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## **HOUSE BILL No. 2183**

By Committee on Tourism

1-26

AN ACT concerning racing and gaming; concerning electronic gaming machines; amending K.S.A. 74-8702 and K.S.A. 2000 Supp. 19-101a and 74-8723 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 74-8702 is hereby amended to read as follows: 74-8702. As used in this act the Kansas lottery act and sections 2 through 24, and amendments thereto, unless the context otherwise requires:

- "Commission" means the Kansas lottery commission.
- "Executive director" means the executive director of the Kansas (b) lottery.
- "Gaming equipment" means any electric, electronic or mechanieal device or other equipment unique to the Kansas lottery used directly in the operation of any lottery and in the determination of winners pursuant to this act.
- (c) "Gaming equipment" means any electric, electronic, computerized or electromechanical machine, mechanism, supply or device or other equipment unique to the Kansas lottery used pursuant to sections 2 through 24, and amendments thereto, or which is integral to the operation of an electronic gaming machine or affects the results of an electronic gaming machine by determining win or loss.
- (d) "Kansas lottery" means the state agency created by this act to operate a lottery or lotteries pursuant to this act.
- (e) "Lottery retailer" means any person with whom the Kansas lottery has contracted to sell lottery tickets or shares, or both, to the public.
- (f) "Lottery" or "state lottery" means the lottery or lotteries operated pursuant to this act.
- "Major procurement" means any gaming product or service, including but not limited to facilities, advertising and promotional services, annuity contracts, prize payment agreements, consulting services, equipment, tickets and other products and services unique to the Kansas lottery, but not including materials, supplies, equipment and services common to the ordinary operations of state agencies.
- "Person" means any natural person, association, limited liability company, corporation or partnership.

- (i) "Prize" means any prize paid directly by the Kansas lottery pursuant to its rules and regulations.
- (j) "Share" means any intangible manifestation authorized by the Kansas lottery to prove participation in a lottery game.
- (k) "Ticket" means any tangible evidence issued by the Kansas lottery to prove participation in a lottery game.
- (l) "Vendor" means any person who has entered into a major procurement contract with the Kansas lottery.
- (m) "Returned ticket" means any ticket which was transferred to a lottery retailer, which was not sold by the lottery retailer and which was returned to the Kansas lottery for refund by issuance of a credit or otherwise.
- (n) (1) "Video lottery machine" means any electronic video game machine that, upon insertion of cash, is available to play or simulate the play of a video game authorized by the commission, including but not limited to bingo, poker, black jack and keno, and which uses a video display and microprocessors and in which, by chance, the player may receive free games or credits that can be redeemed for cash.
- (2) "Video lottery machine" shall not mean an electronic gaming machine as defined by this section.
- (o) "Electronic card" means a card purchased from a lottery gaming machine operator for use on an electronic gaming machine.
- (p) (1) "Electronic gaming machine" means any electronic, electromechanical, video or computerized device, contrivance or machine authorized by the commission which, upon the insertion of cash, tokens, electronic cards or any consideration, is available to play, operate or simulate the play of, a game authorized by the commission at a parimutuel licensee location, including but not limited to, bingo, poker, blackjack, keno and slot machines and which may deliver or entitle the player operating the machine to receive cash, tokens, merchandise or credits that may be redeemed for cash. Electronic gaming machines may use bill validators and may be single-position reel-type, single or multi-game video and single-position multigame video electronic games including, but not limited to, bingo, poker, blackjack, keno and slot machines. Electronic gaming machines shall be linked to a central computer at the parimutuel licensee location for purposes of security, monitoring and auditing.
- (2) "Electronic gaming machine" shall not include any casino table game, such as craps, poker, blackjack, roulette, keno, layout, numbers, tickets, baccarat, Klondike table, punchboard, punch cards, faro layout, ticket or pull tab or video lottery machine.
- (q) "Key gaming employee" means any natural person 21 years of age or older employed by or under contract with a lottery gaming machine operator or employed by or under contract with a person providing on

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or off-site management or employee-related services to the lottery gaming machine operator including, but not limited to: (1) Gaming operator man-3 ager and assistant manager; (2) facilities operator manager; (3) electronic games manager; (4) accounting department personnel; (5) count room 4 employees; (6) cage department employees, including cashiers and main 5 bank employees; (7) vault department employees; (8) approvers of credit; 6 7 (9) surveillance department employees; (10) security department employees; (11) floor managers; (12) electronic gaming device technicians; (13) 8 9 custodians of electronic gambling devices, including persons with access 10 to cash and accounting records within such devices; (14) collection per-11 sonnel; (15) internal auditors of the lottery gaming machine operator; and (16) any employee whose total cash compensation is in excess of \$50,000 12 13 per uear. 14

- (r) "Lottery gaming machine operator" means any parimutuel licensee with which the executive director has contracted for the placement of an electronic gaming machine pursuant to this act.
- (s) "Net machine income" means the total of all cash and the face value of all tokens or electronic cards placed in an electronic gaming machine less cash, merchandise or credits that may be redeemed for cash paid to players as winnings.
- (t) "Organizational licensee" means an organizational licensee as defined by K.S.A. 74-8802, and amendments thereto.
- $\frac{(t)}{(u)}$  "Parimutuel licensee" means a facility owner licensee or a facility manager licensee, as defined by K.S.A. 74-8802, and amendments thereto.
- (u) "Parimutuel licensee location" means a racetrack facility located on or immediately adjacent to the real estate of a parimutuel licensee where live horse racing or live greyhound racing has been authorized or for which application for authorization is pending prior to February 1, 2000, to be conducted pursuant to the Kansas parimutuel racing act. A parimutuel licensee location may include any of the existing structures located on the real estate where the live horse racing or live greyhound racing is authorized to be conducted or any other structures that may be constructed on or immediately adjacent to such real estate.
- (v) "Progressive game" means a game played on an electronic gaming device on which the payoff increases uniformly as the electronic gaming device is played and on which the jackpot, determined by application of a formula to the income of independent, local or interlinked electronic gaming devices, may be won.
- 40 (w) (x) "Technology provider" means any person or entity other than 41 a lottery gaming machine operator that designs, manufactures, installs, 42 operates, distributes, supplies or replaces an electronic gaming machine 43 for sale, lease or use in accordance with this act.

 $\frac{\langle \mathbf{x} \rangle}{\langle \mathbf{y} \rangle}$  "Token" means a metal or other representative of value, which is not legal tender, redeemable for cash only by the issuing lottery gaming machine operator at its parimutuel licensee location and issued and sold by a lottery gaming machine operator for the sole purpose of playing an electronic gaming machine.

New Sec. 2. (a) Sections 2 through 24, and amendments thereto, shall be known as the Kansas gaming revenue recovery act and shall be part of and supplemental to the Kansas lottery act.

- (b) If any provision of this act or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect any other provision or application of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.
- New Sec. 3. (a) Subject to the provisions of this act, the executive director shall contract with parimutuel licensees for the operation and management of electronic gaming machines at parimutuel licensee locations in the state of Kansas. The executive director shall contract only with parimutuel licensees in counties in which a proposition submitted pursuant to section 5, and amendments thereto, has been approved by the voters of such county.
- (b) The lottery gaming machine operator shall purchase a license for all software programs used by such lottery gaming machine operator to operate electronic gaming machines. The cost of such license shall be paid by the operator, but shall be owned by the Kansas lottery. The Kansas lottery shall be the licensee of all such software programs and shall sublicense such software programs to each lottery gaming machine operator. Electronic gaming machines purchased or leased by the lottery gaming machine operator at its own expense may be installed, operated or managed, owned or leased by a lottery gaming machine operator or by a technology provider under contract with the lottery gaming machine operator as provided by this act. Such machines shall be subject to the ultimate control of the Kansas lottery in accordance with this act. Each specific type of electronic gaming machine shall be approved by the Kansas lottery in accordance with K.S.A. 74-8710, and amendments thereto. The use of progressive electronic gaming machines is expressly permitted.
- (c) Each contract between the executive director and a lottery gaming machine operator shall provide that the Kansas lottery receive all of the net machine income derived from the operation of electronic gaming machines at the parimutuel licensee location.
- (d) The initial term of such contract shall be not less than the remaining term of the Kansas lottery and shall renew with each extension of the Kansas lottery as provided in K.S.A. 74-8723, and amendments thereto.

- $\left(e\right)$  . Contracts authorized by this section may include provisions relating to:
- (1) Accounting procedures to determine the net machine income, unclaimed merchandise and credits.
- (2) The location and operation of electronic gaming machines at the parimutuel licensee location. Except as provided by this act, the days and hours of operation and the number of such electronic gaming machines shall not be restricted.
- (3) Minimum requirements for an electronic gaming machine operator to provide qualified oversight, security and supervision of the operation of electronic gaming machines at the parimutuel licensee location, including the use of qualified personnel with experience in applicable technology.
- (4) The eligibility requirements for employees of a lottery gaming machine operator who will have responsibility for the handling of cash or tokens. Such requirements may include a background investigation performed by the Kansas racing and gaming commission and that any key gaming employee shall be licensed as provided in section 22, and amendments thereto.
- (5) Provision for termination of the contract by either party for cause, including but not limited to, failure of the lottery gaming machine operator to maintain a parimutuel license in accordance with K.S.A. 74-8801 *et seq.*, and amendments thereto, failure of the lottery gaming machine operator to collect and remit net machine income pursuant to section 8, and amendments thereto.
- (6) Any other provision deemed necessary by the parties pursuant to this section.
- (f) The Kansas lottery shall examine prototypes of electronic gaming machines and shall notify the Kansas racing and gaming commission which types of electronic gaming machines are in compliance with the requirements of this act.
- (g) No electronic gaming machine shall be operated pursuant to this act unless the executive director of the Kansas racing and gaming commission first issues a certificate for such machine authorizing its use at a specified parimutuel licensee facility. Each machine shall have the certificate prominently displayed thereon. Any machine which does not display the certificate required by this section is contraband and a public nuisance subject to confiscation by any law enforcement officer.
- (h) The executive director shall require any manufacturer, supplier, provider, lottery gaming machine operator or other person seeking the examination and certification of electronic gaming machines to pay the anticipated actual costs of the examination in advance. After the completion of the examination, the executive director shall refund any over-

payment or charge and collect amounts sufficient to reimburse the executive director for any underpayment of actual costs. The executive director may contract for the examination of electronic gaming machines as required by this subsection, and may rely upon testing done by or for other states regulating electronic gaming machines, if the executive director deems such testing to be reliable and in the best interest of the state of Kansas.

- (i) Electronic gaming machines operated pursuant to this act shall:
- (1) Pay out an average of not less than 87% of the amount wagered;
- (2) be linked to a central communications system to provide auditing and other program information as approved by the commission. The communications systems certified by the commission may not limit participation to only one electronic gaming machine manufacturer, distributor, supplier or provider; and
- (3) be on-line and in constant communication with a central computer located in an office located at the parimutuel licensee location. The electronic gaming machine operator shall purchase at its expense for the Kansas lottery all gaming equipment as is necessary to implement such central communications and auditing functions.
- New Sec. 4. In addition to the powers granted pursuant to K.S.A. 74-8704 and section 3, and amendments thereto, the executive director shall have the power to:
- (a) Enter into contracts with parimutuel licensees for placement, replacement and operation of electronic gaming machines at parimutuel licensee locations. Such contracts shall be subject to rules and regulations adopted pursuant to the Kansas lottery act and this act but shall not be subject to the provisions of K.S.A. 75-3738 through 75-3744, and amendments thereto.
- (b) Examine or cause to be examined by any agent or representative designated by the executive director any books, papers, records or memoranda of any gaming machine operator for the purpose of ascertaining compliance with the provisions of the Kansas lottery act or this act or rules and regulations adopted thereunder.
- (c) Issue subpoenas to compel access to or for the production of any books, papers, records or memoranda in the custody or control of any lottery gaming machine operator, or to compel the appearance of any lottery gaming machine operator for the purpose of ascertaining compliance with the provisions of this act or rules and regulations adopted hereunder. Subpoenas issued under the provisions of this subsection may be served upon natural persons and corporations in the manner provided in K.S.A. 60-304, and amendments thereto, for the service of process by any officer authorized to serve subpoenas in civil actions or by the executive director or an agent or representative designated by the executive directors.

tor. In the case of the refusal of any person to comply with any such subpoena, the executive director may make application to the district court of any county where such books, papers, records, memoranda or person is located for an order to comply.

- (d) Inspect and view the operation of all machines, systems or facilities where electronic gaming machines controlled and operated by the Kansas lottery are located.
- (e) Inspect and approve, prior to publication or distribution, all advertising by a lottery gaming machine operator which includes any reference to the Kansas lottery.
- New Sec. 5. (a) Electronic gaming machines shall be operated pursuant to this act only in counties where, in accordance with this section, the qualified voters of the county have voted to permit operation of electronic gaming machines at parimutuel racetracks within the county.
- (b) The board of county commissioners of any county in which a parimutuel licensee is located, by resolution, may submit and upon presentation of a petition filed in accordance with subsection (c), shall submit to the qualified voters of the county a proposition to permit the operation of electronic gaming machines at parimutuel racetracks within the county. The proposition shall be submitted to the voters either in a countywide special election called by the board of county commissioners for that purpose and held not less than 90 days after the resolution is adopted or the petition is filed or at the next general election as shall be specified by the board of county commissioners or in the petition, as the case may be.
- (c) A petition to submit a proposition to the qualified voters of a county pursuant to this section shall be filed with the county election officer. The petition shall be signed by qualified voters of the county equal in number to not less than 10% of the voters of the county who voted for the office of secretary of state at the last preceding general election at which such office was elected. The following shall appear on the petition: "We request an election to determine whether the operation of electronic gaming machines by the Kansas lottery shall be permitted at parimutuel racetracks in \_\_\_\_\_\_ county."
- (d) Upon the adoption of a resolution or the submission of a valid petition calling for an election pursuant to this section, the county election officer shall cause the following proposition to be placed on the ballot at the election called for that purpose: "Shall the operation of electronic gaming machines by the Kansas lottery be permitted at parimutuel racetracks in \_\_\_\_\_ county?"
- (e) If a majority of the votes cast and counted at such election is in favor of the proposition, the Kansas lottery shall enter a contract with parimutuel licensees to operate such games. If a majority of the votes cast and counted at an election under this section is against the proposition,

the Kansas lottery shall not operate such games. The county election officer shall transmit a copy of the certification of the results of the election to the executive director of the lottery and the executive director of the racing and gaming commission.

- (f) The election provided for by this section shall be conducted, and the votes counted and canvassed, in the manner provided by law for question submitted elections of the county.
- (g) If in any election provided for by this section a majority of the votes cast and counted is against permitting the operation of electronic gaming machines in the county, another election submitting the issue of the operation of electronic gaming machines in the county shall not be held for at least two years from the date of such election.
- New Sec. 6. (a) All purse supplements paid pursuant to this act shall be in accordance with the point schedule in effect on January 1, 1999, at the parimutuel licensee location in Sedgwick county. All purse supplements paid pursuant to this section shall be in addition to purses and supplements paid under K.S.A. 74-8801 et seq., and amendments thereto.
- (b) No electronic gaming machine shall be operated pursuant to this act unless the facility in which the electronic gaming machine is operated displays live and simulcast parimutuel races on video terminals and has installed parimutuel windows for wagering on parimutuel races.
- (c) Except as provided in subsection (d) of this section, no electronic gaming machine shall be operated at the following locations unless:
- (1) During the first full calendar year and each year thereafter in which electronic gaming machines are operated, the parimutuel licensee shall conduct at the parimutuel licensee location in Sedgwick county at least eight live racing programs each calendar week for the number of weeks equal to or greater than the number of weeks raced during the 1998 calendar year with at least 13 live races conducted each program.
- (2) During the first full calendar year and each year thereafter in which electronic gaming machines are operated, the parimutuel licensee shall conduct at the parimutuel licensee location in Wyandotte county at least seven live racing programs each calendar week for the number of weeks equal to or greater than the number of weeks raced during the 1998 calendar year with at least 13 live races conducted each program and also shall conduct at least 60 days of live horse racing with a minimum of seven live thoroughbred and three live quarterhorse races per day.
- (3) During the first full calendar year and each year thereafter in which electronic gaming machines are operated, the parimutuel licensee shall conduct at the parimutuel licensee location in Crawford county live racing the number of days agreed upon by the organization licensee and the parimutuel licensee but not less than 150 days, comprised of at least seven live racing programs each calendar week with at least 13 live races

conducted each program.

(d) The Kansas racing and gaming commission may provide exceptions to the requirements of subsection (c) for a parimutuel licensee conducting live racing when events beyond the control of the licensee may render racing impossible or impractical. Such events shall include any natural or man-made disaster, shortage of qualified racing animals due to kennel sickness or state imposed limitations on operations.

New Sec. 7. (a) There is hereby created the state technologically literate work force development fund in the state treasury. All moneys credited to such fund shall be expended or transferred only for the purposes and in the manner provided by this act and all expenditures from the state technologically literate workforce development fund shall be made in accordance with appropriation acts. All moneys credited to such fund shall be allocated and credited monthly to the funds and in the amounts specified by this act except that the total of the amounts credited to such funds in any one fiscal year pursuant to this section shall not exceed \$25,000,000. All amounts credited to such fund in any one fiscal year which are in excess of \$25,000,000 shall be transferred and credited to the economic development initiatives fund created by K.S.A. 79-4804, and amendments thereto, on July 15, 2002, and June 25, 2003, and each year thereafter on June 25.

Moneys in the state technologically literate workforce development fund shall be used for the purposes of:

- (1) Funding the K through 12 technology fund at the department of education;
- (2) enhancing funding for instructional and technology equipment for colleges and universities, community colleges and vocational-technical schools under the control of the Kansas board of regents, Washburn university and schools under the control of the board of education of any school district; and
  - (3) funding for Kan-Ed internet backbone project.

The director of accounts and reports shall disburse funds in accordance with appropriations made therefor to colleges and universities under the control of the Kansas board of regents, Washburn university, community colleges and vocational-technical schools under the supervision of the Kansas board of regents and the board of education of any school district. The legislature may appropriate only those moneys in the state technologically literate workforce development fund as of December 31 of each year preceding the legislative session in which such appropriation is to be made. Such moneys shall not be used to replace property taxes or general fund support for activities, services, supplies, maintenance, salaries, benefits, equipment, facilities or other purposes existing and funded by federal, state or local moneys as of July 1, 2001.

- (b) There is hereby created in the state treasury the live horse racing purse supplement fund. Moneys available in such fund shall be paid to parimutuel licensees for distribution as purse supplements in accordance with rules and regulations of the Kansas racing and gaming commission. Such rules and regulations shall provide that an amount equal to 20% of the moneys in the live horse racing purse supplement fund shall be transferred to the horse breeding development fund created pursuant to K.S.A. 74-8829, and amendments thereto, to be expended as provided therein. The balance in such fund shall be expended upon recommendation of the respective thoroughbred and quarterhorse breed organizations with the approval of the Kansas racing and gaming commission.
- (c) There is hereby created in the state treasury the live dog racing purse supplement fund. Moneys available in such fund shall be paid to parimutuel licensees for distribution as purse supplements in accordance with rules and regulations of the Kansas racing and gaming commission. Such rules and regulations shall provide that, in addition to purse supplements paid to winners of live dog races at each parimutuel licensee location, the lottery gaming machine operator at the parimutuel licensee location shall pay to each winner that is a Kansas-whelped greyhound an additional amount equal to \$60 per point for each point awarded to the winner. Such rules and regulations also shall provide that a portion of the moneys available in such fund, in an amount not to exceed 20% of such fund shall be transferred to the greyhound breeding development fund created pursuant to K.S.A. 74-8831, and amendments thereto, to be expended as provided therein.
- (d) There is hereby created in the state treasury the electronic gaming machine operation and regulatory fund. Moneys in such fund shall be used to pay for the expenses of the Kansas lottery and the Kansas racing and gaming commission attributable to the operation and regulation of electronic gaming machines. Unless otherwise provided by law, moneys in such fund may be expended only pursuant to appropriation and moneys in excess of those appropriated to the Kansas lottery and the Kansas racing and gaming commission shall be transferred to the state gaming revenues fund and expended as provided by appropriation.
- New Sec. 8. (a) There is hereby created in the state treasury the electronic gaming machine fund. The executive director shall collect and remit to the state treasurer not less than once each week all net machine income received from lottery gaming machine operators to be credited to the electronic gaming machine fund. Separate accounts shall be maintained in the electronic gaming machine fund for receipt of funds from each lottery gaming machine operator. Not less than once each week, the state treasurer shall distribute from the total receipts credited to each such account of the electronic gaming machine fund an amount equal to:

- (1) One percent to the electronic gaming machine operation and regulatory fund;
- (2) one-fourth percent to the state gaming revenues fund to be expended in accordance with appropriation acts which may include transfers to the problem gambling grant fund created pursuant to K.S.A. 79-4805, and amendments thereto;
- (3) three and one-half percent to the live horse racing purse supplement fund established pursuant to section 7, and amendments thereto. Such moneys shall be distributed from the separate horse purse supplement accounts maintained pursuant to subsection (b) of section 7, and amendments thereto, in accordance with rules and regulations of the Kansas racing and gaming commission. Not less than \$1,600,000 shall be guaranteed annually by parimutuel licensees to be charged against the accounts of such licensees on a pro rata basis. The revenues dedicated to purse supplements shall be distributed into separate quarterhorse and thoroughbred accounts, with each year's percentage calculated on an average of the preceding three years' live starters in Kansas;
- (4) three and one-half percent, plus an amount equal to \$60 per point for each point awarded the preceding week at the parimutuel licensee location to winners of live races that are Kansas-whelped greyhounds, to the live dog racing purse supplement fund established pursuant to section 7, and amendments thereto, to be distributed in accordance with the provisions of section 7, and amendments thereto, and the rules and regulations of the Kansas racing and gaming commission; and
- (5) twenty percent to the Kansas education enhancement fund established pursuant to section 7, and amendments thereto.
- (b) After the distribution of moneys pursuant to subsection (a), the state treasurer shall remit the balance in the account for each lottery gaming machine operator to such lottery gaming machine operator not less than once each week. From the moneys received pursuant to this subsection, the lottery gaming machine operator shall pay the organization licensee such amounts as are agreed to by the organization licensee and the lottery gaming machine operator.
- New Sec. 9. The Kansas lottery commission, upon the recommendation of the executive director, shall adopt rules and regulations necessary to carry out the purposes of this act. Temporary rules and regulations may be adopted by the commission without being subject to the provisions and requirements of K.S.A. 77-415 through 77-438, and amendments thereto, but shall be subject to approval by the attorney general as to legality and shall be filed with the secretary of state and published in the Kansas register. Temporary and permanent rules and regulations may include but shall not be limited to electronic gaming machines operated at parimutuel licensee locations.

New Sec. 10. (a) Except as provided in subsection (c), it is unlawful for any parimutuel licensee to allow any person to play electronic gaming machines or share in winnings of a person knowing such person to be:

- (1) Under 21 years of age;
- (2) the executive director, a member of the commission or an employee of the Kansas lottery;
- (3) an officer or employee of a vendor contracting with the Kansas lottery to supply gaming equipment or tickets to the Kansas lottery for use in the operation of any lottery conducted pursuant to this act;
- (4) a spouse, child, stepchild, brother, stepbrother, sister, stepsister, parent or stepparent of a person described by subsection (a)(2) or (3); or
- (5) a person who resides in the same household as any person described by subsection (a)(2) or (3).
- (b) Violation of subsection (a) is a class A nonperson misdemeanor upon conviction for a first offense. Violation of subsection (a) is a severity level 9, nonperson felony upon conviction for a second or subsequent offense.
- (c) The executive director may authorize in writing any employee of the Kansas lottery and any employee of a lottery vendor to play an electronic gaming machine to verify the proper operation thereof with respect to security and contract compliance. Any prize awarded as a result of such ticket purchase shall become the property of the Kansas lottery and be added to the prize pools of subsequent lottery games. No money or merchandise shall be awarded to any employee playing an electronic gaming machine pursuant to this subsection.
- New Sec. 11. A parimutuel licensee shall post one or more signs on licensed premises at points of entry to the areas where electronic gaming machines are located to inform patrons of the toll-free number available to provide information and referral services regarding compulsive or problem gaming. The text shall be determined by the secretary of the department of social and rehabilitation services. Failure by the parimutuel licensee to post and maintain such signs shall be cause for the imposition of a fine not to exceed \$500 per day.
- New Sec. 12. Each lottery gaming machine operator shall provide access for the executive director or the executive director's designee or the commission and its designated employees to all its records and the physical premises where the electronic gaming machine activities occur for the purpose of monitoring or inspecting the electronic gaming machines and gaming equipment. None of the information disclosed pursuant to this subsection shall be subject to disclosure under the Kansas open records act, K.S.A. 45-216 et seq., and amendments thereto.
- New Sec. 13. (a) Wagers shall be received only from a person present at a parimutuel licensee location. No person present at a parimutuel li-

censee location shall place or attempt to place a wager on behalf of another person who is not present at a parimutuel licensee location.

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

New Sec. 14. A person under age 21 shall not be permitted in an area of a parimutuel licensee location where gaming is being conducted, except for a person at least 18 years of age who is an employee of the parimutuel licensee. No employee under age 21 shall perform any function involved in gaming by the patrons. No person under age 21 shall be permitted to make a wager on an electronic gaming machine.

New Sec. 15. If a disagreement arises between the executive director and the Kansas racing and gaming commission with regard to their respective duties or responsibilities in carrying out the purposes of the Kansas lottery act, such disagreement shall be resolved by the governor in a manner not inconsistent with the provisions of such act.

New Sec. 16. Pursuant to section 2 of the federal act entitled "An Act to Prohibit Transportation of Gambling Devices in Interstate and Foreign Commerce," 15 U.S.C. 1171 through 1777, the legislature of the state of Kansas hereby declares and proclaims that it is exempt from the provision of section 2 of such act to the extent that such gambling devices are being transported to or from a licensed gaming machine operator at a parimutuel licensee location within the state of Kansas.

New Sec. 17. Except for persons acting in accordance with the rules and regulations of the Kansas lottery and the Kansas racing and gaming commission in performing installation, maintenance and repair services, any person who, with the intent to manipulate the outcome, pay-off or operation of an electronic gaming machine, manipulates the outcome, pay-off or operation of an electronic gaming machine by physical, electrical or mechanical means shall be guilty of a severity level 8, nonperson felony.

New Sec. 18. Nothing in this act shall restrict the jurisdiction of the Kansas racing and gaming commission to regulate activities conducted at parimutuel licensee facilities including the premises on which electronic gaming machines are operated. The days and hours of operation and the number of electronic gaming machines shall not be restricted unless otherwise authorized by this act.

New Sec. 19. All sales of electronic gaming machine games shall be exempt from sales taxes imposed pursuant to K.S.A. 12-187 *et seq.* and 79-3601 *et seq.*, and amendments thereto.

New Sec. 20. (a) The Kansas racing and gaming commission and its designated employees may observe and inspect all electronic gaming facilities operated by licensees.

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- (b) The Kansas racing and gaming commission may examine, or cause to be examined by any agent or representative designated by the commission, any books, papers, records or memoranda of any licensee, or of any racetrack or business involved in electronic gaming for the purpose of ascertaining compliance with any provision of this act or any rule and regulation adopted hereunder.
- (c) The Kansas racing and gaming commission may adopt rules and regulations with respect to security, safety and honest conduct at all parimutuel licensee locations.
- (d) The Kansas racing and gaming commission shall have the power to investigate alleged violations of this act and any rules and regulations.
- (e) The Kansas racing and gaming commission shall have the power to authorize security measures required in any areas where electronic gaming machines are located.
- (f) The Kansas racing and gaming commission shall have the power to take any other action as may be reasonable or appropriate to enforce the provisions of this act and any rules and regulations.
- (g) The Kansas racing and gaming commission shall require an annual audit of the electronic gaming machine operations of each lottery gaming machine operator contracting with the Kansas lottery. Such audit shall be conducted by a licensed accounting firm approved by the Kansas racing and gaming commission. Such audit shall be conducted at the expense of the lottery gaming machine operator to which such audit applies.
- (h) Following completion of three years from the date upon which electronic gaming machines begin operation by each lottery gaming machine operator pursuant to contract with the Kansas lottery, the Kansas racing and gaming commission shall prepare an economic impact report for the Kansas legislature detailing the costs and benefits of lottery gaming machine operations. The report shall be filed with the president of the senate and speaker of the house prior to the first legislative session following completion of the report. Such report shall include information on the use or distribution of net and gross machine income received from the electronic gaming machine operations of each lottery gaming machine operator, including comparable electronic gaming machine operations in states within as close proximity to Kansas as possible, competitive market analysis, tax benefits, payroll, capital investment and such other matters that the Kansas racing and gaming commission may require. The Kansas racing and gaming commission may contract for the services of such independent professionals as may be required to complete such report. Expenses for such report shall be paid pursuant to appropriation from the electronic gaming machine operation and regulatory fund.
- New Sec. 21. (a) It is a class A nonperson misdemeanor for any member, employee or appointee of the lottery commission or the Kansas rac-

ing and gaming commission, including stewards and racing judges, knowingly to:

- (1) participate in the operation of or have a financial interest in any business which has been issued a concessionaire license, racing or wagering or electronic gaming machine equipment or services license, facility owner license or facility manager license, or any business which sells goods or services to an organization licensee;
- (2) participate directly or indirectly as an owner, operator, manager or consultant in electronic gaming in Kansas;
- (3) place a wager on or bet or play an electronic gaming machine at a parimutuel licensee location in Kansas;
- (4) accept any compensation, gift, loan, entertainment, favor or service from any licensee, except such suitable facilities and services within a racetrack facility operated by an organization licensee as may be required to facilitate the performance of the member's, employee's or appointee's official duties;
- (5) enter into any business dealing, venture or contract with an owner or lessee of a parimutuel licensee location in Kansas; or
- (6) engage in any activity described in subsection (1), (2), (4) or (5) within two years from the last day of service as such member, employee or appointee.
- (b) It is a class A nonperson misdemeanor for any member, employee or appointee of the Kansas racing and gaming commission, including stewards and racing judges, knowingly to violate any of the provisions of subsection (a).
- (c) It is a severity level 8, nonperson felony for any person playing or using any electronic gaming machine at a parimutuel licensee location in Kansas knowingly to:
- (1) Use other than a lawful coin or legal tender of the United States of America, or to use coin not of the same denomination as the coin intended to be used in an electronic gaming machine, except that in the playing of any electronic gaming machine or similar gaming device, it shall be lawful for any person to use gaming billets, tokens or similar objects therein which are approved by the lottery commission;
- (2) possess or use, while on the premises of a parimutuel licensee location any cheating or thieving device, including but not limited to, tools, wires, drills, coins attached to strings or wires or electronic or magnetic devices to facilitate removing from any electronic gaming machine any money or contents thereof, except that a duly authorized employee of the lottery commission, Kansas racing and gaming commission or a parimutuel licensee may possess and use any of the foregoing only in furtherance of the employee's employment at the parimutuel licensee location; or

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(3) possess or use, while on the premises of any parimutuel licensee location any key or device designed for the purpose of or suitable for opening or entering any electronic gaming machine or similar gaming device or drop box. An authorized employee of the lottery commission, Kansas racing and gaming commission or a parimutuel licensee may possess and use any such key or device only in furtherance of the employee's employment at the parimutuel licensee location.

New Sec. 22. (a) No organization licensee or facility manager licensee shall permit any business not owned and operated by the organization licensee to provide electronic gaming machine equipment or services, as designated by the Kansas racing and gaming commission, to an organization licensee unless such business has been issued an electronic gaming machine equipment or services license by the Kansas racing and gaming commission. Such equipment and services include, but are not limited to, surveillance, electronic computer components, random number generator or cabinet thereof and token redemption equipment or services.

- Businesses required to be licensed pursuant to this section shall apply for electronic gaming machine equipment or services licenses in a manner and upon forms prescribed and furnished by the Kansas racing and gaming commission. The Kansas racing and gaming commission shall require disclosure of information about the owners and officers of each applicant and shall require such owners, officers and employees to submit to fingerprinting. Electronic gaming machine equipment or services licenses shall be issued for a period of time established by the Kansas racing and gaming commission but not to exceed 10 years. The Kansas racing and gaming commission shall establish a schedule of application fees and license fees for racing or wagering or electronic gaming machine equipment or services licenses based upon the type and size of business. The application fee shall not be refundable if the business fails to qualify for a license. If the application fee is insufficient to pay the reasonable expenses of processing the application and investigating the applicant's qualifications for licensure, the Kansas racing and gaming commission shall require the applicant to pay to the Kansas racing and gaming commission, at such times and in such form as required by the Kansas racing and gaming commission, any additional amounts necessary to pay such expenses. No license shall be issued to an applicant until the applicant has paid such additional amounts in full, and such amounts shall not be refundable except to the extent that they exceed the actual expenses of processing the application and investigating the applicant's qualifications for licensure.
- (c) The Kansas racing and gaming commission may require applicants as a condition of licensure to consent to allow agents of the Kansas bureau

of investigation or security personnel of the Kansas racing and gaming commission to search without warrant the licensee's premises and personal property and the persons of its owners, officers and employees while engaged in the licensee's business within the racetrack facility or adjacent facilities under the control of the organization licensee for the purpose of investigating criminal violations of this act or violations of rules and regulations of the Kansas racing and gaming commission.

- (d) Action taken by the Kansas racing and gaming commission concerning the license of an electronic gaming machine equipment or services business shall be in accordance with the Kansas administrative procedure act. The Kansas racing and gaming commission may refuse to issue an electronic gaming machine equipment or services license to any business if any person who owns a 5% or more interest in such business, any person who is an officer of such business or any person employed by such business within the racetrack facility:
- (1) If within the last five years, (A) has been convicted of a felony in a court of the United States or any state or territory of the United States or has been adjudicated as a juvenile of an act which, if committed by an adult, would constitute a felony or (B) has been convicted of two or more acts of violence in a court of the United States or any state or territory of the United States; (C) has been convicted of a violation of any law of the United States or any state or territory of the United States involving gambling or controlled substances or has been adjudicated as a juvenile an act which, if committed by an adult, would constitute such a violation;
- (2) fails to disclose any material fact or provides information, knowing such information to be false, in connection with the application for the license;
- (3) has been found by the Kansas racing and gaming commission to have violated any provision of this act or any rule and regulation of the Kansas racing and gaming commission;
- (4) is not current in filing all applicable tax returns and in payment of all taxes, interest and penalties owed to the state and any political subdivision thereof, excluding items under formal appeal pursuant to applicable statutes; or
- (5) has had any occupation or gaming license revoked, suspended or denied.
- (e) The Kansas racing and gaming commission may suspend or revoke the electronic gaming machine equipment or services license of any business for any reason which would justify refusal to issue such a license. Proceedings to suspend or revoke such license shall be conducted by the Kansas racing and gaming commission or its appointed hearing officer in accordance with the provisions of the Kansas administrative procedure act

- (f) The Kansas racing and gaming commission may provide by rules and regulations for the temporary suspension of an electronic gaming machine equipment or services license by summary adjudicative proceedings in accordance with the Kansas administrative procedure act upon finding that there is probable cause to believe that grounds exist for a permanent suspension or revocation of such license. Such suspension shall be for a period not exceeding 30 days. Upon expiration of such suspension, the license shall be restored unless the license has been suspended or revoked as a result of proceedings conducted pursuant to subsection (e).
- (g) The Kansas racing and gaming commission may provide by rules and regulations for the licensure of key gaming employees. Such rules and regulations may specify employment application forms, fees and procedures for suspension or revocation of any key gaming employee license.

New Sec. 23. No taxes, fees, charges, transfers or distributions, other than those provided for in this act, shall be made or levied on or against the net machine income of the Kansas lottery by any city, county or other political or taxing subdivision of the state.

New Sec. 24. Each lottery gaming machine operator shall hold the state, the executive director of the Kansas lottery, the Kansas lottery commission, the executive director of the Kansas racing and gaming commission and the Kansas racing and gaming commission harmless from and defend and pay for the defense of any and all claims which may be asserted against the state, the executive director, the Kansas lottery commission, the executive director of the Kansas racing and gaming commission, the Kansas racing and gaming commission or any employee of the state arising from electronic gaming machines located at the parimutuel licensee location of that lottery gaming machine operator. The provisions of this section shall not apply to any claims arising from the negligence or willful misconduct of the executive director, the Kansas lottery commission, the executive director of the Kansas racing and gaming commission, the Kansas racing and gaming commission, the state or the employees thereof.

- Sec. 25. K.S.A. 2000 Supp. 19-101a is hereby amended to read as follows: 19-101a. (a) The board of county commissioners may transact all county business and perform all powers of local legislation and administration it deems appropriate, subject only to the following limitations, restrictions or prohibitions:
- (1) Counties shall be subject to all acts of the legislature which apply uniformly to all counties.
  - (2) Counties may not consolidate or alter county boundaries.
  - (3) Counties may not affect the courts located therein.
  - (4) Counties shall be subject to acts of the legislature prescribing

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limits of indebtedness.

- In the exercise of powers of local legislation and administration authorized under provisions of this section, the home rule power conferred on cities to determine their local affairs and government shall not be superseded or impaired without the consent of the governing body of each city within a county which may be affected.
- (6) Counties may not legislate on social welfare administered under state law enacted pursuant to or in conformity with public law No. 271— 74th congress, or amendments thereof.
- (7) Counties shall be subject to all acts of the legislature concerning elections, election commissioners and officers and their duties as such officers and the election of county officers.
- (8) Counties shall be subject to the limitations and prohibitions imposed under K.S.A. 12-187 to 12-195, inclusive, and amendments thereto, prescribing limitations upon the levy of retailers' sales taxes by counties.
- (9) Counties may not exempt from or effect changes in statutes made nonuniform in application solely by reason of authorizing exceptions for counties having adopted a charter for county government.
- (10) No county may levy ad valorem taxes under the authority of this section upon real property located within any redevelopment area established under the authority of K.S.A. 12-1772, and amendments thereto, unless the resolution authorizing the same specifically authorized a portion of the proceeds of such levy to be used to pay the principal of and interest upon bonds issued by a city under the authority of K.S.A. 12-1774, and amendments thereto.
- (11) Counties shall have no power under this section to exempt from any statute authorizing or requiring the levy of taxes and providing substitute and additional provisions on the same subject, unless the resolution authorizing the same specifically provides for a portion of the proceeds of such levy to be used to pay a portion of the principal and interest on bonds issued by cities under the authority of K.S.A. 12-1774, and amendments thereto.
- (12) Counties may not exempt from or effect changes in the provisions of K.S.A. 19-4601 through 19-4625, and amendments thereto.
- (13) Except as otherwise specifically authorized by K.S.A. 12-1,101 through 12-1,109, and amendments thereto, counties may not levy and collect taxes on incomes from whatever source derived.
- (14) Counties may not exempt from or effect changes in K.S.A. 19-430, and amendments thereto.
- (15) Counties may not exempt from or effect changes in K.S.A. 19-302, 19-502b, 19-503, 19-805 or 19-1202, and amendments thereto.
- (16) (A) Counties may not exempt from or effect changes in K.S.A. 43 13-13a26, and amendments thereto.

- (B) This provision shall expire on June 30, 2003.
- 2 (17) (A) Counties may not exempt from or effect changes in K.S.A. 3 2000 Supp. 71-301a, and amendments thereto.
  - (B) This provision shall expire on June 30, 2003.
  - (18) Counties may not exempt from or effect changes in K.S.A. 19-15,139, 19-15,140 and 19-15,141, and amendments thereto.
  - (19) Counties may not exempt from or effect changes in the provisions of K.S.A. 12-1223, 12-1225, 12-1225a, 12-1225b, 12-1225c and 12-1226, and amendments thereto, or the provisions of K.S.A. 2000 Supp. 12-1260 through 12-1270 and 12-1276, and amendments thereto.
  - (20) Counties may not exempt from or effect changes in the provisions of K.S.A. 19-211, and amendments thereto.
  - (21) Counties may not exempt from or effect changes in the provisions of K.S.A. 19-4001 through 19-4015, and amendments thereto.
  - (22) Counties may not regulate the production or drilling of any oil or gas well in any manner which would result in the duplication of regulation by the state corporation commission and the Kansas department of health and environment pursuant to chapter 55 and chapter 65 of the Kansas Statutes Annotated and any rules and regulations adopted pursuant thereto. Counties may not require any license or permit for the drilling or production of oil and gas wells. Counties may not impose any fee or charge for the drilling or production of any oil or gas well.
  - (23) Counties may not exempt from or effect changes in K.S.A. 79-41a04, and amendments thereto.
  - (24) Counties may not exempt from or effect changes in K.S.A. 79-1611, and amendments thereto.
  - (25) Counties may not exempt from or effect changes in K.S.A. 79-1494, and amendments thereto.
  - (26) Counties may not exempt from or effect changes in subsection (b) of K.S.A. 19-202, and amendments thereto.
  - (27) Counties may not exempt from or effect changes in subsection (b) of K.S.A. 19-204, and amendments thereto.
  - (28) Counties may not levy or impose an excise, severance or any other tax in the nature of an excise tax upon the physical severance and production of any mineral or other material from the earth or water.
  - (29) Counties may not exempt from or effect changes in K.S.A. 79-2017 or 79-2101, and amendments thereto.
  - (30) Counties may not exempt from or effect changes in K.S.A. 2-3302, 2-3305, 2-3307, 17-5904, 17-5908, 47-1219 or 65-171d or K.S.A. 2000 Supp. 2-3318, 17-5909 or 65-1,178 through 65-1,199, and amendments thereto.
- 42 (31) Counties may not exempt from or effect changes in K.S.A. 2000 43 Supp. 80-121, and amendments thereto.

- (32) Counties may not exempt from or effect changes in K.S.A. 74-8701 et seq., 74-8801 et seq. or section 2 et seq., and amendments thereto.
- (b) Counties shall apply the powers of local legislation granted in subsection (a) by resolution of the board of county commissioners. If no statutory authority exists for such local legislation other than that set forth in subsection (a) and the local legislation proposed under the authority of such subsection is not contrary to any act of the legislature, such local legislation shall become effective upon passage of a resolution of the board and publication in the official county newspaper. If the legislation proposed by the board under authority of subsection (a) is contrary to an act of the legislature which is applicable to the particular county but not uniformly applicable to all counties, such legislation shall become effective by passage of a charter resolution in the manner provided in K.S.A. 19-101b, and amendments thereto.
- (c) Any resolution adopted by a county which conflicts with the restrictions in subsection (a) is null and void.
- Sec. 26. K.S.A. 2000 Supp. 74-8723 is hereby amended to read as follows: 74-8723. (a) The Kansas lottery and the office of executive director of the Kansas lottery, established by K.S.A. 74-8703, and amendments thereto, and the Kansas lottery commission, created by K.S.A. 74-8709, and amendments thereto, shall be and hereby are abolished on July  $1, \frac{2002}{2012}$ .
- (b) This section shall be part of and supplemental to the Kansas lottery act.
- Sec. 27. K.S.A. 74-8702 and K.S.A. 2000 Supp. 19-101a and 74-8723 are hereby repealed.
- Sec. 28. This act shall take effect and be in force from and after its publication in the statute book.