Session of 2002

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## SENATE BILL No. 621

By Committee on Federal and State Affairs

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(i) "Prize" means any prize paid directly by the Kansas lottery pur-1 2 suant to its rules and regulations.

3 (j) "Share" means any intangible manifestation authorized by the Kansas lottery to prove participation in a lottery game. 4

(k) "Ticket" means any tangible evidence issued by the Kansas lottery 56 to prove participation in a lottery game.

7 "Vendor" means any person who has entered into a major pro- $(\mathbf{l})$ curement contract with the Kansas lottery. 8

9 (m)"Returned ticket" means any ticket which was transferred to a 10 lottery retailer, which was not sold by the lottery retailer and which was 11 returned to the Kansas lottery for refund by issuance of a credit or 12 otherwise.

13 (n) (1)"Video lottery machine" means any electronic video game 14machine that, upon insertion of cash, is available to play or simulate the 15play of a video game authorized by the commission, including but not limited to bingo, poker, black jack and keno, and which uses a video 16 display and microprocessors and in which, by chance, the player may 17receive free games or credits that can be redeemed for cash. 18

19 (2) "Video lottery machine" shall not mean an electronic gaming ma-20*chine defined by this section.* 

21 (o) (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 the result of an element of chance, regardless of the skill required by the 2324player, 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, but not limited to, any machine or device on which a lottery game or 2728lottery games, such as poker or blackjack, are played;

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

32 any lottery ticket vending machine, such as a keno ticket vending  $(\mathbf{C})$ 33 machine, pull-tab vending machine or an instant-bingo vending machine. 34

"Lottery machine" shall not mean: (2)

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

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

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

(D) any machine excluded from the definition of gambling devices 41 42 under subsection (d) of K.S.A. 21-4302, and amendments thereto-; or

any electronic gaming machine as defined by this section. 43 (E)

(p) "Electronic card" means a card purchased from a lottery gaming
 machine operator for use on an electronic gaming machine.

3 (q) (1) "Electronic gaming machine" means any electronic, electromechanical, video or computerized device, contrivance or machine au-4 thorized by the commission which, upon the insertion of cash, tokens, 5electronic cards or any consideration, is available to play, operate or sim-6 ulate the play of, a game authorized by the commission at a parimutuel 7 licensee location, including but not limited to, bingo, poker, blackjack, 8 9 keno and slot machines and which may deliver or entitle the player op-10 erating the machine to receive cash, tokens, merchandise or credits that may be redeemed for cash. Electronic gaming machines may use bill val-11 idators and may be single-position reel-type, single or multi-game video 12 13 and single-position multigame video electronic games including, but not limited to, bingo, poker, blackjack, keno and slot machines. Electronic 14 15gaming machines shall be linked to a central computer at the parimutuel licensee location for purposes of security, monitoring and auditing. 16

(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.

21"Key gaming employee" means any natural person 21 years of age (r)or older employed by or under contract with a lottery gaming machine 22 operator or employed by or under contract with a person providing on 2324or off-site management or employee-related services to the lottery gaming 25machine operator including, but not limited to: (1) Gaming operator man-26 ager and assistant manager; (2) facilities operator manager; (3) electronic 27 games manager; (4) accounting department personnel; (5) count room employees; (6) cage department employees, including cashiers and main 2829 bank employees; (7) vault department employees; (8) approvers of credit; 30 (9) surveillance department employees; (10) security department employees; (11) floor managers; (12) electronic gaming device technicians; (13) 31 32 custodians of electronic gambling devices, including persons with access 33 to cash and accounting records within such devices; (14) collection personnel; (15) internal auditors of the lottery gaming machine operator; and 34 35 (16) any employee whose total cash compensation is in excess of \$50,000 36 per year.

(s) "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.

(t) "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

43 paid to players as winnings.

1 (u) "Organization licensee" means an organization licensee as defined 2 by K.S.A. 74-8802, and amendments thereto.

3 "Parimutuel licensee" means a facility owner licensee or a facility (v)manager licensee, as defined by K.S.A. 74-8802, and amendments thereto. 4  $\mathbf{5}$ (w) "Parimutuel licensee location" means a racetrack facility located on or immediately adjacent to the real estate of a parimutuel licensee 6 7 where live horse racing or live greyhound racing has been authorized or for which application for authorization is pending prior to the effective 8 9 date of this act, to be conducted pursuant to the Kansas parimutuel racing 10 act. A parimutuel licensee location may include any of the existing struc-11 tures located on the real estate where the live horse racing or live greyhound racing is authorized to be conducted or any other structures that 12 13 may be constructed on or immediately adjacent to such real estate.

(x) "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.

(y) "Technology provider" means any person or entity other than a
lottery gaming machine operator that designs, manufactures, installs, operates, distributes, supplies or replaces an electronic gaming machine for
sale, lease or use in accordance with this act.

(z) "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.

43 (b) The lottery gaming machine operator shall purchase a license for

all software programs used by such lottery gaming machine operator to 1 operate electronic gaming machines. The cost of such license shall be 2 3 paid by the operator, but shall be owned by the Kansas lottery. The Kan-4 sas lottery shall be the licensee of all such software programs and shall sublicense such software programs to each lottery gaming machine op-56 erator. Electronic gaming machines purchased or leased by the lottery 7 gaming machine operator at its own expense may be installed, operated or managed, owned or leased by a lottery gaming machine operator or 8 9 by a technology provider under contract with the lottery gaming machine 10 operator as provided by this act. Such machines shall be subject to the 11 ultimate control of the Kansas lottery in accordance with this act. Each specific type of electronic gaming machine shall be approved by the Kan-12sas lottery in accordance with K.S.A. 74-8710, and amendments thereto. 13 14The 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.

23 (e) Contracts authorized by this section may include provisions relat-24 ing 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.

36 (4) The eligibility requirements for employees of a lottery gaming 37 machine operator who will have responsibility for the handling of cash or 38 tokens. Such requirements may include a background investigation per-39 formed by the Kansas racing and gaming commission and that any key 40 gaming employee shall be licensed as provided in section 22, and amend-41 ments thereto.

42 (5) Provision for termination of the contract by either party for cause,43 including but not limited to, failure of the lottery gaming machine op-

erator to maintain a parimutuel license in accordance with K.S.A. 74 8801 *et seq.*, and amendments thereto, failure of the lottery gaming ma chine operator to collect and remit net machine income pursuant to this
 act, and amendments thereto.

5 (6) Any other provision deemed necessary by the parties pursuant to 6 this section.

7 (f) The Kansas lottery shall examine prototypes of electronic gaming 8 machines and shall notify the Kansas racing and gaming commission 9 which types of electronic gaming machines are in compliance with the 10 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.

18(h) The executive director shall require any manufacturer, supplier, 19 provider, lottery gaming machine operator or other person seeking the 20 examination and certification of electronic gaming machines to pay the 21anticipated actual costs of the examination in advance. After the comple-22 tion of the examination, the executive director shall refund any over-23 payment or charge and collect amounts sufficient to reimburse the ex-24ecutive director for any underpayment of actual costs. The executive 25director may contract for the examination of electronic gaming machines 26 as required by this subsection, and may rely upon testing done by or for 27other states regulating electronic gaming machines, if the executive di-28rector deems such testing to be reliable and in the best interest of the 29state of Kansas.

30 (i) Electronic gaming machines operated pursuant to this act shall:

31 (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.

42 New Sec. 4. In addition to the powers granted pursuant to K.S.A. 43 74-8704 and section 3, and amendments thereto, the executive director

shall have the power to: 1

(a) Enter into contracts with parimutuel licensees for placement, re-2 3 placement 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 amend-7 ments thereto.

(b) Examine or cause to be examined by any agent or representative 8 9 designated by the executive director any books, papers, records or mem-10 oranda of any gaming machine operator for the purpose of ascertaining 11 compliance with the provisions of the Kansas lottery act or this act or rules and regulations adopted thereunder. 12

13 (c) Issue subpoenas to compel access to or for the production of any 14books, papers, records or memoranda in the custody or control of any 15lottery gaming machine operator or such operator's agents or employees, 16 or to compel the appearance of any lottery gaming machine operator or 17such operator's agents or employees for the purpose of ascertaining com-18pliance with the provisions of this act or rules and regulations adopted 19 hereunder. Subpoenas issued under the provisions of this subsection may 20 be served upon natural persons and corporations in the manner provided 21in K.S.A. 60-304, and amendments thereto, for the service of process by 22 any officer authorized to serve subpoenas in civil actions or by the exec-23 utive director or an agent or representative designated by the executive 24director. In the case of the refusal of any person to comply with any such 25subpoena, the executive director may make application to the district 26 court of any county where such books, papers, records, memoranda or 27person is located for an order to comply.

28(d) Inspect and view the operation of all machines, systems or facil-29 ities where electronic gaming machines controlled and operated by the 30 Kansas lottery are located.

31 Inspect and approve, prior to publication or distribution, all ad-(e) 32 vertising by a lottery gaming machine operator which includes any ref-33 erence to the Kansas lottery.

34 New Sec. 5. (a) Electronic gaming machines shall be operated pur-35 suant to this act only in counties where, in accordance with this section, 36 the qualified voters of the county have voted to permit operation of elec-37 tronic gaming machines at parimutuel racetracks within the county.

38 (b) The board of county commissioners of any county in which a 39 parimutuel licensee is located, by resolution, may submit and upon pres-40entation of a petition filed in accordance with subsection (c), shall submit to the qualified voters of the county a proposition to permit the operation 4142 of electronic gaming machines at parimutuel racetracks within the county. 43 The proposition shall be submitted to the voters either in a countywide

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special election called by the board of county commissioners for that 1 purpose and held not less than 90 days after the resolution is adopted or 2 3 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. 4 (c) A petition to submit a proposition to the qualified voters of a 56 county pursuant to this section shall be filed with the county election 7 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 8 9 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: 10 11 "We request an election to determine whether the operation of electronic 12 gaming machines by the Kansas lottery shall be permitted at parimutuel 13 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?"

20 (e) If a majority of the votes cast and counted at such election is in 21 favor of the proposition, the Kansas lottery shall enter a contract with 22 parimutuel licensees to operate such games. If a majority of the votes cast 23 and counted at an election under this section is against the proposition, 24the Kansas lottery shall not operate such games. The county election 25officer 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 26 27 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

43 displays live and simulcast parimutuel races on video terminals, has in-

stalled parimutuel windows for wagering on parimutuel races and con ducts live racing programs, in accordance with the requirements of this
 section, during the week in which any electronic gaming machine is
 operated.

5 (c) Except as provided in subsection (d) of this section, no electronic 6 gaming machine shall be operated at the following locations unless:

7 (1) During the first full calendar year and each year thereafter in 8 which electronic gaming machines are operated, the parimutuel licensee 9 shall conduct at the parimutuel licensee location in Sedgwick county at 10 least eight live racing programs each calendar week for the number of 11 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.

13 (2) During the first full calendar year and each year thereafter in 14 which electronic gaming machines are operated, the parimutuel licensee 15shall conduct at the parimutuel licensee location in Wyandotte county at 16 least eight live greyhound racing programs each calendar week for the 17number of weeks equal to or greater than the number of weeks raced 18during the 1998 calendar year with at least 13 live races conducted each 19program and also shall conduct at least 60 days of live horse racing with 20a minimum of seven live thoroughbred and three live quarterhorse races 21per 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 eight 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.

35 New Sec. 7. (a) There is hereby created the state technologically lit-36 erate work force development fund in the state treasury. All moneys cred-37 ited to such fund shall be expended or transferred only for the purposes 38 and in the manner provided by this act and all expenditures from the state 39 technologically literate workforce development fund shall be made in ac-40cordance with appropriation acts. All moneys credited to such fund shall be allocated and credited monthly to the funds and in the amounts spec-4142 ified by this act except that the total of the amounts credited to such

43 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 1 which are in excess of \$25,000,000 shall be transferred and credited to 2 3 the economic development initiatives fund created by K.S.A. 79-4804, and amendments thereto, on July 15, 2003, and June 25, 2004, and each year thereafter on June 25.

Moneys in the state technologically literate workforce development 6 7 fund shall be used for the purposes of:

(1) Funding the K through 12 technology fund at the department of 8 9 education;

10 (2) enhancing funding for instructional and technology equipment for 11 colleges and universities, community colleges and vocational-technical 12 schools under the control of the Kansas board of regents, Washburn university and schools under the control of the board of education of any 13 14 school district; and

15(3) funding for Kan-Ed internet backbone project.

16 The director of accounts and reports shall disburse funds in accordance 17with appropriations made therefor to colleges and universities under the 18 control of the Kansas board of regents, Washburn university, community 19 colleges and vocational-technical schools under the supervision of the 20Kansas board of regents and the board of education of any school district. 21The legislature may appropriate only those moneys in the state techno-22 logically literate workforce development fund as of December 31 of each 23 year preceding the legislative session in which such appropriation is to be 24made. Such moneys shall not be used to replace property taxes or general 25fund support for activities, services, supplies, maintenance, salaries, benefits, equipment, facilities or other purposes existing and funded by fed-2627 eral, state or local moneys as of July 1, 2002.

28(b) There is hereby created in the state treasury the live horse racing 29 purse supplement fund. Moneys available in such fund shall be paid to 30 parimutuel licensees for distribution as purse supplements in accordance 31 with rules and regulations of the Kansas racing and gaming commission. 32 Such rules and regulations shall provide that an amount equal to 20% of 33 the moneys in the live horse racing purse supplement fund shall be trans-34 ferred to the horse breeding development fund created pursuant to 35 K.S.A. 74-8829, and amendments thereto, to be expended as provided 36 therein. The balance in such fund shall be expended upon recommen-37 dation of the respective thoroughbred and quarterhorse breed organiza-38 tions with the approval of the Kansas racing and gaming commission.

39 (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 40parimutuel licensees for distribution as purse supplements in accordance 4142 with rules and regulations of the Kansas racing and gaming commission.

Such rules and regulations shall provide that, in addition to purse sup-43

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plements paid to winners of live dog races at each parimutuel licensee 1 location, the lottery gaming machine operator at the parimutuel licensee 2 3 location shall pay to each winner that is a Kansas-whelped greyhound an 4 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 56 moneys available in such fund, in an amount not to exceed 20% of such 7 fund shall be transferred to the greyhound breeding development fund created pursuant to K.S.A. 74-8831, and amendments thereto, to be ex-8 9 pended as provided therein.

10 (d) There is hereby created in the state treasury the electronic gaming 11 machine operation and regulatory fund. Moneys in such fund shall be 12 used to pay for the expenses of the Kansas lottery and the Kansas racing 13 and gaming commission attributable to the operation and regulation of 14 electronic gaming machines. Unless otherwise provided by law, moneys 15in such fund may be expended only pursuant to appropriation and moneys 16 in excess of those appropriated to the Kansas lottery and the Kansas racing 17and gaming commission shall be transferred to the state gaming revenues 18 fund and expended as provided by appropriation.

19 New Sec. 8. (a) There is hereby created in the state treasury the 20 electronic gaming machine fund. Each lottery machine gaming operator 21 shall remit all net machine income to the executive director not less than 22 once each week. The executive director shall collect and remit to the state 23treasurer not less than once each week all net machine income received 24from lottery gaming machine operators to be credited to the electronic 25gaming machine fund. Separate accounts shall be maintained in the elec-26tronic gaming machine fund for receipt of funds from each lottery gaming 27 machine operator. Not less than once each week, the state treasurer shall 28distribute from the total receipts credited to each such account of the 29 electronic gaming machine fund an amount equal to:

30 (1) One percent to the electronic gaming machine operation and reg-31 ulatory fund;

32 (2) one-fourth percent to the state gaming revenues fund;

33 three and one-half percent to the live horse racing purse supple-(3)34 ment fund established pursuant to section 7, and amendments thereto. 35 Such moneys shall be distributed from the separate horse purse supple-36 ment accounts maintained pursuant to subsection (b) of section 7, and 37 amendments thereto, in accordance with rules and regulations of the 38 Kansas racing and gaming commission. Not less than \$1,600,000 shall be 39 guaranteed annually by parimutuel licensees to be charged against the 40accounts of such licensees on a pro rata basis. The revenues dedicated to purse supplements shall be distributed into separate quarterhorse and 4142 thoroughbred accounts, with each year's percentage calculated on an av-43 erage of the preceding three years' live starters in Kansas;

(4) seven 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

8 (5) twenty percent to the Kansas education enhancement fund estab-9 lished pursuant to section 7, and amendments thereto.

10 (b) After the distribution of moneys pursuant to subsection (a), the 11 state treasurer shall remit the balance in the account for each lottery 12 gaming machine operator to such lottery gaming machine operator not 13 less than once each week. From the moneys received pursuant to this 14 subsection, the lottery gaming machine operator shall pay the organiza-15 tion licensee such amounts as are agreed to by the organization licensee 16 and the lottery gaming machine operator.

17New Sec. 9. The Kansas lottery commission, upon the recommen-18 dation of the executive director, shall adopt rules and regulations neces-19 sary to carry out the purposes of this act. Temporary rules and regulations 20may be adopted by the commission without being subject to the provi-21sions and requirements of K.S.A. 77-415 through 77-438, and amend-22 ments thereto, but shall be subject to approval by the attorney general as 23 to legality and shall be filed with the secretary of state and published in 24the Kansas register. Temporary and permanent rules and regulations may 25include but shall not be limited to electronic gaming machines operated 26 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:

30 (1) Under 21 years of age;

(2) the executive director, a member of the commission or an em-ployee 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;

36 (4) a spouse, child, stepchild, brother, stepbrother, sister, stepsister, 37 parent or stepparent of a person described by subsection (a)(2) or (3); or 38 (5) a person who resides in the same household as any person de-

scribed by subsection (a)(2) or (3).

40 (b) Violation of subsection (a) is a class A nonperson misdemeanor
41 upon conviction for a first offense. Violation of subsection (a) is a severity
42 level 9, nonperson felony upon conviction for a second or subsequent
43 offense

43 offense.

1 (c) The executive director may authorize in writing any employee of 2 the Kansas lottery and any employee of a lottery vendor to play an elec-3 tronic gaming machine to verify the proper operation thereof with respect to security and contract compliance. Any prize awarded as a result of such 4 ticket purchase shall become the property of the Kansas lottery and be 56 added to the prize pools of subsequent lottery games. No money or merchandise shall be awarded to any employee playing an electronic gaming 7 machine pursuant to this subsection. 8

9 New Sec. 11. A parimutuel licensee shall post one or more signs on 10 licensed premises at points of entry to the areas where electronic gaming 11 machines are located to inform patrons of the toll-free number available 12 to provide information and referral services regarding compulsive or 13 problem gaming. The text shall be determined by the secretary of the 14department of social and rehabilitation services. Failure by the parimutuel 15licensee to post and maintain such signs shall be cause for the imposition 16 of a fine not to exceed \$500 per day.

17New Sec. 12. Each lottery gaming machine operator shall provide 18 access for the executive director or the executive director's designee or 19 the commission and its designated employees to all its records and the 20 physical premises where the electronic gaming machine activities occur 21 for the purpose of monitoring or inspecting the electronic gaming ma-22 chines and gaming equipment. None of the information disclosed pur-23 suant to this subsection shall be subject to disclosure under the Kansas 24open records act, K.S.A. 45-216 et seq., and amendments thereto.

25New Sec. 13. (a) Wagers shall be received only from a person present 26 at a parimutuel licensee location. No person present at a parimutuel li-27 censee location shall place or attempt to place a wager on behalf of an-28other person who is not present at a parimutuel licensee location.

29 (b) Violation of this section is a class A nonperson misdemeanor upon 30 a conviction for a first offense. Violation of this section is a severity level 31 9, nonperson felony upon conviction for a second or subsequent offense. 32 New Sec. 14. A person under age 21 shall not be permitted in an 33 area of a parimutuel licensee location where gaming is being conducted, 34 except for a person at least 18 years of age who is an employee of the 35 parimutuel licensee. No employee under age 21 shall perform any func-36 tion involved in gaming by the patrons. No person under age 21 shall be 37 permitted to make a wager on an electronic gaming machine.

38 New Sec. 15. If a disagreement arises between the executive director 39 and the Kansas racing and gaming commission with regard to their re-40spective duties or responsibilities in carrying out the purposes of the Kansas lottery act, such disagreement shall be resolved by the governor in a 41manner not inconsistent with the provisions of such act. 42

New Sec. 16. Pursuant to section 2 of the federal act entitled "An 43

1 Act to Prohibit Transportation of Gambling Devices in Interstate and 2 Foreign Commerce," 15 U.S.C. 1171 through 1777, the legislature of the 3 state of Kansas hereby declares and proclaims that it is exempt from the 4 provision of section 2 of such act to the extent that such gambling devices 5 are being transported to or from a licensed gaming machine operator at 6 a parimutuel licensee location within the state of Kansas.

7 New Sec. 17. Except for persons acting in accordance with the rules and regulations of the Kansas lottery and the Kansas racing and gaming 8 9 commission in performing installation, maintenance and repair services, 10 any person who, with the intent to manipulate the outcome, pay-off or 11 operation of an electronic gaming machine, manipulates the outcome, pay-off or operation of an electronic gaming machine by physical, elec-12trical or mechanical means shall be guilty of a severity level 8, nonperson 13 14felony.

15 New Sec. 18. Nothing in this act shall restrict the jurisdiction of the 16 Kansas racing and gaming commission to regulate activities conducted at 17 parimutuel licensee facilities including the premises on which electronic 18 gaming machines are operated. The days and hours of operation and the 19 number of electronic gaming machines shall not be restricted unless oth-20 erwise authorized by this act.

21 New Sec. 19. All sales of electronic gaming machine games shall be 22 exempt from sales taxes imposed pursuant to K.S.A. 12-187 *et seq.* and 23 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.

(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 par imutuel 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 powerto take any other action as may be reasonable or appropriate to enforcethe provisions of this act and any rules and regulations.

1 (g) The Kansas racing and gaming commission shall require an annual 2 audit of the electronic gaming machine operations of each lottery gaming 3 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 6 the lottery gaming machine operator to which such audit applies.

7 (h) Following completion of three years from the date upon which electronic gaming machines begin operation by each lottery gaming ma-8 9 chine operator pursuant to contract with the Kansas lottery, the Kansas 10 racing and gaming commission shall prepare an economic impact report 11 for the Kansas legislature detailing the costs and benefits of lottery gaming 12 machine operations. The report shall be filed with the president of the senate and speaker of the house prior to the first legislative session fol-13 14 lowing completion of the report. Such report shall include information 15on the use or distribution of net and gross machine income received from 16 the electronic gaming machine operations of each lottery gaming machine 17operator, including comparable electronic gaming machine operations in 18states within as close proximity to Kansas as possible, competitive market 19 analysis, tax benefits, payroll, capital investment and such other matters 20 that the Kansas racing and gaming commission may require. The Kansas 21racing and gaming commission may contract for the services of such in-22 dependent professionals as may be required to complete such report. 23Expenses for such report shall be paid pursuant to appropriation from 24the electronic gaming machine operation and regulatory fund.

25New Sec. 21. (a) It is a class A nonperson misdemeanor for any mem-26 ber, employee or appointee of the lottery commission or the Kansas rac-27 ing and gaming commission, including stewards and racing judges, know-28ingly to:

29 (1) participate in the operation of or have a financial interest in any 30 business which has been issued a concessionaire license, racing or wa-31 gering or electronic gaming machine equipment or services license, fa-32 cility owner license or facility manager license, or any business which sells 33 goods or services to an organization licensee;

34 participate directly or indirectly as an owner, operator, manager (2)35 or consultant in electronic gaming in Kansas;

36 place a wager on or bet or play an electronic gaming machine at (3)37 a parimutuel licensee location in Kansas;

38 (4) accept any compensation, gift, loan, entertainment, favor or serv-39 ice from any licensee, except such suitable facilities and services within a 40racetrack facility operated by an organization licensee as may be required to facilitate the performance of the member's, employee's or appointee's 4142 official duties;

43 (5) enter into any business dealing, venture or contract with an owner

4 5 1 or lessee of a parimutuel licensee location in Kansas; or

2 (6) engage in any activity described in subsection (1), (2), (4) or (5) 3 within two years from the last day of service as such member, employee 4 or appointee.

5 (b) It is a class A nonperson misdemeanor for any member, employee 6 or appointee of the Kansas racing and gaming commission, including 7 stewards and racing judges, knowingly to violate any of the provisions of 8 subsection (a).

9 (c) It is a severity level 8, nonperson felony for any person playing or 10 using any electronic gaming machine at a parimutuel licensee location in 11 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;

possess or use, while on the premises of a parimutuel licensee 18 (2)19 location any cheating or thieving device, including but not limited to, 20 tools, wires, drills, coins attached to strings or wires or electronic or mag-21 netic devices to facilitate removing from any electronic gaming machine 22 any money or contents thereof, except that a duly authorized employee 23of the lottery commission, Kansas racing and gaming commission or a 24parimutuel licensee may possess and use any of the foregoing only in 25furtherance of the employee's employment at the parimutuel licensee 26 location; or

(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.

34 New Sec. 22. (a) No organization licensee or facility manager li-35 censee shall permit any business not owned and operated by the organ-36 ization licensee to provide electronic gaming machine equipment or serv-37 ices, as designated by the Kansas racing and gaming commission, to an 38 organization licensee unless such business has been issued an electronic 39 gaming machine equipment or services license by the Kansas racing and gaming commission. Such equipment and services include, but are not 4041 limited to, surveillance, electronic computer components, random num-42 ber generator or cabinet thereof and token redemption equipment or

43 services.

1 (b) Businesses required to be licensed pursuant to this section shall 2 apply for electronic gaming machine equipment or services licenses in a 3 manner and upon forms prescribed and furnished by the Kansas racing 4 and gaming commission. The Kansas racing and gaming commission shall require disclosure of information about the owners and officers of each 56 applicant and shall require such owners, officers and employees to submit 7 to fingerprinting. Electronic gaming machine equipment or services licenses shall be issued for a period of time established by the Kansas racing 8 9 and gaming commission but not to exceed 10 years. The Kansas racing 10 and gaming commission shall establish a schedule of application fees and 11 license fees for racing or wagering or electronic gaming machine equip-12 ment or services licenses based upon the type and size of business. The 13 application fee shall not be refundable if the business fails to qualify for 14a license. If the application fee is insufficient to pay the reasonable ex-15penses of processing the application and investigating the applicant's qual-16 ifications for licensure, the Kansas racing and gaming commission shall 17require the applicant to pay to the Kansas racing and gaming commission, 18at such times and in such form as required by the Kansas racing and 19 gaming commission, any additional amounts necessary to pay such ex-20 penses. No license shall be issued to an applicant until the applicant has 21 paid such additional amounts in full, and such amounts shall not be re-22 fundable except to the extent that they exceed the actual expenses of 23processing the application and investigating the applicant's qualifications 24for licensure.

25The Kansas racing and gaming commission may require applicants (c) 26 as a condition of licensure to consent to allow agents of the Kansas bureau 27 of investigation or security personnel of the Kansas racing and gaming 28commission to search without warrant the licensee's premises and per-29 sonal property and the persons of its owners, officers and employees while 30 engaged in the licensee's business within the racetrack facility or adjacent 31 facilities under the control of the organization licensee for the purpose 32 of investigating criminal violations of this act or violations of rules and 33 regulations of the Kansas racing and gaming commission.

34 (d) Action taken by the Kansas racing and gaming commission con-35 cerning the license of an electronic gaming machine equipment or serv-36 ices business shall be in accordance with the Kansas administrative pro-37 cedure act. The Kansas racing and gaming commission may refuse to issue 38 an electronic gaming machine equipment or services license to any busi-39 ness if any person who owns a 5% or more interest in such business, any 40person who is an officer of such business or any person employed by such 41 business within the racetrack facility:

42 (1) If within the last five years, (A) has been convicted of a felony in43 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 1 adult, would constitute a felony or (B) has been convicted of two or more 2 3 acts of violence in a court of the United States or any state or territory of 4 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 gam-56 bling or controlled substances or has been adjudicated as a juvenile an 7 act which, if committed by an adult, would constitute such a violation; (2) fails to disclose any material fact or provides information, knowing 8

(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 ordenied.

(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.

27 (f) The Kansas racing and gaming commission may provide by rules 28and regulations for the temporary suspension of an electronic gaming 29machine equipment or services license by summary adjudicative pro-30 ceedings in accordance with the Kansas administrative procedure act 31 upon finding that there is probable cause to believe that grounds exist for 32 a permanent suspension or revocation of such license. Such suspension 33 shall be for a period not exceeding 30 days. Upon expiration of such 34 suspension, the license shall be restored unless the license has been sus-35 pended or revoked as a result of proceedings conducted pursuant to sub-36 section (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

43 the net machine income of the Kansas lottery by any city, county or other

1 political or taxing subdivision of the state.

2 New Sec. 24. Each lottery gaming machine operator shall hold the 3 state, the executive director of the Kansas lottery, the Kansas lottery com-4 mission, the executive director of the Kansas racing and gaming commis-5sion and the Kansas racing and gaming commission harmless from and 6 defend and pay for the defense of any and all claims which may be as-7 serted against the state, the executive director, the Kansas lottery com-8 mission, the executive director of the Kansas racing and gaming commis-9 sion, the Kansas racing and gaming commission or any employee of the 10 state arising from electronic gaming machines located at the parimutuel 11 licensee location of that lottery gaming machine operator. The provisions 12 of this section shall not apply to any claims arising from the negligence 13 or willful misconduct of the executive director, the Kansas lottery com-14 mission, the executive director of the Kansas racing and gaming commis-15sion, the Kansas racing and gaming commission, the state or the employ-16 ees thereof.

17 Sec. 25. K.S.A. 2001 Supp. 19-101a is hereby amended to read as 18 follows: 19-101a. (a) The board of county commissioners may transact all 19 county business and perform all powers of local legislation and adminis-20 tration it deems appropriate, subject only to the following limitations, 21 restrictions or prohibitions:

(1) Counties shall be subject to all acts of the legislature which applyuniformly to all counties.

24 (2) Counties may not consolidate or alter county boundaries.

25 (3) Counties may not affect the courts located therein.

26 (4) Counties shall be subject to acts of the legislature prescribing27 limits of indebtedness.

(5) 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.

33 (6) Counties may not legislate on social welfare administered under
34 state law enacted pursuant to or in conformity with public law No. 271—
35 74th congress, or amendments thereof.

36 (7) Counties shall be subject to all acts of the legislature concerning
37 elections, election commissioners and officers and their duties as such
38 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.

42 (9) Counties may not exempt from or effect changes in statutes made 43 nonuniform in application solely by reason of authorizing exceptions for 27

1 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 project 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.

9 (11) Counties shall have no power under this section to exempt from 10 any statute authorizing or requiring the levy of taxes and providing sub-11 stitute and additional provisions on the same subject, unless the resolution 12 authorizing the same specifically provides for a portion of the proceeds 13 of such levy to be used to pay a portion of the principal and interest on 14 bonds issued by cities under the authority of K.S.A. 12-1774, and amend-15 ments thereto.

16 (12) Counties may not exempt from or effect changes in the provi-17 sions of K.S.A. 19-4601 through 19-4625, and amendments thereto.

18 (13) Except as otherwise specifically authorized by K.S.A. 12-1,101
19 through 12-1,109, and amendments thereto, counties may not levy and
20 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. 19302, 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.
13-13a26, and amendments thereto.

(B) This provision shall expire on June 30, 2003.

28 (17) (A) Counties may not exempt from or effect changes in K.S.A.

29 2001 Supp. 71-301a, and amendments thereto.

30 (B) This provision shall expire on June 30, 2003.

31 (18) Counties may not exempt from or effect changes in K.S.A. 19-

32 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. 12-1260
through 12-1270 and 12-1276, and amendments thereto.

(20) Counties may not exempt from or effect changes in the provi-sions of K.S.A. 19-211, and amendments thereto.

39 (21) Counties may not exempt from or effect changes in the provi-40 sions of K.S.A. 19-4001 through 19-4015, and amendments thereto.

41 (22) Counties may not regulate the production or drilling of any oil

42 or gas well in any manner which would result in the duplication of reg-

43 ulation by the state corporation commission and the Kansas department

of health and environment pursuant to chapter 55 and chapter 65 of the 1 Kansas Statutes Annotated and any rules and regulations adopted pur-2 3 suant thereto. Counties may not require any license or permit for the 4 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. 56 (23) Counties may not exempt from or effect changes in K.S.A. 79-7 41a04, and amendments thereto. (24) Counties may not exempt from or effect changes in K.S.A. 79-8 9 1611, and amendments thereto. 10 (25) Counties may not exempt from or effect changes in K.S.A. 79-11 1494, and amendments thereto. (26) Counties may not exempt from or effect changes in subsection 12(b) of K.S.A. 19-202, and amendments thereto. 13 14 (27) Counties may not exempt from or effect changes in subsection 15(b) of K.S.A. 19-204, and amendments thereto. 16 (28) Counties may not levy or impose an excise, severance or any 17other tax in the nature of an excise tax upon the physical severance and 18production of any mineral or other material from the earth or water. 19(29) Counties may not exempt from or effect changes in K.S.A. 79-202017 or 79-2101, and amendments thereto. 21(30) Counties may not exempt from or effect changes in K.S.A. 2-22 3302, 2-3305, 2-3307, 2-3318, 17-5904, 17-5908, 47-1219 or 65-171d or 23K.S.A. 2001 Supp. 17-5909 or 65-1,178 through 65-1,199, and amend-24ments thereto. 25(31) Counties may not exempt from or effect changes in K.S.A. 2001 26 Supp. 80-121, and amendments thereto. 27(32) Counties may not exempt from or effect changes in K.S.A. 2001 28Supp. 19-228, and amendments thereto. (33) Counties may not exempt from or effect changes in K.S.A. 74-29 30 8701 et seq., 74-8801 et seq. or section 2 et seq., and amendments thereto. 31 (b) Counties shall apply the powers of local legislation granted in 32 subsection (a) by resolution of the board of county commissioners. If no 33 statutory authority exists for such local legislation other than that set forth 34 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 35 36 legislation shall become effective upon passage of a resolution of the 37 board and publication in the official county newspaper. If the legislation proposed by the board under authority of subsection (a) is contrary to an 38 39 act of the legislature which is applicable to the particular county but not 40uniformly applicable to all counties, such legislation shall become effective by passage of a charter resolution in the manner provided in K.S.A. 4142 19-101b, and amendments thereto. 43 (c) Any resolution adopted by a county which conflicts with the re-

strictions in subsection (a) is null and void. 

- Sec. 26. K.S.A. 2001 Supp. 19-101a and 74-8702 are hereby repealed.
- Sec. 27. This act shall take effect and be in force from and after its  $\mathbf{5}$ publication in the Kansas register.