

HOUSE BILL No. 2793

By Committee on Federal and State Affairs

3-28

1 AN ACT concerning gaming; relating to the Kansas expanded lottery act;
2 authorizing sports wagering; amending K.S.A. 2017 Supp. 21-6403,
3 74-8702, 74-8710, 74-8716, 74-8734, 74-8741, 74-8751, 74-8752, 74-
4 8760 and 74-8766 and repealing the existing sections.

5
6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. K.S.A. 2017 Supp. 21-6403 is hereby amended to read as
8 follows: 21-6403. As used in K.S.A. 2017 Supp. 21-6403 through 21-
9 6409, and amendments thereto:

10 (a) "Bet" means a bargain in which the parties agree that, dependent
11 upon chance, one stands to win or lose something of value specified in the
12 agreement. A bet does not include:

13 (1) Bona fide business transactions which are valid under the law of
14 contracts including, but not limited to, contracts for the purchase or sale at
15 a future date of securities or other commodities, and agreements to
16 compensation for loss caused by the happening of the chance including,
17 but not limited to, contracts of indemnity or guaranty and life or health and
18 accident insurance;

19 (2) offers of purses, prizes or premiums to the actual contestants in
20 any bona fide contest for the determination of skill, speed, strength or
21 endurance or to the bona fide owners of animals or vehicles entered in
22 such a contest;

23 (3) a lottery as defined in this section;

24 (4) any bingo game by or for participants managed, operated or
25 conducted in accordance with the laws of the state of Kansas by an
26 organization licensed by the state of Kansas to manage, operate or conduct
27 games of bingo;

28 (5) a lottery operated by the state pursuant to the Kansas lottery act;

29 (6) any system of parimutuel wagering managed, operated and
30 conducted in accordance with the Kansas parimutuel racing act;

31 (7) tribal gaming;

32 (8) charitable raffles as defined by K.S.A. 2017 Supp. 75-5173, and
33 amendments thereto; ~~or~~

34 (9) a fantasy sports league as defined in this section; *or*

35 (10) *sports wagering, as defined in K.S.A. 74-8702, and amendments*
36 *thereto;*

1 (b) "lottery" means an enterprise wherein for a consideration the
2 participants are given an opportunity to win a prize, the award of which is
3 determined by chance. A lottery does not include:

4 (1) A lottery operated by the state pursuant to the Kansas lottery act;
5 or

6 (2) tribal gaming;

7 (c) "consideration" means anything which is a commercial or
8 financial advantage to the promoter or a disadvantage to any participant.
9 Mere registration without purchase of goods or services; personal
10 attendance at places or events, without payment of an admission price or
11 fee; listening to or watching radio and television programs; answering the
12 telephone or making a telephone call and acts of like nature are not
13 consideration. "Consideration" shall not include sums of money paid by or
14 for:

15 (1) Participants in any bingo game managed, operated or conducted
16 in accordance with the laws of the state of Kansas by any bona fide
17 nonprofit religious, charitable, fraternal, educational or veteran
18 organization licensed to manage, operate or conduct bingo games under
19 the laws of the state of Kansas and it shall be conclusively presumed that
20 such sums paid by or for such participants were intended by such
21 participants to be for the benefit of the sponsoring organizations for the use
22 of such sponsoring organizations in furthering the purposes of such
23 sponsoring organizations, as set forth in the appropriate paragraphs of
24 section 501(c) or (d) of the internal revenue code of 1986 and as set forth
25 in K.S.A. 79-4701, and amendments thereto;

26 (2) participants in any lottery operated by the state pursuant to the
27 Kansas lottery act;

28 (3) participants in any system of parimutuel wagering managed,
29 operated and conducted in accordance with the Kansas parimutuel racing
30 act; or

31 (4) a person to participate in tribal gaming;

32 (d) "fantasy sports league" means any fantasy or simulation sports
33 game or contest in which no fantasy or simulation sports team is based on
34 the current membership of an actual team that is a member of an amateur
35 or professional sports organization and that meets the following
36 conditions:

37 (1) All prizes and awards offered to winning participants are
38 established and made known to the participants in advance of the game or
39 contest and their value is not determined by the number of participants or
40 the amount of any fees paid by those participants;

41 (2) all winning outcomes reflect the relative knowledge and skill of
42 the participants and are determined predominantly by accumulated
43 statistical results of the performance of individual athletes in multiple real-

1 world sporting events; and

2 (3) no winning outcome is based:

3 (A) On the score, point spread or any performance or performances
4 of any single real-world team or any combination of such teams; or

5 (B) solely on any single performance of an individual athlete in any
6 single real-world sporting event.

7 (e) (1) "gambling device" means any:

8 (A) So-called "slot machine" or any other machine, mechanical
9 device, electronic device or other contrivance an essential part of which is
10 a drum or reel with insignia thereon, and:

11 (i) Which when operated may deliver, as the result of chance, any
12 money or property; or

13 (ii) by the operation of which a person may become entitled to
14 receive, as the result of chance, any money or property;

15 (B) other machine, mechanical device, electronic device or other
16 contrivance including, but not limited to, roulette wheels and similar
17 devices, which are equipped with or designed to accommodate the addition
18 of a mechanism that enables accumulated credits to be removed, is
19 equipped with or designed to accommodate a mechanism to record the
20 number of credits removed or is otherwise designed, manufactured or
21 altered primarily for use in connection with gambling, and:

22 (i) Which when operated may deliver, as the result of chance, any
23 money or property; or

24 (ii) by the operation of which a person may become entitled to
25 receive, as the result of chance, any money or property;

26 (C) subassembly or essential part intended to be used in connection
27 with any such machine, mechanical device, electronic device or other
28 contrivance, but which is not attached to any such machine, mechanical
29 device, electronic device or other contrivance as a constituent part; or

30 (D) any token, chip, paper, receipt or other document which
31 evidences, purports to evidence or is designed to evidence participation in
32 a lottery or the making of a bet.

33 The fact that the prize is not automatically paid by the device does not
34 affect its character as a gambling device.

35 (2) "Gambling device" shall not include:

36 (A) Any machine, mechanical device, electronic device or other
37 contrivance used or for use by a licensee of the Kansas racing commission
38 as authorized by law and rules and regulations adopted by the commission
39 or by the Kansas lottery or Kansas lottery retailers as authorized by law
40 and rules and regulations adopted by the Kansas lottery commission;

41 (B) any machine, mechanical device, electronic device or other
42 contrivance, such as a coin-operated bowling alley, shuffleboard, marble
43 machine, a so-called pinball machine, or mechanical gun, which is not

1 designed and manufactured primarily for use in connection with gambling,
2 and:

3 (i) Which when operated does not deliver, as a result of chance, any
4 money; or

5 (ii) by the operation of which a person may not become entitled to
6 receive, as the result of the application of an element of chance, any
7 money;

8 (C) any so-called claw, crane or digger machine and similar devices
9 which are designed and manufactured primarily for use at carnivals or
10 county or state fairs; or

11 (D) any machine, mechanical device, electronic device or other
12 contrivance used in tribal gaming;

13 (f) "gambling place" means any place, room, building, vehicle, tent or
14 location which is used for any of the following: Making and settling bets;
15 receiving, holding, recording or forwarding bets or offers to bet;
16 conducting lotteries; or playing gambling devices. Evidence that the place
17 has a general reputation as a gambling place or that, at or about the time in
18 question, it was frequently visited by persons known to be commercial
19 gamblers or known as frequenters of gambling places is admissible on the
20 issue of whether it is a gambling place;

21 (g) "tribal gaming" means the same as in K.S.A. 74-9802, and
22 amendments thereto; and

23 (h) "tribal gaming commission" means the same as in K.S.A. 74-
24 9802, and amendments thereto.

25 Sec. 2. K.S.A. 2017 Supp. 74-8702 is hereby amended to read as
26 follows: 74-8702. As used in the Kansas lottery act, unless the context
27 otherwise requires:

28 (a) "Ancillary lottery gaming facility operations" means additional
29 non-lottery facility game products and services not owned and operated by
30 the state which may be included in the overall development associated
31 with the lottery gaming facility. Such operations may include, but are not
32 limited to, restaurants, hotels, motels, museums or entertainment facilities.

33 (b) "Commission" means the Kansas lottery commission.

34 (c) "Electronic gaming machine" means any electronic,
35 electromechanical, video or computerized device, contrivance or machine
36 authorized by the Kansas lottery which, upon insertion of cash, tokens,
37 electronic cards or any consideration, is available to play, operate or
38 simulate the play of a game authorized by the Kansas lottery pursuant to
39 the Kansas expanded lottery act, including, but not limited to, bingo,
40 poker, blackjack, keno and slot machines, and which may deliver or entitle
41 the player operating the machine to receive cash, tokens, merchandise or
42 credits that may be redeemed for cash. Electronic gaming machines may
43 use bill validators and may be single-position reel-type, single or multi-

1 game video and single-position multi-game video electronic game,
2 including, but not limited to, poker, blackjack and slot machines.
3 Electronic gaming machines shall be directly linked to a central computer
4 at a location determined by the executive director for purposes of security,
5 monitoring and auditing.

6 (d) "Executive director" means the executive director of the Kansas
7 lottery.

8 (e) "Gaming equipment" means any electric, electronic, computerized
9 or electromechanical machine, mechanism, supply or device or any other
10 equipment, which is: (1) Unique to the Kansas lottery and used pursuant to
11 the Kansas lottery act; ~~and~~ (2) integral to the operation of an electronic
12 gaming machine or lottery facility game; and (3) affects the results of an
13 electronic gaming machine or lottery facility game by determining win or
14 loss.

15 (f) "Gaming zone" means: (1) The northeast Kansas gaming zone,
16 which consists of Wyandotte county; (2) the southeast Kansas gaming
17 zone, which consists of Crawford and Cherokee counties; (3) the south
18 central Kansas gaming zone, which consists of Sedgwick and Sumner
19 counties; and (4) the southwest Kansas gaming zone, which consists of
20 Ford county.

21 (g) "Gray machine" means any mechanical, electro-mechanical or
22 electronic device, capable of being used for gambling, that is: (1) Not
23 authorized by the Kansas lottery;; (2) not linked to a lottery central
24 computer system;; (3) available to the public for play; or (4) capable of
25 simulating a game played on an electronic gaming machine or any similar
26 gambling game authorized pursuant to the Kansas expanded lottery act.

27 (h) *"Interactive sports wagering" means sports wagering conducted*
28 *over the internet, including, but not limited to, through websites and*
29 *mobile device applications.*

30 ~~(h)~~(i) "Kansas lottery" means the state agency created by this act to
31 operate a lottery or lotteries pursuant to this act.

32 ~~(i)~~(j) "Lottery" or "state lottery" means the lottery or lotteries
33 operated pursuant to this act.

34 ~~(j)~~(k) "Lottery facility games" means any electronic gaming machines
35 and any other games which, as of January 1, 2007, are authorized to be
36 conducted or operated at a tribal gaming facility, as defined in K.S.A. 74-
37 9802, and amendments thereto, located within the boundaries of this state.

38 ~~(k)~~(l) "Lottery gaming enterprise" means an entertainment enterprise
39 which includes a lottery gaming facility authorized pursuant to the Kansas
40 expanded lottery act and ancillary lottery gaming facility operations that
41 have a coordinated business or marketing strategy. A lottery gaming
42 enterprise shall be designed to attract to its lottery gaming facility
43 consumers who reside outside the immediate area of such enterprise.

1 ~~(h)~~(m) "Lottery gaming facility" means that portion of a building used
2 for the purposes of operating, managing and maintaining lottery facility
3 games.

4 ~~(i)~~(n) "Lottery gaming facility expenses" means normal business
5 expenses, as defined in the lottery gaming facility management contract,
6 associated with the ownership and operation of a lottery gaming facility.

7 ~~(j)~~(o) "Lottery gaming facility management contract" means a
8 contract, subcontract or collateral agreement between the state and a
9 lottery gaming facility manager for the management of a lottery gaming
10 facility, the business of which is owned and operated by the Kansas lottery,
11 negotiated and signed by the executive director on behalf of the state.

12 ~~(k)~~(p) "Lottery gaming facility manager" means a corporation,
13 limited liability company, resident Kansas American Indian tribe or other
14 business entity authorized to construct and manage, or manage alone,
15 pursuant to a lottery gaming facility management contract with the Kansas
16 lottery, and on behalf of the state, a lottery gaming enterprise and lottery
17 gaming facility.

18 ~~(l)~~(q) "Lottery gaming facility revenues" means the total revenues
19 from lottery facility games at a lottery gaming facility after all related
20 prizes are paid.

21 ~~(m)~~(r) (1) "Lottery machine" means any machine or device that allows
22 a player to insert cash or other form of consideration and may deliver as
23 the result of an element of chance, regardless of the skill required by the
24 player, a prize or evidence of a prize, including, but not limited to:

25 (A) Any machine or device in which the prize or evidence of a prize
26 is determined by both chance and the player's or players' skill, including,
27 but not limited to, any machine or device on which a lottery game or
28 lottery games, such as poker or blackjack, are played;

29 (B) any machine or device in which the prize or evidence of a prize is
30 determined only by chance, including, but not limited to, any slot machine
31 or bingo machine; or

32 (C) any lottery ticket vending machine, such as a keno ticket vending
33 machine, pull-tab vending machine or an instant-bingo vending machine.

34 (2) "Lottery machine" shall not mean:

35 (A) Any food vending machine defined by K.S.A. 36-501, and
36 amendments thereto;

37 (B) any nonprescription drug machine authorized under K.S.A. 65-
38 650, and amendments thereto;

39 (C) any machine which dispenses only bottled or canned soft drinks,
40 chewing gum, nuts or candies;

41 (D) any machine excluded from the definition of gambling devices
42 under ~~subsection (d) of~~ K.S.A. 21-4302(d), prior to its repeal, or K.S.A.
43 2017 Supp. 21-6403, and amendments thereto; or

1 (E) any electronic gaming machine or lottery facility game operated
 2 in accordance with the provisions of the Kansas expanded lottery act.

3 ~~(s)~~ "Lottery retailer" means any person with whom the Kansas
 4 lottery has contracted to sell lottery tickets or shares, or both, to the public.

5 ~~(t)~~ (1) "Major procurement" means any gaming product or service,
 6 including, but not limited to, facilities, advertising and promotional
 7 services, annuity contracts, prize payment agreements, consulting services,
 8 equipment, tickets and other products and services unique to the Kansas
 9 lottery, but not including materials, supplies, equipment and services
 10 common to the ordinary operations of state agencies.

11 (2) "Major procurement" shall not mean any product, service or other
 12 matter covered by or addressed in the Kansas expanded lottery act or a
 13 lottery gaming facility management contract or racetrack gaming facility
 14 management contract executed pursuant to the Kansas expanded lottery
 15 act.

16 ~~(u)~~ "Net electronic gaming machine income" means all cash or
 17 other consideration utilized to play an electronic gaming machine operated
 18 at a racetrack gaming facility, less all cash or other consideration paid out
 19 to winning players as prizes.

20 ~~(v)~~ "Organization licensee" has the meaning provided by K.S.A.
 21 74-8802, and amendments thereto.

22 ~~(w)~~ "Parimutuel licensee" means a facility owner licensee or
 23 facility manager licensee under the Kansas parimutuel racing act.

24 ~~(x)~~ "Parimutuel licensee location" means a racetrack facility, as
 25 defined in K.S.A. 74-8802, and amendments thereto, owned or managed
 26 by the parimutuel licensee. A parimutuel licensee location may include any
 27 existing structure at such racetrack facility or any structure that may be
 28 constructed on real estate where such racetrack facility is located.

29 ~~(y)~~ "Person" means any natural person, association, limited
 30 liability company, corporation or partnership.

31 ~~(z)~~ "Prize" means any prize paid directly by the Kansas lottery
 32 pursuant to the Kansas lottery act or the Kansas expanded lottery act or
 33 any rules and regulations adopted pursuant to either act.

34 ~~(aa)~~ "Progressive electronic game" means a game played on an
 35 electronic gaming machine for which the payoff increases uniformly as the
 36 game is played and for which the jackpot, determined by application of a
 37 formula to the income of independent, local or interlinked electronic
 38 gaming machines, may be won.

39 ~~(bb)~~ "Racetrack gaming facility" means that portion of a
 40 parimutuel licensee location where electronic gaming machines are
 41 operated, managed and maintained.

42 ~~(cc)~~ "Racetrack gaming facility management contract" means an
 43 agreement between the Kansas lottery and a racetrack gaming facility

1 manager, negotiated and signed by the executive director on behalf of the
2 state, for placement of electronic gaming machines owned and operated by
3 the state at a racetrack gaming facility.

4 ~~(ee)~~(dd) "Racetrack gaming facility manager" means a parimutuel
5 licensee specifically certified by the Kansas lottery to become a certified
6 racetrack gaming facility manager and offer electronic gaming machines
7 for play at the racetrack gaming facility.

8 ~~(dd)~~(ee) "Returned ticket" means any ticket which was transferred to
9 a lottery retailer, which was not sold by the lottery retailer and which was
10 returned to the Kansas lottery for refund by issuance of a credit or
11 otherwise.

12 ~~(ee)~~(ff) "Share" means any intangible manifestation authorized by the
13 Kansas lottery to prove participation in a lottery game, except as provided
14 by the Kansas expanded lottery act.

15 (gg) *"Sporting event" means any professional or collegiate sport or*
16 *athletic event, motor race event or any other special event authorized by*
17 *the commission that has not occurred at the time wagers are placed on*
18 *such event. The term "sporting event" shall not include any horse or*
19 *greyhound race that is subject to the provisions of the Kansas parimutuel*
20 *racing act.*

21 (hh) (1) *"Sports wagering" means placing a wager or bet on one or*
22 *more sporting events or any portion thereof, or on the individual*
23 *performance statistics of athletes participating in a sporting event, or*
24 *combination of sporting events, by any system or method of wagering,*
25 *including, but not limited to, in-person communication and through*
26 *interactive sports wagering systems. The term "sports wagering" shall*
27 *include, but is not limited to, single-game bets, teaser bets, parlays, over-*
28 *under bets, moneyline, pools, exchange wagerings, in-game wagering, in-*
29 *play bets, proposition bets and straight bets.*

30 (2) *The term "sports wagering" shall not include parimutuel*
31 *wagering, as such term is defined in K.S.A. 74-8802, and amendments*
32 *thereto, or fantasy sports leagues, as such term is defined in K.S.A. 2017*
33 *Supp. 21-6403, and amendments thereto.*

34 (ii) *"Sports wagering revenues" means the total revenues from sports*
35 *wagering conducted at the lottery gaming facility or racetrack gaming*
36 *facility after all related prizes are paid.*

37 ~~(ff)~~(jj) "Ticket" means any tangible evidence issued by the Kansas
38 lottery to prove participation in a lottery game other than a lottery facility
39 game or a sports wager.

40 ~~(gg)~~(kk) "Token" means a representative of value, of metal or other
41 material, which is not legal tender, redeemable for cash only by the issuing
42 lottery gaming facility manager or racetrack gaming facility manager and
43 which is issued and sold by a lottery gaming facility manager or racetrack

1 gaming facility manager for the sole purpose of playing an electronic
 2 gaming machine or lottery facility game.

3 ~~(hh)~~(ll) "Vendor" means any person who has entered into a major
 4 procurement contract with the Kansas lottery.

5 ~~(ii)~~(mm) "Video lottery machine" means any electronic video game
 6 machine that, upon insertion of cash, is available to play or simulate the
 7 play of a video game authorized by the commission, including, but not
 8 limited to, bingo, poker, black jack and keno, and which uses a video
 9 display and microprocessors and in which, by chance, the player may
 10 receive free games or credits that can be redeemed for cash.

11 (nn) "Wager" or "bet" means a bargain in which the parties agree
 12 that, dependent upon chance, one stands to win or lose something of value
 13 specified in the agreement.

14 Sec. 3. K.S.A. 2017 Supp. 74-8710 is hereby amended to read as
 15 follows: 74-8710. (a) The commission, upon the recommendation of the
 16 executive director, shall adopt rules and regulations governing the
 17 establishment and operation of a state lottery, sales of lottery tickets ~~and,~~
 18 the operation of lottery gaming facilities and racetrack gaming facilities
 19 *and the operation of sports wagering* as necessary to carry out the
 20 purposes of the Kansas lottery act and the Kansas expanded lottery act.
 21 Temporary rules and regulations may be adopted by the commission
 22 without being subject to the provisions and requirements of K.S.A. 77-415
 23 through 77-438, and amendments thereto, but shall be subject to approval
 24 by the attorney general as to legality and shall be filed with the secretary
 25 of state and published in the Kansas register. Temporary and permanent
 26 rules and regulations may include, but shall not be limited to:

27 (1) Subject to the provisions of subsection (c), the types of lottery
 28 games to be conducted, including, but not limited to, instant lottery, on-
 29 line, traditional games, lottery facility games and electronic gaming
 30 machine games but not including games on video lottery machines or
 31 lottery machines.

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

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

38 (4) The frequency of the drawings or selections of winning tickets or
 39 shares.

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

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

43 (7) Additional qualifications for the selection of lottery retailers and

1 the amount of application fees to be paid by each.

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

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

5 (10) Provisions for confidentiality of information submitted by
6 vendors pursuant to K.S.A. 74-8705, and amendments thereto.

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

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

13 (13) Rules and regulations to implement, administer and enforce the
14 provisions of the Kansas expanded lottery act. Such rules and regulations
15 shall include, but not be limited to, rules and regulations which govern
16 management contracts and which are designed to: (A) Ensure the integrity
17 of electronic gaming machines ~~and~~, other lottery facility games *and sports*
18 *wagering* and the finances of lottery gaming facilities and racetrack
19 gaming facilities; and (B) alleviate problem gambling, including a
20 requirement that each lottery gaming facility and each racetrack gaming
21 facility maintain a self-exclusion list by which individuals may exclude
22 themselves from access to electronic gaming machines ~~and~~, other lottery
23 facility games *and sports wagering*.

24 (14) The types of electronic gaming machines, lottery facility games
25 and electronic gaming machine games to be operated pursuant to the
26 Kansas expanded lottery act.

27 (b) No new lottery game shall commence operation after the effective
28 date of this act unless first approved by the governor or, in the governor's
29 absence or disability, the lieutenant governor. This subsection shall not be
30 construed to require approval of games played on an electronic gaming
31 machine.

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

36 Sec. 4. K.S.A. 2017 Supp. 74-8716 is hereby amended to read as
37 follows: 74-8716. (a) It is unlawful for the executive director, a member of
38 the commission or any employee of the Kansas lottery, or any person
39 residing in the household thereof to:

40 (1) Have, either directly or indirectly, an interest in a business
41 knowing that such business contracts with the Kansas lottery for a major
42 procurement, whether such interest is as a natural person, partner, member
43 of an association, stockholder or director or officer of a corporation; or

1 (2) accept or agree to accept any economic opportunity, gift, loan,
2 gratuity, special discount, favor or service, or hospitality other than food
3 and beverages, having an aggregate value of \$20 or more in any calendar
4 year from a person knowing that such person: (A) Contracts or seeks to
5 contract with the state to supply gaming equipment, materials, tickets or
6 consulting services for use in the lottery; or (B) is a lottery retailer or an
7 applicant for lottery retailer.

8 (b) It is unlawful for a lottery retailer, an applicant for lottery retailer
9 or a person who contracts or seeks to contract with the state to supply
10 gaming equipment, materials, tickets or consulting services for use in the
11 lottery to offer, pay, give or make any economic opportunity, gift, loan,
12 gratuity, special discount, favor or service, or hospitality other than food
13 and beverages, having an aggregate value of \$20 or more in any calendar
14 year to a person, knowing such person is the executive director, a member
15 of the commission or an employee of the Kansas lottery, or a person
16 residing in the household thereof.

17 (c) It shall be unlawful for any person to serve as executive director, a
18 member of the commission or an employee of the Kansas lottery while or
19 within five years after holding, either directly or indirectly, a financial
20 interest or being employed by or a consultant to any of the following:

21 (1) Any lottery gaming facility manager, subcontractor or agent of a
22 lottery gaming facility manager, manufacturer or vendor of electronic
23 gaming machines, *interactive sports wagering system* or central computer
24 system provider, or any business ~~which~~ *that* sells goods or services to a
25 lottery gaming facility manager; or

26 (2) any licensee pursuant to the Kansas parimutuel racing act, other
27 than the Kansas lottery or a person holding a license on behalf of the
28 Kansas lottery, or any business which sells goods or services to a
29 parimutuel licensee.

30 (d) No person who holds a license issued by the Kansas racing and
31 gaming commission shall serve as executive director or as a member of the
32 commission or shall be employed by the Kansas lottery while or within
33 five years after holding such license.

34 (e) No person shall participate, directly or indirectly, as an owner,
35 owner-trainer or trainer of a horse or greyhound, or as a jockey of a horse,
36 entered in a race meeting conducted in this state while executive director, a
37 member of the commission or an employee of the Kansas lottery.

38 (f) It shall be unlawful for the executive director, a member of the
39 commission or an employee of the Kansas lottery to accept any
40 compensation, gift, loan, entertainment, favor or service from any lottery
41 gaming facility manager, subcontractor or agent of a lottery gaming
42 facility manager, manufacturer or vendor of electronic gaming machines,
43 *interactive sports wagering system* or central computer system provider.

1 (g) It shall be unlawful for the executive director, a member of the
2 commission or an employee of the Kansas lottery to accept any
3 compensation, gift, loan, entertainment, favor or service from any licensee
4 pursuant to the Kansas parimutuel racing act, except such suitable facilities
5 and services within a racetrack facility operated by an organization
6 licensee as may be required to facilitate the performance of the executive
7 director's, member's or employee's official duties.

8 (h) Violation of this section is a class A misdemeanor.

9 (i) If the executive director, a member of the commission or an
10 employee of the Kansas lottery, or any person residing in the household
11 thereof, is convicted of an act described by this section, such executive
12 director, member or employee shall be removed from office or
13 employment with the Kansas lottery.

14 (j) In addition to the provisions of this section, all other provisions of
15 law relating to conflicts of interest of state employees shall apply to the
16 members of the commission and employees of the Kansas lottery.

17 Sec. 5. K.S.A. 2017 Supp. 74-8734 is hereby amended to read as
18 follows: 74-8734. (a) The Kansas lottery may operate one lottery gaming
19 facility in each gaming zone.

20 (b) Not more than 30 days after the effective date of this act the
21 lottery commission shall adopt and publish in the Kansas register the
22 procedure for receiving, considering and approving, proposed lottery
23 gaming facility management contracts. Such procedure shall include
24 provisions for review of competitive proposals within a gaming zone and
25 the date by which proposed lottery gaming facility management contracts
26 must be received by the lottery commission if they are to receive
27 consideration.

28 (c) The lottery commission shall adopt standards to promote the
29 integrity of the gaming and finances of lottery gaming facilities, which
30 shall apply to all management contracts, shall meet or exceed industry
31 standards for monitoring and controlling the gaming and finances of
32 gaming facilities and shall give the executive director sufficient authority
33 to monitor and control the gaming operation and to ensure its integrity and
34 security.

35 (d) The Kansas lottery commission may approve management
36 contracts with one or more prospective lottery gaming facility managers to
37 manage, or construct and manage, on behalf of the state of Kansas and
38 subject to the operational control of the Kansas lottery, a lottery gaming
39 facility or lottery gaming enterprise at specified destination locations
40 within the northeast, south central, southwest and southeast Kansas
41 gaming zones where the commission determines the operation of such
42 facility would promote tourism and economic development. The
43 commission shall approve or disapprove a proposed management contract

1 within 90 days after the deadline for receipt of proposals established
2 pursuant to subsection (b).

3 (e) In determining whether to approve a management contract with a
4 prospective lottery gaming facility manager to manage a lottery gaming
5 facility or lottery gaming enterprise pursuant to this section, the
6 commission shall take into consideration the following factors: The size of
7 the proposed facility; the geographic area in which such facility is to be
8 located; the proposed facility's location as a tourist and entertainment
9 destination; the estimated number of tourists that would be attracted by the
10 proposed facility; the number and type of lottery facility games to be
11 operated at the proposed facility; and agreements related to ancillary
12 lottery gaming facility operations.

13 (f) Subject to the requirements of this section, the commission shall
14 approve at least one proposed lottery gaming facility management contract
15 for a lottery gaming facility in each gaming zone.

16 (g) The commission shall not approve a management contract unless:

17 (1) (A) The prospective lottery gaming facility manager is a resident
18 Kansas American Indian tribe and, at a minimum: (i) Has sufficient access
19 to financial resources to support the activities required of a lottery gaming
20 facility manager under the Kansas expanded lottery act; and (ii) has three
21 consecutive years' experience in the management of gaming which would
22 be class III gaming, as defined in K.S.A. 46-2301, and amendments
23 thereto, operated pursuant to state or federal law; or

24 (B) the prospective lottery gaming facility manager is not a resident
25 Kansas American Indian tribe and, at a minimum: (i) Has sufficient access
26 to financial resources to support the activities required of a lottery gaming
27 facility manager under the Kansas expanded lottery act; (ii) is current in
28 filing all applicable tax returns and in payment of all taxes, interest and
29 penalties owed to the state of Kansas and any taxing subdivision where
30 such prospective manager is located in the state of Kansas, excluding
31 items under formal appeal pursuant to applicable statutes; and (iii) has
32 three consecutive years' experience in the management of gaming which
33 would be class III gaming, as defined in K.S.A. 46-2301, and amendments
34 thereto, operated pursuant to state or federal law; and

35 (2) the commission determines that the proposed development
36 consists of an investment in infrastructure, including ancillary lottery
37 gaming facility operations, of at least \$225,000,000 in the northeast and
38 south central Kansas gaming zones and of at least \$50,000,000 in the
39 southeast and southwest Kansas gaming zones. The commission, in
40 determining whether the minimum investment required by this subsection
41 is met, shall not include any amounts derived from or financed by state or
42 local retailers' sales tax revenues.

43 (h) Any management contract approved by the commission under this

1 section shall:

- 2 (1) Have a maximum initial term of 15 years from the date of opening
3 of the lottery gaming facility. At the end of the initial term, the contract
4 may be renewed by mutual consent of the state and the lottery gaming
5 facility manager;
- 6 (2) specify the total amount to be paid to the lottery gaming facility
7 manager pursuant to the contract;
- 8 (3) establish a mechanism to facilitate payment of lottery gaming
9 facility expenses, payment of the lottery gaming facility manager's share of
10 the lottery gaming facility revenues and distribution of the state's share of
11 the lottery gaming facility revenues;
- 12 (4) include a provision for the lottery gaming facility manager to pay
13 the costs of oversight and regulation of the lottery gaming facility manager
14 and the operations of the lottery gaming facility by the Kansas racing and
15 gaming commission;
- 16 (5) establish the types of lottery facility games to be installed in such
17 facility;
- 18 (6) provide for the prospective lottery gaming facility manager, upon
19 approval of the proposed lottery gaming facility management contract, to
20 pay to the state treasurer a privilege fee of \$25,000,000 for the privilege of
21 being selected as a lottery gaming facility manager of a lottery gaming
22 facility in the northeast or south central Kansas gaming zone and
23 \$5,500,000 for the privilege of being selected as a lottery gaming facility
24 manager of a lottery gaming facility in the southeast or southwest Kansas
25 gaming zone. Such fee shall be deposited in the state treasury and credited
26 to the lottery gaming facility manager fund, which is hereby created in the
27 state treasury;
- 28 (7) incorporate terms and conditions for the ancillary lottery gaming
29 facility operations;
- 30 (8) designate as key employees, subject to approval of the executive
31 director, any employees or contractors providing services or functions
32 which are related to lottery facility games authorized by a management
33 contract;
- 34 (9) include financing commitments for construction;
- 35 (10) include a resolution of endorsement from the city governing
36 body, if the proposed facility is within the corporate limits of a city, or
37 from the county commission, if the proposed facility is located in the
38 unincorporated area of the county;
- 39 (11) include a requirement that any parimutuel licensee developing a
40 lottery gaming facility pursuant to this act comply with all orders and rules
41 and regulations of the Kansas racing and gaming commission with regard
42 to the conduct of live racing, including the same minimum days of racing
43 as specified in K.S.A. 2017 Supp. 74-8746, and amendments thereto, for

1 operation of electronic gaming machines at racetrack gaming facilities;

2 (12) include a provision for the state to receive not less than 22% of
3 lottery gaming facility revenues, which shall be paid to the expanded
4 lottery act revenues fund established by K.S.A. 2017 Supp. 74-8768, and
5 amendments thereto;

6 (13) include a provision for 2% of lottery gaming facility revenues to
7 be paid to the problem gambling and addictions grant fund established by
8 K.S.A. 2017 Supp. 79-4805, and amendments thereto;

9 (14) if the prospective lottery gaming facility manager is an American
10 Indian tribe, include a provision that such tribe agrees to waive its
11 sovereign immunity with respect to any actions arising from or to enforce
12 either the Kansas expanded lottery act or any provision of the lottery
13 gaming facility management contract; any action brought by an injured
14 patron or by the state of Kansas; any action for purposes of enforcing the
15 workers compensation act or any other employment or labor law; and any
16 action to enforce laws, rules and regulations and codes pertaining to
17 health, safety and consumer protection; and for any other purpose deemed
18 necessary by the executive director to protect patrons or employees and
19 promote fair competition between the tribe and others seeking a lottery
20 gaming facility management contract;

21 (15) (A) if the lottery gaming facility is located in the northeast or
22 southwest Kansas gaming zone and is not located within a city, include a
23 provision for payment of an amount equal to 3% of the lottery gaming
24 facility revenues to the county in which the lottery gaming facility is
25 located; or (B) if the lottery gaming facility is located in the northeast or
26 southwest Kansas gaming zone and is located within a city, include
27 provision for payment of an amount equal to 1.5% of the lottery gaming
28 facility revenues to the city in which the lottery gaming facility is located
29 and an amount equal to 1.5% of such revenues to the county in which such
30 facility is located;

31 (16) (A) if the lottery gaming facility is located in the southeast or
32 south central Kansas gaming zone and is not located within a city, include
33 a provision for payment of an amount equal to 2% of the lottery gaming
34 facility revenues to the county in which the lottery gaming facility is
35 located and an amount equal to 1% of such revenues to the other county in
36 such zone; or (B) if the lottery gaming facility is located in the southeast or
37 south central Kansas gaming zone and is located within a city, provide for
38 payment of an amount equal to 1% of the lottery gaming facility revenues
39 to the city in which the lottery gaming facility is located, an amount equal
40 to 1% of such revenues to the county in which such facility is located and
41 an amount equal to 1% of such revenues to the other county in such zone;

42 (17) allow the lottery gaming facility manager to manage the lottery
43 gaming facility in a manner consistent with this act and applicable law, but

1 shall place full, complete and ultimate ownership and operational control
2 of the gaming operation of the lottery gaming facility with the Kansas
3 lottery. The Kansas lottery shall not delegate and shall explicitly retain the
4 power to overrule any action of the lottery gaming facility manager
5 affecting the gaming operation without prior notice. The Kansas lottery
6 shall retain full control over all decisions concerning lottery gaming
7 facility games *and sports wagering*;

8 (18) include provisions for the Kansas racing and gaming
9 commission to oversee all lottery gaming facility operations, including, but
10 not limited to: Oversight of internal controls; oversight of security of
11 facilities; performance of background investigations, determination of
12 qualifications and credentialing of employees, contractors and agents of
13 the lottery gaming facility manager and of ancillary lottery gaming facility
14 operations, as determined by the Kansas racing and gaming commission;
15 auditing of lottery gaming facility revenues *and sports wagering revenues*;
16 enforcement of all state laws and maintenance of the integrity of gaming
17 operations; and

18 (19) include enforceable provisions: (A) Prohibiting the state, until
19 July 1, 2032, from: (i) Entering into management contracts for more than
20 four lottery gaming facilities or similar gaming facilities, one to be located
21 in the northeast Kansas gaming zone, one to be located in the south central
22 Kansas gaming zone, one to be located in the southwest Kansas gaming
23 zone and one to be located in the southeast Kansas gaming zone; (ii)
24 designating additional areas of the state where operation of lottery gaming
25 facilities or similar gaming facilities would be authorized; or (iii) operating
26 an aggregate of more than 2,800 electronic gaming machines at all
27 parimutuel licensee locations; and (B) requiring the state to repay to the
28 lottery gaming facility manager an amount equal to the privilege fee paid
29 by such lottery gaming facility manager, plus interest on such amount,
30 compounded annually at the rate of 10%, if the state violates the
31 prohibition provision described in (A).

32 (i) *Any management contract approved by the commission under this*
33 *section may include provisions for conducting, operating and managing*
34 *sports wagering by the lottery gaming facility manager. If a management*
35 *contract includes such provisions, then such contract shall include a*
36 *provision for the state to receive 6.75% of the sports wagering revenues,*
37 *which shall be paid to the expanded lottery act revenues fund established*
38 *by K.S.A. 2017 Supp. 74-8768, and amendments thereto.*

39 (j) The power of eminent domain shall not be used to acquire any
40 interest in real property for use in a lottery gaming enterprise.

41 (k) Any proposed management contract for which the privilege fee
42 has not been paid to the state treasurer within 30 days after the date of
43 approval of the management contract shall be null and void.

1 ~~(k)~~(l) A person who is the manager of the racetrack gaming facility in
2 a gaming zone shall not be eligible to be the manager of the lottery gaming
3 facility in the same zone.

4 ~~(j)~~(m) 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
11 applicable technology;

12 (3) eligibility requirements for employees, contractors or agents of a
13 lottery gaming facility manager who will have responsibility for or
14 involvement with actual gaming activities or for the handling of cash or
15 tokens;

16 (4) background investigations to be performed by the Kansas racing
17 and gaming commission;

18 (5) credentialing requirements for any employee, contractor or agent
19 of the lottery gaming facility manager or of any ancillary lottery gaming
20 facility operation as provided by the Kansas expanded lottery act or rules
21 and regulations adopted pursuant thereto;

22 (6) provision for termination of the management contract by either
23 party for cause; and

24 (7) any other provision deemed necessary by the parties, including
25 such other terms and restrictions as necessary to conduct any lottery
26 facility game in a legal and fair manner.

27 ~~(m)~~(n) A management contract shall not constitute property, nor shall
28 it be subject to attachment, garnishment or execution, nor shall it be
29 alienable or transferable, except upon approval by the executive director,
30 nor shall it be subject to being encumbered or hypothecated. The trustee of
31 any insolvent or bankrupt lottery gaming facility manager may continue to
32 operate pursuant to the management contract under order of the
33 appropriate court for no longer than one year after the bankruptcy or
34 insolvency of such manager.

35 ~~(n)~~(o) (1) The Kansas lottery shall be the licensee and owner of all
36 software programs used at a lottery gaming facility for any lottery facility
37 game.

38 (2) A lottery gaming facility manager, on behalf of the state, shall
39 purchase or lease for the Kansas lottery all lottery facility games. All
40 lottery facility games shall be subject to the ultimate control of the Kansas
41 lottery in accordance with this act.

42 (3) *If a lottery gaming facility manager agrees to conduct sports*
43 *wagering, the Kansas lottery shall be the licensee and owner of all*

1 *software programs used in conducting sports wagering, and the lottery*
2 *gaming facility manager, on behalf of the state, shall purchase or lease for*
3 *the Kansas lottery any equipment or other property necessary for*
4 *conducting sports wagering. All sports wagering shall be subject to the*
5 *ultimate control of the Kansas lottery in accordance with this act.*

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

13 (q) Prior to expiration of the term of a lottery gaming facility
14 management contract, the lottery commission may negotiate a new lottery
15 gaming facility management contract with the lottery gaming facility
16 manager if the new contract is substantially the same as the existing
17 contract. Otherwise, the lottery gaming facility review board shall be
18 reconstituted and a new lottery gaming facility management contract shall
19 be negotiated and approved in the manner provided by this act.

20 Sec. 6. K.S.A. 2017 Supp. 74-8741 is hereby amended to read as
21 follows: 74-8741. (a) The executive director of the Kansas lottery shall
22 negotiate a racetrack gaming facility management contract to place
23 electronic gaming machines at one parimutuel licensee location in each
24 gaming zone except the southwest Kansas gaming zone. *The racetrack*
25 *management contract may also provide for the racetrack gaming facility*
26 *manager to conduct, operate and manage sports wagering as provided in*
27 *subsection (d).*

28 (b) To be eligible to enter into a racetrack gaming facility
29 management contract the prospective racetrack gaming facility manager
30 shall, at a minimum:

31 (1) Have sufficient access to financial resources to support the
32 activities required of a racetrack gaming facility manager under the Kansas
33 expanded lottery act; and

34 (2) be current in filing all applicable tax returns and in payment of all
35 taxes, interest and penalties owed to the state of Kansas and any taxing
36 subdivision where such prospective manager is located in the state of
37 Kansas, excluding items under formal appeal pursuant to applicable
38 statutes.

39 (c) A racetrack gaming facility management contract shall include:

40 (1) The term of the contract;

41 (2) provisions for the Kansas racing and gaming commission to
42 oversee all racetrack gaming facility operations, including, but not limited
43 to: Oversight of internal controls; oversight of security of facilities;

1 performance of background investigations, determination of qualifications
2 and any required certification or licensing of officers, directors, board
3 members, employees, contractors and agents of the racetrack gaming
4 facility manager; auditing of net electronic gaming machine income and
5 maintenance of the integrity of electronic gaming machine operations;

6 (3) provisions for the racetrack gaming facility manager to pay the
7 costs of oversight and regulation of the racetrack gaming facility manager
8 under this act and such manager's racetrack gaming facility operations by
9 the Kansas racing and gaming commission; and

10 (4) enforceable provisions: (A) Prohibiting the state, until July 1,
11 2032, from: (i) Entering into management contracts for more than ~~three~~
12 *four* lottery gaming facilities or similar gaming facilities, one to be located
13 in the northeast Kansas gaming zone, one to be located in the south central
14 Kansas gaming zone, *one to be located in the southwest gaming zone* and
15 one to be located in the southeast Kansas gaming zone; (ii) designating
16 additional areas of the state where operation of lottery gaming facilities or
17 similar gaming facilities would be authorized; or (iii) operating an
18 aggregate of more than 2,800 electronic gaming machines at all parimutuel
19 licensee locations; and (B) requiring the state to repay to the racetrack
20 gaming facility manager an amount equal to the privilege fee paid by such
21 racetrack gaming facility manager, plus interest on such amount,
22 compounded annually at the rate of 10%, if the state violates the
23 prohibition provision described in (A).

24 *(d) Any management contract approved by the commission under*
25 *K.S.A. 2017 Supp. 74-8742, and amendments thereto, may include*
26 *provisions for conducting, operating and managing sports wagering by*
27 *the racetrack gaming facility manager. If a management contract includes*
28 *such provisions, then such contract shall include a provision for the state*
29 *to receive 6.75% of the sports wagering revenues, which shall be paid to*
30 *the expanded lottery act revenues fund established by K.S.A. 2017 Supp.*
31 *74-8768, and amendments thereto.*

32 ~~(d)~~(e) Racetrack gaming facility management contracts authorized by
33 this section may include provisions relating to:

34 (1) Accounting procedures to determine net electronic gaming
35 machine income, unclaimed prizes and credits;

36 (2) minimum requirements for a racetrack gaming facility manager to
37 provide qualified oversight, security and supervision of electronic gaming
38 machines including the use of qualified personnel with experience in
39 applicable technology;

40 (3) eligibility requirements for employees, contractors or agents of a
41 racetrack gaming facility manager who will have responsibility for or
42 involvement with electronic gaming machines or for the handling of cash
43 or tokens;

1 (4) background investigations to be performed by the Kansas racing
2 and gaming commission;

3 (5) credentialing or certification requirements of any employee,
4 contractor or agent as provided by the Kansas expanded lottery act or rules
5 and regulations adopted pursuant thereto;

6 (6) provision for termination of the management contract by either
7 party for cause; and

8 (7) any other provision deemed necessary by the parties, including
9 such other terms and restrictions as necessary to conduct racetrack gaming
10 facility operations in a legal and fair manner.

11 ~~(e)~~(f) A person who is the manager of a lottery gaming facility in a
12 gaming zone shall not be eligible to be the manager of the racetrack
13 gaming facility in the same zone.

14 ~~(f)~~(g) A racetrack gaming facility management contract shall not
15 constitute property, nor shall it be subject to attachment, garnishment or
16 execution, nor shall it be alienable or transferable, except upon approval
17 by the executive director, nor shall it be subject to being encumbered or
18 hypothecated.

19 (h) *If a racetrack gaming facility manager agrees to conduct sports*
20 *wagering, the Kansas lottery shall be the licensee and owner of all*
21 *software programs used in conducting sports wagering, and the racetrack*
22 *gaming facility manager, on behalf of the state, shall purchase or lease for*
23 *the Kansas lottery any equipment or other property necessary for*
24 *conducting sports wagering. All sports wagering shall be subject to the*
25 *ultimate control of the Kansas lottery in accordance with this act.*

26 Sec. 7. K.S.A. 2017 Supp. 74-8751 is hereby amended to read as
27 follows: 74-8751. The Kansas racing and gaming commission, through
28 rules and regulations, shall establish:

29 (a) A certification requirement; and enforcement procedure; for
30 officers, directors, key employees and persons directly or indirectly
31 owning a ~~0.5%~~ 5% or more interest in a lottery gaming facility manager or
32 racetrack gaming facility manager. Such certification requirement shall
33 include compliance with such security, fitness and background
34 investigations and standards as the executive director of the Kansas racing
35 and gaming commission deems necessary to determine whether such
36 person's reputation, habits or associations pose a threat to the public
37 interest of the state or to the reputation of or effective regulation and
38 control of the lottery gaming facility or racetrack gaming facility. Any
39 person convicted of any felony, a crime involving gambling or a crime of
40 moral turpitude prior to applying for a certificate hereunder or at any time
41 thereafter shall be deemed unfit. The Kansas racing and gaming
42 commission shall conduct the security, fitness and background checks
43 required pursuant to this subsection. Certification pursuant to this

1 subsection shall not be assignable or transferable;

2 (b) a certification requirement; and enforcement procedure; for those
3 persons, including electronic gaming machine manufacturers, technology
4 providers and computer system providers, who propose to contract with a
5 lottery gaming facility manager, a racetrack gaming facility manager or the
6 state for the provision of goods or services related to a lottery gaming
7 facility or racetrack gaming facility, including management services. Such
8 certification requirements shall include compliance with such security,
9 fitness and background investigations and standards of officers, directors,
10 key gaming employees and persons directly or indirectly owning a ~~0.5%~~
11 ~~5%~~ or more interest in such entity as the executive director of the Kansas
12 racing and gaming commission deems necessary to determine whether
13 such person's reputation, habits and associations pose a threat to the public
14 interest of the state or to the reputation of or effective regulation and
15 control of the lottery gaming facility or racetrack gaming facility. Any
16 person convicted of any felony, a crime involving gambling or a crime of
17 moral turpitude prior to applying for a certificate hereunder or at any time
18 thereafter shall be deemed unfit. If the executive director of the racing and
19 gaming commission determines the certification standards of another state
20 are comprehensive, thorough and provide similar adequate safeguards, the
21 executive director may certify an applicant already certified in such state
22 without the necessity of a full application and background check. The
23 Kansas racing and gaming commission shall conduct the security, fitness
24 and background checks required pursuant to this subsection. Certification
25 pursuant to this subsection shall not be assignable or transferable;

26 (c) provisions for revocation of a certification required by subsection
27 (a) or (b) upon a finding that the certificate holder, an officer or director
28 thereof or a person directly or indirectly owning a ~~0.5%~~ 5% or more
29 interest therein: (1) Has knowingly provided false or misleading material
30 information to the Kansas lottery or its employees; or (2) has been
31 convicted of a felony, gambling related offense or any crime of moral
32 turpitude; ~~and~~

33 (d) provisions for suspension, revocation or nonrenewal of a
34 certification required by subsection (a) or (b) upon a finding that the
35 certificate holder, an officer or director thereof or a person directly or
36 indirectly owning a ~~0.5%~~ 5% or more interest therein: (1) Has failed to
37 notify the Kansas lottery about a material change in ownership of the
38 certificate holder, or any change in the directors or officers thereof; (2) is
39 delinquent in remitting money owed to the Kansas lottery; (3) has violated
40 any provision of any contract between the Kansas lottery and the
41 certificate holder; or (4) has violated any provision of the Kansas
42 expanded lottery act or any rule and regulation adopted hereunder;

43 (e) a certification requirement and enforcement procedure for: (1)

1 *Employees of a lottery gaming facility manager or racetrack gaming*
2 *facility manager who are directly involved in the conduct, operation or*
3 *management of sports wagering conducted by such manager; and (2)*
4 *those persons who propose to contract with a lottery gaming facility*
5 *manager or a racetrack gaming facility manager for the provision of*
6 *goods or services related to sports wagering, including management*
7 *services. Such certification requirement shall include compliance with*
8 *such security, fitness and background investigations and standards as the*
9 *executive director of the Kansas racing and gaming commission deems*
10 *necessary to determine whether such person's reputation, habits or*
11 *associations pose a threat to the public interest of the state or to the*
12 *reputation of or effective regulation and control of sports wagering*
13 *conducted by the lottery gaming facility or racetrack gaming facility. Any*
14 *person convicted of any felony, a crime involving gambling or a crime of*
15 *moral turpitude prior to applying for a certificate hereunder or at any*
16 *time thereafter shall be deemed unfit. Such certification shall be valid for*
17 *one year from the date of issuance. The Kansas racing and gaming*
18 *commission shall conduct the security, fitness and background checks*
19 *required pursuant to this subsection. Certification pursuant to this*
20 *subsection shall not be assignable or transferable; and*

21 *(f) provisions for suspension, revocation or nonrenewal of a*
22 *certification required by subsection (e) upon a finding that the certificate*
23 *holder: (1) Has knowingly provided false or misleading material*
24 *information to the Kansas lottery, the Kansas racing and gaming*
25 *commission or to the employees of either entity; (2) has been convicted of*
26 *a felony, gambling-related offense or any crime of moral turpitude; (3) has*
27 *violated any provision of any contract between the Kansas lottery and the*
28 *certificate holder; or (4) has violated any provision of the Kansas*
29 *expanded lottery act or any rule and regulation adopted hereunder.*

30 Sec. 8. K.S.A. 2017 Supp. 74-8752 is hereby amended to read as
31 follows: 74-8752. (a) The executive director of the Kansas lottery and the
32 executive director of the Kansas racing and gaming commission, or their
33 designees, may observe and inspect all electronic gaming machines, lottery
34 facility games, *sports wagering operations*, lottery gaming facilities,
35 racetrack gaming facilities and all related equipment and facilities operated
36 by a lottery gaming facility manager or racetrack gaming facility manager.

37 (b) In addition to any other powers granted pursuant to this act, the
38 executive director of the racing and gaming commission shall have the
39 power to:

40 (1) Examine, or cause to be examined by any agent or representative
41 designated by such executive director, any books, papers, records or
42 memoranda of any lottery gaming facility manager or racetrack gaming
43 facility manager, or of any business involved in electronic gaming

1 machines or lottery facility games authorized pursuant to the Kansas
2 expanded lottery act, *or sports wagering operations*, for the purpose of
3 ascertaining compliance with any provision of the Kansas lottery act, the
4 Kansas expanded lottery act, or any rules and regulations adopted
5 thereunder;

6 (2) investigate alleged violations of the Kansas expanded lottery act
7 and alleged violations of any rules and regulations, orders and final
8 decisions of the Kansas lottery commission, the executive director of the
9 Kansas lottery, the Kansas racing and gaming commission or the executive
10 director of the Kansas racing and gaming commission;

11 (3) request a court to issue subpoenas to compel access to or for the
12 production of any books, papers, records or memoranda in the custody or
13 control of any lottery gaming facility manager or racetrack gaming facility
14 manager related to the management of the lottery gaming facility or
15 racetrack gaming facility, or to compel the appearance of any lottery
16 gaming facility manager or racetrack gaming facility manager for the
17 purpose of ascertaining compliance with the provisions of the Kansas
18 lottery act and the Kansas expanded lottery act or rules and regulations
19 adopted thereunder;

20 (4) inspect and approve, prior to publication or distribution, all
21 advertising by a lottery gaming facility manager or racetrack gaming
22 facility manager which includes any reference to the Kansas lottery; and

23 (5) take any other action as may be reasonable or appropriate to
24 enforce the provisions of the Kansas expanded lottery act, and any rules
25 and regulations, orders and final decisions of the executive director of the
26 Kansas lottery, the Kansas lottery commission, the executive director of
27 the Kansas racing commission or the Kansas racing and gaming
28 commission.

29 (c) Appropriate security measures shall be required in any and all
30 areas where electronic gaming machines and other lottery facility games
31 authorized pursuant to the Kansas expanded lottery act *and sports*
32 *wagering* are located or operated. The executive director of the Kansas
33 racing and gaming commission shall approve all such security measures.

34 (d) The executive director of the Kansas racing and gaming
35 commission shall require an annual audit of the operations of each lottery
36 gaming facility and ancillary lottery gaming facility operations and each
37 racetrack gaming facility as determined by the commission. Such audit
38 shall be conducted by the Kansas racing and gaming commission or a
39 licensed accounting firm approved by the executive director of the Kansas
40 racing and gaming commission and shall be conducted at the expense of
41 the lottery gaming facility manager or racetrack facility manager.

42 (e) None of the information disclosed pursuant to subsection (b) or
43 (d) shall be subject to disclosure under the Kansas open records act,

1 K.S.A. 45-216 et seq., and amendments thereto.

2 Sec. 9. K.S.A. 2017 Supp. 74-8760 is hereby amended to read as
3 follows: 74-8760. (a) Except in accordance with rules and regulations of
4 the Kansas racing and gaming commission or by written authority from the
5 executive director of the Kansas racing and gaming commission in
6 performing installation, maintenance, inspection and repair services, it is a
7 class A nonperson misdemeanor for the following to place a wager on or
8 play an electronic gaming machine game ~~or~~, a lottery facility game at a
9 lottery gaming facility *or place a sports wager with a lottery gaming*
10 *facility* in this state: The executive director of the Kansas lottery, a member
11 of the Kansas lottery commission or any employee or agent of the Kansas
12 lottery; the executive director, a member or any employee or agent of the
13 Kansas racing and gaming commission; or the lottery gaming facility
14 manager or any employee of the lottery gaming facility manager.

15 (b) Except in accordance with rules and regulations of the Kansas
16 racing and gaming commission or by written authority from the executive
17 director of the Kansas racing and gaming commission in performing
18 installation, maintenance, inspection and repair services, it is a class A
19 nonperson misdemeanor for the following to place a wager on or play an
20 electronic gaming machine at a racetrack gaming facility *or place a sports*
21 *wager with a racetrack gaming facility* in this state: The executive director
22 of the Kansas lottery, a member of the Kansas lottery commission or any
23 employee or agent of the Kansas lottery; the executive director, a member
24 or any employee or agent of the Kansas racing and gaming commission; or
25 the racetrack gaming facility manager or any employee of the racetrack
26 gaming facility manager.

27 (c) It is a severity level 8, nonperson felony for any person playing or
28 using any electronic gaming machine in Kansas knowingly to:

29 (1) Use other than a lawful coin or legal tender of the United States of
30 America, or to use coin not of the same denomination as the coin intended
31 to be used in an electronic gaming machine, except that in the playing of
32 any electronic gaming machine or similar gaming device, it shall be lawful
33 for any person to use gaming billets, tokens or similar objects therein
34 which are approved by the Kansas racing and gaming commission;

35 (2) possess or use, while on premises where electronic gaming
36 machines are authorized pursuant to the Kansas expanded lottery act, any
37 cheating or thieving device, including, but not limited to, tools, wires,
38 drills, coins attached to strings or wires or electronic or magnetic devices
39 to facilitate removing from any electronic gaming machine any money or
40 contents thereof, except that a duly authorized agent or employee of the
41 Kansas racing and gaming commission, lottery gaming facility manager or
42 racetrack gaming facility manager may possess and use any of the
43 foregoing only in furtherance of the agent's or employee's employment at

1 the lottery gaming facility or racetrack gaming facility; or

2 (3) possess or use while on the premises of a lottery gaming facility
3 or racetrack gaming facility, or any location where electronic gaming
4 machines are authorized pursuant to this act, any key or device designed
5 for the purpose of or suitable for opening or entering any electronic
6 gaming machine or similar gaming device or drop box.

7 (d) Any duly authorized agent or employee of the Kansas racing and
8 gaming commission, a lottery gaming facility manager or a racetrack
9 gaming facility manager may possess and use any of the devices described
10 in subsections (c)(3) and (c)(4) in furtherance of inspection or testing as
11 provided in the Kansas expanded lottery act or in furtherance of such
12 person's employment at any location where any electronic gaming machine
13 or similar gaming device or drop box is authorized pursuant to the Kansas
14 expanded lottery act.

15 Sec. 10. K.S.A. 2017 Supp. 74-8766 is hereby amended to read as
16 follows: 74-8766. (a) There is hereby established in the state treasury the
17 expanded lottery receipts fund. Separate accounts shall be maintained in
18 such fund for receipt of moneys from each lottery gaming facility manager
19 and racetrack gaming facility manager. All expenditures from the fund
20 shall be made in accordance with appropriation acts upon warrants of the
21 director of accounts and reports issued pursuant to vouchers approved by
22 the executive director for the purposes set forth in this act.

23 (b) All lottery gaming facility revenues from lottery gaming facilities
24 ~~and~~, all net electronic gaming machine income from racetrack gaming
25 facilities *and all sports wagering revenues from lottery gaming facilities*
26 *and racetrack gaming facilities* shall be paid daily and electronically to the
27 executive director. The executive director shall remit all moneys received
28 therefrom to the state treasurer in accordance with K.S.A. 75-4215, and
29 amendments thereto. Upon receipt of the remittance, the state treasurer
30 shall deposit the entire amount in the state treasury and credit it to the
31 respective account maintained for the lottery gaming facility manager or
32 racetrack gaming facility manager in the expanded lottery receipts fund.

33 (c) The executive director shall certify weekly to the director of
34 accounts and reports the percentages or amounts to be transferred from
35 each account maintained in the expanded lottery receipts fund to the
36 expanded lottery act revenues fund, the live horse racing supplement fund,
37 the live greyhound racing purse supplement fund and the problem
38 gambling and addictions grant fund, as provided by the lottery gaming
39 facility management contract or K.S.A. 2017 Supp. 74-8747, and
40 amendments thereto. Upon receipt of the certification, the director of
41 accounts and reports shall transfer amounts from each such account in
42 accordance with the certification of the executive director. Once each
43 month, the executive director shall cause amounts from each such account

1 to be paid to cities, counties and lottery gaming facility managers in
2 accordance with the lottery gaming facility management contract and to
3 racetrack gaming facility managers in accordance with K.S.A. 2017 Supp.
4 74-8747, and amendments thereto, *and the racetrack gaming facility*
5 *management contract.*

6 (d) Amounts remaining in an account in the expanded lottery receipts
7 fund after transfers and payments pursuant to subsection (c) shall be
8 distributed in accordance with the related lottery gaming facility
9 management contract or racetrack gaming facility management contract.

10 Sec. 11. K.S.A. 2017 Supp. 21-6403, 74-8702, 74-8710, 74-8716, 74-
11 8734, 74-8741, 74-8751, 74-8752, 74-8760 and 74-8766 are hereby
12 repealed.

13 Sec. 12. This act shall take effect and be in force from and after its
14 publication in the statute book and the date of publication in the Kansas
15 register of the certification by the executive director of the Kansas racing
16 and gaming commission that federal law does not prohibit states from
17 authorizing and conducting sports wagering.