

HOUSE BILL No. 2486

By Committee on Federal and State Affairs

2-17

9 AN ACT concerning lotteries; providing for the operation of video lottery
10 terminals at certain locations; amending K.S.A. 74-8702, 74-8704, 74-
11 8710 and 74-8718 and K.S.A. 2004 Supp. 74-8711 and repealing the
12 existing sections.
13

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

15 Section 1. K.S.A. 74-8702 is hereby amended to read as follows: 74-
16 8702. As used in the Kansas lottery act, unless the context otherwise
17 requires:

18 (a) "Commission" means the Kansas lottery commission.

19 (b) "Executive director" means the executive director of the Kansas
20 lottery.

21 (c) "Gaming equipment" means any electric, electronic or mechani-
22 cal device or other equipment unique to the Kansas lottery used directly
23 in the operation of any lottery and in the determination of winners pur-
24 suant to this act.

25 (d) "Kansas lottery" means the state agency created by this act to
26 operate a lottery or lotteries pursuant to this act.

27 (e) "Lottery retailer" means any person with whom the Kansas lottery
28 has contracted to sell lottery tickets or shares, or both, to the public.

29 (f) "Lottery" or "state lottery" means the lottery or lotteries operated
30 pursuant to this act.

31 (g) "Major procurement" means any gaming product or service, in-
32 cluding but not limited to facilities, advertising and promotional services,
33 annuity contracts, prize payment agreements, consulting services, equip-
34 ment, tickets and other products and services unique to the Kansas lot-
35 tery, but not including materials, supplies, equipment and services com-
36 mon to the ordinary operations of state agencies.

37 (h) "Person" means any natural person, association, corporation or
38 partnership.

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

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

43 (k) "Ticket" means any tangible evidence issued by the Kansas lottery

1 to prove participation in a lottery game.

2 (l) "Vendor" means any person who has entered into a major pro-
3 curement contract with the Kansas lottery.

4 (m) "Returned ticket" means any ticket which was transferred to a
5 lottery retailer, which was not sold by the lottery retailer and which was
6 returned to the Kansas lottery for refund by issuance of a credit or
7 otherwise.

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

14 (o) (1) "Lottery machine" means any machine or device that allows
15 a player to insert cash or other form of consideration and may deliver as
16 the result of an element of chance, regardless of the skill required by the
17 player, a prize or evidence of a prize, including, but not limited to:

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

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

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

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

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

30 (B) any nonprescription drug machine authorized under K.S.A. 65-
31 650, and amendments thereto;

32 (C) any machine which dispenses only bottled or canned soft drinks,
33 chewing gum, nuts or candies; ~~or~~

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

36 (E) *any video lottery terminal operated in accordance with the pro-*
37 *visions of this act.*

38 (p) "Central video lottery terminal computer system" means the cen-
39 tral computer system, which monitors the operations of all video termin-
40 als, approved by the Kansas lottery and which is provided by the central
41 video lottery terminal computer system provider in accordance with this
42 act.

43 (q) "Central video lottery terminal computer system provider" means

1 a person with whom the executive director has contracted for the purpose
2 of providing and maintaining a central video lottery terminal computer
3 system and the related management facilities with respect to operating
4 and servicing the video lottery terminals.

5 (r) "Club location" means the premises of a limited video lottery re-
6 tailer which are licensed pursuant to the club and drinking establishment
7 act.

8 (s) "Gray machine" means any mechanical, electromechanical or elec-
9 tronic device, capable of being used for gambling, that is: (1) Not author-
10 ized by the Kansas lottery, (2) not connected to the central video lottery
11 terminal computer system, (3) available to the public for play and (4)
12 capable of simulating a game played on a video lottery terminal or any
13 similar gambling game authorized pursuant to this act.

14 (t) "Limited video lottery retailer" means any veterans or fraternal
15 organization with which the Kansas lottery has contracted to conduct
16 games on video lottery terminals. Except as otherwise specifically pro-
17 vided herein, all provisions of the Kansas lottery act pertaining to lottery
18 retailers shall also apply to limited video lottery retailers.

19 (u) "Net video lottery terminal income" means all cash or other con-
20 sideration utilized to play a video lottery terminal, less all cash or other
21 consideration paid out to winning players as prizes.

22 (v) "Progressive video lottery game" means any game whose jackpot
23 grows and accumulates as it is being played on a video lottery terminal
24 and whose outcome is randomly determined by the play of video lottery
25 terminals linked to the central video lottery terminal computer system.

26 (w) "Veterans or fraternal organization" means an organization
27 which is licensed as a class A club pursuant to the club and drinking
28 establishment act, the charter of which has been in existence for a period
29 of not less than five continuous years prior to the date of application to
30 become a limited video lottery retailer and which is a bona fide member
31 of one of the following organizations:

- 32 (1) The American Legion;
- 33 (2) the Veterans of Foreign Wars;
- 34 (3) the Fraternal Order of Eagles;
- 35 (4) the Benevolent and Protective Order of Elks;
- 36 (5) the Knights of Columbus;
- 37 (6) the Loyal Order of Moose; or
- 38 (7) the Order of the Mystic Shrine.

39 (x) "Video lottery" means any lottery conducted with a video lottery
40 terminal or, with respect to a progressive game, a network of linked video
41 lottery terminals.

42 (y) "Video lottery game" means any electronically simulated game of
43 chance, including but not limited to video poker, keno, line-up, or black-

- 1 *jack, displayed and played on a video lottery terminal.*
- 2 (z) *“Video lottery terminal” means any electronic machine in which*
3 *vouchers, electronic cards or other non-cash media approved by the Kan-*
4 *sas lottery are deposited in order to play in a game of chance in which*
5 *the results, including options available to the player, are randomly and*
6 *immediately determined by the machine, and is connected to the central*
7 *video lottery terminal computer system. A video lottery terminal may use*
8 *spinning reels or video displays or both and must print and deliver a*
9 *voucher, electronic card or other non-cash media approved by the Kansas*
10 *lottery directly to each player with an existing credit balance at the end*
11 *of play.*
- 12 (aa) *“Video lottery terminal associated equipment” means any pro-*
13 *prietary device, machine or part used in the manufacture, operation or*
14 *maintenance of a video lottery terminal.*
- 15 (bb) *“Video lottery terminal management contract” means an agree-*
16 *ment between the Kansas Lottery and a limited video lottery retailer,*
17 *which governs the placement and operation of video lottery terminals,*
18 *including allocation and payment of expenses, agent commissions, and the*
19 *state’s share of net video terminal income.*
- 20 (cc) *“Video lottery terminal manufacturer” means any individual,*
21 *firm, corporation or other legal entity certified by the Kansas lottery to*
22 *assemble or produce video lottery terminals or video lottery terminal as-*
23 *sociated equipment for sale or use in this state.*
- 24 (dd) *“Voucher” means a bearer instrument in the form of a printed*
25 *ticket or facsimile issued by a video lottery terminal to a player that rep-*
26 *resents the existing credit balance accumulated by a player of the video*
27 *lottery terminal. A voucher is a secure document that carries a unique*
28 *identifier in the form of a serial number and bar code issued by the central*
29 *video lottery terminal computer system.*
- 30 New Sec. 2. (a) The Kansas lottery shall implement a video lottery
31 program whereby it places video lottery terminals at club locations.
- 32 (b) The Kansas lottery shall not place video lottery terminals at any
33 club location unless the commission has adopted rules and regulations as
34 provided in this act.
- 35 New Sec. 3. (a) Net video lottery terminal income shall be distrib-
36 uted as follows:
- 37 (1) One percent of net video lottery terminal income to the lottery
38 operating fund established by K.S.A. 74-8711, and amendments thereto;
- 39 (2) one half of one percent of net video lottery terminal income to
40 the problem gambling grant fund established by K.S.A. 79-4805, and
41 amendments thereto;
- 42 (3) eight and one half percent of net video lottery terminal income
43 to the veterans benefit fund established by this section;

1 (4) one percent of net video lottery terminal income to the county of
2 the club location;

3 (5) one percent of net video lottery terminal income to the city, if
4 any, of the club location;

5 (6) forty-five percent of net video lottery terminal income to the state
6 general fund; and

7 (7) forty-three percent of net video lottery terminal income to the
8 limited video lottery retailer.

9 (b) All net video lottery terminal income shall be paid daily and elec-
10 tronically to the executive director. The executive director shall remit all
11 moneys received therefrom to the state treasurer in accordance with
12 K.S.A. 75-4215, and amendments thereto. Upon receipt of the remit-
13 tance, the state treasurer shall deposit the entire amount in the state
14 treasury and credit it to the respective account maintained for the limited
15 video lottery retailer in the video lottery fund, which is hereby established
16 in the state treasury.

17 (c) The executive director shall certify weekly to the director of ac-
18 counts and reports the percentages or amounts to be transferred to each
19 account maintained in the video lottery fund in accordance with subsec-
20 tion (a). Upon receipt of the certification, the director of accounts and
21 reports shall transfer amounts from each such account in accordance with
22 the certification of the executive director. Once each week, the executive
23 director shall cause amounts from each such account to be paid to cities,
24 counties and limited video lottery retailers in accordance with subsection
25 (a).

26 (d) There is hereby established in the state treasury the veterans ben-
27 efit fund. Moneys in the veterans benefit fund shall be expended by the
28 Kansas commission on veterans affairs, in accordance with appropriation
29 acts, for use only for purposes directly benefitting veterans of the United
30 States armed forces.

31 New Sec. 4. (a) In accordance with rules and regulations adopted by
32 the commission, the executive director shall have general responsibility
33 for the implementation and administration of the provisions of this act
34 relating to video lottery, including without limitation, the responsibility
35 to:

36 (1) Establish a statewide video lottery terminal network in accordance
37 with the provisions of this act;

38 (2) review and determine promptly and in reasonable order all cer-
39 tificate applications or proceedings for suspension or revocation of
40 certificates;

41 (3) perform all duties required of the executive director under the
42 provisions of this act relating to video lottery;

43 (4) collect all fees imposed pursuant to this act, and amendments

1 thereto;

2 (5) certify net video lottery terminal income by inspecting records,
3 conducting audits, having agents of the Kansas lottery on site or by any
4 other reasonable means;

5 (6) assist the commission in the promulgation of rules and regulations
6 concerning the operation of a statewide video lottery terminal network,
7 which rules and regulations shall include, without limitation, the
8 following:

9 (A) The denomination of all bills, coins, tokens or other media
10 needed to play video lottery terminals;

11 (B) payout from video lottery terminals, provided that such payouts
12 (i) shall not be less than 87% on an average annual basis and (ii) shall not
13 exceed 95% on an average annual basis without express written approval
14 from the executive director, who may approve payouts up to 99%;

15 (C) a certification requirement and enforcement procedure for offi-
16 cers, directors, board members, and key employees, specified by the ex-
17 ecutive director, of limited video lottery retailers, which certification re-
18 quirement shall include the compliance with such security, fitness and
19 background standards as the executive director may deem necessary re-
20 lating to competence, honesty and integrity, such that a person's repu-
21 tation, habits and associations do not pose a threat to the public interest
22 of the state or to the reputations of or effective regulation and control of
23 the video lottery; it being specifically understood that any person con-
24 victed of any felony, a crime involving gambling or a crime of moral
25 turpitude within 10 years prior to applying for a certificate as such sales
26 agent or at any time thereafter shall be deemed unfit. The Kansas lottery
27 shall conduct the security, fitness and background checks required pur-
28 suant to such rules and regulations;

29 (D) a certification requirement and enforcement procedure for those
30 persons or entities, including video lottery terminal manufacturers and
31 the central video lottery terminal computer system providers, who pro-
32 pose to contract with a limited video lottery retailer or the state for the
33 provision of goods or services related to the video lottery, including man-
34 agement services, which certification requirements shall include the com-
35 pliance with such security, fitness and background standards of officers,
36 directors, key employees specified by the executive director and persons
37 who own, directly or indirectly, 5% or more of such entity, as the executive
38 director may deem necessary relating to competence, honesty and integ-
39 rity, such that a persons's reputation, habits and associations do not pose
40 a threat to the public interest of the state or to the reputation of or
41 effective regulation and control of the video lottery; it being specifically
42 understood that any person convicted of any felony, a crime involving
43 gambling or a crime of moral turpitude within 10 years prior to applying

1 for a certificate hereunder or at any time thereafter shall be deemed unfit.
2 The executive director may determine whether the certification standards
3 of another state are comprehensive, thorough, and provide similar ade-
4 quate safeguards and, if so, may in the executive director's discretion
5 certify an applicant already certified in such state without the necessity
6 of a full application and background check. The Kansas lottery shall con-
7 duct the security, fitness and background checks required under this rule
8 or regulation;

9 (E) the number of video lottery terminals permitted in each club
10 location. The number of video lottery terminals at each club location shall
11 not exceed five.

12 (F) limited video lottery retailers shall not advertise, market or pro-
13 mote the existence of video lottery terminals at any club location, except
14 to the members of the veterans or fraternal organization at which the
15 video lottery terminals are located;

16 (G) the registration, kind, type, number and location of video lottery
17 terminals at any club location;

18 (H) the on-site security arrangements for the video lottery terminals;

19 (I) rules and regulations and procedures for the accounting and re-
20 porting of the payments required from limited video lottery retailers un-
21 der section 11, and amendments thereto, including the calculations re-
22 quired for such payments;

23 (K) requiring the reporting of information about any video lottery,
24 limited video lottery retailer, its employees, vendors and finances nec-
25 essary or desirable to ensure the security of the video lottery system. None
26 of the information disclosed pursuant to this subsection shall be subject
27 to disclosure under the Kansas open records act; and

28 (L) the reporting and auditing of financial information of limited
29 video lottery retailers, including, but not limited to, the reporting of prof-
30 its or losses incurred by limited video lottery retailers and the reporting
31 of such other information as the executive director may require to deter-
32 mine compliance with this act and the rules and regulations adopted here-
33 under. None of the information disclosed pursuant to this subsection shall
34 be subject to disclosure under the Kansas open records act.

35 (b) The executive director shall have the authority to issue subpoenas
36 and compel the attendance of witnesses, administer oaths, and require
37 testimony under oath for the purpose of determining compliance with
38 the provisions of this act relating to video lottery.

39 (c) The Kansas lottery shall operate the video lottery terminal net-
40 work through the central video lottery terminal computer system. The
41 central video lottery terminal computer system shall be capable of audit-
42 ing the operation, financial data and program information of the video
43 lottery terminal network. All equipment or devices required for operation

1 of the central video lottery terminal computer system shall be included
2 in any contract made for the purpose of providing or operating such
3 system.

4 (d) The central video lottery terminal computer system shall be used
5 for the operation of the video lottery terminal network and shall incor-
6 porate electronic fund transfer procedures to facilitate the collection of
7 revenue, be capable of disabling any video lottery terminal from play, and
8 be capable of communicating with all video lottery terminals approved
9 by the Kansas lottery. The central video lottery terminal computer system
10 provider shall provide certified manufacturers with the protocol docu-
11 mentation and the audit information and controls necessary to enable the
12 manufacturers' video lottery terminals to communicate with the Kansas
13 lottery's central video lottery terminal computer system. The central video
14 lottery terminal computer system shall not limit participation to only one
15 manufacturer of video lottery terminals or video lottery terminal associ-
16 ated equipment. The central video lottery terminal computer system pro-
17 vider shall be prohibited from providing video lottery terminals for use
18 in connection with the central video lottery terminal computer system.

19 (e) The executive director may remove from play and confiscate any
20 video lottery terminal or gray machine that does not comply with the
21 requirements of this act. Any video lottery terminal that the executive
22 director determines has been modified or the design of which has been
23 modified without the consent of the executive director may be removed
24 from play, confiscated by the executive director and disposed of in any
25 manner allowed by law.

26 (f) With regard to minutes and records of the commission:

27 (1) The Kansas lottery shall keep and maintain a list of all applicants
28 for certification under this act, together with a record of all actions taken
29 with respect to such applicants. A file and record of the Kansas lottery's
30 actions shall be open to public inspection pursuant to the Kansas open
31 records act, but the information regarding any applicant whose certificate
32 has been denied, revoked, or not renewed shall be removed from such
33 list five years after the date certification was denied, revoked, or not
34 renewed.

35 (2) All information and data required by the Kansas lottery to be
36 furnished to it, or which may otherwise be obtained, relative to the fi-
37 nances, earnings or revenue, except the net video lottery terminal income,
38 of any vendor shall be considered confidential and shall not be revealed
39 in whole or in part without permission of the vendor, except in the course
40 of the necessary administration of this act, or upon the lawful order of a
41 court of competent jurisdiction, or with the approval of the attorney gen-
42 eral, to a duly authorized law enforcement agency.

43 (3) All information and data pertaining to an applicant's criminal rec-

1 ord, family, and background furnished to or obtained by the Kansas lot-
2 tery from any source shall be considered confidential and shall not be
3 revealed, in whole or part. Such information shall be released upon the
4 lawful order of a court of competent jurisdiction or, with the approval of
5 the attorney general, to a duly authorized law enforcement agency.

6 (4) Notice of the contents of any information released, except to a
7 duly authorized law enforcement agency pursuant to subsection (f), shall
8 be given to any applicant, certificate holder or vendor in a manner pre-
9 scribed by the rules and regulations adopted by the commission.

10 New Sec. 5. (a) The executive director may issue, suspend, revoke,
11 and renew certificates for video lottery terminal manufacturers, video
12 lottery terminals or limited video lottery retailers pursuant to rules and
13 regulations adopted by the commission.

14 (b) Any individual, firm, corporation, or other legal entity seeking to
15 obtain a certificate pursuant to rules and regulations adopted by the com-
16 mission shall apply to the executive director for such certificate on forms
17 provided by the executive director.

18 (c) The executive director shall notify an applicant who is found, for
19 any reason, to be unfit for certification, of the specific reasons therefore
20 which constitute the basis for the finding.

21 (d) No certificate issued pursuant to this section shall be assignable
22 or transferable.

23 (e) The executive director may examine any or all accounts, bank
24 accounts, financial statements, and records of the vendor in a vendor's
25 possession or under its control in which it has an interest and the vendor
26 must authorize all third parties, including parents, subsidiaries or related
27 entities, in possession or control of the accounts or records of the vendor
28 to allow examination of any or all of those accounts or records by the
29 executive director.

30 (f) A certificate shall be revoked upon finding that the certificate
31 holder, or an officer, director or board member thereof:

32 (1) Has knowingly provided false or misleading material information
33 to the Kansas lottery or its employees; or

34 (2) has been convicted of a felony, gambling related offense or any
35 crime of moral turpitude.

36 (g) A certificate may be suspended, revoked or not renewed for any
37 of the following causes:

38 (1) Failure to notify the Kansas lottery about a material change in
39 ownership of the certificate holder, or any change in the directors, officers
40 or board members thereof;

41 (2) a delinquency in remitting money owed to the Kansas lottery;

42 (3) any violation of any provision of any contract between the Kansas
43 lottery and the certificate holder; or

1 (4) any violation of any provision of this act or any rule or regulation
2 adopted by the commission.

3 New Sec. 6. (a) Video lottery terminals shall not be offered for use
4 or play in this state unless approved by the Kansas lottery. Video lottery
5 terminals may only offer video lottery games authorized by the Kansas
6 lottery.

7 (b) Video lottery terminals approved for use or play in this state shall:

8 (1) Be incapable of manipulation to effect the random probability of
9 winning plays;

10 (2) have one or more mechanisms that accept coins, tokens, or other
11 media approved by the Kansas lottery in exchange for game credits and
12 a voucher evidencing said credits, or if approved by the Kansas lottery be
13 capable of paying cash directly to the player, and such mechanisms shall
14 be designed to prevent players from obtaining credits or cash by means
15 of physical tampering;

16 (3) be capable of suspending play as a result of physical tampering
17 until reset at the direction of the executive director or the executive di-
18 rector's designee;

19 (4) have non-resettable electronic meters housed in a locked area of
20 the video lottery terminal that maintain a permanent record of all moneys
21 inserted into the terminal, all refunds of winnings, all credits played, and
22 all credits won by players; and

23 (5) be capable of being linked to the Kansas lottery's central video
24 lottery terminal computer.

25 Sec. 7. K.S.A. 74-8704 is hereby amended to read as follows: 74-
26 8704. (a) The executive director shall have the power to:

27 (1) Supervise and administer the operation of the state lottery in ac-
28 cordance with the provisions of this act and such rules and regulations as
29 adopted hereunder.

30 (2) Appoint, subject to the Kansas civil service act and within the
31 limitations of appropriations therefor, all other employees of the Kansas
32 lottery, which employees shall be in the classified service unless otherwise
33 specifically provided by this act.

34 (3) Enter into contracts for advertising and promotional services, sub-
35 ject to the provisions of subsection (b); annuities or other methods
36 deemed appropriate for the payment of prizes; data processing and other
37 technical products, equipment and services; and facilities as needed to
38 operate the Kansas lottery, including but not limited to gaming equip-
39 ment, tickets and other services involved in major procurement contracts,
40 in accordance with K.S.A. 74-8705 and amendments thereto.

41 (4) Enter into contracts with persons for the sale of lottery tickets or
42 shares to the public *and for conducting games on video lottery terminals*,
43 as provided by this act and rules and regulations adopted pursuant to this

1 act, which contracts shall not be subject to the provisions of K.S.A. 75-
2 3738 through 75-3744, and amendments thereto.

3 (5) Require lottery retailers to furnish proof of financial stability or
4 furnish surety in an amount based upon the expected volume of sales of
5 lottery tickets or shares.

6 (6) Examine, or cause to be examined by any agent or representative
7 designated by the executive director, any books, papers, records or mem-
8 oranda of any lottery retailer for the purpose of ascertaining compliance
9 with the provisions of this act or rules and regulations adopted hereunder.

10 (7) Issue subpoenas to compel access to or for the production of any
11 books, papers, records or memoranda in the custody or control of any
12 lottery retailer, or to compel the appearance of any lottery retailer or
13 employee of any lottery retailer, for the purpose of ascertaining compli-
14 ance with the provisions of this act or rules and regulations adopted here-
15 under. Subpoenas issued under the provisions of this subsection may be
16 served upon natural persons and corporations in the manner provided in
17 K.S.A. 60-304 and amendments thereto for the service of process by any
18 officer authorized to serve subpoenas in civil actions or by the executive
19 director or an agent or representative designated by the executive direc-
20 tor. In the case of the refusal of any person to comply with any such
21 subpoena, the executive director may make application to the district
22 court of any county where such books, papers, records, memoranda or
23 person is located for an order to comply.

24 (8) Administer oaths and take depositions to the same extent and
25 subject to the same limitations as would apply if the deposition were in
26 aid of a civil action in the district court.

27 (9) Require fingerprinting of employees and such other persons who
28 work in sensitive areas within the lottery as deemed appropriate by the
29 director. The director may submit such fingerprints to the Kansas bureau
30 of investigation and to the federal bureau of investigation for the purposes
31 of verifying the identity of such employees and persons and obtaining
32 records of their criminal arrests and convictions.

33 (b) The Kansas lottery shall not engage in on-site display advertising
34 or promotion of the lottery at any amateur athletic or sporting event
35 including, but not limited to, amateur athletic sporting events at institu-
36 tions under the jurisdiction and control of the state board of regents.

37 Sec. 8. K.S.A. 74-8710 is hereby amended to read as follows: 74-
38 8710. (a) The commission, upon the recommendation of the executive
39 director, shall adopt rules and regulations governing the establishment
40 and operation of a state lottery as necessary to carry out the purposes of
41 this act. Temporary rules and regulations may be adopted by the com-
42 mission without being subject to the provisions and requirements of
43 K.S.A. 77-415 through 77-438, and amendments thereto, but shall be

1 subject to approval by the attorney general as to legality and shall be filed
2 with the secretary of state and published in the Kansas register. Tem-
3 porary and permanent rules and regulations may include but shall not be
4 limited to:

5 (1) Subject to the provisions of subsection (c), the types of lottery
6 games to be conducted, including but not limited to instant lottery, on-
7 line and traditional games, but not including games on video lottery ma-
8 chines or lottery machines.

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

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

15 (4) The frequency of the drawings or selections of winning tickets or
16 shares.

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

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

20 (7) Additional qualifications for the selection of lottery retailers and
21 the amount of application fees to be paid by each.

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

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

25 (10) Provisions for confidentiality of information submitted by ven-
26 dors pursuant to K.S.A. 74-8705, and amendments thereto.

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

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

33 (b) No new lottery game shall commence operation after the effective
34 date of this act unless first approved by the governor or, in the governor's
35 absence or disability, the lieutenant governor.

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

40 (d) *The lottery shall adopt rules and regulations concerning video*
41 *lottery terminals. Such rules and regulations shall include, but not be*
42 *limited to, the following:*

43 (1) *Each limited video lottery retailer shall be permitted not more*

1 *than five video lottery terminals.*

2 (2) *Each video lottery terminal shall only be capable of non-cash*
3 *methods of initiating play and payment of prizes, whether by voucher,*
4 *electronic card or otherwise, but all prizes shall be redeemable in cash by*
5 *the limited video lottery retailer where the video lottery terminal is lo-*
6 *cated, which retailer shall receive credit on its lottery account for all prizes*
7 *paid. If a video lottery retailer is unable or fails to pay any prize, subject*
8 *to claim and validation, such prize may be claimed through and paid by*
9 *the Kansas lottery.*

10 (3) *All video lottery terminals shall be connected to a central computer*
11 *system operated and controlled by the Kansas lottery.*

12 (4) *Each video lottery terminal shall accept play from a minimum of*
13 *\$.25 per play to a maximum of \$2 per play and shall have a maximum*
14 *prize of \$1,000 per game.*

15 (5) *Notwithstanding the provisions of subsection (a) of K.S.A. 74-*
16 *8720, and amendments thereto, each video lottery terminal shall provide*
17 *a minimum average payout over the expected life of the video lottery*
18 *terminal of not more than 87% or, if the video lottery terminal is con-*
19 *nected to a progressive game a minimum average payout over the expected*
20 *life of the video lottery terminal not less than 82%.*

21 (6) *Video lottery terminals shall only be played by bona fide members*
22 *of the veterans or fraternal organization and their guests.*

23 (7) *Each limited video lottery retailer shall receive compensation as*
24 *provided by written agreement between such retailer and the Kansas lot-*
25 *tery, but not to exceed 43% of net video lottery terminal income.*

26 Sec. 9. K.S.A. 2004 Supp. 74-8711 is hereby amended to read as
27 follows: 74-8711. (a) There is hereby established in the state treasury the
28 lottery operating fund.

29 (b) Except as provided by K.S.A. 2004 Supp. 74-8724 and section 3,
30 and amendments thereto, the executive director shall remit all moneys
31 collected from the sale of lottery tickets and shares and any other moneys
32 received by or on behalf of the Kansas lottery to the state treasurer in
33 accordance with the provisions of K.S.A. 75-4215, and amendments
34 thereto. Upon receipt of each such remittance, the state treasurer shall
35 deposit the entire amount in the state treasury to the credit of the lottery
36 operating fund. Moneys credited to the fund shall be expended or trans-
37 ferred only as provided by this act. Expenditures from such fund shall be
38 made in accordance with appropriations acts upon warrants of the direc-
39 tor of accounts and reports issued pursuant to vouchers approved by the
40 executive director or by a person designated by the executive director.

41 (c) Moneys in the lottery operating fund shall be used for:

42 (1) The payment of expenses of the lottery, which shall include all
43 costs incurred in the operation and administration of the Kansas lottery;

- 1 all costs resulting from contracts entered into for the purchase or lease
 2 of goods and services needed for operation of the lottery, including but
 3 not limited to supplies, materials, tickets, independent studies and sur-
 4 veys, data transmission, advertising, printing, promotion, incentives, pub-
 5 lic relations, communications and distribution of tickets and shares; and
 6 reimbursement of costs of facilities and services provided by other state
 7 agencies;
- 8 (2) the payment of compensation to lottery retailers;
- 9 (3) transfers of moneys to the lottery prize payment fund pursuant to
 10 K.S.A. 74-8712, and amendments thereto;
- 11 (4) transfers to the state general fund pursuant to K.S.A. 74-8713,
 12 and amendments thereto;
- 13 (5) transfers to the state gaming revenues fund pursuant to subsection
 14 ~~(d) of this section~~ and as otherwise provided by law; and
- 15 (6) transfers to the county reappraisal fund as prescribed by law.
- 16 (d) The director of accounts and reports shall transfer moneys in the
 17 lottery operating fund to the state gaming revenues fund created by
 18 K.S.A. 79-4801, and amendments thereto, on or before the 15th day of
 19 each month in an amount certified monthly by the executive director and
 20 determined as follows, whichever is greater:
- 21 (1) An amount equal to the moneys in the lottery operating fund in
 22 excess of those needed for the purposes described in subsections (c)(1)
 23 through (c)(4); or
- 24 (2) except for pull-tab lottery tickets and shares, an amount equal to
 25 not less than 30% of total monthly revenues from the sales of lottery
 26 tickets and shares less estimated returned tickets. In the case of pull-tab
 27 lottery tickets and shares, an amount equal to not less than 20% of the
 28 total monthly revenues from the sales of pull-tab lottery tickets and shares
 29 less estimated returned tickets.
- 30 Sec. 10. K.S.A. 74-8718 is hereby amended to read as follows: 74-
 31 8718. (a) It is unlawful:
- 32 (1) To sell a lottery ticket or share at a price other than that fixed by
 33 rules and regulations adopted pursuant to this act;
- 34 (2) for any person, other than a lottery retailer authorized by the
 35 Kansas lottery, to sell or resell any lottery ticket or share;
- 36 (3) to sell a lottery ticket or share to any person, knowing such person
 37 to be under 18 years of age; ~~or~~
- 38 (4) to sell a lottery ticket at retail by electronic mail, the internet or
 39 telephone;
- 40 (5) *for any person, other than a limited video lottery retailer author-*
 41 *ized by the Kansas lottery, to conduct games on video lottery terminals;*
 42 (6) *for any person, other than a limited video lottery retailer author-*
 43 *ized by the Kansas lottery, to possess a video lottery terminal; or*

1 (7) *to allow any person to play a game on a video lottery terminal,*
2 *knowing such person to be under 21 years of age.*
3 (b) (1) Violation of this section is a class A nonperson misdemeanor
4 upon conviction for a first offense; and
5 (2) violation of this section is a severity level 9, nonperson felony upon
6 conviction for a second or subsequent offense.
7 Sec. 11. K.S.A. 74-8702, 74-8704, 74-8710 and 74-8718 and K.S.A.
8 2004 Supp. 74-8711 are hereby repealed.
9 Sec. 12. This act shall take effect and be in force from and after its
10 publication in the statute book.