

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS

The meeting was called to order by Representative Kathleen Sebelius a
Chairperson

1:30 ~~8:30~~ p.m. on Wednesday, January 16, 1991 in room 526-S of the Capitol.

All members were present except:

Representatives Wagnon - Excused
and Roy - Excused

Committee staff present:

Mary Galligan, Kansas Department of Legislative Research
Lynne Holt, Kansas Department of Legislative Research
Mary Torrence, Revisor of Statutes Office
Connie Craig, Secretary to the Committee

Conferees appearing before the committee:

Chairman Sebelius called the meeting to order and welcomed all returning members and all new members to the Committee. She informed the Committee that the meetings will start at 1:30 p.m., and that it will be her intention to have written rules by next week, which she would like to propose that the Committee adopt.

Chairman Sebelius stated that anyone who wished to appear before the Committee and testify will need to have written testimony with copies for each member of the Committee.

Chairman Sebelius introduced herself to the Committee. She asked each member to introduce themselves and tell where they are from. She introduced Rep. Krehbiel as Vice-Chairman, Rep. Baker as Ranking Minority Member and all staff members. She also introduced from the audience, Jerry Simpson, Director of the Kansas Lottery, Dan Hammer, Kansas Racing Commission, and Janet Chubb, Council to the Kansas Racing Commission.

Mary Galligan, Legislative Research, briefed committee members on Parimutuel Racing, which are summarized in the outline, Attachment #1, and memo, Attachment #2, both from Legislative Research. Other information was handed out to the Committee, Attachments #3 & #4.

Committee Discussion regarding Parimutuel:

1. There are no contracts between licensees & owners of racing facilities at this time, but this is allowable.
2. The owner of the racing facility can also be the manager.
3. In regards to distribution of funds from racing facilities to charitable organizations, Wichita Greyhound Charities made distributions late in 1989 of approximately \$800,000. Woodlands racing facility has made no distributions, although both facilities are preparing to send out applications whereby charities can apply for those funds.
4. Both occupational licensees and concession licensees can obtain their licenses through the Kansas Racing Commission.

Mary Galligan, Legislative Research, then went over information concerning the Kansas Lottery as set out in Attachments #5, #6, and #7.

In response to a question from a member of the Committee, Mary Galligan stated that when she brings the updated figures for Economic Development Initiative Fund gained through Lottery proceeds, she will also show disbursement of said money.

The meeting was adjourned at 3:18 p.m..

GUEST LIST

FEDERAL & STATE AFFAIRS COMMITTEE

DATE 1-16-91

(PLEASE PRINT)
NAME

ADDRESS

WHO YOU REPRESENT

(PLEASE PRINT) NAME	ADDRESS	WHO YOU REPRESENT
DICK TAYLOR	TOPEKA	LIFE AT ITS BEST
Kenda Bartlett	Ft. Leavenworth	Concerned Women for America of Kansas
JIM GRENZ	TOPEKA	KANSAS Lottery
JERRY SIMPSON	"	" "
Mark Tallman	"	KASB
Jim Edwards	"	KCCI
Dan Harner	"	KRL
Jamie Chubb	"	KRC
Michelle Lister	"	John Peterson & Assoc.
Christa Farmer	Lawrence	
Linn McBride	TOPEKA	Observer
Thomas E McBride Jr	Topoka	Waggon
Kevin Siek	Topoka	Ks. Commission on Disability Concerns
Armin Samelson	Hesston	

III. Staff

- A. Executive Director
- B. Inspector Of Parimutuels
- C. Director of Security
- D. Director of Racing Operations
- E. Animal Health Officer and Assistant Animal Health Officers
- F. Stewards and Racing Judges
- G. Assistant Attorneys General

IV. Licensees

- A. Organization licensees are nonprofit organizations
 - 1. The Racing Association of Kansas East (TRAK EAST) -- Woodlands, Kansas City
 - 2. Wichita Greyhound Charities, Inc. -- Wichita Greyhound Park, Wichita
 - 3. Greenwood County Fair Association, Inc., Eureka
 - 4. Rooks County Free Fair Association, Stockton
 - 5. Anthony Fair Association, Anthony
- B. Facility owner and facility manager licensees
 - 1. Sunflower Racing, Inc. -- Woodlands, Kansas City
 - 2. Wichita Greyhound Park, Inc. -- Wichita Greyhound Park, Wichita
 - 3. Fair associations own their own tracks
- C. Occupational licensees
- D. Concessionaire licensees

V. Distribution of moneys wagered

PARIMUTUEL WAGERING

- I. Constitutional authorization for parimutuel wagering
 - A. Article 15, Section 3b approved in 1986
 - 1. tax rates between 3 percent and 6 percent
 - 2. operation by bona fide nonprofit organizations
 - 3. only in counties in which voters approve
 - 4. no off-track betting can be authorized

- II. The Racing Commission
 - A. K.S.A. 74-8801, *et seq.*, The Parimutuel Racing Act
 - B. Current Commissioners
 - 1. Phil Martin, Chairperson
 - 2. Kay Arvin
 - 3. Peggy Coder
 - 4. Bob Londerholm
 - 5. Harry Anthony
 - C. Compensation determined by Governor
 - D. Responsibilities
 - 1. allocating race meeting dates, racing days, and hours
 - 2. approving proposed construction and major renovations
 - 3. imposing fines for violations of the Act
 - 4. issuing rules and regulations
 - 5. conducting necessary background checks

- A. Takeout
 - 1. purses
 - 2. taxes
- B. Breakage
- C. Unclaimed winnings

VI. State Racing Fund

VII. State Gaming Revenues Fund

Additional Information: *Interim Report to 1990 Legislature*, Proposal No. 28 -- Parimutuel Wagering

MEMORANDUM

Updated January 16, 1991
Revised September 5, 1989
July 27, 1989

TO: Special Committee on Federal and State Affairs/
Governmental Organization

FROM: Kansas Legislative Research Department

RE: Kansas Parimutuel Racing Act, K.S.A. 74-8801 et seq.

The following paragraphs summarize the major provisions of the Kansas Parimutuel Racing Act.

Racing Commission

The Act creates the Kansas Racing Commission composed of five Kansas residents, at least one member of which must be from the each congressional district, appointed by the Governor for staggered three-year terms. Commissioners must be confirmed by the Senate. No more than three members of the Commission may belong to the same political party. The Commission is authorized to license and regulate all aspects of racing and parimutuel wagering in the state. Compensation, in addition to mileage and subsistence paid for meetings of the Commission, is determined by the Governor. (K.S.A. 74-8803)

Executive Director

The Commission is authorized to appoint, subject to confirmation by the Senate, an executive director of the Commission. The executive director serves at the pleasure of the Commission, is a full-time unclassified employee, and receives compensation as determined by the Commission. The executive director must be familiar with the horse and dog racing industries. The executive director is authorized to recommend to the Commission the number and qualifications of employees necessary to implement the Act, employ persons for positions approved by the Commission, and perform other duties as directed by the Commission. (K.S.A. 74-8805(a) as amended by 1990 S.B. 428)

Commission Employees

The executive director is required to appoint three employees: an inspector of parimutuels; an animal health officer; and a director of security, all of whom serve in the unclassified service. The executive director also is authorized to appoint a director of racing operations who would be in the unclassified service. All of the Commission's other employees are in the classified civil service. The director of security is required to be a professional law enforcement officer with education and experience in law enforcement. The full-time animal health

officer and any part-time assistants must be veterinarians. The animal health officer or assistant animal health officers are permitted to administer drugs to racing animals as authorized by the rules and regulations of the Commission. The Commission is authorized to require licensees to reimburse the state for the salaries of the assistant animal health officers. The Attorney General is authorized to appoint up to two Assistant Attorneys General to work for the Commission. (K.S.A. 74-8805 as amended by 1990 S.B. 428, 74-8806, and 74-8809) The Commission is authorized to appoint and pay stewards and racing judges at each race meeting and to require organization licensees to reimburse the Commission for compensation paid to stewards and judges. (K.S.A. 74-8818)

Law Enforcement Powers of Employees

Employees designated by the executive director with the approval of the Commission have law enforcement powers in the execution of duties imposed by the act. Any employees certified to carry firearms are required to successfully complete the firearms training course required by statute for other law enforcement officers. (K.S.A. 74-8807)

Powers of the Commission

The Commission has sole authority to allocate race days and hours and review and approve all proposed construction and major renovations of racetracks. The Commission is authorized to exclude persons from races or racetrack facilities and suspend horses or greyhounds from races if the animals are involved in a violation of the racing law or regulations. The Commission is authorized to adopt rules and regulations providing for drug testing of any licensees and officers, director, and employees of licensees. Other powers of the Commission include:

- administering oaths and taking depositions;
- examining any books, papers, records, or memoranda of licensees to ascertain compliance with the Act;
- issuing subpoenas to compel access to or for the production of books, papers, records or memoranda for the purpose of ascertaining compliance with the act;
- overruling decisions of stewards or racing judges under certain circumstances;
- requiring fingerprinting of all persons necessary to verify qualification for any license authorized by the act;

- receiving criminal history record information from the KBI or other criminal justice agencies in a closed meeting; and
- adopting rules and regulations necessary to implement the act. (K.S.A. 74-8804)

Advisory Committee

The Commission is authorized to appoint an advisory committee composed of people knowledgeable in the horse and greyhound breeding and racing industries. The members of the committee serve without compensation. (K.S.A. 74-8805(d))

Prohibited Acts

Commission members are prohibited from having direct or indirect financial interest in any racetrack facility in Kansas during, or for five years immediately following, their term on the Commission. Members, employees, or appointees of the Commission are prohibited from:

- participating in or having a financial interest in a licensed concessionaire business, an owner or manager license, or any business that sells goods or services to an organization licensee;
- participating directly or indirectly as an owner, trainer, or jockey of an animal racing in Kansas;
- betting on races; or
- accepting compensation, gifts, loans, or other favors or services from any licensee.

Members, employees, or appointees of the Commission, or their families, are prohibited from:

- holding a license issued by the Commission; or
- entering into any business dealing with an owner or lessee of a racetrack in Kansas.

The Commission is authorized to designate in rules and regulations those licensees and officials, director, members, and employees of licensees who cannot bet at the facility where they are licensed to work. The designation is made by identifying the person's position as one that could influence the outcome of a race.

Other prohibited acts include:

- possession or a parimutuel ticket by a minor or selling a parimutuel ticket or interest in a ticket to a minor;
- placing bets for persons who are outside the racetrack;
- entering an ineligible animal in a race;
- providing false information on a horse registration application;
- conducting an unlicensed race for the purpose of betting;
- running a racing animal in an improper class or grade or under a false name;
- using any device other than a whip or mechanical hare to affect a racing animal's speed during a race;
- using or administering drugs to a racing animal in violation of rules and regulations of the Commission;
- altering or attempting to alter the natural outcome of a race;
- failing to report violations of the prohibition against artificially affecting the speed of a racing animal;
- falsifying or making false statements in regard to the racing record, pedigree, identity, or ownership of a racing animal;
- knowingly passing or attempting to pass an altered or forged parimutuel ticket; or
- using any animal or fowl in the training of racing greyhounds. (K.S.A. 74-8810 as amended by 1990 S.B. 429)

Organization Licensees

Under the act, only nonprofit organizations may be licensed to conduct races and the licenses may be for an exclusive geographic area. All persons working in the parimutuel operation are required to be employees of the nonprofit organization. Officers, directors, or members of organization licensees, other than county fair associations, are prohibited from having direct or indirect financial interest in a racetrack during or for five years immediately following

the member's term with the licensee and are prohibited from receiving compensation in excess of that provided by law for most state boards and commissions. Those individuals are also prohibited from entering into business dealings with the licensee or, as private individuals, with a facility owner licensee, facility manager licensee, or concessionaire. (K.S.A. 74-8813)

Organization licenses may be issued for a maximum of 25 years and must be reviewed annually. (K.S.A. 74-8813(e) and (i)) Changes in ownership or control or contracts of licensees require Commission approval. (K.S.A. 74-8813(m))

The Commission is authorized to suspend or revoke an organization license or impose a fine up to \$5,000 or both for violations of the act including:

- one or more, or a pattern of repeated violations, of the provisions of the act or rules and regulations of the Commission;
- failure to follow one or more provisions of the licensee's plans for the financing, construction, or operation of a racetrack as submitted to and approved by the Commission;
- failure to remain in compliance with qualifications for licensure under the act;
- failure to maintain or make available to the Commission financial and other records sufficient to permit the Commission to verify the licensee's nonprofit status and compliance with the act or rules and regulations of the Commission;
- providing to the Commission any information material to the issuance, maintenance, or renewal of the license knowing the information is false or misleading;
- failure to meet the licensee's financial obligations incurred in connection with the conduct of a race meeting; or
- a violation of K.S.A. 74-8833 or rules and regulations adopted pursuant to that section. (K.S.A. 74-8813(j))

All contracts and agreements proposed by the licensee and plans for construction of racetracks must be approved by

the Commission. (K.S.A. 74-8813(n)) Licensees may conduct races only within a single county that approved the parimutuel racing amendment at the November, 1986 general election. (K.S.A. 74-8813(c)(5))

No officers, stockholders, directors, employees, or agents of the licensee could ever have been convicted of racing or gambling offenses, sale or possession of controlled substances, operation of any illegal business, repeated acts of violence, or any felony. (K.S.A. 74-8813(c)(6))

Application and License Fees

For organizations other than county fair associations, an application fee of \$5,000 is required for a license to conduct horse or greyhound races at which parimutuel wagering is conducted. The application fee for a license to conduct horse races without parimutuel wagering is \$500. (K.S.A. 74-8813(a))

A license fee of \$200 for each day of racing also is required. (K.S.A. 74-8813(g)) County fair associations applying for organization licenses to conduct only harness racing without parimutuel wagering will be charged \$50 and no license fee will be charged for less than ten days of racing. (K.S.A. 74-8814(b))

The Commission is required to establish in rules and regulations an application fee that does not exceed \$500 and a license fee of \$100 per racing day for county fair associations that conduct no more than two race meetings per year for a total of 21 or fewer racing days in the county where the association is located. The lower application and license fees also apply to the associations at Eureka Downs or Anthony Downs for the number of meetings and days specified by the Commission. The Commission also is required to adopt rules and regulations that provide for simplified and less costly procedures and requirements for county fair associations. (K.S.A. 74-8814(a) as amended by 1990 S.B. 428)

Licensure Investigations

The Racing Commission is authorized to charge certain license applicants for the cost of pre-licensure investigations. Fees in addition to the application fee, if any, are assessed against applicants for organization, facility owner, and facility manager licenses. The Commission is prohibited from issuing a license until all such fees are paid. (K.S.A. 74-8813 and 74-8815)

The Racing Investigative Expense Fund is created as the repository for the fees collected. The Commission is required to pay all investigation expenses from the fund including those expenses incurred by other state agencies that assist in an investigation. (K.S.A. 74-8835)

KBI Investigation Reports

The act authorizes the Kansas Racing Commission to recess into a closed or executive meeting to receive and discuss criminal history background investigation information about applicants for licensure. Negotiations with applicants regarding criminal history information may also be conducted in closed session.

The act makes disclosure of information received in closed session a class A misdemeanor and grounds for removal from office, termination of employment, or denial, revocation, or suspension of any license issued by the Commission. However, disclosure of such information at a hearing held under the authority of the Kansas Parimutuel Racing Act is not prohibited. (K.S.A. 74-8804(n)) (Note: Access to expunged records is allowed to determine qualifications for executive director of the Commission, employment with the Commission, licensure, renewal of licensure, or continued licensure by the Commission or for work in sensitive areas in parimutuel racing as deemed appropriate by the executive director. (K.S.A. 21-4619))

Distribution of Profits to Charity

Organization licensees, other than county fair associations, are required to distribute all of their net earnings (except amounts necessary for debt service and track maintenance) to other nonprofit, tax exempt, charitable, Kansas organizations that must spend the funds in Kansas. Licensees are prohibited from distributing more than 25 percent of their net earnings during any one year to any one organization. (K.S.A. 74-8813(d)(1))

Applicants Who Will Build a Track

Applicants for organization licenses who propose to construct a racetrack and applicants for facility owner licenses are required to pay a deposit of \$500,000 for 150 racing days or more or a deposit of \$250,000 for less than 150 racing days. The Commission is authorized to establish a lesser deposit for county fair associations and the licensee operating races at the state fairgrounds. The deposit is to be refunded if the application is denied or when the terms of the license are met. If a licensee fails to meet the terms of the license, the deposit is forfeited. (K.S.A. 74-8813(b) and 74-8815(d))

Applicants for organization or facility owner licenses who propose to construct a track are required to submit a plan for financing with the application. The Commission is specifically authorized to approve the plan for financing as part of the licensing procedure, to reject applications based on the financing proposal, and to suspend or revoke a license if the approved financing plan is not followed. The Commission also is authorized to issue a conditional license pending proof of financing. The duration of the conditional license will be set by the Commission. (K.S.A. 74-8813(c) and 74-8815(e))

Facility Owner and Facility
Manager Licenses

The Commission is authorized to issue facility owner licenses to individuals, the State of Kansas, or any of the state's political subdivisions. The Commission is also authorized to issue facility manager licenses to any person who meets the legal requirements. The licenses may be issued for a maximum of 25 years. The application fee for either is \$5,000. (K.S.A. 74-8815)

Administrative Procedure Act

The act exempts the original grant or denial of an organization, facility owner, or facility manager license from the provision of the Administrative Procedures Act (APA). The bill makes the original grant or denial of one of those three licenses a matter to be determined at the sole discretion of the Commission.

Any appeal of a Commission decision would be made directly to the Supreme Court in accordance with the act for Judicial Review and Civil Enforcement of Agency Actions. The scope of the Court's review would be limited to whether the action of the Commission was arbitrary or capricious or constituted an abuse of discretion. All competing applicants for a license would be party to the appeal. Refusal to renew one of the three types of license is subject to the APA.

Occupation Licenses

Any person working on the track including an owner of racing animals is required to have an occupation license issued by the Commission. Occupation licenses may be issued for a period of up to three years and the maximum license fee is \$200. The Commission has broad authority to conduct background examinations of applicants for occupation licenses. (K.S.A. 74-8816)

Concessionaire Licenses

All concessionaires and businesses that operate within the racetrack facility must be licensed by the Commission. The procedures and requirements are similar to those for occup-

ational licensees. The Commission is authorized to establish a schedule of application fees and license fees based on the size of the business. A concessionaire license may be issued for a period up to ten years. (K.S.A. 74-8817)

Takeout

A minimum of between 78 and 82 percent of the total parimutuel wager pool, depending upon the type of wagers, is to be returned to bettors. The remainder of the pool, known as the takeout, is used to pay purses to race winners and taxes to the state, with the balance going to the organization licensee. (K.S.A. 74-8819)

Purses

Minimum purses for greyhound races must total 4/18 of the takeout and minimum purses for horse races must total 6/18 of the takeout. (K.S.A. 74-8819)

Taxes

The tax rate on greyhound races conducted at single purpose tracks is 3/18 of the takeout for the first through fourth years of racing, 4/18 for the fifth year, and 5/18 for the sixth and subsequent years. At dual tracks the tax rate on greyhounds is 3/18 of the takeout for the first through seventh years, 4/18 for the eighth and ninth years, and 5/18 for the tenth and subsequent years. The tax rate on horse races is 3/18 of the takeout at any type of facility. (K.S.A. 74-8823)

The tax revenue is deposited in the State Racing Fund. (K.S.A. 74-8826)

A 10 percent tax is imposed on admission charges. Revenue from the admissions tax is also deposited in the State Racing Fund. (K.S.A. 74-8824)

An additional \$.20 per admission is imposed on all admissions, whether paid or unpaid, to tracks exempt from local property taxes. The tax is remitted to the state for disbursement to the county or city and county in which the racetrack is located. (K.S.A. 74-8824(b))

Dual Tracks

Provisions regarding dual tracks include:

- a penalty of 2 percent of the daily handle from the opening of the track to the originally specified completion date that would be imposed for failure to complete an approved dual facility;
- facility owners or organization licensees authorized to build a dual facility will have their licenses revoked if

facilities are not built according to plans approved by the Commission; and

- organization licensees granted licenses for dual tracks are required to conduct horse races on no less than 20 percent of their approved annual racing days.

At dual tracks, the tax rate on greyhounds is 3/18 of the takeout for the first through seventh years, 4/18 for the eighth and ninth years, and 5/18 for the tenth and subsequent years. Other provisions regarding dual tracks include: a penalty of 2 percent of the daily handle from the opening of the track to the originally specified completion date that would be imposed for failure to complete an approved dual facility; facility owners or organization licensees authorized to build a dual facility would have their licenses revoked if facilities are not built according to approved plans.

State Racing Fund/Gaming Revenue Fund

The act creates the State Racing Fund in the State Treasury. With the exception of the \$.20 admission tax and amounts collected to cover investigative expenses, all taxes, application fees, license fees and fines collected by the Commission are credited to the State Racing Fund. Operators of the Commission are paid from the fund. Any amount in the State Racing Fund in excess of the amount required for operating expenditures and an adequate fund balance will be transferred to the Gaming Revenue Fund on January 15, 1990, on the 15th of every month thereafter, and at other times as provided by law. (K.S.A. 74-8826)

Horse Breeding Development Fund and Greyhound Breeding Development Fund

The Kansas Horse Breeding Development Fund and the Kansas Greyhound Breeding Development Fund are created. Revenue for the two funds will be derived from unclaimed winning ticket proceeds and breakage (the result of rounding off odd cents on paybacks to bettors). (K.S.A. 74-8829 and 74-8831) Expenditures from the funds will be for supplemental purses for Kansas bred animals and for research, and 15 percent of the greyhound fund will be provided to the Department of Commerce for the promotion of greyhound-related tourism. In addition, the Commission is authorized to expend up to \$30,000 per fiscal year from the Greyhound Breeding Development Fund to pay a portion of the administrative expenses of the official registering agency designated by the Commission.

ADMINISTRATIVE INFORMATION—DA 400

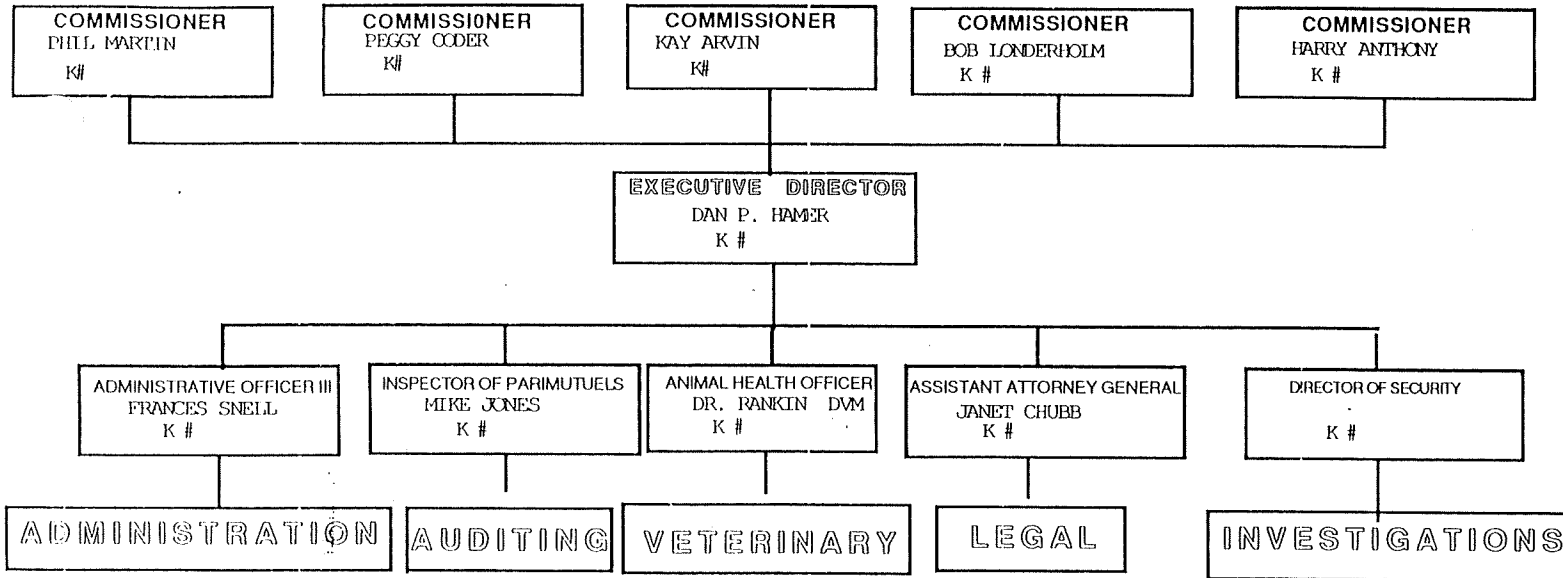
DIVISION OF THE BUDGET
STATE OF KANSAS

AGENCY NAME Kansas Racing Commission
AGENCY NUMBER 553 FUNCTION NO. 00
PROGRAM TITLE AND NUMBER Operations 70000
SUBPROGRAM TITLE AND NUMBER _____

3

PAGE

KANSAS RACING COMMISSION



DOB USE ONLY

FEDERAL AND STATE AFFAIRS
January 16, 1991
ATTACHMENT #3

MEMORANDUM

July 27, 1989

TO: Special Committee on Federal and State
Affairs/Governmental Organization

FROM: Kansas Legislative Research Department

RE: Parimutuel Wagering Terminology

The following terms and definitions are commonly used in discussion of parimutuel racing. This information was compiled from Glossary of Racing Terms by S. Tupper Bigelow. A copy of the entire Glossary is available in the Research Department.

back side or backstretch -- That part of a race track commonly known as the stable area.

breakage -- In parimutuel betting, the odd cents left over, after paying the successful bettors in multiples of 20, 10, or 5 cents on the dollar as the case may be, the exact amount of breakage varying in different racing jurisdictions. The breakage is retained by the racing association or split between it and the taxing authority. For instance, in a racing jurisdiction where the racing association pays to the dime, the calculators have calculated that a win ticket on Dinner Gong is actually worth \$6.69, but the successful bettor receives only \$6.60, the extra 9 cents being retained as breakage.

clerk of the course -- The employee of a race track whose duty it is to manage the conduct of a race meeting.

clerk of the scales -- The employee of a race track who weighs the jockeys with their tack and weights before and after a race.

colors -- (1) The racing colors or silks worn by a jockey in a race to identify the owner of the horse and to make it relatively easy for the stewards, patrol judges, and the public to differentiate between various horses in a race. The practice of wearing colors originated in Newmarket, England in 1762. (2) A jockey's uniform.

combination -- (1) In parimutuel betting, three separate bets that a certain horse will come first, that it will come second or better, and that it will come third or better. For convenience, since such bets are popular, special wickets are set up at race tracks to handle such bets, rather than put the bettor to the inconvenience of lining up in three different lines to buy three tickets. The bettor therefore buys one ticket, but has made three bets. (2) a **combination** race.

daily double -- (1) In two designated races, the betting on two horses to win each of the two races. (2) The two races designated as the ones on which daily double betting is permitted.

Daily Racing Form -- A daily newspaper published in a number of editions at various racing centers in the United States and Canada, dealing in a wealth of detail with past performances of horses competing the following day, and reporting in similar detail the

results of the races held on the day of issue. In addition, it carries news and columns dealing with racing, and other news.

dead heat -- The finish of a race in which two or more horses finish precisely together.

disqualify -- (1) To place a horse in a lower position in a race than where it actually finished, due to carrying improper weight, ineligibility, the use of drugs, a foul committed by the jockey in the race, or other infractions of the rules of racing. A disqualified horse may be placed in any lower position in a race for foul riding, but is usually placed immediately behind the horses it interfered with in the race. (2) To suspend a horse, horseman, or jockey from racing.

dollar odds -- The profit a bettor will receive on a successful bet of \$1.00. Thus, if a \$2.00 investment pays \$6.60, his profit is \$4.60, or \$2.30 for \$1.00. The dollar odds are therefore \$2.30. To translate parimutuel pay-offs (for \$2.00 bet) to dollar odds subtract \$2.00 and divide by two.

drop -- Of a mare, to give birth to a foal.

equivalent odds -- The odds to \$1.00. If in parimutuel betting, a horse pays \$12.00 for a \$2.00 ticket, deduct the \$2.00 which has been bet; the odds, then are 10-2; the equivalent odds are 5-1.

exacta -- (1) In a designated race, the betting on two horses to finish first and second in that order. (2) The race designated as the one on which exacta betting is permitted.

field -- (1) All the horses which compete in a race. (2) A number of horses which are grouped together as an entry for the purpose of parimutuel betting. The horses which comprise the field are selected by the racing secretary or the track handicapper, and are the horses which are conceded to have the least chance of winning. But there are cases of three horses in the field finishing 1, 2, 3, which may or may not indicate how really difficult it is to correctly assess the possible performance of a Thoroughbred race horse. (3) In a race, the horses which finish after the first three.

furlong -- One-eighth of a mile.

futurity race -- A race for younger horses, usually two-year-olds, in which entries are made a considerable time before the running of the race, often before the entered horse is born.

groom -- A stable employee who cares for horses and often leads the horses from the stable to the paddock before a race.

half-miler -- (1) A race track one-half mile in circumference. (2) A horse which runs its best at a distance of one-half mile. (3) A horse which runs its best on a half-mile track.

handicap -- (1) A race in which the competing horses are assigned weights to carry which, ideally, will equalize their chances of winning. (2) As between horses, the difference in weights so assigned. (3) Loosely, any important race. It should be noted that virtually all races are handicaps in the sense of definition 1, since an attempt is made to equalize the chances of all competing horses by apprentice allowances, sex allowances, maiden allowances, and the like.

handicapper -- (1) The official of a racing association, usually the racing secretary, who assigns weights to competing horses in an effort to equalize their chances of winning. (2)

A newspaper writer who does his best to select the winners of a day's racing. (3) A bettor or student of the turf who makes his own selections.

intermediate distance -- Of a length of a race, anything over seven furlongs and under 1 1/8 miles.

invitation race -- A race in which the competing horses are selected by inviting their owners to enter specific horses in a race.

jockey -- (1) A professional race rider. Amateurs are called amateur riders or gentlemen riders. (2) Of a jockey, in a race, to maneuver for an advantageous position in relation to the other horses in the race.

Jockey Club, The -- (1) All Thoroughbreds racing on the North American Continent must be registered with **The Jockey Club** (New York) and their names must be approved by the Club. (2) The governing body of racing in the U.K.

Jockey's Guild, The -- A nationally organized body of jockeys, associated for the double purpose of performing charitable works for their own members and other jockeys, and advancing their relations with governing bodies of racing, race tracks, horsemen, and the public.

jockeys' room -- The quarters where the jockeys change, shower, etc., and where their tack is kept.

jockeys' room custodian -- Custodian of the jockey's room.

jockeys' school -- An off-season establishment where jockeys, particularly apprentices, and in some cases, unlicensed persons who wish to become jockeys, are trained in race riding.

judge -- A steward, placing judge, paddock judge, or patrol judge.

junior steward -- A steward, usually one who is learning, who has all the powers of any other steward, except the right to vote on any matter being determined by the stewards.

learner steward -- A steward who is inexperienced but sits with the stewards and has all the powers of any other steward, except the right to vote on any matter being determined by the steward.

maiden -- (1) A horse that has never won a race. (2) Of a race, one in which the contenders are horses that have not won a race. (3) Of a jockey, one who has not ridden a winner.

maiden allowance race -- A race exclusively for maidens, in which certain weight allowances are made under the conditions. A usual condition is that an allowance may be claimed if the horse has previously started in a closed claiming race, *i.e.*, a claiming race out of which horses can be claimed only by owners of the other horses competing in the race in question.

match race -- A race between two horses, the property of two different owners on terms agreed to by them; it is void if either horse or party dies.

maturity -- A futurity for four-year-olds.

minus pool -- The total amount of money bet in the parimutuels on a race, or for win, place, show which will not show a profit for the racing association because the racing association is required to pay a certain minimum premium on each \$2 bet; in most racing jurisdictions, 10 cents. Thus, in the case of an almost unbeatable horse, particularly in stakes races, big bettors will bet large sums of money on the favorite to show, knowing they are bound to get \$2.10 back for every \$2.00 they bet.

morning line -- the probable odds on each horse, calculated by the track handicapper and posted in the morning of the day the races are to be run after scratches and the track condition are known.

mutuel pool -- (1) In parimutuel betting, the total amount bet on any race, or on any day, or at any meeting. (2) In parimutuel betting, the total amount bet on any race, or on any day, or at any meeting, less the tax and race track commission. After these deductions, the remainder is paid to successful bettors.

NASRC -- The National Association of State Racing Commissioners, members of which are members of Racing Commissions or Boards in the United States, Bahamas, Canada, Mexico, Puerto Rico, etc.

nose -- A unit of distance used to separate one horse from another in a race. The winning of a race is determined by ascertaining which horse got its nose over the finish line first.

objection -- A protest of foul in a race, entered by a steward, a patrol judge, the jockey, or by the horse's owner or trainer.

odds board -- A large sign-board-like structure, usually placed in front of the grandstand in the infield at a race track, upon which the odds are posted, usually in lights, as the betting on a race proceeds. Other information may also be found on the odds board, such as the time of the last race, post time for the next race, the parimutuel pay-off of the last race, and so on.

odds man -- An employee of a racing association whose duty it is to calculate the approximate odds on each horse in a race as the betting progresses so that these odds may be flashed on the odds board.

off-course betting -- Illegal betting with bookmakers outside of race track premises.

out -- (1) Of a horse, **out of the money**. (2) An outstanding (unredeemed) parimutuel ticket.

owner -- A person of stable which has property rights in a horse or horses, or who has leased the racing qualities of a horse or horses. In some jurisdictions, for some purposes, a husband and wife are recognized as a single owner. In most jurisdictions, an owner is licensed by the racing commission or governing body of racing.

paddock -- (1) The building or enclosure where the horses are saddled for a race. (2) A railed enclosure, sometimes surrounded by bleacher seats, in which the horses are paraded for public view immediately before the horses leave for the post parade.

paddock judge -- A race track official whose duty it is to get the jockeys up on their mounts in time, and get the horses on the racing strip in time.

paddock to post -- The parade of horses competing in a race from the paddock to the starting point of the race and, thence, by racing to the winning post. It is usually provided

that the horses should pass the stewards' stand twice before proceeding to the starting point.

parimutuel odds -- The odds paid on bets made at the race track where the parimutuel system of betting is in effect.

parimutuels -- The system of race track betting which returns to successful bettors the precise amount of money wagered by unsuccessful bettors, after deduction of tax and race track commission.

path-patrol judge -- A racing association official who watches a race from a certain part of a race track, and reports what he has seen to the stewards. There are usually three or four patrol judges.

pay-off -- The amount of money returned on a successful bet.

photo -- the series of photographs, taken a split second apart, of the finish of a race. At all modern tracks, such photographs are taken of every finish, and are posted on the grounds for public viewing in all cases where a neck or less separates any of the first four horses.

photo finish -- A close finish.

place -- (1) The betting on a horse to win or come in second in a race, rather than straight or show. (2) Of a horse, to come in second in a race. (3) Of a horse, to come in the first three in a race. (4) Of a horse, when the first four horses share the purse, to come in the first four in a race.

placing judge -- A racing association official who, with the other placing judges, decides the placement of the horses in their order of finish in a race.

pony boy -- (1) The rider of a horse who accompanies and aids the jockey in controlling his mount in the post parade. (2) The rider of a horse who leads a riderless horse in a workout.

pool -- (1) In parimutuel betting, the total amount bet on a race, or for win, place or show. (2) In parimutuel betting, the total amount bet on a race, or for win, place or show, after deducting the tax and race track commission.

post parade -- The procession of horses from the paddock along the first stretch, usually passing the stewards' stand and the grandstand twice.

program -- (1) A publication sold each day of racing at the track. Each program contains the following information: the date; the number of the day of the meeting; the name of the racing association, the officers and officials of the meeting; the order in which the races are to be run; the amount of each purse; the conditions and distances of each race; post position number; mutuel numbers; name, age, color, sex, breeding, assigned weight, and any change of equipment of each horse; the name of each jockey and trainer; the real or assumed name of each owner, his racing colors; and other matters pertaining to racing. (2) The races of a particular day, considered together.

purse -- (1) The amount of money won in a race. (2) The amount of money won by the owner of any competitor in a race. (3) A purse race.

purse race -- A race for money or a prize to which the owners of the competing horses do not contribute.

quarter horse -- (1) A race horse, not a thoroughbred, which derived its name from the fact that the early settlers of Virginia raced their horses over distances of about a quarter-mile. The foundation sire of the American quarter horse was an English Thoroughbred named Janus and all present day quarter horses trace their blood lines back to this stallion. (2) A term used derisively of a Thoroughbred horse which is capable only of a short burst of speed.

quinella -- (1) In a designated race, the betting on two horses to finish first and second, although not necessarily in that order. Thus a bet on Dark Secret and Silver Land may pay off if these horses finish first and second or second and first respectively. (2) The race designated as the one on which **quinella** betting is permitted. Also spelled **quinela** and **quiniela**.

quinella pool -- (1) In parimutuel betting, the total amount bet on a quinella in a designated race. (2) In parimutuel betting, the total amount bet on a quinella in a designated race, after deducting the tax and race track commission.

race -- In its technical sense, according to the rules of racing in nearly all jurisdictions of Thoroughbred racing, a contest between or among horses for stakes, a purse or plate, a sweepstakes, a match, or an overnight event, but not a steeplechase or hurdle race.

race meeting -- The period of days during which races are run at any specified track.

race track -- (1) The place where races are run. (2) The racing strip.

racing qualities -- Of a horse, its use for the purpose of racing. The ownership of a horse may remain with its legal owner, but if its racing qualities are leased to another, the lessee becomes, for the purpose of racing, the owner of the horse. The racing qualities of a horse may be leased for a period of time or until its racing days are finished after which, in either case, the ownership of the horse reverts to the legal owner.

racing secretary -- The race track official whose duty it is, broadly speaking, to write the races.

rake-off -- The part of the money bet through the parimutuels deducted for the state and the race track, before payment of the rest to the betting public. See **take**.

record clerk -- The employee of a race track in the racing secretary's office whose duty it is to keep records of all personnel and horses engaged in racing at the current meeting.

ringer -- A horse which runs under the name and identity of another, or under a fictitious name.

rules of racing -- The regulations passed by a governing body of racing which regulate, control, and supervise the conduct of racing in the governing body's jurisdiction.

school -- To train a race horse, particularly in the starting gate, in the paddock, and on the racing strip; for preparing a horse for actual racing.

school course -- A training track.

scratch -- (1) The withdrawal of a horse from a race in which its entry has been accepted. (2) To withdraw a horse from a race after its entry has been accepted.

season -- The racing season in any particular region.

set down -- (1) Of any licensed personnel such as a trainer, jockey, etc., to suspend from his racing activities, usually for a period of days. (2) Of a horse, to give it a brisk workout.

show -- (1) Of a horse, to come third in a race. (2) Of a horse, to come first, second, or third in a race.

silks -- The registered racing colors of an owner, worn by the jockey when riding the owner's horse in a race. All racing colors must not only be different, but should be not similar to any other registered colors. These colors are shown on the jockey's shirt and cap which are of silk.

sire -- The father of a horse.

sloppy track -- A racing strip which is wet on the surface, but solid under the water, slower than a slow track, but faster than a heavy track.

slow track -- A racing strip which is drying out after a heavy rain, slower than a good track, but faster than a sloppy track.

sponge -- As well as its conventional meaning, as applied to a horse, to illegally insert a piece of sponge in one or both of a horse's nostrils, before a race or workout, so that its breathing will be interfered with and its performance will be relatively poor.

sprint -- A race of seven furlongs or less.

stake -- (1) Erroneous term for stakes. (2) An amount of money (usually 10 percent of the winner's share of the purse in stakes races) given as a gratuity to the jockey of a winning mount by the owner of the horse. (3) An amount of money given by the owner to the trainer as a gratuity for winning the race. (4) To give by way of gratuity a sum of money to a trainer, jockey, or groom.

stakes race -- A race in which the owners of the competing horses nominate their horse for participation and pay subscriptions, entrance, and starting fees, whether money or any prize is added or not (unless it is a private sweepstakes). An overnight race, however, is never considered to be a stakes race.

starting gate -- (1) In Thoroughbred racing, a solid structure stationary at the start of a race, equipped with a number of stalls tending to keep the horses more or less tightly stalled in until the race begins. It is equipped with wheels and is pulled off the track by tractors or work horses to the location of the start of the next race. (2) In harness racing, an automobile equipped with wide wings stretched almost the entire width of the track which precedes the horses as they approach the starting point. As the starting gate (which is not, of course, a starting gate at all, or even a gate of any kind for that matter) gets close to the starting point, it accelerates quickly and its wings fold forward as it then gets off the track to let the horses go by. (3) In Thoroughbred racing, by extension, any device, such as the barrier, used to start the horses in a race.

state take -- That part of the mutuel pool which accrues to the state, or taxing authority.

steward -- The word "steward" or "stewards" means steward or stewards of the race meeting. Usually there are three stewards to supervise each race meeting. One of such stewards is appointed or designated by the state racing commission, and two are appointed by the racing association, subject to the approval of the state racing commission. They are judges of all matters of fact with respect to the conduct of a race meeting, but their decisions are subject to appeal to the state racing commission.

straight -- The betting on a horse to win a race, rather than place or show.

stretch -- That part of a race track upon which no turns are made, particularly the straight part of the track between the last turn and the finish line. See **backstretch**.

stud -- (1) A stallion. (2) An establishment in which stallions and mares are kept for breeding purposes; also, the stallions and mares kept there. (3) A number of horses kept by one owner.

studbook -- (1) A list of Thoroughbred horses. (2) List of the engagements of a stallion at stud.

tack -- The equipment used by a jockey in riding, including saddle, bridle, whip, spurs, blinkers, tongue strap, muzzle, hood, noseband, bits, shadow roll, martingale, breastplate, bandages, boots, plates, and the like. The term is also applied to stable gear.

tack room -- A room in which riding equipment is kept and often on a race track where stable employees live and sleep.

take -- (1) The total amount deducted from the amount bet on a race, or day, at a race meeting, to be paid to the taxing authority and the race track. (2) The total amount of the tax and track commission. "The track **take** in this state is 6 percent and the government's **take** is 9 percent; a total **take** of 15 percent."

take out -- See **take**.

Teletimer -- An electronic device which times the running of a race and the fractional times of the race, and flashes the times on the odds board automatically and immediately.

Thoroughbred -- A breed of race horses which is registered in the National Stud Book, or if not registered, its sire and dam are. Every Thoroughbred racing today can trace its ancestry back to one of the three foundation sires: (1) through Herod to the Byerly Turk; (2) through Matchem to the Godolphin Barb; or (3) through Eclipse to the Darley Arabian.

timer -- (1) An employee of a racing association who officially times the races. (2) See **clocker**.

totalisator or **totalizator** -- A refinement of the parimutuel system of race track betting (see **parimutuels**) whereby tickets are printed as purchased and the purchase automatically recorded at a central place, so that the approximate odds may be quickly determined at any particular time and flashed on the odds board for public view and correctly determined and flashed when the race is over. With a totalisator, approximate odds are changed usually every 90 seconds.

track condition -- The state of the racing strip, due to weather conditions. Standard track conditions, in reverse order of fastness are **fast, good, slow, sloppy, heavy, or muddy**. See **fast track, good track**, etc.

track handicapper -- The race track official whose duty it is to assign weights to competing horses in a handicap in such a manner that, ideally, all the horses in such a race will finish in a multiple dead heat. At many tracks, he also selects the order of finish of the first three horses in each race, and this information is shown on the program.

track take -- That part of the **take** which accrues to the race track conducting the meeting.

trainer -- The employee of an owner who supervises and cares for race horses and in many cases is charged as well with the duty of entering the horses in his care in races which suit the horses. In most jurisdictions, a trainer is licensed by the racing commission or governing body of racing.

training track -- An auxiliary race track on the grounds of a racing association or on private property, used for workouts, schooling, starts, and the like.

trial -- A race preparatory to a much more important race, usually a stakes race, held about a week in advance of the important race, and at a different distance.

turn, the -- On an elliptical or oval race track, the bend at the end of the track before the finish line.

urinalysis -- Analysis of a urine specimen of a horse done by a racing chemist in an effort to detect forbidden substances.

urine test -- The taking of a sample of a horse's urine, usually just after a race in which it has competed, for analysis by a racing chemist, to ensure that it is free from forbidden substances.

weigh in -- As applied to jockeys, to be weighed with their equipment after a race by a race track official to ensure that their weight is the same as when they were weighed out. See **weigh out**. Allowances are made, of course, for a wet or muddy track, when the jockeys will accumulate a certain amount of mud and water on their clothing and equipment. Two pounds overweight in these circumstances is permitted.

weigh out -- As applied to jockeys, to be weighed with their equipment before a race by a race track official to ensure that they are not under the weight assigned to the horses they are riding. If they are overweight, the amount of the overweight is announced to the public. If they are underweight, lead plates are carried in their saddles to make up the deficit.

weight -- The poundage of a jockey and certain equipment specified by the rules of racing in any jurisdiction, which is assigned to a certain horse either by the track handicapper, or by the rules of racing in such jurisdiction, depending on the type of race, such as **handicap**, **allowance**, **claiming race**, etc., or by the conditions of the race as set out in the **condition book**.

weight for age -- (1) A weight for age race. (2) A weight, arbitrarily determined by the racing commission or governing body of racing, which is to be carried by horses of certain ages, over races of certain distances, during certain months of the year, provided the conditions of a race, as set out in the **condition book** do not otherwise specify. The rules of racing of any racing jurisdiction have a scale of weights for age.

whip -- A light, flexible stick carried by a jockey in a race.

wicket -- In U.K. a window at which a parimutuel clerk sells or cashes betting tickets.

window -- The wicket at which a parimutuel clerk sells tickets or cashes them. Usually prefixed by a description of the **window**, such as "The \$5 place window," "The \$2 show window," "The daily double window," "The combination window," etc.

winner's circle -- An enclosure close to the racing strip, where the winner of a race is brought immediately after the race.

wire, the -- (1) The finish line of a race. (2) The starting point of a race. (Years ago, a wire was stretched across the track at the start of a race, and while the modern starting gate has long since replaced the wire and after that, the barrier, the practice of referring to the wire as the starting point still persists.)

withdraw -- Scratch.

workout -- The exercising of a horse for the purpose of exercise, or to ascertain its speed, usually in the morning.

**KANSAS LOTTERY
LEGISLATIVE POST AUDIT REPORTS**

Paying Lottery Game Winners April, 1988

Kansas Lottery: Reviewing Vendor Contracts and Financial Management and Accounting Practices,
September, 1988

Reviewing the Diagnostic Study Prepared for the Kansas Lottery, January, 1989

Analyzing the Revenues and Expenditures of the Kansas Lottery, February, 1990

NARRATIVE INFORMATION — DA 400

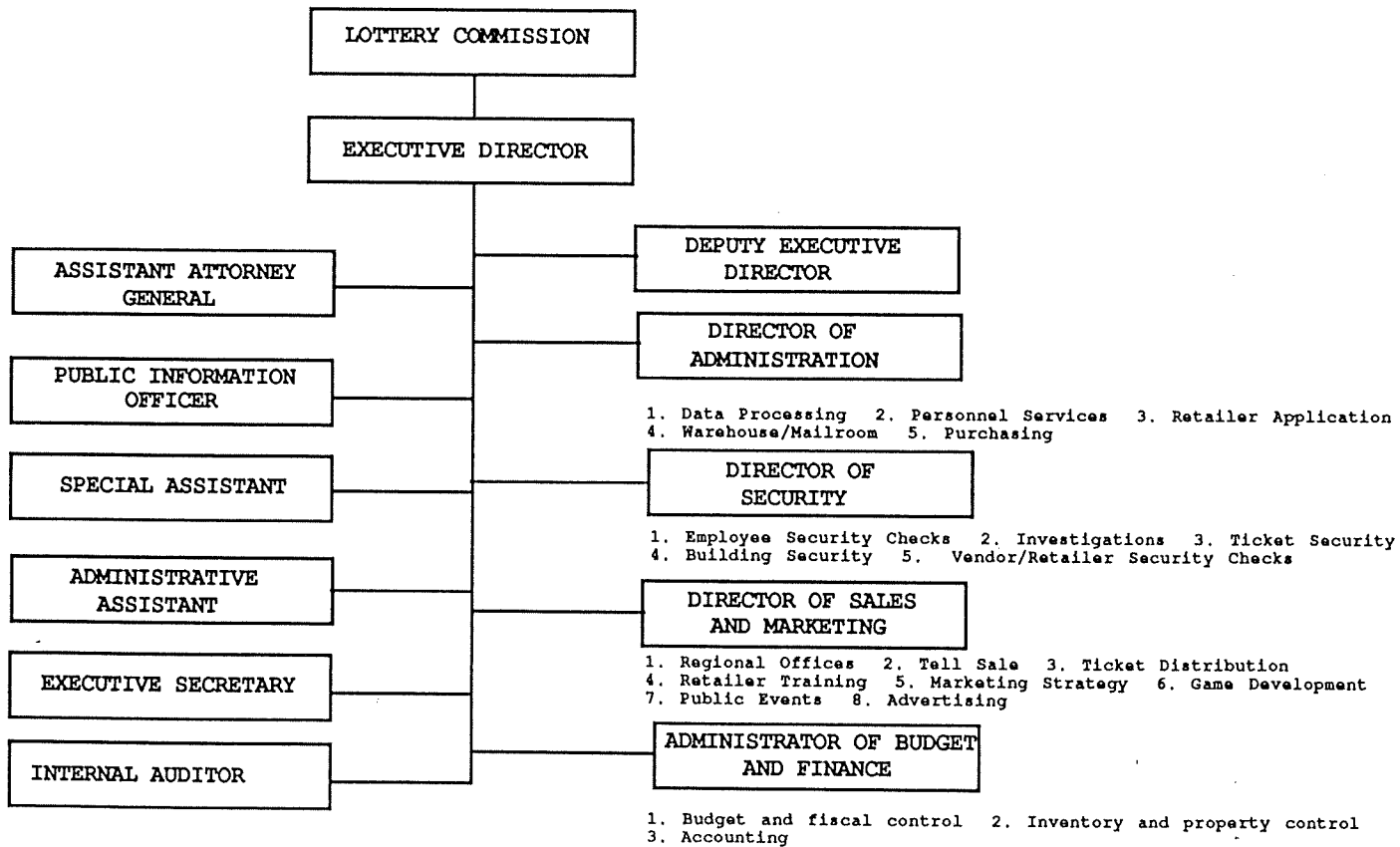
DIVISION OF THE BUDGET
DEPARTMENT OF ADMINISTRATION, STATE OF KANSAS

AGENCY NAME KANSAS LOTTERY
AGENCY SUBAGENCY CODES 450-00 FUNCTION NO. 01
PROGRAM TITLE AND CODE _____
SUBPROGRAM TITLE AND CODE _____

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THE KANSAS LOTTERY ORGANIZATIONAL CHART

DOB USE ONLY



1. Day Fee-Free Hunting and Fishing
Period and Access to State Parks

S.B. 60 authorizes the Fish and Game Commission to designate, by resolution, two days per calendar year during which residents and nonresidents will be allowed to fish without first purchasing a license.

The bill also authorizes the State Park and Resources Authority to designate, by resolution, two days per calendar year during which residents or nonresidents will be allowed to use any state park on a daily basis without first purchasing a permit. The two-day free park access must coincide with the two-day fee-free fishing period designated by the Kansas Fish and Game Commission.

The provisions of S.B. 60 will expire July 1, 1989.

Two-Day Waterfowl Permit

H.B. 2241 establishes a 48-hour waterfowl permit at a cost of \$20, to become effective January 1, 1988.

GAMBLING

Lottery

H.B. 2043 creates the Kansas Lottery Commission as a separate state agency headed by an executive director appointed by the Governor and confirmed by the Senate.

A lottery commission is created composed of five members appointed by the Governor and confirmed by the Senate for four-year terms. The Governor designates the

chairperson of the commission. The commission is required to hold at least four regular meetings annually and is authorized to hold additional meetings. The commission is required to advise the director in regard to operation of the lottery, to review and approve the proposed annual budget, and to conduct ongoing studies of lotteries in other states and the reaction of Kansans to the lottery.

The commission is required to adopt rules and regulations governing the operation of the lottery. Temporary rules could be adopted by the commission without meeting the requirements of the Rules and Regulations Filing Act, but would be subject to approval by the Attorney General and filed with the Revisor of Statutes and published in the Kansas Register.

The executive director is required to appoint a deputy director, director of security, director of administration, director of marketing, marketing and sales staff, personal secretary, and special assistant to the executive director as full-time, unclassified employees. All other employees are to be in the classified civil service.

Employees designated by the director will be vested with law enforcement power in the execution of the lottery law. Employees certified to carry firearms under the act will be required to complete a firearm training course prescribed for other law enforcement officers.

The director of the lottery would be authorized to require fingerprinting of employees and others who would work in sensitive areas of the lottery. The director is authorized to submit the fingerprints to the Kansas Bureau of Investigation and the Federal Bureau of Investigation to verify identity and obtain a criminal records check. Expunged conviction records of potential employees of the lottery may be released to the lottery.

The executive director will be required to: make quarterly and annual financial reports to the commission, Governor, State Treasurer, and the Legislature; hire an independent firm to periodically conduct a comprehensive study and evaluation of lottery security; hire an independent firm to periodically conduct an evaluation of the effectiveness of lottery marketing; and operate the lottery so that it is self-sustaining and self-funded. The lottery will be subject to an annual audit under the Legislative Post Audit Act.

The State Director of Purchases is authorized to make emergency purchases under K.S.A. 75-3739 upon the request of the executive director for a period of 18 months after the effective date of the act. All emergency procurement contracts will be subject to the approval of the executive director.

Major procurements are defined as gaming products or services, including, but not limited to, facilities, advertising, annuity contracts, prize payment agreements, consulting services, equipment, tickets, and other products and services unique to the lottery. Major procurements may be made either through the regular state purchasing statutes or by using a negotiating committee. Meetings of the negotiating committee are exempt from the provisions of the Open Meetings Act. Certain major procurement contracts designated in rules and regulations must be awarded solely to minority businesses. Contracts for major procurements will be subject to the approval of the commission. Emergency procurement procedures cannot be used for major procurements.

The initial lease contract for lottery facilities is exempt from the major procurement procedure and the Secretary of Administration, Director of the Division of Architectural Services, and the director of the lottery are required to approve the initial lease.

In order to conduct background investigations of vendors, the executive director is authorized to require, in accordance with rules and regulations, submission of any information deemed necessary. The Secretary of Revenue, the Securities Commissioner, the Attorney General, and the Director of the Kansas Bureau of Investigation are required to assist in any investigation at the request of the executive director. Costs incurred during the conduct of background investigations will be paid by the lottery.

The commission is authorized to enter into written agreements with one or more other states for the operation, marketing, and promotion of a joint lottery or joint lottery games which conform to the provisions of the act.

The executive director is authorized to contract with retailers for the sale of lottery tickets and to issue rules and regulations in regard to the contracts. Retailer contracts are exempt from state purchasing statutes. The executive director is authorized to require lottery retailers to furnish proof of financial stability or furnish surety in an amount based on the expected volume of lottery ticket sales. Retailers must be at least 18 years of age, have sufficient financial resources to support the activities required to sell lottery tickets, be current in filing and payment of all state and local taxes, and not be engaged exclusively in the sale of lottery tickets. The Department of Revenue is authorized to provide tax information to the lottery to assist in the selection of retailers. Persons are ineligible for selection as lottery retailers if they have been convicted of a felony, the sentence for which has been completed less than ten years ago, have been convicted of illegal gambling, or have violated the lottery law or any Kansas lottery regulations. Lottery vendors and persons who reside in the same household with an employee of the lottery or member of the commission also are prohibited from being lottery retailers. Retail liquor stores are eligible to be selected as lottery retailers.

All revenue from the sale of lottery tickets will be deposited in the lottery operating fund. The moneys credited to the fund will be used to pay the expenses of the lottery, compensation to lottery retailers, lottery prizes, and repayment of the start-up funds appropriated or transferred from the State General Fund. Any funds appropriated or transferred from the State General Fund for the operation of the lottery will be a loan to be repaid with interest within 24 months of the effective date of the appropriation. During FY 1988 any balance remaining in the fund after payment of operating expenses, prizes, and retailer compensation will be transferred to the Gaming Revenue Fund. For FY 1989 and subsequent years, a minimum of 30 percent of total revenue from ticket sales will transferred to the Gaming Revenue Fund. A minimum of 45 percent of total ticket sales revenue is used to pay lottery prizes.

The right of a person to a prize will not be assignable. All prizes will be taxed as Kansas source income and prizes subject to federal income tax withholding will also be subject to state withholding. Warrants for prizes that exceed \$5,000 will be paid by the Division of Accounts and Reports and subject to set-off-procedures. Unclaimed prize money will be retained for a period established in rules and regulations after which time it will be added to the prize pools of subsequent lottery games. Sales of lottery tickets are exempt from retailers' sales taxes.

Parimutuel Wagering

H.B. 2044 creates the Kansas Racing Commission composed of five Kansas residents, no more than one of whom can be from the same congressional district, appointed by the Governor for staggered three-year terms. The Commission is authorized to license and regulate all aspects of racing and parimutuel wagering in the state. No more than three members of the Commission may belong to the same political party. Compensation, in addition

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to mileage and subsistence paid for meetings of the Commission, will be determined by the Governor.

The Governor also is authorized to appoint, subject to confirmation by the Senate, an executive director of the Commission. The executive director will serve at the pleasure of the Governor, be a full-time unclassified employee and receive compensation as determined by the Commission. The executive director is authorized to recommend to the Commission the number and qualifications of employees necessary to implement the act, employ persons for positions approved by the Commission, and perform other duties as directed by the Commission.

The Commission has sole authority to allocate race days and hours and review and approve all proposed construction and major renovations of racetracks. The Commission is authorized to exclude persons from races or racetrack facilities and suspend horses or greyhounds from races if the animals are involved in a violation of the racing law or regulations. The Commission is authorized to adopt rules and regulations providing for drug testing of any licensees and officers, director, and employees of licensees.

The Commission is required to appoint three employees: an inspector of parimutuels; an animal health officer; and a director of security, all of whom will serve in the unclassified service. All of the Commission's other employees will be in the classified civil service. The director of security is required to be a professional law enforcement officer with education and experience in law enforcement. The full-time animal health officer and any part-time assistants must be veterinarians. The animal health officer or assistant animal health officers are permitted to administer drugs to racing animals as authorized by the rules and regulations of the Commission. The Commission is authorized to require licensees to reimburse the state for the salaries of the assistant animal health officers. The Attorney General is authorized to appoint up to two Assistant Attorneys General to work for the Commission.

GAMBLING

County Reappraisal Funding

H.B. 3091 extends for one year to June 30, 1990, the current statutory provisions allocating receipts from the State Gaming Revenue Fund in the following manner: 30 percent to the County Reappraisal Fund and 60 percent to the Economic Development Initiatives Fund. The bill provides after July 1, 1990, for 90 percent of the State Gaming Revenue Fund receipts to be allocated to the Economic Development Initiatives Fund. Current law would allocate to the Economic Development Fund after July 1, 1989.

The bill also transfers from the Lottery Operating Fund to the County Reappraisal Fund any FY 1988 unexpended balance of the Kansas Lottery above \$2,750,000. Any funds transferred in this manner will be in addition to the 30 percent to be transferred in FY 1989 from the State Gaming Revenue Fund to the County Reappraisal Fund.

The bill provides for the abolition of the County Reappraisal Fund on June 30, 1990, and the transfer to the State General Fund of any ending balance. Because payments to counties for reappraisal will cease in FY 1989, the 30 percent transferred from the State Gaming Revenue Fund to the County Reappraisal Fund in FY 1990 will augment any receipts in FY 1989 which are above the \$8,000,000 in FY 1989 expenditures approved by the 1988 Legislature in H.B. 2100.

In addition, the bill authorizes monthly distributions to be made by the Director of Accounts and Reports from the Lottery Operating Fund to the State Gaming Revenue Fund. Currently, the State Treasurer is directed to make quarterly transfers.

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Kansas Lottery Act Amendments

H.B. 3023 makes several amendments to the Kansas Lottery Act. The major amendments included in the bill:

- authorize the Executive Director of the lottery to terminate lottery retailers who fail to meet the requirements for initial selection as a retailer or on grounds specified in the contract between the lottery and the retailer and included in rules and regulations (current law does not contain authority to terminate a retailer contract prior to its expiration date);
- authorize the Lottery Commission to receive \$35 per day compensation for designated meetings, which is commonly provided to state boards and commissions (under current law the Commission members can only receive subsistence, mileage, and expenses);
- prohibit sharing in lottery winnings of, rather than paying prizes to, certain persons affiliated with the Lottery;
- limit the lottery vendors who may not participate in the lottery to only those supplying tickets or gaming equipment which would be defined as 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 (language in existing law has been interpreted to prohibit participation of many types of businesses that supply goods and services to the lottery);
- authorize the Commission to adopt rules and regulations that would prohibit certain classes of persons from participating in the lottery because of the unique nature of the supplies or services they provide;

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- authorize the Lottery Commission or lottery retailers to pay a prize to a designee of a holder of a winning ticket if the designation is made in writing on a form satisfactory to the Executive Director (under current law only the holder of a winning ticket can receive a prize);
- require prize payments of \$50 or more to be subject to set-off procedures;
- permit expenditures from the Lottery Prize Payment Fund to reimburse lottery retailers for prizes paid by the retailers; and
- authorize the Kansas State Fair to sell lottery tickets.

Multi-State Lottery

S.B. 494 enacts an interstate agreement entered into by Kansas, Missouri, Iowa, Oregon, Rhode Island, West Virginia, and the District of Columbia to create and operate a multi-state lottery. The lottery is governed by a board of directors composed of the directors of the participating lotteries.

The board determines the percent of gross sales receipts to be aggregated in a common prize pool. The operating costs of the multi-state lottery will be paid by each participating lottery in proportion to its percentage of game sales. Revenue from the multi-state game that is not allocated to prizes or operating costs will remain with the participating lottery. Each of the participating state lotteries will administer the game in accordance with rules promulgated by the board and adopted by individual lotteries.

The executive committee of the board is required to make annual reports which include statements of revenue, prize disbursements, expenses, and other information required by the participating lotteries. All accounts and transactions of the multi-state lottery are

subject to annual audits conducted by independent auditors hired by the board. Each of the participating lotteries will receive a certified copy of the audit. All records and transactions must be available to the participating lotteries for copying, inspection, and auditing purposes as may be required under state law.

The multi-state lottery will continue in existence until the agreement is revoked by all of the participating lotteries. The withdrawal of one or more lotteries will not terminate the agreement among the others. A lottery may withdraw from the agreement after giving the board six months notice of its intention to withdraw. However, a lottery may terminate the agreement at any time without prior notice if authority to participate is withdrawn by executive or legislative action or if participation is in conflict with the state constitution or any statutes. A participating lottery can be removed for cause by a two-thirds vote of the board (excluding the state whose ouster is being considered).

The board is prohibited from pledging the credit of the participating lotteries, directly or indirectly. The participating lotteries must conform with the internal control standards established by the board. Each participating lottery will be liable for up to \$1,000,000 of disputed prize payments due to an error on the part of the lottery. The multi-state lottery is responsible for any additional prize liability which will be paid from a prize reserve fund maintained by the board. In addition, the companies that operate the on-line gaming systems on behalf of the party lotteries are required to carry liability insurance.

Additional lotteries may join the agreement upon a two-thirds affirmative vote of the participating lotteries.

Parimutuel Racing Act Amendments

H.B. 2772, as amended by H.B. 3119, makes several amendments to the Parimutuel Racing Act.

1. The Racing Commission is authorized to contract with laboratory facilities outside Kansas for analyses

Credit Unions -- Verification of
Accounts and Expulsion

H.B. 2147 allows the supervisory committee of each credit union to choose the method of certifying member accounts either by a controlled certification of 100 percent of accounts at least once every two years or by a random statistical sampling of accounts at least once each year. Currently, all members' accounts must be certified at least once every two years.

In addition, the bill allows the boards of directors of credit unions to develop a policy whereby a member could be expelled from the credit union and authorizes the directors to expel a member subject to the policy adopted. The expelled member could request, in writing, that the expulsion by the board of directors be delayed until the credit union membership voted on the expulsion. A two-thirds vote of members present at a regular meeting would be required to expel the member.

Consumer Goods -- Perfecting Security Interests

H.B. 2509 amends two sections of the Uniform Commercial Code (UCC) relating to secured transactions. Subsection (d) relocates within the UCC an exemption for certain consumer credit transactions under \$1,000 from the mandatory security interest filing. Further, and related to the consumer goods exemption, the bill adds a holder in due course provision from the model uniform act, not previously adopted in Kansas, for persons buying exempt goods from the original buyer.

Finally, the bill adds to the Kansas UCC another provision contained in the model uniform act relating to assignments of accounts that are solely for transactions and makes such transactions exempt from the secured transaction filing requirement.

Mortgage Release on Real Property

H.B. 2522 amends K.S.A. 58-2309a relating to release of mortgages on real property. The bill requires a mortgagee to release a mortgage on real property when the indebtedness secured by the mortgage is paid in full and no agreement exists for future advances to be secured by the mortgage.

Summary of Legislation, 1989

GAMBLING

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Manufacturing of Gambling Devices

S.B. 254 amends two laws which prohibit dealing in, and possession of, gambling devices to make it a defense to either crime that the gambling device, subassembly, or essential part is manufactured, transferred, or possessed by a manufacturer or transporter with the intent to transfer the items for use outside Kansas, or for use by the Kansas Lottery or lottery retailers, or by a licensee of the Kansas Racing Commission. The bill requires that manufacturers must be registered under the federal Gambling Devices Act of 1962.

Lottery Operating Fund

S.B. 345 amends current law concerning monthly transfers from the Lottery Operating Fund to the State Gaming Revenues Fund. The bill codifies a memorandum of understanding between the Executive Director of the Kansas Lottery and the Director of Accounts and Reports. The bill permits the Kansas Lottery to deduct an estimated amount for returned tickets from its estimate of monthly sales of lottery tickets for the purpose of calculating the monthly transfer to the State Gaming Revenues Fund. S.B. 345 also permits future transfers to the State Gaming Revenues Fund to be authorized by appropriation bills in addition to transfer provisions currently authorized in statutes.

Bingo

Sub. H.B. 2172 amends existing law that regulates bingo in Kansas. One amendment provides that for purposes of the act announcements of cancellation of a bingo game are not considered advertisements. The other amendment provides that bingo games cannot be conducted on leased premises within 1,000 feet of another leased facility in which a bingo game has been conducted during the immediately preceding 44 hours.

(b) Organization

Early Childhood Development Services

S.B. 52 increases the membership of the Coordinating Council on Early Childhood Development Services from seven to 15 members. The membership of the expanded Council would be as follows: a representative of the Governor; the Secretary of Social and Rehabilitation Services and the Secretary of Health and Environment or such Secretary's representative; a member of the State Board of Education selected by the Chairperson of the State Board or, at the discretion of the Chairperson of the State Board, the Commissioner of Education; a representative of the Board of Regents selected by the Chairperson of the Board of Regents; two members of the Legislature designated by the Legislative Coordinating Council -- one member each from the House and Senate and from different political parties; and eight members appointed by the Governor -- three parents of handicapped children under seven years of age, three providers of early childhood services for the handicapped, and two representatives of the general public.

The eight members appointed by the Governor serve for staggered four-year terms and are eligible for reappointment. The chairperson is designated annually by the Governor.

The staff person employed by the Coordinating Council is in the unclassified service, such person's salary is approved by the Governor, and federal funds will continue to be used to pay for the operation of the Council.

Deaf and Hearing Impaired Commission

S.B. 53 increases the membership on the Kansas Commission for the Deaf and Hearing Impaired from 16 to 17 members. The added member, an ex officio member, is the administrative head or designee of the State Board of Education.

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Bonds for Community Social Services Providers

S.B. 134 allows the Kansas Development Finance Authority to issue bonds for the purpose of making loans to organizations which provide community mental health, mental retardation, and alcohol and drug abuse services for the Kansas Department of Social and Rehabilitation Services.

Law Enforcement Officers Memorial Advisory Committee

S.B. 206 establishes the Law Enforcement Officers Memorial Advisory Committee. The Committee is advisory to the Director of Architectural Services and to the Secretary of the State Historical Society concerning the Law Enforcement Officers Memorial on the grounds of the State Capitol. The Committee is comprised of ten members who are state officials or representatives of law enforcement groups that are represented on the Memorial.

S.B. 206 also transfers authority for matters pertaining to the Memorial from the Director of Architectural Services to the Secretary of the State Historical Society and clarifies procedures relating to the Law Enforcement Memorial Fund.

Division of and Director of Collections

S.B. 273 establishes statutorily a Division of Collections and a Director of Collections in the Department of Revenue. The bill also establishes a Bureau of Research and Revenue Analysis and a Manager of Revenue Analysis. The bill provides that the Director of Collections and the Manager of Revenue Analysis would be in the unclassified service. The bill also abolishes the Dealer Review Board on July 1, 1990, and repeals authorizing legislation for the Alcoholic Beverage Control Board of Review.

Unclassified Personnel of the Kansas Lottery

S.B. 336 amends current law concerning unclassified personnel of the Kansas Lottery. The bill allows one additional statutorily authorized position: a Director of Sales. In addition, the bill authorizes a new Sales Division with unclassified, professional sales positions in addition to the Director. The

Director of Sales position would head the new Sales Division and some unclassified personnel previously in the Marketing Division would be supervised by the Director of Sales. The Lottery reorganized in FY 1989 and these changes have been implemented.

Commission on Disability Concerns

H.B. 2096 changes the name of the Advisory Committee on Employment of the Handicapped to the Commission on Disability Concerns and expands the membership of the Commission from 25 to 30 members. The duties of the Commission will continue to be to advise the Secretary of Human Resources on Commission activities, but the scope of the Commission is expanded from just matters dealing with the employment of the handicapped to a broader range of issues affecting the disabled.

Changes made to the composition of the previous Committee include expanding the number of members appointed by the Secretary of Human Resources from 11 to 15 and expanding the list of ex officio members from ten to 15. Added to the list of ex officio members, who are all state agency officials or their designees, are the President of the Senate, the Speaker of the House, and the House and Senate Minority Leaders (or the designees of these four legislators).

Joint Committee on the Arts and Cultural Resources

H.B. 2103 creates a ten-member joint legislative committee to be called the Joint Committee on the Arts and Cultural Resources. The joint committee consists of five members of the Senate appointed by the Committee on Organization, Calendar and Rules and five members of the House of Representatives appointed by the Speaker of the House. At least one member must be a member of the Senate Committee on Ways and Means and one member a member of the House Committee on Appropriations. At least one Senate member and one House member must be a member of the economic development committee of the respective houses. The chair of the joint committee would rotate so that the chair is a member of the House named by the Speaker in odd-numbered years and a member of the Senate named by the Committee on Organization, Calendar and Rules of the Senate in even-numbered years. The Chairmanship will change at the beginning of the legislative session.

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The joint committee created by H.B. 2103 is directed to study six specific areas and is directed to make a report of any findings and recommendations on or before December 31 each year to the Legislature. Members will receive compensation, travel, and subsistence as do legislators serving on other joint committees or interim committees for meetings authorized by the Legislative Coordinating Council.

Authority for the Joint Committee will expire on January 14, 1991.

Self-Sufficiency Trust Fund

H.B. 2333 establishes the Self-Sufficiency Trust Fund within the State Treasury. The bill provides that the Secretary of SRS may accept moneys from a self-sufficiency trust for deposit in the Self-Sufficiency Trust Fund, pursuant to an agreement with the trust, naming one or more beneficiaries who are developmentally disabled or are otherwise eligible for services from SRS. Under this program, families, guardians, or friends may establish a trust fund for a disabled individual to supplement existing services provided by SRS. The Secretary must maintain a separate account in the Trust Fund for each named beneficiary, must adopt rules and regulations for the administration of the Trust Fund, and must expend moneys in the account of the named beneficiary for the care, support, or treatment of that beneficiary in a manner consistent with the rules and regulations.

The bill also creates a special fund for the developmentally disabled for contributions from any source and which must be used for services for low-income developmentally disabled persons or other low-income persons eligible for SRS services.

STATE GOVERNMENT

(c) Other

Public Records -- Storage and Reprinting

S.B. 205, as amended by S.B. 399, permits public records to be stored on optical disc technology and provides that reprinted images from an optical disc would be considered an original record for all legal purposes. The bill allows the State Archivist to recommend standards for suitable optical disc technology. Currently, public records, papers, or documents can

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Kansas Racing Commission – Rules and Regulations

S.B. 429 authorizes the Kansas Racing Commission to designate in rules and regulations those position the incumbents of which would be prohibited from wagering at the track where they work. The positions would be those identified by the Commission as able to influence the outcome of a race. The act repeals existing prohibitions against wagering by all officers, directors of members of organization licensees (nonprofit organization), and officers, directors, and employees of facility owner and facility manager licensees.

In addition, S.B. 429 provides that racing stewards and judges are state employees for purposes of the Kansas Tort Claims Act.

Kansas Lottery – Operation

S.C.R. 1646 authorizes operation of the Kansas Lottery after June 30, 1990. The constitutional provision that authorized creation and operation of the state lottery requires that the Legislature authorize continuation of the lottery by concurrent resolution during the 1990 Legislative Session.

HEALTH

Reimbursement for Drugs Under the Medicaid Program

S.B. 180 prohibits the Department of Social and Rehabilitation Services (SRS) from maintaining a restrictive drug formulary after April 15, 1992. After that time the Department may not maintain a formulary that restricts a practitioner's ability to treat a patient with a drug that has been approved and designated as safe and effective by the federal Food and Drug Administration. In addition, the Department is mandated to supervise and participate in a privately-funded study on the costs and

effects of an open Medicaid drug formulary to be completed on or before October 1, 1991. The Department also is required to implement a drug utilization review program with a committee of qualified health care providers to assure appropriate utilization of drugs under the Medicaid program.

Social Work Licenses

S.B. 433 amends two of the statutes in the act under which social workers are licensed and regulated. The first amendment concerns applications for a temporary license to practice as a social worker until the next licensing examination is offered and completed. The amendment makes it clear that the Behavioral Sciences Regulatory Board is the authority responsible for the issuing of a temporary license rather than the Executive Director and changes from 15 to ten days the time in which the Board is required to provide any applicant who is denied a license with a written explanation of the denial. The second statute amended relates to the renewal of a social work license. The amendment deletes language that now prohibits the reinstatement of a license that has lapsed for more than one year after the expiration date. The amendatory language requires the board to reinstate any expired license, regardless of the length of time the license has lapsed, upon payment of the required renewal fee plus a penalty and proof of satisfactory completion of 60 hours of continuing education within the two years prior to the application for reinstatement of the license.

Emergency Medical Services – Attendants' Certificates

S.B. 466 amends a statute in the act under which emergency medical services and emergency medical service attendants are regulated. Changes in K.S.A. 1989 Supp. 65-6129, which concerns applicants for an attendant's certificate, delete references to having been certified for not less than one year as an emergency medical services technician from the requirements which must be met by an applicant for a certificate as an emergency medical technician-intermediate or an emergency medical technician-defibrillator. The effect of the amendments is to retain the requirement that an applicant for either a certificate to act as an