

Approved: 4-27-95  
Date

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Chairperson Garry Boston at 1:30 p.m. on March 28, 1995 in Room 526-S of the Capitol.

All members were present except:

Committee staff present: Mary Galligan, Legislative Research Department  
Lynne Holt, Legislative Research Department  
Mary Ann Torrence, Revisor of Statutes  
June Evans, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

The Chairman, Representative Boston, moved and Representative Swenson seconded to amend House Substitute for **SB 27**. This amendment simply establishes a substitute bill and knocks the repealer out and has a 6 year sunset. (See Attachment #1)

Representative Cox stated the intention was to work the bill here and understand if end up with a substitute senate bill this is an entirely different procedure and would have to go back to the Senate Floor.

The Chairperson stated his intent is to have this bill placed back in committee and not work but it would just be here in committee with an enacting clause in it so there would be transportation for the bill but it would be left in committee at this time.

Representative Lawrence stated he felt the committee needed to work their way through on **HB 2547**. If **SB 27** were adopted it would take 70 votes to bring it back up on the House Floor.

The Chairperson stated his purpose was to bring **SB 27** back with an enacting clause, using as a **House Substitute for SB 27** and including a 6 year sunset and leave the bill in committee.

Representative Packer moved a substitute motion to put **SB 27** into **HB 2547** and pass out as amended.

It was asked if staff would clarify the difference between an amendment and a substitute. An amended bill can have stricken language and a substitute bill is clean with no strikeouts.

It was asked if the Senate could just concur or would it have to be debated? They could just concur.

Representative Lawrence moved and Representative Spangler seconded to amend **HB 2547** and amend Proposed Amendment to **HB 2146** into the bill. (See Attachment #2)

Representative Packer stated he had a substitute motion on the Floor.

The Chairperson stated there was not a second and Representative Standifer said she would second the motion.

Representative Lawrence and Representative Spangler withdrew their motion and second.

Representative Packer moved and Representative Standifer seconded a substitute motion to move **HB 2547** into **SB 27** and move out as amended. A Division was called for: Yeas - 10 - Nays - 8. The motion carried.

Representative Packer moved and Representative Cox seconded to reinsert the enacting clause back into **HB 2547**.

Representative Lawrence moved and Representative Nichols seconded to reconsider the action on bill to move **HB 2547** into **SB 27** and move out as amended. A Division was called for: Yeas - 11 - Nays 9. The motion carried.

The Chairperson announced we are back on Representative Packer's substitute motion to combine the two bills **HB 2547** and **SB 27**. A Division was called for: Yeas - 12 - Nays 9. The motion carried.

Representative Cox gave the Sub-Committee Report on **HB 2547**. The materials from the Sub-Committee Report was distributed at the meeting yesterday. The Charge was to answer the questions of the Racing Commission and consider the amendments we had at that time and those are in the report plus the minutes of the two meetings are in the report. There was not a Charge to come back with recommend or do not recommend the bill. All it was was to provide information and go ahead to put in the two amendments that we knew of at the time. Also to get from the Lottery and the Racing Commission any other additional information. They couldn't work that fast so yesterday I said we were getting more information which we have received. We were to get information and add what amendments were requested and bring back to the committee for discussion. The Agreement between Mr. R. D. Hubbard and Richard J. Boushka taking any finance interest out of this type of legislation was received today. The waiver is in the agreement that each party waives the benefit of section 12.8 of the Merger Agreement. Two amendments were in the Sub-Committee Report and will look at those. On page 7, line 37 between "and" and "credit" to add ", except as provided by section 8, shall" and on page 8, line 28 after "tickets" to add "and less amounts paid to the lottery pursuant to section 8" and on page 10, line 9 change "equal to 15%" to read "not less than 20%" and add (f) (1) and (2). (See Attachments #3 & 4)

Representative Cox moved and Representative Spangler seconded to adopt the Sub Committee's Report on **HB 2547** which included amendments. The motion carried.

Representative Nichols moved and Representative Lawrence seconded a substitute motion to adopt the Sub Committee's Report with the same language used in the Sunday sales bill. The motion carried.

Representative Standifer moved and Representative Spangler seconded to amend **HB 2547** on page 2, line 26 and add "a minimum of 20 days annually" after "conducted". The motion carried. (See Attachment #5)

Representative Nichols reviewed his amendment and it was asked if there could be a division of the amendments. (See Attachment #6)

Representative Nichols moved and Representative Packer seconded a substitute motion on page 10 to strike all after "chance" on line 21 and replace with "Electronic game of chance machines shall be operated at a parimutuel license location only on days when live racing or simulcasting is conducted at such location, but days of operation of such machines shall not otherwise be restricted." The motion carried.

Representative Standifer stated she supported Representative Nichols' amendment as it addressed the concern of the amendment she had drawn up.

Representative Franklin felt it a big mistake to work the two bills together and moved and Representative Smith seconded a conceptual motion to remove all machines and kills the lottery

Representative Standifer that we voted on the motion to amend **HB 2547** into **SB 27** and the motion passed. It is my understanding can not turn around.

The Chairperson stated that it was voted on to include **HB 2547** in **SB 27** so they are both together and can not divide the question. Might come back later and do that but it can not be done as a substitute motion.

Representative Standifer requested that Representative Nichols' balloon be divided in 4 parts.

The remaining parts are: Page 6, page 10, (f) and (g) and on page 11, Section 12.

Representative Nichols moved and Representative Packer seconded on page 6, line 32, after "rector" and before "shall" add "and in accordance with the rules and regulations filing act", strike after "act" to "permanent" and add "Such" before "rules" on line 39. The motion carried.

The Chairperson stated the remaining portion of this balloon would be worked at the meeting tomorrow, March 29.

Representative Cox moved and Representative Vickrey seconded to adopt the minutes of March 15, 16, 17, 20 and 22. The motion carried.

The meeting adjourned at 2:50 p.m.

**HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE  
GUEST LIST**

DATE: March 28

NAME	REPRESENTING
Helen Stout	Ks. Greyhound Assn.
John Kniss	with Rep. Boston
Shawn Johnson	Rep. Cox
Mark Barcellona	KDOCAH
Dave Schneider	Kansas For Life At Its Best
Laura Overton	Potawatomi Nation
Shawna Wabunsee	Potawatomi Nation
Jim Edwards	KOCZ
Acey Ziemek	Kansas Lottery
Carl Anderson	Kansas Lottery
Steve Montgomery	Ks. Greyhd. Kennel Owners Assoc.
Senator <del>Pat</del> Whelan	Self
Tom Bruno	Allen of Assoc.
Tom Burgess	Sunflower Racing
Jim Wynn	The Wooded
Kick Henson	The Woodlands
Ben Stout	Kennel Owners
Jim Gualley	TRAK-East
<del>John</del> Botterby	WICHITA Greyhound Park

HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE  
GUEST LIST

DATE: \_\_\_\_\_ 28 \_\_\_\_\_

NAME	REPRESENTING
<i>Rebecca</i>	<i>WYMO private Clubs Assn.</i>
<i>Meg Fast</i>	<i>Greyhound Owner</i>

## HOUSE SUBSTITUTE FOR SENATE BILL NO. 27

By Committee

AN ACT concerning the Kansas lottery; relating to abolition thereof; amending K.S.A. 74-8723 and repealing the existing section.

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

Section 1. K.S.A. 74-8723 is hereby amended to read as follows: 74-8723. (a) The Kansas lottery and the office of executive director of the Kansas lottery, established by K.S.A. 74-8703, and amendments thereto, and the Kansas lottery commission, created by K.S.A. 74-8709, and amendments thereto, shall be and hereby are abolished on July 1, ~~1996~~ 2002.

(b) This section shall be part of and supplemental to the Kansas lottery act.

Sec. 2. K.S.A. 74-8723 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

FSA  
3-28-95  
Atch #1

Proposed Amendment to House Bill No. 2146

Add two sections to read as follows:

"Sec. 2. K.S.A. 74-8723 is hereby amended to read as follows: 74-8723. (a) The Kansas lottery and the office of executive director of the Kansas lottery, established by K.S.A. 74-8703, and amendments thereto, and the Kansas lottery commission, created by K.S.A. 74-8709, and amendments thereto, shall be and hereby are abolished on July 1, ~~1996~~ 1997.

(b) This section shall be part of and supplemental to the Kansas lottery act.

New Sec. 3. (a) There is hereby established the joint committee on gaming. The joint committee shall be composed of five members of the senate and eight members of the house of representatives. Three of the senate members shall be appointed by the president of the senate and two of the senate members shall be appointed by the minority leader of the senate. Five of the house of representatives members shall be appointed by the speaker of the house and three of the house of representatives members shall be appointed by the minority leader of the house.

(b) The chairperson of the joint committee on gaming shall be the representative member designated by the speaker of the house of representatives and the vice-chairperson shall be the senate member designated by the president of the senate. The vice-chairperson shall exercise all of the powers of the chairperson in the absence of the chairperson.

(c) The joint committee on gaming shall study all existing and potential future gaming in the state of Kansas, including bingo, the state owned and operated lottery, parimutuel wagering on horse and greyhound races and gaming operated by Indian nations.

(d) On or before the first day of the regular legislative session in 1996, the joint committee on gaming shall submit a report and recommendations to the legislature regarding the

Fede State  
3-28-95  
Atch #2

permitting, regulation and taxation of gaming in the state.

(e) The provisions of the acts contained in article 12 of chapter 46 of the Kansas Statutes Annotated, and amendments thereto, applicable to special committees shall apply to the joint committee on gaming to the extent that the same do not conflict with the specific provisions of this act applicable to the joint committee.

(f) The joint committee on gaming may introduce such legislation as it deems necessary in performing its functions.";

Renumber the remaining sections and amend the title and repealer accordingly;

FA  
3-28-95  
Atch # 3

1 *licensee locations pursuant to sections 8 through 11.*

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

6 (c) The manner of payment of prizes to the holders of winning tickets  
7 or shares.

8 (d) The frequency of the drawings or selections of winning tickets or  
9 shares.

10 (e) The type or types of locations at which tickets or shares may be  
11 sold.

12 (f) The method or methods to be used in selling tickets or shares.

13 (g) Additional qualifications for the selection of lottery retailers and  
14 the amount of application fees to be paid by each.

15 (h) The amount and method of compensation to be paid to lottery  
16 retailers, including special bonuses and incentives.

17 (i) Deadlines for claims for prizes by winners of each lottery game.

18 (j) Provisions for confidentiality of information submitted by vendors  
19 pursuant to K.S.A. 74-8705, and amendments thereto.

20 (k) Information required to be submitted by vendors, in addition to  
21 that required by K.S.A. 74-8705, and amendments thereto.

22 (l) The major procurement contracts or portions thereof to be  
23 awarded to minority business enterprises pursuant to subsection (a) of  
24 K.S.A. 74-8705, and amendments thereto, and procedures for the award  
25 thereof.

26 (m) *Rules and regulations relating to electronic games of chance ma-*  
27 *chines as necessary to carry out the provisions and purposes of sections*  
28 *8 through 11, which rules and regulations shall be adopted promptly after*  
29 *the enactment of this act.*

30 Sec. 5. K.S.A. 74-8711 is hereby amended to read as follows: 74-  
31 8711. (a) There is hereby established in the state treasury the lottery  
32 operating fund.

33 (b) The executive director shall remit at least weekly to the state  
34 treasurer all moneys collected from the sale of lottery tickets and shares  
35 and any other moneys received by or on behalf of the Kansas lottery.  
36 Upon receipt of any such remittance, the state treasurer shall deposit the  
37 entire amount thereof in the state treasury and credit it to the lottery  
38 operating fund. Moneys credited to the fund shall be expended or trans-  
39 ferred only as provided by this act. Expenditures from such fund shall be  
40 made in accordance with appropriations acts upon warrants of the direc-  
41 tor of accounts and reports issued pursuant to vouchers approved by the  
42 executive director or by a person designated by the executive director.

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

1 (1) The payment of expenses of the lottery, which shall include all  
2 costs incurred in the operation and administration of the Kansas lottery;  
3 all costs resulting from contracts entered into for the purchase or lease  
4 of goods, *equipment* and services needed for operation of the lottery,  
5 including but not limited to supplies, materials, tickets, independent stud-  
6 ies and surveys, data transmission, *facilities, equipment*, advertising, print-  
7 ing, promotion, incentives, public relations, communications; and distri-  
8 bution of tickets and shares; and reimbursement of costs of facilities and  
9 services provided by other state agencies;

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

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

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

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

17 (6) the transfers to the county reappraisal fund as prescribed by law.

18 (d) The director of accounts and reports shall transfer moneys in the  
19 lottery operating fund to the state gaming revenues fund created by  
20 K.S.A. 79-4801 and amendments thereto, on or before the 15th day of  
21 each month, for ~~fiscal years commencing on or after July 1, 1988~~ in an  
22 amount certified monthly by the executive director and determined as  
23 follows, whichever is greater:

24 (1) In an amount equal to the moneys in the lottery operating fund  
25 in excess of those needed for the purposes described in subsections (c)(1)  
26 through (c)(4); or

27 (2) an amount equal to not less than 30% of total monthly revenues  
28 from the sales of lottery tickets and shares less estimated returned tickets/

and less amounts paid to the lottery pursuant to section 8

29 Sec. 6. K.S.A. 1994 Supp. 74-8718 is hereby amended to read as  
30 follows: 74-8718. (a) It is unlawful for:

31 (1) Any person to sell a lottery ticket or share at a price other than  
32 that fixed by rules and regulations adopted pursuant to this act;

33 (2) any person other than a lottery retailer authorized by the Kansas  
34 lottery to sell or resell any lottery ticket or share; ~~or~~

35 (3) any person to sell a lottery ticket or share to any person, knowing  
36 such person to be under 18 years of age; *or*

37 (4) *any parimutuel licensee to allow any person to play an electronic*  
38 *game of chance knowing such person to be under 18 years of age.*

39 (b) (1) Violation of this section is a class A nonperson misdemeanor  
40 upon conviction for a first offense; and

41 (2) violation of this section is a severity level 9, nonperson felony upon  
42 conviction for a second or subsequent offense.

43 Sec. 7. K.S.A. 1994 Supp. 74-8719 is hereby amended to read as

1 (b) Electronic game of chance machines may be installed, operated,  
 2 managed, owned or leased by parimutuel licensees or by a technology  
 3 provider under contract with the parimutuel licensee but subject to the  
 4 ultimate control and operation of the commission in accordance with this  
 5 act. Specific electronic games of chance must be approved by the com-  
 6 mission in accordance with rules and regulations set forth by the com-  
 7 mission.

8 (c) The contract between the commission and a parimutuel licensee  
 9 shall provide for the Kansas lottery to receive an amount ~~equal to 15%~~ <sup>not less than</sup> ~~20%~~  
 10 of the net machine income from the operation of electronic game of  
 11 chance machines at the parimutuel licensee location, shall be for an initial  
 12 term of not less than five years and shall be renewable at the mutual  
 13 option of the parties.

14 (d) The contracts authorized by this section may include the follow-  
 15 ing:

16 (1) Accounting procedures to determine the net machine income,  
 17 unclaimed prizes and credits.

18 (2) The times of operation of electronic game of chance machines,  
 19 the location of electronic game of chance machines within the parimutuel  
 20 licensee location and other matters relating to the operation of electronic  
 21 games of chance, except that no rule and regulation shall restrict the  
 22 operation of electronic games of chance machines to specific days of op-  
 23 eration as long as a parimutuel licensee has scheduled live racing in each  
 24 calendar year at the parimutuel license location where the electronic  
 25 game of chance machines will be operated.

26 (3) Minimum requirements for a parimutuel licensee to provide qual-  
 27 ified oversight, security and supervision of the operation of electronic  
 28 game of chance machines at the parimutuel licensee location, including  
 29 the use of qualified personnel with experience in computer technology.

30 (e) No contract authorized by this section shall be executed until such  
 31 time as a parimutuel licensee has reached and maintains written agree-  
 32 ment with the Kansas thoroughbred association, if any, the Kansas quar-  
 33 terhorse racing association, if any, and the Kansas greyhound kennel own-  
 34 ers association, if any, as to a distribution of a percentage of net machine  
 35 income to such associations.

36 New Sec. 9. Any person who, with the intent to manipulate the out-  
 37 come, pay-off or operation of an electronic game of chance machine,  
 38 manipulates the outcome, pay-off or operation of an electronic game of  
 39 chance machine by physical, electrical or mechanical means, shall be  
 40 guilty of a severity level 8, nonperson felony.

41 New Sec. 10. This act shall take precedence over any other law or  
 42 rule and regulation ordinance of the state, or any ordinance or resolution  
 43 of any of its political subdivisions of the state, to the contrary.

(f) Moneys received by the Kansas lottery pursuant to subsection (c) shall be deposited in the state treasury and credited as follows:

(1) An amount certified to the director of accounts and reports by the executive director as equal to the expenses of the lottery attributable to contracts entered into pursuant to sections 8 through 11 shall be credited to the lottery operating fund; and

(2) the remainder shall be credited to the Kansas educational building fund provided for by K.S.A. 76-6b02 and amendments thereto.

AGREEMENT

This AGREEMENT is made as of this 23d day of March 1995 by and among Hollywood Park, Inc. ("HPI"), R. D. Hubbard ("Hubbard") and Richard J. Boushka ("Boushka") ("Hubbard and Boushka are sometimes referred to collectively as the "Stockholders").

Whereas, pursuant to sections 2.1 and 2.2 of that certain Agreement of Merger ("Merger Agreement") dated as of February 24, 1994, as amended, made by and among HPI, HP Acquisition, Inc. ("Sub"), Sunflower Racing, Inc., ("Sunflower"), Hubbard and Boushka, the Stockholders received contingent rights to additional consideration payable by HPI (the "Rights");

Whereas, the Stockholders desire to sell to HPI and HPI desires to buy from the Stockholders the Rights;

Now, therefore, in consideration of the representations, warranties and covenants contained herein, the parties agree as follows:

1.1. Payment. Contemporaneously with the execution of this agreement, Parent has paid to Hubbard forty dollars (\$40) and to Boushka ten dollars (\$10).

1.2. Assignment. Each of the Stockholders hereby transfers and assigns to HPI all of such Stockholder's right, title and interest in the Rights, free and clear of any liens, charges, options, adverse claims or security interests.

1.3. Representation and Warranty. Each of the Stockholders represents and warrants that they are the owners of the Rights and that they have not (nor have they purported to have) assigned, conveyed, encumbered, or in any manner transferred all or any of a portion of the Rights. The Stockholders agree to indemnify and hold Parent harmless from any and all claims (including, without limitation, all attorneys fees and costs) resulting from or arising out of any breach of this representation and warranty.

1.3. Waiver. For the purpose of the transfer of the Rights pursuant to this Agreement, and for that purpose only, each party waives the benefit of section 12.8 of the Merger Agreement.

1.4. Miscellaneous. This Agreement constitutes the entire agreement among the parties with respect to the subject matter of this agreement and supersedes any prior agreement or understanding among the parties. This Agreement may not be amended, modified or altered except by an express writing executed by all parties hereto. This Agreement may be executed in one or more counterparts, each of which

RETTORERO.WP

FISA  
3-28-95  
Atch #4

Independently shall be deemed to be an original and all of which taken together shall constitute one instrument. Each party to this Agreement shall bear of all of its expenses in connection with the execution, deliver and performance of this Agreement and the transactions contemplated thereby. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns.

HOLLYWOOD PARK, INC.

By: *G. Michael Finnigan* 23 Mar 95  
G. Michael Finnigan,  
Executive Vice President  
and Chief Financial Officer

*R.D. Hubbard*  
R.D. Hubbard

*Richard J. Boushka*  
Richard J. Boushka

Sunflower, for itself and as successor in interest to Sub, hereby agrees to be bound by section 12.8 of this Agreement as if Sunflower were a party to this Agreement.

Sunflower Racing, Inc.

By: *G. Michael Finnigan*  
23 Mar 95  
Secretary

42

Standifer  
FUSA  
3-28-95  
Atch #5

1 (2) any parimutuel licensee with which the commission has con-  
2 tracted pursuant to section 7.

3 (†) (i) "Lottery" or "state lottery" means the lottery or lotteries op-  
4 erated pursuant to this act.

5 (‡) (j) "Major procurement" means any gaming product or service,  
6 including but not limited to facilities, advertising and promotional serv-  
7 ices, annuity contracts, prize payment agreements, consulting services,  
8 equipment, tickets and other products and services unique to the Kansas  
9 lottery, but not including materials, supplies, equipment and services  
10 common to the ordinary operations of state agencies.

11 (k) "Net machine income" means all cash and the value of all cash  
12 vouchers and tokens placed in an electronic game of chance machine less  
13 cash paid to players: (1) From an electronic game of chance machine; or  
14 (2) for redemption of credits or tokens.

15 (l) "Parimutuel licensee" means:

16 (1) A facility owner licensee and manager licensee, as defined by  
17 K.S.A. 74-8802 and amendments thereto;

18 (2) an organization licensee, as defined by K.S.A. 74-8802 and amend-  
19 ments thereto, which has been authorized by the Kansas racing commis-  
20 sion to construct or own a racetrack facility; or

21 (3) an organization licensee, as defined by K.S.A. 74-8802 and amend-  
22 ments thereto, which is specified in subsection (a)(2) of K.S.A. 74-8814  
23 and amendments thereto.

24 (m) "Parimutuel licensee location" means a facility located on the real  
25 estate of a parimutuel licensee where live horse racing or live greyhound  
26 racing is conducted. ~~A parimutuel licensee location may include any of~~  
27 ~~the existing structures located on the real estate where the live horse rac-~~  
28 ~~ing or live greyhound racing is conducted or any structures that may be~~  
29 ~~constructed on such real estate.~~

a minimum of 20 days annually

30 (†) (n) "Person" means any natural person, association, corporation  
31 or partnership.

32 (†) (o) "Prize" means any prize paid directly by the Kansas lottery  
33 pursuant to its rules and regulations.

34 (†) (p) "Share" means any intangible manifestation authorized by the  
35 Kansas lottery to prove participation in a lottery game.

36 (q) "Technology provider" means any person or entity other than a  
37 parimutuel licensee that designs, manufactures, installs, operates, distrib-  
38 utes or supplies an electronic game of chance machine for sale, lease or  
39 use in accordance with this act.

40 (†) (r) "Ticket" means any tangible evidence issued by the Kansas  
41 lottery to prove participation in a lottery game.

42 (s) "Token" means the coin, which is not legal tender, sold by a cashier  
43 in a face amount equal to the cash paid by a player for the sole purpose

HOUSE BILL No. 2547

By Committee on Federal and State Affairs

2-27

F 5A  
3-28-95  
Atch #C

9 AN ACT concerning the Kansas lottery; authorizing electronic games of relating to  
10 chance; ~~repealing~~ abolition of the state lottery; amending K.S.A. 74-  
11 8702, 74-8705, 74-8708, 74-8710 and ~~74-8711~~ and K.S.A. 1994 Supp. , 74-8711 and 74-8723  
12 74-8718 and 74-8719 and repealing the existing sections, ~~also repealing~~  
13 ~~K.S.A. 74-8723.~~

14  
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 74-8702 is hereby amended to read as follows: 74-  
17 8702. As used in this act, unless the context otherwise requires:

18 (a) "Cash voucher" means the ticket or coupon which is given to a  
19 player in an amount equal to the cash delivered to a cashier for the sole  
20 purpose of playing an electronic game of chance machine at a parimutuel  
21 licensee location and which may be redeemed only at the parimutuel li-  
22 censee location where purchased.

23 ~~(a)~~ (b) "Commission" means the Kansas lottery commission.

24 (c) "Electronic game of chance" means any game played on an elec-  
25 tronic game of chance machine.

26 (d) "Electronic game of chance machine" means an electronic, me-  
27 chanical or computerized game machine authorized by the commission  
28 which, upon the insertion of ~~cash~~ tokens or a cash voucher, is available  
29 to play a game of chance and which may use a video display and micro-  
30 processors where, by chance, the player may receive cash, tokens or cred-  
31 its that may be redeemed for cash. Electronic game of chance machine  
32 includes but is not limited to a mechanical or video slot machine.

33 ~~(b)~~ (e) "Executive director" means the executive director of the Kan-  
34 sas lottery.

35 ~~(e)~~ (f) "Gaming equipment" means any electric, electronic or me-  
36 chanical device or other equipment unique to the Kansas lottery used  
37 directly in the operation of any lottery and in the determination of winners  
38 pursuant to this act.

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

41 ~~(e)~~ (h) "Lottery retailer" means:

42 (1) Any person with whom the Kansas lottery has contracted to sell  
43 lottery tickets or shares, or both, to the public; and

6-2

1 (6) has made a statement of material fact to the Kansas lottery, know-  
2 ing such statement to be false.

3 (i) For a partnership to be selected as a lottery retailer, the partner-  
4 ship must meet the requirements of subsections (g)(2), (g)(3), (g)(4) and  
5 (g)(5) and each partner must meet the requirements of subsections (g)(1),  
6 (g)(3), (g)(4) and (h)(1) through (h)(6).

7 (j) For a corporation to be selected as a lottery retailer, the corpo-  
8 ration must meet the requirements of subsections (g)(2), (g)(3), (g)(4)  
9 and (g)(5) and each officer or director and each stockholder who owns  
10 5% or more of the stock of such corporation must meet the requirements  
11 of subsections (g)(3), (g)(4) and (h)(1) through (h)(6).

12 (k) For an unincorporated association to be selected as a lottery re-  
13 tailer, the association must meet the requirements of subsections (g)(2),  
14 (g)(3), (g)(4) and (g)(5) and each officer or director must meet the re-  
15 quirements of subsections (g)(1), (g)(3), (g)(4) and (h)(1) through (h)(6).

16 (l) The executive director may terminate the certificate of any lottery  
17 retailer who fails to meet any of the applicable qualifying standards for  
18 selection as a retailer provided in this section or on the grounds for ter-  
19 mination provided in the contract pursuant to rules and regulations  
20 adopted by the commission.

21 (m) If a lottery retailer's rental payments for the business premises  
22 are contractually computed, in whole or in part, on the basis of a per-  
23 centage of retail sales, and such computation of retail sales is not explicitly  
24 defined to include sale of tickets or shares in a state-operated lottery, the  
25 compensation received by the lottery retailer from the lottery shall be  
26 considered the amount of the retail sale for purposes of computing the  
27 rental payment.

28 (n) *The provisions of this section shall not apply to a parimutuel li-*  
29 *icensee when acting pursuant to sections 8 through 11.*

30 Sec. 4. K.S.A. 74-8710 is hereby amended to read as follows: 74-  
31 8710. The commission, upon the recommendation of the executive di-  
32 rector, shall adopt rules and regulations governing the establishment and  
33 operation of a state lottery as necessary to carry out the purposes of this  
34 act. ~~Temporary rules and regulations may be adopted by the commission~~  
35 ~~without being subject to the provisions and requirements of K.S.A. 77-~~  
36 ~~415 through 77-438, and amendments thereto, but shall be subject to~~  
37 ~~approval by the attorney general as to legality and shall be filed with the~~  
38 ~~secretary of state and published in the Kansas register. Temporary and~~  
39 ~~permanent~~ rules and regulations may include but shall not be limited to:

40 (a) The types of lottery games to be conducted, including but not  
41 limited to instant lottery, on-line and traditional games, but not including  
42 games on ~~video lottery machines~~ *electronic games of chance except those*  
43 *played on electronic game of chance machines operated at parimutuel*

and in accordance with the rules and regulations  
filing act

Such

3  
6

1 follows: 74-8719. (a) It is unlawful for any person to purchase a lottery  
2 ticket or share, to *play an electronic game of chance* or to share in the  
3 lottery winnings of a person, knowing that such person is:

4 (1) The executive director, a member of the commission or an em-  
5 ployee of the Kansas lottery;

6 (2) an officer or employee of a vendor contracting with the Kansas  
7 lottery to supply gaming equipment or tickets to the Kansas lottery for  
8 use in the operation of any lottery conducted pursuant to this act;

9 (3) a spouse, child, stepchild, brother, stepbrother, sister, stepsister,  
10 parent or stepparent of a person described by subsection (a)(1) or (2); or

11 (4) a person who resides in the same household as any person de-  
12 scribed by subsection (a)(1) or (2).

13 (b) (1) Violation of subsection (a) is a class A nonperson misde-  
14 meanor upon conviction for a first offense.

15 (2) Violation of subsection (a) is a severity level 9, nonperson felony  
16 upon conviction for a second or subsequent offense.

17 (c) Notwithstanding subsection (a), the executive director may au-  
18 thorize in writing any employee of the Kansas lottery and any employee  
19 of a lottery vendor to purchase a lottery ticket *or share or play an elec-*  
20 *tronic game of chance* for the purposes of verifying the proper operation  
21 of the state lottery with respect to security, systems operation and lottery  
22 retailer contract compliance. Any prize awarded as a result of ~~such ticket~~  
23 ~~purchase~~ *the purchase of such ticket or share or the playing of such game*  
24 shall become the property of the Kansas lottery and be added to the prize  
25 pools of subsequent lottery games.

26 (d) Certain classes of persons who, because of the unique nature of  
27 the supplies or services they provide for use directly in the operation of  
28 a lottery pursuant to this act, may be prohibited, in accordance with rules  
29 and regulations adopted by the commission, from participating in any  
30 lottery in which such supplies or services are used.

31 (e) Nothing in this section shall prohibit lottery retailers or their em-  
32 ployees from purchasing lottery tickets and shares or from being paid a  
33 prize of a winning ticket or share.

34 (f) Each person who purchases a lottery ticket or share thereby agrees  
35 to be bound by rules and regulations adopted by the commission and by  
36 the provisions of this act.

37 New Sec. 8. (a) The commission is authorized to contract with a par-  
38 imutuel licensee to install electronic game of chance machines and elec-  
39 tronic games of chance at parimutuel licensee locations, subject to the  
40 provisions of this act. The commission may enter into one or more agree-  
41 ments with a parimutuel licensee to manage and participate in the op-  
eration of electronic game of chance machines at a parimutuel licensee  
location.

4  
6-9

1 (b) Electronic game of chance machines may be installed, operated,  
2 managed, owned or leased by parimutuel licensees or by a technology  
3 provider under contract with the parimutuel licensee but subject to the  
4 ultimate control and operation of the commission in accordance with this  
5 act. Specific electronic games of chance must be approved by the com-  
6 mission in accordance with rules and regulations set forth by the com-  
7 mission.

8 (c) The contract between the commission and a parimutuel licensee  
9 shall provide for the Kansas lottery to receive an amount equal to 15%  
10 of the net machine income from the operation of electronic game of  
11 chance machines at the parimutuel licensee location, shall be for an initial  
12 term of not less than five years and shall be renewable at the mutual  
13 option of the parties.

14 (d) The contracts authorized by this section may include the follow-  
15 ing:

16 (1) Accounting procedures to determine the net machine income,  
17 unclaimed prizes and credits.

18 (2) The times of operation of electronic game of chance machines,  
19 the location of electronic game of chance machines within the parimutuel  
20 licensee location and other matters relating to the operation of electronic  
21 games of chance ~~except that no rule and regulation shall restrict the~~  
22 ~~operation of electronic games of chance machines to specific days of op-~~  
23 ~~eration as long as a parimutuel licensee has scheduled live racing in each~~  
24 ~~calendar year at the parimutuel licensee location where the electronic~~  
25 ~~game of chance machines will be operated.~~

26 (3) Minimum requirements for a parimutuel licensee to provide qual-  
27 ified oversight, security and supervision of the operation of electronic  
28 game of chance machines at the parimutuel licensee location, including  
29 the use of qualified personnel with experience in computer technology.

30 (e) No contract authorized by this section shall be executed until such  
31 time as a parimutuel licensee has reached and maintains written agree-  
32 ment with the Kansas thoroughbred association, if any, the Kansas quar-  
33 terhorse racing association, if any, and the Kansas greyhound kennel own-  
34 ers association, if any, as to a distribution of a percentage of net machine  
35 income to such associations.

36 New Sec. 9. Any person who, with the intent to manipulate the out-  
37 come, pay-off or operation of an electronic game of chance machine,  
38 manipulates the outcome, pay-off or operation of an electronic game of  
39 chance machine by physical, electrical or mechanical means, shall be  
40 guilty of a severity level 8, nonperson felony.

41 New Sec. 10. This act shall take precedence over any other law or  
42 rule and regulation ordinance of the state, or any ordinance or resolution  
43 of any of its political subdivisions of the state, to the contrary.

3-28 } . Electronic game of chance machines shall be  
operated at a parimutuel license location only on  
days when live racing is conducted at such location,  
but days of operation of such machines shall not  
otherwise be restricted

3-29 (f) Electronic game of chance machines operated  
pursuant to this section shall pay out an average of  
not less than 90% and not more than 97.5% of the  
amount wagered.

(g) The maximum amount allowed to be wagered on  
electronic games of chance at a parimutuel license  
location by any one person on any one day shall be  
\$250.

500

or simulcasting

1 New Sec. 11. Pursuant to section 2 of the federal entitled "An act to  
2 prohibit transportation of gambling devices in interstate and foreign com-  
3 merce," 15 U.S.C. 1171 through 1177, the state of Kansas, acting by and  
4 through the duly elected and qualified members of the legislature, does  
5 hereby in this section, and in accordance with and in compliance with the  
6 provisions of section 2 of such federal act, declare and proclaim that it is  
7 exempt from the provision of section 2 of such federal act to the extent  
8 that such gambling devices are being transported to or from a parimutuel  
9 licensee location within the state of Kansas.

10 Sec. 12. K.S.A. 74-8702, 74-8705, 74-8708, 74-8710, 74-8711 and 74-  
11 8723 and K.S.A. 1994 Supp. 74-8718 and 74-8719 are hereby repealed.

12 Sec. 13. This act shall take effect and be in force from and after its  
13 publication in the statute book.

5-9

Sec. 12. K.S.A. 74-8723 is hereby amended to read as follows: 74-8723. (a) The Kansas lottery and the office of executive director of the Kansas lottery, established by K.S.A. 74-8703, and amendments thereto, and the Kansas lottery commission, created by K.S.A. 74-8709, and amendments thereto, shall be and hereby are abolished on July 1, ~~1996~~ 2002.

(b) This section shall be part of and supplemental to the Kansas lottery act.

Renumber remaining sections