

SENATE BILL No. 632

By Committee on Federal and State Affairs

2-22

AN ACT concerning the Kansas lottery; authorizing the operation of video lottery games; 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 video lottery machines at a facility owned by any lottery retailer.

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

(2) All video lottery 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 video lottery machines in an otherwise qualified facility which also is licensed as a pari-mutuel track or which otherwise has 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 video lottery machines and shall operate the same from a central processing unit at the lottery.

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

(2) Of the net proceeds, after payment of prizes, an amount not to exceed 30% shall be retained by or paid to the video lottery retailer. The video lottery retailer shall provide, without compensation or reimbursement, the retailer's own license fees, electrical and telephone service to the machines, floor space and labor to pay prizes and such other services

1 as required pursuant to such retailer's contract with the lottery.

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

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

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

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

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

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

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

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

24 (h) "Person" means any natural person, association, *limited liability*
25 *company*, corporation or partnership.

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

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

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

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

34 (m) "Returned ticket" means any ticket which was transferred to a
35 lottery retailer, which was not sold by the lottery retailer and which was
36 returned to the Kansas lottery for refund by issuance of a credit or
37 otherwise.

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

1 (n) (1) “Video lottery machine” means any electronic, electro-me-
2 chanical, video or computerized device, contrivance or machine author-
3 ized by the commission which, upon the insertion of cash, tokens, elec-
4 tronic cards or any consideration, is available to play, operate or simulate
5 the play of, a game authorized by the commission, including but not lim-
6 ited to, bingo, poker, blackjack, keno and slot machines and which may
7 deliver or entitle the player operating the machine to receive cash, tokens,
8 merchandise or credits that may be redeemed for cash. Video lottery ma-
9 chines may use bill validators and may be single-position reel-type, single
10 or multi-game video and single-position multigame video electronic games
11 including, but not limited to, bingo, poker, blackjack, keno and slot ma-
12 chines. Video lottery machines shall be linked to a central computer for
13 purposes of security, monitoring and auditing.

14 (2) “Video lottery machine” shall not include any casino table game,
15 such as craps, poker, blackjack, roulette, keno, layout, numbers, tickets,
16 baccarat, Klondike table, punchboard, punch cards, faro layout, ticket or
17 pull tab.

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

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

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

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

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

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

34 (B) any nonprescription drug machine authorized under K.S.A. 65-
35 650, and amendments thereto;

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

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

40 Sec. 3. K.S.A. 2001 Supp. 74-8710 is hereby amended to read as
41 follows: 74-8710. (a) The commission, upon the recommendation of the
42 executive director, shall adopt rules and regulations governing the estab-
43 lishment and operation of a state lottery as necessary to carry out the

1 purposes of this act. Temporary rules and regulations may be adopted by
2 the commission without being subject to the provisions and requirements
3 of K.S.A. 77-415 through 77-438, and amendments thereto, but shall be
4 subject to approval by the attorney general as to legality and shall be filed
5 with the secretary of state and published in the Kansas register. Tem-
6 porary and permanent rules and regulations may include but shall not be
7 limited to:

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

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

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

18 (4) The frequency of the drawings or selections of winning tickets or
19 shares.

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

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

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

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

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

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

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

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

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

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

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

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