

## SENATE BILL No. 401

By Committee on Federal and State Affairs

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9 AN ACT concerning the Kansas expanded lottery act; relating to race-  
10 track gaming facilities; creating the Kansas agricultural opportunity act;  
11 amending K.S.A. 2009 Supp. 74-8734, 74-8741, 74-8744, 74-8747, 74-  
12 8751 and 74-8768 and repealing the existing sections.  
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14 *Be it enacted by the Legislature of the State of Kansas:*

15 New Section 1. Sections 1 through 3, and amendments thereto, shall  
16 be known and may be cited as the Kansas agricultural opportunity act,  
17 and shall apply to implementation and operation of parimutuel racetrack  
18 facilities authorized to offer lottery gaming facility games pursuant to  
19 K.S.A. 74-8733 *et seq.*, and amendments thereto, and shall provide for  
20 the establishment of a framework for encouraging economic opportunity  
21 in rural Kansas through the expansion of horse and greyhound ownership,  
22 breeding and investment.

23 New Sec. 2. (a) The official horse registering agency designated by  
24 the Kansas racing and gaming commission pursuant to K.S.A. 74-8830,  
25 and amendments thereto, shall be responsible for implementing proce-  
26 dures and making recommendations related to the operation of live horse  
27 racing pursuant to the requirements of section 3, and amendments  
28 thereto.

29 (b) The official greyhound registering agency designated by the Kan-  
30 sas racing and gaming commission pursuant to K.S.A. 74-8832, and  
31 amendments thereto, shall be responsible for implementing procedures  
32 and making recommendations related to the operation of live greyhound  
33 racing pursuant to the requirements of section 3, and amendments  
34 thereto.

35 New Sec. 3. (a) On or before December 1, the official breed regis-  
36 tering agencies for both horse and greyhound breeds shall make recom-  
37 mendations to the Kansas racing and gaming commission for implemen-  
38 tation of programs which will maximize the benefit to economic  
39 development in rural Kansas from purse supplements paid pursuant to  
40 K.S.A. 2009 Supp. 74-8747, and amendments thereto. Such recommen-  
41 dations made by each breed registering agency shall consider the  
42 following:

43 (1) Increasing the number of registered breed horses bred in Kansas

- 1 and mares and stallions domiciled in Kansas;
- 2 (2) increasing the number of greyhounds whelped in Kansas and  
3 greyhounds in Kansas;
- 4 (3) increasing the number of horses and greyhounds owned by Kan-  
5 sas residents for the purposes of live racing; and
- 6 (4) creating jobs in Kansas associated with breeding and racing of  
7 horses and greyhounds.
- 8 (b) On or before January 15, the official breed registering agencies  
9 shall submit the following reports to the Kansas racing and gaming  
10 commission:
- 11 (1) The number of horses bred in Kansas and the number of mares  
12 and stallions domiciled in Kansas during the previous calendar year;
- 13 (2) the number of whelped greyhounds registered in Kansas during  
14 the previous calendar year;
- 15 (3) the estimated number of horses and greyhounds owned by Kansas  
16 residents during the previous calendar year; and
- 17 (4) the estimated amount of total purses paid by Kansas parimutuel  
18 racetrack facilities with separate total amounts for each source of purse  
19 funds.
- 20 New Sec. 4. (a) The board of county commissioners of Sedgwick  
21 county shall not submit by resolution any question seeking voter approval  
22 related to lottery gaming facilities or operation of electronic gaming ma-  
23 chines within Sedgwick county except as provided in subsection (b).
- 24 (b) The board of county commissioners of Sedgwick county shall sub-  
25 mit upon presentation of a valid petition filed in accordance with subsec-  
26 tion (c), to the qualified voters of the county a proposition to permit the  
27 operation of electronic gaming machines at an existing parimutuel race-  
28 track within that county. The proposition shall be submitted to the voters  
29 at a special election to be held no later than 120 days after the effective  
30 date of this section.
- 31 (c) A petition to submit a proposition to the qualified voters of a  
32 county pursuant to this section shall be filed with the county election  
33 officer. The petition shall be signed by not less than 5,000 qualified voters  
34 of the county. The following shall appear on the petition: "We request  
35 an election to determine whether the operation of electronic gaming ma-  
36 chines at parimutuel racetrack facilities by the Kansas lottery shall be  
37 permitted in Sedgwick county."
- 38 (d) Upon the submission of a petition, the county election officer shall  
39 determine whether a sufficient number of qualified voters of the county  
40 have signed such petition. If the submitted petition calling for an election  
41 pursuant to this section is deemed valid, the county election officer shall  
42 cause the following proposition to be placed on the ballot at the election  
43 called for that purpose: "Shall the operation of electronic gaming ma-

1 chines at the Wichita Greyhound Park by the Kansas lottery be permitted  
2 in Sedgwick county?”

3 (e) If a majority of the votes cast and counted at such election is in  
4 favor of permitting the operation of such machines, the executive director  
5 may enter into a contract with the parimutuel racetrack facility licensee  
6 in Sedgwick county to operate such machines at its existing location in  
7 the county. If a majority of the votes cast and counted at an election under  
8 this section is against permitting the operation of electronic gaming ma-  
9 chines in the county, the Kansas lottery shall not operate such machines  
10 in the county. The county election officer shall transmit a copy of the  
11 certification of the results of the election to the executive director and to  
12 the Kansas racing and gaming commission.

13 (f) The election provided for by this section shall be conducted, and  
14 the votes counted and canvassed, in the manner provided by law for  
15 question submitted elections of the county.

16 (g) If in any election provided for by this section a majority of the  
17 votes cast and counted is against the proposition permitting the operation  
18 of electronic gaming machines in the county, another election submitting  
19 the same proposition shall not be held after the date of such election.

20 (h) This section shall be a part of and supplemental to the Kansas  
21 expanded lottery act.

22 Sec. 5. K.S.A. 2009 Supp. 74-8734 is hereby amended to read as  
23 follows: 74-8734. (a) The Kansas lottery may operate one lottery gaming  
24 facility in each gaming zone.

25 (b) Not more than 30 days after the effective date of this act the  
26 lottery commission shall adopt and publish in the Kansas register the  
27 procedure for receiving, considering and approving, proposed lottery  
28 gaming facility management contracts. Such procedure shall include pro-  
29 visions for review of competitive proposals within a gaming zone and the  
30 date by which proposed lottery gaming facility management contracts  
31 must be received by the lottery commission if they are to receive  
32 consideration.

33 (c) The lottery commission shall adopt standards to promote the in-  
34 tegrity of the gaming and finances of lottery gaming facilities, which shall  
35 apply to all management contracts, shall meet or exceed industry stan-  
36 dards for monitoring and controlling the gaming and finances of gaming  
37 facilities and shall give the executive director sufficient authority to mon-  
38 itor and control the gaming operation and to ensure its integrity and  
39 security.

40 (d) The Kansas lottery commission may approve management con-  
41 tracts with one or more prospective lottery gaming facility managers to  
42 manage, or construct and manage, on behalf of the state of Kansas and  
43 subject to the operational control of the Kansas lottery, a lottery gaming

1 facility or lottery gaming enterprise at specified destination locations  
2 within the northeast, south central, southwest and southeast Kansas gam-  
3 ing zones where the commission determines the operation of such facility  
4 would promote tourism and economic development. The commission  
5 shall approve or disapprove a proposed management contract within 90  
6 days after the deadline for receipt of proposals established pursuant to  
7 subsection (b).

8 (e) In determining whether to approve a management contract with  
9 a prospective lottery gaming facility manager to manage a lottery gaming  
10 facility or lottery gaming enterprise pursuant to this section, the com-  
11 mission shall take into consideration the following factors: The size of the  
12 proposed facility; the geographic area in which such facility is to be lo-  
13 cated; the proposed facility's location as a tourist and entertainment des-  
14 tination; the estimated number of tourists that would be attracted by the  
15 proposed facility; the number and type of lottery facility games to be  
16 operated at the proposed facility; and agreements related to ancillary lot-  
17 tery gaming facility operations.

18 (f) Subject to the requirements of this section, the commission shall  
19 approve at least one proposed lottery gaming facility management con-  
20 tract for a lottery gaming facility in each gaming zone.

21 (g) The commission shall not approve a management contract unless:

22 (1) (A) The prospective lottery gaming facility manager is a resident  
23 Kansas American Indian tribe and, at a minimum: (i) Has sufficient access  
24 to financial resources to support the activities required of a lottery gaming  
25 facility manager under the Kansas expanded lottery act; and (ii) has three  
26 consecutive years' experience in the management of gaming which would  
27 be class III gaming, as defined in K.S.A. 46-2301, and amendments  
28 thereto, operated pursuant to state or federal law; or

29 (B) the prospective lottery gaming facility manager is not a resident  
30 Kansas American Indian tribe and, at a minimum: (i) Has sufficient access  
31 to financial resources to support the activities required of a lottery gaming  
32 facility manager under the Kansas expanded lottery act; (ii) is current in  
33 filing all applicable tax returns and in payment of all taxes, interest and  
34 penalties owed to the state of Kansas and any taxing subdivision where  
35 such prospective manager is located in the state of Kansas, excluding  
36 items under formal appeal pursuant to applicable statutes; and (iii) has  
37 three consecutive years' experience in the management of gaming which  
38 would be class III gaming, as defined in K.S.A. 46-2301, and amendments  
39 thereto, operated pursuant to state or federal law; and

40 (2) the commission determines that the proposed development con-  
41 sists of an investment in infrastructure, including ancillary lottery gaming  
42 facility operations, of at least \$225,000,000 in the northeast, ~~southeast~~ and  
43 south central Kansas gaming zones ~~and~~, *of at least \$100,000,000 in the*

- 1 *southeast Kansas gaming zone and of at least \$50,000,000* in the south-  
2 west Kansas gaming zone. The commission, in determining whether the  
3 minimum investment required by this subsection is met, shall not include  
4 any amounts derived from or financed by state or local retailers' sales tax  
5 revenues.
- 6 (h) Any management contract approved by the commission under  
7 this section shall:
- 8 (1) Have a maximum initial term of 15 years from the date of opening  
9 of the lottery gaming facility. At the end of the initial term, the contract  
10 may be renewed by mutual consent of the state and the lottery gaming  
11 facility manager;
- 12 (2) specify the total amount to be paid to the lottery gaming facility  
13 manager pursuant to the contract;
- 14 (3) establish a mechanism to facilitate payment of lottery gaming fa-  
15 cility expenses, payment of the lottery gaming facility manager's share of  
16 the lottery gaming facility revenues and distribution of the state's share  
17 of the lottery gaming facility revenues;
- 18 (4) include a provision for the lottery gaming facility manager to pay  
19 the costs of oversight and regulation of the lottery gaming facility manager  
20 and the operations of the lottery gaming facility by the Kansas racing and  
21 gaming commission *and the Kansas lottery*;
- 22 (5) establish the types of lottery facility games to be installed in such  
23 facility;
- 24 (6) provide for the prospective lottery gaming facility manager, upon  
25 approval of the proposed lottery gaming facility management contract, to  
26 pay to the state treasurer a privilege fee of: (A) \$25,000,000 for the priv-  
27 ilege of being selected as a lottery gaming facility manager of a lottery  
28 gaming facility in the northeast, ~~southeast~~ or south central Kansas gaming  
29 zone ~~and~~; (B) \$11,000,000 for the privilege of being selected as a lottery  
30 gaming facility manager of a lottery gaming facility in the southeast Kan-  
31 sas gaming zone; and (C) \$5,500,000 for the privilege of being selected  
32 as a lottery gaming facility manager of a lottery gaming facility in the  
33 southwest Kansas gaming zone. Such fee shall be deposited in the state  
34 treasury and credited to the lottery gaming facility manager fund, which  
35 is hereby created in the state treasury;
- 36 (7) incorporate terms and conditions for the ancillary lottery gaming  
37 facility operations;
- 38 (8) designate as key employees, subject to approval of the executive  
39 director, any employees or contractors providing services or functions  
40 which are related to lottery facility games authorized by a management  
41 contract;
- 42 (9) include financing commitments for construction;
- 43 (10) include a resolution of endorsement from the city governing

- 1 body, if the proposed facility is within the corporate limits of a city, or  
2 from the county commission, if the proposed facility is located in the  
3 unincorporated area of the county;
- 4 (11) include a requirement that any parimutuel licensee developing  
5 a lottery gaming facility pursuant to this act comply with all orders and  
6 rules and regulations of the Kansas racing and gaming commission with  
7 regard to the conduct of live racing, including the same minimum days  
8 of racing as specified in K.S.A. 2009 Supp. 74-8746, and amendments  
9 thereto, for operation of electronic gaming machines at racetrack gaming  
10 facilities;
- 11 (12) include a provision for the state to receive not less than 22% of  
12 lottery gaming facility revenues, which shall be paid to the expanded  
13 lottery act revenues fund established by K.S.A. 2009 Supp. 74-8768, and  
14 amendments thereto;
- 15 (13) include a provision for 2% of lottery gaming facility revenues to  
16 be paid to the problem gambling and addictions grant fund established  
17 by K.S.A. 2009 Supp. 79-4805, and amendments thereto;
- 18 (14) if the prospective lottery gaming facility manager is an American  
19 Indian tribe, include a provision that such tribe agrees to waive its sov-  
20 ereign immunity with respect to any actions arising from or to enforce  
21 either the Kansas expanded lottery act or any provision of the lottery  
22 gaming facility management contract; any action brought by an injured  
23 patron or by the state of Kansas; any action for purposes of enforcing the  
24 workers compensation act or any other employment or labor law; and any  
25 action to enforce laws, rules and regulations and codes pertaining to  
26 health, safety and consumer protection; and for any other purpose  
27 deemed necessary by the executive director to protect patrons or em-  
28 ployees and promote fair competition between the tribe and others seek-  
29 ing a lottery gaming facility management contract;
- 30 (15) (A) if the lottery gaming facility is located in the northeast or  
31 southwest Kansas gaming zone and is not located within a city, include a  
32 provision for payment of an amount equal to 3% of the lottery gaming  
33 facility revenues to the county in which the lottery gaming facility is lo-  
34 cated; or (B) if the lottery gaming facility is located in the northeast or  
35 southwest Kansas gaming zone and is located within a city, include pro-  
36 vision for payment of an amount equal to 1.5% of the lottery gaming  
37 facility revenues to the city in which the lottery gaming facility is located  
38 and an amount equal to 1.5% of such revenues to the county in which  
39 such facility is located;
- 40 (16) (A) if the lottery gaming facility is located in the southeast or  
41 south central Kansas gaming zone and is not located within a city, include  
42 a provision for payment of an amount equal to 2% of the lottery gaming  
43 facility revenues to the county in which the lottery gaming facility is lo-

1 cated and an amount equal to 1% of such revenues to the other county  
2 in such zone; or (B) if the lottery gaming facility is located in the southeast  
3 or south central Kansas gaming zone and is located within a city, provide  
4 for payment of an amount equal to 1% of the lottery gaming facility  
5 revenues to the city in which the lottery gaming facility is located, an  
6 amount equal to 1% of such revenues to the county in which such facility  
7 is located and an amount equal to 1% of such revenues to the other county  
8 in such zone;

9 (17) allow the lottery gaming facility manager to manage the lottery  
10 gaming facility in a manner consistent with this act and applicable law,  
11 but shall place full, complete and ultimate ownership and operational  
12 control of the gaming operation of the lottery gaming facility with the  
13 Kansas lottery. The Kansas lottery shall not delegate and shall explicitly  
14 retain the power to overrule any action of the lottery gaming facility man-  
15 ager affecting the gaming operation without prior notice. The Kansas  
16 lottery shall retain full control over all decisions concerning lottery gaming  
17 facility games;

18 (18) include provisions for the Kansas racing and gaming commission  
19 to oversee all lottery gaming facility operations, including, but not limited  
20 to: Oversight of internal controls; oversight of security of facilities; per-  
21 formance of background investigations, determination of qualifications  
22 and credentialing of employees, contractors and agents of the lottery gam-  
23 ing facility manager and of ancillary lottery gaming facility operations, as  
24 determined by the Kansas racing and gaming commission; auditing of  
25 lottery gaming facility revenues; enforcement of all state laws and main-  
26 tenance of the integrity of gaming operations; and

27 (19) include enforceable provisions: (A) Prohibiting the state, until  
28 July 1, 2032, from (i) entering into management contracts for more than  
29 four lottery gaming facilities or similar gaming facilities, one to be located  
30 in the northeast Kansas gaming zone, one to be located in the south  
31 central Kansas gaming zone, one to be located in the southwest Kansas  
32 gaming zone and one to be located in the southeast Kansas gaming zone,  
33 (ii) designating additional areas of the state where operation of lottery  
34 gaming facilities or similar gaming facilities would be authorized or (iii)  
35 operating an aggregate of more than 2,800 electronic gaming machines  
36 at all parimutuel licensee locations; and (B) requiring the state to repay  
37 to the lottery gaming facility manager an amount equal to the privilege  
38 fee paid by such lottery gaming facility manager, plus interest on such  
39 amount, compounded annually at the rate of 10%, if the state violates the  
40 prohibition provision described in (A).

41 (i) The power of eminent domain shall not be used to acquire any  
42 interest in real property for use in a lottery gaming enterprise.

43 (j) Any proposed management contract for which the privilege fee

1 has not been paid to the state treasurer within 30 days after the date of  
2 approval of the management contract shall be null and void.

3 (k) A person who is the manager of the racetrack gaming facility in a  
4 gaming zone shall not be eligible to be the manager of the lottery gaming  
5 facility in the same zone.

6 (l) Management contracts authorized by this section may include provi-  
7 sions relating to:

8 (1) Accounting procedures to determine the lottery gaming facility  
9 revenues, unclaimed prizes and credits;

10 (2) minimum requirements for a lottery gaming facility manager to  
11 provide qualified oversight, security and supervision of the lottery facility  
12 games including the use of qualified personnel with experience in appli-  
13 cable technology;

14 (3) eligibility requirements for employees, contractors or agents of a  
15 lottery gaming facility manager who will have responsibility for or involve-  
16 ment with actual gaming activities or for the handling of cash or tokens;

17 (4) background investigations to be performed by the Kansas racing  
18 and gaming commission;

19 (5) credentialing requirements for any employee, contractor or agent  
20 of the lottery gaming facility manager or of any ancillary lottery gaming  
21 facility operation as provided by the Kansas expanded lottery act or rules  
22 and regulations adopted pursuant thereto;

23 (6) provision for termination of the management contract by either  
24 party for cause; and

25 (7) any other provision deemed necessary by the parties, including  
26 such other terms and restrictions as necessary to conduct any lottery fa-  
27 cility game in a legal and fair manner.

28 (m) A management contract shall not constitute property, nor shall  
29 it be subject to attachment, garnishment or execution, nor shall it be  
30 alienable or transferable, except upon approval by the executive director,  
31 nor shall it be subject to being encumbered or hypothecated. The trustee  
32 of any insolvent or bankrupt lottery gaming facility manager may continue  
33 to operate pursuant to the management contract under order of the ap-  
34 propriate court for no longer than one year after the bankruptcy or in-  
35 solvency of such manager.

36 (n) (1) The Kansas lottery shall be the licensee and owner of all soft-  
37 ware programs used at a lottery gaming facility for any lottery facility  
38 game.

39 (2) A lottery gaming facility manager, on behalf of the state, shall  
40 purchase or lease for the Kansas lottery all lottery facility games. All lot-  
41 tery facility games shall be subject to the ultimate control of the Kansas  
42 lottery in accordance with this act.

43 (o) A lottery gaming facility shall comply with any planning and zon-



1 ing regulations of the city or county in which it is to be located. The  
2 executive director shall not contract with any prospective lottery gaming  
3 facility manager for the operation and management of such lottery gaming  
4 facility unless such manager first receives any necessary approval under  
5 planning and zoning requirements of the city or county in which it is to  
6 be located.

7 (p) Prior to expiration of the term of a lottery gaming facility man-  
8 agement contract, the lottery commission may negotiate a new lottery  
9 gaming facility management contract with the lottery gaming facility man-  
10 ager if the new contract is substantially the same as the existing contract.  
11 Otherwise, the lottery gaming facility review board shall be reconstituted  
12 and a new lottery gaming facility management contract shall be negotiated  
13 and approved in the manner provided by this act.

14 Sec. 6. K.S.A. 2009 Supp. 74-8741 is hereby amended to read as  
15 follows: 74-8741. (a) The executive director of the Kansas lottery shall  
16 negotiate a racetrack gaming facility management contract to place elec-  
17 tronic gaming machines at one parimutuel licensee location in each gam-  
18 ing zone except the southwest Kansas gaming zone.

19 (b) To be eligible to enter into a racetrack gaming facility manage-  
20 ment contract the prospective racetrack gaming facility manager shall, at  
21 a minimum:

22 (1) Have sufficient access to financial resources to support the activ-  
23 ities required of a racetrack gaming facility manager under the Kansas  
24 expanded lottery act; and

25 (2) be current in filing all applicable tax returns and in payment of  
26 all taxes, interest and penalties owed to the state of Kansas and any taxing  
27 subdivision where such prospective manager is located in the state of  
28 Kansas, excluding items under formal appeal pursuant to applicable  
29 statutes.

30 (c) A racetrack gaming facility management contract shall include:

31 (1) The term of the contract;

32 (2) provisions for the Kansas racing and gaming commission to over-  
33 see all racetrack gaming facility operations, including, but not limited to:  
34 Oversight of internal controls; oversight of security of facilities; perform-  
35 ance of background investigations, determination of qualifications and any  
36 required certification or licensing of officers, directors, board members,  
37 employees, contractors and agents of the racetrack gaming facility man-  
38 ager; auditing of net electronic gaming machine income and maintenance  
39 of the integrity of electronic gaming machine operations;

40 (3) provisions for the racetrack gaming facility manager to pay the  
41 costs of oversight and regulation of the racetrack gaming facility manager  
42 under this act and such manager's racetrack gaming facility operations by  
43 the Kansas racing and gaming commission *and the Kansas lottery*; and

1 (4) enforceable provisions: (A) Prohibiting the state, until July 1,  
2 2032, from (i) entering into management contracts for more than ~~three~~  
3 *four* lottery gaming facilities or similar gaming facilities, one to be located  
4 in the northeast Kansas gaming zone, one to be located in the south  
5 central Kansas gaming zone ~~and~~, one to be located in the southeast Kansas  
6 gaming zone *and one to be located in the southwest Kansas gaming zone*,  
7 (ii) designating additional areas of the state where operation of lottery  
8 gaming facilities or similar gaming facilities would be authorized or (iii)  
9 operating an aggregate of more than 2,800 electronic gaming machines  
10 at all parimutuel licensee locations; and (B) requiring the state to repay  
11 to the racetrack gaming facility manager an amount equal to the privilege  
12 fee paid by such racetrack gaming facility manager, plus interest on such  
13 amount, compounded annually at the rate of 10%, if the state violates the  
14 prohibition provision described in (A).

15 (d) Racetrack gaming facility management contracts authorized by  
16 this section may include provisions relating to:

17 (1) Accounting procedures to determine net electronic gaming ma-  
18 chine income, unclaimed prizes and credits;

19 (2) minimum requirements for a racetrack gaming facility manager  
20 to provide qualified oversight, security and supervision of electronic gam-  
21 ing machines including the use of qualified personnel with experience in  
22 applicable technology;

23 (3) eligibility requirements for employees, contractors or agents of a  
24 racetrack gaming facility manager who will have responsibility for or in-  
25 volvement with electronic gaming machines or for the handling of cash  
26 or tokens;

27 (4) background investigations to be performed by the Kansas racing  
28 and gaming commission;

29 (5) credentialing or certification requirements of any employee, con-  
30 tractor or agent as provided by the Kansas expanded lottery act or rules  
31 and regulations adopted pursuant thereto;

32 (6) provision for termination of the management contract by either  
33 party for cause; and

34 (7) any other provision deemed necessary by the parties, including  
35 such other terms and restrictions as necessary to conduct racetrack gam-  
36 ing facility operations in a legal and fair manner.

37 (e) A person who is the manager of a lottery gaming facility in a  
38 gaming zone shall not be eligible to be the manager of the racetrack  
39 gaming facility in the same zone.

40 (f) A racetrack gaming facility management contract shall not consti-  
41 tute property, nor shall it be subject to attachment, garnishment or exe-  
42 cution, nor shall it be alienable or transferable, except upon approval by  
43 the executive director, nor shall it be subject to being encumbered or

1 hypothecated.

2 Sec. 7. K.S.A. 2009 Supp. 74-8744 is hereby amended to read as  
3 follows: 74-8744. (a) In accordance with rules and regulations adopted by  
4 the commission, the executive director shall have general responsibility  
5 for the implementation and administration of the provisions of this act  
6 relating to racetrack gaming facility operations, including the responsi-  
7 bility to:

8 (1) Certify net electronic gaming machine income by inspecting re-  
9 cords, conducting audits, having agents of the Kansas lottery on site or  
10 by any other reasonable means; and

11 (2) assist the commission in the promulgation of rules and regulations  
12 concerning the operation of racetrack gaming facilities, which rules and  
13 regulations shall include, without limitation, the following:

14 (A) The number of electronic gaming machines allocated for place-  
15 ment at each racetrack gaming facility, subject to the provisions of sub-  
16 section (b);

17 (B) standards for advertising, marketing and promotional materials  
18 used by racetrack gaming facility managers;

19 (C) the kind, type, number and location of electronic gaming ma-  
20 chines at any racetrack gaming facility; and

21 (D) rules and regulations and procedures for the accounting and re-  
22 porting of the payments required from racetrack gaming facility managers  
23 under K.S.A. 2009 Supp. 74-8766, and amendments thereto, including  
24 the calculations required for such payments.

25 (b) Rules and regulations establishing the minimum and maximum  
26 number of electronic gaming machines allocated for placement at each  
27 racetrack gaming facility shall be adopted and published not later than  
28 120 days after the effective date of this act. Such rules and regulations  
29 shall be subject to the following:

30 (1) At least 600, *but not more than 1,500* electronic gaming machines  
31 shall be allocated to and placed at each racetrack gaming facility.

32 (2) The total number of electronic gaming machines allocated to and  
33 placed at all racetrack gaming facilities in the state shall not exceed 2,800.  
34 ~~Until lottery gaming facility management contracts for lottery gaming~~  
35 ~~facilities in all gaming zones become binding, the total number of elec-~~  
36 ~~tronic gaming machines placed at all racetrack gaming facilities shall not~~  
37 ~~exceed 2,200. When lottery gaming facility management contracts for~~  
38 ~~lottery gaming facilities in all gaming zones have become binding, the~~  
39 ~~lottery commission shall take privilege fee bids from the lottery gaming~~  
40 ~~facility manager and racetrack gaming facility manager in each gaming~~  
41 ~~zone for the remaining electronic gaming machines allocated to but not~~  
42 ~~yet placed at the racetrack gaming facility in such zone. The minimum~~  
43 ~~bid shall be a privilege fee of \$2,500 per electronic gaming machine. If~~

1 the racetrack gaming facility manager submits the highest bid, the lottery  
2 commission shall place the remaining electronic gaming machines at the  
3 racetrack gaming facility. If the lottery gaming facility manager submits  
4 the highest bid, the commission shall not place any additional electronic  
5 gaming machines at the racetrack gaming facility.

6 ~~(3) In addition to any privilege fee paid pursuant to paragraph (2),~~  
7 Each racetrack gaming facility manager shall pay a privilege fee of \$2,500  
8 for each electronic gaming machine placed at the racetrack gaming facility  
9 for which a privilege fee is not paid pursuant to paragraph (2).

10 (4) The racetrack gaming facility manager shall pay the privilege fees  
11 provided by this subsection to the executive director, who shall remit the  
12 entire amount to the state treasurer in accordance with K.S.A. 75-4215,  
13 and amendments thereto. Upon receipt of the remittance, the state trea-  
14 surer shall deposit the entire amount in the state treasury and credit it to  
15 the expanded lottery act revenues fund.

16 Sec. 8. K.S.A. 2009 Supp. 74-8747 is hereby amended to read as  
17 follows: 74-8747. (a) Net electronic gaming machine income from a race-  
18 track gaming facility shall be distributed as follows:

19 (1) To the racetrack gaming facility manager, an amount equal to ~~25%~~  
20 58% of net electronic gaming machine income;

21 (2) 7% of net electronic gaming machine income shall be credited to  
22 the live horse racing purse supplement fund established by K.S.A. 2009  
23 Supp. 74-8767, and amendments thereto, ~~except that the amount of net~~  
24 ~~electronic gaming machine income credited to the fund during any fiscal~~  
25 ~~year from electronic gaming machines at a racetrack gaming facility shall~~  
26 ~~not exceed an amount equal to the average of \$3,750 per electronic gam-~~  
27 ~~ing machine at each location and any moneys in excess of such amount~~  
28 ~~shall be distributed between the state and the racetrack gaming facility~~  
29 ~~manager in accordance with the racetrack gaming facility management~~  
30 ~~contract;~~

31 (3) 7% of net electronic gaming machine income shall be credited to  
32 the live greyhound racing purse supplement fund established by K.S.A.  
33 2009 Supp. 74-8767, and amendments thereto, ~~except that the amount~~  
34 ~~of net electronic gaming machine income credited to the fund during any~~  
35 ~~fiscal year from electronic gaming machines at a racetrack gaming facility~~  
36 ~~shall not exceed an amount equal to the average of \$3,750 per electronic~~  
37 ~~gaming machine at each location and any moneys in excess of such~~  
38 ~~amount shall be distributed between the state and the racetrack gaming~~  
39 ~~facility manager in accordance with the racetrack gaming facility man-~~  
40 ~~agement contract;~~

41 (4) (A) if the racetrack gaming facility is located in the northeast Kan-  
42 sas gaming zone and is not located within a city, include a provision for  
43 payment of an amount equal to 3% of the racetrack gaming facility rev-

1 ~~venues net electronic gaming machine income~~ to the county in which the  
 2 racetrack gaming facility is located; or (B) if the racetrack gaming facility  
 3 is located in the northeast Kansas gaming zone and is located within a  
 4 city, include provision for payment of an amount equal to 1.5% of the  
 5 ~~racetrack gaming facility revenues~~ *net electronic gaming machine income*  
 6 to the city in which the racetrack gaming facility is located and an amount  
 7 equal to 1.5% of such ~~revenues~~ *income* to the county in which such facility  
 8 is located;

9 (5) (A) if the racetrack gaming facility is located in the southeast or  
 10 south central Kansas gaming zone and is not located within a city, include  
 11 a provision for payment of an amount equal to 2% of the ~~racetrack gaming~~  
 12 ~~facility revenues~~ *net electronic gaming machine income* to the county in  
 13 which the racetrack gaming facility is located and an amount equal to 1%  
 14 of such ~~revenues~~ *income* to the other county in such zone; or (B) if the  
 15 racetrack gaming facility is located in the southeast or south central Kan-  
 16 sas gaming zone and is located within a city, provide for payment of an  
 17 amount equal to 1% of the ~~racetrack gaming facility revenues~~ *net elec-*  
 18 *tronic gaming machine income* to the city in which the racetrack gaming  
 19 facility is located, an amount equal to 1% of such ~~revenues~~ *income* to the  
 20 county in which such facility is located and an amount equal to 1% of  
 21 such ~~revenues~~ *income* to the other county in such zone;

22 (6) 2% of net electronic gaming machine income shall be credited to  
 23 the problem gambling and addictions grant fund established by K.S.A.  
 24 2009 Supp. 79-4805, and amendments thereto;

25 (7) 1% of net electronic gaming machine income shall be credited to  
 26 the Kansas horse fair racing benefit fund established by K.S.A. 74-8838,  
 27 and amendments thereto; *and*

28 (8) ~~40%~~ 22% of net electronic gaming machine income shall be cred-  
 29 ited to the expanded lottery act revenues fund; ~~and~~

30 ~~(9) 15% of electronic gaming machine income shall be used for gam-~~  
 31 ~~ing expenses, subject to agreement between the Kansas lottery and the~~  
 32 ~~racetrack gaming facility manager.~~

33 (b) A racetrack gaming facility management contract may include  
 34 provisions for a parimutuel licensee or any other entity to pay the pari-  
 35 mutuel licensee's expenses related to electronic gaming machines, as the  
 36 executive director deems appropriate; ~~subject to the requirements of sub-~~  
 37 ~~section (a)(9).~~

38 Sec. 9. K.S.A. 2009 Supp. 74-8751 is hereby amended to read as  
 39 follows: 74-8751. The Kansas racing and gaming commission, through  
 40 rules and regulations, shall establish:

41 (a) A certification requirement, and enforcement procedure, for of-  
 42 ficers, directors, key employees and persons directly or indirectly owning  
 43 a ~~0.5%~~ 5% or more interest in a lottery gaming facility manager or race-

1 track gaming facility manager. Such certification requirement shall in-  
2 clude compliance with such security, fitness and background investiga-  
3 tions and standards as the executive director of the Kansas racing and  
4 gaming commission deems necessary to determine whether such person's  
5 reputation, habits or associations pose a threat to the public interest of  
6 the state or to the reputation of or effective regulation and control of the  
7 lottery gaming facility or racetrack gaming facility. *In the case of a publicly*  
8 *traded company subject to the jurisdiction of the United States securities*  
9 *and exchange commission, such certification requirements shall require*  
10 *such security, fitness and background investigations and standards of of-*  
11 *ficers, directors, key gaming employees and persons directly or indirectly*  
12 *owning a 5% or more interest in such entity, and specify that such publicly*  
13 *traded company annually provide a list of all identifiable shareholders.*  
14 *In the case of institutional investors in a publicly traded company, the*  
15 *certification requirement shall provide a procedure for issuance of waivers*  
16 *of the background investigation requirement by the executive director of*  
17 *the Kansas racing and gaming commission.* Any person convicted of any  
18 felony, a crime involving gambling or a crime of moral turpitude prior to  
19 applying for a certificate hereunder or at any time thereafter shall be  
20 deemed unfit. The Kansas racing and gaming commission shall conduct  
21 the security, fitness and background checks required pursuant to this  
22 subsection. Certification pursuant to this subsection shall not be assign-  
23 able or transferable;

24 (b) a certification requirement, and enforcement procedure, for  
25 those persons, including electronic gaming machine manufacturers, tech-  
26 nology providers and computer system providers, who propose to contract  
27 with a lottery gaming facility manager, a racetrack gaming facility manager  
28 or the state for the provision of goods or services related to a lottery  
29 gaming facility or racetrack gaming facility, including management serv-  
30 ices. Such certification requirements shall include compliance with such  
31 security, fitness and background investigations and standards of officers,  
32 directors, key gaming employees and persons directly or indirectly owning  
33 a ~~0.5%~~ 5% or more interest in such entity as the executive director of the  
34 Kansas racing and gaming commission deems necessary to determine  
35 whether such person's reputation, habits and associations pose a threat  
36 to the public interest of the state or to the reputation of or effective  
37 regulation and control of the lottery gaming facility or racetrack gaming  
38 facility. *In the case of a publicly traded company subject to the jurisdiction*  
39 *of the United States securities and exchange commission, such certification*  
40 *requirements shall require such security, fitness and background inves-*  
41 *tigations and standards of officers, directors, key gaming employees and*  
42 *persons directly or indirectly owning a 5% or more interest in such entity,*  
43 *and specify that such publicly traded company annually provide a list of*

1 *all identifiable shareholders. In the case of institutional investors in a*  
2 *publicly traded company, the certification requirement shall provide a*  
3 *procedure for issuance of waivers of the background investigation re-*  
4 *quirement by the executive director of the Kansas racing and gaming*  
5 *commission. Any person convicted of any felony, a crime involving gam-*  
6 *bling or a crime of moral turpitude prior to applying for a certificate*  
7 *hereunder or at any time thereafter shall be deemed unfit. If the executive*  
8 *director of the racing and gaming commission determines the certification*  
9 *standards of another state are comprehensive, thorough and provide sim-*  
10 *ilar adequate safeguards, the executive director may certify an applicant*  
11 *already certified in such state without the necessity of a full application*  
12 *and background check. The Kansas racing and gaming commission shall*  
13 *conduct the security, fitness and background checks required pursuant*  
14 *to this subsection. Certification pursuant to this subsection shall not be*  
15 *assignable or transferable;*

16 (c) provisions for revocation of a certification required by subsection  
17 (a) or (b) upon a finding that the certificate holder, an officer or director  
18 thereof or a person directly or indirectly owning a ~~0.5%~~ 5% or more  
19 interest therein: (1) Has knowingly provided false or misleading material  
20 information to the Kansas lottery or its employees; or (2) has been con-  
21 victed of a felony, gambling related offense or any crime of moral turpi-  
22 tude; and

23 (d) provisions for suspension, revocation or nonrenewal of a certifi-  
24 cation required by subsection (a) or (b) upon a finding that the certificate  
25 holder, an officer or director thereof or a person directly or indirectly  
26 owning a ~~0.5%~~ 5% or more interest therein: (1) Has failed 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; (2) is delinquent  
29 in remitting money owed to the Kansas lottery; (3) has violated any pro-  
30 vision of any contract between the Kansas lottery and the certificate  
31 holder; or (4) has violated any provision of the Kansas expanded lottery  
32 act or any rule and regulation adopted hereunder.

33 Sec. 10. K.S.A. 2009 Supp. 74-8768 is hereby amended to read as  
34 follows: 74-8768. There is hereby created the expanded lottery act reve-  
35 nues fund in the state treasury. All expenditures and transfers from such  
36 fund shall be made in accordance with appropriation acts. All moneys  
37 credited to such fund shall be expended or transferred only for the pur-  
38 poses of reduction of state debt, state infrastructure improvements, *ex-*  
39 *penditures by the Kansas public employees retirement system to be ap-*  
40 *plied to the payment of the unfunded actuarial liability of the state for*  
41 *the state of Kansas and participating employers under K.S.A. 74-4931,*  
42 *and amendments thereto, portion of such liability, as directed by the Kan-*  
43 *sas public employees retirement system and reduction of local ad valorem*

1 tax in the same manner as provided for allocation of amounts in the local  
2 ad valorem tax reduction fund.

3 Sec. 11. K.S.A. 2009 Supp. 74-8734, 74-8741, 74-8744, 74-8747, 74-  
4 8751 and 74-8768 are hereby repealed.

5 Sec. 12. This act shall take effect and be in force from and after its  
6 publication in the Kansas register.