

SESSION OF 2024

**SUPPLEMENTAL NOTE ON SENATE SUBSTITUTE FOR
HOUSE BILL NO. 2422**

As Recommended by Senate Committee on
Federal and State Affairs

Brief*

Senate Sub. for HB 2422 would provide an exemption for certain rules and regulations established by the Kansas Racing and Gaming Commission (KRG) and would require changes to such rules and regulations or changes in their interpretation to be approved by the Legislature.

Exemptions from Certification Requirements

Current law provides for KRG to establish rules and regulations for certifying certain persons, including electronic gaming machine manufacturers, technology providers, and computer system providers, who propose to contract with a lottery gaming facility manager, a racetrack gaming facility manager, or the state for the provision of goods or services related to a lottery gaming facility or racetrack gaming facility, including management services. The certification is required to include compliance with security, fitness, and background investigations and standards of officers, directors, key gaming employees, and persons directly or indirectly owning 5 percent or more interest in the entities being certified.

The bill would exempt from these certification requirements any person who:

- Manufactures or otherwise supplies goods or services to a person who is required to be certified;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- Does not propose to contract with a lottery gaming facility manager, racetrack gaming facility manager, or the state for goods or services; and
- Does not perform any work or provide any services on the premises of a lottery gaming facility or racetrack gaming facility.

Legislative Approval

The bill would require changes to or changes in interpretation of rules and regulations established by KRGC to be approved by the Legislature.

Background

The Senate Committee on Federal and State Affairs removed the contents of HB 2422, inserted the amended contents of SB 535, and recommended a substitute bill.

[*Note:* As passed by the House, HB 2422 would have modified the Boiler Safety Act to remove statutory qualifications of the chief inspector of boiler safety and deputy inspectors.]

SB 535 (Gaming Certification Requirements)

The bill was introduced by the Senate Committee on Federal and State Affairs at the request of Senator Thompson.

Senate Committee on Federal and State Affairs

In the Senate Committee hearing, **proponent** testimony was provided by an attorney from Kriegshauser Ney Law Group and a representative of Hydeman Company. Proponents stated equipment produced by the Hydeman

Company, including currency counters and sorters and cash recyclers, have been used in Kansas casinos for the past 12 years, but that KRGC decided last fall to discontinue the authorization to sell some of their products to the casinos. Conferees stated the Hydeman Company was directed to have manufacturers apply for and receive Certified Vendor status from KRGC, but they do not believe this is the correct application of the rules and regulations.

Opponent testimony was provided by a representative of KRGC, who stated the bill could create a loophole for manufacturers of products used on the gaming floor or that interface with casino or Lottery systems by obtaining the services of a licensed vendor or intermediary to sell their product to the gaming facilities.

No other testimony was provided.

The Senate Committee amended the bill to require legislative approval for changes to or changes in interpretation of rules and regulations established by the KRGC.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on SB 535, as introduced, the KRGC indicates the bill could impact some vendors that the KRGC licenses. The bill could remove background checks and licensing requirements if certain manufacturers use third-party vendors to sell or service equipment. However, the KRGC is unable to locate any data or determine a methodology to estimate what that fiscal effect would be under the provision of the bill. The Kansas Lottery indicates the bill would have no fiscal effect on its operations.

Gaming; certification; gaming suppliers; Kansas Racing and Gaming Commission; casinos