

## **Sports Wagering; House Sub. for Sub. for SB 84**

**House Sub. for Sub. for SB 84** amends the Kansas Expanded Lottery Act (KELA) concerning the conducting of sports wagering operations by lottery gaming facilities. The bill adds new sections to KELA that are a part of and supplemental to the Kansas Lottery Act (KLA). The bill also amends the Kansas Parimutuel Racing Act and authorizes operation of historical horse race machines.

### ***Lottery Control of Sports Wagering***

Continuing law places decisions regarding lottery gaming facility games within the full control of the Kansas Lottery (Lottery). The bill amends that provision to also include decisions concerning sports wagering.

The bill amends law related to oversight of lottery gaming facility operations by the Kansas Racing and Gaming Commission (KRGCC) to include auditing of sports wagering revenues and to require appropriate security measures where sports wagering is located or managed.

### ***Sports Wagering Operations***

The bill authorizes the Lottery to offer sports wagering:

- In accordance with the KLA and KELA; and
- Through one or more lottery gaming facility managers (managers) who have contracted with the Lottery under KELA to manage sports wagering on behalf of the Lottery, including, but not limited to, sports wagering through an interactive sports wagering platform and the use of any such licensed interactive sports wagering platforms (platform) at the primary facility of a professional sports team pursuant to a marketing agreement entered into between the gaming manager and the professional sports team; and
- Through one or more platforms including the use of any such platform at the primary facility of a sporting facility pursuant to a marketing agreement entered into between the Lottery and the facility.

### ***Platforms, Compulsive Gambling***

The bill limits each sports wagering manager to three interactive sports wagering platforms that must be approved by the executive director of the Lottery (Lottery Director), and wagering offered through a platform can be offered only as approved by the Lottery in accordance with KELA. In order to be approved, the bill requires platforms:

- Serve the public convenience;

- Promote sports wagering in accordance with marketing plans developed by the Lottery; and
- Offer sports wagers.

The bill requires requests for approval of platforms to be submitted to the Lottery in a form determined by the Lottery Director. Sports wagering managers must include information regarding the platform and intended use of the platform. Additionally, the bill requires all background investigation requirements required by the KRGC to be completed before consideration of approval and usage of platforms.

The bill requires the Lottery Director to issue a final decision regarding approval of a platform within 30 days after the request is submitted. The bill also provides that the Lottery Director may not unreasonably withhold approval of a platform a manager requests to be approved. Managers are also not required to use the same platforms.

The bill requires the Lottery Director to prescribe a submission process for requests for approval of platforms and to notify gaming facility managers of the process on or before September 1, 2022. The bill also requires the KRGC Director to prescribe a background investigation process for platforms on or before August 1, 2022, and to notify gaming facility managers of the process. The bill requires the KRGC to commence background investigations of platforms on or before August 15, 2022.

Managers are also allowed to apply to the Lottery for approval of one additional graphical user interface (also known as a “skin”) for a platform that is specific to a professional sports team that has a marketing agreement with such manager.

The bill allows a sports wagering manager to accept wagers placed through an interactive sports wagering platform only from individuals physically located in Kansas at the time of submitting the wager.

### *Compulsive Gambling*

The bill prohibits a lottery gaming facility manager from providing a line of credit to any person engaged in sports wagering.

The bill requires lottery gaming facility managers to include information and tools to assist players in making responsible decisions. The bill requires, at a minimum, the provision of:

- Prominently displayed tools to set limits on the time and money spent by a person on any interactive sport wagering platform;
- Prominently displayed information regarding compulsive gambling and ways to seek treatment and support; and
- The ability for a person to exclude the use of certain electronic payment methods if desired by the person.

## ***Sports Wagering Suppliers***

The bill requires licensure of any person who provides goods, services, software, or any other components necessary for the determination of odds or outcomes of any wager on a sporting event, either directly or indirectly, to a manager, including data feeds and odds services.

The bill requires the KRGC to issue such license to a person who is qualified under the bill's provisions and any rules and regulations adopted by the agency.

### ***Supplier License Application***

The bill requires applications to be submitted in the form and manner prescribed by the KRGC and to include:

- The identity of:
  - Each person who directly owns at least a 10 percent interest in the applicant;
  - Each holding, intermediary, or parent company that owns at least a 15 percent ownership interest in the applicant; and
  - The chief executive officer and chief financial officer of the applicant or the individual holding an equivalent office with respect to the applicant, as determined by the KRGC; and
- Such other information as required by the KRGC.

The bill specifies that disclosure of any of the following direct or indirect shareholders of the applicant shall be waived:

- Any government-created entity, including, but not limited to, any statutorily authorized pension investment board, or crown corporation of Canada; and
- Any investment funds or entities registered with the Securities and Exchange Commission (SEC), including any investment advisor, or entities under the management of an entity registered with the SEC.

### ***Supplier License Term; Fee***

The bill allows the KRGC to issue a provisional supplier license if the applicant has submitted a complete application and paid the required fee. Such provisional license shall have a term specified on the license of up to one year, and the holder is required to surrender such provisional license upon issuance of a supplier license.

The bill directs the KRGC to establish a license fee for issuance and renewal of supplier and provisional supplier licenses.

A supplier license will be valid for a period of two years from issuance and can be renewed by the licensee prior to expiration upon application and payment of the required fee.

### ***Marketing Agreement—Professional Sports Team, Sporting Facility***

The bill allows a professional sports team or other marketing entity to enter into a marketing agreement with a manager for the purpose of marketing sports wagering at the primary facility of such team or marketing entity.

The bill requires such sports wagering to be managed by the manager. Additionally, the bill prohibits any owner, director, officer, employee, or agent of the team or marketing entity from having any duties directly related to the operation or management of sports wagering except as expressly provided in the marketing agreement.

### ***Marketing Agreement Requirements***

The bill requires a marketing agreement to provide that the professional sports team or marketing entity will promote and advertise sports wagering on behalf of the other contracting party at the primary facility of the professional sports team or marketing facility. The bill allows the promotion and advertising to include, but not be limited to:

- Advertising through signage and other media, including electronic media;
- Allowing devices such as kiosks to be located within the primary facility of the professional sports team to allow patrons to engage in sports wagering; and
- Providing access to mobile device applications that allow patrons to access the platforms utilized by the contracting party operating and managing sports wagering at the primary facility or other premises.

The bill requires any marketing agreement to prohibit the professional sports team or other marketing entity and any owner, director, officer, employee, or agent of the team or entity from taking any bets, paying out any prizes, or otherwise having any control or access to the platform or any other system used by the manager to manage sports wagering.

The bill requires, if the primary facility or other premises specified in the agreement is located outside a gaming zone, all sports wagering at such location to be conducted through a platform.

### ***Sporting Facility***

The bill allows a sporting facility to enter into a contract with a manager for the purpose of allowing the sporting facility to designate an area within the sporting facility where patrons could engage in sports wagering. The bill limits sports wagering offered in these designated areas to the use of platforms.

The bill defines “sporting facility” to mean an auto race track facility or major multi-sport athletic complex, as defined in continuing law, that is located in Wyandotte County with a minimum investment of \$50.0 million and is in operation on the effective date of the bill.

### *Maximum Number of Agreements*

The bill specifies any manager may enter into a marketing agreement with not more than 50 marketing entities, at least 20 percent of which must be nonprofit fraternal or veterans organizations.

### *Marketing Agreement Approval*

The bill requires any gaming manager or racetrack manager seeking to enter into a marketing agreement to submit the agreement to the Lottery for approval, and such agreement will not become effective until approved by the Lottery Director.

The bill requires an agreement that satisfies all requirements of the KLA and KELA to be approved. However, if the Lottery Director does not approve of the agreement, the bill requires the parties to be notified of the denial and provided the reasons for the denial.

### **Advertisements**

The bill directs the Lottery to adopt rules and regulations regarding the advertisement of sports wagering by January 1, 2023. The bill specifies such rules and regulations shall include, but not be limited to:

- Ensuring advertisements do not target children and minors, other persons ineligible to place wagers, problem gamblers, or other vulnerable persons;
- Limiting the form, content, quantity, timing, and location of advertisements;
- Requiring the disclosure in all such advertisements of the identity of the manager;
- Requiring provision of the toll-free number for information and referral services for compulsive and problem gambling; and
- Prohibiting false, misleading, or deceptive advertisements.

### **Wagering Restrictions on Certain Sporting Events**

The bill authorizes the Lottery to restrict, limit, or exclude wagering on one or more sporting events by providing notice to all managers in a form determined by the Lottery Director. The bill specifies offering or taking wagers on a sporting event contrary to any notice, or rules or regulations promulgated by either the Lottery or KRGC, is a violation of KELA.

## ***Prohibited Wagering, Investigations, Records***

The bill requires sports wagering managers to use reasonable methods to:

- Prohibit the manager; any director, officer, owner, and employee of the manager; and any relative living in the same household as such persons from placing any wager with the manager at the manager's location or through the manager's platform;
- Prohibit athletes, coaches, referees, team owners, employees of a sports governing body or its member teams, and player and referee union personnel from placing wagers on any sporting event overseen by such sports governing body (using publicly available information that may be provided to the Lottery and KRGC by sports governing bodies);
- Prohibit any person with access to nonpublic confidential information held by the manager from placing any wager with the manager;
- Prohibit persons from placing any wager as an agent or proxy for another person;
- Prohibit from placing wagers any person known by the manager as having been convicted of any felony or misdemeanor offense involving sports wagering, including, but not limited to:
  - The use of funds derived from illegal activity to make any wager;
  - Placing any wager to conceal money derived from illegal activity;
  - The use of other individuals to place any wager as part of any wagering scheme to circumvent any provision of federal or state law; and
  - The use of false identification to facilitate the placement of any wager or collection of any prize in violation of federal or state law; and
- Maintain the security of wagering data, customer data, and other confidential information from unauthorized access and dissemination.

The bill does not preclude the use of internet or cloud-based hosting of such data and information or disclosure as required by court order, state, or federal law.

### ***Investigations***

The bill requires managers to cooperate with any investigation conducted by the Lottery, KRGC, or law enforcement, including but not limited to providing or facilitating the provision of account-level betting information and audio or video files relating to persons placing wagers.

In addition, managers are required to promptly report to the Lottery and KRGC any information relating to:

- Criminal or disciplinary proceedings commenced against the manager in connection with the manager’s operations in any jurisdiction in which such manager manages sports wagering activity;
- Abnormal wagering activity or patterns that may indicate a concern with the integrity of a sporting event in any jurisdiction in which such manager manages sports wagering activity;
- Any potential breach of the relevant sports governing body’s internal rules and codes of conduct pertaining to sports wagering;
- Any other conduct that knowingly corrupts a betting outcome of a sporting event, including match-fixing; and
- Suspicious or illegal wagering activities, including, but not limited to:
  - Funds derived from illegal activity;
  - Wagers to conceal or launder funds derived from illegal activity;
  - Agents to place wagers; and
  - False identification when placing wagers.

The bill specifies that information provided by a sports governing body to a lottery gaming facility manager must be kept confidential and is not subject to the Kansas Open Records Act. The lottery gaming facility manager is prohibited from disclosing such information unless otherwise required by the bill, the KRGC, or state or federal law or court order. These provisions will expire on July 1, 2027, unless the Legislature reenacts such provisions.

*League Data, Personally Identifiable Information*

The bill authorizes gaming facility managers to use data from any source that provides certified league data approved by the Lottery Director.

The bill requires any interactive sports wagering platform used by a manager to allow an individual to elect to not have their personally identifiable information collected for any purpose other than recording the placing of wagers, payment of prizes, and as otherwise permitted in the bill. The election by an individual would be maintained by the platform and manager until the individual cancels such election.

**Required Records**

Sports wagering managers are required to maintain records of:

- All wagers placed, including personally identifiable information of the person placing the wager;

- The amount and type of the wager;
- The time the wager was placed;
- The location of the wager, including the IP address if applicable;
- The outcome of the wager;
- Any records of abnormal betting activity; and
- Video camera recordings, in the case of in-person wagers.

The bill requires video recordings to be maintained for 30 days after the wager is placed and all other required records to be maintained for at least 2 years after the sporting event occurs. Sports wagering managers must make such records available for inspection upon request of the Lottery or KRGC, or as required by court order.

#### *Payment and Reimbursement*

The bill creates an exception to the general prohibition on employees, contractors, or others with legal affiliations with a lottery gaming facility manager from loaning money or extending credit to patrons. The bill allows a patron of a lottery gaming facility to fund an account held by a sports wagering manager for the payment of sports wagers and pay for sports wagers using:

- Cash and cash equivalents;
- Electronic bank transfers of money, including transfers through third parties;
- Bank and wire transfers of money;
- Debit and credit cards;
- Online and mobile application payment systems that support online money transfers;
- Promotional funds provided by a lottery gaming facility manager; and
- Any other payment method approved by the Lottery.

The bill authorizes a sports wagering manager to obtain insurance or check guarantee services to protect against any loss as a result of a returned check, or a check that is not honored due to a stop payment order or nonsufficient funds.

### ***Cause of Action for Improper Influence***

The bill grants the State a cause of action to seek damages or other equitable relief against persons who knowingly engage in, facilitate, or conceal conduct that intends to improperly influence a wagering outcome of a sporting event for purposes of financial gain in connection with wagering on the sporting event.

The bill states any such cause of action will not be a limitation on or a bar against any other claims the State could bring against such person, or any other claim the State could bring for injuries or damages arising out of the operation of sports wagering.

### ***Self-restriction List***

The bill requires a lottery gaming facility manager, upon request by an individual, to restrict such individual from placing sports wagers with such manager and take reasonable measures to prevent the individual from placing sports wagers. The lottery gaming facility manager must submit the restricting individual's name and information to the KRGC for the sole purpose of having such information disseminated to other lottery gaming facility managers. A manager in receipt of such information must restrict an individual from placing sports wagers.

The winnings of an individual who has requested to be restricted will be forfeited, and such winnings will be credited to the Problem Gambling and Addictions Grant Fund.

### ***Sports Wagering Receipts Fund***

The bill creates the Sports Wagering Receipts Fund, which contains separate accounts for receipt of sports wagering moneys from each manager, with all expenditures from the fund being made in accordance with appropriation acts upon warrants of the Director of Accounts and Reports issued pursuant to vouchers approved by the Lottery Director.

The bill requires all sports wagering revenues to be paid electronically to the Lottery Director weekly, or as soon as reasonably possible, but not before all bets for a specific sporting event are completed and settled. The Lottery Director must remit all moneys received to the State Treasurer and the State Treasurer is directed to deposit the amount received in the State Treasury and credit such remittance to the respective account in the Sports Wagering Receipts Fund for the relevant manager.

The bill requires the Lottery Director to allow managers to carry over negative sports wagering revenues and apply such amounts to returns filed for subsequent weeks. The bill states a return with a negative amount is a return showing a negative number because the sum of winnings paid to patrons wagering on the manager's sports wagering, plus all voided wagers and excise taxes on sports wagering paid pursuant to federal law, exceeds the manager's total bets accepted from sports wagering by patrons.

Additionally, the bill states negative amounts can not be applied to earlier weeks, and moneys will not be refunded unless the manager ceased to manage sports wagering and reported negative revenues on the manager's last return.

The bill requires the Lottery Director to certify monthly to the Director of Accounts and Reports the percentages or amounts to be transferred from each account to the Lottery Operating Fund. The Director of Accounts and Reports is directed to transfer such amounts from each account in accordance with the certification of the Lottery Director, who is required to cause amounts from each account to be paid to the managers monthly, according to each respective contract.

### ***Attracting Professional Sports to Kansas Fund***

The bill creates the Attracting Professional Sports to Kansas Fund (Sports Fund) to be administered by the Secretary of Commerce. The bill requires all moneys credited to the fund be expended in accordance with appropriation acts upon warrants of the Director of Accounts and Reports issued pursuant to vouchers approved by the Secretary of Commerce, or designee, for the purpose specified in the bill.

The Secretary of Commerce is authorized to pledge all or a portion of the funds held in the Sports Fund or sports wagering revenues credited to, or to be credited to, the fund for the benefit of any professional sports team and payment of the principal or interest on any bond issued by the State or any municipality, including but not limited to sales tax and revenue (STAR) bonds, special obligation bonds, full faith and credit bonds, Tax Increment Financing (TIF) bonds, and revenue bonds. The bill also provides financing structured as pay-as-you-go if it was issued to fund the construction, rehabilitation, revitalization, or expansion of a professional sports team's primary facility or any other ancillary development to such primary facility.

The bill requires the Secretary of Commerce to certify monthly to the Director of Accounts and Reports the amount of moneys held in the fund that exceed the amount necessary for the purposes of the Sports Fund. Upon receipt of each such certification, the certified amount is required to be transferred to the Lottery Operating Fund.

On July 1, 2023, and each July 1 thereafter, or as soon as moneys are available, after the transfer required to the White Collar Crime Fund has been made, 80 percent of the remaining moneys credited to the Lottery Operating Fund from the sports wagering revenues deposited in the Lottery Operating Fund must be transferred to the Sports Fund.

### ***White Collar Crime Fund***

The bill creates the White Collar Crime Fund, to be administered by the Governor. The bill requires all moneys credited to the fund be expended only for the purpose of investigating and prosecuting:

- Criminal offenses involving or facilitated by:
  - The use of funds derived from illegal activity to make wagers;
  - Placing wagers to conceal money derived from illegal activity;
  - The use of other individuals to place wagers as part of any wagering scheme to circumvent any provision of federal or state law;

- The use of false identification to facilitate the placement of any wager or the collection of any prize in violation of federal or state law;
- Any other unlawful activity involving or facilitated by the placing of wagers; or
- Any other violation of KELA; or
- Any financial or economic crime involving any unauthorized gambling.

The bill requires all expenditures from the fund to be made in accordance with appropriation acts upon warrants of the Director of Accounts and Reports issued pursuant to vouchers approved by the Governor or the Governor's designee.

The bill requires the Attorney General and the Director of KRGC to submit requests to the Governor for the moneys they consider necessary to carry out the purposes of the White Collar Crime Fund. The Governor must certify to the Director of Accounts and Reports amounts to be transferred from the White Collar Crime Fund to any special revenue fund(s) of the Attorney General and KRGC, as deemed appropriate by the Governor. Upon receipt of such certification, the Director of Accounts and Reports must transfer amounts from the White Collar Crime Fund to the special revenue fund(s) of the Attorney General and KRGC in accordance with such certification.

The bill requires, on July 1, 2023, and each July 1 thereafter, or as soon as moneys are available, the Director of Accounts and Reports to transfer the first \$750,000 credited to the Lottery Operating Fund to the White Collar Crime Fund.

### ***Tribal Gaming Compact***

The bill requires, if any federally recognized Indian tribe submits a request for negotiation of a new or existing gaming compact regarding sports wagering, the Governor or the Governor's designee to negotiate in good faith, and the Governor must submit notice of such request to the Lottery Director.

The Lottery Director is required to enter into an agreement, on behalf of the State, with the tribe that made the request for the operation and management of sports wagering by such tribe or any corporation, limited liability company, or other business entity wholly owned by such tribe.

The bill requires the agreement to authorize the Lottery to offer sports wagering through a platform to be managed by the tribe or business entity, under the substantially same terms and conditions as any contract with a manager.

### ***Historical Horse Race Machines***

The bill authorizes wagering on one or more historical horse races, which shall be conducted in accordance with the provisions of the Kansas Parimutuel Racing Act.

The bill adds a definition of “historical horse racing machine,” which means any electronic, electromechanical, video, or computerized device authorized by the KRGC that, upon insertion of cash, tokens, electronic cards, or any consideration is available to accept wagers on and simulate the running of historical horse races, and that may deliver or entitle the patron to receive cash, tokens, merchandise, or credits that may be redeemed for cash. The bill requires historical horse races to use historically accurate information of the horse race, and no random number generator or algorithm can be used for determining the results of the historical horse race. Historical horse races are required to be directly linked to a central computer at a location determined by the KRGC for purposes of security, monitoring, and auditing.

The bill requires such wagering to be conducted by an organization licensee at a facility located in Sedgwick County and only through historical horse race machines approved by the KRGC. Such wagering is restricted to a designated area on the licensed premises of the organization licensee. The licensee must obtain approval from the KRGC for any types of wagers to be conducted on historical horse races, prior to conducting such wagering. The bill prohibits such machines from being operated at any facility that either conducts live or displays simulcast greyhound races.

Additionally, the bill permits an organization licensee to conduct parimutuel wagering on historical horse races of any horse breed regardless of the type of breed that primarily races in live meets conducted or simulcast races displayed by the licensee. Such wagering can be conducted only on days and hours approved by the KRGC and shall not be limited to times when the licensee is conducting a live horse race meeting or displaying simulcast races.

#### *Operation of Historical Horse Race Machines*

The bill specifies requirements for the operation of historical horse race machines.

A patron may only wager on races through a machine approved by the KRGC. Once a patron deposits the wagered amount in the machine, one or more races will be chosen at random.

Prior to the patron making a wager selection, the bill prohibits the machine from displaying or otherwise making any information available that may allow the patron to identify a race on which the patron is wagering, including:

- The location of the race;
- The date on which the race was run;
- The names of the horses in the race; or
- The names of the jockeys who rode horses in the race.

The bill requires the machine to make the true and accurate past performance information on a historical horse race available for viewing by a patron prior to making a wager selection. The bill requires such information to be current as of the day the race was run and could be provided in data or graphical form.

After a patron finalizes their selections and plays such selections, the machine must make a video replay of a portion of the race or the finish of the race available for viewing by the

patron, and provide the official results of the race. The identity of the race could only be revealed to the patron after a wager is placed and played.

### *Machine Limit*

The bill specifies that not more than 1,000 historical horse race machines could be placed and operated at a racetrack facility and that no wagering on such races could be conducted over the internet or a digital cellular network, including through any website or mobile device application.

### *Tax Rate*

The bill specifies a tax rate of three percent of the total amount wagered on historical horse races.

### *Rules and Regulations*

The bill requires the KRGC to adopt rules and regulations to implement and enforce the historical horse race machine provisions on or before January 1, 2023.

### *Actions Against the State*

Prior to the operation of any historical horse race machines, the bill requires the Lottery Director to provide written notice to any lottery gaming facility manager located in the same gaming zone as a racetrack facility where historical horse race machines are to be operated. The notice shall state the KRGC's intent to authorize the operation of historical horse racing machines at such racetrack facility.

The bill prohibits action against the State or any other person or party for specific performance, anticipatory breach, or breach of contract based upon the premise authorization of historical horse racing violates current gaming law or the management contracts of the lottery gaming facility manager, until the lottery gaming facility manager receives the written notice specified above. Any such action shall be commenced within 60 days after receipt of such written notice and filed as an original action in the Kansas Supreme Court. The Kansas Supreme Court shall have original jurisdiction for determination of any claims made and damages.

The bill prohibits any claim for equitable relief, including injunctive relief, from being brought in any action filed under the bill. No claim could be brought in any action filed pursuant to the bill except by the lottery gaming facility manager for the lottery gaming facility located in the same gaming zone as the racetrack facility where historical horse racing machines are to be operated.

The bill prohibits monetary damages awarded in any action brought under this section from exceeding an amount equal to the privilege fee paid by the lottery gaming facility manager filing such action, plus any interest from the date such action accrued.

If no action is filed as specified in this section, the KRGC could authorize the operation of historical horse racing machines at the racetrack facility.

If an action is properly filed, KRGC could not authorize the operation of historical horse racing machines until the Kansas Supreme Court issues a final order and such order does not prohibit the KRGC from authorizing the operation of such machines.

#### *Privilege Fee Repayment Fund*

If the final judgment of the court orders repayment of privilege fees paid by the lottery gaming facility manager, the Lottery Director shall determine the total amount due for such repayment and certify such repayment amount to the facility manager licensee for the racetrack facility. The KRGC is prohibited from authorizing the operation of any historical horse race machines at a racetrack facility until the Lottery Director has received such certified amount. The funds will be remitted to the State Treasurer and deposited to the credit of the Privilege Fee Repayment Fund.

The bill establishes the Privilege Fee Repayment Fund in the State Treasury to be administered by the Lottery. The Privilege Fee Repayment Fund will consist of those moneys as specified above. All expenditures from the Privilege Fee Repayment Fund will be used for the repayment of privilege fees and interest.

#### *Severability*

The bill specifies that provisions related to historical horse racing are severable and, if such provisions are declared void or unconstitutional, the remaining provisions of the bill will continue in full force and effect.

#### ***Misuse of Nonpublic Sports Information***

The bill defines the crime of misuse of nonpublic sports information as placing, or causing to be placed, a bet or wager on a sports contest on the basis of material nonpublic sports information relating to such bet or wager, and establishes the crime as a severity level 5 nonperson felony.

The bill defines “on the basis of material nonpublic sports information” to mean the person placing the bet or wager, or causing such bet or wager to be placed, was aware of the material nonpublic information relating to such bet or wager when the person placed or caused the wager to be placed.

The bill adds these provisions to the Kansas Criminal Code.

#### ***Sports Bribery and Tampering with a Sports Contest***

The bill adds match fixing as a sports bribery offense and classifies it as a severity level 5 nonperson felony.

The bill amends law concerning the crime of tampering with a sports contest to raise the classification of the crime to a severity level 8 nonperson felony from a severity level 9 nonperson felony.

### **Other Definitions**

In addition to the terms already defined, the bill amends and adds definitions as follows.

**Bet.** The bill amends the definition of “bet” to exclude sports wagering on events, pursuant to KELA.

**Electronic gaming machine.** The bill specifies that “electronic gaming machine” does not mean a historical horse racing machine.

**Gambling place.** The bill amends the definition of “gambling place” by specifying the term does not apply when the place, room, building, vehicle, tent, or location is used in accordance with KELA.

**Interactive sports wagering platform.** The bill defines “interactive sports wagering platform” (platform) to mean an integrated system of hardware, software, and applications, including mobile applications and servers, through which sports wagering may be made available to persons physically located within Kansas at the time of submitting the wager to a sports wagering manager over the internet or wireless service, including, but not limited to, through websites and mobile device applications.

**Lottery facility games.** The bill amends the definition of “lottery facility games” to mean any electronic gaming machines and other games that are authorized to be conducted or operated at any licensed gaming facility in the United States, but excluding sports wagering and historical race machines, as defined by the bill.

**Lottery gaming facility revenues.** The bill amends the definition of “lottery gaming facility revenues” to exclude any sports wagering revenues.

**Match fixing.** The bill defines “match-fixing” to mean to arrange or determine any action that occurs during a sporting event, including, but not limited to, any action resulting in the final outcome of such sporting event for financial gain.

**Marketing agreement.** The bill defines “marketing agreement” to mean an agreement entered into between a professional sports team and the Lottery, a gaming manager, or a racetrack gaming manager for the purpose of marketing sports wagering at the primary facility of the sports team.

**Primary facility.** The bill defines “primary facility” to mean the stadium or arena where a professional sports team hosts competitive games in accordance with such team’s league rules.

**Professional sports team.** The bill defines “professional sports team” to mean an athletic team, whose primary facility is located in Kansas, that operates at the major league level in the sports of baseball, basketball, football, ice hockey, or soccer.

**Sporting event.** The bill defines “sporting event” to mean any amateur, professional, or collegiate sport or athletic event, motor race event, horse race, or any other event involving individual or team competition authorized by the KRGC that has not been completed at the time wagers are placed on such event. The bill excludes from the definition of “sporting event” any parimutuel horse races, greyhound races, or any sporting or athletic event where a majority of the participants are under age 18.

**Sports wagering.** The bill defines “sports wagering” to mean placing a wager on one or more sporting events, or any portion thereof, or on the individual performance statistics of athletes participating in a sporting event, or a combination of sporting events, with the wagering made at or through a sports wagering manager, including any platform of a sports wagering manager approved by the Kansas Lottery. Sports wagering shall include, but not be limited to:

- Single-game wagers;
- Teaser wagers;
- Parlays;
- Over-under wagers;
- Moneyline wagers;
- Pools;
- Exchange wagers;
- In-play wagers;
- In-game wagers;
- Proposition wagers;
- Straight wagers; and
- Such other wagers approved by the Kansas Lottery Commission.

The bill also specifies sports wagering does not include parimutuel wagering or fantasy sports leagues, as defined in continuing law.

**Sports wagering revenues.** The bill defines “sports wagering revenues” to mean wagering revenue generated from sports wagering that is an amount equal to the total wagers less any voided wagers, federal excise taxes, free plays or other promotional credits, and any amounts paid as prizes.

**Wager.** The bill defines “wager” or “bet” to mean a bargain in which the parties agree that, dependent upon chance, one stands to win or lose something of value specified in the agreement.

### ***Lottery Rule and Regulation Authority***

The bill amends law to require the Lottery to adopt rules and regulations governing the operation of sports wagering. The bill requires the regulations to include, but not be limited to:

- Management contracts for sports wagering conducted by sports wagering managers;
- Integrity of sports wagering operations;

- Permitting sports wagering managers and platforms to have employees located outside of Kansas;
- Permitting the establishment of online sports wagering accounts and the access to pre-established online accounts established in other states; and
- Allowing the carry-over of negative sports wagering revenues by managers.

### ***KRGC Rule and Regulation Authority***

The bill requires the KRGC to adopt permanent rules and regulations concerning KELA and sports wagering by January 1, 2023.

### ***Problem Gambling and Addictions Grant Fund***

The bill requires, on July 1, 2023, and each July 1 thereafter, or as soon as moneys are available, the Director of Accounts and Reports to transfer the 2 percent of the remaining moneys credited to the Lottery Operating Fund from sports wagering revenues to the Problem Gambling and Addictions Grant Fund after the initial credit to the White Collar Crime Fund.

The bill amends law related to the Problem Gambling and Addictions Grant Fund to specify that funds shall be used:

- To fund a helpline with text messaging and chat capabilities;
- For the treatment, research, education, or prevention of pathological gambling; and
- Treatment for alcoholism, drug abuse, and other addictive or co-occurring behavioral health disorders.

The bill amends law to require funds in the Problem Gambling and Addictions Grant Fund to be used for the purposes specified above before being used to treat alcoholism, drug abuse, other addictive behaviors, and other co-occurring behavioral health disorders.

The bill also increases the annual transfer of funds from the State Gaming Revenues Fund to the Problem Gambling and Addictions Grant Fund from \$80,000 to \$100,000.

### ***Conflict of Interest***

The bill amends law to make it a class A misdemeanor to serve as Lottery Director, a member of the KRGC, or an employee of the Lottery while or within five years after holding, either directly or indirectly, a financial interest or being employed by a manufacturer or vendor of an interactive sports wagering platform.

The bill further amends law to make it a class A misdemeanor for the Lottery Director, a member of the KRGC, or an employee of the Lottery to accept any compensation, gift, loan, entertainment, favor, or service from any manufacturer or vendor of an interactive sports wagering platform.

### ***Lottery Management Contracts***

The bill amends law on lottery management contracts to include provisions regarding the operation of sports wagering by sports wagering managers.

The bill states any management contract approved by the Lottery Commission may include provisions for operating and managing sports wagering by the manager, in person at the lottery gaming facility and via the lottery gaming facility through no more than three platforms using the odds and wagers authorized by the Lottery.

The bill also states, if a management contract includes provisions for sports wagering, it must also state the State shall retain:

- 10.0 percent of all sports wagering revenues received from wagers placed in person at the lottery gaming facility; and
- 10.0 percent of all sports wagering revenues received by the sports wagering manager from wagers placed on the platform selected by the manager and approved by the Lottery Director.

The bill specifies, pursuant to sports wagering management contracts, the Lottery shall be the licensee or owner of all software programs used in conducting sports wagering and the sports wagering manager, on behalf of the State, must purchase or lease in the name of the Lottery, any equipment or property deemed necessary by the manager for managing sports wagering. All sports wagering shall be subject to the control of the Lottery in accordance with KELA.

### ***Certification of Certain Persons; Rules and Regulations***

The bill amends law concerning certification requirements to grant authority to the KRGC to establish, through temporary and permanent rules and regulations, a certification requirement and enforcement procedure for persons owning at least a 5.0 percent interest, rather than 0.5 percent, in a lottery gaming facility manager or racetrack gaming facility manager, and persons owning at least a 5.0 percent interest, rather than 0.5 percent, in an electronic gaming machine manufacturer, technology provider, or computer system provider who proposes to contract with a lottery gaming facility manager, a racetrack gaming facility manager, or the State for the provision of goods or services, including management services, related to either such gaming facility.

### *Certification for Employees Involved in Sports Wagering*

The bill requires the KRGC, through rules and regulations, to create an annual certification requirement and enforcement procedure for:

- Employees of a sports wagering manager or other entity owned by the manager's parent company that are directly involved in the operation or management of sports wagering managed by such manager; and
- Those persons who propose to contract with a manager for the provision of goods or services related to sports wagering, including any platform requested by a manager.

The bill requires this annual certification requirement to include compliance with such security, fitness, and background investigations and standards as the KRGC Director deems necessary to determine whether such person's reputation, habits, or associations pose a threat to the public interest of the state or to the reputation of, or effective regulation and control of, sports wagering conducted by the lottery gaming facility.

The bill also requires KRGC to create, through rules and regulations, provisions regarding the suspension, revocation, or non-renewal of the certification for employees involved in sports wagering upon a finding the certificate holder has:

- Knowingly provided false or misleading material information to the Lottery, the KRGC, or employees of either;
- Been convicted of a felony, gambling-related offense, or any crime of moral turpitude;
- Intentionally violated any provision of any contract between the Lottery and the certificate holder; or
- Intentionally violated any provision of KELA or any rule and regulation adopted pursuant to KELA.

The bill states certification is not assignable or transferable.

### ***Facility Inspection and Security Measures***

The bill amends law regarding inspection by the executive directors of the Lottery and KRGC to include sports wagering operations. The bill adds to the powers of the KRGC Director the authority to examine books, papers, records, or memoranda of any business involved in electronic gaming machines, lottery facility games, or sports wagering operations.

The bill also adds sports wagering to provisions that require appropriate security measures approved by the KRGC Director.

### ***Minimum Age***

The bill prohibits any person under age 21 from directly or indirectly wagering on a sporting event.

### ***Prohibited Wagers***

The bill removes a provision that makes it a class A nonperson misdemeanor for the following persons to place a wager on an electronic gaming machine at a racetrack gaming facility and adds a provision making it a class A nonperson misdemeanor for the following persons to place a sports wager in the state:

- The Lottery Director, a member of the Lottery Commission, or any employee or agent of the Lottery;
- The Executive Director of the KRGC (KRGC Director), a member of the KRGC, or any employee or agent of the KRGC;
- A manager; any director, officer, owner, or employee of such manager; or any relative living in the same household as such persons;
- A platform; any director, officer, owner, or employee of such platform; or any relative living in the same household as such persons;
- Any owner, officer, athlete, coach, or other employee of a team; or
- Any director, officer, or employee of a player or referee union.

The bill establishes as a severity level 8 nonperson felony, knowingly placing a sports wager:

- As an agent or proxy for other persons;
- Using funds derived from illegal activity;
- To conceal money derived from an illegal activity;
- Through the use of other individuals to place wagers as part of any wagering scheme to circumvent any provision of federal or state law; or
- Using false identification to facilitate the placement of the wager or the collection of any prize in violation of federal or state law.

### ***Gray Machines***

The bill amends law on crimes concerning gray machines (defined in continuing law as devices used for gambling and not authorized by the Lottery) to provide that it is the duty of the Attorney General and KRGC to enforce such criminal provisions in statute and rules and regulations and that both have original jurisdiction to investigate and prosecute such violations.

### ***Organizational Licenses***

The bill amends law to establish a \$50 fee for a license for a nonprofit organization licensed by the KRGC (organization licensee) to conduct races and a \$25 licensee fee for each day of racing approved by the KRGC.

### ***Greyhound Racing Restrictions***

The bill amends law related to simulcast racing to prohibit the licensing for and displaying of simulcast greyhound races.

The bill further amends simulcast law to specify that any organization licensee that schedules to conduct at least 150 days of live greyhound racing or 60 days of live or simulcast horse racing in a calendar year, or a fair association that conducts fewer than 22 days of live greyhound racing or 40 days of live horse racing in a calendar year, may apply to the KRGC for a simulcasting license to display simulcast horse races and conduct intertrack parimutuel wagering.

The bill also amends simulcast law to remove provisions related to certain requirements of simulcast licenses granted to fair associations.