

## HOUSE BILL No. 2822

By Committee on Tourism

2-11

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AN ACT concerning the Kansas lottery; authorizing the use of electronic gaming devices; amending K.S.A. 2001 Supp. 74-8702 and 74-8710 and repealing the existing sections.

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

New Section 1. (a) The Kansas lottery is hereby authorized to conduct and operate video lottery games.

(b) The executive director may enter into contracts for the placement of electronic gaming machines at a facility owned by any lottery retailer who is:

(1) An organization licensed to conduct pari-mutuel dog or horse racing games;

(2) an organization licensed as a club or drinking establishment under the club and drinking establishment act and which has been so licensed not less than two years at the same location; or

(3) an organization determined by the executive director to be a bona-fide nonprofit organization operating an historical tourist attraction.

(c) (1) The executive director shall allow no more than five electronic gaming machines per facility.

(2) All such machines shall be placed in an area where the admission of minors is restricted.

(3) Notwithstanding the provisions of paragraph (1), above, the director may allow additional machines in an otherwise qualified facility which is also licensed as a pari-mutuel track or which has otherwise been operated continuously for the previous two years as a sports facility. Additional machines shall be limited to one for every 500 square feet of the building structure which is devoted to such sporting facility and which square footage is under both common ownership and within the same building that is utilized for such sporting purposes. Placement of additional machines shall be contingent upon the licensed facility agreeing to use 20% of their revenues from the additional machines for purse or prize enhancements, or if appropriate, to support youth and charitable activities within that facility.

(d) The lottery shall own or lease and at all times have direct control of the machines and shall operate the same from a central processing unit

1 at the lottery.

2 (e) (1) No less than 87% of the money wagered shall be paid out in  
3 the form of prizes.

4 (2) Of the net proceeds, after payment of prizes, an amount not to  
5 exceed 30% shall be retained by or paid to the video lottery retailer. The  
6 video lottery retailer shall provide, without compensation or reimburse-  
7 ment, the retailer's own license fees, electrical and telephone service to  
8 the machines, floor space and labor to pay prizes and such other services  
9 as required pursuant to such retailer's contract with the lottery.

10 Sec. 2. K.S.A. 2001 Supp. 74-8702 is hereby amended to read as  
11 follows: 74-8702. As used in the Kansas lottery act, unless the context  
12 otherwise requires:

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

14 (b) (1) *"Electronic gaming machine" means any electronic, electro-*  
15 *mechanical, video or computerized device, contrivance or machine au-*  
16 *thorized by the commission which, upon the insertion of cash, tokens,*  
17 *electronic cards or any consideration, is available to play, operate or sim-*  
18 *ulate the play of, a game authorized by the commission, including but not*  
19 *limited to, bingo, poker, blackjack, keno and slot machines and which may*  
20 *deliver or entitle the player operating the machine to receive cash, tokens,*  
21 *merchandise or credits that may be redeemed for cash. Electronic gaming*  
22 *machines may use bill validators and may be single-position reel-type,*  
23 *single or multi-game video and single-position multigame video electronic*  
24 *games including, but not limited to, bingo, poker, blackjack, keno and slot*  
25 *machines. Electronic gaming machines shall be linked to a central com-*  
26 *puter for purposes of security, monitoring and auditing.*

27 (2) *"Electronic gaming machine" shall not include any casino table*  
28 *game, such as craps, poker, blackjack, roulette, keno, layout, numbers,*  
29 *tickets, baccarat, Klondike table, punchboard, punch cards, faro layout,*  
30 *ticket or pull tab.*

31 ~~(b)~~ (c) "Executive director" means the executive director of the Kan-  
32 sas lottery.

33 ~~(c)~~ (d) "Gaming equipment" means any electric, electronic or me-  
34 chanical device or other equipment unique to the Kansas lottery used  
35 directly in the operation of any lottery and in the determination of winners  
36 pursuant to this act.

37 ~~(d)~~ (e) "Kansas lottery" means the state agency created by this act to  
38 operate a lottery or lotteries pursuant to this act.

39 ~~(e)~~ (f) "Lottery retailer" means any person with whom the Kansas  
40 lottery has contracted to sell lottery tickets or shares, or both, to the  
41 public.

42 ~~(f)~~ (g) "Lottery" or "state lottery" means the lottery or lotteries op-  
43 erated pursuant to this act.

1 ~~(g)~~ (h) “Major procurement” means any gaming product or service,  
2 including but not limited to facilities, advertising and promotional serv-  
3 ices, annuity contracts, prize payment agreements, consulting services,  
4 equipment, tickets and other products and services unique to the Kansas  
5 lottery, but not including materials, supplies, equipment and services  
6 common to the ordinary operations of state agencies.

7 ~~(h)~~ (i) “Person” means any natural person, association, *limited liabil-*  
8 *ity company*, corporation or partnership.

9 ~~(i)~~ (j) “Prize” means any prize paid directly by the Kansas lottery  
10 pursuant to its rules and regulations.

11 ~~(j)~~ (k) “Share” means any intangible manifestation authorized by the  
12 Kansas lottery to prove participation in a lottery game.

13 ~~(k)~~ (l) “Ticket” means any tangible evidence issued by the Kansas  
14 lottery to prove participation in a lottery game.

15 ~~(l)~~ (m) “Vendor” means any person who has entered into a major  
16 procurement contract with the Kansas lottery.

17 ~~(m)~~ (n) “Returned ticket” means any ticket which was transferred to  
18 a lottery retailer, which was not sold by the lottery retailer and which was  
19 returned to the Kansas lottery for refund by issuance of a credit or  
20 otherwise.

21 ~~(n)~~ “Video lottery machine” means any electronic video game ma-  
22 chine that, upon insertion of cash, is available to play or simulate the play  
23 of a video game authorized by the commission, including but not limited  
24 to bingo, poker, black jack and keno, and which uses a video display and  
25 microprocessors and in which, by chance, the player may receive free  
26 games or credits that can be redeemed for cash.

27 (o) (1) “Lottery machine” means any machine or device that allows  
28 a player to insert cash or other form of consideration and may deliver as  
29 the result of an element of chance, regardless of the skill required by the  
30 player, a prize or evidence of a prize, including, but not limited to:

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

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

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

40 (2) “Lottery machine” shall not mean:

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

43 (B) any nonprescription drug machine authorized under K.S.A. 65-

1 650, and amendments thereto;

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

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

6 Sec. 3. K.S.A. 2001 Supp. 74-8710 is hereby amended to read as  
7 follows: 74-8710. (a) The commission, upon the recommendation of the  
8 executive director, shall adopt rules and regulations governing the estab-  
9 lishment and operation of a state lottery as necessary to carry out the  
10 purposes of this act. Temporary rules and regulations may be adopted by  
11 the commission without being subject to the provisions and requirements  
12 of K.S.A. 77-415 through 77-438, and amendments thereto, but shall be  
13 subject to approval by the attorney general as to legality and shall be filed  
14 with the secretary of state and published in the Kansas register. Tem-  
15 porary and permanent rules and regulations may include but shall not be  
16 limited to:

17 (1) Subject to the provisions of subsection (c) *and section 1, and*  
18 *amendments thereto*, the types of lottery games to be conducted, includ-  
19 ing but not limited to instant lottery, on-line and traditional games, ~~but~~  
20 ~~not including games on video lottery machines or lottery machines.~~

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

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

27 (4) The frequency of the drawings or selections of winning tickets or  
28 shares.

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

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

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

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

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

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

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

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

1 thereof.

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

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

9 Sec. 4. K.S.A. 2001 Supp. 74-8702 and 74-8710 are hereby repealed.

10 Sec. 5. This act shall take effect and be in force from and after its  
11 publication in the statute book.

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