

Lottery Ticket and Instant Bingo Vending Machines; Extending the Sunset of the Kansas Lottery; Changes to State Debt Setoff Program; Sub. for HB 2194

Sub. for HB 2194 amends the Kansas Lottery Act (Act) to allow the use of lottery ticket vending machines and the use of instant bingo vending machines, amends law concerning underage purchasing of lottery tickets, extends the sunset for the Kansas Lottery (Lottery), amends law directing transfers from the Lottery Operating Fund, and amends law concerning the State Debt Setoff Program.

Lottery Machines; Definition Changes

The bill amends the definition of “lottery machine” by removing the term “lottery ticket vending machine” from the definition of “lottery machine.” The bill further amends the definition of “lottery machine” to specify lottery ticket vending machines and instant bingo vending machines are not considered lottery machines. Games on lottery machines are prohibited under law unchanged by the bill (KSA 2017 Supp. 74-8710).

Lottery Ticket Vending Machines

The bill allows the Lottery to use lottery ticket vending machines to sell lottery tickets.

The bill also creates a definition for “lottery ticket vending machine,” which is defined as a machine or similar electronic device owned or leased by the Lottery, the sole purposes of which are to:

- Dispense a printed physical ticket, such as a lottery ticket, a keno ticket, a pull tab ticket, or a coupon, which must be redeemed through something other than a lottery ticket vending machine, after a purchaser inserts cash or other form of consideration into the machine;
- Allow purchasers to manually check the winning status of a Lottery ticket; and
- Display advertising, promotions, and other information pertaining to the Lottery.

The bill states a lottery ticket vending machine cannot:

- Provide a visual or audio representation of an electronic gaming machine;
- Visually or functionally have the same characteristics as an electronic gaming machine;
- Automatically determine or display the winning status of any dispensed ticket;
- Extend or arrange credit for the purchase of a ticket;

- Dispense any winnings;
- Dispense any prize or dispense any evidence of a prize other than the lottery ticket, keno ticket, pull tab ticket, or any free Lottery ticket received as a result of the purchase of another Lottery ticket;
- Provide free games or any other item that can be redeemed for cash; or
- Dispense any other form of a prize to a purchaser.

The bill also allows lottery ticket vending machines to dispense only the printed physical lottery ticket, keno ticket, or pull tab ticket, including any free Lottery ticket received as a result of the purchase of another Lottery ticket, and change from a purchase to the purchaser. The bill specifies any winnings from a lottery ticket vending machine can be redeemed only for cash or check by a lottery retailer or by cash, check, or other prize from the office of the Lottery.

The bill specifies no more than two lottery ticket vending machines may be located at each Lottery retailer selling location.

Instant Bingo; Vending Machines

The bill removes language in the definition of “instant bingo” prohibiting bingo games utilizing electronically generated or computer-generated tickets from an instant bingo vending machine. The definition is amended to specify instant bingo games can be dispensed by an instant bingo vending machine.

The bill also creates a definition for “instant bingo vending machine,” which is defined as a machine or electronic device that is purchased or leased by a licensee, as defined by KSA 2017 Supp. 75-5173, from a distributor who has been issued a distributor registration certificate pursuant to KSA 2017 Supp. 75-5184, or leased from the Lottery in fulfillment of the Lottery’s obligations under an agreement between the Lottery and a licensee entered into pursuant to the provisions of the bill. As specified in the definition, the sole purpose of an instant bingo vending machine is to:

- Dispense a printed instant bingo ticket after a purchaser inserts cash or other form of consideration into the machine; and
- Allow purchasers to manually check the winning status of an instant bingo ticket.

The bill states an instant bingo vending machine cannot:

- Provide a visual or audio representation of a bingo card or an electronic gaming machine;
- Visually or functionally have the same characteristics as a bingo card or an electronic gaming machine;

- Automatically determine or display the winning status of any dispensed instant bingo ticket;
- Extend or arrange credit for the purchase of an instant bingo ticket;
- Dispense any winnings;
- Dispense any prize;
- Dispense any evidence of a prize other than the instant bingo ticket;
- Provide free instant bingo tickets or any other item that can be redeemed for cash; or
- Dispense any other form of a prize to a purchaser.

The bill also requires all physical instant bingo tickets dispensed by an instant bingo vending machine to be purchased by a licensee from a registered distributor. No more than two instant bingo vending machines can be located on the premises of each licensee location.

Agreements Between Lottery and Nonprofit Organizations; Vending Machine Sales

The bill authorizes the Executive Director of the Kansas Lottery (Executive Director) to enter into agreements with licensed nonprofit organizations for the operation of instant bingo vending machines on the premises of nonprofit organizations. No more than two instant bingo vending machines can be located on the premises of the nonprofit organization.

These agreements are required to provide for the remittance of gross receipts of instant bingo tickets in the vending machines to the nonprofit organization. All sales of instant bingo tickets in the vending machines are considered sales by the nonprofit organization and proceeds from such sales are remitted to the nonprofit organization.

Underage Purchasing of Lottery Tickets

The bill provides any lottery ticket or share of a ticket purchased by an individual under the age of 18 will be null and void and cannot be redeemed for a prize.

The bill also allows officers having authority to enforce the provisions of the Act, or authorized representatives of the Attorney General, county attorney, or district attorney, to develop a program or system that determines and encourages compliance with the provisions of the Act. Such officers can engage or direct a person to violate the provisions of the Act, which prohibits sales of lottery tickets to persons under the age of 18 by lottery ticket vending machines.

Lottery retailers or such retailer's designee can also engage or direct a person younger than 18 to violate provisions of the Act pursuant to a self-compliance program designed to increase compliance with the provisions of the Act, and approved by the Executive Director.

Lottery Sunset Provision

The bill extends the date on which the Lottery will be abolished from July 1, 2022, to July 1, 2037.

Transfers from the Lottery Operating Fund

The bill authorizes moneys in the Lottery Operating Fund to be used for transfers to the Community Crisis Stabilization Centers Fund and the Clubhouse Model Program Fund of the Kansas Department for Aging and Disability Services.

Commencing in FY 2019, on or before the tenth day of each month, the bill requires the Executive Director to certify the net profits from the sale of lottery tickets and shares in lottery ticket vending machines. Of that certified amount, moneys are distributed from the Lottery Operating Fund, as follows:

- 75.0 percent are transferred to the Community Crisis Stabilization Centers Fund created by the bill and to be used for community crisis stabilization centers operated through community mental health centers; and
- 25.0 percent are transferred to the Clubhouse Model Program Fund created by the bill and to be used for certified clubhouse model programs.

Such transfers could not exceed \$4.0 million in the aggregate for FY 2019 or \$8.0 million in the aggregate for FY 2020, and each fiscal year thereafter.

State Debt Setoff Program

The bill amends the State Debt Setoff Program (Program) in several ways.

Continuing law allows the Director of Accounts and Reports (Director) of the Department of Administration to enter into an agreement with a municipality for participation in the Program for the purpose of assisting in the collection of a debt. Such municipalities are required to certify that the municipality has made at least three attempts to collect a debt prior to submitting such debt to setoff. The bill amends the definition of "municipality" to include community mental health centers and licensed mental health clinics.

The bill requires the Director to enter into agreements with lottery gaming facility managers, racetrack gaming facility managers, and facility owner licensees for participation in the Program for the purpose of collecting debts. Each such contract is required to include a provision agreeing to defend, indemnify, and hold harmless the manager or licensee for all claims, demands, suits, actions, damages, judgments, costs, charges, and expenses brought or

asserted against the manager or licensee arising from the manager or licensee's performance of an agreement to facilitate the collection of debts.

The bill specifies lottery gaming facility managers, racetrack gaming facility managers, and facility owner licensees are required to check the state debtor files before paying moneys on behalf of the State for any gambling winnings requiring completion of a federal tax form. If the person winning the prize is listed in the state debtor files, the prize will be withheld by the manager or licensee to the extent of such debt. Withheld moneys are transmitted to the State Treasurer and deposited in the Setoff Clearing Fund.

Lottery gaming facility managers, racetrack gaming facility managers, and facility owner licensees are not subject to civil, criminal, or administrative liability for actions taken under the bill, unless such actions were intentional, malicious, or wanton. The State is required to indemnify the manager or licensee for expenses, losses, damages, and attorney fees arising from the performance of activities under the bill, and the manager or licensee has all the protection of the State under the Kansas Tort Claims Act. The sole remedy at law for persons claiming wrongful withholding of prizes is an appeal to the Department of Administration.

Debts for child support enforced by the Kansas Department for Children and Families (DCF) under federal law have the cost of collection paid by DCF. Collection costs are not added to such debts.

Debt setoff provisions do not apply to Native American tribal gaming facilities.