

SENATE BILL No. 294

By Committee on Ways and Means

3-10

9 AN ACT concerning lotteries; concerning electronic gaming, lottery fa-
10 cility games and other lottery games; amending K.S.A. 74-8702, 74-
11 8705, 74-8710, 74-8723, 74-8830 and 74-8832 and K.S.A. 2004 Supp.
12 19-101a and 74-8711 and repealing the existing sections; also repealing
13 K.S.A. 2004 Supp. 19-101k.

14
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 74-8702 is hereby amended to read as follows: 74-
17 8702. As used in the Kansas lottery act, unless the context otherwise
18 requires:

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

20 (b) “Executive director” means the executive director of the Kansas
21 lottery.

22 ~~(c) “Gaming equipment” means any electric, electronic or mechani-~~
23 ~~cal device or other equipment unique to the Kansas lottery used directly~~
24 ~~in the operation of any lottery and in the determination of winners pur-~~
25 ~~suant to this act. “Gaming equipment” means any electric, electronic,~~
26 ~~computerized or electromechanical machine, mechanism, supply or device~~
27 ~~or any other equipment, which is: (1) Unique to the Kansas lottery and~~
28 ~~used pursuant to the Kansas lottery act; and (2) integral to the operation~~
29 ~~of an electronic gaming machine or lottery facility game; and (3) affects~~
30 ~~the results of an electronic gaming machine or lottery facility game by~~
31 ~~determining win or loss.~~

32 (d) “Kansas lottery” means the state agency created by this act to
33 operate a lottery or lotteries pursuant to this act.

34 (e) “Lottery retailer” means any person with whom the Kansas lottery
35 has contracted to sell lottery tickets or shares, or both, to the public.

36 (f) “Lottery” or “state lottery” means the lottery or lotteries operated
37 pursuant to this act.

38 (g) (1) “Major procurement” means any gaming product or service,
39 including but not limited to facilities, advertising and promotional serv-
40 ices, annuity contracts, prize payment agreements, consulting services,
41 equipment, tickets and other products and services unique to the Kansas
42 lottery, but not including materials, supplies, equipment and services
43 common to the ordinary operations of state agencies.

- 1 (2) “Major procurement” shall not mean any product, service or other
2 matter covered by or addressed in the Kansas expanded lottery act or a
3 management contract executed pursuant to the Kansas expanded lottery
4 act.
- 5 (h) “Person” means any natural person, association, *limited liability*
6 *company*, corporation or partnership.
- 7 (i) “Prize” means any prize paid directly by the Kansas lottery pur-
8 suant to ~~its~~ the Kansas lottery act or the Kansas expanded lottery act or
9 any rules and regulations adopted pursuant to either act.
- 10 (j) “Share” means any intangible manifestation authorized by the
11 Kansas lottery to prove participation in a lottery game, *except as provided*
12 *by the Kansas expanded lottery act.*
- 13 (k) “Ticket” means any tangible evidence issued by the Kansas lottery
14 to prove participation in a lottery game *other than a lottery facility game.*
- 15 (l) “Vendor” means any person who has entered into a major pro-
16 curement contract with the Kansas lottery.
- 17 (m) “Returned ticket” means any ticket which was transferred to a
18 lottery retailer, which was not sold by the lottery retailer and which was
19 returned to the Kansas lottery for refund by issuance of a credit or
20 otherwise.
- 21 (n) “Video lottery machine” means any electronic video game ma-
22 chine that, upon insertion of cash, is available to play or simulate the play
23 of a video game authorized by the commission, including but not limited
24 to bingo, poker, black jack and keno, and which uses a video display and
25 microprocessors and in which, by chance, the player may receive free
26 games or credits that can be redeemed for cash.
- 27 (o) (1) “Lottery machine” means any machine or device that allows
28 a player to insert cash or other form of consideration and may deliver as
29 the result of an element of chance, regardless of the skill required by the
30 player, a prize or evidence of a prize, including, but not limited to:
- 31 (A) Any machine or device in which the prize or evidence of a prize
32 is determined by both chance and the player’s or players’ skill, including,
33 but not limited to, any machine or device on which a lottery game or
34 lottery games, such as poker or blackjack, are played;
- 35 (B) any machine or device in which the prize or evidence of a prize
36 is determined only by chance, including, but not limited to, any slot ma-
37 chine or bingo machine; or
- 38 (C) any lottery ticket vending machine, such as a keno ticket vending
39 machine, pull-tab vending machine or an instant-bingo vending machine.
- 40 (2) “Lottery machine” shall not mean:
- 41 (A) Any food vending machine defined by K.S.A. 36-501, and amend-
42 ments thereto;
- 43 (B) any nonprescription drug machine authorized under K.S.A. 65-

1 650, and amendments thereto;

2 (C) any machine which dispenses only bottled or canned soft drinks,
3 chewing gum, nuts or candies; ~~or~~

4 (D) any machine excluded from the definition of gambling devices
5 under subsection (d) of K.S.A. 21-4302, and amendments thereto; ~~or~~

6 (E) *any electronic gaming machine, lottery facility game or video lot-*
7 *tery terminal operated in accordance with the provisions of the Kansas*
8 *expanded lottery act.*

9 (p) *“Electronic gaming machine” means any electronic, electrome-*
10 *chanical, video or computerized device, contrivance or machine author-*
11 *ized 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, blackjack,*
15 *keno and slot machines, and which may deliver or entitle the player op-*
16 *erating the machine to receive cash, tokens, merchandise or credits that*
17 *may be redeemed for cash. Electronic gaming machines may use bill val-*
18 *idators and may be single-position reel-type, single or multi-game video*
19 *and single-position multi-game video electronic game, including but not*
20 *limited to, poker, blackjack and slot machines. Electronic gaming ma-*
21 *chines shall be directly linked to a central computer at a location deter-*
22 *mined by the executive director for purposes of security, monitoring and*
23 *auditing. Electronic gaming machines may be linked to the central video*
24 *lottery terminal computer system.*

25 (q) *“Progressive electronic game” means a game played on an elec-*
26 *tronic gaming machine for which the payoff increases uniformly as the*
27 *game is played and for which the jackpot, determined by application of*
28 *a formula to the income of independent, local or interlinked electronic*
29 *gaming machines, may be won.*

30 (r) *“Token” means a representative of value, of metal or other mate-*
31 *rial, which is not legal tender, redeemable for cash only by the issuing*
32 *lottery gaming facility manager and which is issued and sold by a lottery*
33 *gaming facility manager for the sole purpose of playing an electronic*
34 *gaming machine or lottery facility game.*

35 (s) *“Lottery gaming facility” means that portion of a building, in-*
36 *cluding the real and personal property, that is owned or leased by the*
37 *state for the purposes of operating, managing and maintaining lottery*
38 *facility games.*

39 (t) *“Lottery gaming enterprise” means an entertainment enterprise*
40 *which includes a lottery gaming facility authorized pursuant to the Kansas*
41 *expanded lottery act and ancillary lottery gaming operations that have a*
42 *common business or marketing strategy. A lottery gaming enterprise shall*
43 *be designed to attract to its lottery gaming facility consumers who reside*

1 *outside the immediate area of such enterprise.*

2 (u) *“Lottery gaming facility manager” means a corporation, limited*
3 *liability company or other business entity authorized to construct and*
4 *manage, or manage alone, pursuant to a management contract with the*
5 *Kansas lottery, and on behalf of the state, a lottery gaming enterprise and*
6 *lottery gaming facility.*

7 (v) *“Accelerated lottery gaming facility net payment” means the ad-*
8 *vanced payment to the state treasurer of a portion of the state’s future*
9 *share of residual lottery gaming facility revenues upon approval of a man-*
10 *agement contract with a lottery gaming facility manager for the devel-*
11 *opment or construction of a lottery gaming facility and management of a*
12 *lottery gaming enterprise pursuant to the Kansas expanded lottery act.*

13 (w) *“Lottery gaming facility revenues” means the total revenues from*
14 *lottery facility games at a lottery gaming facility after all related prizes*
15 *are paid.*

16 (x) *“Residual lottery gaming facility revenues” means the balance of*
17 *the lottery gaming facility revenues in each account in the lottery gaming*
18 *facility fund established in subsection (a) of section 8, and amendments*
19 *thereto, after the transfer to an operating account for the payment of*
20 *lottery gaming facility expenses and interest on financing approved in the*
21 *management contract, as described in subsection (b) of section 8, and*
22 *amendments thereto.*

23 (y) *“Lottery gaming facility expenses” means normal business ex-*
24 *penses, as defined by the executive director pursuant to generally accepted*
25 *accounting principles (GAAP), associated with the ownership and oper-*
26 *ation of a lottery gaming facility and enterprise, payments to any city or*
27 *county and payments to the problem gambling grant fund.*

28 (z) *“Lottery facility games” mean any electronic gaming machines*
29 *and any other lottery games in the form of Class II or III gaming which,*
30 *as of May 1, 2004, are authorized to be conducted or operated at a tribal*
31 *gaming facility, as defined in K.S.A. 74-9802, and amendments thereto,*
32 *located within the boundaries of this state.*

33 (aa) *“Ancillary lottery gaming facility operations” means additional*
34 *non-lottery facility game products and services not owned and operated*
35 *by the state which may be included in the overall development associated*
36 *with the lottery gaming facility. Such operations may include, but are not*
37 *limited to, restaurants, hotels, motels, museums or entertainment facilities.*
38 *Such operations conducted on state-owned property shall pay reasonable*
39 *compensation to the state for the use of the space.*

40 (bb) *“Certificate of authorization” means a written approval of the*
41 *executive director authorizing a prospective lottery gaming facility man-*
42 *ager to proceed with county approval under section 5, and amendments*
43 *thereto, and any applicable county or city planning and zoning require-*

1 *ments for the establishment of a lottery gaming facility pursuant to the*
2 *Kansas expanded lottery act. No prospective lottery gaming facility man-*
3 *ager shall seek the approval under section 5, and amendments thereto,*
4 *unless such prospective manager holds a certificate or temporary certifi-*
5 *cate of authorization.*

6 (cc) *“Management contract” means a contract, subcontract or collat-*
7 *eral agreement between the state and a lottery gaming facility manager*
8 *for the management of a lottery gaming facility owned and operated by*
9 *the state, negotiated and signed by the executive director on behalf of the*
10 *state. Management contracts shall not be subject to the provisions of*
11 *K.S.A. 75-3738 through 75-3744, and amendments thereto, or to any stat-*
12 *utory provision regulating major procurements.*

13 (dd) *“Parimutuel licensee” means a facility owner licensee or facility*
14 *manager licensee under the Kansas parimutuel racing act.*

15 (ee) *“Parimutuel licensee location” means the racetrack facility, as*
16 *defined in K.S.A. 74-8802, and amendments thereto, owned or managed*
17 *by the parimutuel licensee. A parimutuel licensee location may include*
18 *any existing structure at such racetrack facility or any structure that may*
19 *be constructed on real estate where such racetrack facility is located.*

20 (ff) *“Destination development zone” means one of the following zones*
21 *where one or more lottery gaming facilities may be operated pursuant to*
22 *the Kansas expanded lottery act as a part of an overall strategy of creating*
23 *regional tourism destinations to enhance the local and state economy*
24 *through increased tourism opportunities:*

25 (1) *The northeast Kansas development zone, which consists of Wy-*
26 *andotte county;*

27 (2) *the southeast Kansas development zone, which consists of Craw-*
28 *ford and Cherokee counties;*

29 (3) *the south central Kansas development zone, which consists of*
30 *Sedgwick county;*

31 (4) *the southwest Kansas development zone, which consists of Ford*
32 *county; or*

33 (5) *the north central Kansas development zone, which consists of*
34 *Geary county.*

35 (gg) *“Gray machine” means any mechanical, electro-mechanical or*
36 *electronic device, capable of being used for gambling, that is: (1) Not*
37 *authorized by the Kansas lottery, (2) not linked to a lottery central com-*
38 *puter or the central video lottery terminal computer system, (3) available*
39 *to the public for play and (4) capable of simulating a game played on a*
40 *video lottery terminal or any similar gambling game authorized pursuant*
41 *to the Kansas expanded lottery act.*

42 New Sec. 2. (a) Sections 2 through 23, and amendments thereto,
43 shall be known and may be cited as the Kansas expanded lottery act. The

1 Kansas expanded lottery act shall be part of and supplemental to the
2 Kansas lottery act.

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

7 New Sec. 3. (a) The executive director shall issue a certificate of
8 authorization to each prospective lottery gaming facility manager which
9 meets the necessary requirements established by the executive director
10 and as set forth herein. The executive director shall select as prospective
11 lottery gaming facility managers only such entities as the executive direc-
12 tor deems best able to serve the interests of the state of Kansas, the public
13 good and convenience. In the selection of lottery gaming facility man-
14 agers, the executive director shall consider factors such as financial re-
15 sponsibility, integrity, reputation, experience and such other factors as
16 the executive director deems appropriate.

17 (b) The executive director may charge an administrative application
18 fee. Such fee shall be submitted with the application for a certificate of
19 authorization and shall be reasonably related to the actual costs of pro-
20 cessing the application.

21 (c) To receive a certificate of authorization, a prospective lottery gam-
22 ing facility manager shall, at a minimum:

23 (1) Have sufficient access to financial resources to support the activ-
24 ities required of a lottery gaming facility manager under the Kansas ex-
25 panded lottery act;

26 (2) be current in filing all applicable tax returns and in payment of
27 all taxes, interest and penalties owed to the state of Kansas and any taxing
28 subdivision where such prospective manager is located in the state of
29 Kansas, excluding items under formal appeal pursuant to applicable stat-
30 utes; and

31 (3) have three consecutive years experience in the management of a
32 gaming-related facility operated pursuant to state or federal law.

33 (d) Any certificate of authorization issued to a parimutuel licensee
34 which proposes to establish a lottery gaming facility at a parimutuel li-
35 censee location shall be contingent upon approval by the Kansas racing
36 and gaming commission of a plan for compliance with the requirements
37 for live racing and purse supplements established pursuant to sections 30
38 and 38, and amendments thereto. Upon application of a parimutuel li-
39 censee, the Kansas racing and gaming commission shall open a proceed-
40 ing to consider such licensee's proposal for development of a lottery gam-
41 ing facility at the parimutuel licensee location. Such proposal shall include
42 provisions for: (1) Compliance with the requirements of section 30, and
43 amendments thereto; (2) payment of purse supplements from the appro-

1 puate funds established by section 38, and amendments thereto; and
2 (3) a plan for protecting and promoting live racing in Kansas. The
3 Kansas racing and gaming commission shall hear evidence and testimony
4 from all interested parties. Upon a finding by the Kansas racing and gam-
5 ing commission that the proposal is in the best interest of live racing in
6 Kansas and more beneficial to live racing than placement of video lottery
7 terminals at such parimutuel licensee location, the Kansas racing and
8 gaming commission may approve such proposal and recommend issuance
9 of a certificate of authorization by the executive director of the Kansas
10 lottery pursuant to this section.

11 (e) Subject to the requirements of this section, a certificate of au-
12 thorization shall not be unreasonably withheld. The executive director
13 shall issue a temporary certificate of authorization for the purpose of
14 proceeding under section 5, and amendments thereto, to a prospective
15 lottery gaming facility manager if: (1) The executive director believes such
16 manager will meet the appropriate requirements for a certificate of au-
17 thorization; (2) the prospective manager and the principals, officers and
18 directors, of such prospective manager, have completed acceptable back-
19 ground investigations by federal or state authorities; and (3) a complete
20 review of the application for a certificate cannot be completed within 30
21 days of the application filing.

22 New Sec. 4. (a) The executive director, with the approval of the Kan-
23 sas lottery commission, may enter into a management contract with a
24 prospective lottery gaming facility manager holding a certificate of au-
25 thorization to construct and manage, or manage alone, on behalf of the
26 state of Kansas, a lottery gaming facility or lottery gaming enterprise at
27 specified destination locations within development zones in the state
28 where the executive director determines the operation of such facility
29 would promote tourism and economic development if it is in a county
30 where a proposition submitted pursuant to section 5, and amendments
31 thereto, has been approved by the voters of such county. Approval of a
32 management contract by the executive director and the commission shall
33 not be unreasonably withheld. Action on a management contract shall be
34 taken within 60 days of submission of the management contract proposal,
35 unless extended by agreement of the proposed manager and the
36 commission.

37 (b) In determining whether to enter into a management contract with
38 a prospective lottery gaming facility manager to manage a lottery gaming
39 facility or lottery gaming enterprise pursuant to this section, the com-
40 mission shall take into consideration the following factors: The size of the
41 proposed facility; the geographic area in which such facility is to be lo-
42 cated; the proposed facility's location as a tourist and entertainment des-
43 tination; the estimated number of tourists that would be attracted by the

1 proposed facility; the number and type of lottery facility games to be
2 operated at the proposed facility; and agreements related to ancillary lot-
3 tery gaming facility operations. In order to facilitate competition among
4 lottery gaming facilities and to increase gaming revenues to the state, no
5 lottery gaming facility manager may hold management contracts for two
6 or more lottery gaming facilities which are located within 20 miles of one
7 another within the state of Kansas. In addition, no management contract
8 shall be awarded for a lottery gaming facility located within Johnson,
9 Wyandotte, Douglas, Shawnee, Leavenworth or Miami counties in Kansas
10 to any owner, operator or manager of any casino or other gaming estab-
11 lishment which is in operation and located within Buchanan, Cass, Clay,
12 Jackson, Johnson, Lafayette, Platte and Ray counties in Missouri.

13 (c) The commission may authorize more than one lottery gaming fa-
14 cility within a destination development zone if the commission deter-
15 mines that it is in the best interest of the state to approve multiple man-
16 agement contracts within such zone. The commission shall determine
17 through a review of market studies included in proposals whether devel-
18 opment of multiple lottery gaming facilities within the same market place
19 is reasonably feasible. If the commission deems it necessary, the com-
20 mission may provide for an independent market study to assess the mar-
21 ket impact of more than one lottery gaming facility within the same mar-
22 ket area.

23 (d) The commission shall not approve a management contract unless
24 the commission determines that the proposed development: (1) Consists
25 of an investment in infrastructure, including ancillary lottery gaming fa-
26 cility operations of at least \$150,000,000 for the northeast and southcen-
27 tral development zone; or (2) consists of an investment infrastructure
28 including ancillary lottery gaming facility operations of at least
29 \$25,000,000 and demonstrates through a market study that at least 25%
30 of its gaming consumers would reside outside the state of Kansas for all
31 other development zones.

32 (e) All management contracts authorized under this section shall:

33 (1) Have a maximum initial term of 15 years from the date of opening
34 of the lottery gaming facility. At the end of the initial term, the contract
35 maybe renewed by mutual consent of the state and the lottery facility
36 gaming manager;

37 (2) establish a mechanism to facilitate payment of lottery gaming fa-
38 cility expenses, payment of the lottery gaming facility manager's share of
39 the residual lottery gaming facility revenues and distribution of the state's
40 share of the residual lottery gaming facility revenues;

41 (3) establish the types of lottery facility games to be installed in such
42 facility;

43 (4) establish the maximum construction cost or purchase cost of the

- 1 lottery gaming facility and the mechanism for recovering those costs from
2 the state's share of the residual lottery gaming facility revenues and trans-
3 fer of ownership of such facility to the state, if the lottery gaming facility
4 is owned by the state;
- 5 (5) specify the terms of the lease including, but not limited to, terms
6 which establish state control of the lottery gaming facility and that any
7 lease payments shall be treated as an operating expense, if the lottery
8 gaming facility is leased by the state;
- 9 (6) calculate the accelerated lottery gaming facility net payment by
10 multiplying the maximum number of electronic gaming machines au-
11 thorized for and located in the facility by \$15,000 per machine;
- 12 (7) specify the mechanism for recovering the accelerated lottery gam-
13 ing facility net payment from the state's share of the residual lottery gam-
14 ing facility revenues;
- 15 (8) specify that financing for construction and operation of the lottery
16 gaming facility on behalf of the state and of the payment to the state of
17 other sums required by the management contract is to be arranged by
18 the lottery gaming facility manager and that the state shall cooperate in
19 the financing by executing all necessary security interests for the construc-
20 tion, equipping and operation of the lottery gaming facility;
- 21 (9) incorporate terms and conditions for the ancillary lottery gaming
22 facility operations;
- 23 (10) designate as key employees, subject to approval of the executive
24 director, any employees or contractors providing services or functions
25 which are related to lottery facility games authorized by a management
26 contract;
- 27 (11) include financing commitments for construction;
- 28 (12) include a resolution of endorsement from the city, if the pro-
29 posed facility is within the corporate limits of a city, or from the county
30 if the proposed facility is located in the unincorporated area of the county;
- 31 (13) include for parimutual licensee location a requirement that any
32 parimutuel licensee developing a destination casino pursuant to this act
33 comply with all orders and rules and regulations of the Kansas racing and
34 gaming commission with regard to the conduct of live racing, including
35 the same minimum days of racing as specified in section 16, and amend-
36 ments thereto, for operation of video lottery terminals at parimutuel li-
37 censee locations; and
- 38 (14) include any payment, up to 2% of the lottery gaming facility
39 revenues to the city, and up to 2% of the lottery gaming facility revenues
40 to the county in which the lottery gaming facility is located, for services
41 as determined by the management contract. Such payment shall be
42 deemed to be an expense of the lottery gaming facility.
- 43 (f) Any management contract under which the accelerated lottery

- 1 gaming facility net payment has not been paid to the state treasurer within
2 180 days of the date of approval of the management contract shall be null
3 and void.
- 4 (g) Management contracts authorized by this section may include
5 provisions relating to:
- 6 (1) Accounting procedures to determine the lottery gaming facility
7 revenues, unclaimed prizes and credits;
- 8 (2) minimum requirements for a lottery gaming facility manager to
9 provide qualified oversight, security and supervision of the lottery facility
10 games including the use of qualified personnel with experience in appli-
11 cable technology;
- 12 (3) eligibility requirements for employees, contractors or agents of a
13 lottery gaming facility manager who will have responsibility for or involve-
14 ment with actual gaming activities or for the handling of cash or tokens;
- 15 (4) background investigations to be performed by the Kansas lottery;
- 16 (5) licensure requirements of any employee, contractor or agent as
17 provided by the Kansas expanded lottery act or rules and regulations
18 adopted pursuant thereto;
- 19 (6) provision for termination of the management contract by either
20 party for cause; and
- 21 (7) any other provision deemed necessary by the parties, including
22 such other terms and restrictions as necessary to conduct any lottery fa-
23 cility game in a legal and fair manner.
- 24 (h) A management contract shall not constitute property, nor shall it
25 be subject to attachment, garnishment or execution, nor shall it be alien-
26 able or transferable, except upon approval by the executive director, nor
27 shall it be subject to being encumbered or hypothecated. No interest in
28 the management contract shall descend by the laws of testate or intestate
29 devolution, but any interest shall cease and expire upon the death of the
30 lottery gaming facility manager or all interest holders in such manager,
31 except that executors, administrators or representatives of the estate of
32 any deceased lottery gaming facility manager and the trustee of any in-
33 solvent or bankrupt lottery gaming facility manager may continue to op-
34 erate pursuant to the management contract under order of the approp-
35 riate court for no longer than one year after the death, bankruptcy or
36 insolvency of such manager.
- 37 (i) (1) The Kansas lottery shall be the licensee and owner of all soft-
38 ware programs used at a lottery gaming facility for any lottery facility
39 game.
- 40 (2) A lottery gaming facility manager, on behalf of the state, shall
41 purchase or lease for the Kansas lottery all lottery facility games. The
42 lottery gaming facility manager shall be entitled to reimbursement from
43 the state for all out-of-pocket expenses related to purchasing, leasing and

1 installing such games. The Kansas lottery shall be the owner of all lottery
2 facility games, except for those leased by the state or leased by the lottery
3 gaming facility manager on behalf of the state, and all lottery facility
4 games shall be subject to the ultimate control of the Kansas lottery in
5 accordance with this act.

6 (j) A lottery gaming facility shall comply with any planning and zoning
7 regulations of the city or county in which it is to be located. The executive
8 director shall not contract with any prospective lottery gaming facility
9 manager for the operation and management of such lottery gaming facility
10 unless such manager first receives any necessary approval under planning
11 and zoning requirements of the city or county in which it is to be located.

12 New Sec. 5. (a) Before the lottery commission may approve man-
13 agement contracts for operation of lottery gaming facilities in a county,
14 the qualified voters of the county where a lottery gaming facility is pro-
15 posed to be located must approve the operation of lottery gaming facilities
16 within the county as provided by this section. Once the question has been
17 submitted to and approved by the voters of the county, subsequent elec-
18 tions shall not be required for the approval of the operation of additional
19 lottery gaming facilities in such county.

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

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

38 (3) Upon the adoption of a resolution or the submission of a valid
39 petition calling for an election pursuant to this section, the county election
40 officer shall cause the following proposition to be placed on the ballot at
41 the election called for that purpose: "Shall the Kansas lottery be author-
42 ized to contract for operation of a lottery gaming facility in _____
43 county?"

1 (4) If a majority of the votes cast and counted at such election is in
2 favor of approving the operation of lottery gaming facilities within the
3 county, the lottery commission may accept applications for operation of
4 lottery gaming facilities within the county pursuant to this act. If a ma-
5 jority of the votes cast and counted at an election under this section is
6 against permitting the operation of lottery gaming facilities within the
7 county, the lottery commission shall not approve management contracts
8 for the operation of lottery gaming facilities within the county. The county
9 election officer shall transmit a copy of the certification of the results of
10 the election to the executive director.

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

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

22 (d) The question of the operation of a lottery gaming facility in a
23 county may be submitted at the same election as the question of place-
24 ment of video lottery terminals in the county under section 26, and
25 amendments thereto.

26 (e) A ballot question submitted prior to April 15, 2005, which uses
27 the phrase "destination casino" shall be deemed valid for the purposes of
28 this section.

29 New Sec. 6. (a) Electronic gaming machines operated pursuant to
30 this act, including those operated as lottery facility games, shall:

31 (1) Pay out an average of not less than 87% of the amount wagered
32 over the life of the machine;

33 (2) be directly linked to a central lottery communications system to
34 provide monitoring, auditing and other available program information to
35 the Kansas lottery;

36 (3) be on-line and in constant communication with a central com-
37 puter situated at a location determined by the executive director and
38 specified in the management contract; and

39 (4) be subject to deactivation at any time by order of the executive
40 director.

41 (b) The communications systems selected by the executive director
42 shall not limit participation to only one electronic gaming machine man-
43 ufacturer, distributor, supplier or provider. The lottery gaming facility

1 manager shall lease or purchase for the Kansas lottery and at the lottery
2 gaming facility's expense all equipment necessary to implement such cen-
3 tral communications and auditing functions.

4 (c) No employee, contractor or other person who has any legal affil-
5 iation with a lottery gaming facility manager shall loan money to or oth-
6 erwise extend credit to patrons of a location where electronic gaming
7 machines or lottery facility games are situated.

8 New Sec. 7. (a) Each specific type of electronic gaming machine and
9 lottery facility game shall be approved by the Kansas lottery. The Kansas
10 lottery shall examine prototypes of electronic gaming machines and lot-
11 tery facility games and shall notify the lottery gaming facility manager
12 which types of electronic gaming machines or lottery facility games are
13 in compliance with the requirements of this act. The use of progressive
14 electronic gaming machines is expressly permitted.

15 (b) No electronic gaming machine or lottery facility game shall be
16 operated pursuant to this act unless the executive director first issues a
17 certificate for such machine or game authorizing its use at a specified
18 location. Each electronic gaming machine and lottery facility game shall
19 have such certificate prominently displayed thereon. Any electronic gam-
20 ing machine or lottery facility game which does not display the certificate
21 required by this section is contraband and a public nuisance subject to
22 confiscation by any law enforcement officer.

23 (c) The executive director shall require any manufacturer, supplier,
24 provider, lottery gaming facility manager or other person seeking the
25 examination and certification of electronic gaming machines or lottery
26 facility games to pay the anticipated actual costs of the examination in
27 advance. After the completion of the examination, the executive director
28 shall refund any overpayment or charge and collect amounts sufficient to
29 reimburse the executive director for any underpayment of actual costs.
30 The executive director may contract for the examination of electronic
31 gaming machines and lottery facility games required by this section, and
32 may rely upon testing done by or for other states regulating electronic
33 gaming machines or lottery facility games, if the executive director deems
34 such testing to be reliable and in the best interest of the state of Kansas.

35 New Sec. 8. (a) There is hereby established in the state treasury the
36 lottery gaming facility fund (LGFF). A separate account for each lottery
37 gaming facility manager shall be maintained in the LGFF for receipt of
38 lottery gaming facility revenues from each respective manager. The lot-
39 tery gaming facility manager shall remit daily all lottery gaming facility
40 revenues to the state treasurer. Upon receipt of the remittance, the state
41 treasurer shall deposit the entire amount in the state treasury and credit
42 it to the respective account maintained for such manager in the LGFF.

43 (b) Upon receipt of each remittance under subsection (a), the state

1 treasurer shall immediately transfer 50% of the lottery gaming facility
2 revenues received from the remitting facility manager into a separate state
3 lottery gaming facility operating account (LGFOA) to be used by the state
4 for the payment of all lottery gaming facility expenses, including all in-
5 terest on any bonds issued pursuant to section 9, and amendments
6 thereto, or other approved financing. On a monthly basis, a transfer in
7 the amount of the monthly interest then due on the bonds shall occur
8 from the LGFOA to the debt retirement account established in section
9 8(c)(2), and amendments thereto. On a monthly basis, a transfer in an
10 amount equal to 0.5% of the lottery gaming facility revenues shall occur
11 from the LGFOA to the problem gambling grant fund established by
12 K.S.A. 2004 Supp. 79-4805, and amendments thereto.

13 The executive director or the executive director's designee shall remit
14 payment for all expenses approved by the lottery gaming facility manager
15 within three days of submission of documentation evidencing the expense
16 to the executive director or the executive director's designee.

17 (c) On a monthly basis, the treasurer shall transfer the residual lottery
18 gaming facility revenues in each account in the LGFF as follows:

19 (1) To the lottery gaming facility manager, not more than 35%; and

20 (2) to a trust fund account to be established within the state's funds,
21 not less than 65%, to be used exclusively for the necessary and appropriate
22 funding for elementary, secondary and higher education. For each lottery
23 gaming facility, the state shall maintain a lottery gaming facility debt re-
24 tirement account (LGFDR) for the payment of any bonds, and interest
25 thereon, issued pursuant to section 9, and amendments thereto, or other
26 financing obligations related to the lottery gaming facility. Interest on
27 such bonds shall be payable from the LGFDR out of the funds trans-
28 ferred from the LGFOA pursuant to section 8(b), and amendments
29 thereto. To the extent principal on such bonds or other financing obli-
30 gations related to the lottery gaming facility remains unpaid, the state
31 treasurer first shall transfer to the LGFDR out of the state's share of
32 the residual lottery gaming facility revenues as provided in section 8(c)(2),
33 and amendments thereto, such sums as are necessary to pay scheduled
34 principal then due. Thereafter, the balance of the residual lottery gaming
35 facility revenues shall be transferred to the trust fund account as provided
36 in section 8(c)(2), and amendments thereto.

37 (d) On a monthly basis, the executive director and the lottery gaming
38 facility manager shall reconcile the amounts deposited into the LGFOA
39 for the lottery gaming facility manager's payment of the projected lottery
40 gaming facility expenses and bond interest or approved financing interest
41 with the actual lottery gaming facility expenses and interest accrued. After
42 completion of the reconciliation, the state shall transfer any amount re-
43 maining in the LGFOA to the LGFF to be distributed in the manner

1 provided in section 8(c), and amendments thereto. If funds in the
2 LGFOA are insufficient to pay lottery gaming facility expenses and bond
3 or other interest accrued, the state and the lottery gaming facility manager
4 shall transfer to the LGFOA, in the respective shares provided in section
5 8(c), and amendments thereto, the sums necessary to reconcile such in-
6 sufficiency and balance the LGFOA.

7 New Sec. 9. (a) The Kansas development finance authority is hereby
8 authorized to issue revenue bonds, including refunding revenue bonds,
9 in amounts sufficient to pay the development and construction costs as-
10 sociated with a lottery gaming facility and the amount of the accelerated
11 lottery gaming facility net payment, plus all amounts required for the costs
12 of bond issuance and any required reserves on the bonds. The bonds, and
13 interest thereon, issued pursuant to this section shall be payable from the
14 debt retirement account established in section 8(c), and amendments
15 thereto.

16 (b) The provisions of subsection (a) of K.S.A. 74-8905, and amend-
17 ments thereto, shall not prohibit the issuance of bonds by the Kansas
18 development finance authority for the purposes of this section and any
19 such issuance of bonds is exempt from the provisions of subsection (a) of
20 K.S.A. 74-8905, and amendments thereto, which would operate to pre-
21 clude such issuance.

22 (c) Revenue bonds, including refunding revenue bonds, issued here-
23 under shall not constitute an indebtedness of the state of Kansas, nor
24 shall they constitute indebtedness within the meaning of any constitu-
25 tional or statutory provision limiting the incurring of indebtedness.

26 (d) Revenue bonds, including refunding revenue bonds, issued here-
27 under and the income derived therefrom shall be exempt from all state,
28 county and municipal taxation in the state of Kansas, except Kansas estate
29 taxes.

30 New Sec. 10. (a) The executive director, or the executive director's
31 designee, may observe and inspect all electronic gaming machines, lottery
32 facility games, lottery gaming facilities and all related equipment and fa-
33 cilities operated by a lottery gaming facility manager.

34 (b) In addition to the powers granted pursuant to K.S.A. 74-8704 and
35 sections 3 and 4, and amendments thereto, the executive director shall
36 have the power to:

37 (1) Examine, or cause to be examined by any agent or representative
38 designated by the executive director, any books, papers, records or mem-
39 oranda of any lottery facility gaming manager, or of any business involved
40 in electronic gaming machines or lottery facility games authorized pur-
41 suant to the Kansas expanded lottery act, for the purpose of ascertaining
42 compliance with any provision of the Kansas lottery act, the Kansas ex-
43 panded lottery act, or any rules and regulations adopted thereunder;

- 1 (2) investigate alleged violations of the Kansas expanded lottery act
2 and alleged violations of any rules and regulations, orders and final de-
3 cisions of the commission or the executive director;
- 4 (3) request a court to issue subpoenas to compel access to or for the
5 production of any books, papers, records or memoranda in the custody
6 or control of any lottery gaming facility manager related to the manage-
7 ment of the lottery gaming facility, or to compel the appearance of any
8 lottery gaming facility manager for the purpose of ascertaining compli-
9 ance with the provisions of the Kansas lottery act and the Kansas ex-
10 panded lottery act or rules and regulations adopted thereunder;
- 11 (4) inspect and approve, prior to publication or distribution, all ad-
12 vertising by a lottery gaming facility manager which includes any refer-
13 ence to the Kansas lottery; and
- 14 (5) take any other action as may be reasonable or appropriate to en-
15 force the provisions of the Kansas expanded lottery act and any rules and
16 regulations, orders and final decisions of the executive director or the
17 commission.
- 18 (c) Appropriate security measures shall be required in any and all
19 areas where electronic gaming machines and other lottery facility games
20 authorized pursuant to the Kansas expanded lottery act are located or
21 operated. The executive director shall approve all such security measures.
- 22 (d) The executive director shall require an annual audit of the elec-
23 tronic gaming machine operations and lottery facility games of each lot-
24 tery gaming facility manager contracting with the Kansas lottery. Such
25 audit shall be conducted by a licensed accounting firm approved by the
26 executive director. Such audit shall be conducted at the expense of the
27 lottery.
- 28 (e) None of the information disclosed pursuant to this section shall
29 be subject to disclosure under the Kansas open records act, K.S.A. 45-
30 216 et seq., and amendments thereto.
- 31 New Sec. 11. (a) Wagers shall be received only from a person at the
32 location where the electronic gaming machine or lottery facility game is
33 authorized pursuant to the Kansas expanded lottery act. No person pres-
34 ent at such location shall place or attempt to place a wager on behalf of
35 another person who is not present at such location.
- 36 (b) Violation of this section is a class A nonperson misdemeanor upon
37 a conviction for a first offense. Violation of this section is a severity level
38 9, nonperson felony upon conviction for a second or subsequent offense.
- 39 New Sec. 12. (a) Except as authorized in subsection (c), it is unlawful
40 for any lottery gaming facility manager, or its employees or agents, to
41 allow any person to play electronic gaming machines or lottery facility
42 games or share in winnings of a person knowing such person to be:
43 (1) Under 21 years of age;

- 1 (2) the executive director, a member of the commission or an em-
2 ployee of the Kansas lottery;
- 3 (3) an employee or agent of the lottery gaming facility manager;
- 4 (4) an officer or employee of a vendor contracting with the Kansas
5 lottery to supply gaming equipment to the Kansas lottery for use in the
6 operation of any electronic gaming machine or lottery facility game con-
7 ducted pursuant to the Kansas expanded lottery act;
- 8 (5) a spouse, child, stepchild, brother, stepbrother, sister, stepsister,
9 parent or stepparent of a person described in subsection (a)(2), (a)(3) or
10 (a)(4); or
- 11 (6) a person who resides in the same household as any person de-
12 scribed by subsection (a)(2), (a)(3) or (a)(4).
- 13 (b) Violation of subsection (a) is a class A nonperson misdemeanor
14 upon conviction for a first offense. Violation of subsection (a) is a severity
15 level 9, nonperson felony upon conviction for a second or subsequent
16 offense.
- 17 (c) The executive director may authorize in writing any employee of
18 the Kansas lottery and any employee of a lottery vendor to play an elec-
19 tronic gaming machine or a lottery facility game authorized pursuant to
20 the Kansas expanded lottery act to verify the proper operation thereof
21 with respect to security and contract compliance. Any prize awarded as
22 a result of such play shall become the property of the Kansas lottery and
23 be added to the prize pools of subsequent lottery games. No money or
24 merchandise shall be awarded to any employee of the Kansas lottery play-
25 ing an electronic gaming machine or lottery facility game pursuant to this
26 subsection.
- 27 (d) It shall be a severity level 9, nonperson felony for any individual,
28 firm, corporation or other legal entity to place in operation or continue
29 to have in place any gray machine for use by members of the public at
30 any location in this state.
- 31 New Sec. 13. A person under age 21 shall not be permitted in an
32 area of any location where any electronic gaming machine or lottery fa-
33 cility game authorized pursuant to the Kansas expanded lottery act is
34 being operated or conducted, except for a person at least 18 years of age
35 who is an employee of the lottery gaming facility manager. No employee
36 under age 21 shall perform any function involved in gaming by patrons.
37 No person under age 21 shall be permitted to make a wager on an elec-
38 tronic gaming machine or lottery facility game authorized pursuant to the
39 Kansas expanded lottery act.
- 40 New Sec. 14. Except for persons acting in accordance with rules and
41 regulations of the Kansas lottery or by written authority of the executive
42 director in performing installation, maintenance, inspection and repair
43 services, any person who, with the intent to manipulate the outcome, pay

1 out or operation of an electronic gaming machine or lottery facility game,
2 manipulates the outcome, pay out or operation of an electronic gaming
3 machine or lottery facility game by physical, electrical or mechanical
4 means shall be guilty of a severity level 8, nonperson felony.

5 New Sec. 15. (a) Except in accordance with rules and regulations of
6 the Kansas lottery or by written authority from the executive director in
7 performing installation, maintenance, inspection and repair services, it is
8 a class A nonperson misdemeanor for the executive director, the com-
9 mission or any employee or agent of the commission, or the lottery gam-
10 ing facility manager or any employee of such manager, to knowingly, while
11 in Kansas, place a wager on or bet or play an electronic gaming machine
12 or other lottery facility game authorized pursuant to the Kansas expanded
13 lottery act.

14 (b) It is a class A nonperson misdemeanor for any member, employee
15 or appointee of the commission to knowingly accept any compensation,
16 gift, loan, entertainment, favor or service from any lottery gaming facility
17 manager.

18 (c) It is a severity level 8, nonperson felony for any person playing or
19 using any electronic gaming machine or lottery facility game in Kansas
20 knowingly to:

21 (1) Use other than a lawful coin or legal tender of the United States
22 of America, or to use coin not of the same denomination as the coin
23 intended to be used in an electronic gaming machine or lottery facility
24 game; except that in the playing of any electronic gaming machine, lottery
25 facility game or similar gaming device, it shall be lawful for any person
26 to use gaming billets, tokens or similar objects therein which are approved
27 by the Kansas lottery;

28 (2) use gaming billets, tokens or similar objects in a lottery gaming
29 facility other than in the facility for which the billet, token or similar object
30 was approved;

31 (3) possess or use, while on the premises of a lottery gaming facility,
32 or any location where electronic gaming machines or other lottery facility
33 games are authorized pursuant to this act, any cheating or thieving device,
34 including, but not limited to, tools, wires, drills, coins attached to strings
35 or wires or electronic or magnetic devices to facilitate removing from any
36 electronic gaming machine or lottery facility game or any money or con-
37 tents thereof;

38 (4) possess or use while on the premises of a lottery gaming facility,
39 or any location where electronic gaming machines or other lottery facility
40 games are authorized pursuant to the Kansas expanded lottery act, any
41 key or device designed for the purpose of, or suitable for, opening or
42 entering any electronic gaming machine, lottery facility game or similar
43 gaming device or drop box.

1 (d) Any duly authorized agent or employee of the commission or a
2 lottery gaming facility manager may possess and use any of the devices
3 described in paragraphs (3) and (4) of subsection (c) in furtherance of
4 inspection or testing as provided in the Kansas expanded lottery act or in
5 furtherance of such person's employment at any location where electronic
6 gaming machines, lottery facility games or other lottery games are au-
7 thorized pursuant to the Kansas expanded lottery act.

8 New Sec. 16. Each lottery gaming facility manager shall post one or
9 more signs at the location where such manager operates electronic gam-
10 ing machines or lottery facility games to inform patrons of the toll-free
11 number available to provide information and referral services regarding
12 compulsive or problem gambling. The text shall be determined by the
13 secretary of the department of social and rehabilitation services. Failure
14 by a lottery gaming facility manager to post and maintain such signs shall
15 be cause for the imposition of a fine not to exceed \$500 per day.

16 New Sec. 17. Pursuant to section 2 of the federal act entitled "An
17 Act to Prohibit Transportation of Gambling Devices in Interstate and
18 Foreign Commerce," 15 U.S.C. 1171 through 1777, the state of Kansas,
19 acting by and through the duly elected and qualified members of the
20 legislature, does hereby in this section, and in accordance with and in
21 compliance with the provisions of section 2 of such federal act, declare
22 and proclaim that it is exempt from the provision of section 2 of such
23 federal act to the extent that such gambling devices as described therein
24 are being transported to or from the Kansas lottery or to or from a lottery
25 gaming facility manager at a location within the state of Kansas where
26 electronic gaming machines or lottery facility games are authorized pur-
27 suant to the Kansas expanded lottery act.

28 New Sec. 18. No taxes, fees, charges, transfers or distributions, other
29 than those provided for in the Kansas expanded lottery act, shall be made
30 or levied by any city, county or other municipality from or against net
31 machine income or lottery gaming facility revenue derived from elec-
32 tronic gaming machines and lottery facility games operated pursuant to
33 this act.

34 New Sec. 19. All sales of electronic gaming machine games and lot-
35 tery facility games authorized by the Kansas expanded lottery act shall be
36 exempt from sales taxes imposed pursuant to K.S.A. 12-187 et seq. and
37 79-3601 et seq., and amendments thereto.

38 New Sec. 20. Each lottery gaming facility manager shall hold the
39 executive director, the commission and the state harmless from and de-
40 fend any and all claims which may be asserted against the executive di-
41 rector, the commission and the state, or the agents or employees thereof,
42 arising from the operation of electronic gaming machines, lottery facility
43 games or other lottery-type games pursuant to the Kansas expanded lot-

1 tery act. This section may be satisfied by procurement of insurance as a
2 lottery gaming facility expense of the lottery gaming facility naming the
3 executive director, the commission and the state as additional insured
4 parties. The provisions of this section shall not apply to any claims arising
5 from a negligent act or omission or willful or malicious misconduct of the
6 executive director, the commission or the state, or the agents or employ-
7 ees thereof.

8 New Sec. 21. As a condition precedent to contracting for the privi-
9 lege of being a lottery gaming facility manager, such manager shall file
10 with the secretary of state of this state a written and irrevocable consent
11 that any action or garnishment proceeding may be commenced against
12 such manager in the proper court of any county in this state by the service
13 of process on a resident agent, and stipulating and agreeing that such
14 service shall be valid and binding as if service had been made upon such
15 manager. Such written consent shall state that the courts of this state have
16 jurisdiction over the person of the lottery gaming facility manager and are
17 the proper and convenient forum for such action and shall waive the right
18 to request a change of jurisdiction or venue to a court outside this state
19 and that all actions arising under this act and commenced by such man-
20 ager shall be brought in this state's courts as the proper and convenient
21 forum. Such consent shall be executed by the lottery gaming facility man-
22 ager and, if a corporation, by the president and secretary of such corporate
23 manager. Such consent shall be accompanied by a certified copy of the
24 order or resolution of the board of directors, trustees or managers au-
25 thORIZING the president and secretary to execute the same.

26 New Sec. 22. The Kansas expanded lottery act, lottery gaming facility
27 managers and management contracts under the Kansas expanded lottery
28 act shall not be subject to the provisions of and restrictions on major
29 procurement contracts, including, but not limited to, the provisions of
30 K.S.A. 74-8705, and amendments thereto.

31 New Sec. 23. The sale or service by lottery gaming facility managers
32 or ancillary lottery gaming facility operations and the consumption by
33 patrons of lottery gaming facilities of alcohol, liquor, wine, spirits, cereal
34 malt beverages and other intoxicating liquors is hereby permitted upon
35 and in lottery gaming facilities and ancillary lottery gaming facility oper-
36 ations. The provisions of K.S.A. 41-719, and amendments thereto, relating
37 to alcoholic liquor shall not be applicable to lottery gaming facilities and
38 ancillary lottery gaming facility operations.

39 New Sec. 24. As used in sections 24 through 46, and amendments
40 thereto, unless the context otherwise requires:

41 (a) "Accelerated video lottery net payment" means the advanced pay-
42 ment to the state treasurer of a portion of the state's future share of net
43 video lottery terminal income pursuant to the final management contract

1 between the executive director and a video lottery parimutuel sales agent
2 for the operation of video lottery terminals at a parimutuel licensee
3 location.

4 (b) “Central video lottery terminal computer system” means the cen-
5 tral computer system, which monitors the operations of all video lottery
6 terminals, approved by the Kansas lottery and which is provided by the
7 central video lottery terminal computer system provider in accordance
8 with this act.

9 (c) “Central video lottery terminal computer system provider” means
10 a person with whom the executive director has contracted for the purpose
11 of providing and maintaining a central video lottery terminal computer
12 system and the related management facilities with respect to operating
13 and servicing the video lottery terminals.

14 (d) “Gray machine” means any mechanical, electro-mechanical or
15 electronic device, capable of being used for gambling, that is: (1) Not
16 authorized by the Kansas lottery, (2) not connected to the central video
17 lottery terminal computer system, (3) available to the public for play and
18 (4) capable of simulating a game played on a video lottery terminal or any
19 similar gambling game authorized pursuant to the Kansas expanded lot-
20 tery act.

21 (e) “Net video lottery terminal income” means all cash or other con-
22 sideration utilized to play a video lottery terminal, less all cash or other
23 consideration paid out to winning players as prizes.

24 (f) “Organization licensee” has the meaning provided by K.S.A. 74-
25 8802, and amendments thereto.

26 (g) “Parimutuel licensee” means a facility owner licensee or facility
27 manager licensee under the Kansas parimutuel racing act.

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

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

37 (j) “Video lottery” means any lottery conducted with a video lottery
38 terminal or, with respect to a progressive game, a network of linked video
39 lottery terminals.

40 (k) “Video lottery game” means any electronically simulated game of
41 chance, including but not limited to video poker, keno, line-up, or black-
42 jack, displayed and played on a video lottery terminal.

43 (l) “Video lottery parimutuel sales agent” means a parimutuel li-

1 censee specifically certified by the Kansas lottery to become a certified
2 video lottery parimutuel sales agent and offer video lottery terminals for
3 play at the parimutuel licensee location.

4 (m) "Video lottery terminal" means any electronic, electromechani-
5 cal, video or computerized device, contrivance or machine authorized by
6 the Kansas lottery which, upon insertion of cash, tokens, electronic cards
7 or any consideration, is available to play, operate or simulate the play of
8 a game authorized by the Kansas lottery pursuant to the Kansas gaming
9 act, including, but not limited to, bingo, poker, blackjack, keno and slot
10 machines, and which may deliver or entitle the player operating the ma-
11 chine to receive cash, tokens, merchandise or credits that may be re-
12 deemed for cash. Electronic gaming machines may use bill validators and
13 may be single-position reel-type, single or multi-game video and single-
14 position multi-game video electronic games, including, but not limited to,
15 poker, blackjack and slot machines. Video lottery terminals shall be linked
16 directly to a central computer at a location determined by the executive
17 director for purposes of security, monitoring and auditing.

18 (n) "Video lottery terminal associated equipment" means any pro-
19 prietary device, machine or part used in the manufacture, operation or
20 maintenance of a video lottery terminal.

21 (o) "Video lottery terminal management contract" means an agree-
22 ment between the Kansas lottery and a video lottery parimutuel sales
23 agent which governs the placement and operation of video lottery ter-
24 minals, including allocation and payment of expenses, management fee
25 and net lease, recovery of any accelerated video lottery net payment and
26 the state's share of net video terminal income.

27 (p) "Video lottery terminal manufacturer" means any individual, firm,
28 corporation or other legal entity certified by the Kansas lottery to assem-
29 ble or produce video lottery terminals or video lottery terminal associated
30 equipment for sale or use in this state.

31 (q) "Voucher" means a bearer instrument in the form of a printed
32 ticket or facsimile issued by a video lottery terminal to a player that rep-
33 represents the existing credit balance accumulated by a player of the video
34 lottery terminal. A voucher is a secure document that carries a unique
35 identifier in the form of a serial number and bar code issued by the central
36 video lottery terminal computer system.

37 New Sec. 25. (a) The Kansas lottery shall implement a video lottery
38 program whereby the Kansas lottery places video lottery terminals at par-
39 imutuel licensee locations.

40 (b) The Kansas lottery shall not place video lottery terminals at any
41 parimutuel licensee location unless the commission has adopted rules and
42 regulations as provided in sections 24 through 35, and amendments
43 thereto.

1 (c) The Kansas lottery shall not place video lottery terminals at par-
2 imutuel licensee locations in a county unless the question of the place-
3 ment of video lottery terminals in such county has been submitted to and
4 approved by the voters of such county as provided in section 26, and
5 amendments thereto.

6 New Sec. 26. (a) Before the Kansas lottery places any video lottery
7 terminals in a county, the qualified voters of the county must approve the
8 placement of video lottery terminals in the county as provided by this
9 section.

10 (b) (1) The board of county commissioners of any county may submit
11 by resolution, and shall submit upon presentation of a petition filed in
12 accordance with this section, to the qualified voters of the county a prop-
13 osition to permit the placement of video lottery terminals in the county
14 pursuant to this subsection. The proposition shall be submitted to the
15 voters either at a special election called by the board of county commis-
16 sioners for that purpose and held not less than 90 days after the resolution
17 is adopted or the petition is filed or at the next general election, as shall
18 be specified by the board of county commissioners or as specified in the
19 petition, as the case may be.

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

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

33 (4) If a majority of the votes cast and counted at such election is in
34 favor of approving the placement of video lottery terminals in the county,
35 the executive director may enter into video lottery terminal management
36 contracts for placement of video lottery terminals in the county as pro-
37 vided by this act. If a majority of the votes cast and counted at an election
38 under this section is against placement of video lottery terminals in the
39 county, the executive director shall not enter into video lottery terminal
40 management contracts for placement of video lottery terminals in the
41 county. The county election officer shall transmit a copy of the certifi-
42 cation of the results of the election to the executive director.

43 (5) The election provided for by this section shall be conducted, and

1 the votes counted and canvassed, in the manner provided by law for
2 question submitted elections of the county.

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

10 (d) The question of the placement of video lottery terminals in a
11 county may be submitted at the same election as the question of operation
12 of lottery gaming facilities in the county under section 5, and amendments
13 thereto.

14 New Sec. 27. (a) In accordance with rules and regulations adopted
15 by the commission, the executive director shall have general responsibility
16 for the implementation and administration of the provisions of this act
17 relating to video lottery, including, without limitation, the responsibility
18 to:

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

21 (2) review and determine promptly and in reasonable order all cer-
22 tificate applications or proceedings for suspension or revocation of
23 certificates;

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

26 (4) collect all fees imposed pursuant to sections 25 through 35, and
27 amendments thereto;

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

31 (6) assist the commission in the promulgation of rules and regulations
32 concerning the operation of a statewide video lottery terminal network,
33 which rules and regulations shall include, without limitation, the
34 following:

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

37 (B) payout from video lottery terminals, provided that such payouts
38 shall not be less than 87% of the amount wagered over the life of the
39 video lottery terminal;

40 (C) a certification requirement and enforcement procedure for offi-
41 cers, directors, board members and key employees, specified by the ex-
42 ecutive director, of video lottery parimutuel sales agents, which certifi-
43 cation requirement shall include compliance with such security, fitness

1 and background standards as the executive director may deem necessary
2 relating to competence, honesty and integrity, such that a person's rep-
3 utation, habits and associations do not pose a threat to the public interest
4 of the state or to the reputation of or effective regulation and control of
5 the video lottery; it being specifically understood that any person con-
6 victed of any felony, a crime involving gambling or a crime of moral
7 turpitude within 10 years prior to applying for a certificate as such sales
8 agent or at any time thereafter shall be deemed unfit. The Kansas lottery
9 shall conduct the security, fitness and background checks required pur-
10 suant to such rules and regulations;

11 (D) a certification requirement and enforcement procedure for those
12 persons or entities, including video lottery terminal manufacturers and
13 the central video lottery terminal computer system providers, who pro-
14 pose to contract with a video lottery parimutuel sales agent or the state
15 for the provision of goods or services related to the video lottery, including
16 management services, which certification requirements shall include
17 compliance with such security, fitness and background standards of offi-
18 cers, directors, key employees specified by the executive director and
19 persons who own, directly or indirectly, 5% or more of such entity, as the
20 executive director may deem necessary relating to competence, honesty
21 and integrity, such that a person's reputation, habits and associations do
22 not pose a threat to the public interest of the state or to the reputation
23 of or effective regulation and control of the video lottery; it being specifi-
24 cally understood that any person convicted of any felony, a crime involv-
25 ing gambling or a crime of moral turpitude within 10 years prior to ap-
26 plying for a certificate hereunder or at any time thereafter shall be
27 deemed unfit. The executive director may determine whether the certi-
28 fication standards of another state are comprehensive, thorough, and pro-
29 vide similar adequate safeguards and, if so, may in the executive director's
30 discretion certify an applicant already certified in such state without the
31 necessity of a full application and background check. The Kansas lottery
32 shall conduct the security, fitness and background checks required under
33 this rule and regulation;

34 (E) the number of video lottery terminals permitted in each pari-
35 mutuel licensee location, subject to the following: The total number of
36 video lottery terminals shall not exceed 2,000 at a parimutuel licensee
37 location in Wyandotte county; 1,500 at a parimutuel licensee location in
38 Sedgwick county; 1,500 at a parimutuel licensee location in Crawford
39 county; and an aggregate of 500 at parimutuel licensee locations in Green-
40 wood and Harper counties;

41 (F) standards for advertising, marketing and promotional materials
42 used by video lottery parimutuel sales agents;

43 (G) the registration, kind, type, number and location of video lottery

- 1 terminals at any parimutuel licensee location;
- 2 (H) the on-site security arrangements for the video lottery terminals;
- 3 (I) rules and regulations and procedures for the accounting and re-
- 4 porting of the payments required from video lottery parimutuel sales
- 5 agents under section 19, and amendments thereto, including the calcu-
- 6 lations required for such payments;
- 7 (J) requiring the reporting of information about any video lottery par-
- 8 imutuel sales agent, its employees, vendors and finances necessary or
- 9 desirable to ensure the security of the video lottery system. None of the
- 10 information disclosed pursuant to this subsection shall be subject to dis-
- 11 closure under the Kansas open records act; and
- 12 (K) the reporting and auditing of financial information of video lot-
- 13 tery parimutuel sales agents, including, but not limited to, the reporting
- 14 of profits or losses incurred by video lottery parimutuel sales agents and
- 15 the reporting of such other information as the executive director may
- 16 require to determine compliance with the Kansas expanded lottery act
- 17 and the rules and regulations adopted hereunder. None of the informa-
- 18 tion disclosed pursuant to this subsection shall be subject to disclosure
- 19 under the Kansas open records act.
- 20 (b) In addition to any other powers granted pursuant to the Kansas
- 21 lottery act or the Kansas expanded lottery act, the executive director shall
- 22 have the power to:
- 23 (1) Examine, or cause to be examined by any agent or representative
- 24 designated by the executive director, any books, papers, records or mem-
- 25 oranda of any video lottery parimutuel sales agent, or of any business
- 26 involved in video lottery terminals or video lottery games authorized pur-
- 27 suant to the Kansas expanded lottery act, for the purpose of ascertaining
- 28 compliance with any provision of the Kansas lottery act or the Kansas
- 29 expanded lottery act, or any rules and regulations adopted thereunder;
- 30 (2) investigate alleged violations of the Kansas lottery act and alleged
- 31 violations of any rules and regulations, orders and final decisions of the
- 32 commission or the executive director;
- 33 (3) request a court to issue subpoenas to compel access to or for the
- 34 production of any books, papers, records or memoranda in the custody
- 35 or control of any video lottery parimutuel sales agent related to the man-
- 36 agement or operation of video lottery terminals, or to compel the ap-
- 37 pearance of any video lottery parimutuel sales agent for the purpose of
- 38 ascertaining compliance with the provisions of the Kansas lottery act and
- 39 the Kansas expanded lottery act, and rules and regulations adopted
- 40 thereunder;
- 41 (4) inspect and approve, prior to publication or distribution, all ad-
- 42 vertising by a video lottery parimutuel sales agent which includes any
- 43 reference to the Kansas lottery; and

- 1 (5) take any other action as may be reasonable or appropriate to en-
2 force the provisions of the Kansas expanded lottery act and any rules and
3 regulations, orders and final decisions of the executive director or the
4 commission.
- 5 (c) Appropriate security measures shall be required in any and all
6 areas where video lottery terminals authorized pursuant to the Kansas
7 expanded lottery act are located or operated. The executive director shall
8 approve all such security measures.
- 9 (d) The executive director shall require an annual audit of the video
10 lottery terminal operations of each video lottery parimutuel sales agent.
11 Such audit shall be conducted by a licensed accounting firm approved by
12 the executive director. Such audit shall be conducted at the expense of
13 the lottery.
- 14 (e) None of the information disclosed pursuant to subsection (b) or
15 (d) shall be subject to disclosure under the Kansas open records act.
- 16 (f) The Kansas lottery shall operate the video lottery terminal network
17 through the central video lottery terminal computer system. The central
18 video lottery terminal computer system shall be capable of auditing the
19 operation, financial data and program information of the video lottery
20 terminal network. All equipment or devices required for operation of the
21 central video lottery terminal computer system shall be included in any
22 contract made for the purpose of providing or operating such system.
- 23 (g) The central video lottery terminal computer system shall be used
24 for the operation of the video lottery terminal network and shall incor-
25 porate electronic fund transfer procedures to facilitate the collection of
26 revenue, be capable of disabling any video lottery terminal from play, and
27 be capable of communicating with all video lottery terminals approved
28 by the Kansas lottery. The central video lottery terminal computer system
29 provider shall provide certified manufacturers with the protocol docu-
30 mentation and the audit information and controls necessary to enable the
31 manufacturers' video lottery terminals to communicate with the Kansas
32 lottery's central video lottery terminal computer system. The central video
33 lottery terminal computer system shall not limit participation to only one
34 manufacturer of video lottery terminals or video lottery terminal associ-
35 ated equipment.
- 36 (h) The executive director may remove from play and confiscate any
37 video lottery terminal or gray machine that does not comply with the
38 requirements of the Kansas expanded lottery act. Any video lottery ter-
39 minal that the executive director determines has been modified or the
40 design of which has been modified without the consent of the executive
41 director may be removed from play, confiscated by the executive director
42 and disposed of in any manner allowed by law.
- 43 (i) With regard to minutes and records of the commission:

- 1 (1) The Kansas lottery shall keep and maintain a list of all applicants
2 for certification under the Kansas expanded lottery act, together with a
3 record of all actions taken with respect to such applicants. A file and
4 record of the Kansas lottery's actions shall be open to public inspection
5 pursuant to the Kansas open records act, but the information regarding
6 any applicant whose certificate has been denied, revoked or not renewed
7 shall be removed from such list five years after the date certification was
8 denied, revoked or not renewed.
- 9 (2) All information and data required by the Kansas lottery to be
10 furnished to it, or which may otherwise be obtained, relative to the fi-
11 nances, earnings or revenue, except the net video lottery terminal income,
12 of any vendor shall be considered confidential and shall not be revealed
13 in whole or in part without permission of the vendor, except in the course
14 of the necessary administration of the Kansas expanded lottery act, or
15 upon the lawful order of a court of competent jurisdiction, or with the
16 approval of the attorney general, to a duly authorized law enforcement
17 agency.
- 18 (3) All information and data pertaining to an applicant's criminal rec-
19 ord, family and background furnished to or obtained by the Kansas lottery
20 from any source shall be considered confidential and shall not be revealed,
21 in whole or part. Such information shall be released upon the lawful order
22 of a court of competent jurisdiction or, with the approval of the attorney
23 general, to a duly authorized law enforcement agency.
- 24 (4) Notice of the contents of any information released, except to a
25 duly authorized law enforcement agency pursuant to subsection (f), shall
26 be given to any applicant, certificate holder or vendor in a manner pre-
27 scribed by the rules and regulations adopted by the commission.
- 28 New Sec. 28. (a) The executive director may issue, suspend, revoke
29 and renew certificates for video lottery terminal manufacturers, video
30 lottery terminals or video lottery parimutuel sales agents pursuant to rules
31 and regulations adopted by the commission.
- 32 (b) Any individual, firm, corporation or other legal entity seeking to
33 obtain a certificate pursuant to rules and regulations adopted by the com-
34 mission shall apply to the executive director for such certificate on forms
35 provided by the executive director.
- 36 (c) The executive director shall notify an applicant who is found, for
37 any reason, to be unfit for certification, of the specific reasons therefor
38 which constitute the basis for the finding.
- 39 (d) No certificate issued pursuant to this section shall be assignable
40 or transferable.
- 41 (e) The executive director may examine any or all accounts, bank
42 accounts, financial statements and records of the vendor in a vendor's
43 possession or under its control in which it has an interest and the vendor

1 must authorize all third parties, including parents, subsidiaries or related
2 entities, in possession or control of the accounts or records of the vendor
3 to allow examination of any or all of those accounts or records by the
4 executive director.

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

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

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

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

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

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

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

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

21 New Sec. 29. (a) Every certified video lottery terminal manufacturer
22 shall submit a training program for the service and maintenance of such
23 video lottery terminals and associated equipment for approval by the Kan-
24 sas lottery. The training program shall include an outline of the training
25 curriculum, a list of instructors and their qualifications, a copy of the
26 instructional materials and the dates, times and location of training clas-
27 ses. No service and maintenance program shall be held until approved by
28 the Kansas lottery.

29 (b) Every service employee shall complete the requirements of the
30 manufacturer's training program before such employee performs service,
31 maintenance and repairs on video lottery terminals or video lottery ter-
32 minal associated equipment. Upon the successful completion by a service
33 employee of the training program required by this section, the Kansas
34 lottery shall issue a certificate authorizing such employee to service, main-
35 tain and repair video lottery terminals and video lottery terminal associ-
36 ated equipment. No certificate of completion shall be issued to any serv-
37 ice employee until the Kansas lottery has ascertained that such employee
38 has completed the required training program. Any person certified as a
39 service employee under this section shall pass a background investigation
40 under the rules and regulations of the commission. The Kansas lottery
41 may revoke certification upon finding a service employee in violation of
42 any provision of the Kansas expanded lottery act or a commission rule
43 and regulation.

1 New Sec. 30. (a) Except as provided in subsection (b):

2 (1) No video lottery terminals shall be operated at a parimutuel li-
3 censee location in Sedgwick county unless, during the first full calendar
4 year and each year thereafter in which video lottery terminals are oper-
5 ated at such location, the parimutuel licensee conducts at such location
6 at least 100 live greyhound races each calendar week for the number of
7 weeks raced during calendar year 2003 with at least 13 live races con-
8 ducted each day for not less than five days per week.

9 (2) No video lottery terminals shall be operated at a parimutuel li-
10 censee location in Wyandotte county unless, during the first full calendar
11 year and each year thereafter in which video lottery terminals are oper-
12 ated at such location, the parimutuel licensee conducts live horse racing
13 programs for at least 60 days, with at least 10 live races conducted each
14 program, and must offer and make a reasonable effort to conduct a min-
15 imum number of three live races restricted for quarter horses each day
16 and seven live thoroughbred races each day, of which not less than two
17 races each day shall be limited to registered Kansas-bred horses appor-
18 tioned in the same ratio that live races are offered, except that the licensee
19 shall not be required to conduct the second live race restricted to Kansas-
20 bred horses unless there are at least seven qualified entries for such race,
21 and with at least 100 live greyhound races each calendar week for at least
22 the same number of weeks raced during 2003, with at least 13 live races
23 conducted each day for not less than five days per week.

24 (3) No video lottery terminals shall be operated at a parimutuel li-
25 censee location in Crawford county unless, during the first full calendar
26 year and each year thereafter in which video lottery terminals are oper-
27 ated at such location, the parimutuel licensee conducts at such location
28 at least 85 live greyhound races each calendar week for the number of
29 weeks raced during calendar year 2003 in Sedgwick county with at least
30 12 live races conducted each day for not less than five days per week.

31 (4) If a parimutuel licensee has not held live races pursuant to a
32 schedule approved by the Kansas racing and gaming commission in the
33 preceding 12 months, the Kansas racing and gaming commission shall
34 hold a hearing to determine the number of days of live racing required
35 for the remaining days of the first calendar year of operation to qualify
36 for operation of video lottery terminals. At such hearing, the commission
37 shall receive testimony and evidence from affected breed groups, the
38 licensee and others, as the Kansas racing and gaming commission deems
39 appropriate concerning the schedule of live race days. The operation of
40 video lottery terminals shall not commence more than 90 days prior to
41 the start of live racing at such facility.

42 (5) No video lottery terminals shall be operated at a parimutuel li-
43 censee location in Greenwood county at Eureka Downs unless, during

1 the first full calendar year and each year thereafter in which video lottery
2 terminals are operated, the parimutuel licensee conducts at least 40 days
3 of live horse racing.

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

9 (7) The Greenwood County Fair Association and Anthony Fair As-
10 sociation shall qualify as fair associations pursuant to the provisions of this
11 section and shall be required to comply with all provisions of K.S.A. 74-
12 8814, and amendments thereto.

13 (b) The Kansas racing and gaming commission may not grant excep-
14 tions to the requirements of subsection (a) for a parimutuel licensee con-
15 ducting live racing unless such exception is in the form of an agreement
16 which: (1) Is between the parimutuel licensee and the affected recognized
17 greyhound or recognized horsemen's group, as defined in K.S.A. 74-8802,
18 and amendments thereto; (2) has been approved by the appropriate of-
19 ficial breed registering agencies; and (3) has been submitted to and ap-
20 proved by the commission. In the case of emergencies, weather related
21 issues or immediate circumstances beyond the control of the licensee,
22 the Kansas racing and gaming commission may grant an exception.

23 (c) Notwithstanding the provisions of subsections (a) and (b) of K.S.A.
24 74-8836, and amendments thereto, the Kansas racing and gaming com-
25 mission shall authorize simulcasting on any day the operation of video
26 lottery terminals is authorized at the race track facility at Eureka Downs
27 and the race track facility at Anthony Downs. Rules and regulations of
28 the Kansas racing and gaming commission shall provide that the video
29 lottery terminals shall not be operated at Eureka Downs or Anthony
30 Downs on days when simulcasting signals are not available at the track.

31 New Sec. 31. (a) Video lottery terminals shall not be offered for use
32 or play in this state unless approved by the Kansas lottery. Video lottery
33 terminals may only offer video lottery games authorized by the Kansas
34 lottery.

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

36 (1) Be incapable of manipulation to effect the random probability of
37 winning plays;

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

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

4 (4) be linked directly to a central lottery communications system to
5 provide auditing and other program information as approved by the Kan-
6 sas lottery and specified in the video lottery terminal management con-
7 tract; and

8 (5) be on-line and in constant communication with a central com-
9 puter located at a location determined by the executive director pursuant
10 to the video lottery terminal management contract.

11 New Sec. 32. (a) No person who has held an interest in or has been
12 employed by a parimutuel licensee or a video lottery parimutuel sales
13 agent shall be employed by the Kansas lottery for two years after the
14 expiration of such interest or employment.

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

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

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

26 New Sec. 33. (a) Net video lottery terminal income shall be distrib-
27 uted as follows:

28 (1) To the video lottery parimutuel sales agent, an amount equal to:
29 (A) 25% of net video lottery terminal income as a management fee and
30 net lease for facilities used for the operation of video lottery terminals at
31 the parimutuel licensee location; plus (B) expenses of the video lottery
32 parimutuel sales agent as provided in the video lottery terminal manage-
33 ment contract, except that such expenses shall not include any payment
34 for lease of facilities;

35 (2) 7% of net video lottery terminal income shall be credited to the
36 live horse racing purse supplement fund established by section 38, and
37 amendments thereto;

38 (3) 7% of net video lottery terminal income shall be credited to the
39 live greyhound racing purse supplement fund established by section 38,
40 and amendments thereto;

41 (4) 1.5% of net video lottery terminal income shall be remitted to the
42 county and 1.5% of net video lottery terminal income shall be remitted
43 to the city, if any, where the parimutuel licensee location is located;

1 (5) 0.5% of net video lottery terminal income shall be credited to the
2 problem gambling grant fund established by K.S.A. 79-4805, and amend-
3 ments thereto;

4 (6) amounts determined pursuant to the video lottery terminal man-
5 agement contract for direct expenses of the Kansas lottery attributable to
6 implementation, administration and enforcement of the provisions of sec-
7 tions 24 through 46, and amendments thereto, and implementation, over-
8 sight and monitoring of video lottery pursuant to the provisions of such
9 sections shall be credited to the video lottery oversight fund established
10 by section 37, and amendments thereto; and

11 (7) an amount determined by an agreement which is entered into by
12 the video lottery parimutuel sales agent and the organization licensee at
13 the parimutuel licensee location and which has been approved by the
14 executive director.

15 (b) A video lottery terminal management contract shall establish an
16 accelerated video lottery net payment of \$15,000 per video lottery ter-
17 minal installed at a parimutuel licensee location. Such payment shall be
18 due and payable to the state treasurer on May 31, 2006, except that a
19 video lottery parimutuel sales agent may deduct from such payment the
20 amount of the state's share of net video lottery terminal income paid to
21 the state treasurer before that date. The balance due the state on that
22 date, if any, shall be recovered by the video lottery parimutuel sales agent
23 pursuant to the terms of the video lottery terminal management contract.

24 New Sec. 34. The Kansas lottery commission, upon the recommen-
25 dation of the executive director, shall adopt rules and regulations neces-
26 sary to carry out the purposes of this act. Temporary rules and regulations
27 may be adopted by the commission without being subject to the provi-
28 sions and requirements of K.S.A. 77-415 through 77-438, and amend-
29 ments thereto, but shall be subject to approval by the attorney general as
30 to legality and shall be filed with the secretary of state and published in
31 the Kansas register.

32 New Sec. 35. (a) All video lottery terminals shall be leased or owned
33 by the Kansas lottery or by an authorized video lottery parimutuel sales
34 agent on behalf of the Kansas lottery pursuant to the terms of a video
35 lottery terminal management contract and shall be obtained from video
36 lottery terminal manufacturers certified pursuant to the Kansas expanded
37 lottery act and the rules and regulations adopted by the commission.

38 (b) The executive director shall contract with an independent labo-
39 ratory to test video lottery terminals and associated equipment on a pe-
40 riodic basis to ensure that the terminals and equipment comply with the
41 requirements of the Kansas expanded lottery act and any other applicable
42 standards and rules and regulations. The video lottery terminal manufac-
43 turer providing such terminals and equipment shall pay all costs associ-

1 ated with such testing.

2 (c) Each video lottery parimutuel sales agent shall hold the executive
3 director, the commission, and this state harmless from and defend and
4 pay for the defense of any and all claims which may be asserted against
5 the executive director, the commission, the state or the employees
6 thereof, arising from the participation in the video lottery system; specif-
7 ically excluding, however, any claims arising from the negligence or willful
8 misconduct of the executive director, the commission, the state or the
9 employees thereof.

10 (d) Each video lottery parimutuel sales agent shall provide access to
11 all records of the video lottery parimutuel sales agent and the physical
12 premises of the locations where the video lottery activities are conducted
13 for the purpose of monitoring and inspecting the activities of the video
14 lottery parimutuel sales agent and video lottery games, video lottery ter-
15 minals and associated equipment.

16 New Sec. 36. (a) There is hereby established in the state treasury the
17 video lottery revenues fund. Separate accounts shall be maintained in
18 such fund for receipt of moneys from each video lottery parimutuel sales
19 agent. All expenditures from the fund shall be made in accordance with
20 appropriation acts upon warrants of the director of accounts and reports
21 issued pursuant to vouchers approved by the executive director for the
22 purposes set forth in this act.

23 (b) All net video lottery terminal income shall be paid daily and elec-
24 tronically to the executive director. The executive director shall remit all
25 moneys received therefrom to the state treasurer in accordance with
26 K.S.A. 75-4215, and amendments thereto. Upon receipt of the remit-
27 tance, the state treasurer shall deposit the entire amount in the state
28 treasury and credit it to the respective account maintained for the video
29 lottery parimutuel sales agent in the video lottery revenues fund.

30 (c) The executive director shall certify weekly to the director of ac-
31 counts and reports the percentages or amounts to be transferred from
32 each account maintained in the video lottery revenues fund to the video
33 lottery oversight fund, the live horse racing supplement fund, the live
34 greyhound racing purse supplement fund and the problem gambling
35 grant fund, as provided by section 33, and amendments thereto. Upon
36 receipt of the certification, the director of accounts and reports shall
37 transfer amounts from each such account in accordance with the certifi-
38 cation of the executive director. Once each week, the executive director
39 shall cause amounts from each such account to be paid to cities, counties
40 and video lottery parimutuel sales agents in accordance with section 33,
41 and amendments thereto.

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

1 trust account established pursuant to subsection (c)(2) of section 8, and
2 amendments thereto.

3 New Sec. 37. (a) There is hereby created in the state treasury the
4 video lottery oversight fund.

5 (b) Moneys in the video lottery oversight fund shall be expended to
6 pay for the expenses of the Kansas lottery attributable to implementation,
7 administration and enforcement of the provisions of sections 24 through
8 46, and amendments thereto, and implementation, oversight and moni-
9 toring of operations of video lottery parimutuel sales agents pursuant to
10 such sections.

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

14 (1) The average daily balance of moneys in the video lottery oversight
15 fund for the preceding month; and

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

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

23 New Sec. 38. (a) (1) There is hereby established in the state treasury
24 the live horse racing purse supplement fund.

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

1 ing development fund in accordance with K.S.A. 74-8829, and
2 amendments thereto.

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

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

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

30 New Sec. 39. (a) Wagers shall be received only from a person at the
31 location where the video lottery game is authorized pursuant to the Kan-
32 sas expanded lottery act. No person present at such location shall place
33 or attempt to place a wager on behalf of another person who is not present
34 at such location.

35 (b) No employee or contractor of a video lottery parimutuel sales
36 agent shall loan money to or otherwise extend credit to patrons of the
37 parimutuel licensee.

38 (c) Violation of this section is a class A nonperson misdemeanor upon
39 a conviction for a first offense. Violation of this section is a severity level
40 9, nonperson felony upon conviction for a second or subsequent offense.

41 New Sec. 40. (a) A person less than 21 years of age shall not be
42 permitted in in area where video lottery games are being conducted,
43 except for a person at least 18 years of age who is an employee of the

1 video lottery parimutuel sales agent. No employee under age 21 shall
2 perform any function involved in gaming by the patrons.

3 (b) No person under age 21 shall play or make a wager on a video
4 lottery game.

5 New Sec. 41. (a) Except as when authorized in accordance with sub-
6 section (c), it is unlawful for any video lottery parimutuel sales agent, or
7 any employee or agent thereof, to allow any person to play video lottery
8 games pursuant to the Kansas expanded lottery act, or share in winnings
9 of such person, knowing such person to be:

10 (1) Less than 21 years of age;

11 (2) the executive director, a member of the commission or an em-
12 ployee of the Kansas lottery;

13 (3) an officer or employee of a vendor contracting with the Kansas
14 lottery to supply gaming equipment or tickets to the Kansas lottery for
15 use in the operation of any lottery conducted pursuant to the Kansas
16 expanded lottery act;

17 (4) a spouse, child, stepchild, brother, stepbrother, sister, stepsister,
18 parent or stepparent of a person described by subsection (a)(2) or (a)(3);
19 or

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

22 (b) Violation of subsection (a) is a class A nonperson misdemeanor
23 upon conviction for a first offense. Violation of subsection (a) is a severity
24 level 9, nonperson felony upon conviction for a second or subsequent
25 offense.

26 (c) The executive director may authorize in writing any employee of
27 the Kansas lottery and any employee of a lottery vendor to play a video
28 lottery game to verify the proper operation thereof with respect to se-
29 curity and contract compliance. Any prize awarded as a result of such
30 ticket purchase shall become the property of the Kansas lottery and be
31 added to the prize pools of subsequent video lottery games. No money
32 or merchandise shall be awarded to any employee playing a video lottery
33 game pursuant to this subsection.

34 New Sec. 42. Except for persons acting in accordance with rules and
35 regulations of the Kansas lottery in performing installation, maintenance
36 and repair services, any person who, with the intent to manipulate the
37 outcome, pay out or operation of a video lottery game, manipulates by
38 physical, electrical or mechanical means the outcome, pay out or opera-
39 tion of such game shall be guilty of a severity level 8, nonperson felony.

40 New Sec. 43. (a) It is a class A nonperson misdemeanor for the ex-
41 ecutive director, any member of the lottery commission or any employee
42 of the Kansas lottery knowingly to:

43 (1) Participate in the operation of or have a financial interest in any

- 1 business of a video lottery parimutuel sales agent or in any business which
2 sells goods or services to a video lottery parimutuel sales agent;
- 3 (2) participate directly or indirectly as an owner, operator, manager
4 or consultant in electronic or other gaming operated pursuant to the Kan-
5 sas expanded lottery act;
- 6 (3) while in Kansas place a wager on or bet or play a video lottery
7 game;
- 8 (4) accept any compensation, gift, loan, entertainment, favor or serv-
9 ice from any video lottery parimutuel sales agent except such suitable
10 facilities and services within a parimutuel licensee location as may be
11 required to facilitate the performance of the executive director's, mem-
12 ber's or employee's official duties; or
- 13 (5) enter into any business dealing, venture or contract with a video
14 lottery parimutuel sales agent.
- 15 (b) It is a severity level 8, nonperson felony for any person playing or
16 using any electronic gaming machine or video lottery terminal in Kansas
17 knowingly to:
- 18 (1) Use other than a lawful coin or legal tender of the United States
19 of America, or to use coin not of the same denomination as the coin
20 intended to be used in an electronic gaming machine or video lottery
21 terminal, except that in the playing of any electronic gaming machine,
22 video lottery terminal or similar gaming device, it shall be lawful for any
23 person to use gaming billets, tokens or similar objects therein which are
24 approved by the Kansas lottery;
- 25 (2) possess or use, while on premises where video lottery games are
26 authorized pursuant to the Kansas expanded lottery act, any cheating or
27 thieving device, including, but not limited to, tools, wires, drills, coins
28 attached to strings or wires or electronic or magnetic devices to facilitate
29 removing from any electronic gaming machine or video lottery terminal
30 any money or contents thereof, except that a duly authorized agent or
31 employee of the Kansas lottery or video lottery parimutuel sales agent
32 may possess and use any of the foregoing only in furtherance of the agent's
33 or employee's employment at the parimutuel licensee location; or
- 34 (3) possess or use while on the premises of any video lottery pari-
35 mutuel sales agent any key or device designed for the purpose of or
36 suitable for opening or entering any video lottery terminal or similar gam-
37 ing device or drop box, except that a duly authorized agent or employee
38 of the Kansas lottery or video lottery parimutuel sales agent may possess
39 and use any of the foregoing only in furtherance of the agent's or em-
40 ployee's employment at the parimutuel licensee location.
- 41 New Sec. 44. It shall be a severity level 9, nonperson felony for any
42 individual, firm, corporation or other legal entity to place in operation or
43 continue to have in place any gray machine for use by members of the

1 public at any location in this state.

2 New Sec. 45. Each person subject to a background check pursuant
3 to the Kansas expanded lottery act shall be subject to a state and national
4 criminal history records check which conforms to applicable federal stan-
5 dards for the purpose of verifying the identity of the applicant and
6 whether the person has been convicted of any crime that would disqualify
7 the person from engaging in activities pursuant to this act. The executive
8 director is authorized to use the information obtained from the national
9 criminal history record check to determine the person's eligibility to en-
10 gage in such activities.

11 New Sec. 46. (a) No taxes, fees, charges, transfers or distributions,
12 other than those provided for in the Kansas expanded lottery act, shall be
13 made or levied by any city, county or other municipality from or against
14 net video lottery revenue.

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

19 Sec. 47. K.S.A. 74-8705 is hereby amended to read as follows: 74-
20 8705. (a) Major procurement contracts shall be awarded in accordance
21 with K.S.A. 75-3738 through 75-3744, and amendments thereto, or sub-
22 section (b), as determined by the *executive* director, except that:

23 (1) The contract or contracts for the initial lease of facilities for the
24 Kansas lottery shall be awarded upon the evaluation and approval of the
25 *executive* director, the secretary of administration and the director of ar-
26 chitectural services;

27 (2) The commission shall designate certain major procurement con-
28 tracts or portions thereof to be awarded, in accordance with rules and
29 regulations of the commission, solely to minority business enterprises.

30 (b) The *executive* director may award any major procurement con-
31 tract by use of a procurement negotiating committee. Such committee
32 shall be composed of: (1) The executive director or a Kansas lottery em-
33 ployee designated by the executive director; (2) the chairperson of the
34 commission or a commission member designated by the chairperson; and
35 (3) the director of the division of purchases or an employee of such di-
36 vision designated by the director. Prior to negotiating a major procure-
37 ment contract, the committee shall solicit bids or proposals thereon. The
38 division of purchases shall provide staff support for the committee's so-
39 licitations. Upon receipt of bids or proposals, the committee may nego-
40 tiate with one or more of the persons submitting such bids or proposals
41 and select from among such persons the person to whom the contract is
42 awarded. Such procurements shall be open and competitive and shall
43 consider relevant factors, including security, competence, experience,

1 timely performance and maximization of net revenues to the state. If a
2 procurement negotiating committee is utilized, the provisions of K.S.A.
3 75-3738 through 75-3744, and amendments thereto, shall not apply.
4 Meetings conducted by the procurement negotiating committee shall be
5 exempt from the provisions of the Kansas open meeting act, K.S.A. 75-
6 4317 through 75-4320a, and amendments thereto.

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

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

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

42 (e) (1) *Except as provided by paragraph (2)*, the executive director
43 shall not agree to any renewal or extension of a major procurement con-

1 tract unless such extension or renewal is awarded in the manner provided
2 by this section.

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

8 Sec. 48. K.S.A. 74-8710 is hereby amended to read as follows: 74-
9 8710. (a) The commission, upon the recommendation of the executive
10 director, shall adopt rules and regulations governing the establishment
11 and operation of a state lottery, *sales of lottery tickets and the operation*
12 *of lottery gaming facilities* as necessary to carry out the purposes of ~~this~~
13 *the Kansas lottery act and the Kansas expanded lottery act.* Temporary
14 rules and regulations may be adopted by the commission without being
15 subject to the provisions and requirements of K.S.A. 77-415 through 77-
16 438, and amendments thereto, but shall be subject to approval by the
17 attorney general as to legality and shall be filed with the secretary of state
18 and published in the Kansas register. Temporary and permanent rules
19 and regulations may include but shall not be limited to:

20 (1) Subject to the provisions of subsection (c), the types of lottery
21 games to be conducted, including but not limited to instant lottery, on-
22 line ~~and~~ traditional games, *lottery facility games and video lottery games*
23 but not including games on video lottery machines or lottery machines.

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

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

30 (4) The frequency of the drawings or selections of winning tickets or
31 shares.

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

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

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

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

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

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

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

1 (12) The major procurement contracts or portions thereof to be
2 awarded to minority business enterprises pursuant to subsection (a) of
3 K.S.A. 74-8705, and amendments thereto, and procedures for the award
4 thereof.

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

7 (14) *The types of electronic gaming machines and lottery facility*
8 *games to be operated pursuant to the Kansas expanded lottery act.*

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

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

18 Sec. 49. K.S.A. 2004 Supp. 74-8711 is hereby amended to read as
19 follows: 74-8711. (a) There is hereby established in the state treasury the
20 lottery operating fund.

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

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

35 (1) The payment of expenses of the lottery, which shall include all
36 costs incurred in the operation and administration of the Kansas lottery;
37 all costs resulting from contracts entered into for the purchase or lease
38 of goods and services needed for operation of the lottery, including but
39 not limited to supplies, materials, tickets, independent studies and sur-
40 veys, data transmission, advertising, printing, promotion, incentives, pub-
41 lic relations, communications and distribution of tickets and shares; and
42 reimbursement of costs of facilities and services provided by other state
43 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. 50. 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 2022.
29 (b) This section shall be part of and supplemental to the Kansas lot-
30 tery act.
31 Sec. 51. K.S.A. 74-8830 is hereby amended to read as follows: 74-
32 8830. (a) The commission shall, by rules and regulations:
33 (1) Qualify stallions for participation in Kansas-registered stallion
34 awards;
35 (2) provide for the registration of Kansas-domiciled mares, Kansas-
36 domiciled stallions and Kansas-bred horses;
37 (3) determine qualifications of Kansas-bred horses and establish clas-
38 ses of Kansas-bred horses for registration purposes and for the purpose
39 of awarding purse supplements, stakes and awards pursuant to K.S.A. 74-
40 8829 and amendments thereto; and
41 (4) establish a schedule of fees for the registration of Kansas-domi-
42 ciled mares, Kansas-domiciled stallions and Kansas-bred horses sufficient
43 to provide for all expenses incurred in the administration of the Kansas

1 horse breeding development fund created pursuant to K.S.A. 74-8829
2 and amendments thereto.

3 (b) The commission ~~may~~ *shall* contract with and designate an official
4 registering agency to implement the registration of horses. *The board of*
5 *directors of the official registering agency shall consist of five represen-*
6 *tatives of the quarter horse breed and five representatives of the thor-*
7 *oughbred breed. Representatives shall be selected by each breed organi-*
8 *zation from their respective memberships pursuant to rules and*
9 *regulations adopted by the Kansas racing and gaming commission. In*
10 *order to be eligible to serve on the board, a participant must be a legal*
11 *resident of the state of Kansas and a member of the Kansas quarter horse*
12 *racing association or the Kansas thoroughbred association. Such agency*
13 *shall operate under the supervision of the commission and be subject to*
14 *rules and regulations of the commission. The official registering agency*
15 *shall receive no compensation from the Kansas racing and gaming com-*
16 *mission except fees received for registration of horses necessary to pay*
17 *its expenses for such registration.*

18 (c) The commission ~~may~~ *shall* contract with and designate an agency
19 to provide for the distribution of purse supplements, stakes and awards
20 from the Kansas horse breeding development fund. Such agency shall
21 operate under the supervision of the commission and be subject to rules
22 and regulations of the commission.

23 Sec. 52. K.S.A. 74-8832 is hereby amended to read as follows: 74-
24 8832. (a) The commission shall, by rules and regulations, establish a
25 schedule of fees for the registration of Kansas-whelped greyhounds
26 which, together with the amount provided pursuant to K.S.A. 74-8830
27 and amendments thereto, shall be sufficient to provide for all expenses
28 incurred in the administration of the Kansas greyhound breeding devel-
29 opment fund created pursuant to K.S.A. 74-8831 and amendments
30 thereto.

31 (b) The commission ~~may~~ *shall* contract with and designate an official
32 registering agency to implement the registration of greyhounds. Such
33 agency shall operate under the supervision of the commission and be
34 subject to rules and regulations of the commission. The official registering
35 agency shall receive no compensation *from the Kansas racing and gaming*
36 *commission* except the amount provided pursuant to K.S.A. ~~74-8830~~ 74-
37 8831, and amendments thereto, and fees received for registration of grey-
38 hounds necessary to pay its expenses for such registration.

39 (c) The commission ~~may~~ *shall* contract with and designate an agency
40 to provide for the distribution of purse supplements from the Kansas
41 greyhound breeding development fund. Such agency shall operate under
42 the supervision of the commission and be subject to rules and regulations
43 of the commission.

1 New Sec. 53. (a) The Kansas racing and gaming commission shall
2 establish a greyhound promotion and development fund which shall be
3 funded through a voluntary greyhound purse checkoff program which
4 shall provide for the deduction of 2% from all purses paid to kennels and
5 greyhound owners who participate in the program. Greyhound owners
6 and kennel operators shall be provided an opportunity annually to not
7 participate in the program by signing a form approved by the Kansas
8 racing and gaming commission. Moneys deposited into the fund shall be
9 used for the development, promotion and representation of the grey-
10 hound industry in Kansas and shall be distributed to the organization
11 contracted with by the Kansas racing and gaming commission to admin-
12 ister the official greyhound registry in Kansas.

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

15 Sec. 54. K.S.A. 2004 Supp. 19-101a is hereby amended to read as
16 follows: 19-101a. (a) The board of county commissioners may transact all
17 county business and perform all powers of local legislation and adminis-
18 tration it deems appropriate, subject only to the following limitations,
19 restrictions or prohibitions:

20 (1) Counties shall be subject to all acts of the legislature which apply
21 uniformly to all counties.

22 (2) Counties may not consolidate or alter county boundaries.

23 (3) Counties may not affect the courts located therein.

24 (4) Counties shall be subject to acts of the legislature prescribing
25 limits of indebtedness.

26 (5) In the exercise of powers of local legislation and administration
27 authorized under provisions of this section, the home rule power con-
28 ferred on cities to determine their local affairs and government shall not
29 be superseded or impaired without the consent of the governing body of
30 each city within a county which may be affected.

31 (6) Counties may not legislate on social welfare administered under
32 state law enacted pursuant to or in conformity with public law No. 271—
33 74th congress, or amendments thereof.

34 (7) Counties shall be subject to all acts of the legislature concerning
35 elections, election commissioners and officers and their duties as such
36 officers and the election of county officers.

37 (8) Counties shall be subject to the limitations and prohibitions im-
38 posed under K.S.A. 12-187 to 12-195, inclusive, and amendments thereto,
39 prescribing limitations upon the levy of retailers' sales taxes by counties.

40 (9) Counties may not exempt from or effect changes in statutes made
41 nonuniform in application solely by reason of authorizing exceptions for
42 counties having adopted a charter for county government.

43 (10) No county may levy ad valorem taxes under the authority of this

1 section upon real property located within any redevelopment project area
2 established under the authority of K.S.A. 12-1772, and amendments
3 thereto, unless the resolution authorizing the same specifically authorized
4 a portion of the proceeds of such levy to be used to pay the principal of
5 and interest upon bonds issued by a city under the authority of K.S.A.
6 12-1774, and amendments thereto.

7 (11) Counties shall have no power under this section to exempt from
8 any statute authorizing or requiring the levy of taxes and providing sub-
9 stitute and additional provisions on the same subject, unless the resolution
10 authorizing the same specifically provides for a portion of the proceeds
11 of such levy to be used to pay a portion of the principal and interest on
12 bonds issued by cities under the authority of K.S.A. 12-1774, and amend-
13 ments thereto.

14 (12) Counties may not exempt from or effect changes in the provi-
15 sions of K.S.A. 19-4601 through 19-4625, and amendments thereto.

16 (13) Except as otherwise specifically authorized by K.S.A. 12-1,101
17 through 12-1,109, and amendments thereto, counties may not levy and
18 collect taxes on incomes from whatever source derived.

19 (14) Counties may not exempt from or effect changes in K.S.A. 19-
20 430, and amendments thereto.

21 (15) Counties may not exempt from or effect changes in K.S.A. 19-
22 302, 19-502b, 19-503, 19-805 or 19-1202, and amendments thereto.

23 (16) (A) Counties may not exempt from or effect changes in K.S.A.
24 13-13a26, and amendments thereto.

25 (B) This provision shall expire on June 30, ~~2005~~ 2006.

26 (17) (A) Counties may not exempt from or effect changes in K.S.A.
27 71-301a, and amendments thereto.

28 (B) This provision shall expire on June 30, ~~2005~~ 2006.

29 (18) Counties may not exempt from or effect changes in K.S.A. 19-
30 15,139, 19-15,140 and 19-15,141, and amendments thereto.

31 (19) Counties may not exempt from or effect changes in the provi-
32 sions of K.S.A. 12-1223, 12-1225, 12-1225a, 12-1225b, 12-1225c and 12-
33 1226, and amendments thereto, or the provisions of K.S.A. 12-1260
34 through 12-1270 and 12-1276, and amendments thereto.

35 (20) Counties may not exempt from or effect changes in the provi-
36 sions of K.S.A. 19-211, and amendments thereto.

37 (21) Counties may not exempt from or effect changes in the provi-
38 sions of K.S.A. 19-4001 through 19-4015, and amendments thereto.

39 (22) Counties may not regulate the production or drilling of any oil
40 or gas well in any manner which would result in the duplication of reg-
41 ulation by the state corporation commission and the Kansas department
42 of health and environment pursuant to chapter 55 and chapter 65 of the
43 Kansas Statutes Annotated and any rules and regulations adopted pur-

- 1 suant thereto. Counties may not require any license or permit for the
2 drilling or production of oil and gas wells. Counties may not impose any
3 fee or charge for the drilling or production of any oil or gas well.
- 4 (23) Counties may not exempt from or effect changes in K.S.A. 79-
5 41a04, and amendments thereto.
- 6 (24) Counties may not exempt from or effect changes in K.S.A. 79-
7 1611, and amendments thereto.
- 8 (25) Counties may not exempt from or effect changes in K.S.A. 79-
9 1494, and amendments thereto.
- 10 (26) Counties may not exempt from or effect changes in subsection
11 (b) of K.S.A. 19-202, and amendments thereto.
- 12 (27) Counties may not exempt from or effect changes in subsection
13 (b) of K.S.A. 19-204, and amendments thereto.
- 14 (28) Counties may not levy or impose an excise, severance or any
15 other tax in the nature of an excise tax upon the physical severance and
16 production of any mineral or other material from the earth or water.
- 17 (29) Counties may not exempt from or effect changes in K.S.A. 79-
18 2017 or 79-2101, and amendments thereto.
- 19 (30) Counties may not exempt from or effect changes in K.S.A. 2-
20 3302, 2-3305, 2-3307, 2-3318, 17-5904, 17-5908, 47-1219, 65-171d; *or*
21 65-1,178 through 65-1,199 ~~or K.S.A. 1998 Supp. 17-5909~~, and amend-
22 ments thereto.
- 23 (31) Counties may not exempt from or effect changes in K.S.A. 2004
24 Supp. 80-121, and amendments thereto.
- 25 (32) Counties may not exempt from or effect changes in K.S.A. 19-
26 228, and amendments thereto.
- 27 (33) Counties may not exempt from or effect changes in the wireless
28 enhanced 911 act or in the provisions of K.S.A. 12-5301 through 12-5308,
29 and amendments thereto.
- 30 (34) Counties may not exempt from or effect changes in K.S.A. 2004
31 Supp. 26-601, and amendments thereto.
- 32 (35) *Counties may not exempt from or effect changes in the Kansas*
33 *lottery act.*
- 34 (36) *Counties may not exempt from or effect changes in the Kansas*
35 *expanded lottery act.*
- 36 (b) Counties shall apply the powers of local legislation granted in
37 subsection (a) by resolution of the board of county commissioners. If no
38 statutory authority exists for such local legislation other than that set forth
39 in subsection (a) and the local legislation proposed under the authority
40 of such subsection is not contrary to any act of the legislature, such local
41 legislation shall become effective upon passage of a resolution of the
42 board and publication in the official county newspaper. If the legislation
43 proposed by the board under authority of subsection (a) is contrary to an

1 act of the legislature which is applicable to the particular county but not
2 uniformly applicable to all counties, such legislation shall become effec-
3 tive by passage of a charter resolution in the manner provided in K.S.A.
4 19-101b, and amendments thereto.

5 (c) Any resolution adopted by a county which conflicts with the re-
6 strictions in subsection (a) is null and void.

7 Sec. 55. K.S.A. 74-8702, 74-8705, 74-8710, 74-8723, 74-8830 and 74-
8 8832 and K.S.A. 2004 Supp. 19-101a, 74-8711 and 19-101k are hereby
9 repealed.

10 Sec. 56. This act shall take effect and be in force from and after its
11 publication in the Kansas register.