

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 1:00 p.m. on March 29, 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 Chairperson asked staff to give a review of the action taken on March 28. Essentially 4 things were done: (1) include all provisions of 1995 **HB 2547** except the enacting clause (2) subcommittee recommended amendments, as amended: (a) to require a county option vote to approve or disapprove the operation of electronic games of chance in the county and (b) an increase of the Lottery's percentage of net machine income to a minimum of 20 percent with any amount in excess of the amount necessary to administer electronic games of chance credited to the Educational Building Fund (3) operation of electronic games of chance only on days when live or simulcast racing is conducted at the track and (4) rules and regulations of the Lottery subject to the Rules and Regulations Filing Act. (See Attachment #1)

The Chairperson stated at this point there would be continuation of action on Representative Nichols' amendment. It had been voted on March 28 that the balloon would be divided into 4 sections. Representative Nichols objected to that decision when brought forth today.

The Chairperson stated there was a letter from the Kansas Lottery distributed concerning amendments which will be brought forth later in the meeting. (See Attachment #2)

Representative Nichols moved and Representative Lawrence seconded to adopt on Page 10, add (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. The motion carried.

Representative Nichols moved and Representative Cox seconded to adopt on Page 10, add (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 \$500" and on page one, line 28, the word "cash" was stricken. The motion carried.

Representative Nichols moved and Representative Packer seconded to adopt on Page 11 and relates back to the title page. Add "Section 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, 2002. (b) This section shall be part of and supplemental to the Kansas lottery act." A Division was called: Yeas - 15 - Nays 4. The motion carried. (See Attachment #3)

Representative Lawrence moved and Representative Nichols seconded to amend where appropriate: "The Kansas lottery shall not sell any ticket or share by means of a machine, contrivance or device which is operated by insertion of cash." The motion carried. (See Attachment #4)

Representative Lawrence moved and Representative Spangler seconded to amend Page 10 and add "(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) of the remainder: (A) 70% shall be credited to the Kansas education building fund provided by K.S.A. 76-6b02 and amendments thereto; (B) 25% shall be distributed equally to all community colleges in the state; and (C) 5% shall be distributed to Washburn University. A Division was called: Yeas - 10 - Nays 9. The motion carried. (See Attachment #5)

The following wished to be recorded as voting NO: Representatives Ballou, Franklin, Graeber, Nichols, and Swenson.

Representative Franklin stated he felt it poor policy to fund education with slot machines; therefore, he opposed.

Representative Ballou moved and Representative Franklin seconded an amendment to allow games of chance in all lottery sales locations within a county where the voters of the county have approved the operation of such machines within the county. A Division was called: Yeas 7 - Nays 11. The motion failed. (See Attachment #6)

Staff gave a briefing on the Lottery's amendment.

Representative Standifer moved and Representative Cox seconded to adopt the Lottery's balloon with the exception of the three items already adopted. The motion carried. (See Attachment #7)

Representative Cox moved and Representative Standifer seconded to place enacting clause into **SB 27**. The motion carried.

Representative Packer moved and Representative Graeber seconded to move **SB 27** out as amended.

Representative Nichols moved and Representative Packer seconded a substitute motion to move **SB 27** out with no recommendation.

Representative Franklin stated he was in favor of the lottery and not in favor of the slots. This gives the corner on the slot machines to a couple of investors.

Representative Aldritt stated he had an amendment that did not get to present and was very important to his area.

There was discussion.

The Chairperson asked if willing to withdraw substitute motion so Representative Aldritt could bring forth his amendment.

Representative Packer stated he would not withdraw his second.

The Chairperson stated the motion is to move **SB 27** out as amended with no recommendation. A Division was called for: Yeas 13 - Nays 9.

The following requested to be recorded as voting NO: Representatives Ballou, Franklin, Lloyd, Samuelson and Vickrey.

The meeting adjourned at 2:30 p.m. The next meeting will be March 30, 1995.

HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST

DATE: Mar 29

NAME	REPRESENTING
Jerry B. Hamilton	Kansas Racing Commission
Carl Anderson	Kansas Lottery
Jim Edwards	KCC
Mark Bancellum	KDOC & H
Bill Denny	Ks Thoroughbred Assn
Stott Biedak	Simpson Racing KIC
J. P. Small	Ks Quarterhorse Racing Assn
Bruce Rimbo	The Woodlands
John C. Bollerby	WICHITA Greenhouse Park
Thick Henson	THE WOODLANDS -
Helen Stout	Ks Greyhound Assn
Jim Lyle	B. L. E.
Joe Burr	Sunflower
Tom B...	Allen & Assoc.
Kathy Peterson	Ks Racetrack Alliance.

MEMORANDUM

Kansas Legislative Research Department

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Topeka, Kansas 66612-1504
Telephone (913) 296-3181 FAX (913) 296-3824

March 29, 1995

To: House Federal and State Affairs Committee

From: Mary Galligan, Principal Analyst

Re: S.B. 27 Committee Action to Date

On March 28 your Committee voted to make the following amendments to 1995 S.B. 27:

1. include all provisions of 1995 H.B. 2547 except the enacting clause (Packer);
2. subcommittee recommended amendments, as amended,
 - a. to require a county option vote to approve or disapprove the operation of electronic games of chance in the county, and
 - b. an increase of the Lottery's percentage of net machine income to a minimum of 20 percent with any amount in excess of the amount necessary to administer electronic games of chance credited to the Educational Building Fund;
3. operation of electronic games of chance only on days when live or simulcast racing is conducted at the track (Nichols balloon, page 10, as amended); and
4. rules and regulations of the Lottery subject to the Rules and Regulations Filing Act (Nichols balloon, page 6).



Bill Graves
Governor

Gregory P. Ziemak
Executive Director

March 29, 1995

The Honorable Garry Boston
State Representative, 72nd District
State Capitol, Room 156-E
Topeka, Kansas 66612

Re: House Bill No. 2547

Dear Representative Boston:

I am writing this letter in response to your telephone request of March 28, 1995, concerning the amendment to section 4 of House Bill No. 2547 eliminating the exemption from the Rules and Regulations Filing Act under which the Lottery has operated since passage of the enabling legislation in March 1987. The Lottery would be severely handicapped if required to adopt rules and regulations pursuant to that Act.

To date, the Lottery has conducted 94 instant games and 10 pull-tab games, as well as many drawings and sales promotions, and is currently conducting four on-line games, all of which require specific game rules in addition to generic rules. Since Lottery operations started on November 12, 1987, the Kansas Lottery Commission has adopted in excess of 1,000 rules as well as numerous amendments to existing rules. The Commission meets monthly, primarily to approve new and/or amended rules concerning the various Lottery games and drawings. As rules for various games expire, they are revoked. Rules to be adopted by the Kansas Lottery Commission are approved by the Office of the Attorney General for legality and forwarded to the Secretary of State for publication in the Kansas Register.

The Lottery's current marketing strategy has been to introduce new instant games starting every every 2-3 weeks so that multiple games will be available to Kansas residents wishing to play. This strategy has resulted in instant game sales that are currently over 29 percent ahead of last year. Implementation of the above amendment would make it extremely difficult for the Kansas Lottery to react to player and retailer demands in a timely manner which would result in a detrimental effect upon sales and revenue transfers. Various drawings involving rules and regulations occur throughout the year, including some which occur on a yearly basis necessitating various rule changes such

as dates, prizes, and events which are different each year. One example of this is the State Fair and the drawings conducted yearly on the Saturday night immediately preceding the last day of the Fair. Every year there are some changes in the dates, format for the drawing, and the prizes to be awarded. Other similar drawings include those at Heartland Park which occur at least twice each year, the 3i Show Drawings, and the Birthday Game Show, all of which require changes yearly.

The on-line games include Powerball, Cash Lotto, Club Keno and Pick 3. Although they last significantly longer than the instant games, they entail periodic amendments, some of which must be adopted on short notice for various reasons. In the case of Powerball, which involves the Multi-State Lottery Association (MUSL), currently a group of 19 states and the District of Columbia, the MUSL Board may require rule changes upon short notice which must be adopted by all members if they are to continue to participate. A recent example included doing a "Powerball Doubler Promotion" for which rules provided by MUSL for adoption by members were received shortly before the Commission meeting on August 19, 1994. This promotion started in mid-September 1994. Following the adoption of the rule, a change was required, necessitating an amendment which was conducted on September 9, 1994, by the Commission. Failure to be able to actively adopt rules in such instances could preclude Kansas from participating in such a program and would require Kansas to post notice that although Kansas was a MUSL state providing Powerball, it would be unable to participate in this specific program which would be available in all the other jurisdictions, including Missouri and Nebraska.

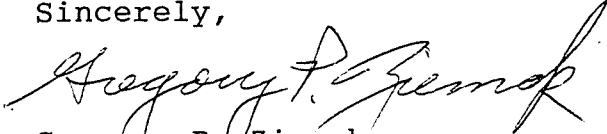
Dating back to late 1987, it is my understanding that the Kansas Lottery Commission has met approximately once a month to approve rules and regulations. Pursuant to our rules and regulations statute (K.S.A. 74-8710), voluminous numbers of rules are required to be adopted, and now subjecting the Lottery to the Rules and Regulations Filing Act would be extremely burdensome even if they were initially allowed to be adopted as temporary rules by the State Rules and Regulations Board. Being unable to act rapidly, as envisioned by the drafters of the Kansas Lottery Act, would severely impact the Lottery in view of the time delay even if it were permissible to adopt such rules and regulations as temporary as opposed to the regular rule approval process.

At this point in time, we have been unable to assess what the fiscal implications may be. In view of budgetary constraints in the past, we have often been unable to determine just what prize structures we can utilize for instant games very far into the future. We understand that unless rules are authorized as temporaries, it takes four to six months from the start of the rule-making process until they may be adopted. Since the prize structure, including prize payout, must be determined at the start of the rule-making process, such a prize payout may not be

feasible at a date many months into the future when the game is scheduled to be sold.

The Lottery has operated quite smoothly under the existing rule-making process and it is perceived that the amendment, if approved, would greatly reduce the effectiveness of the Lottery and would undoubtedly affect the Lottery's ability to continue to successfully raise the amount of revenue anticipated in current budget estimates and also negatively affect the Kansas Lottery's relationship with 2,000 Kansas Lottery retailers.

Sincerely,



Gregory P. Ziemak
Executive Director

HOUSE BILL No. 2547

By Committee on Federal and State Affairs

2-27

Fv SA
3-29-95
Atch #2

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

3-2

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 *censee 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:

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

and in accordance with the rules and regulations
filing act

Such

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.

3-4

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.

. 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

(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

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.

5-3
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

PROPOSED AMENDMENT TO S.B.27

Insert where appropriate:

"The Kansas lottery shall not sell any ticket or share by means of a machine, contrivance or device which is operated by insertion of cash."

F & SA
3-29-95
Atch #4

For SA
3-29-95
Atch #5

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%~~ — not less than 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) of the remainder: (A) 70% shall be credited to the Kansas education building fund provided by K.S.A. 76-6b02 and amendments thereto; (B) 25% shall be distributed equally to all community colleges in the state; and (C) 5% shall be distributed to Washburn University.

Buller

*FLSA
3-29-95
Atch #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 ~~mutuel 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-
42 ~~eration of electronic game of chance machines at a parimutuel licensee~~
43 ~~location.~~

MO

any person qualified to be a lottery retailer

a location within a county where the voters of the county have approved the operation of such machines within the county

such person

such location

29

1 (b) Electronic game of chance machines may be installed, operated,
 2 managed, owned or leased by ~~parimutuel licensees~~ or by a technology lottery retailer
 3 provider under contract with the ~~parimutuel licensee~~ but subject to the lottery retailer
 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~~ lottery retailer pursuant to this section
 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~~ lottery retailer's
 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. lottery retailer's

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~~ lottery retailer's 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.~~ lottery retailer

26 (3) Minimum requirements for a ~~parimutuel licensee~~ lottery retailer to provide qual-
 27 ified oversight, security and supervision of the operation of electronic
 28 game of chance machines at the ~~parimutuel licensee~~ lottery retailer's
 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
6

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.

lottery retailer's

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.

Amend the provisions of section 1 through 7 to conform

HOUSE BILL No. 2547

By Committee on Federal and State Affairs

2-27

9 AN ACT concerning the Kansas lottery; authorizing electronic games of
 10 chance; repealing abolition of the state lottery; amending K.S.A. 74- 74-8704,
 11 8702, 74-8705, 74-8708, 74-8710 and 74-8711 and K.S.A. 1994 Supp.
 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.

~~(f)~~ (g) "Kansas lottery" means the state agency created by this act to
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

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(2) ~~any parimutuel licensee with which the commission has contracted pursuant to section 7/.~~

executive director has contracted for the placement of electronic game of chance machines pursuant to this act

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

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

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

(l) "Parimutuel licensee" means:
(1) A facility owner licensee and manager licensee, as defined by K.S.A. 74-8802 and amendments thereto;

(2) an organization licensee, as defined by K.S.A. 74-8802 and amendments thereto, which has been authorized by the Kansas racing commission to construct or own a racetrack facility; or

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

(m) "Parimutuel licensee location" means a facility located on the real estate of a parimutuel licensee where live horse racing or live greyhound racing is conducted. A parimutuel licensee location may include any of the existing structures located on the real estate where the live horse racing or live greyhound racing is conducted or any structures that may be constructed on such real estate.

pursuant to the Kansas parimutuel racing act

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

, limited liability company, limited liability partnership, limited partnership

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

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

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

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

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

1 of playing electronic ~~games~~ of chance machines at a parimutuel licensee
 2 location. Token also includes the coin, which is not legal tender, paid to
 3 a player of electronic ~~games~~ of chance machines, which can be exchanged
 4 for cash at the parimutuel licensee location where the electronic ~~games~~ of
 5 chance machines are located.

6 (H) (t) "Vendor" means any person who has entered into a major pro-
 7 curement contract with the Kansas lottery.

8 (m) (u) "Returned ticket" means any ticket which was transferred to
 9 a lottery retailer, which was not sold by the lottery retailer and which was
 10 returned to the Kansas lottery for refund by issuance of a credit or oth-
 11 erwise.

12 (n) (v) "Video lottery machine" means any electronic video game ma-
 13 chine that, upon insertion of cash, is available to play or simulate the play
 14 of a video game authorized by the commission, including but not limited
 15 to bingo, poker, blackjack and keno, and which uses a video display and
 16 microprocessors and in which, by chance, the player may receive free
 17 games or credits that can be redeemed for cash.

18 Sec. 2. K.S.A. 74-8705 is hereby amended to read as follows: 74-

19 8705. (a) Major procurement contracts shall be awarded in accordance
 20 with K.S.A. 75-3738 through 75-3744, and amendments thereto, or sub-
 21 section (b), as determined by the director, except that:

22 (1) The contract or contracts for the initial lease of facilities for the
 23 Kansas lottery shall be awarded upon the evaluation and approval of the
 24 director, the secretary of administration and the director of architectural
 25 services;

26 (2) the commission shall designate certain major procurement con-
 27 tracts or portions thereof to be awarded, in accordance with rules and
 28 regulations of the commission, solely to minority business enterprises;
 29 and

30 (3) the contract or contracts pursuant to sections 8 through 11 be-
 31 tween the commission and a parimutuel licensee shall be awarded upon
 32 the evaluation and approval of the director and shall not be subject to the
 33 provisions of K.S.A. 75-3738 through 75-3744, and amendments thereto
 34 or subsection (b) or (c).

35 (b) The director may award any major procurement contract by use
 36 of a procurement negotiating committee. Such committee shall be com-
 37 posed of: (1) The executive director or a Kansas lottery employee desig-
 38 nated by the executive director; (2) the chairperson of the commission or
 39 a commission member designated by the chairperson; and (3) the director
 40 of the division of purchases or an employee of such division designated
 41 by the director. Prior to negotiating a major procurement contract, the
 42 committee shall solicit bids or proposals thereon. The division of pur-
 43 chases shall provide staff support for the committee's solicitations. Upon

game

7-4

1 receipt of bids or proposals, the committee may negotiate with one or
 2 more of the persons submitting such bids or proposals and select from
 3 among such persons the person to whom the contract is awarded. Such
 4 procurements shall be open and competitive and shall consider relevant
 5 factors, including security, competence, experience, timely performance
 6 and maximization of net revenues to the state. If a procurement negoti-
 7 ating committee is utilized, the provisions of K.S.A. 75-3738 through 75-
 8 3744, and amendments thereto, shall not apply. Meetings conducted by
 9 the procurement negotiating committee shall be exempt from the provi-
 10 sions of the Kansas open meeting act, K.S.A. 75-4317 through 75-4320a,
 11 and amendments thereto.

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

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

Insert section 2, attached

37 Sec. 3. K.S.A. 74-8708 is hereby amended to read as follows: 74-
 38 8708. (a) The executive director shall select as lottery retailers such per-
 39 sons as deemed best able to serve the public convenience and promote
 40 the sale of tickets or shares in accordance with marketing plans developed
 41 by the Kansas lottery. In the selection of lottery retailers, the executive
 director shall consider factors such as financial responsibility, security of
 the applicant's place of business or activity, accessibility of the applicant's

Sec. 2. K.S.A. 74-8704 is hereby amended to read as follows:
74-8704. (a) The executive director shall have the power to:

(1) Supervise and administer the operation of the state lottery in accordance with the provisions of this act and such rules and regulations as adopted hereunder.

(2) Appoint, subject to the Kansas civil service act and within the limitations of appropriations therefor, all other employees of the Kansas lottery, which employees shall be in the classified service unless otherwise specifically provided by this act.

(3) Enter into contracts for advertising and promotional services, subject to the provisions of subsection (b); annuities or other methods deemed appropriate for the payment of prizes; data processing and other technical products, equipment and services; and facilities as needed to operate the Kansas lottery, including but not limited to gaming equipment, tickets and other services involved in major procurement contracts, in accordance with K.S.A. 74-8705 and amendments thereto.

(4) Enter into contracts with persons for the sale of lottery tickets or shares to the public and with parimutuel licensees for placement of electronic game of chance machines at parimutuel license locations, as provided by this act and rules and regulations adopted pursuant to this act, which contracts shall not be subject to the provisions of K.S.A. 75-3738 through 75-3744, and amendments thereto.

(5) Require lottery retailers to furnish proof of financial stability or furnish surety in an amount based upon the expected volume of sales of lottery tickets or shares.

(6) Examine, or cause to be examined by any agent or representative designated by the executive director, any books, papers, records or memoranda of any lottery retailer for the purpose of ascertaining compliance with the provisions of this act or rules and regulations adopted hereunder.

(7) Issue subpoenas to compel access to or for the production of any books, papers, records or memoranda in the

custody or control of any lottery retailer, or to compel the appearance of any lottery retailer or employee of any lottery retailer, for the purpose of ascertaining compliance with the provisions of this act or rules and regulations adopted hereunder. Subpoenas issued under the provisions of this subsection may be served upon natural persons and corporations in the manner provided in K.S.A. 60-304 and amendments thereto for the service of process by any officer authorized to serve subpoenas in civil actions or by the executive director or an agent or representative designated by the executive director. In the case of the refusal of any person to comply with any such subpoena, the executive director may make application to the district court of any county where such books, papers, records, memoranda or person is located for an order to comply.

(8) Administer oaths and take depositions to the same extent and subject to the same limitations as would apply if the deposition were in aid of a civil action in the district court.

(9) Require fingerprinting of employees and such other persons who work in sensitive areas within the lottery as deemed appropriate by the director. The director may submit such fingerprints to the Kansas bureau of investigation and to the federal bureau of investigation for the purposes of verifying the identity of such employees and persons and obtaining records of their criminal arrests and convictions.

(b) The Kansas lottery shall not engage in on-site display advertising or promotion of the lottery at any amateur athletic or sporting event including, but not limited to, amateur athletic sporting events at institutions under the jurisdiction and control of the state board of regents.

1 place of business or activity, integrity, reputation, volume of expected
2 sales and such other factors as the executive director may deem appro-
3 priate. The executive director may select the state fair board as a lottery
4 retailer to sell lottery tickets or shares only on the state fairgrounds and
5 only during the time of the annual state fair. Other persons lawfully en-
6 gaged in nongovernmental business on state property may be selected as
7 lottery retailers.

8 (b) The executive director may charge an application fee to persons
9 applying to become lottery retailers.

10 (c) All lottery retailer contracts awarded by the Kansas lottery under
11 this act shall be renewable annually after issuance unless sooner canceled
12 or terminated.

13 (d) No lottery retailer contract awarded under this act shall be trans-
14 ferred or assignable.

15 (e) Each lottery retailer shall be issued a lottery retailer certificate
16 which shall be conspicuously displayed at the place where the lottery
17 retailer is authorized to sell lottery tickets or shares.

18 (f) Lottery tickets or shares shall only be sold by the lottery retailer
19 at the location stated on the lottery retailer certificate.

20 (g) To be selected as a lottery retailer, a natural person acting as a
21 sole proprietor must:

22 (1) Be at least 18 years of age;

23 (2) have sufficient financial resources to support the activities re-
24 quired to sell lottery tickets or shares;

25 (3) be current in payment of all taxes, interest and penalties owed to
26 any taxing subdivision where the lottery retailer will sell lottery tickets or
27 shares;

28 (4) be current in filing all applicable tax returns and in payment of
29 all taxes, interest and penalties owed to the state of Kansas, excluding
30 items under formal appeal pursuant to applicable statutes; and

31 (5) not be engaged exclusively in the sale of lottery tickets and shares.

32 (h) No natural person shall be selected as a lottery retailer who:

33 (1) Has been convicted of a felony in this or any other jurisdiction,
34 unless at least 10 years have passed since satisfactory completion of the
35 sentence or probation imposed by the court for each such felony;

36 (2) has been convicted of an illegal gambling activity in this or any
37 other jurisdiction;

38 (3) has been found to have violated the provisions of this act or any
39 rule and regulation adopted hereunder;

40 (4) is a vendor or an employee or agent of any vendor doing business
41 with the Kansas lottery;

42 (5) resides in the same household of an employee of the Kansas lot-
43 tery or of a member of the commission; or

Application fees shall be in an amount sufficient to pay all costs of processing the application and, for that purpose, the executive director may charge a different fee to parimutuel licensees applying to the executive director for placement of electronic game of chance machines pursuant to this act.

(6) has made a statement of material fact to the Kansas lottery, knowing such statement to be false.

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

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

(k) For an unincorporated association to be selected as a lottery retailer, the association must meet the requirements of subsections (g)(2), (g)(3), (g)(4) and (g)(5) and each officer or director must meet the requirements of subsections (g)(1), (g)(3), (g)(4) and (h)(1) through (h)(6).

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

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

~~[(n) The provisions of this section shall not apply to a parimutuel licensee when acting pursuant to sections 8 through 11.]~~

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

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

..... this act but excluding any other electronic games of chance

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 ~~chine 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:

....., all moneys received pursuant to section 8

(1) The payment of expenses of the lottery, which shall include all costs incurred in the operation and administration of the Kansas lottery; all costs resulting from contracts entered into for the purchase or lease of goods, *equipment* and services needed for operation of the lottery, including but not limited to supplies, materials, tickets, independent studies and surveys, data transmission, *facilities, equipment*, advertising, printing, promotion, incentives, public relations, communications; and distribution of tickets and shares; and reimbursement of costs of facilities and services provided by other state agencies;

(2) the payment of compensation to lottery retailers;

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

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

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

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

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

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

(2) an amount equal to not less than 30% of total monthly revenues ~~_____~~ and from moneys received pursuant to section 8, from the sales of lottery tickets and shares ~~less estimated returned tickets.~~

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

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

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

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

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

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

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

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

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-~~
42 ~~eration of~~ electronic game of chance machines at a parimutuel licensee
43 location.

executive director

operate

7-12

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

Kansas lottery

adopted

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

executive director

(d) The contracts authorized by this section may include the following:

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

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

conducts live racing at the parimutuel license location on not less than ___ days each calendar year

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

(e) No contract authorized by this section shall be executed until such time as a parimutuel licensee has reached and maintains written agreement with the Kansas thoroughbred association, if any, the Kansas quarterhorse racing association, if any, and the Kansas greyhound kennel owners association, if any, as to a distribution of a percentage of net machine income to such associations.

consider requiring certain percentages here

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

Insert next page

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

(f) No electronic game of chance machine shall be operated pursuant to this act unless the executive director first issues a certificate for such machine. Each machine shall have the certificate prominently displayed thereon. Any machine which does not display the certificate required by this section is contraband and a public nuisance subject to confiscation by any law enforcement officer. A violation of this subsection is a severity level 8, nonperson felony.

(g) The Kansas lottery shall examine prototypes of electronic game of chance machines prior to certification pursuant to this section. The Kansas lottery shall require the person seeking the examination and certification of electronic game of chance machines to pay the anticipated actual costs of the examination in advance and, after the completion of the examination, shall refund overpayments or charge and collect amounts sufficient to reimburse the Kansas lottery for underpayments of actual costs. The Kansas lottery may contract for the examination of electronic game of chance machines as required by this subsection, and may rely upon testing done by or for other states regulating electronic game of chance machines, if it deems them to be reliable and in the best interests of Kansas.

(h) Electronic game of chance machines operated pursuant to this act shall:

(1) Pay out an average of not less than 85% and not more than 95% of the amount wagered.

(2) Be linked under a central communications system to provide auditing program information as approved by the commission. The communications systems approved by the commission may not limit participation to only one electronic game of chance machine manufacturer by either the cost of implementing the necessary program modifications to communicate or the inability to communicate with the central communications system. Nothing in this subsection may be construed to require an electronic game of chance a machine to be on-line or in constant communication with a central computer.

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act

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

New Sec. 12. Sections 8 through 11 shall be part of and
 supplemental to the Kansas lottery act.

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.

74-8704,

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