

SENATE BILL No. 108

By Committee on Federal and State Affairs

1-30

AN ACT concerning the Kansas lottery; authorizing the operation of video lottery machines; amending K.S.A. 74-8701, 74-8702, 74-8710, 74-8711 and 74-8721 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 video lottery games and operate video lottery machines.

(b) The executive director may enter into contracts for the placement of video lottery machines at a facility owned by any lottery retailer who has been a lottery retailer for at least three consecutive years prior to entering a contract for the placement of video lottery machines under this section.

(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.

(d) The lottery shall have direct control of all video lottery machines and shall operate the same from a central processing unit at the lottery. All video lottery machines shall be linked to a central computer for the purposes of security, monitoring and auditing.

(e) The executive director shall provide technology services for video lottery machines or shall enter into contracts with a technology services provider for the provision of such services.

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

(g) Of the net proceeds, after payment of prizes:

(1) Twenty percent shall be paid to the technology services provider;

(2) thirty percent shall be paid to the video lottery retailer; and

(3) the balance shall be deposited in the lottery operating fund established by K.S.A. 74-8711, and amendments thereto.

(h) 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 as required pursuant to such retailer's contract with the lottery.

1 Sec. 2. K.S.A. 74-8701 is hereby amended to read as follows: 74-
2 8701. K.S.A. 74-8701 through 74-8721 *and section 1, and amendments*
3 *thereto*, shall be known as and may be cited as the Kansas lottery act.

4 Sec. 3. K.S.A. 74-8702 is hereby amended to read as follows: 74-
5 8702. As used in the Kansas lottery act, unless the context otherwise
6 requires:

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

8 (b) "Executive director" means the executive director of the Kansas
9 lottery.

10 (c) "Gaming equipment" means any electric, electronic or mechani-
11 cal device, *video lottery machine* or other equipment unique to the Kansas
12 lottery used directly in the operation of any lottery and in the determi-
13 nation of winners pursuant to this act.

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

16 (e) "Lottery retailer" means any person with whom the Kansas lottery
17 has contracted *for the placement of video lottery machines for operation*
18 *by the public* or to sell lottery tickets or shares, or both, to the public.

19 (f) "Lottery" or "state lottery" means the lottery or lotteries *and video*
20 *lotteries* operated pursuant to this act.

21 (g) "Major procurement" means any gaming product or service *or*
22 *video lottery machine, product or service*, including but not limited to
23 facilities, advertising and promotional services, annuity contracts, prize
24 payment agreements, consulting services, equipment, tickets and other
25 products and services unique to the Kansas lottery, but not including
26 materials, supplies, equipment and services common to the ordinary op-
27 erations of state agencies.

28 (h) "Person" means any natural person, association, corporation or
29 partnership.

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

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

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

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

38 (m) "Returned ticket" means any ticket which was transferred to a
39 lottery retailer, which was not sold by the lottery retailer and which was
40 returned to the Kansas lottery for refund by issuance of a credit or
41 otherwise.

42 ~~(n) "Video lottery machine" means any electronic video game ma-~~
43 ~~chine that, upon insertion of cash, is available to play or simulate the play~~

1 of a video game authorized by the commission, including but not limited
2 to bingo, poker, black jack and keno, and which uses a video display and
3 microprocessors and in which, by chance, the player may receive free
4 games or credits that can be redeemed for cash.

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

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

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

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

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

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

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

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

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

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

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

42 (E) any video lottery machine authorized under K.S.A. 74-8701 et
43 seq., and amendments thereto.

1 (p) *“Technology services provider” means any person or entity that*
2 *designs, manufacturers, installs, operates, distributes, supplies or replaces*
3 *a video lottery machine for sale, lease or use in accordance with the Kansas*
4 *lottery act.*

5 Sec. 4. K.S.A. 74-8710 is hereby amended to read as follows: 74-
6 8710. (a) The commission, upon the recommendation of the executive
7 director, shall adopt rules and regulations governing the establishment
8 and operation of a state lottery as necessary to carry out the purposes of
9 this act. Temporary rules and regulations may be adopted by the com-
10 mission without being subject to the provisions and requirements of
11 K.S.A. 77-415 through 77-438, and amendments thereto, but shall be
12 subject to approval by the attorney general as to legality and shall be filed
13 with the secretary of state and published in the Kansas register. Tem-
14 porary and permanent rules and regulations may include but shall not be
15 limited to:

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

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

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

28 (4) The frequency of the drawings or selections of winning tickets or
29 shares *or winners of video lottery games.*

30 (5) The type or types of locations at which tickets or shares may be
31 sold *or which video lottery machines may be placed.*

32 (6) The method or methods to be used in selling tickets or shares *or*
33 *video lottery games.*

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

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

38 (9) Deadlines for claims for prizes by winners of each lottery game
39 *and video lottery game.*

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

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

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

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

8 (c) The ~~lottery~~ *commission* shall adopt rules and regulations concern-
9 ing the game of keno. Such rules and regulations shall require that the
10 amount of time which elapses between the start of games shall not be
11 less than four minutes.

12 (d) *In addition to rules and regulations adopted under subsection (a),*
13 *the commission may adopt any other rules and regulations concerning*
14 *video lottery machines, video lottery games and video lottery retailers*
15 *which the commission deems necessary.*

16 Sec. 5. K.S.A. 74-8711 is hereby amended to read as follows: 74-
17 8711. (a) There is hereby established in the state treasury the lottery
18 operating fund.

19 (b) The executive director shall remit all moneys collected from the
20 sale of lottery tickets and shares, *the operation of video lottery machines*
21 and any other moneys received by or on behalf of the Kansas lottery to
22 the state treasurer in accordance with the provisions of K.S.A. 75-4215,
23 and amendments thereto. Upon receipt of each such remittance, the state
24 treasurer shall deposit the entire amount in the state treasury to the credit
25 of the lottery operating fund. Moneys credited to the fund shall be ex-
26 pended or transferred only as provided by this act. Expenditures from
27 such fund shall be made in accordance with appropriations acts upon
28 warrants of the director of accounts and reports issued pursuant to vouch-
29 ers approved by the executive director or by a person designated by the
30 executive director.

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

32 (1) The payment of expenses of the lottery, which shall include all
33 costs incurred in the operation and administration of the Kansas lottery;
34 all costs resulting from contracts entered into for the purchase or lease
35 of goods and services needed for operation of the lottery, including but
36 not limited to supplies, materials, tickets, independent studies and sur-
37 veys, data transmission, advertising, printing, promotion, incentives, pub-
38 lic relations, communications and distribution of tickets and shares; and
39 reimbursement of costs of facilities and services provided by other state
40 agencies;

41 (2) the payment of compensation to lottery retailers;

42 (3) transfers of moneys to the lottery prize payment fund pursuant to
43 K.S.A. 74-8712, and amendments thereto;

1 (4) transfers to the state general fund pursuant to K.S.A. 74-8713,
2 and amendments thereto;

3 (5) transfers to the state gaming revenues fund pursuant to subsection
4 (d) of this section and as otherwise provided by law; ~~and~~

5 (6) transfers to the county reappraisal fund as prescribed by law; *and*

6 (7) *transfers to the problem gambling grant fund pursuant to this*
7 *section.*

8 (d) The director of accounts and reports shall transfer moneys in the
9 lottery operating fund to the state gaming revenues fund created by
10 K.S.A. 79-4801, and amendments thereto, on or before the 15th day of
11 each month in an amount certified monthly by the executive director and
12 determined as follows, whichever is greater:

13 (1) An amount equal to the moneys in the lottery operating fund in
14 excess of those needed for the purposes described in subsections (c)(1)
15 through (c)(4); or

16 (2) except for pull-tab lottery tickets and shares, an amount equal to
17 not less than 30% of total monthly revenues from the sales of lottery
18 tickets and shares less estimated returned tickets. In the case of pull-tab
19 lottery tickets and shares, an amount equal to not less than 20% of the
20 total monthly revenues from the sales of pull-tab lottery tickets and shares
21 less estimated returned tickets.

22 (e) *On July 1 of each year or as soon thereafter as sufficient moneys*
23 *are available, an amount equal to 1/10 of 1% of the moneys derived from*
24 *the operation of video lottery machines during the preceding fiscal year*
25 *or \$1,000,000, whichever is less, shall be transferred and credited to the*
26 *problem gambling grant fund established by K.S.A. 2002 Supp. 79-4805,*
27 *and amendments thereto.*

28 Sec. 6. K.S.A. 74-8721 is hereby amended to read as follows: 74-
29 8721. All sales of lottery tickets and shares *and all sales of video lottery*
30 *machine games* shall be exempt from retailers' sales taxes imposed pur-
31 suant to K.S.A. 12-187 *et seq.*, and amendments thereto, and from the
32 tax imposed by the Kansas retailers' sales tax act.

33 Sec. 7. K.S.A. 74-8701, 74-8702, 74-8710, 74-8711 and 74-8721 are
34 hereby repealed.

35 Sec. 8. This act shall take effect and be in force from and after its
36 publication in the statute book.

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