

## SENATE BILL No. 499

By Committee on Federal and State Affairs

2-10

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AN ACT concerning lotteries; enacting the Kansas expanded gaming opportunity act; authorizing operation of destination casinos, electronic gaming machines, video lottery terminals and other lottery games at certain locations; prohibiting certain acts and providing penalties for violations; amending K.S.A. 74-8702, 74-8705, 74-8710, 74-8711 and 74-8723 and K.S.A. 2003 Supp. 19-101a and repealing the existing sections.

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

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

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

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

~~(c) "Gaming equipment" means any electric, electronic or mechanical device or other equipment unique to the Kansas lottery used directly in the operation of any lottery and in the determination of winners pursuant to this act.~~

(c) "Gaming equipment" means any electric, electronic, computerized or electromechanical machine, mechanism, supply or device, or any other equipment, which is: (1) Unique to the Kansas lottery and used pursuant to the Kansas lottery act; (2) integral to the operation of an electronic gaming machine; or (3) affects the results of an electronic gaming machine by determining win or loss.

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

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

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

(g) "Major procurement" means any gaming product or service, including but not limited to facilities, advertising and promotional services, annuity contracts, prize payment agreements, consulting services, equipment, tickets and other products and services unique to the Kansas lot-

- 1 tery, but not including materials, supplies, equipment and services com-  
2 mon to the ordinary operations of state agencies.
- 3 (h) “Person” means any natural person, association, corporation or  
4 partnership.
- 5 (i) “Prize” means any prize paid directly by the Kansas lottery pur-  
6 suant to its rules and regulations.
- 7 (j) “Share” means any intangible manifestation authorized by the  
8 Kansas lottery to prove participation in a lottery game.
- 9 (k) “Ticket” means any tangible evidence issued by the Kansas lottery  
10 to prove participation in a lottery game.
- 11 (l) “Vendor” means any person who has entered into a major pro-  
12 curement contract with the Kansas lottery.
- 13 (m) “Returned ticket” means any ticket which was transferred to a  
14 lottery retailer, which was not sold by the lottery retailer and which was  
15 returned to the Kansas lottery for refund by issuance of a credit or  
16 otherwise.
- 17 (n) “Video lottery machine” means any electronic video game ma-  
18 chine that, upon insertion of cash, is available to play or simulate the play  
19 of a video game authorized by the commission, including but not limited  
20 to bingo, poker, black jack and keno, and which uses a video display and  
21 microprocessors and in which, by chance, the player may receive free  
22 games or credits that can be redeemed for cash.
- 23 (o) (1) “Lottery machine” means any machine or device that allows  
24 a player to insert cash or other form of consideration and may deliver as  
25 the result of an element of chance, regardless of the skill required by the  
26 player, a prize or evidence of a prize, including, but not limited to:
- 27 (A) Any machine or device in which the prize or evidence of a prize  
28 is determined by both chance and the player’s or players’ skill, including,  
29 but not limited to, any machine or device on which a lottery game or  
30 lottery games, such as poker or blackjack, are played;
- 31 (B) any machine or device in which the prize or evidence of a prize  
32 is determined only by chance, including, but not limited to, any slot ma-  
33 chine or bingo machine; or
- 34 (C) any lottery ticket vending machine, such as a keno ticket vending  
35 machine, pull-tab vending machine or an instant-bingo vending machine.
- 36 (2) “Lottery machine” shall not mean:
- 37 (A) Any food vending machine defined by K.S.A. 36-501, and amend-  
38 ments thereto;
- 39 (B) any nonprescription drug machine authorized under K.S.A. 65-  
40 650, and amendments thereto;
- 41 (C) any machine which dispenses only bottled or canned soft drinks,  
42 chewing gum, nuts or candies; ~~or~~
- 43 (D) *any electronic gaming machine or video lottery terminal operated*

1 *in accordance with the provisions of the Kansas expanded gaming oppor-*  
2 *tunity act; or*

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

5 KANSAS EXPANDED GAMING OPPORTUNITY ACT

6 New Sec. 2. (a) Sections 2 through 33, and amendments thereto,  
7 shall be known and may be cited as the Kansas expanded gaming oppor-  
8 tunity act and shall be part of and supplemental to the Kansas lottery act.

9 (b) If any provision of this act or the application thereof to any person  
10 or circumstance is held invalid, the invalidity shall not affect any other  
11 provision or application of the act which can be given effect without the  
12 invalid provision or application.

13 DESTINATION CASINOS

14 New Sec. 3. As used in this act, unless the context otherwise  
15 requires:

16 (a) “Accelerated destination casino net payment” means the ad-  
17 vanced payment to the state treasurer of a portion of the state’s future  
18 share of destination casino net revenues upon the final contract between  
19 the executive director and a destination enterprise manager for the con-  
20 struction of a destination enterprise pursuant to Kansas expanded gaming  
21 opportunity act. The destination casino commission may authorize an ac-  
22 celerated destination casino net payment of up to \$15,000 for each elec-  
23 tronic gaming machine to be operated at a destination casino. If the des-  
24 tination casino commission authorizes an accelerated destination casino  
25 net payment, it shall set a schedule for the destination casino manager’s  
26 recovery of the accelerated destination casino net payment from the  
27 state’s share of the destination casino net revenues of no shorter than five  
28 years. In any year, the amount of the recovery destination casino man-  
29 ager’s recovery of the accelerated destination casino net payment from  
30 the state’s share of the destination casino net revenues shall not exceed  
31 20% of the total amount of the accelerated destination casino net  
32 payment.

33 (b) “Ancillary destination enterprise operations” means a service, fa-  
34 cility, or operation, such as a restaurant, hotel, entertainment venue, or  
35 meeting space that is part of a destination enterprise and is likely to attract  
36 or retain consumers at a destination enterprise and its related destination  
37 casino.

38 (c) “Certificate of authority” means a written approval of the desti-  
39 nation casino commission for establishment of a destination enterprise  
40 and destination casino, pending approval by the local voters, pursuant to  
41 this act.

42 (d) “Destination casino” means a gaming operation with destination  
43 casino games, owned and operated by the state of Kansas, approved by

1 the destination casino commission and managed by the destination casino  
2 manager, which is designed as part of a destination enterprise to attract  
3 gaming consumers from outside its immediate area.

4 (e) "Destination casino expenses" means the normal business ex-  
5 penses, as defined by the destination casino commission in the certificate  
6 of authority and the executive director in the management contract pur-  
7 suant to generally accepted accounting principles (GAAP), associated with  
8 the ownership and operation of a destination casino. Destination casino  
9 expenses also shall include a payment of 0.5% of the destination casino  
10 revenues to the problem gambling grant fund established by K.S.A. 2003  
11 Supp. 79-4805, and amendments thereto.

12 (f) "Destination casino games" means electronic gaming machine  
13 games and any other games which, as of May 1, 2004, are authorized to  
14 be conducted or operated at a tribal gaming facility, as defined in K.S.A.  
15 74-9802, and amendments thereto, located within the exterior boundaries  
16 of this state.

17 (g) "Destination casino manager" means a person authorized, pur-  
18 suant to a management contract with the Kansas lottery, to manage a  
19 destination casino. A "destination casino manager" and a "destination  
20 enterprise manager" may be the same person.

21 (h) "Destination casino net revenues" means the balance of desti-  
22 nation casino revenues remaining after deducting destination casino  
23 expenses.

24 (i) "Destination casino revenues" mean the total revenues from des-  
25 tination casino games at a destination casino after all related prizes are  
26 paid.

27 (j) "Destination enterprise" means an entertainment enterprise  
28 which includes a destination casino authorized pursuant to the Kansas  
29 expanded gaming opportunity act and ancillary destination enterprise op-  
30 erations that have a common business or marketing strategy. A destination  
31 enterprise shall be designed to attract gaming consumers from outside its  
32 immediate area to its destination casino. A destination enterprise, includ-  
33 ing its physical infrastructure and real estate and all property and equip-  
34 ment associated with the destination casino, shall be owned by the des-  
35 tination enterprise manager. The destination enterprise manager shall  
36 provide financing for construction and development of the destination  
37 enterprise, including its destination casino.

38 (k) "Destination enterprise manager" means a person authorized by  
39 the destination casino commission to construct or manage a destination  
40 enterprise. A "destination casino manager" and a "destination enterprise  
41 manager" may be the same person.

42 (l) "Electronic gaming machine" means any electronic, electromechanical,  
43 video or computerized device, contrivance or machine author-

1 ized by the Kansas lottery which, upon insertion of cash, tokens, electronic  
2 cards or any consideration, is available to play, operate or simulate the  
3 play of a game authorized by the Kansas lottery pursuant to the Kansas  
4 expanded gaming opportunity act, including, but not limited to, bingo,  
5 poker, blackjack, keno and slot machines, and which may deliver or entitle  
6 the player operating the machine to receive cash, tokens, merchandise or  
7 credits that may be redeemed for cash. Electronic gaming machines may  
8 use bill validators and may be single-position reel-type, single or multi-  
9 game video and single-position multi-game video electronic game, in-  
10 cluding but not limited to, poker, blackjack and slot machines. Electronic  
11 gaming machines shall be directly linked to a central computer at a lo-  
12 cation determined by the executive director for purposes of security,  
13 monitoring and auditing. Electronic gaming machines may be connected  
14 to the central video lottery terminal computer system.

15 (m) “Key gaming employee” means any natural person 21 years of  
16 age or older employed by or under contract with a destination enterprise  
17 manager or destination casino manager or employed by or under contract  
18 with a person providing on or off-site management or employee-related  
19 services to the destination enterprise manager or destination casino man-  
20 ager, including, but not limited to: (1) Assistant destination casino man-  
21 ager; (2) destination casino games manager; (3) accounting department  
22 personnel; (4) count room employees; (5) cage department employees,  
23 including cashiers and main bank employees; (6) vault department em-  
24 ployees; (7) approvers of credit; (8) surveillance department employees;  
25 (9) security department employees; (10) floor managers; (11) electronic  
26 gaming machine technicians; (12) custodians of electronic gaming ma-  
27 chines, including persons with access to cash and accounting records  
28 within such machines; (13) collection personnel; (14) internal auditors of  
29 the destination enterprise manager; (15) any employee whose total cash  
30 compensation is in excess of \$50,000 per year; and (16) any other type of  
31 employee specified by the executive director.

32 (n) “Management contract” means a contract, subcontract, or collat-  
33 eral agreement between the state and the destination enterprise manager  
34 and destination casino manager, implementing the certificate of authority  
35 and negotiated and signed by the executive director.

36 (o) “Market study” means an objective, scientific study commissioned  
37 by the destination casino commission. The proponent of a proposal for a  
38 destination enterprise shall pay for any market study required by this act  
39 for such proposal.

40 (p) “Parimutuel licensee” means a facility owner licensee or facility  
41 manager licensee under the Kansas parimutuel racing act.

42 (q) “Parimutuel licensee location” means the racetrack facility, as de-  
43 fined in K.S.A. 74-8802, and amendments thereto, owned or managed by

1 the parimutuel licensee. A parimutuel licensee location may include any  
2 existing structure at such racetrack facility or any structure that may be  
3 constructed on real estate where such racetrack facility is located.

4 (r) "Technology provider" means any person or entity, other than a  
5 destination enterprise manager or destination casino manager, that de-  
6 signs, manufactures, installs, operates, distributes, supplies or replaces an  
7 electronic gaming machine for sale, lease or use in accordance with this  
8 act.

9 New Sec. 4. (a) There is hereby created the destination casino com-  
10 mission. The commission shall consist of:

11 (1) Three members appointed by the governor; and

12 (2) one member each appointed by the following: The president of  
13 the senate, the minority leader of the senate, the speaker of the house of  
14 representatives and the minority leader of the house of representatives.

15 (b) Each member of the destination casino commission shall be ap-  
16 pointed for a term of four years and until a successor is appointed and  
17 qualifies, except that members first appointed to the destination casino  
18 commission shall serve terms as follows: (1) Two members appointed by  
19 the governor shall be appointed for terms of four years and one for a  
20 term of one year, as designated by the governor; (2) members appointed  
21 by the president of the senate and the speaker of the house of represen-  
22 tatives shall be appointed for terms of three years; and (3) members ap-  
23 pointed by the minority leader of the senate and the minority leader of  
24 the house of representatives shall be appointed for terms of two years.  
25 No member shall serve more than two terms.

26 (c) The chairperson of the destination casino commission shall be  
27 appointed by the governor from among the members of the destination  
28 casino commission.

29 (d) Subject to the limitations of appropriations therefor, members of  
30 the destination casino commission shall receive such compensation as  
31 determined by the governor. Members of the commission attending  
32 meetings of the destination casino commission or subcommittee meetings  
33 thereof approved by the destination casino commission shall be paid sub-  
34 sistence allowances, mileage and other expenses as provided in K.S.A. 75-  
35 3223, and amendments thereto.

36 (e) A person shall not be eligible for appointment to the destination  
37 casino commission if, within two years before appointment, such person,  
38 or such person's spouse, child, stepchild, brother, stepbrother, sister,  
39 stepsister, parent or stepparent, has been employed by or had any finan-  
40 cial interest in any business engaged in operating gaming or a lottery,  
41 selling goods or services used in the operation of gaming or a lottery or  
42 representing the gaming or lottery industry.

43 (f) No person, nor such person's spouse, child, stepchild, brother,

1 stepbrother, sister, stepsister, parent or stepparent or anyone who resides  
2 in such person's household, shall:

3 (1) Be employed by or have any financial interest in any destination  
4 casino, any destination enterprise, destination enterprise manager, des-  
5 tination casino manager or any business engaged in gaming or operating  
6 a lottery, selling goods or services used in the operation of gaming or a  
7 lottery or representing the gaming or lottery industry, while or within two  
8 years before or after such person is a member of the destination casino  
9 commission; or

10 (2) accept any compensation, gift, loan, entertainment, hospitality,  
11 favor or service from any applicant for or holder of a certificate of au-  
12 thority, any destination enterprise, any destination enterprise manager,  
13 destination casino manager or any person selling goods or services used  
14 in the operation of gaming or a lottery, or any agent or employee thereof.

15 Violation of the provisions of this subsection is a class A nonperson  
16 misdemeanor upon conviction for a first offense. Violation of this sub-  
17 section is a severity level 9, nonperson felony upon conviction for a second  
18 or subsequent offense.

19 (g) The destination casino commission is hereby attached to the Kan-  
20 sas lottery as a part thereof. All budgeting, purchasing and related man-  
21 agement functions of the destination casino commission shall be admin-  
22 istered by the executive director. The executive director shall provide  
23 office and meeting space and such clerical and other staff assistance as  
24 may be necessary to assist the destination casino commission in carrying  
25 out its powers, duties and functions under this act. The destination casino  
26 commission may employ any experts, consultants or other professionals  
27 at the expense of a prospective destination enterprise manager to provide  
28 assistance in evaluating a destination enterprise proposal submitted to the  
29 destination casino commission.

30 New Sec. 5. (a) The destination casino commission shall review pro-  
31 posals for destination enterprises and destination casinos submitted to the  
32 destination casino commission by applicants seeking to become destina-  
33 tion enterprise managers and destination casino managers. The destina-  
34 tion casino commission may charge applicants an administrative applica-  
35 tion fee reasonably related to the actual costs of processing the  
36 application.

37 (b) A parimutuel licensee may apply to develop and manage a des-  
38 tination enterprise and destination casino at the parimutuel licensee lo-  
39 cation only if such development shall maintain live racing facilities and  
40 operations and included in the expenses of such operation are provisions  
41 for purse supplements adequate to encourage live racing and the asso-  
42 ciated agricultural industries in Kansas. The amount of such purse sup-  
43 plements shall be determined through the negotiation of a binding con-

1 tract between the parimutuel licensee and representatives of the horse  
2 and greyhound racing industry. As a part of its application for authori-  
3 zation to develop a destination casino at a parimutuel licensee location, a  
4 parimutuel licensee shall provide the destination casino commission with  
5 a contract approved by the official breed registering agencies as recog-  
6 nized by the Kansas racing and gaming commission pursuant to K.S.A.  
7 74-8830 and 74-8832, and amendments thereto. The contract shall specify  
8 the distributions to be made from the gross destination casino revenues  
9 to provide purse supplements to the appropriate breed groups. Such con-  
10 tract shall become a part of the management contract if the parimutuel  
11 licensee is authorized to develop a destination casino. A parimutuel li-  
12 censee must receive the consent of its organization licensee, as defined  
13 in K.S.A. 74-8802, and amendments thereto, before applying to develop  
14 a destination enterprise and destination casino under this act. A desti-  
15 nation enterprise and destination casino shall not exist at a parimutuel  
16 licensee location except as provided in this section.

17 (c) Subject to the provisions of section 7, and amendments thereto,  
18 the destination casino commission, in its discretion, may issue a certificate  
19 of authority for the proposed destination casino, if the destination casino  
20 commission determines that:

21 (1) The proposal constitutes a destination enterprise and a destination  
22 casino;

23 (2) the proposal: (A) Includes ancillary destination enterprise opera-  
24 tions which would provide for dining, lodging, meetings, conferences and  
25 entertainment other than gaming; and (B) demonstrates through a market  
26 study that, considering all other competing gaming and other entertain-  
27 ment venues, the proposal would (i) be economically feasible, (ii) be prof-  
28 itable for the state and (iii) not render economically infeasible any other  
29 destination enterprise, destination casino or tribal gaming facility which  
30 is approved by the state and in which the state has a financial stake;

31 (3) the proposed destination enterprise either: (A) Consists of an in-  
32 vestment in infrastructure, including ancillary destination enterprise op-  
33 erations, of at least \$75 million; or (B) consists of an investment in infra-  
34 structure, including ancillary destination enterprise operations, of at least  
35 \$30 million and demonstrates through a market study that at least 15%  
36 of its gaming consumers would reside outside the state of Kansas; and

37 (4) the applicant: (A) Has sufficient access to financial resources to  
38 support the activities required under the Kansas expanded gaming op-  
39 portunity act; (B) is current in payment of all taxes, interest and penalties  
40 owed to any taxing subdivision where the person is located in Kansas; and  
41 (C) is current in filing all applicable tax returns and in payment of all  
42 taxes, interest and penalties owed to the state of Kansas, excluding items  
43 under formal appeal pursuant to applicable statutes; and



1 (5) the applicant, the principals and the officers and directors, if a  
2 corporation, have completed acceptable background investigations by  
3 federal or state authorities.

4 (d) If the destination casino commission is considering more than one  
5 proposal for a destination casino, the destination casino commission shall  
6 select the proposal that, in the judgment of the destination casino com-  
7 mission, is in the best interest of the state as a whole. The destination  
8 casino commission shall favor proposals that: (1) Have larger investments  
9 in infrastructure; (2) create more jobs and have higher payroll; (3) have  
10 lower management fees and expenses; (4) create more revenue for the  
11 state; (5) are likely to succeed in the marketplace; (6) have a more ex-  
12 periented and qualified management team; (7) have more effective and  
13 aggressive plans for identifying and counteracting problem gambling; (8)  
14 would attract more tourists; and (9) have the support of the local  
15 community.

16 (e) The destination casino commission shall issue not more than five  
17 certificates of authority. When the destination casino commission has is-  
18 sued three certificates of authority, the destination casino commission  
19 shall commission a statewide feasibility study to determine whether ad-  
20 ditional destination casinos would be in the best interest of the state and  
21 where any additional destination casinos should be located.

22 (f) The destination casino commission shall not issue a certificate of  
23 authority for a destination casino within 50 miles of any destination casino  
24 for which a certificate of authority has been issued during the preceding  
25 two years.

26 (g) If a tribal compact is negotiated and signed by the governor and  
27 approved by the legislature in accordance with K.S.A. 46-2301 *et seq.*,  
28 and amendments thereto, the destination casino commission shall not  
29 issue a certificate of authority for any destination casino within 50 miles  
30 of the proposed site for the tribal casino until the United States secretary  
31 of interior issues a final decision on the tribal compact and any related  
32 land issues pursuant to the Indian Gaming Regulatory Act, including any  
33 determination under 25 U.S.C. 2719 (b)(1)(A), provided, however, if the  
34 secretary of interior has not made a final decision on the tribal compact  
35 and any related land issues within one year after legislative approval of  
36 the tribal compact, the destination casino commission may consider pro-  
37 posals and issue a certificate of authority for a destination enterprise and  
38 casino to be located within 50 miles of the proposed site for the tribal  
39 casino. If the secretary of interior gives final approval to the tribal compact  
40 and any related land issues, the destination casino commission shall not  
41 issue a certificate of authority for a destination casino within 50 miles of  
42 the tribal casino for a period of two years after such approval.

43 New Sec. 6. (a) The certificate of authority issued by the destination

1 casino commission shall:

2 (1) Define the size, scope and nature of the destination enterprise,  
3 destination casino and ancillary destination enterprise operations;

4 (2) include a comprehensive management plan, submitted by the des-  
5 tination enterprise manager and approved by the destination casino com-  
6 mission, for operation, oversight and monitoring of the destination en-  
7 terprise. The plan shall provide for the management of the destination  
8 casino by the destination casino manager but shall place full, complete  
9 and ultimate ownership and control of the gaming operation of the des-  
10 tination casino with the Kansas lottery. In addition, the plan shall include,  
11 but not be limited to:

12 (A) Accounting procedures to determine destination casino revenues,  
13 destination casino expenses and net destination casino revenues;

14 (B) provisions for regular audits of the destination casino at any time  
15 but at least one a year;

16 (C) the location and operation of electronic gaming machines;

17 (D) minimum requirements for the destination enterprise manager  
18 and destination casino manager to provide qualified oversight, security  
19 and supervision of the operation of electronic gaming machines and des-  
20 tination casino games, including the use of qualified personnel with ex-  
21 perience in applicable technology;

22 (E) a certification requirement and enforcement procedure for offi-  
23 cers, directors, key employees and persons directly or indirectly owning  
24 a 5% or more interest in a destination enterprise manager or destination  
25 casino manager, which certification requirement shall include compliance  
26 with such security, fitness and background standards as the executive  
27 director may deem necessary relating to competence, honesty and integ-  
28 rity, such that a person's reputation, habits and associations do not pose  
29 a threat to the public interest of the state or to the reputation of or  
30 effective regulation and control of the destination casino; it being specif-  
31 ically understood that any person convicted of any felony, a crime involv-  
32 ing gambling or a crime of moral turpitude within 10 years prior to ap-  
33 plying for a certificate as such sales agent or at any time thereafter shall  
34 be deemed unfit. The Kansas lottery shall conduct the security, fitness  
35 and background checks required pursuant to such rules and regulations;

36 (F) a certification requirement and enforcement procedure for those  
37 persons, including electronic gaming machine manufacturers, technology  
38 providers and computer system providers, who propose to contract with  
39 a destination enterprise manager, a destination casino manager or the  
40 state for the provision of goods or services related to a destination casino,  
41 including management services, which certification requirements shall  
42 include compliance with such security, fitness and background standards  
43 of officers, directors, key gaming employees and persons directly or in-

1 directly owning a 5% or more interest in such entity, as the executive  
2 director may deem necessary relating to competence, honesty and integ-  
3 rity, such that a person's reputation, habits and associations do not pose  
4 a threat to the public interest of the state or to the reputation of or  
5 effective regulation and control of the destination casino; it being specif-  
6 ically understood that any person convicted of any felony, a crime involv-  
7 ing gambling or a crime of moral turpitude within 10 years prior to ap-  
8 plying for a certificate hereunder or at any time thereafter shall be  
9 deemed unfit. The executive director may determine whether the certi-  
10 fication standards of another state are comprehensive, thorough, and pro-  
11 vide similar adequate safeguards and, if so, may in the executive director's  
12 discretion certify an applicant already certified in such state without the  
13 necessity of a full application and background check. The Kansas lottery  
14 shall conduct the security, fitness and background checks required under  
15 this rule or regulation;

16 (G) provisions for revocation of a certification provided for in para-  
17 graph (E) or (F) upon a finding that the certificate holder, an officer or  
18 director thereof or a person directly or indirectly owning a 5% or more  
19 interest therein: (i) Has knowingly provided false or misleading material  
20 information to the Kansas lottery or its employees; or (ii) has been con-  
21 victed of a felony, gambling related offense or any crime of moral turpi-  
22 tude; and

23 (H) provisions for suspension, revocation or nonrenewal of a certifi-  
24 cation provided for in paragraph (E) or (F) upon a finding that the cer-  
25 tificate holder, an officer or director thereof or a person directly or in-  
26 directly owning a 5% or more interest therein: (i) Failure to notify the  
27 Kansas lottery about a material change in ownership of the certificate  
28 holder, or any change in the directors or officers thereof; (ii) a delin-  
29 quency in remitting money owed to the Kansas lottery; (iii) any violation  
30 of any provision of any contract between the Kansas lottery and the cer-  
31 tificate holder; or (iv) any violation of any provision of the Kansas ex-  
32 panded gaming opportunity act or any rule or regulation adopted  
33 hereunder;

34 (3) specify the location of the destination enterprise and destination  
35 casino;

36 (4) establish the disposition of destination casino revenues, subject to  
37 the provisions of subsections (b) and (c);

38 (5) provide for an accelerated destination casino net payment and the  
39 terms of crediting the destination enterprise manager for such accelerated  
40 payment;

41 (6) include any limits on provisions of the management contract; and

42 (7) contain any additional conditions of issuance of the certificate ne-  
43 gotiated by the destination casino commission and the applicant.

- 1 (b) If the destination enterprise manager or destination casino man-  
2 ager is a parimutuel licensee, the certificate of authority shall provide for  
3 the disposition of destination casino revenues as follows:
- 4 (1) Not more than 2% of destination casino revenues shall be credited  
5 to the gaming act oversight fund established by section 22, and amend-  
6 ments thereto;
- 7 (2) an aggregate of not more than 4% of destination casino revenues  
8 shall be remitted, as determined by the destination casino commission in  
9 its discretion, to the county and city, if any, where the destination enter-  
10 prise is located;
- 11 (3) the maximum percentage of destination casino revenues specified  
12 by the certificate of authority for expenses of operation of the destination  
13 casino shall be credited to the destination casino operating expenses fund  
14 established by section 24, and amendments thereto;
- 15 (4) a percentage of destination casino revenues specified by the cer-  
16 tificate of authority, but not less than 18% of such revenues, shall be  
17 retained by the state; and
- 18 (5) a percentage of destination casino net revenues specified by the  
19 certificate of authority shall be paid to the destination casino manager.
- 20 (c) If the destination enterprise manager and destination casino man-  
21 ager are not a parimutuel licensee, the certificate of authority shall pro-  
22 vide for the disposition of the gaming revenues from the destination ca-  
23 sino as follows:
- 24 (1) Not more than 2% of destination casino revenues shall be credited  
25 to the gaming act oversight fund established by section 22, and amend-  
26 ments thereto;
- 27 (2) an aggregate of not more than 4% of destination casino revenues  
28 shall be remitted, as determined by the destination casino commission in  
29 its discretion, to the county and city, if any, where the destination enter-  
30 prise is located;
- 31 (3) the maximum percentage of destination casino revenues specified  
32 by the certificate of authority for expenses of operation of the destination  
33 casino shall be credited to the destination casino operating expenses fund  
34 established by section 24, and amendments thereto;
- 35 (4) a percentage of destination casino revenues specified by the cer-  
36 tificate of authority, but not less than 22% of such revenues, shall be  
37 retained by the state; and
- 38 (5) a percentage of destination casino net revenues specified by the  
39 certificate of authority shall be paid to the destination casino manager.
- 40 (d) Upon approval of the voters of the county pursuant to section 7,  
41 and amendments thereto, and issuance of the certificate of authority, the  
42 executive director shall enter into a management contract with the des-  
43 tination enterprise manager and destination casino manager. The man-

1 agement contract shall implement the provisions of the certificate and  
2 shall be limited by the terms of the certificate. The management contract  
3 shall allow the destination casino manager to manage the destination ca-  
4 sino in a manner consistent with this act and the certificate of authority  
5 but shall place full, complete and ultimate ownership and control of the  
6 gaming operation of the destination casino with the Kansas lottery. The  
7 Kansas lottery shall retain the ability to overrule any and all significant  
8 gaming decisions at any time, without notice and shall retain full control  
9 over all decisions concerning destination casino games, including which  
10 games are offered at a destination casino, the odds, the payout and other  
11 conditions under which destination casino games are played. Any man-  
12 agement contract that attempts to transfer ownership or control of the  
13 destination casino or its gaming operation shall be null and void. Such  
14 contract shall not be subject to the provisions of K.S.A. 75-3738 through  
15 75-3744, and amendments thereto. The management contract shall re-  
16 quire the destination casino manager to submit a detailed gaming plan to  
17 the executive director for approval by the executive director. The gaming  
18 plan shall include procedures to identify and counteract problem gam-  
19 bling. Failure to follow these procedures shall be cause for cancelling the  
20 management contract. The management contract shall be for a term of  
21 not less than 10 years and shall be renewable by mutual consent of the  
22 state and the destination enterprise manager and destination casino man-  
23 ager. The management contract shall provide that any party may cancel  
24 the contract for cause.

25 New Sec. 7. (a) Before a management contract is entered into by the  
26 executive director, the qualified voters of the county where a destination  
27 enterprise is proposed to be located must approve the operation of a  
28 destination casino within the county as provided by this section.

29 (b) The board of county commissioners of any county may submit by  
30 resolution, and shall submit upon presentation of a petition filed in ac-  
31 cordance with this section, to the qualified voters of the county a prop-  
32 osition to permit the operation of a destination casino within the county  
33 pursuant to this section. The proposition shall be submitted to the voters  
34 either at a special election called by the board of county commissioners  
35 for that purpose and held not less than 90 days after the resolution is  
36 adopted or the petition is filed or at the next general election, as shall be  
37 specified by the board of county commissioners or as specified in the  
38 petition, as the case may be.

39 (c) A petition to submit a proposition pursuant to this section shall  
40 be filed with the county election officer. The petition shall be signed by  
41 qualified voters of the county equal in number to not less than 10% of  
42 the voters of the county who voted for the office of secretary of state at  
43 the last preceding general election at which such office was elected. The

1 following shall appear on the petition: “We request an election to deter-  
2 mine whether the certificate of authority issued by the destination casino  
3 commission to \_\_\_\_\_ (name of destination enterprise manager and destination casino manager)

4 to operate a destination casino in \_\_\_\_\_ county shall be approved.”

5 (d) Upon the adoption of a resolution or the submission of a  
6 valid petition calling for an election pursuant to this section, the county  
7 election officer shall cause the following proposition to be placed  
8 on the ballot at the election called for that purpose: “Shall the  
9 certificate of authority issued by the destination casino commission to  
10 \_\_\_\_\_ (name of destination enterprise manager and destination casino manager) to operate a  
11 destination casino in \_\_\_\_\_ county be approved?”

12 (f) If a majority of the votes cast and counted at such election is in  
13 favor of approving the specified certificate of authority within the county,  
14 the executive director may enter into a management contract as provided  
15 by this act for operation of a destination casino within the county. If a  
16 majority of the votes cast and counted at an election under this section is  
17 against permitting the operation of a destination casino within the county,  
18 the executive director shall not enter into any management contract pur-  
19 suant to this act for the operation of a destination casino within the county.  
20 The county election officer shall transmit a copy of the certification of  
21 the results of the election to the executive director.

22 (g) The election provided for by this section shall be conducted, and  
23 the votes counted and canvassed, in the manner provided by law for  
24 question submitted elections of the county.

25 New Sec. 8. (a) The Kansas lottery shall examine prototypes of elec-  
26 tronic gaming machines to determine compliance with the certificate of  
27 authority and the requirements of the Kansas expanded gaming oppor-  
28 tunity act.

29 (b) No electronic gaming machine shall be operated pursuant to the  
30 Kansas expanded gaming opportunity act unless the executive director  
31 first issues a certificate for such machine authorizing its use at a specified  
32 destination casino. Each electronic gaming machine shall have the certif-  
33 icate prominently displayed thereon. Any machine which does not display  
34 the certificate required by this section is contraband and a public nuisance  
35 subject to confiscation by any law enforcement officer.

36 (c) The executive director shall require any manufacturer, supplier,  
37 provider, destination enterprise manager, destination casino manager or  
38 other person seeking the examination and certification of electronic gam-  
39 ing machines to pay the anticipated actual costs of the examination in  
40 advance. After the completion of the examination, the executive director  
41 shall refund any overpayment or charge and collect amounts sufficient to  
42 reimburse the executive director for any underpayment of actual costs.  
43 The executive director may contract for the examination of electronic

1 gaming machines as required by this subsection and may rely upon testing  
2 done by or for other states regulating electronic gaming machines, if the  
3 executive director deems such testing to be reliable and in the best in-  
4 terest of the state of Kansas.

5 (d) (1) Electronic gaming machines operated pursuant to the Kansas  
6 expanded gaming opportunity act shall:

7 (A) Pay out an average of not less than 87% of the amount wagered  
8 over the life of the machine;

9 (B) be directly linked to a central lottery communications system to  
10 provide auditing and other program information as approved by the Kan-  
11 sas lottery; and

12 (C) be on-line and in constant communication with a central com-  
13 puter located at a location determined by the executive director.

14 (2) The Kansas lottery shall lease or purchase, at the expense of the  
15 destination casino manager, all gaming equipment necessary to imple-  
16 ment the communications system and central computer. The executive  
17 director shall select the computer system most suitable for conducting  
18 the monitoring and auditing functions required by the Kansas expanded  
19 gaming opportunity act. The communications system and central com-  
20 puter selected shall not limit participation to only one electronic gaming  
21 machine manufacturer, distributor, supplier or provider.

22 New Sec. 9. In addition to any other power provided by this act, the  
23 executive director, and employees and agents designated by the executive  
24 director, shall have the power to:

25 (a) Investigate alleged violations of the Kansas expanded gaming op-  
26 portunity act and alleged violations of the certificate of authority, the  
27 management contract and this act and rules and regulations adopted  
28 hereunder.

29 (b) Examine or cause to be examined by any agent or representative  
30 designated by the executive director any books, papers, records or mem-  
31 oranda of any destination enterprise manager, any destination casino man-  
32 ager or any business involved in electronic gaming or lottery games au-  
33 thorized pursuant to the Kansas expanded gaming opportunity act, for  
34 the purpose of ascertaining compliance with the provisions of the certifi-  
35 cate of authority, the management contract and this act and rules and  
36 regulations adopted hereunder.

37 (c) Issue subpoenas to compel access to or for the production of any  
38 books, papers, records or memoranda in the custody or control of any  
39 destination enterprise manager or destination casino manager, or to com-  
40 pel the appearance of any destination enterprise manager or destination  
41 casino manager for the purpose of ascertaining compliance with the pro-  
42 visions of the certificate of authority, the management contract and this  
43 act and rules and regulations adopted hereunder. Subpoenas issued under

1 the provisions of this subsection may be served upon natural persons and  
2 corporations in the manner provided in K.S.A. 60-304, and amendments  
3 thereto, for the service of process by any officer authorized to serve sub-  
4 poenas in civil actions or by the executive director or an agent or repre-  
5 sentative designated by the executive director. In the case of the refusal  
6 of any person to comply with any such subpoena, the executive director  
7 may make application to the district court of any county where such  
8 books, papers, records, memoranda or person is located for an order to  
9 comply.

10 (d) Inspect and view the operation of all machines, equipment, sys-  
11 tems or facilities where electronic gaming machines authorized pursuant  
12 to this act are located.

13 (e) Inspect and approve, prior to publication or distribution, all ad-  
14 vertising by a destination enterprise manager or destination casino man-  
15 ager which includes any reference to the existence of gaming at the des-  
16 tination enterprise.

17 (f) Require, in accordance with the certificate of authorization and  
18 the management contract, appropriate security measures in any and all  
19 areas where electronic gaming machines or other destination casino  
20 games are located or operated.

21 (g) Provide for audits of the electronic gaming machine operations of  
22 each destination enterprise manager or destination casino manager in  
23 accordance with contracting with the certificate of authorization and the  
24 management contract.

25 (h) The executive director shall have the power to take any other  
26 action as may be reasonable or appropriate to enforce the provisions of  
27 this act and any rules and regulations, orders and final decisions of the  
28 executive director.

29 New Sec. 10. Each destination enterprise manager and each desti-  
30 nation casino manager shall provide access for the executive director or  
31 the executive director's designee to all the destination enterprise man-  
32 ager's or destination casino manager's records and the physical premises  
33 where the electronic gaming machine and destination casino game activ-  
34 ities occur for the purpose of monitoring or inspecting the electronic  
35 gaming machines and gaming equipment and the operation of other des-  
36 tination casino games. None of the information disclosed pursuant to this  
37 subsection shall be subject to disclosure under the Kansas open records  
38 act, K.S.A. 45-216 *et seq.*, and amendments thereto.

#### 39 VIDEO LOTTERY TERMINALS

40 New Sec. 11. As used in this act, unless the context otherwise  
41 requires:

42 (a) "Central video lottery terminal computer system" means the cen-  
43 tral computer system, which monitors the operations of all video lottery



1 terminals, approved by the Kansas lottery and which is provided by the  
2 central video lottery terminal computer system provider in accordance  
3 with this act.

4 (b) “Central computer system provider” means a person with whom  
5 the executive director has contracted for the purpose of providing and  
6 maintaining a central video lottery terminal computer system and the  
7 related management facilities with respect to operating and servicing the  
8 video lottery terminals.

9 (c) “Club location” means the licensed premises of a veterans or fra-  
10 ternal organization.

11 (d) “Gray machine” means any mechanical, electro-mechanical or  
12 electronic device, capable of being used for gambling, that is: (1) Not  
13 authorized by the Kansas lottery, (2) not connected to the central video  
14 lottery terminal computer system, (3) available to the public for play and  
15 (4) capable of simulating a game played on a video lottery terminal or any  
16 similar gambling game authorized pursuant to the Kansas expanded gam-  
17 ing opportunity act.

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

21 (f) “Parimutuel licensee” has the meaning provided by section 3, and  
22 amendments thereto.

23 (g) “Parimutuel licensee location” has the meaning provided by sec-  
24 tion 3, and amendments thereto.

25 (h) “Progressive video lottery game” means any game whose jackpot  
26 grows and accumulates as it is being played on a video lottery terminal  
27 and whose outcome is randomly determined by the play of video lottery  
28 terminals linked to the central video lottery terminal computer system.

29 (i) “Video lottery” means any lottery conducted with a video lottery  
30 terminal or, with respect to a progressive game, a network of linked video  
31 lottery terminals.

32 (j) “Video lottery game” means any electronically simulated game of  
33 chance, including but not limited to video poker, keno, line-up, or black-  
34 jack, displayed and played on a video lottery terminal.

35 (k) “Video lottery terminal” means any electronic machine in which  
36 bills, coins, tokens or other media approved by the Kansas lottery are  
37 deposited in order to play in a game of chance in which the results,  
38 including options available to the player, are randomly and immediately  
39 determined by the machine, and is connected to the central video lottery  
40 terminal computer system. A video lottery terminal may use spinning  
41 reels or video displays or both and must print and deliver a voucher  
42 directly to each player with an existing credit balance at the end of play,  
43 or if approved by the Kansas lottery may dispense cash directly to the

1 player.

2 (l) "Video lottery terminal associated equipment" means any propri-  
3 etary device, machine or part used in the manufacture, operation or main-  
4 tenance of a video lottery terminal.

5 (m) "Video lottery terminal manufacturer" means any individual,  
6 firm, corporation or other legal entity certified by the Kansas lottery to  
7 assemble or produce video lottery terminals or video lottery terminal as-  
8 sociated equipment for sale or use in this state.

9 (n) "Video lottery parimutuel sales agent" means a parimutuel li-  
10 censee specifically certified by the Kansas lottery to become a certified  
11 video lottery parimutuel sales agent and offer video lottery terminals for  
12 play to the public at the parimutuel licensee location.

13 (o) "Video lottery club sales agent" means a veterans and fraternal  
14 organization specifically certified by the Kansas lottery to become a cer-  
15 tified video lottery club sales agent and offer video lottery terminals for  
16 play to the public at the club location.

17 (p) "Veterans or fraternal organization" means an organization which  
18 is licensed as a class A club pursuant to the club and drinking establish-  
19 ment act, has been in continuous existence and operation for a period of  
20 not less than five years prior to the date of application to become a video  
21 lottery club sales agent and is a bona fide member of one of the following  
22 organizations:

- 23 (1) The American Legion;
- 24 (2) the Veterans of Foreign Wars;
- 25 (3) the Fraternal Order of Eagles;
- 26 (4) the Benevolent and Protective Order of Elks;
- 27 (5) the Knights of Columbus;
- 28 (6) the Loyal Order of Moose; or
- 29 (7) the Order of the Mystic Shrine.

30 (q) "Voucher" means a bearer instrument in the form of a printed  
31 ticket or facsimile issued by a video lottery terminal to a player that rep-  
32 represents the existing credit balance accumulated by a player of the video  
33 lottery terminal. A voucher is a secure document that carries a unique  
34 identifier in the form of a serial number and bar code issued by the central  
35 video lottery terminal computer system.

36 New Sec. 12. (a) The Kansas lottery shall implement a video lottery  
37 program whereby it places video lottery terminals at parimutuel licensee  
38 locations and club locations.

39 (b) The Kansas lottery shall not place video lottery terminals at any  
40 parimutuel licensee location or club location unless the commission has  
41 adopted rules and regulations as provided in sections 11 through 20, and  
42 amendments thereto.

43 New Sec. 13. (a) In accordance with rules and regulations adopted

1 by the commission, the executive director shall have general responsibility  
2 for the implementation and administration of the provisions of this act  
3 relating to video lottery, including, without limitation, the responsibility  
4 to:

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

7 (2) review and determine promptly and in reasonable order all cer-  
8 tificate applications or proceedings for suspension or revocation of  
9 certificates;

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

12 (4) collect all fees imposed pursuant to sections 11 through 20, and  
13 amendments thereto;

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

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

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

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

27 (C) a certification requirement and enforcement procedure for offi-  
28 cers, directors, board members and key employees, specified by the ex-  
29 ecutive director, of video lottery parimutuel sales agents and video lottery  
30 club sales agents, which certification requirement shall include compli-  
31 ance with such security, fitness and background standards as the executive  
32 director may deem necessary relating to competence, honesty and integ-  
33 rity, such that a person's reputation, habits and associations do not pose  
34 a threat to the public interest of the state or to the reputation of or  
35 effective regulation and control of the video lottery; it being specifically  
36 understood that any person convicted of any felony, a crime involving  
37 gambling or a crime of moral turpitude within 10 years prior to applying  
38 for a certificate as such sales agent or at any time thereafter shall be  
39 deemed unfit. The Kansas lottery shall conduct the security, fitness and  
40 background checks required pursuant to such rules and regulations;

41 (D) a certification requirement and enforcement procedure for those  
42 persons or entities, including video lottery terminal manufacturers and  
43 the central video lottery terminal computer system providers, who pro-

1 pose to contract with a video lottery parimutuel sales agent, a video lottery  
2 club sales agent or the state for the provision of goods or services related  
3 to the video lottery, including management services, which certification  
4 requirements shall include compliance with such security, fitness and  
5 background standards of officers, directors, key employees specified by  
6 the executive director and persons who own, directly or indirectly, 5% or  
7 more of such entity, as the executive director may deem necessary relating  
8 to competence, honesty and integrity, such that a person's reputation,  
9 habits and associations do not pose a threat to the public interest of the  
10 state or to the reputation of or effective regulation and control of the  
11 video lottery; it being specifically understood that any person convicted  
12 of any felony, a crime involving gambling or a crime of moral turpitude  
13 within 10 years prior to applying for a certificate hereunder or at any time  
14 thereafter shall be deemed unfit. The executive director may determine  
15 whether the certification standards of another state are comprehensive,  
16 thorough, and provide similar adequate safeguards and, if so, may in the  
17 executive director's discretion certify an applicant already certified in such  
18 state without the necessity of a full application and background check.  
19 The Kansas lottery shall conduct the security, fitness and background  
20 checks required under this rule or regulation;

21 (E) the number of video lottery terminals permitted in each pari-  
22 mutuel location and club location. The total number of video lottery ter-  
23 minals at all parimutuel locations shall not exceed 2,500. No club location  
24 shall have more than five video lottery terminals;

25 (F) standards for advertising, marketing and promotional materials  
26 used by video lottery parimutuel sales agents. Video lottery club sales  
27 agents shall not advertise, market or promote the existence of video lot-  
28 tery terminals at any club location, except to the members of the veterans  
29 or fraternal organization at which the video lottery terminals are located;

30 (G) the registration, kind, type, number and location of video lottery  
31 terminals at any parimutuel licensee location or club location;

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

33 (I) regulations and procedures for the accounting and reporting of  
34 the payments required from video lottery parimutuel sales agents and  
35 video lottery club sales agents under section 21, and amendments thereto,  
36 including the calculations required for such payments;

37 (J) requiring the reporting of information about any video lottery pari-  
38 mutuel sales agent or video lottery club sales agent, its employees, ven-  
39 dors and finances necessary or desirable to ensure the security of the  
40 video lottery system. None of the information disclosed pursuant to this  
41 subsection shall be subject to disclosure under the Kansas open records  
42 act; and

43 (K) the reporting and auditing of financial information of video lot-

1 tery parimutuel sales agents or video lottery club sales agents, including,  
2 but not limited to, the reporting of profits or losses incurred by video  
3 lottery parimutuel sales agents or video lottery club sales agents and the  
4 reporting of such other information as the executive director may require  
5 to determine compliance with the Kansas expanded gaming opportunity  
6 act and the regulations adopted hereunder. None of the information dis-  
7 closed pursuant to this subsection shall be subject to disclosure under the  
8 Kansas open records act.

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

13 (c) The Kansas lottery shall operate the video lottery terminal net-  
14 work through the central video lottery terminal computer system. The  
15 central video lottery terminal computer system shall be capable of audit-  
16 ing the operation, financial data and program information of the video  
17 lottery terminal network. All equipment or devices required for operation  
18 of the central video lottery terminal computer system shall be included  
19 in any contract made for the purpose of providing or operating such  
20 system.

21 (d) The central video lottery terminal computer system shall be used  
22 for the operation of the video lottery terminal network and shall incor-  
23 porate electronic fund transfer procedures to facilitate the collection of  
24 revenue, be capable of disabling any video lottery terminal from play, and  
25 be capable of communicating with all video lottery terminals approved  
26 by the Kansas lottery. The central video lottery terminal computer system  
27 provider shall provide certified manufacturers with the protocol docu-  
28 mentation and the audit information and controls necessary to enable the  
29 manufacturers' video lottery terminals to communicate with the Kansas  
30 lottery's central video lottery terminal computer system. The central video  
31 lottery terminal computer system shall not limit participation to only one  
32 manufacturer of video lottery terminals or video lottery terminal associ-  
33 ated equipment.

34 (e) The executive director may remove from play and confiscate any  
35 video lottery terminal or gray machine that does not comply with the  
36 requirements of the Kansas expanded gaming opportunity act. Any video  
37 lottery terminal that the executive director determines has been modified  
38 or the design of which has been modified without the consent of the  
39 executive director may be removed from play, confiscated by the execu-  
40 tive director and disposed of in any manner allowed by law.

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

42 (1) The Kansas lottery shall keep and maintain a list of all applicants  
43 for certification under the Kansas expanded gaming opportunity act, to-

1   gether with a record of all actions taken with respect to such applicants.  
2   A file and record of the Kansas lottery's actions shall be open to public  
3   inspection pursuant to the Kansas open records act, but the information  
4   regarding any applicant whose certificate has been denied, revoked or not  
5   renewed shall be removed from such list five years after the date certi-  
6   fication was denied, revoked or not renewed.

7   (2) All information and data required by the Kansas lottery to be  
8   furnished to it, or which may otherwise be obtained, relative to the fi-  
9   nances, earnings or revenue, except the net video lottery terminal income,  
10   of any vendor shall be considered confidential and shall not be revealed  
11   in whole or in part without permission of the vendor, except in the course  
12   of the necessary administration of the Kansas expanded gaming oppor-  
13   tunity act, or upon the lawful order of a court of competent jurisdiction,  
14   or with the approval of the attorney general, to a duly authorized law  
15   enforcement agency.

16   (3) All information and data pertaining to an applicant's criminal rec-  
17   ord, family and background furnished to or obtained by the Kansas lottery  
18   from any source shall be considered confidential and shall not be revealed,  
19   in whole or part. Such information shall be released upon the lawful order  
20   of a court of competent jurisdiction or, with the approval of the attorney  
21   general, to a duly authorized law enforcement agency.

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

26   New Sec. 14. (a) The executive director may issue, suspend, revoke  
27   and renew certificates for video lottery terminal manufacturers, video  
28   lottery terminals, video lottery parimutuel sales agents or video lottery  
29   club sales agents pursuant to rules and regulations adopted by the  
30   commission.

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

35   (c) The executive director shall notify an applicant who is found, for  
36   any reason, to be unfit for certification, of the specific reasons therefor  
37   which constitute the basis for the finding.

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

40   (e) The executive director may examine any or all accounts, bank  
41   accounts, financial statements and records of the vendor in a vendor's  
42   possession or under its control in which it has an interest and the vendor  
43   must authorize all third parties, including parents, subsidiaries or related

1 entities, in possession or control of the accounts or records of the vendor  
2 to allow examination of any or all of those accounts or records by the  
3 executive director.

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

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

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

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

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

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

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

18 (4) any violation of any provision of the Kansas expanded gaming  
19 opportunity act or any rule or regulation adopted by the commission.

20 New Sec. 15. (a) Every certified video lottery terminal manufacturer  
21 shall submit a training program for the service and maintenance of such  
22 video lottery terminals and associated equipment for approval by the Kan-  
23 sas lottery. The training program shall include an outline of the training  
24 curriculum, a list of instructors and their qualifications, a copy of the  
25 instructional materials and the dates, times and location of training clas-  
26 ses. No service and maintenance program shall be held until approved by  
27 the Kansas lottery.

28 (b) Every service employee shall complete the requirements of the  
29 manufacturer's training program before such employee performs service,  
30 maintenance and repairs on video lottery terminals or video lottery ter-  
31 minal associated equipment. Upon the successful completion by a service  
32 employee of the training program required by this section, the Kansas  
33 lottery shall issue a certificate authorizing such employee to service, main-  
34 tain and repair video lottery terminals and video lottery terminal associ-  
35 ated equipment. No certificate of completion shall be issued to any serv-  
36 ice employee until the Kansas lottery has ascertained that such employee  
37 has completed the required training program. Any person certified as a  
38 service employee under this section shall pass a background investigation  
39 under the rules and regulations of the commission. The Kansas lottery  
40 may revoke certification upon finding a service employee in violation of  
41 any provision of the Kansas expanded gaming opportunity act or a com-  
42 mission rule or regulation.

43 New Sec. 16. (a) Video lottery terminals shall not be offered for use

1 or play in this state unless approved by the Kansas lottery. Video lottery  
2 terminals may only offer video lottery games authorized by the Kansas  
3 lottery.

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

5 (1) Be incapable of manipulation to effect the random probability of  
6 winning plays;

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

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

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

20 (5) be capable of being linked to the Kansas lottery's central video  
21 lottery terminal computer system for the purpose of auditing the opera-  
22 tion, financial data and program information as required by the executive  
23 director.

24 (c) Video lottery terminals operated at club locations shall:

25 (1) Only be capable of non-cash methods of initiating play and pay-  
26 ment of prizes, whether by voucher, electronic card, or otherwise, but all  
27 prizes shall be payable in cash by the video lottery club sales agent where  
28 the terminal is located, which video lottery club sales agent shall receive  
29 credit on its lottery account for all prizes paid; however, if a video lottery  
30 club sales agent is unable or fails to pay any prize, subject to claim and  
31 validation such prize may be claimed through and paid by the Kansas  
32 lottery; and

33 (2) play from a minimum of \$.25 per play to a maximum of \$2 per  
34 play, and shall have a maximum prize of \$1,000 per game.

35 New Sec. 17. (a) No person who has held an interest in or been  
36 employed by a parimutuel licensee, a video lottery parimutuel sales agent  
37 or a video lottery club sales agent shall be employed by the Kansas lottery  
38 for two years after the expiration of such interest or employment.

39 (b) No person who holds an interest in or is employed by the video  
40 lottery terminal manufacturer's vendor shall be employed by the Kansas  
41 lottery.

42 (c) No employee of the Kansas lottery shall play a video lottery ter-  
43 minal unless specifically authorized by the executive director or the ex-



1 executive director's designee for purposes of testing, auditing or other se-  
2 curity reasons.

3 (d) No person who was employed by the Kansas lottery shall hold an  
4 interest in or be employed by a parimutuel licensee, a video lottery ter-  
5 minal manufacturer's vendor or the central system provider for a period  
6 of two years after the termination of employment with the Kansas lottery.

7 New Sec. 18. Net video lottery terminal income shall be distributed  
8 as follows:

9 (a) Twenty-one percent of net video lottery terminal income shall be  
10 paid to the video lottery parimutuel sales agent or video lottery club sales  
11 agent;

12 (b) seven percent of net video lottery terminal income derived from  
13 video lottery terminals at parimutuel licensee locations shall be credited  
14 to the live horse racing purse supplement fund established by section 23,  
15 and amendments thereto;

16 (c) seven percent of net video lottery terminal income derived from  
17 video lottery terminals at parimutuel licensee locations shall be credited  
18 to the live greyhound racing purse supplement fund established by sec-  
19 tion 23, and amendments thereto;

20 (d) one-half of one percent of net video lottery terminal income shall  
21 be credited to the problem gambling grant fund established by K.S.A. 79-  
22 4805, and amendments thereto; and

23 (e) amounts appropriated for expenses of the Kansas lottery attrib-  
24 utable to implementation, administration and enforcement of the provi-  
25 sions of the Kansas expanded gaming opportunity act and oversight, mon-  
26 itoring and of video lottery pursuant to the provisions of such act shall be  
27 credited to the gaming act oversight fund established by section 22, and  
28 amendments thereto.

29 New Sec. 19. The Kansas lottery commission, upon the recommen-  
30 dation of the executive director, shall adopt rules and regulations neces-  
31 sary to carry out the purposes of this act. Temporary rules and regulations  
32 may be adopted by the commission without being subject to the provi-  
33 sions and requirements of K.S.A. 77-415 through 77-438, and amend-  
34 ments thereto, but shall be subject to approval by the attorney general as  
35 to legality and shall be filed with the secretary of state and published in  
36 the Kansas register.

37 New Sec. 20. (a) All video lottery terminals shall be leased by the  
38 Kansas lottery and shall be obtained from video lottery terminal manu-  
39 facturers certified pursuant to the Kansas expanded gaming opportunity  
40 act and the rules and regulations adopted by the commission.

41 (b) The executive director shall contract with an independent labo-  
42 ratory to test video lottery terminals and associated equipment on a pe-  
43 riodic basis to ensure that the terminals and equipment comply with the

1 requirements of the Kansas expanded gaming opportunity act and any  
2 other applicable standards and regulations. The video lottery terminal  
3 manufacturer providing such terminals and equipment shall pay all costs  
4 associated with such testing.

5 (c) Each video lottery parimutuel sales agent or video lottery club  
6 sales agent shall hold the executive director, the commission, and this  
7 state harmless from and defend and pay for the defense of any and all  
8 claims which may be asserted against the executive director, the com-  
9 mission, the state or the employees thereof, arising from the participation  
10 in the video lottery system; specifically excluding, however, any claims  
11 arising from the negligence or willful misconduct of the executive direc-  
12 tor, the commission, the state or the employees thereof.

13 (d) Each video lottery parimutuel sales agent or video lottery club  
14 sales agent shall provide access to all records of the video lottery pari-  
15 mutuel sales agent or video lottery club sales agent and the physical prem-  
16 ises of the locations where the video lottery activities are conducted for  
17 the purpose of monitoring and inspecting the activities of the video lottery  
18 parimutuel sales agent or video lottery club sales agent and video lottery  
19 games, video lottery terminals and associated equipment.

#### 20 GENERAL PROVISIONS

21 New Sec. 21. (a) There is hereby established in the state treasury the  
22 gaming act revenues fund. Separate accounts shall be maintained in such  
23 fund for receipt of moneys from each destination casino manager, video  
24 lottery parimutuel sales agent and video lottery club sales agent. All ex-  
25 penditures from the fund shall be made in accordance with appropriation  
26 acts upon warrants of the director of accounts and reports issued pursuant  
27 to vouchers approved by the executive director for the purposes set forth  
28 in this act.

29 (b) All destination casino revenue and all net video lottery terminal  
30 income shall be paid daily and electronically to the executive director.  
31 The executive director shall remit all moneys received therefrom to the  
32 state treasurer in accordance with K.S.A. 75-4215, and amendments  
33 thereto. Upon receipt of the remittance, the state treasurer shall deposit  
34 the entire amount in the state treasury and credit it to the respective  
35 account maintained for the destination casino manager, video lottery pari-  
36 mutuel sales agent or video lottery club sales agent in the gaming act  
37 revenues fund.

38 (c) Within one week after receipt of a remittance pursuant to this  
39 section, the state treasurer shall transfer and the executive director shall  
40 cause to be paid:

41 (1) From each account maintained in the gaming act revenues fund  
42 for each destination casino manager amounts in accordance with the pro-  
43 visions of the certificate of authority establishing the disposition of des-

- 1    tination casino revenue; and
- 2    (2) from each account maintained in the gaming act revenues fund
- 3    for each video lottery parimutuel sales agent or video lottery club sales
- 4    agent amounts in accordance with the provisions of section 18, and
- 5    amendments thereto.
- 6    (d) Amounts remaining in the gaming act revenues fund after trans-
- 7    fers and payments pursuant to subsection (c) shall be transferred to the
- 8    state general fund and expended in accordance with appropriation acts
- 9    as follows:
- 10   (1) For the state scholarship program established pursuant to K.S.A.
- 11   72-6810 *et seq.*, and amendments thereto, \$3.75 million in the fiscal year
- 12   ending June 30, 2005; \$7.5 million in the fiscal year ending June 30, 2006;
- 13   \$11.25 million in the fiscal year ending June 30, 2007; and \$15 million in
- 14   the fiscal year ending June 30, 2008, and each fiscal year thereafter;
- 15   (2) for Kansas comprehensive grant program established pursuant to
- 16   K.S.A. 74-32,120 *et seq.*, and amendments thereto, \$3.75 million in the
- 17   fiscal year ending June 30, 2005; \$7.5 million in the fiscal year ending
- 18   June 30, 2006; \$11.25 million in the fiscal year ending June 30, 2007; and
- 19   \$15 million in the fiscal year ending June 30, 2008, and each fiscal year
- 20   thereafter;
- 21   (3) for repayment of bonds issued in support of the Kansas public
- 22   employees retirement system, \$10 million in the fiscal year ending June
- 23   30, 2006; \$15 million in the fiscal year ending June 30, 2007; \$11.25
- 24   million in the fiscal year ending June 30, 2008; and \$27.4 million in the
- 25   fiscal year ending June 30, 2009; and \$37.1 million in the fiscal year end-
- 26   ing June 30, 2010, and each fiscal year thereafter; and
- 27   (4) for such other purposes as provided by law.
- 28   New Sec. 22. (a) There is hereby created in the state treasury the
- 29   gaming act oversight fund.
- 30   (b) Moneys in the gaming act oversight fund shall be expended to
- 31   pay for the expenses of the Kansas lottery attributable to implementation,
- 32   administration and enforcement of the provisions of the Kansas expanded
- 33   gaming opportunity act and oversight, monitoring and of operations of
- 34   destination casinos, video lottery parimutuel sales agents and video lottery
- 35   club sales agents pursuant to the provisions of such act.
- 36   (c) On or before the 10th of each month, the director of accounts
- 37   and reports shall transfer from the state general fund to the gaming act
- 38   oversight fund interest earnings based on:
- 39   (1) The average daily balance of moneys in the gaming act oversight
- 40   fund for the preceding month; and
- 41   (2) the net earnings rate for the pooled money investment portfolio
- 42   for the preceding month.
- 43   (d) All expenditures from the gaming act oversight fund shall be made

1 in accordance with appropriation acts upon warrants of the director of  
2 accounts and reports issued pursuant to vouchers approved by the exec-  
3 utive director for the purposes set forth in the Kansas expanded gaming  
4 opportunity act.

5 New Sec. 23. (a) There is hereby established in the state treasury the  
6 live horse racing purse supplement fund. Twenty percent of all moneys  
7 paid into such fund shall be transferred to the Kansas horse breeding  
8 development fund created pursuant to K.S.A. 74-8829, and amendments  
9 thereto. The balance shall be distributed from the separate horse purse  
10 supplement accounts maintained pursuant to this section, in accordance  
11 with rules and regulations of the Kansas racing and gaming commission,  
12 provided that parimutuel licensees shall continue to pay purses from the  
13 live and simulcast purse fund established by law.

14 (b) There shall be and is hereby established in the state treasury the  
15 live greyhound racing purse supplement fund. Moneys available in such  
16 fund shall be paid to parimutuel licensees for distribution as purse sup-  
17 plements in accordance with rules and regulations of the Kansas racing  
18 and gaming commission.

19 (c) All purse supplements paid pursuant to this act shall be according  
20 to the point schedule in effect on January 1, 2003, at the respective par-  
21 imutuel licensee locations. All purse supplements paid pursuant to this  
22 section shall be in addition to purses and supplements paid under K.S.A.  
23 74-8801 *et seq.*, and amendments thereto.

24 New Sec. 24. (a) There is hereby established in the state treasury the  
25 destination casino operating expenses fund. Separate accounts shall be  
26 maintained in such fund to pay expenses of operation of each destination  
27 casino. All expenditures from the fund shall be made in accordance with  
28 appropriation acts upon warrants of the director of accounts and reports  
29 issued pursuant to vouchers approved by the executive director for the  
30 purposes set forth in this act.

31 (b) Moneys in accounts in the destination casino operating expenses  
32 fund shall be expended only to pay expenses of operation of the respective  
33 destination casino in accordance with the certificate of authority and the  
34 management contract.

35 (c) Subject to the limitations of subsections (b)(5) and (c)(5) of sec-  
36 tion 6, and amendments thereto, any moneys remaining in an account in  
37 the destination casino operating expenses fund at the end of any fiscal  
38 year shall be transferred to the state general fund.

39 New Sec. 25. (a) Wagers shall be received only from a person at the  
40 location where the destination casino game or video lottery game is au-  
41 thorized pursuant to the Kansas expanded gaming opportunity act. No  
42 person present at such location shall place or attempt to place a wager  
43 on behalf of another person who is not present at such location.

1 (b) No employee or contractor of a destination enterprise manager,  
2 destination casino manager, video lottery parimutuel sales agent or video  
3 lottery club sales agent shall loan money to or otherwise extend credit to  
4 patrons of the destination enterprise, parimutuel licensee or veterans or  
5 fraternal organization.

6 (c) Violation of this section is a class A nonperson misdemeanor upon  
7 a conviction for a first offense. Violation of this section is a severity level  
8 9, nonperson felony upon conviction for a second or subsequent offense.

9 New Sec. 26. (a) A person less than 21 years of age shall not be  
10 permitted in an area where destination casino games or video lottery  
11 games are being conducted, except for a person at least 18 years of age  
12 who is an employee of the destination enterprise manager, destination  
13 casino manager, video lottery parimutuel sales agent or video lottery club  
14 sales agent. No employee under age 21 shall perform any function in-  
15 volved in gaming by the patrons.

16 (b) No person under age 21 shall play or make a wager on a desti-  
17 nation casino game or video lottery game.

18 New Sec. 27. (a) Except as when authorized in accordance with sub-  
19 section (c), it is unlawful for any destination enterprise manager, desti-  
20 nation casino manager, video lottery parimutuel sales agent or video lot-  
21 tery club sales agent, or any employee or agent thereof, to allow any  
22 person to play destination casino games or video lottery pursuant to the  
23 Kansas expanded gaming opportunity act, or share in winnings of such  
24 person, knowing such person to be:

- 25 (1) Less than 21 years of age;
- 26 (2) a member of the destination casino commission, the executive  
27 director, a member of the commission or an employee of the Kansas  
28 lottery;
- 29 (3) an officer or employee of a vendor contracting with the Kansas  
30 lottery to supply gaming equipment or tickets to the Kansas lottery for  
31 use in the operation of any lottery conducted pursuant to the Kansas  
32 lottery act;
- 33 (4) a spouse, child, stepchild, brother, stepbrother, sister, stepsister,  
34 parent or stepparent of a person described by subsection (a)(2) or (a)(3);  
35 or
- 36 (5) a person who resides in the same household as any person de-  
37 scribed by subsection (a)(2) or (a)(3).

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

42 (c) The executive director may authorize in writing any employee of  
43 the Kansas lottery and any employee of a lottery vendor to play a desti-

1 nation casino game or video lottery game to verify the proper operation  
2 thereof with respect to security and contract compliance. Any prize  
3 awarded as a result of such ticket purchase shall become the property of  
4 the Kansas lottery and be added to the prize pools of subsequent desti-  
5 nation casino games or video lottery games. No money or merchandise  
6 shall be awarded to any employee playing a destination casino game or  
7 video lottery game pursuant to this subsection.

8 New Sec. 28. Except for persons acting in accordance with rules and  
9 regulations of the Kansas lottery in performing installation, maintenance  
10 and repair services, any person who, with the intent to manipulate the  
11 outcome, pay out or operation of a destination casino game or video lot-  
12 tery game, manipulates by physical, electrical or mechanical means the  
13 outcome, pay out or operation of such game shall be guilty of a severity  
14 level 8, nonperson felony.

15 New Sec. 29. (a) It is a class A nonperson misdemeanor for the ex-  
16 ecutive director, any member of the lottery commission or any employee  
17 of the Kansas lottery knowingly to:

18 (1) Participate in the operation of or have a financial interest in any  
19 business of a destination enterprise manager, destination casino manager,  
20 video lottery parimutuel sales agent or video lottery club sales agent or  
21 in any business which sells goods or services to a destination enterprise  
22 manager, destination casino manager, video lottery parimutuel sales agent  
23 or video lottery club sales agent;

24 (2) participate directly or indirectly as an owner, operator, manager  
25 or consultant in electronic or other gaming operated pursuant to the Kan-  
26 sas expanded gaming opportunity act;

27 (3) while in Kansas place a wager on or bet or play a destination casino  
28 game or video lottery game;

29 (4) accept any compensation, gift, loan, entertainment, favor or serv-  
30 ice from any destination enterprise manager, destination casino manager,  
31 video lottery parimutuel sales agent or video lottery club sales agent ex-  
32 cept such suitable facilities and services within a destination casino, par-  
33 imutuel licensee location or veterans or fraternal organization as may be  
34 required to facilitate the performance of the executive director's, mem-  
35 ber's or employee's official duties; or

36 (5) enter into any business dealing, venture or contract with a desti-  
37 nation enterprise manager, destination casino manager, an owner or les-  
38 see of an ancillary destination enterprise operation, video lottery pari-  
39 mutuel sales agent or video lottery club sales agent.

40 (b) It is a severity level 8, nonperson felony for any person playing or  
41 using any electronic gaming machine or video lottery terminal in Kansas  
42 knowingly to:

43 (1) Use other than a lawful coin or legal tender of the United States

1 of America, or to use coin not of the same denomination as the coin  
2 intended to be used in an electronic gaming machine or video lottery  
3 terminal, except that in the playing of any electronic gaming machine,  
4 video lottery terminal or similar gaming device, it shall be lawful for any  
5 person to use gaming billets, tokens or similar objects therein which are  
6 approved by the Kansas lottery;

7 (2) possess or use, while on premises where destination casino games  
8 or video lottery games are authorized pursuant to the Kansas expanded  
9 gaming opportunity act, any cheating or thieving device, including but  
10 not limited to, tools, wires, drills, coins attached to strings or wires or  
11 electronic or magnetic devices to facilitate removing from any electronic  
12 gaming machine or video lottery terminal any money or contents thereof,  
13 except that a duly authorized agent or employee of the Kansas lottery,  
14 destination enterprise manager, destination casino manager, video lottery  
15 parimutuel sales agent or video lottery club sales agent may possess and  
16 use any of the foregoing only in furtherance of the agent's or employee's  
17 employment while on the premises of the destination casino, video lottery  
18 parimutuel sales agent or video lottery club sales agent; or

19 (3) possess or use while on the premises of any destination casino,  
20 video lottery parimutuel sales agent or video lottery club sales agent any  
21 key or device designed for the purpose of or suitable for opening or  
22 entering any electronic gaming machine, video lottery terminal or similar  
23 gaming device or drop box, except that a duly authorized agent or em-  
24 ployee of the Kansas lottery destination enterprise manager, destination  
25 casino manager, video lottery parimutuel sales agent or video lottery club  
26 sales agent may possess and use any of the foregoing only in furtherance  
27 of the agent's or employee's employment at the destination casino.

28 New Sec. 30. It shall be a severity level 9, nonperson felony for any  
29 individual, firm, corporation or other legal entity to place in operation or  
30 continue to have in place any gray machine for use by members of the  
31 public at any location in this state.

32 New Sec. 31. Each person subject to a background check pursuant  
33 to the Kansas expanded gaming opportunity act shall be subject to a state  
34 and national criminal history records check which conforms to applicable  
35 federal standards for the purpose of verifying the identity of the applicant  
36 and whether the person has been convicted of any crime that would dis-  
37 qualify the person from engaging in activities pursuant to this act. The  
38 executive director is authorized to use the information obtained from the  
39 national criminal history record check to determine the person's eligibility  
40 to engage in such activities.

41 New Sec. 32. (a) No taxes, fees, charges, transfers or distributions,  
42 other than those provided for in the Kansas expanded gaming opportunity  
43 act, shall be made or levied by any city, county or other municipality from

1 or against destination casino revenue, destination casino net revenue or  
2 net video lottery revenue.

3 (b) All sales of destination casino games and games on video lottery  
4 terminals authorized by the Kansas expanded gaming opportunity act  
5 shall be exempt from sales taxes imposed pursuant to K.S.A. 12-187 *et*  
6 *seq.*, and 79-3601 *et seq.*, and amendments thereto.

7 New Sec. 33. (a) Pursuant to section 2 of the federal act entitled “An  
8 act to prohibit transportation of gambling devices in interstate and foreign  
9 commerce,” 15 U.S.C. 1171 through 1777, the state of Kansas, acting by  
10 and through the duly elected and qualified members of the legislature,  
11 does hereby, in accordance with and in compliance with the provisions  
12 of section 2 of such federal act, declares and proclaims that section 2 of  
13 such federal act shall not apply to any gambling device in this state to the  
14 extent such device is specifically authorized by and is in compliance with  
15 the provisions of the Kansas expanded gaming opportunity act and any  
16 other applicable statute of this state, and any rules and regulations prom-  
17 ulgated pursuant thereto, and that any such gambling device transported  
18 in compliance with state law and rules and regulations shall be exempt  
19 from the provisions of such federal act.

20 (b) All shipments into this state of gaming devices being transported  
21 to or from the Kansas lottery or to or from a location within the state of  
22 Kansas where such gambling devices are authorized pursuant to the Kan-  
23 sas expanded gaming opportunity act shall be deemed legal shipments  
24 into this state if the registering, recording and labeling of such devices  
25 has been duly made by the manufacturer or dealer in accordance with  
26 sections 3 and 4 of the federal act entitled “An act to prohibit transpor-  
27 tation of gambling devices in interstate or foreign commerce,” 15 U.S.C.  
28 1171 through 1777.

29 Sec. 34. K.S.A. 74-8705 is hereby amended to read as follows: 74-  
30 8705. (a) Major procurement contracts shall be awarded in accordance  
31 with K.S.A. 75-3738 through 75-3744, and amendments thereto, or sub-  
32 section (b), as determined by the *executive* director, except that:

33 (1) The contract or contracts for the initial lease of facilities for the  
34 Kansas lottery shall be awarded upon the evaluation and approval of the  
35 *executive* director, the secretary of administration and the director of ar-  
36 chitectural services;

37 (2) The commission shall designate certain major procurement con-  
38 tracts or portions thereof to be awarded, in accordance with rules and  
39 regulations of the commission, solely to minority business enterprises.

40 (b) The *executive* director may award any major procurement con-  
41 tract by use of a procurement negotiating committee. Such committee  
42 shall be composed of: (1) The executive director or a Kansas lottery em-  
43 ployee designated by the executive director; (2) the chairperson of the



1 commission or a commission member designated by the chairperson; and  
2 (3) the director of the division of purchases or an employee of such di-  
3 vision designated by the director. Prior to negotiating a major procure-  
4 ment contract, the committee shall solicit bids or proposals thereon. The  
5 division of purchases shall provide staff support for the committee's so-  
6 licitations. Upon receipt of bids or proposals, the committee may nego-  
7 tiate with one or more of the persons submitting such bids or proposals  
8 and select from among such persons the person to whom the contract is  
9 awarded. Such procurements shall be open and competitive and shall  
10 consider relevant factors, including security, competence, experience,  
11 timely performance and maximization of net revenues to the state. If a  
12 procurement negotiating committee is utilized, the provisions of K.S.A.  
13 75-3738 through 75-3744, and amendments thereto, shall not apply.  
14 Meetings conducted by the procurement negotiating committee shall be  
15 exempt from the provisions of the Kansas open meeting act, K.S.A. 75-  
16 4317 through 75-4320a, and amendments thereto.

17 (c) Before a major procurement contract is awarded, the executive  
18 director shall conduct a background investigation of: (1) The vendor to  
19 whom the contract is to be awarded; (2) all officers and directors of such  
20 vendor; (3) all persons who own a 5% or more interest in such vendor;  
21 (4) all persons who own a controlling interest in such vendor; and (5) any  
22 subsidiary or other business in which such vendor owns a controlling  
23 interest. The vendor shall submit appropriate investigation authorizations  
24 to facilitate such investigation. The executive director may require, in  
25 accordance with rules and regulations of the commission, that a vendor  
26 submit any additional information considered appropriate to preserve the  
27 integrity and security of the lottery. In addition, the executive director  
28 may conduct a background investigation of any person having a beneficial  
29 interest in a vendor. The secretary of revenue, securities commissioner,  
30 attorney general and director of the Kansas bureau of investigation shall  
31 assist in any investigation pursuant to this subsection upon request of the  
32 executive director. Whenever the secretary of revenue, securities com-  
33 missioner, attorney general or director of the Kansas bureau of investi-  
34 gation assists in such an investigation and incurs costs in addition to those  
35 attributable to the operations of the office or bureau, such additional costs  
36 shall be paid by the Kansas lottery. The furnishing of assistance in such  
37 an investigation shall be a transaction between the Kansas lottery and the  
38 respective officer and shall be settled in accordance with K.S.A. 75-5516,  
39 and amendments thereto.

40 Upon the request of the chairperson, the Kansas bureau of investiga-  
41 tion and other criminal justice agencies shall provide to the chairperson  
42 all background investigation information including criminal history record  
43 information, arrest and nonconviction data, criminal intelligence infor-

1 mation and information relating to criminal and background investiga-  
2 tions of a vendor to whom a major procurement contract is to be awarded.  
3 Such information, other than conviction data, shall be confidential and  
4 shall not be disclosed, except as provided in this section. In addition to  
5 any other penalty provided by law, disclosure of such information shall  
6 be grounds for removal from office or termination of employment.

7 (d) All major procurement contracts shall be subject to approval of  
8 the commission.

9 (e) (1) *Except as provided by paragraph (2), the executive director*  
10 *shall not agree to any renewal or extension of a major procurement con-*  
11 *tract unless such extension or renewal is awarded in the manner provided*  
12 *by this section.*

13 (2) *The provisions of paragraph (1) shall not apply to the extension*  
14 *or renegotiation of an existing contract with a vendor for the purposes of*  
15 *providing services for the monitoring and control of electronic gaming*  
16 *machines, destination casino games or video lottery terminals pursuant*  
17 *to the Kansas expanded gaming opportunity act. The provisions of this*  
18 *subsection shall expire on June 30, 2005.*

19 Sec. 35. K.S.A. 74-8710 is hereby amended to read as follows: 74-  
20 8710. (a) The commission, upon the recommendation of the executive  
21 director, shall adopt rules and regulations governing the establishment  
22 and operation of a state lottery as necessary to carry out the purposes of  
23 this act. Temporary rules and regulations may be adopted by the com-  
24 mission without being subject to the provisions and requirements of  
25 K.S.A. 77-415 through 77-438, and amendments thereto, but shall be  
26 subject to approval by the attorney general as to legality and shall be filed  
27 with the secretary of state and published in the Kansas register. Tem-  
28 porary and permanent rules and regulations may include but shall not be  
29 limited to:

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

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

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

40 (4) The frequency of the drawings or selections of winning tickets or  
41 shares.

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

- 1 (6) The method or methods to be used in selling tickets or shares.
- 2 (7) Additional qualifications for the selection of lottery retailers and  
3 the amount of application fees to be paid by each.
- 4 (8) The amount and method of compensation to be paid to lottery  
5 retailers, including special bonuses and incentives.
- 6 (9) Deadlines for claims for prizes by winners of each lottery game.
- 7 (10) Provisions for confidentiality of information submitted by ven-  
8 dors pursuant to K.S.A. 74-8705, and amendments thereto.
- 9 (11) Information required to be submitted by vendors, in addition to  
10 that required by K.S.A. 74-8705, and amendments thereto.
- 11 (12) The major procurement contracts or portions thereof to be  
12 awarded to minority business enterprises pursuant to subsection (a) of  
13 K.S.A. 74-8705, and amendments thereto, and procedures for the award  
14 thereof.
- 15 (13) *Rules and regulations to implement, administer and enforce the*  
16 *provisions of the Kansas expanded gaming opportunity act.*
- 17 (14) *The types of electronic gaming machines, destination casino*  
18 *games and video lottery terminals operated pursuant to the Kansas ex-*  
19 *expanded gaming opportunity act.*
- 20 (b) No new lottery game shall commence operation after the effective  
21 date of this act unless first approved by the governor or, in the governor's  
22 absence or disability, the lieutenant governor. *This subsection shall not*  
23 *be construed to require approval of games played on an electronic gaming*  
24 *machine or video lottery games.*
- 25 (c) The lottery shall adopt rules and regulations concerning the game  
26 of keno. Such rules and regulations shall require that the amount of time  
27 which elapses between the start of games shall not be less than four  
28 minutes.
- 29 Sec. 36. K.S.A. 74-8711 is hereby amended to read as follows: 74-  
30 8711. (a) There is hereby established in the state treasury the lottery  
31 operating fund.
- 32 (b) *Except as provided by the Kansas gaming act,* the executive di-  
33 rector shall remit all moneys collected from the sale of lottery tickets and  
34 shares and any other moneys received by or on behalf of the Kansas  
35 lottery to the state treasurer in accordance with the provisions of K.S.A.  
36 75-4215, and amendments thereto. Upon receipt of each such remittance,  
37 the state treasurer shall deposit the entire amount in the state treasury  
38 to the credit of the lottery operating fund. Moneys credited to the fund  
39 shall be expended or transferred only as provided by this act. Expendi-  
40 tures from such fund shall be made in accordance with appropriations  
41 acts upon warrants of the director of accounts and reports issued pursuant  
42 to vouchers approved by the executive director or by a person designated  
43 by the executive director.

- 1 (c) Moneys in the lottery operating fund shall be used for:
- 2 (1) The payment of expenses of the lottery, which shall include all  
3 costs incurred in the operation and administration of the Kansas lottery,  
4 *other than expenses incurred pursuant to the Kansas expanded gaming*  
5 *opportunity act*; all costs resulting from contracts entered into for the  
6 purchase or lease of goods and services needed for operation of the lot-  
7 tery, including but not limited to supplies, materials, tickets, independent  
8 studies and surveys, data transmission, advertising, printing, promotion,  
9 incentives, public relations, communications and distribution of tickets  
10 and shares; and reimbursement of costs of facilities and services provided  
11 by other state agencies;
- 12 (2) the payment of compensation to lottery retailers;
- 13 (3) transfers of moneys to the lottery prize payment fund pursuant to  
14 K.S.A. 74-8712, and amendments thereto;
- 15 (4) transfers to the state general fund pursuant to K.S.A. 74-8713,  
16 and amendments thereto;
- 17 (5) transfers to the state gaming revenues fund pursuant to subsection  
18 (d) of this section and as otherwise provided by law; and
- 19 (6) transfers to the county reappraisal fund as prescribed by law.
- 20 (d) The director of accounts and reports shall transfer moneys in the  
21 lottery operating fund to the state gaming revenues fund created by  
22 K.S.A. 79-4801, and amendments thereto, on or before the 15th day of  
23 each month in an amount certified monthly by the executive director and  
24 determined as follows, whichever is greater:
- 25 (1) An amount equal to the moneys in the lottery operating fund in  
26 excess of those needed for the purposes described in subsections (c)(1)  
27 through (c)(4); or
- 28 (2) except for pull-tab lottery tickets and shares, an amount equal to  
29 not less than 30% of total monthly revenues from the sales of lottery  
30 tickets and shares less estimated returned tickets. In the case of pull-tab  
31 lottery tickets and shares, an amount equal to not less than 20% of the  
32 total monthly revenues from the sales of pull-tab lottery tickets and shares  
33 less estimated returned tickets.
- 34 Sec. 37. K.S.A. 74-8723 is hereby amended to read as follows: 74-  
35 8723. (a) The Kansas lottery and the office of executive director of the  
36 Kansas lottery, established by K.S.A. 74-8703, and amendments thereto,  
37 and the Kansas lottery commission, created by K.S.A. 74-8709, and  
38 amendments thereto, shall be and hereby are abolished on July 1, ~~2008~~  
39 ~~2012~~.
- 40 (b) This section shall be part of and supplemental to the Kansas lot-  
41 tery act.
- 42 Sec. 38. K.S.A. 2003 Supp. 19-101a is hereby amended to read as  
43 follows: 19-101a. (a) The board of county commissioners may transact all

1 county business and perform all powers of local legislation and adminis-  
2 tration it deems appropriate, subject only to the following limitations,  
3 restrictions or prohibitions:

4 (1) Counties shall be subject to all acts of the legislature which apply  
5 uniformly to all counties.

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

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

8 (4) Counties shall be subject to acts of the legislature prescribing  
9 limits of indebtedness.

10 (5) In the exercise of powers of local legislation and administration  
11 authorized under provisions of this section, the home rule power con-  
12 ferred on cities to determine their local affairs and government shall not  
13 be superseded or impaired without the consent of the governing body of  
14 each city within a county which may be affected.

15 (6) Counties may not legislate on social welfare administered under  
16 state law enacted pursuant to or in conformity with public law No. 271—  
17 74th congress, or amendments thereof.

18 (7) Counties shall be subject to all acts of the legislature concerning  
19 elections, election commissioners and officers and their duties as such  
20 officers and the election of county officers.

21 (8) Counties shall be subject to the limitations and prohibitions im-  
22 posed under K.S.A. 12-187 to 12-195, inclusive, and amendments thereto,  
23 prescribing limitations upon the levy of retailers' sales taxes by counties.

24 (9) Counties may not exempt from or effect changes in statutes made  
25 nonuniform in application solely by reason of authorizing exceptions for  
26 counties having adopted a charter for county government.

27 (10) No county may levy ad valorem taxes under the authority of this  
28 section upon real property located within any redevelopment project area  
29 established under the authority of K.S.A. 12-1772, and amendments  
30 thereto, unless the resolution authorizing the same specifically authorized  
31 a portion of the proceeds of such levy to be used to pay the principal of  
32 and interest upon bonds issued by a city under the authority of K.S.A.  
33 12-1774, and amendments thereto.

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

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

43 (13) Except as otherwise specifically authorized by K.S.A. 12-1,101

- 1 through 12-1,109, and amendments thereto, counties may not levy and  
2 collect taxes on incomes from whatever source derived.
- 3 (14) Counties may not exempt from or effect changes in K.S.A. 19-  
4 430, and amendments thereto.
- 5 (15) Counties may not exempt from or effect changes in K.S.A. 19-  
6 302, 19-502b, 19-503, 19-805 or 19-1202, and amendments thereto.
- 7 (16) (A) Counties may not exempt from or effect changes in K.S.A.  
8 13-13a26, and amendments thereto.
- 9 (B) This provision shall expire on June 30, 2005.
- 10 (17) (A) Counties may not exempt from or effect changes in K.S.A.  
11 71-301a, and amendments thereto.
- 12 (B) This provision shall expire on June 30, 2005.
- 13 (18) Counties may not exempt from or effect changes in K.S.A. 19-  
14 15,139, 19-15,140 and 19-15,141, and amendments thereto.
- 15 (19) Counties may not exempt from or effect changes in the provi-  
16 sions of K.S.A. 12-1223, 12-1225, 12-1225a, 12-1225b, 12-1225c and 12-  
17 1226, and amendments thereto, or the provisions of K.S.A. 12-1260  
18 through 12-1270 and 12-1276, and amendments thereto.
- 19 (20) Counties may not exempt from or effect changes in the provi-  
20 sions of K.S.A. 19-211, and amendments thereto.
- 21 (21) Counties may not exempt from or effect changes in the provi-  
22 sions of K.S.A. 19-4001 through 19-4015, and amendments thereto.
- 23 (22) Counties may not regulate the production or drilling of any oil  
24 or gas well in any manner which would result in the duplication of reg-  
25 ulation by the state corporation commission and the Kansas department  
26 of health and environment pursuant to chapter 55 and chapter 65 of the  
27 Kansas Statutes Annotated and any rules and regulations adopted pur-  
28 suant thereto. Counties may not require any license or permit for the  
29 drilling or production of oil and gas wells. Counties may not impose any  
30 fee or charge for the drilling or production of any oil or gas well.
- 31 (23) Counties may not exempt from or effect changes in K.S.A. 79-  
32 41a04, and amendments thereto.
- 33 (24) Counties may not exempt from or effect changes in K.S.A. 79-  
34 1611, and amendments thereto.
- 35 (25) Counties may not exempt from or effect changes in K.S.A. 79-  
36 1494, and amendments thereto.
- 37 (26) Counties may not exempt from or effect changes in subsection  
38 (b) of K.S.A. 19-202, and amendments thereto.
- 39 (27) Counties may not exempt from or effect changes in subsection  
40 (b) of K.S.A. 19-204, and amendments thereto.
- 41 (28) Counties may not levy or impose an excise, severance or any  
42 other tax in the nature of an excise tax upon the physical severance and  
43 production of any mineral or other material from the earth or water.

1 (29) Counties may not exempt from or effect changes in K.S.A. 79-  
2 2017 or 79-2101, and amendments thereto.

3 (30) Counties may not exempt from or effect changes in K.S.A. 2-  
4 3302, 2-3305, 2-3307, 2-3318, 17-5904, 17-5908, 47-1219, 65-171d, 65-  
5 1,178 through 65-1,199 or K.S.A. 2003 Supp. 17-5909, and amendments  
6 thereto.

7 (31) Counties may not exempt from or effect changes in K.S.A. 2003  
8 Supp. 80-121, and amendments thereto.

9 (32) Counties may not exempt from or effect changes in K.S.A. 19-  
10 228, and amendments thereto.

11 (33) *Counties may not exempt from or effect changes in the Kansas*  
12 *lottery act or the Kansas expanded gaming opportunity act.*

13 (b) Counties shall apply the powers of local legislation granted in  
14 subsection (a) by resolution of the board of county commissioners. If no  
15 statutory authority exists for such local legislation other than that set forth  
16 in subsection (a) and the local legislation proposed under the authority  
17 of such subsection is not contrary to any act of the legislature, such local  
18 legislation shall become effective upon passage of a resolution of the  
19 board and publication in the official county newspaper. If the legislation  
20 proposed by the board under authority of subsection (a) is contrary to an  
21 act of the legislature which is applicable to the particular county but not  
22 uniformly applicable to all counties, such legislation shall become effec-  
23 tive by passage of a charter resolution in the manner provided in K.S.A.  
24 19-101b, and amendments thereto.

25 (c) Any resolution adopted by a county which conflicts with the re-  
26 strictions in subsection (a) is null and void.

27 Sec. 39. K.S.A. 74-8702, 74-8705, 74-8710, 74-8711 and 74-8723 and  
28 K.S.A. 2003 Supp. 19-101a are hereby repealed.

29 Sec. 40. This act shall take effect and be in force from and after its  
30 publication in the Kansas register.

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