any violation of any provision of any contract between the Kansas
2 lottery and the certificate holder; or

3 (4) any violation of any provision of the Kansas expanded lottery act
4 or any rule and regulation adopted by the commission.

5 New Sec. 15. (a) Every certified video lottery terminal manufacturer
6 shall submit a training program for the service and maintenance of such
7 video lottery terminals and associated equipment for approval by the Kan-
8 sas lottery. The training program shall include an outline of the training
9 curriculum, a list of instructors and their qualifications, a copy of the
10 instructional materials and the dates, times and location of training clas-
11 ses. No service and maintenance program shall be held until approved by
12 the Kansas lottery.

13 (b) Every service employee shall complete the requirements of the
14 manufacturer's training program before such employee performs service,
15 maintenance and repairs on video lottery terminals or video lottery ter-
16 minal associated equipment. Upon the successful completion by a service
17 employee of the training program required by this section, the Kansas
18 lottery shall issue a certificate authorizing such employee to service, main-
19 tain and repair video lottery terminals and video lottery terminal associ-
20 ated equipment. No certificate of completion shall be issued to any serv-
21 ice employee until the Kansas lottery has ascertained that such employee
22 has completed the required training program. Any person certified as a
23 service employee under this section shall pass a background investigation
24 under the rules and regulations of the commission. The Kansas lottery
25 may revoke certification upon finding a service employee in violation of
26 any provision of the Kansas expanded lottery act or a commission rule
27 and regulation.

28 New Sec. 16. (a) Except as provided in subsection (b):

29 (1) No video lottery terminals shall be operated at a parimutuel li-
30 censee location in Sedgwick county unless, during the first full calendar
31 year and each year thereafter in which video lottery terminals are oper-
32 ated at such location, the parimutuel licensee conducts at such location
33 at least eight live greyhound racing programs each calendar week for the
34 number of weeks raced during calendar year 2002 with at least 13 live
35 races conducted each program.

36 (2) No video lottery terminals shall be operated at a parimutuel li-
37 censee location in Wyandotte county unless, during the first full calendar
38 year and each year thereafter in which video lottery terminals are oper-
39 ated at such location, the parimutuel licensee conducts live horse racing
40 programs for at least 65 days, with at least 10 live races conducted each
41 program, and must offer and make a reasonable effort to conduct a min-
42 imum number of three live races restricted for quarter horses each day
43 and seven live thoroughbred races each day, of which not less than two

1 races each day shall be limited to registered Kansas-bred horses appor-
2 tioned in the same ratio that live races are offered, and with at least eight
3 live greyhound racing programs each calendar week for at least the same
4 number of weeks raced during 2002, with at least 13 live races conducted
5 each program.

6 (3) No video lottery terminals shall be operated at a parimutuel li-
7 censee location in Crawford county unless, during the first full calendar
8 year and each year thereafter in which video lottery terminals are oper-
9 ated at such location, the parimutuel licensee conducts at such location
10 at least eight live greyhound racing programs each calendar week for the
11 number of weeks raced during calendar year 2002 in Sedgwick county
12 with at least 13 live races conducted each program.

13 (4) If a parimutuel licensee has not held live races pursuant to a
14 schedule approved by the Kansas racing and gaming commission in the
15 preceding 12 months, the Kansas racing and gaming commission shall
16 hold a hearing to determine the number of days of live racing required
17 for the remaining days of the first calendar year of operation to qualify
18 for operation of video lottery terminals. At such hearing, the commission
19 shall receive testimony and evidence from affected breed groups, the
20 licensee and others, as the Kansas racing and gaming commission deems
21 appropriate concerning the schedule of live race days. The operation of
22 video lottery terminals shall not commence more than 90 days prior to
23 the start of live racing at such facility.

24 (5) No video lottery terminals shall be operated at a parimutuel li-
25 censee location in Greenwood county at Eureka Downs unless, during
26 the first full calendar year and each year thereafter in which video lottery
27 terminals are operated, the parimutuel licensee conducts at least 40 days
28 of live horse racing.

29 (6) No video lottery terminals shall be operated at a parimutuel li-
30 censee location in Harper county at Anthony Downs unless, during the
31 first full calendar year and each year thereafter in which video lottery
32 terminals are operated, the parimutuel licensee conducts at least 40 days
33 of live horse racing.

34 (7) The Greenwood County Fair Association and Anthony Fair As-
35 sociation shall qualify as fair associations pursuant to the provisions of this
36 section and shall be required to comply with all provisions of K.S.A. 74-
37 8814, and amendments thereto.

38 (b) The Kansas racing and gaming commission may not grant excep-
39 tions to the requirements of subsection (a) for a parimutuel licensee con-
40 ducting live racing unless such exception is in the form of an agreement
41 which: (1) Is between the parimutuel licensee and the affected recognized
42 greyhound or recognized horsemen's group, as defined in K.S.A. 74-8802,
43 and amendments thereto; (2) has been approved by the appropriate of-

1 ficial breed registering agencies; and (3) has been submitted to and ap-
2 proved by the commission. In the case of emergencies, weather related
3 issues or immediate circumstances beyond the control of the licensee,
4 the Kansas racing and gaming commission may grant an exception after
5 consultation with the affected recognized breed group at the facility.

6 (c) Notwithstanding the provisions of subsections (a) and (b) of K.S.A.
7 74-8836, and amendments thereto, the Kansas racing and gaming com-
8 mission shall authorize simulcasting on any day the operation of video
9 lottery terminals is authorized at the race track facility at Eureka Downs
10 and the race track facility at Anthony Downs. Rules and regulations of
11 the Kansas racing and gaming commission shall provide that the video
12 lottery terminals shall not be operated at Eureka Downs or Anthony
13 Downs on days when simulcasting signals are not available at the track.

14 New Sec. 17. (a) Video lottery terminals shall not be offered for use
15 or play in this state unless approved by the Kansas lottery. Video lottery
16 terminals may only offer video lottery games authorized by the Kansas
17 lottery.

18 (b) Video lottery terminals approved for use or play in this state shall:

19 (1) Be incapable of manipulation to effect the random probability of
20 winning plays;

21 (2) have one or more mechanisms that accept coins, tokens or other
22 media approved by the Kansas lottery in exchange for game credits and
23 a voucher evidencing said credits, or if approved by the Kansas lottery be
24 capable of paying cash directly to the player, and such mechanisms shall
25 be designed to prevent players from obtaining credits or cash by means
26 of physical tampering;

27 (3) be capable of suspending play as a result of physical tampering
28 until reset at the direction of the executive director or the executive di-
29 rector's designee;

30 (4) have non-resettable electronic meters housed in a locked area of
31 the video lottery terminal that maintain a permanent record of all moneys
32 inserted into the terminal, all refunds of winnings, all credits played and
33 all credits won by players; and

34 (5) be capable of being linked to the Kansas lottery's central video
35 lottery terminal computer system for the purpose of auditing the opera-
36 tion, financial data and program information as required by the executive
37 director.

38 (c) Video lottery terminals operated at club locations shall:

39 (1) Only be capable of non-cash methods of initiating play and pay-
40 ment of prizes, whether by voucher, electronic card, or otherwise, but all
41 prizes shall be payable in cash by the video lottery club sales agent where
42 the terminal is located, which video lottery club sales agent shall receive
43 credit on its lottery account for all prizes paid; however, if a video lottery

1 club sales agent is unable or fails to pay any prize, subject to claim and
2 validation such prize may be claimed through and paid by the Kansas
3 lottery; and

4 (2) play from a minimum of \$.25 per play to a maximum of \$2 per
5 play, and shall have a maximum prize of \$1,000 per game.

6 New Sec. 18. (a) No person who has held an interest in or been
7 employed by a parimutuel licensee, a video lottery parimutuel sales agent
8 or a video lottery club sales agent shall be employed by the Kansas lottery
9 for two years after the expiration of such interest or employment.

10 (b) No person who holds an interest in or is employed by the video
11 lottery terminal manufacturer's vendor shall be employed by the Kansas
12 lottery.

13 (c) No employee of the Kansas lottery shall play a video lottery ter-
14 minal unless specifically authorized by the executive director or the ex-
15 ecutive director's designee for purposes of testing, auditing or other se-
16 curity reasons.

17 (d) No person who was employed by the Kansas lottery shall hold an
18 interest in or be employed by a parimutuel licensee, a video lottery ter-
19 minal manufacturer's vendor or the central system provider for a period
20 of two years after the termination of employment with the Kansas lottery.

21 New Sec. 19. (a) Net video lottery terminal income shall be distrib-
22 uted as follows:

23 (1) A commission and expenses shall be paid to the video lottery par-
24 imutuel sales agent or video lottery club sales agent as provided in the
25 video lottery terminal management contract;

26 (2) 7% of net video lottery terminal income derived from video lottery
27 terminals at parimutuel licensee locations shall be credited to the live
28 horse racing purse supplement fund established by section 24, and
29 amendments thereto;

30 (3) 7% of net video lottery terminal income derived from video lottery
31 terminals at parimutuel licensee locations shall be credited to the live
32 greyhound racing purse supplement fund established by section 24, and
33 amendments thereto;

34 (4) 1.5% of net video lottery terminal income shall be remitted to the
35 county and 1.5% of net video lottery terminal income shall be remitted
36 to the city, if any, where the parimutuel licensee location is located;

37 (5) 14% of net video lottery terminal income derived from video lot-
38 tery terminals at a club location shall be credited to the veterans benefit
39 fund established by section 26, and amendments thereto;

40 (6) 0.5% of net video lottery terminal income shall be credited to the
41 problem gambling grant fund established by K.S.A. 79-4805, and amend-
42 ments thereto; and

43 (7) amounts appropriated for expenses of the Kansas lottery attrib-

1 utable to implementation, administration and enforcement of the provi-
2 sions of the Kansas expanded lottery act and implementation, oversight
3 and monitoring of video lottery pursuant to the provisions of such act
4 shall be credited to the gaming act oversight fund established by section
5 23, and amendments thereto.

6 (b) A video lottery terminal management contract shall establish an
7 accelerated video lottery net payment of \$15,000 per video lottery ter-
8 minal installed at a parimutuel licensee location. Such payment shall be
9 due and payable to the state treasurer on May 31, 2006, except that a
10 parimutuel sales agent may deduct from such payment the amount of the
11 state's share of net video lottery terminal income paid to the state trea-
12 surer before that date. The balance due the state on that date, if any,
13 shall be recovered by the parimutuel lottery sales agent pursuant to the
14 terms of the video lottery terminal management contract.

15 New Sec. 20. The Kansas lottery commission, upon the recommen-
16 dation of the executive director, shall adopt rules and regulations neces-
17 sary to carry out the purposes of this act. Temporary rules and regulations
18 may be adopted by the commission without being subject to the provi-
19 sions and requirements of K.S.A. 77-415 through 77-438, and amend-
20 ments thereto, but shall be subject to approval by the attorney general as
21 to legality and shall be filed with the secretary of state and published in
22 the Kansas register.

23 New Sec. 21. (a) All video lottery terminals shall be leased or owned
24 by the Kansas lottery or by an authorized video lottery terminal parimu-
25 tuel sales agent or video lottery terminal club sales agent on behalf of the
26 Kansas lottery pursuant to the terms of a video lottery terminal manage-
27 ment contract and shall be obtained from video lottery terminal manu-
28 facturers certified pursuant to the Kansas expanded lottery act and the
29 rules and regulations adopted by the commission.

30 (b) The executive director shall contract with an independent labo-
31 ratory to test video lottery terminals and associated equipment on a pe-
32 riodic basis to ensure that the terminals and equipment comply with the
33 requirements of the Kansas expanded lottery act and any other applicable
34 standards and rules and regulations. The video lottery terminal manufac-
35 turer providing such terminals and equipment shall pay all costs associ-
36 ated with such testing.

37 (c) Each video lottery parimutuel sales agent or video lottery club
38 sales agent shall hold the executive director, the commission, and this
39 state harmless from and defend and pay for the defense of any and all
40 claims which may be asserted against the executive director, the com-
41 mission, the state or the employees thereof, arising from the participation
42 in the video lottery system; specifically excluding, however, any claims
43 arising from the negligence or willful misconduct of the executive direc-

1 tor, the commission, the state or the employees thereof.

2 (d) Each video lottery parimutuel sales agent or video lottery club
3 sales agent shall provide access to all records of the video lottery pari-
4 mutuel sales agent or video lottery club sales agent and the physical prem-
5 ises of the locations where the video lottery activities are conducted for
6 the purpose of monitoring and inspecting the activities of the video lottery
7 parimutuel sales agent or video lottery club sales agent and video lottery
8 games, video lottery terminals and associated equipment.

9 GENERAL PROVISIONS

10 New Sec. 22. (a) There is hereby established in the state treasury the
11 gaming act revenues fund. Separate accounts shall be maintained in such
12 fund for receipt of moneys from each destination casino manager, video
13 lottery parimutuel sales agent and video lottery club sales agent. All ex-
14 penditures from the fund shall be made in accordance with appropriation
15 acts upon warrants of the director of accounts and reports issued pursuant
16 to vouchers approved by the executive director for the purposes set forth
17 in this act.

18 (b) All destination casino revenue and all net video lottery terminal
19 income shall be paid daily and electronically to the executive director.
20 The executive director shall remit all moneys received therefrom to the
21 state treasurer in accordance with K.S.A. 75-4215, and amendments
22 thereto. Upon receipt of the remittance, the state treasurer shall deposit
23 the entire amount in the state treasury and credit it to the respective
24 account maintained for the destination casino manager, video lottery pari-
25 mutuel sales agent or video lottery club sales agent in the gaming act
26 revenues fund.

27 (c) The executive director shall certify weekly to the director of ac-
28 counts and reports the percentages or amounts to be transferred from
29 each account maintained in the gaming act revenues fund to the gaming
30 act oversight fund, the destination casino operating expenses fund, the
31 live horse racing supplement fund, the live greyhound racing purse sup-
32 plement fund and the problem gambling grant fund, as provided by the
33 destination casino management contract or section 19, and amendments
34 thereto. Upon receipt of the certification, the director of accounts and
35 reports shall transfer amounts from each such account in accordance with
36 the certification of the executive director. Once each week, the executive
37 director shall cause amounts from each such account to be paid to cities,
38 counties and destination casino managers in accordance with the desti-
39 nation casino management contract and to video lottery parimutuel sales
40 agents and video lottery club sales agents in accordance with section 19,
41 and amendments thereto.

42 (d) Amounts remaining in the gaming act revenues fund after trans-
43 fers and payments pursuant to subsection (c) shall be transferred to the

1 state general fund and expended in accordance with appropriation acts
2 only to supplement funding for elementary and secondary public
3 education.

4 New Sec. 23. (a) There is hereby created in the state treasury the
5 gaming act oversight fund.

6 (b) Moneys in the gaming act oversight fund shall be expended to
7 pay for the expenses of the Kansas lottery attributable to implementation,
8 administration and enforcement of the provisions of the Kansas expanded
9 lottery act and implementation, oversight and monitoring of operations
10 of destination casinos, video lottery parimutuel sales agents and video
11 lottery club sales agents pursuant to the provisions of such act.

12 (c) On or before the 10th of each month, the director of accounts
13 and reports shall transfer from the state general fund to the gaming act
14 oversight fund interest earnings based on:

15 (1) The average daily balance of moneys in the gaming act oversight
16 fund for the preceding month; and

17 (2) the net earnings rate for the pooled money investment portfolio
18 for the preceding month.

19 (d) All expenditures from the gaming act oversight fund shall be made
20 in accordance with appropriation acts upon warrants of the director of
21 accounts and reports issued pursuant to vouchers approved by the exec-
22 utive director for the purposes set forth in the Kansas expanded lottery
23 act.

24 New Sec. 24. (a) (1) There is hereby established in the state treasury
25 the live horse racing purse supplement fund.

26 (2) Twenty-five percent of all moneys credited to the live horse racing
27 purse supplement fund shall be transferred to the Kansas horse breeding
28 development fund created pursuant to K.S.A. 74-8829, and amendments
29 thereto. Two percent of the moneys credited to the live horse racing purse
30 supplement fund shall be distributed to the official registering agency
31 designated pursuant to K.S.A. 74-8830, and amendments thereto, to be
32 used for horse registration, administration, development, representation
33 and promotion of the Kansas horse racing and breeding industries. A
34 complete financial accounting for the use of the funds received pursuant
35 to this subsection shall be provided annually to the Kansas racing and
36 gaming commission. Fifty percent of the moneys credited to the Kansas
37 horse breeding development fund pursuant to this section shall be used
38 as purse supplements for registered Kansas-bred foals and distributed
39 based upon recommendation from the official horse breed registering
40 agency and approval of the Kansas racing and gaming commission. The
41 balance of funds credited to the Kansas horse breeding development fund
42 pursuant to this section shall be used as breed awards for registered Kan-
43 sas-bred broodmares and stallions. The Kansas racing and gaming com-

1 mission shall distribute such moneys credited to the Kansas horse breed-
2 ing development fund in accordance with K.S.A. 74-8829, and
3 amendments thereto.

4 (3) Based on the contribution to the Kansas horse racing and breed-
5 ing industries in Kansas, the balance in the live horse race purse supple-
6 ment fund shall be distributed in accordance with rules and regulations
7 adopted by the Kansas racing and gaming commission with recommen-
8 dations by the official registering agency designated pursuant to K.S.A.
9 74-8830, and amendments thereto.

10 (b) There is hereby established in the state treasury the live grey-
11 hound racing purse supplement fund. Moneys available in such fund shall
12 be paid to the parimutuel licensees for distribution as purse supplements
13 in accordance with rules and regulations of the Kansas racing and gaming
14 commission. Such rules and regulations shall provide that 25% of the total
15 amount credited to such fund shall be transferred to the credit of the
16 greyhound breeding development fund, created pursuant to K.S.A. 74-
17 8831, and amendments thereto. Funds transferred into the greyhound
18 breeding development fund pursuant to this section shall be used to sup-
19 plement special stake races and enhance the amount per point paid to
20 the owners of Kansas-whelped greyhounds which win live races at Kansas
21 greyhound tracks in accordance with Kansas racing and gaming commis-
22 sion rules and regulations. Upon the recommendation of the official grey-
23 hound breed registry, the Kansas racing and gaming commission may
24 transfer funds from the Kansas greyhound breed development fund to
25 the live greyhound racing purse supplement fund.

26 (c) All purse supplements paid pursuant to this act shall be according
27 to the point schedule in effect on January 1, 2003, at the respective par-
28 imutuel licensee locations. All purse supplements paid pursuant to this
29 section shall be in addition to purses and supplements paid under K.S.A.
30 74-8801 et seq., and amendments thereto.

31 New Sec. 25. (a) There is hereby established in the state treasury the
32 destination casino operating expenses fund. Separate accounts shall be
33 maintained in such fund to pay expenses of operation of each destination
34 casino. All expenditures from the fund shall be made in accordance with
35 appropriation acts upon warrants of the director of accounts and reports
36 issued pursuant to vouchers approved by the executive director for the
37 purposes set forth in this act.

38 (b) Moneys in accounts in the destination casino operating expenses
39 fund shall be expended only to pay expenses of operation of the respective
40 destination casino in accordance with the destination casino management
41 contract.

42 New Sec. 26. There is hereby established in the state treasury the
43 veterans benefit fund. Moneys in the veterans benefit fund shall be ex-

1 pended in accordance with appropriation acts appropriated to the Kansas
2 commission on veterans affairs for use only for purposes directly bene-
3 fitting veterans of the United States armed forces.

4 New Sec. 27. (a) Wagers shall be received only from a person at the
5 location where the destination casino game or video lottery game is au-
6 thorized pursuant to the Kansas expanded lottery act. No person present
7 at such location shall place or attempt to place a wager on behalf of
8 another person who is not present at such location.

9 (b) No employee or contractor of a destination casino manager, video
10 lottery parimutuel sales agent or video lottery club sales agent shall loan
11 money to or otherwise extend credit to patrons of the destination casino,
12 parimutuel licensee or veterans organization.

13 (c) Violation of this section is a class A nonperson misdemeanor upon
14 a conviction for a first offense. Violation of this section is a severity level
15 9, nonperson felony upon conviction for a second or subsequent offense.

16 New Sec. 28. (a) A person less than 21 years of age shall not be
17 permitted in an area where destination casino games or video lottery
18 games are being conducted, except for a person at least 18 years of age
19 who is an employee of the destination casino manager, video lottery par-
20 imutuel sales agent or video lottery club sales agent. No employee under
21 age 21 shall perform any function involved in gaming by the patrons.

22 (b) No person under age 21 shall play or make a wager on a desti-
23 nation casino game or video lottery game.

24 New Sec. 29. (a) Except as when authorized in accordance with sub-
25 section (c), it is unlawful for any destination casino manager, video lottery
26 parimutuel sales agent or video lottery club sales agent, or any employee
27 or agent thereof, to allow any person to play destination casino games or
28 video lottery pursuant to the Kansas expanded lottery act, or share in
29 winnings of such person, knowing such person to be:

30 (1) Less than 21 years of age;

31 (2) a member of the destination casino commission, the executive
32 director, a member of the commission or an employee of the Kansas
33 lottery;

34 (3) an officer or employee of a vendor contracting with the Kansas
35 lottery to supply gaming equipment or tickets to the Kansas lottery for
36 use in the operation of any lottery conducted pursuant to the Kansas
37 expanded lottery act;

38 (4) a spouse, child, stepchild, brother, stepbrother, sister, stepsister,
39 parent or stepparent of a person described by subsection (a)(2) or (a)(3);
40 or

41 (5) a person who resides in the same household as any person de-
42 scribed by subsection (a)(2) or (a)(3).

43 (b) Violation of subsection (a) is a class A nonperson misdemeanor

1 upon conviction for a first offense. Violation of subsection (a) is a severity
2 level 9, nonperson felony upon conviction for a second or subsequent
3 offense.

4 (c) The executive director may authorize in writing any employee of
5 the Kansas lottery and any employee of a lottery vendor to play a desti-
6 nation casino game or video lottery game to verify the proper operation
7 thereof with respect to security and contract compliance. Any prize
8 awarded as a result of such ticket purchase shall become the property of
9 the Kansas lottery and be added to the prize pools of subsequent desti-
10 nation casino games or video lottery games. No money or merchandise
11 shall be awarded to any employee playing a destination casino game or
12 video lottery game pursuant to this subsection.

13 New Sec. 30. Except for persons acting in accordance with rules and
14 regulations of the Kansas lottery in performing installation, maintenance
15 and repair services, any person who, with the intent to manipulate the
16 outcome, pay out or operation of a destination casino game or video lot-
17 tery game, manipulates by physical, electrical or mechanical means the
18 outcome, pay out or operation of such game shall be guilty of a severity
19 level 8, nonperson felony.

20 New Sec. 31. (a) It is a class A nonperson misdemeanor for the ex-
21 ecutive director, any member of the lottery commission or any employee
22 of the Kansas lottery knowingly to:

23 (1) Participate in the operation of or have a financial interest in any
24 business of a destination casino manager, video lottery parimutuel sales
25 agent or video lottery club sales agent or in any business which sells goods
26 or services to a destination casino manager, video lottery parimutuel sales
27 agent or video lottery club sales agent;

28 (2) participate directly or indirectly as an owner, operator, manager
29 or consultant in electronic or other gaming operated pursuant to the Kan-
30 sas expanded lottery act;

31 (3) while in Kansas place a wager on or bet or play a destination casino
32 game or video lottery game;

33 (4) accept any compensation, gift, loan, entertainment, favor or serv-
34 ice from any destination casino manager, video lottery parimutuel sales
35 agent or video lottery club sales agent except such suitable facilities and
36 services within a destination casino, parimutuel licensee location or vet-
37 erans organization as may be required to facilitate the performance of the
38 executive director's, member's or employee's official duties; or

39 (5) enter into any business dealing, venture or contract with a desti-
40 nation casino manager, an owner or lessee of an ancillary destination
41 enterprise operation, video lottery parimutuel sales agent or video lottery
42 club sales agent.

43 (b) It is a severity level 8, nonperson felony for any person playing or

1 using any electronic gaming machine or video lottery terminal in Kansas
2 knowingly to:

3 (1) Use other than a lawful coin or legal tender of the United States
4 of America, or to use coin not of the same denomination as the coin
5 intended to be used in an electronic gaming machine or video lottery
6 terminal, except that in the playing of any electronic gaming machine,
7 video lottery terminal or similar gaming device, it shall be lawful for any
8 person to use gaming billets, tokens or similar objects therein which are
9 approved by the Kansas lottery;

10 (2) possess or use, while on premises where destination casino games
11 or video lottery games are authorized pursuant to the Kansas expanded
12 lottery act, any cheating or thieving device, including, but not limited to,
13 tools, wires, drills, coins attached to strings or wires or electronic or mag-
14 netic devices to facilitate removing from any electronic gaming machine
15 or video lottery terminal any money or contents thereof, except that a
16 duly authorized agent or employee of the Kansas lottery, destination ca-
17 sino manager, video lottery parimutuel sales agent or video lottery club
18 sales agent may possess and use any of the foregoing only in furtherance
19 of the agent's or employee's employment while on the premises of the
20 destination casino, video lottery parimutuel sales agent or video lottery
21 club sales agent; or

22 (3) possess or use while on the premises of any destination casino,
23 video lottery parimutuel sales agent or video lottery club sales agent any
24 key or device designed for the purpose of or suitable for opening or
25 entering any electronic gaming machine, video lottery terminal or similar
26 gaming device or drop box, except that a duly authorized agent or em-
27 ployee of the Kansas lottery, destination casino manager, video lottery
28 parimutuel sales agent or video lottery club sales agent may possess and
29 use any of the foregoing only in furtherance of the agent's or employee's
30 employment at the destination casino.

31 New Sec. 32. It shall be a severity level 9, nonperson felony for any
32 individual, firm, corporation or other legal entity to place in operation or
33 continue to have in place any gray machine for use by members of the
34 public at any location in this state.

35 New Sec. 33. Each person subject to a background check pursuant
36 to the Kansas expanded lottery act shall be subject to a state and national
37 criminal history records check which conforms to applicable federal stan-
38 dards for the purpose of verifying the identity of the applicant and
39 whether the person has been convicted of any crime that would disqualify
40 the person from engaging in activities pursuant to this act. The executive
41 director is authorized to use the information obtained from the national
42 criminal history record check to determine the person's eligibility to en-
43 gage in such activities.

1 New Sec. 34. (a) No taxes, fees, charges, transfers or distributions,
2 other than those provided for in the Kansas expanded lottery act, shall be
3 made or levied by any city, county or other municipality from or against
4 destination casino revenue, destination casino net revenue or net video
5 lottery revenue.

6 (b) All sales of destination casino games and games on video lottery
7 terminals authorized by the Kansas expanded lottery act shall be exempt
8 from sales taxes imposed pursuant to K.S.A. 12-187 et seq., and 79-3601
9 et seq., and amendments thereto.

10 New Sec. 35. (a) Pursuant to section 2 of the federal act entitled “An
11 act to prohibit transportation of gambling devices in interstate and foreign
12 commerce,” 15 U.S.C. 1171 through 1777, the state of Kansas, acting by
13 and through the duly elected and qualified members of the legislature,
14 does hereby, in accordance with and in compliance with the provisions
15 of section 2 of such federal act, declares and proclaims that section 2 of
16 such federal act shall not apply to any gambling device in this state to the
17 extent such device is specifically authorized by and is in compliance with
18 the provisions of the Kansas expanded lottery act and any other applicable
19 statute of this state, and any rules and regulations promulgated pursuant
20 thereto, and that any such gambling device transported in compliance
21 with state law and rules and regulations shall be exempt from the provi-
22 sions of such federal act.

23 (b) All shipments into this state of gaming devices being transported
24 to or from the Kansas lottery or to or from a location within the state of
25 Kansas where such gambling devices are authorized pursuant to the Kan-
26 sas expanded lottery act shall be deemed legal shipments into this state
27 if the registering, recording and labeling of such devices has been duly
28 made by the manufacturer or dealer in accordance with sections 3 and 4
29 of the federal act entitled “An act to prohibit transportation of gambling
30 devices in interstate or foreign commerce,” 15 U.S.C. 1171 through 1777.

31 Sec. 36. K.S.A. 74-8702 is hereby amended to read as follows: 74-
32 8702. As used in the Kansas lottery act, unless the context otherwise
33 requires:

34 (a) “Commission” means the Kansas lottery commission.

35 (b) “Executive director” means the executive director of the Kansas
36 lottery.

37 ~~(c) “Gaming equipment” means any electric, electronic or mechani-~~
38 ~~cal device or other equipment unique to the Kansas lottery used directly~~
39 ~~in the operation of any lottery and in the determination of winners pur-~~
40 ~~suant to this act.~~

41 (c) “Gaming equipment” means any electric, electronic, computerized
42 or electromechanical machine, mechanism, supply or device, or any other
43 equipment, which is: (1) Unique to the Kansas lottery and used pursuant

- 1 *to the Kansas lottery act; (2) integral to the operation of an electronic*
2 *gaming machine; or (3) affects the results of an electronic gaming machine*
3 *by determining win or loss.*
- 4 (d) “Kansas lottery” means the state agency created by this act to
5 operate a lottery or lotteries pursuant to this act.
- 6 (e) “Lottery retailer” means any person with whom the Kansas lottery
7 has contracted to sell lottery tickets or shares, or both, to the public.
- 8 (f) “Lottery” or “state lottery” means the lottery or lotteries operated
9 pursuant to this act.
- 10 (g) “Major procurement” means any gaming product or service, in-
11 cluding but not limited to facilities, advertising and promotional services,
12 annuity contracts, prize payment agreements, consulting services, equip-
13 ment, tickets and other products and services unique to the Kansas lot-
14 tery, but not including materials, supplies, equipment and services com-
15 mon to the ordinary operations of state agencies.
- 16 (h) “Person” means any natural person, association, corporation or
17 partnership.
- 18 (i) “Prize” means any prize paid directly by the Kansas lottery pur-
19 suant to its rules and regulations.
- 20 (j) “Share” means any intangible manifestation authorized by the
21 Kansas lottery to prove participation in a lottery game.
- 22 (k) “Ticket” means any tangible evidence issued by the Kansas lottery
23 to prove participation in a lottery game.
- 24 (l) “Vendor” means any person who has entered into a major pro-
25 curement contract with the Kansas lottery.
- 26 (m) “Returned ticket” means any ticket which was transferred to a
27 lottery retailer, which was not sold by the lottery retailer and which was
28 returned to the Kansas lottery for refund by issuance of a credit or
29 otherwise.
- 30 (n) “Video lottery machine” means any electronic video game ma-
31 chine that, upon insertion of cash, is available to play or simulate the play
32 of a video game authorized by the commission, including but not limited
33 to bingo, poker, black jack and keno, and which uses a video display and
34 microprocessors and in which, by chance, the player may receive free
35 games or credits that can be redeemed for cash.
- 36 (o) (1) “Lottery machine” means any machine or device that allows
37 a player to insert cash or other form of consideration and may deliver as
38 the result of an element of chance, regardless of the skill required by the
39 player, a prize or evidence of a prize, including, but not limited to:
- 40 (A) Any machine or device in which the prize or evidence of a prize
41 is determined by both chance and the player’s or players’ skill, including,
42 but not limited to, any machine or device on which a lottery game or
43 lottery games, such as poker or blackjack, are played;

- 1 (B) any machine or device in which the prize or evidence of a prize
2 is determined only by chance, including, but not limited to, any slot ma-
3 chine or bingo machine; or
- 4 (C) any lottery ticket vending machine, such as a keno ticket vending
5 machine, pull-tab vending machine or an instant-bingo vending machine.
- 6 (2) "Lottery machine" shall not mean:
- 7 (A) Any food vending machine defined by K.S.A. 36-501, and amend-
8 ments thereto;
- 9 (B) any nonprescription drug machine authorized under K.S.A. 65-
10 650, and amendments thereto;
- 11 (C) any machine which dispenses only bottled or canned soft drinks,
12 chewing gum, nuts or candies; ~~or~~
- 13 (D) *any electronic gaming machine or video lottery terminal operated*
14 *in accordance with the provisions of the Kansas expanded lottery act; or*
- 15 (E) any machine excluded from the definition of gambling devices
16 under subsection (d) of K.S.A. 21-4302, and amendments thereto.
- 17 Sec. 37. K.S.A. 74-8705 is hereby amended to read as follows: 74-
18 8705. (a) Major procurement contracts shall be awarded in accordance
19 with K.S.A. 75-3738 through 75-3744, and amendments thereto, or sub-
20 section (b), as determined by the *executive* director, except that:
- 21 (1) The contract or contracts for the initial lease of facilities for the
22 Kansas lottery shall be awarded upon the evaluation and approval of the
23 *executive* director, the secretary of administration and the director of ar-
24 chitectural services;
- 25 (2) The commission shall designate certain major procurement con-
26 tracts or portions thereof to be awarded, in accordance with rules and
27 regulations of the commission, solely to minority business enterprises.
- 28 (b) The *executive* director may award any major procurement con-
29 tract by use of a procurement negotiating committee. Such committee
30 shall be composed of: (1) The executive director or a Kansas lottery em-
31 ployee designated by the executive director; (2) the chairperson of the
32 commission or a commission member designated by the chairperson; and
33 (3) the director of the division of purchases or an employee of such di-
34 vision designated by the director. Prior to negotiating a major procure-
35 ment contract, the committee shall solicit bids or proposals thereon. The
36 division of purchases shall provide staff support for the committee's so-
37 licitations. Upon receipt of bids or proposals, the committee may nego-
38 tiate with one or more of the persons submitting such bids or proposals
39 and select from among such persons the person to whom the contract is
40 awarded. Such procurements shall be open and competitive and shall
41 consider relevant factors, including security, competence, experience,
42 timely performance and maximization of net revenues to the state. If a
43 procurement negotiating committee is utilized, the provisions of K.S.A.

1 75-3738 through 75-3744, and amendments thereto, shall not apply.
2 Meetings conducted by the procurement negotiating committee shall be
3 exempt from the provisions of the Kansas open meeting act, K.S.A. 75-
4 4317 through 75-4320a, and amendments thereto.

5 (c) Before a major procurement contract is awarded, the executive
6 director shall conduct a background investigation of: (1) The vendor to
7 whom the contract is to be awarded; (2) all officers and directors of such
8 vendor; (3) all persons who own a 5% or more interest in such vendor;
9 (4) all persons who own a controlling interest in such vendor; and (5) any
10 subsidiary or other business in which such vendor owns a controlling
11 interest. The vendor shall submit appropriate investigation authorizations
12 to facilitate such investigation. The executive director may require, in
13 accordance with rules and regulations of the commission, that a vendor
14 submit any additional information considered appropriate to preserve the
15 integrity and security of the lottery. In addition, the executive director
16 may conduct a background investigation of any person having a beneficial
17 interest in a vendor. The secretary of revenue, securities commissioner,
18 attorney general and director of the Kansas bureau of investigation shall
19 assist in any investigation pursuant to this subsection upon request of the
20 executive director. Whenever the secretary of revenue, securities com-
21 missioner, attorney general or director of the Kansas bureau of investi-
22 gation assists in such an investigation and incurs costs in addition to those
23 attributable to the operations of the office or bureau, such additional costs
24 shall be paid by the Kansas lottery. The furnishing of assistance in such
25 an investigation shall be a transaction between the Kansas lottery and the
26 respective officer and shall be settled in accordance with K.S.A. 75-5516,
27 and amendments thereto.

28 Upon the request of the chairperson, the Kansas bureau of investiga-
29 tion and other criminal justice agencies shall provide to the chairperson
30 all background investigation information including criminal history record
31 information, arrest and nonconviction data, criminal intelligence infor-
32 mation and information relating to criminal and background investiga-
33 tions of a vendor to whom a major procurement contract is to be awarded.
34 Such information, other than conviction data, shall be confidential and
35 shall not be disclosed, except as provided in this section. In addition to
36 any other penalty provided by law, disclosure of such information shall
37 be grounds for removal from office or termination of employment.

38 (d) All major procurement contracts shall be subject to approval of
39 the commission.

40 (e) (1) *Except as provided by paragraph (2)*, the executive director
41 shall not agree to any renewal or extension of a major procurement con-
42 tract unless such extension or renewal is awarded in the manner provided
43 by this section.

1 (2) *The provisions of paragraph (1) shall not apply to the extension*
2 *or renegotiation of an existing contract with a vendor for the purposes of*
3 *providing services for the monitoring and control of electronic gaming*
4 *machines, destination casino games or video lottery terminals pursuant*
5 *to the Kansas expanded lottery act. The provisions of this subsection shall*
6 *expire on June 30, 2006.*

7 Sec. 38. K.S.A. 74-8710 is hereby amended to read as follows: 74-
8 8710. (a) The commission, upon the recommendation of the executive
9 director, shall adopt rules and regulations governing the establishment
10 and operation of a state lottery as necessary to carry out the purposes of
11 this act. Temporary rules and regulations may be adopted by the com-
12 mission without being subject to the provisions and requirements of
13 K.S.A. 77-415 through 77-438, and amendments thereto, but shall be
14 subject to approval by the attorney general as to legality and shall be filed
15 with the secretary of state and published in the Kansas register. Tem-
16 porary and permanent rules and regulations may include but shall not be
17 limited to:

18 (1) Subject to the provisions of subsection (c), the types of lottery
19 games to be conducted, including but not limited to instant lottery, on-
20 line and traditional games, but not including games on video lottery ma-
21 chines or lottery machines.

22 (2) The manner of selecting the winning tickets or shares, except that,
23 if a lottery game utilizes a drawing of winning numbers, a drawing among
24 entries or a drawing among finalists, such drawings shall always be open
25 to the public and shall be recorded on both video and audio tape.

26 (3) The manner of payment of prizes to the holders of winning tickets
27 or shares.

28 (4) The frequency of the drawings or selections of winning tickets or
29 shares.

30 (5) The type or types of locations at which tickets or shares may be
31 sold.

32 (6) The method or methods to be used in selling tickets or shares.

33 (7) Additional qualifications for the selection of lottery retailers and
34 the amount of application fees to be paid by each.

35 (8) The amount and method of compensation to be paid to lottery
36 retailers, including special bonuses and incentives.

37 (9) Deadlines for claims for prizes by winners of each lottery game.

38 (10) Provisions for confidentiality of information submitted by ven-
39 dors pursuant to K.S.A. 74-8705, and amendments thereto.

40 (11) Information required to be submitted by vendors, in addition to
41 that required by K.S.A. 74-8705, and amendments thereto.

42 (12) The major procurement contracts or portions thereof to be
43 awarded to minority business enterprises pursuant to subsection (a) of

1 K.S.A. 74-8705, and amendments thereto, and procedures for the award
2 thereof.

3 (13) *Rules and regulations to implement, administer and enforce the*
4 *provisions of the Kansas expanded lottery act.*

5 (14) *The types of electronic gaming machines, destination casino*
6 *games and video lottery terminals operated pursuant to the Kansas ex-*
7 *panded lottery act.*

8 (b) No new lottery game shall commence operation after the effective
9 date of this act unless first approved by the governor or, in the governor's
10 absence or disability, the lieutenant governor. *This subsection shall not*
11 *be construed to require approval of games played on an electronic gaming*
12 *machine or video lottery games.*

13 (c) The lottery shall adopt rules and regulations concerning the game
14 of keno. Such rules and regulations shall require that the amount of time
15 which elapses between the start of games shall not be less than four
16 minutes.

17 Sec. 39. K.S.A. 2004 Supp. 74-8711 is hereby amended to read as
18 follows: 74-8711. (a) There is hereby established in the state treasury the
19 lottery operating fund.

20 (b) Except as provided by K.S.A. 2004 Supp. 74-8724, and amend-
21 ments thereto, *and the Kansas expanded lottery act*, the executive director
22 shall remit all moneys collected from the sale of lottery tickets and shares
23 and any other moneys received by or on behalf of the Kansas lottery to
24 the state treasurer in accordance with the provisions of K.S.A. 75-4215,
25 and amendments thereto. Upon receipt of each such remittance, the state
26 treasurer shall deposit the entire amount in the state treasury to the credit
27 of the lottery operating fund. Moneys credited to the fund shall be ex-
28 pended or transferred only as provided by this act. Expenditures from
29 such fund shall be made in accordance with appropriations acts upon
30 warrants of the director of accounts and reports issued pursuant to vouch-
31 ers approved by the executive director or by a person designated by the
32 executive director.

33 (c) Moneys in the lottery operating fund shall be used for:

34 (1) The payment of expenses of the lottery, which shall include all
35 costs incurred in the operation and administration of the Kansas lottery,
36 *other than expenses incurred pursuant to the Kansas expanded lottery*
37 *act*; all costs resulting from contracts entered into for the purchase or
38 lease of goods and services needed for operation of the lottery, including
39 but not limited to supplies, materials, tickets, independent studies and
40 surveys, data transmission, advertising, printing, promotion, incentives,
41 public relations, communications and distribution of tickets and shares;
42 and reimbursement of costs of facilities and services provided by other
43 state agencies;

- 1 (2) the payment of compensation to lottery retailers;
- 2 (3) transfers of moneys to the lottery prize payment fund pursuant to
- 3 K.S.A. 74-8712, and amendments thereto;
- 4 (4) transfers to the state general fund pursuant to K.S.A. 74-8713,
- 5 and amendments thereto;
- 6 (5) transfers to the state gaming revenues fund pursuant to subsection
- 7 ~~(d) of this section~~ and as otherwise provided by law; and
- 8 (6) transfers to the county reappraisal fund as prescribed by law.
- 9 (d) The director of accounts and reports shall transfer moneys in the
- 10 lottery operating fund to the state gaming revenues fund created by
- 11 K.S.A. 79-4801, and amendments thereto, on or before the 15th day of
- 12 each month in an amount certified monthly by the executive director and
- 13 determined as follows, whichever is greater:
- 14 (1) An amount equal to the moneys in the lottery operating fund in
- 15 excess of those needed for the purposes described in subsections (c)(1)
- 16 through (c)(4); or
- 17 (2) except for pull-tab lottery tickets and shares, an amount equal to
- 18 not less than 30% of total monthly revenues from the sales of lottery
- 19 tickets and shares less estimated returned tickets. In the case of pull-tab
- 20 lottery tickets and shares, an amount equal to not less than 20% of the
- 21 total monthly revenues from the sales of pull-tab lottery tickets and shares
- 22 less estimated returned tickets.
- 23 Sec. 40. K.S.A. 74-8723 is hereby amended to read as follows: 74-
- 24 8723. (a) The Kansas lottery and the office of executive director of the
- 25 Kansas lottery, established by K.S.A. 74-8703, and amendments thereto,
- 26 and the Kansas lottery commission, created by K.S.A. 74-8709, and
- 27 amendments thereto, shall be and hereby are abolished on July 1, ~~2008~~
- 28 ~~2012~~.
- 29 (b) This section shall be part of and supplemental to the Kansas lot-
- 30 tery act.
- 31 Sec. 41. K.S.A. 2004 Supp. 19-101a is hereby amended to read as
- 32 follows: 19-101a. (a) The board of county commissioners may transact all
- 33 county business and perform all powers of local legislation and adminis-
- 34 tration it deems appropriate, subject only to the following limitations,
- 35 restrictions or prohibitions:
- 36 (1) Counties shall be subject to all acts of the legislature which apply
- 37 uniformly to all counties.
- 38 (2) Counties may not consolidate or alter county boundaries.
- 39 (3) Counties may not affect the courts located therein.
- 40 (4) Counties shall be subject to acts of the legislature prescribing
- 41 limits of indebtedness.
- 42 (5) In the exercise of powers of local legislation and administration
- 43 authorized under provisions of this section, the home rule power con-

- 1 ferred on cities to determine their local affairs and government shall not
2 be superseded or impaired without the consent of the governing body of
3 each city within a county which may be affected.
- 4 (6) Counties may not legislate on social welfare administered under
5 state law enacted pursuant to or in conformity with public law No. 271—
6 74th congress, or amendments thereof.
- 7 (7) Counties shall be subject to all acts of the legislature concerning
8 elections, election commissioners and officers and their duties as such
9 officers and the election of county officers.
- 10 (8) Counties shall be subject to the limitations and prohibitions im-
11 posed under K.S.A. 12-187 to 12-195, inclusive, and amendments thereto,
12 prescribing limitations upon the levy of retailers' sales taxes by counties.
- 13 (9) Counties may not exempt from or effect changes in statutes made
14 nonuniform in application solely by reason of authorizing exceptions for
15 counties having adopted a charter for county government.
- 16 (10) No county may levy ad valorem taxes under the authority of this
17 section upon real property located within any redevelopment project area
18 established under the authority of K.S.A. 12-1772, and amendments
19 thereto, unless the resolution authorizing the same specifically authorized
20 a portion of the proceeds of such levy to be used to pay the principal of
21 and interest upon bonds issued by a city under the authority of K.S.A.
22 12-1774, and amendments thereto.
- 23 (11) Counties shall have no power under this section to exempt from
24 any statute authorizing or requiring the levy of taxes and providing sub-
25 stitute and additional provisions on the same subject, unless the resolution
26 authorizing the same specifically provides for a portion of the proceeds
27 of such levy to be used to pay a portion of the principal and interest on
28 bonds issued by cities under the authority of K.S.A. 12-1774, and amend-
29 ments thereto.
- 30 (12) Counties may not exempt from or effect changes in the provi-
31 sions of K.S.A. 19-4601 through 19-4625, and amendments thereto.
- 32 (13) Except as otherwise specifically authorized by K.S.A. 12-1,101
33 through 12-1,109, and amendments thereto, counties may not levy and
34 collect taxes on incomes from whatever source derived.
- 35 (14) Counties may not exempt from or effect changes in K.S.A. 19-
36 430, and amendments thereto.
- 37 (15) Counties may not exempt from or effect changes in K.S.A. 19-
38 302, 19-502b, 19-503, 19-805 or 19-1202, and amendments thereto.
- 39 (16) (A) Counties may not exempt from or effect changes in K.S.A.
40 13-13a26, and amendments thereto.
- 41 (B) This provision shall expire on June 30, ~~2005~~ 2006.
- 42 (17) (A) Counties may not exempt from or effect changes in K.S.A.
43 71-301a, and amendments thereto.

- 1 (B) This provision shall expire on June 30, ~~2005~~ 2006.
- 2 (18) Counties may not exempt from or effect changes in K.S.A. 19-
3 15,139, 19-15,140 and 19-15,141, and amendments thereto.
- 4 (19) Counties may not exempt from or effect changes in the provi-
5 sions of K.S.A. 12-1223, 12-1225, 12-1225a, 12-1225b, 12-1225c and 12-
6 1226, and amendments thereto, or the provisions of K.S.A. 12-1260
7 through 12-1270 and 12-1276, and amendments thereto.
- 8 (20) Counties may not exempt from or effect changes in the provi-
9 sions of K.S.A. 19-211, and amendments thereto.
- 10 (21) Counties may not exempt from or effect changes in the provi-
11 sions of K.S.A. 19-4001 through 19-4015, and amendments thereto.
- 12 (22) Counties may not regulate the production or drilling of any oil
13 or gas well in any manner which would result in the duplication of reg-
14 ulation by the state corporation commission and the Kansas department
15 of health and environment pursuant to chapter 55 and chapter 65 of the
16 Kansas Statutes Annotated and any rules and regulations adopted pur-
17 suant thereto. Counties may not require any license or permit for the
18 drilling or production of oil and gas wells. Counties may not impose any
19 fee or charge for the drilling or production of any oil or gas well.
- 20 (23) Counties may not exempt from or effect changes in K.S.A. 79-
21 41a04, and amendments thereto.
- 22 (24) Counties may not exempt from or effect changes in K.S.A. 79-
23 1611, and amendments thereto.
- 24 (25) Counties may not exempt from or effect changes in K.S.A. 79-
25 1494, and amendments thereto.
- 26 (26) Counties may not exempt from or effect changes in subsection
27 (b) of K.S.A. 19-202, and amendments thereto.
- 28 (27) Counties may not exempt from or effect changes in subsection
29 (b) of K.S.A. 19-204, and amendments thereto.
- 30 (28) Counties may not levy or impose an excise, severance or any
31 other tax in the nature of an excise tax upon the physical severance and
32 production of any mineral or other material from the earth or water.
- 33 (29) Counties may not exempt from or effect changes in K.S.A. 79-
34 2017 or 79-2101, and amendments thereto.
- 35 (30) Counties may not exempt from or effect changes in K.S.A. 2-
36 3302, 2-3305, 2-3307, 2-3318, 17-5904, 17-5908, 47-1219, 65-171d, 65-
37 1,178 through 65-1,199 ~~or K.S.A. 1998 Supp. 17-5909~~, and amendments
38 thereto.
- 39 (31) Counties may not exempt from or effect changes in K.S.A. 2004
40 Supp. 80-121, and amendments thereto.
- 41 (32) Counties may not exempt from or effect changes in K.S.A. 19-
42 228, and amendments thereto.
- 43 (33) Counties may not exempt from or effect changes in the wireless

1 enhanced 911 act or in the provisions of K.S.A. 12-5301 through 12-5308,
2 and amendments thereto.

3 (34) Counties may not exempt from or effect changes in K.S.A. 2004
4 Supp. 26-601, and amendments thereto.

5 (35) *Counties may not exempt from or effect changes in the Kansas*
6 *lottery act or the Kansas expanded lottery act.*

7 (b) Counties shall apply the powers of local legislation granted in
8 subsection (a) by resolution of the board of county commissioners. If no
9 statutory authority exists for such local legislation other than that set forth
10 in subsection (a) and the local legislation proposed under the authority
11 of such subsection is not contrary to any act of the legislature, such local
12 legislation shall become effective upon passage of a resolution of the
13 board and publication in the official county newspaper. If the legislation
14 proposed by the board under authority of subsection (a) is contrary to an
15 act of the legislature which is applicable to the particular county but not
16 uniformly applicable to all counties, such legislation shall become effec-
17 tive by passage of a charter resolution in the manner provided in K.S.A.
18 19-101b, and amendments thereto.

19 (c) Any resolution adopted by a county which conflicts with the res-
20 trictions in subsection (a) is null and void.

21 Sec. 42. K.S.A. 74-8830 is hereby amended to read as follows: 74-
22 8830. (a) The commission shall, by rules and regulations:

23 (1) Qualify stallions for participation in Kansas-registered stallion
24 awards;

25 (2) provide for the registration of Kansas-domiciled mares, Kansas-
26 domiciled stallions and Kansas-bred horses;

27 (3) determine qualifications of Kansas-bred horses and establish clas-
28 ses of Kansas-bred horses for registration purposes and for the purpose
29 of awarding purse supplements, stakes and awards pursuant to K.S.A. 74-
30 8829 and amendments thereto; and

31 (4) establish a schedule of fees for the registration of Kansas-domi-
32 ciled mares, Kansas-domiciled stallions and Kansas-bred horses sufficient
33 to provide for all expenses incurred in the administration of the Kansas
34 horse breeding development fund created pursuant to K.S.A. 74-8829
35 and amendments thereto.

36 (b) The commission may contract with and designate an official reg-
37 istering agency to implement the registration of horses. *The board of*
38 *directors of the official registering agency shall consist of five represen-*
39 *tatives of the quarter horse breed and five representatives of the thor-*
40 *oughbred breed. Representatives shall be selected by each breed organi-*
41 *zation from their respective memberships pursuant to rules and*
42 *regulations adopted by the Kansas racing and gaming commission. In*
43 *order to be eligible to serve on the board, a participant must be a legal*

1 *resident of the state of Kansas and a member of the Kansas quarter horse*
2 *racing association or the Kansas thoroughbred association.* Such agency
3 shall operate under the supervision of the commission and be subject to
4 rules and regulations of the commission. The official registering agency
5 shall receive no compensation except fees received for registration of
6 horses necessary to pay its expenses for such registration.

7 (c) The commission may contract with and designate an agency to
8 provide for the distribution of purse supplements, stakes and awards from
9 the Kansas horse breeding development fund. Such agency shall operate
10 under the supervision of the commission and be subject to rules and
11 regulations of the commission.

12 New Sec. 43. (a) The Kansas racing and gaming commission shall
13 establish a greyhound promotion and development fund which shall be
14 funded through a voluntary greyhound purse checkoff program which
15 shall provide for the deduction of 2% from all purses paid to kennels and
16 greyhound owners who participate in the program. Greyhound owners
17 and kennel operators shall be provided an opportunity annually to not
18 participate in the program by signing a form approved by the Kansas
19 racing and gaming commission. Moneys deposited into the fund shall be
20 used for the development, promotion and representation of the grey-
21 hound industry in Kansas and shall be distributed to the organization
22 contracted with by the Kansas racing and gaming commission to admin-
23 ister the official greyhound registry in Kansas.

24 (b) This section shall be part of and supplemental to the Kansas par-
25 imutuel racing act.

26 Sec. 44. K.S.A. 74-8702, 74-8705, 74-8710, 74-8723 and 74-8830 and
27 K.S.A. 2004 Supp. 19-101a, 19-101k and 74-8711 are hereby repealed.

28 Sec. 45. This act shall take effect and be in force from and after its
29 publication in the Kansas register.