

Approved:
Date 5/13/02

MINUTES OF THE SENATE JUDICIARY COMMITTEE.

The meeting was called to order by Chairperson Senator Vratil at 8:33 a.m. on May 9th, 2002 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Russell Mills, Research
Dennis Hodgins, Research
Gordon Self, Revisor
Mary Blair, Secretary

Conferees appearing before the committee: none

Others attending: see attached sheet

Sub HB 2183—authorizing electronic gaming machines at certain locations

The Chair reviewed an amendment to **Sub HB 2183** which was submitted by Brad Smoot representing the Woodlands. The amendment would expedite the bidding process so that monies would come in earlier and it also changes the distribution of money. ([attachment 1](#))

Senator Umbarger reviewed an amendment to **Sub HB 2183** which clarifies where and when gaming machines may be operated, how the money will be divided, and ensures input by the Thoroughbred and Quarterhorse Association. ([attachment 2](#))

Senator Goodwin reviewed her amendment to **Sub HB 2183** which would delete the “at large” facility provision. ([attachment 3](#))

At the Chair’s request, John Peterson, Kansas Bowling Proprietors Association, explained his amendments to **Sub HB 2183** which cover distribution of monies and the governing of gaming machines. ([attachment 4](#))

Senator Schmidt reviewed his amendment to **Sub HB 2183** which changes the distribution of monies making the bill more beneficial to animal owners. ([attachment 5](#))

The Chair reviewed an amendment to **Sub HB 2183** which was submitted by Greyhound owners regarding the distribution of money from the share of the purse. ([attachment 6](#))

Senator Pugh reviewed his amendment to **Sub HB 2183** which was similar to an amendment in Mr. Peterson’s balloon amendment which sets a specific guideline regarding the ownership of an electronic gaming machine. ([attachment 7](#))

Senator Umbarger reviewed his second amendment to **Sub HB 2183** which changes the percentage of distribution of monies in Crawford County. ([attachment 8](#))

Following discussion regarding certain language in **Sub HB 2183**, the Chair requested Lottery Director, Ed Van Petten, to stand for questions from Committee. Discussion covered oversight issues and the initiation of a centralized electronic gaming system. Tracy Diehl from the Racing and Gaming Commission assured Committee that comprehensive regulatory and audit oversight mechanisms exist.

Senator Umbarger moved to pass out his balloon amendments. Senator Gilstrap requested time to look over all the amendments before making any motions so that informed judgements could be made regarding each amendment. Following the Chair’s agreement to conduct another meeting, Senator Umbarger withdrew his motion.

The Chair noted distributed copies of a handout by May 8th Conferee Montgomery which provides Committee with more detailed information regarding the New York Model. ([attachment 9](#))

The Chair also noted distributed copies of a letter from President of the Senate, Dave Kerr, which was sent to the attorney general’s office for an opinion on whether or not the provisions of **Sub HB 2183** are uniform or non-uniform with respect to home rule. ([attachment 10](#))

The Chair requested Senator Gilstrap work with the revisor on the ethics of **Sub HB 2183**.

The meeting adjourned at 9:25 a.m.

SENATE JUDICIARY COMMITTEE GUEST LIST

DATE: May 9, 2002

NAME	REPRESENTING
Stephanie Buchanan	DOB
Gary Smutz	Horsmen
David Assmann	Horsmen
Orin Buffin	Buffin Co's
W. M. Grove	Woodlands
Don Penney	Unified Govt Wg Co/KCK
Ralph Snyder	Sunflower Club of Ks.
Edwin Wallby	American Legion
Charles von Yunker	THE AMERICAN Legion
Steven Thompson	Stand Up For U.S.
Chris Grenz	Topeka Capital - Journal
Patrick Merley	CRS
LARRY Montgomery	MONTGOMERY VENTURES
Scott Anglemeyer	KPOCH
TRAY Dief	KRGG/SGA
Trista Bendles	Office of the Governor
Cay Yurko	109th District
Aui Hyten	JUDICIAL BRANCH
JOYCE GUERRERO	PBP Gaming Commission

Brad Smart

1 less than the remaining term of the Kansas lottery. Such contract may be
 2 renewed with each extension of the Kansas lottery as provided in K.S.A.
 3 74-8723, and amendments thereto.

4 (k) (1) The Kansas lottery shall examine prototypes of electronic
 5 gaming machines and shall notify the Kansas racing and gaming commis-
 6 sion which such types of electronic gaming machines are in compliance
 7 with the requirements of this act.

8 (2) No electronic gaming machine shall be operated at a parimutuel
 9 licensee location pursuant to this act unless the executive director of the
 10 Kansas racing and gaming commission first issues a certificate for such
 11 machine authorizing its use at a specified parimutuel licensee location.

12 (3) Each electronic gaming machine shall have the certificate prom-
 13 inently displayed thereon. Any machine which does not display the cer-
 14 tificate required by this section is contraband and a public nuisance sub-
 15 ject to confiscation by any law enforcement officer.

16 (4) The executive director shall require any manufacturer, supplier,
 17 provider, lottery gaming machine contractor or other person seeking the
 18 examination and certification of electronic gaming machines to pay the
 19 anticipated actual costs of the examination in advance. After the comple-
 20 tion of the examination, the executive director shall refund any over-
 21 payment or charge and collect amounts sufficient to reimburse the ex-
 22 ecutive director for any underpayment of actual costs. The executive
 23 director may contract for the examination of electronic gaming machines
 24 as required by this subsection, and may rely upon testing done by or for
 25 other states regulating electronic gaming machines, if the executive di-
 26 rector deems such testing to be reliable and in the best interest of the
 27 state of Kansas.

28 (l) Electronic gaming machines operated pursuant to this act shall:
 29 (1) Pay out an average of not less than 87% of the amount wagered
 30 over the life of the machine;

31 (2) be directly linked to a central lottery communications system to
 32 provide auditing and other program information as approved by the Kan-
 33 sas lottery. The executive director shall select the computer system most
 34 suitable for conducting the monitoring and auditing functions required
 35 by this act. ~~The communications systems certified by the Kansas lottery~~
 36 ~~shall not limit participation to only one electronic gaming machine man-~~
 37 ~~ufacturer, distributor, supplier or provider, and~~

38 (3) be on-line and in constant communication with a central com-
 39 puter located at a location determined by the executive director. The
 40 lottery gaming machine contractor shall lease or purchase at its own ex-
 41 pense for the Kansas lottery all gaming equipment necessary to imple-
 42 ment such central communications and auditing functions.

43 (m) No employee, contractor or other person in any way affiliated

Purchase of such computer system shall not
 be subject to the provisions of K.S.A. 74-
 3738 et seq. and amendments thereto;

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1 tion of electronic gaming machines. Moneys in such fund may be ex-
2 pended only pursuant to appropriation and moneys in excess of those
3 appropriated to the Kansas lottery and the Kansas racing and gaming
4 commission may be transferred to the state general fund and expended
5 as provided by appropriation.

6 New Sec. 8. (a) The executive director shall collect and remit to the
7 state treasurer in accordance with K.S.A. 75-4215, and amendments
8 thereto, all net machine income received from lottery gaming machine
9 contractors. Upon receipt of the remittance, the state treasurer shall de-
10 posit the entire amount in the state treasury and credit it to the electronic
11 gaming machine fund, established pursuant to section 7, and amendments
12 thereto. Separate accounts shall be maintained in the electronic gaming
13 machine fund for receipt of moneys from each lottery gaming machine
14 contractor.

15 (b) Not less than once each week, the state treasurer shall transfer
16 the following percentages of the balance remaining, after transfer of mon-
17 eys pursuant to subsection (b), in each account in the electronic gaming
18 machine fund for receipt of moneys from lottery gaming machine con-
19 tractors which are parimutuel licensees:

20 (1) To the lottery gaming machine contractors, 66%**[, except that at**
21 **the parimutuel licensee location located in Crawford county, the**
22 **lottery gaming machine contractor shall receive 65.80%, 0.10% of**
23 **the money credited to the account of the electronic gaming ma-**
24 **chine contractor located in Crawford county shall be deposited to**
25 **the credit of the Frontenac bison maintenance fund created pur-**
26 **suant to section 27, and amendments thereto and 0.10% of the**
27 **money credited to the account of the electronic gaming machine**
28 **contractor located in Crawford county shall be deposited to the**
29 **credit of the U.S. 69 highway maintenance fund created pursuant**
30 **to section 28, and amendments thereto];**

31 (2) to the problem gambling grant fund established pursuant to 0.25%
32 K.S.A. 2001 Supp. 79-4805, and amendments thereto, ~~0.5%~~, except that
33 such transfer shall be to the credit of the state general fund at such time
34 as the balance in such fund is equal to the amount of \$4,000,000, but if
35 the balance in such fund falls below the amount of \$3,000,000, such trans-
36 fers shall resume;

37 (3) to the state general fund, ~~25%~~; 22.75%

38 (4) to the nonprofit organization licensed by the Kansas racing and
39 gaming commission to conduct races at the parimutuel licensee location,
40 1%;

41 (5) ~~to the fund established for restoration and repair of the statehouse~~
42 ~~pursuant to K.S.A. 75-2262, and amendments thereto, 0.5%;~~

43 (6) to the city where the parimutuel location is located, 1%;

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- 1 (7) to the county where the parimutuel location is located, 1%;
- 2 (8) to the live dog racing purse supplement fund, ~~2%~~;
- 3 (9) to the live horse racing purse supplement fund, ~~2%~~; and 3.5%
- 4 (10) to the electronic gaming machine operation and regulatory fund
- 5 established pursuant to subsection (d) of section 7, and amendments
- 6 thereto, 1%.

7 For purposes of this subsection, the unified government of Wyandotte
8 county shall be deemed both a city and a county.

9 (e) After distribution of moneys pursuant to subsection (b), the state
10 treasurer, not less than once each week, shall remit the balance in the
11 account for each lottery gaming machine contractor to such lottery gam-
12 ing machine contractor.

13 New Sec. 9. (a) Except as when authorized in accordance with sub-
14 section (c), it is unlawful for any parimutuel licensee or its employees or
15 agents to allow any person to play electronic gaming machines or share
16 in winnings of a person knowing such person to be:

- 17 (1) Under 21 years of age;
- 18 (2) the executive director, a member of the commission or an em-
19 ployee of the Kansas lottery;
- 20 (3) an officer or employee of a vendor contracting with the Kansas
21 lottery to supply gaming equipment or tickets to the Kansas lottery for
22 use in the operation of any lottery conducted pursuant to this act;
- 23 (4) a spouse, child, stepchild, brother, stepbrother, sister, stepsister,
24 parent or stepparent of a person described by subsection (a)(2) or (3); or
- 25 (5) a person who resides in the same household as any person de-
26 scribed by subsection (a)(2) or (3).

27 (b) Violation of subsection (a) is a class A nonperson misdemeanor
28 upon conviction for a first offense. Violation of subsection (a) is a severity
29 level 9, nonperson felony upon conviction for a second or subsequent
30 offense.

31 (c) The executive director may authorize in writing any employee of
32 the Kansas lottery and any employee of a lottery vendor to play an elec-
33 tronic gaming machine to verify the proper operation thereof with respect
34 to security and contract compliance. Any prize awarded as a result of such
35 ticket purchase shall become the property of the Kansas lottery and be
36 added to the prize pools of subsequent lottery games. No money or mer-
37 chandise shall be awarded to any employee playing an electronic gaming
38 machine pursuant to this subsection.

39 New Sec. 10. No person shall operate an electronic gaming machine
40 while intoxicated. The Kansas racing and gaming commission shall adopt
41 rules and regulations governing identification of persons who are intoxi-
42 cated and procedures for removal of such persons from premises where
43 electronic gaming machines are operated. Such rules and regulations may

1 tion of electronic gaming machines. Moneys in such fund may be ex-
2 pended only pursuant to appropriation and moneys in excess of those
3 appropriated to the Kansas lottery and the Kansas racing and gaming
4 commission may be transferred to the state general fund and expended
5 as provided by appropriation.

6 New Sec. 8. (a) The executive director shall collect and remit to the
7 state treasurer in accordance with K.S.A. 75-4215, and amendments
8 thereto, all net machine income received from lottery gaming machine
9 contractors. Upon receipt of the remittance, the state treasurer shall de-
10 posit the entire amount in the state treasury and credit it to the electronic
11 gaming machine fund, established pursuant to section 7, and amendments
12 thereto. Separate accounts shall be maintained in the electronic gaming
13 machine fund for receipt of moneys from each lottery gaming machine
14 contractor.

15 (b) Not less than once each week, the state treasurer shall transfer
16 the following percentages of the balance remaining ~~after transfer of moneys~~
17 ~~pursuant to subsection (b);~~ in each account in the electronic gaming
18 machine fund for receipt of moneys from lottery gaming machine con-
19 tractors which are parimutuel licensees:

20 (1) To the lottery gaming machine contractors, 66% ~~], except that at~~
21 ~~the parimutuel licensee location located in Crawford county, the~~
22 ~~lottery gaming machine contractor shall receive 65.80%, 0.10% of~~
23 ~~the money credited to the account of the electronic gaming ma-~~
24 ~~chine contractor located in Crawford county shall be deposited to~~
25 ~~the credit of the Frontenac bison maintenance fund created pur-~~
26 ~~suant to section 27, and amendments thereto and 0.10% of the~~
27 ~~money credited to the account of the electronic gaming machine~~
28 ~~contractor located in Crawford county shall be deposited to the~~
29 ~~credit of the U.S. 69 highway maintenance fund created pursuant~~
30 ~~to section 29, and amendments thereto];~~

31 (2) to the problem gambling grant fund established pursuant to
32 K.S.A. 2001 Supp. 79-4805, and amendments thereto, 0.5%, except that
33 such transfer shall be to the credit of the state general fund at such time
34 as the balance in such fund is equal to the amount of \$4,000,000, but if
35 the balance in such fund falls below the amount of \$3,000,000, such trans-
36 fers shall resume;

37 (3) to the state general fund, 25%;

38 (4) to the nonprofit organization licensed by the Kansas racing and
39 gaming commission to conduct races at the parimutuel licensee location,
40 1%;

41 (5) to the fund established for restoration and repair of the statehouse
42 pursuant to K.S.A. 75-2262, and amendments thereto, 0.5%;

43 (6) to the city where the parimutuel location is located, 1%;

1 racetrack facility in Sedgwick county. All purse supplements paid pursu-
2 ant to this section shall be in addition to purses and supplements paid
3 under K.S.A. 74-8801 et seq., and amendments thereto.

4 (b) Except as provided in subsection (e), no electronic gaming ma-
5 chine shall be operated pursuant to this act at a parimutuel licensee lo-
6 cation unless the facility where the electronic gaming machine is operated
7 displays live and simulcast parimutuel races on video terminals and has
8 installed parimutuel windows for wagering on parimutuel races.

9 (c) Except as provided in subsection (d):

10 (1) No electronic gaming machine shall be operated pursuant to this
11 act at a parimutuel licensee location in Sedgwick county unless, during
12 the first full calendar year and each year thereafter in which electronic
13 gaming machines are operated at such location, the parimutuel licensee
14 shall conduct at such location at least 8 live racing programs each calendar
15 week for 49 weeks, with at least 13 live races conducted each program.

16 (2) No electronic gaming machine shall be operated pursuant to this
17 act at a parimutuel licensee location in Wyandotte county unless, during
18 the first full calendar year and each year thereafter in which electronic
19 gaming machines are operated at such location, the parimutuel licensee
20 shall conduct live horse racing programs for at least 60 days, with at least
21 ten live races conducted each program; with a minimum of seven live
22 thoroughbred and three live quarterhorse races per day and at least eight
23 live dog racing programs each calendar week for at least 49 weeks, with
24 at least 13 live races conducted each program.

25 (3) No electronic gaming machine shall be operated pursuant to this
26 act at a parimutuel licensee location in Crawford county unless, during
27 the first full calendar year and each year thereafter in which electronic
28 gaming machines are operated at such location, the parimutuel licensee
29 shall conduct at such location live racing the number of days agreed upon
30 by the organization licensee and the parimutuel licensee but not less than
31 150 days, comprised of at least seven live racing programs each calendar
32 week, with at least 13 live races conducted each program.

33 (d) The Kansas racing and gaming commission may provide excep-
34 tions to the requirements of subsection (c) for a parimutuel licensee con-
35 ducting live racing when events beyond the control of the licensee may
36 render racing impossible or impractical. Such events shall include any
37 natural or man-made disaster, shortage of qualified racing animals due to
38 kennel sickness or otherwise or state imposed limitations on operations.

39 (e) The Kansas racing and gaming commission may authorize the
40 operation of electronic gaming machines at the racetrack facility at Eu-
41 reka Downs and the racetrack facility at Anthony Downs on days when
42 simulcast parimutuel races are displayed at such facility without requiring
43 live horse racing or live greyhound racing at such facility. The Kansas

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1 racetrack facility in Sedgwick county. All purse supplements paid pursuant
2 to this section shall be in addition to purses and supplements paid
3 under K.S.A. 74-8801 et seq., and amendments thereto.

4 (b) ~~Except as provided in subsection (c), no~~ electronic gaming machine shall be operated pursuant to this act at a parimutuel licensee location unless the facility where the electronic gaming machine is operated displays live and simulcast parimutuel races on video terminals and has installed parimutuel windows for wagering on parimutuel races

No

9 (c) Except as provided in subsection (d):

10 (1) No electronic gaming machine shall be operated pursuant to this act at a parimutuel licensee location in Sedgwick county unless, during the first full calendar year and each year thereafter in which electronic gaming machines are operated at such location, the parimutuel licensee shall conduct at such location at least 8 live racing programs each calendar week for 49 weeks, with at least 13 live races conducted each program.

16 (2) No electronic gaming machine shall be operated pursuant to this act at a parimutuel licensee location in Wyandotte county unless, during the first full calendar year and each year thereafter in which electronic gaming machines are operated at such location, the parimutuel licensee shall conduct live horse racing programs for at least 60 days, with at least ten live races conducted each program; with a minimum of seven live thoroughbred and three live quarterhorse races per day and at least eight live dog racing programs each calendar week for at least 49 weeks, with at least 13 live races conducted each program.

25 (3) No electronic gaming machine shall be operated pursuant to this act at a parimutuel licensee location in Crawford county unless, during the first full calendar year and each year thereafter in which electronic gaming machines are operated at such location, the parimutuel licensee shall conduct at such location live racing the number of days agreed upon by the organization licensee and the parimutuel licensee but not less than 150 days, comprised of at least seven live racing programs each calendar week, with at least 13 live races conducted each program.

33 (d) The Kansas racing and gaming commission may provide exceptions to the requirements of subsection (c) for a parimutuel licensee conducting live racing when events beyond the control of the licensee may render racing impossible or impractical. Such events shall include any natural or man-made disaster, shortage of qualified racing animals due to kennel sickness or otherwise or state imposed limitations on operations.

39 (e) The Kansas racing and gaming commission may authorize the operation of electronic gaming machines at the racetrack facility at Eureka Downs and the racetrack facility at Anthony Downs on days when simulcast parimutuel races are displayed at such facility without requiring live horse racing or live greyhound racing at such facility. The Kansas

, except that nothing in this subsection shall be construed as precluding the operation of any such electronic gaming machine at times when live races are not being conducted at the parimutuel licensee location or simulcast parimutuel races are not being conducted for display pursuant to the parimutuel licensee's approved simulcasting schedule

cing and gaming commission shall not authorize the operation of such machines at such racetrack facility unless the qualified voters of the county where such racetrack facility is located have voted pursuant to section 5, and amendments thereto, to permit operation of such machines within the county.

New Sec. 7. Expenditures from all funds created pursuant to this section shall be made in accordance with appropriations acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the chair of the Kansas racing and gaming commission or the chair's designee.

(a) There is hereby established in the state treasury the live horse racing purse supplement fund. Moneys available in such fund shall be paid to parimutuel licensees for distribution as purse supplements in accordance with rules and regulations of the Kansas racing and gaming commission. Such moneys shall be distributed from the separate horse purse supplement accounts maintained pursuant to this section, in accordance with rules and regulations of the Kansas racing and gaming commission, provided that not less than \$1,600,000 shall be guaranteed annually by parimutuel licensees to be charged against the accounts of such licensees on a pro rata basis. Such rules and regulations shall provide that an amount not to exceed 20% of the total amount credited to such fund shall be transferred to the credit of the horse breeding development fund created pursuant to K.S.A. 74-8829, and amendments thereto.

(b) There is hereby established in the state treasury the live dog racing purse supplement fund. Moneys available in such fund shall be paid to parimutuel licensees for distribution as purse supplements in accordance with rules and regulations of the Kansas racing and gaming commission. Such rules and regulations shall provide that, in addition to purse supplements paid to winners of live dog races at each parimutuel licensee location, the lottery gaming machine operator at the parimutuel licensee location shall pay to the owner of each winner that is a Kansas-whelped greyhound an additional amount equal to \$60 per point for each point awarded to the winner. In addition, such rules and regulations shall provide that an amount not to exceed 20% of the total amount credited to such fund shall be transferred to the credit of the greyhound breeding development fund, created pursuant to section 74-8831, and amendments thereto.

(c) There is hereby established in the state treasury the electronic gaming machine fund.

(d) There is hereby established in the state treasury the electronic gaming machine operation and regulatory fund. Moneys in such fund shall be used to pay for the expenses of the Kansas lottery and the Kansas racing and gaming commission attributable to the operation and regula-

Moneys deposited into such fund shall be distributed to separate accounts for quarter horse and thoroughbred horses in amounts calculated on an average of the next preceding three years of live horse starters in Kansas races.

Any remaining moneys in said fund shall be expended upon recommendations of the respective thoroughbred and quarter horse horsemen's associations with the approval of the Kansas Racing and Gaming Commission.

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1 (f) The Kansas racing and gaming commission may provide by rules
2 and regulations for the temporary suspension of an electronic gaming
3 machine equipment or services license. Such suspension shall be for a
4 period not exceeding 30 days. Upon expiration of such suspension, the
5 license shall be restored unless the license has been suspended or revoked
6 as a result of proceedings conducted pursuant to subsection (e).

7 New Sec. 20. No taxes, fees, charges, transfers or distributions, other
8 than those provided for in this act, shall be made or levied from or against
9 the net machine income of the Kansas lottery by any city, county or other
10 municipality.

11 New Sec. 21. All sales of electronic gaming machine games shall be
12 exempt from sales taxes imposed pursuant to K.S.A. 12-187 *et seq.*, and
13 79-3601 *et seq.*, and amendments thereto.

14 New Sec. 22. Each lottery gaming machine contractor shall hold the
15 executive director of the Kansas lottery, the Kansas lottery commission,
16 the executive director of the Kansas racing and gaming commission, the
17 Kansas racing and gaming commission and the state harmless from and
18 defend and pay for the defense of any and all claims which may be as-
19 serted against the executive director, the commission, the executive di-
20 rector of the Kansas racing and gaming commission, the Kansas racing
21 and gaming commission and the state, or the agents or employees thereof,
22 arising from the operation of electronic gaming machines located at the
23 parimutuel licensee location of such lottery gaming machine contractor.
24 The provisions of this section shall not apply to any claims arising from
25 the negligence or willful misconduct of the executive director, the com-
26 mission, the executive director of the Kansas racing and gaming commis-
27 sion, the Kansas racing and gaming commission and the state, or the
28 agents or employees thereof.

~~29 [New Sec. 23. (a) Subject to the provisions of subsection (b),
30 the executive director, with the approval of the governor, may con-
31 tract with a person to operate electronic gaming machines at a
32 single specified location in the state where the executive director
33 determines the operation of such machine would promote tourism
34 and economic development. Such person shall be required to meet
35 all qualifications of a lottery gaming machine contractor which is
36 a parimutuel licensee under this act, other than those qualifica-
37 tions specifically related to operating a parimutuel facility. All pro-
38 visions of this act applicable to the operation of electronic gaming
39 machines by lottery gaming machine contractors which are pari-
40 mutuel licensees shall apply to the operation of such machines.
Such specified location shall not be within a 75 mile radius of a
parimutuel licensee location.~~

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43 [(b) If more than one person wishes to contract to become a

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1 lottery machine operator pursuant to this section, the executive
2 director, in determining which such person to contract with, shall
3 take into consideration the following factors: The size of the pro-
4 posed facility, the estimated number of tourists that would be at-
5 tracted by the proposed facility, the number of electronic gaming
6 machines planned to be operated at the proposed facility, the
7 amount of the contract privilege fee proposed to be paid by the
8 operator, the amount of the management fee proposed to be paid
9 to the operator and amounts proposed to be paid by the operator
10 to the city and county where the facility will be located.

11 [(c) Not less than once each week, the state treasurer shall
12 transfer the following percentages of the balance remaining after
13 transfer of moneys pursuant to subsection (b) of section 8, in the
14 account in the electronic gaming machine fund for receipt of mon-
15 eys from the lottery gaming machine contractor which is author-
16 ized pursuant to this section:

17 [(1) To the lottery gaming machine contractor, 60% less any
18 amount paid to a city and county pursuant to paragraph 5;

19 [(2) to the electronic gaming machine operation and regulation
20 fund, 1%;

21 [(3) to the problem gambling grant fund established pursuant
22 to K.S.A. 2001 Supp. 79-4805, and amendments thereto, 0.5%, ex-
23 cept that such transfer shall be to the credit of the state general
24 fund at such time as the balance in such fund is equal to the amount
25 of \$4,000,000, but if the balance in such fund falls below the
26 amount of \$3,000,000, such transfers shall resume;

27 [(4) to the state tourism fund, 2%;

28 [(5) to the state general fund, 36.5%; and

29 [(6) to the city and county in which the electronic gaming ma-
30 chine operator is located, such amount as may be specified by
31 contract.

32 [(d) Electronic gaming machines shall be operated pursuant to
33 this section only if the qualified voters of the county have voted by
34 a majority to permit operation of electronic gaming machines
35 within the county as follows:

36 [The board of county commissions of the county may submit by
37 resolution to the qualified voters of the county a proposition to
38 permit the operation of electronic gaming machines within the
39 county. The proposition shall be submitted to the voters at a coun-
40 tywide special election called by the board of county commission-
41 ers for that purpose and held not less than 90 days after the res-
42 olution is adopted. Upon the adoption of the resolution, the county
43 election officer shall cause the following proposition to be placed

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1 on the ballot at the election called for that purpose: "Shall the
2 operation of electronic gaming machines by the Kansas lottery be
3 permitted in _____ county?" If a majority of the votes
4 cast and counted at such election are in favor of permitting the
5 operation of such machines within the county, the Kansas lottery
6 may enter a contract pursuant to subsection (a) for operation of
7 such machines in the county. If less than a majority of the votes
8 cast and counted at an election under this section are against per-
9 mitting the operation of electronic gaming machines within the
10 county, the Kansas lottery shall not contract pursuant to subsection
11 (a) for the operation of such machines within the county. The
12 county election officer shall transmit a copy of the certification of
13 the results of the election to the executive director and to the Kan-
14 sas racing and gaming commission.

15 [(e) The election provided for by this section shall be con-
16 ducted, and the votes counted and canvassed, in the manner pro-
17 vided by law for question submitted elections of the county.

18 [(f) If in any election provided for by this section a majority of
19 the votes cast and counted is against permitting the operation of
20 electronic gaming machines in the county, another election sub-
21 mitting the issue of the operation of electronic gaming machines
22 in the county shall not be held for at least four years from the date
23 of such election.]

24 New Sec. 23- [24.] If a disagreement arises between the executive
25 director and the Kansas racing and gaming commission with regard to
26 their respective duties or responsibilities in carrying out the purposes of
27 the Kansas gaming act, such disagreement shall be resolved by the gov-
28 ernor in a manner not inconsistent with the provisions of this act.

29 New Sec. 24- [25.] As a condition precedent to contracting for the
30 privilege of being a lottery gaming machine contractor, parimutuel li-
31 censees shall file with the secretary of state of this state written consent,
32 irrevocable, that any action or garnishment proceeding may be com-
33 menced against such licensees in the proper court of any county in this
34 state in which the case of action shall arise or in which the plaintiff may
35 reside by the service of process on a resident agent, and stipulating and
36 agreeing that such service shall be taken and held in all courts to be as
37 valid and binding as if due service had been made upon the licensee. The
38 written consent shall state that the courts of this state have jurisdiction
39 over the person of such licensee and are the proper and convenient forum
40 for such action and shall waive the right to request a change of jurisdiction
41 or venue to a court outside that state and that all actions arising under
42 this act and commenced by the licensee shall be brought in this state's
43 court as the proper and convenient forum. Such consent shall be executed

John C. Peterson
2/19/15

[As Amended by House Committee of the Whole]

Session of 2002

Proposed amendments
John C. Peterson
Kansas Bowling Proprietors Association

Substitute for HOUSE BILL No. 2183

By Committee on Tourism

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10 AN ACT concerning lotteries; authorizing electronic gaming machines
11 at certain locations; amending K.S.A. 2001 Supp. 19-101a, 74-8702,
12 74-8710, 74-8711 and 79-4805 and repealing the existing sections.

13
14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. K.S.A. 2001 Supp. 74-8702 is hereby amended to read as
16 follows: 74-8702. As used in the Kansas lottery act, unless the context
17 otherwise requires:

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

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

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

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

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

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

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

37 (g) "Major procurement" means any gaming product or service, in-
38 cluding but not limited to facilities, advertising and promotional services,
39 annuity contracts, prize payment agreements, consulting services, equip-
40 ment, tickets and other products and services unique to the Kansas lot-
41 tery, but not including materials, supplies, equipment and services com-
42 mon to the ordinary operations of state agencies.

43 (h) "Person" means any natural person, association, *limited liability*

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1 *company*, corporation or partnership.

2 (i) "Prize" means any prize paid directly by the Kansas lottery pur-
3 suant to its rules and regulations.

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

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

8 (l) "Vendor" means any person who has entered into a major pro-
9 curement contract with the Kansas lottery.

10 (m) "Returned ticket" means any ticket which was transferred to a
11 lottery retailer, which was not sold by the lottery retailer and which was
12 returned to the Kansas lottery for refund by issuance of a credit or
13 otherwise.

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

20 (o) (1) "Lottery machine" means any machine or device that allows
21 a player to insert cash or other form of consideration and may deliver as
22 the result of an element of chance, regardless of the skill required by the
23 player, a prize or evidence of a prize, including, but not limited to:

24 (A) Any machine or device in which the prize or evidence of a prize
25 is determined by both chance and the player's or players' skill, including,
26 but not limited to, any machine or device on which a lottery game or
27 lottery games, such as poker or blackjack, are played;

28 (B) any machine or device in which the prize or evidence of a prize
29 is determined only by chance, including, but not limited to, any slot ma-
30 chine or bingo machine; or

31 (C) any lottery ticket vending machine, such as a keno ticket vending
32 machine, pull-tab vending machine or an instant-bingo vending machine.

33 (2) "Lottery machine" shall not mean:

34 (A) Any food vending machine defined by K.S.A. 36-501, and amend-
35 ments thereto;

36 (B) any nonprescription drug machine authorized under K.S.A. 65-
37 650, and amendments thereto;

38 (C) any machine which dispenses only bottled or canned soft drinks,
chewing gum, nuts or candies; or

39 (D) *any electronic gaming machine operated in accordance with the*
40 *provisions of the Kansas gaming act; or*

41 (E) any machine excluded from the definition of gambling devices
42 under subsection (d) of K.S.A. 21-4302, and amendments thereto.
43

1 (p) "Electronic gaming machine" means any electronic, electrome-
2 chanical, video or computerized device, contrivance or machine author-
3 ized by the Kansas lottery which, upon insertion of cash, tokens, electronic
4 cards or any consideration, is available to play, operate or simulate the
5 play of a game authorized by the Kansas lottery at a parimutuel licensee
6 location, including, but not limited to, bingo, poker, blackjack, keno and
7 slot machines, and which may deliver or entitle the player operating the
8 machine to receive cash, tokens, merchandise or credits that may be re-
9 deemed for cash. Electronic gaming machines may use bill validators and
10 may be single-position reel-type, single or multi-game video and single-
11 position multi-game video electronic game, including but not limited to,
12 poker, blackjack and slot machines. Electronic gaming machines shall be
13 directly linked to a central computer at a location determined by the
14 executive director for purposes of security, monitoring and auditing.

15 (q) "Facility owner licensee," "facility manager licensee" and "organ-
16 ization licensee" have the meanings provided by K.S.A. 74-8802, and
17 amendments thereto.

18 (r) "Key gaming employee" means any natural person 21 years of age
19 or older employed by or under contract with a lottery gaming machine
20 contractor or employed by or under contract with a person providing on
21 or off-site management or employee-related services to the lottery gaming
22 machine contractor, including, but not limited to: (1) Gaming machine
23 contractor manager and assistant manager; (2) facilities operator man-
24 ager; (3) electronic games manager; (4) accounting department personnel;
25 (5) count room employees; (6) cage department employees, including cash-
26 iers and main bank employees; (7) vault department employees; (8) ap-
27 provers of credit; (9) surveillance department employees; (10) security
28 department employees; (11) floor managers; (12) electronic gaming ma-
29 chine technicians; (13) custodians of electronic gambling machines, in-
30 cluding persons with access to cash and accounting records within such
31 machines; (14) collection personnel; (15) internal auditors of the lottery
32 gaming machine contractor; and (16) any employee whose total cash com-
33 pensation is in excess of \$50,000 per year.

34 (s) "Lottery gaming machine contractor" means any parimutuel li-
35 censee with which the executive director has contracted for the placement
36 of an electronic gaming machine pursuant to this act.

37 (t) "Net machine income" means the total of all cash and the face
38 value of all tokens or electronic cards placed in an electronic gaming
machine, less cash, merchandise or credits that may be redeemed for cash
paid to players as winnings.

41 (u) "Parimutuel licensee" means a facility owner licensee or a facility
42 manager licensee.

43 (v) "Parimutuel licensee location" means: (1) A racetrack facility, as

1 defined by K.S.A. 74-8802, and amendments thereto, where live horse
2 racing or live greyhound racing has been authorized or for which an
3 application for authorization to conduct live horse racing or live grey-
4 hound racing pursuant to the Kansas parimutuel racing act is pending
5 prior to February 1, 2000; (2) ~~[a facility located on real estate where such~~
6 ~~racetrack facility is located, or (3)]~~ a racetrack facility located at, on or
7 immediately adjacent to the real estate of Eureka Downs or Anthony
8 Downs. A parimutuel licensee location may include any existing structure
9 at a racetrack facility described in this subsection or any structure that
10 may be constructed on real estate where such racetrack facility is located.

11 (w) "Progressive electronic game" means a game played on an elec-
12 tronic gaming machine for which the payoff increases uniformly as the
13 game is played and for which the jackpot, determined by application of
14 a formula to the income of independent, local or interlinked electronic
15 gaming machines, may be won.

16 (x) "Technology provider" means any person or entity other than a
17 lottery gaming machine contractor that designs, manufactures, installs,
18 operates, distributes, supplies or replaces an electronic gaming machine
19 for sale, lease or use in accordance with this act.

20 (y) "Token" means a metal or other representative of value, which is
21 not legal tender, redeemable for cash only by the issuing lottery gaming
22 machine contractor at its parimutuel licensee location and issued and sold
23 by a lottery gaming machine contractor for the sole purpose of playing
24 an electronic gaming machine.

25 New Sec. 2. (a) Sections 2 through 24 [25], and amendments
26 thereto, shall be known as the Kansas gaming act and shall be part of and
27 supplemental to the Kansas lottery act.

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

32 New Sec. 3. (a) The executive director may contract with parimutuel
33 licensees for the operation and management, by the state of Kansas, of
34 electronic gaming machines at parimutuel licensee locations in counties
35 where a proposition submitted pursuant to section 5, and amendments
36 thereto, has been approved by the voters of such county. Such contracts
37 shall be subject to the provisions of this act and rules and regulations
38 adopted under this act but shall not be subject to the provisions of K.S.A.
39 75-3738 through 75-3744, and amendments thereto.

40 (b) The executive director shall select as lottery gaming machine con-
41 tractors such parimutuel licensees as the executive director deems best
42 able to serve the public convenience and promote marketing plans de-
43 veloped by the Kansas lottery. In the selection of lottery gaming machine

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1 licensee for all expenses related to leasing, installing, operating and man-
2 aging such machines. Electronic gaming machines purchased or leased
3 by the lottery gaming machine contractor, at its own expense, may be
4 installed, operated or managed, owned or leased by a lottery gaming ma-
5 chine contractor or by a technology provider under contract with the
6 lottery gaming machine contractor as provided by this act. All electronic
7 gaming machines under this act shall be subject to the ultimate control
8 of the Kansas lottery in accordance with this act. Each specific type of
9 electronic gaming machine shall be approved by the Kansas lottery in
10 accordance with K.S.A. 74-8710, and amendments thereto. The use of
11 progressive electronic gaming machines is expressly permitted.

Each contract shall require a \$2.00 admission fee which shall go 1/2 to the state general fund and 1/2 to the largest city in the county where the facility is located.

12 (h) Each contract between the Kansas lottery and a lottery gaming
13 machine contractor shall provide that the Kansas lottery shall receive all
14 of the net machine income derived from the operation of electronic gam-
15 ing machines at the parimutuel licensee location.

16 (i) Contracts authorized by this section may include provisions relat-
17 ing to:

, that the facility shall not operate more than 750 machines, and that any facility in a county adjacent to a county in another state in which gaming facilities are operated, shall be subject to the same loss limits as required in those other operations

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

20 (2) The location and operation of electronic gaming machines at the
21 parimutuel licensee location. ~~Except as provided by this act, the days and~~
22 ~~hours of operation and the number of such electronic gaming machines~~
23 ~~shall not be restricted.~~

24 (3) Minimum requirements for an electronic gaming machine con-
25 tractor to provide qualified oversight, security and supervision of the op-
26 eration of electronic gaming machines at the parimutuel licensee location,
27 including the use of qualified personnel with experience in applicable
28 technology.

29 (4) The eligibility requirements for employees of a lottery gaming
30 machine contractor who will have responsibility for the handling of cash
31 or tokens. Such requirements may include a background investigation
32 performed by the Kansas racing and gaming commission and that any key
33 gaming employee shall be licensed as provided in section 17, and amend-
34 ments thereto.

35 (5) Provision for termination of the contract by either party for cause,
36 including but not limited to, failure of the lottery gaming machine con-
37 tractor to maintain a parimutuel license in accordance with K.S.A. 74-
38 8801 *et seq.*, and amendments thereto, failure of the lottery gaming ma-
39 chine contractor to collect and remit net machine income pursuant to
40 section 8, and amendments thereto.

41 (6) Any other provision deemed necessary by the parties pursuant to
42 this section.

43 (j) The initial term of a contract pursuant to this section shall be not

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1 with an electronic gaming machine contractor shall loan money to or
2 otherwise extend credit to patrons of a parimutuel licensee location.

3 New Sec. 4. In addition to the powers granted pursuant to K.S.A.
4 74-8704 and section 3, and amendments thereto, the executive director
5 shall have the power to:

6 (a) Enter into contracts with parimutuel licensees for placement and
7 replacement of electronic gaming machines at parimutuel licensee loca-
8 tions. Such contracts shall be subject to rules and regulations adopted
9 pursuant to this act but shall not be subject to the provisions of K.S.A.
10 75-3738 through 75-3744, and amendments thereto.

11 (b) Examine or cause to be examined by any agent or representative
12 designated by the executive director any books, papers, records or mem-
13 oranda of any lottery gaming machine contractor for the purpose of as-
14 certaining compliance with the provisions of the Kansas lottery act or rules
15 and regulations adopted thereunder.

16 (c) Issue subpoenas to compel access to or for the production of any
17 books, papers, records or memoranda in the custody or control of any
18 lottery gaming machine contractor, or to compel the appearance of any
19 lottery gaming machine contractor for the purpose of ascertaining com-
20 pliance with the provisions of this act or rules and regulations adopted
21 hereunder. Subpoenas issued under the provisions of this subsection may
22 be served upon natural persons and corporations in the manner provided
23 in K.S.A. 60-304, and amendments thereto, for the service of process by
24 any officer authorized to serve subpoenas in civil actions or by the exec-
25 utive director or an agent or representative designated by the executive
26 director. In the case of the refusal of any person to comply with any such
27 subpoena, the executive director may make application to the district
28 court of any county where such books, papers, records, memoranda or
29 person is located for an order to comply.

30 (d) Inspect and view the operation of all machines, systems or facil-
31 ities where electronic gaming machines controlled and operated by the
32 Kansas lottery are located.

33 (e) Inspect and approve, prior to publication or distribution, all ad-
34 vertising by a lottery gaming machine contractor which includes any ref-
35 erence to the Kansas lottery.

36 New Sec. 5. (a) Electronic gaming machines shall be operated pur-
37 suant to this act only in counties where, in accordance with this section,
38 the qualified voters of the county have voted to permit operation of elec-
39 tronic gaming machines at parimutuel licensee locations within the
0 county.

+1 (b) The board of county commissioners of any county where there is
42 a parimutuel licensee location may submit by resolution, and shall submit
43 upon presentation of a petition filed in accordance with subsection (c),

(a) The executive director may also contract with other lottery licensees for the operation and management of electronic gaming machines. All such machines and the software associated therewith shall be actually owned, operated and paid for by the Kansas lottery.

(b) All games operated by such machines shall be operated on a statewide basis.

(c) Such machines shall not be capable of directly paying out in coins or currence.

(d) Of the net proceeds, after payment of prizes, 60% shall be retained by the State general fund and the balance paid to the facility licensed under this section.

and the remaining sections renumbered accordingly.

counties in which there is located a parimutuel licensee on the effective date of this act shall hold an election on August 6, 2002. Thereafter, if the election fails, subject to sub (g), the

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1 tion of electronic gaming machines. Moneys in such fund may be ex-
2 pended only pursuant to appropriation and moneys in excess of those
3 appropriated to the Kansas lottery and the Kansas racing and gaming
4 commission may be transferred to the state general fund and expended
5 as provided by appropriation.

6 New Sec. 8. (a) The executive director shall collect and remit to the
7 state treasurer in accordance with K.S.A. 75-4215, and amendments
8 thereto, all net machine income received from lottery gaming machine
9 contractors. Upon receipt of the remittance, the state treasurer shall de-
10 posit the entire amount in the state treasury and credit it to the electronic
11 gaming machine fund, established pursuant to section 7, and amendments
12 thereto. Separate accounts shall be maintained in the electronic gaming
13 machine fund for receipt of moneys from each lottery gaming machine
14 contractor.

15 (b) Not less than once each week, the state treasurer shall transfer
16 the following percentages of the balance remaining, after transfer of mon-
17 eys pursuant to subsection (b), in each account in the electronic gaming
18 machine fund for receipt of moneys from lottery gaming machine con-
19 tractors which are parimutuel licensees:

20 (1) To the lottery gaming machine contractors ~~66%~~, except that at 60%
21 the parimutuel licensee location located in Crawford county, the
22 lottery gaming machine contractor shall receive ~~65.80%~~ 0.10% of 59.8%
23 the money credited to the account of the electronic gaming ma-
24 chine contractor located in Crawford county shall be deposited to
25 the credit of the Frontenac bison maintenance fund created pur-
26 suant to section 27, and amendments thereto and 0.10% of the
27 money credited to the account of the electronic gaming machine
28 contractor located in Crawford county shall be deposited to the
29 credit of the U.S. 69 highway maintenance fund created pursuant
30 to section 28, and amendments thereto];

31 (2) to the problem gambling grant fund established pursuant to
32 K.S.A. 2001 Supp. 79-4805, and amendments thereto, 0.5%, except that
33 such transfer shall be to the credit of the state general fund at such time
34 as the balance in such fund is equal to the amount of \$4,000,000, but if
35 the balance in such fund falls below the amount of \$3,000,000, such trans-
36 fers shall resume;

37 (3) to the state general fund ~~25%~~ 34%

38 (4) ~~to the nonprofit organization licensed by the Kansas racing and~~
39 ~~gaming commission to conduct races at the parimutuel licensee location;~~

40 (5) to the fund established for restoration and repair of the statehouse
41 pursuant to K.S.A. 75-2262; and amendments thereto, 0.5%;

42 (6) ~~to the city where the parimutuel location is located, 1%;~~

- 1 (7) ~~to the county where the parimutuel location is located, 1%;~~
2 (8) to the live dog racing purse supplement fund, 2%;
3 (9) to the live horse racing purse supplement fund, 2%; and
4 (10) to the electronic gaming machine operation and regulatory fund
5 established pursuant to subsection (d) of section 7, and amendments
6 thereto, 1%.

7 For purposes of this subsection, the unified government of Wyandotte
8 county shall be deemed both a city and a county.

9 (e) After distribution of moneys pursuant to subsection (b), the state
10 treasurer, not less than once each week, shall remit the balance in the
11 account for each lottery gaming machine contractor to such lottery gam-
12 ing machine contractor.

13 New Sec. 9. (a) Except as when authorized in accordance with sub-
14 section (c), it is unlawful for any parimutuel licensee or its employees or
15 agents to allow any person to play electronic gaming machines or share
16 in winnings of a person knowing such person to be:

- 17 (1) Under 21 years of age;
18 (2) the executive director, a member of the commission or an em-
19 ployee of the Kansas lottery;
20 (3) an officer or employee of a vendor contracting with the Kansas
21 lottery to supply gaming equipment or tickets to the Kansas lottery for
22 use in the operation of any lottery conducted pursuant to this act;
23 (4) a spouse, child, stepchild, brother, stepbrother, sister, stepsister,
24 parent or stepparent of a person described by subsection (a)(2) or (3); or
25 (5) a person who resides in the same household as any person de-
26 scribed by subsection (a)(2) or (3).

27 (b) Violation of subsection (a) is a class A nonperson misdemeanor
28 upon conviction for a first offense. Violation of subsection (a) is a severity
29 level 9, nonperson felony upon conviction for a second or subsequent
30 offense.

31 (c) The executive director may authorize in writing any employee of
32 the Kansas lottery and any employee of a lottery vendor to play an elec-
33 tronic gaming machine to verify the proper operation thereof with respect
34 to security and contract compliance. Any prize awarded as a result of such
35 ticket purchase shall become the property of the Kansas lottery and be
36 added to the prize pools of subsequent lottery games. No money or mer-
37 chandise shall be awarded to any employee playing an electronic gaming
38 machine pursuant to this subsection.

39 New Sec. 10. No person shall operate an electronic gaming machine
40 while intoxicated. The Kansas racing and gaming commission shall adopt
41 rules and regulations governing identification of persons who are intoxi-
42 cated and procedures for removal of such persons from premises where
43 electronic gaming machines are operated. Such rules and regulations may

1 by the Kansas racing and gaming commission, any additional amounts
2 necessary to pay such expenses. No license shall be issued to an applicant
3 until the applicant has paid such additional amounts in full, and such
4 amounts shall not be refundable except to the extent that they exceed the
5 actual expenses of processing the application and investigating the appli-
6 cant's qualifications for licensure.

7 (c) The Kansas racing and gaming commission shall require appli-
8 cants as a condition of licensure to consent to allow agents of the Kansas
9 bureau of investigation, security personnel of the Kansas lottery or the
10 Kansas racing and gaming commission to search without warrant the li-
11 censee's premises and personal property and the persons of its owners,
12 officers and employees while engaged in the licensee's business within
13 the premises of the racetrack facility or adjacent facilities under the con-
14 trol of the organization licensee, for the purpose of investigating criminal
15 violations of this act or violations of rules and regulations of the Kansas
16 racing and gaming commission.

17 (d) The Kansas racing and gaming commission ~~may~~ refuse to issue
18 an electronic gaming machine equipment or services license to any busi-
19 ness if any person having an interest ownership in such business, any
20 person who is an officer of such business or any person employed by such
21 business ~~within the racetrack facility:~~

22 (1) Has been convicted of a felony in a court of any state or of the
23 United States; has been adjudicated in the last 10 years, in any such court
24 of committing as a juvenile an act which, if committed by an adult, would
25 constitute a felony or has been convicted of a crime in any other state or
26 country which would constitute a felony, if committed under the same
27 circumstances pursuant to Kansas law;

28 (2) has been convicted of a violation of any law of any state or of the
29 United States involving gambling or controlled substances or has been
30 adjudicated in the last 10 years in any such court of committing as a
31 juvenile an act which, if committed by an adult, would constitute such a
32 violation;

33 (3) fails to disclose any material fact or provides information, knowing
34 such information to be false, in connection with the application for the
35 license;

36 (4) has been found by the Kansas racing and gaming commission to
37 have violated any provision of this act or any rule and regulation of the
38 Kansas racing and gaming commission; or

39 (5) has failed to meet any monetary or tax obligation to the federal
40 government or to any state or local government.

41 (e) The Kansas racing and gaming commission may suspend or re-
42 voke the electronic gaming machine equipment or services license of any
43 business for any reason which would justify refusal to issue such a license.

shall

or has been during the preceeding 24
months

1 (f) The Kansas racing and gaming commission may provide by rules
2 and regulations for the temporary suspension of an electronic gaming
3 machine equipment or services license. Such suspension shall be for a
4 period not exceeding 30 days. Upon expiration of such suspension, the
5 license shall be restored unless the license has been suspended or revoked
6 as a result of proceedings conducted pursuant to subsection (e).

7 New Sec. 20. No taxes, fees, charges, transfers or distributions, other
8 than those provided for in this act, shall be made or levied from or against
9 the net machine income of the Kansas lottery by any city, county or other
10 municipality.

11 New Sec. 21. All sales of electronic gaming machine games shall be
12 exempt from sales taxes imposed pursuant to K.S.A. 12-187 *et seq.*, and
13 79-3601 *et seq.*, and amendments thereto.

14 New Sec. 22. Each lottery gaming machine contractor shall hold the
15 executive director of the Kansas lottery, the Kansas lottery commission,
16 the executive director of the Kansas racing and gaming commission, the
17 Kansas racing and gaming commission and the state harmless from and
18 defend and pay for the defense of any and all claims which may be as-
19 serted against the executive director, the commission, the executive di-
20 rector of the Kansas racing and gaming commission, the Kansas racing
21 and gaming commission and the state, or the agents or employees thereof,
22 arising from the operation of electronic gaming machines located at the
23 parimutuel licensee location of such lottery gaming machine contractor.
24 The provisions of this section shall not apply to any claims arising from
25 the negligence or willful misconduct of the executive director, the com-
26 mission, the executive director of the Kansas racing and gaming commis-
27 sion, the Kansas racing and gaming commission and the state, or the
28 agents or employees thereof.

29 ~~[New Sec. 23. (a) Subject to the provisions of subsection (b),~~
30 ~~the executive director, with the approval of the governor, may con-~~
31 ~~tract with a person to operate electronic gaming machines at a~~
32 ~~single specified location in the state where the executive director~~
33 ~~determines the operation of such machine would promote tourism~~
34 ~~and economic development. Such person shall be required to meet~~
35 ~~all qualifications of a lottery gaming machine contractor which is~~
36 ~~a parimutuel licensee under this act, other than those qualifica-~~
37 ~~tions specifically related to operating a parimutuel facility. All pro-~~
38 ~~visions of this act applicable to the operation of electronic gaming~~
39 ~~machines by lottery gaming machine contractors which are pari-~~
40 ~~mutuel licensees shall apply to the operation of such machines.~~
41 ~~Such specified location shall not be within a 75 mile radius of a~~
42 ~~parimutuel licensee location.~~

43 ~~[(b) If more than one person wishes to contract to become a~~

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1 lottery machine operator pursuant to this section, the executive
2 director, in determining which such person to contract with, shall
3 take into consideration the following factors: The size of the pro-
4 posed facility, the estimated number of tourists that would be at-
5 tracted by the proposed facility, the number of electronic gaming
6 machines planned to be operated at the proposed facility, the
7 amount of the contract privilege fee proposed to be paid by the
8 operator, the amount of the management fee proposed to be paid
9 to the operator and amounts proposed to be paid by the operator
10 to the city and county where the facility will be located.

11 [(c) Not less than once each week, the state treasurer shall
12 transfer the following percentages of the balance remaining after
13 transfer of moneys pursuant to subsection (b) of section 8, in the
14 account in the electronic gaming machine fund for receipt of mon-
15 eys from the lottery gaming machine contractor which is author-
16 ized pursuant to this section:

17 [(1) To the lottery gaming machine contractor, 60% less any
18 amount paid to a city and county pursuant to paragraph 5;

19 [(2) to the electronic gaming machine operation and regulation
20 fund, 1%;

21 [(3) to the problem gambling grant fund established pursuant
22 to K.S.A. 2001 Supp. 79-4805, and amendments thereto, 0.5%, ex-
23 cept that such transfer shall be to the credit of the state general
24 fund at such time as the balance in such fund is equal to the amount
25 of \$4,000,000, but if the balance in such fund falls below the
26 amount of \$3,000,000, such transfers shall resume;

27 [(4) to the state tourism fund, 2%;

28 [(5) to the state general fund, 36.5%; and

29 [(6) to the city and county in which the electronic gaming ma-
30 chine operator is located, such amount as may be specified by
31 contract.

32 [(d) Electronic gaming machines shall be operated pursuant to
33 this section only if the qualified voters of the county have voted by
34 a majority to permit operation of electronic gaming machines
35 within the county as follows:

36 [The board of county commissions of the county may submit by
37 resolution to the qualified voters of the county a proposition to
38 permit the operation of electronic gaming machines within the
39 county. The proposition shall be submitted to the voters at a coun-
40 tywide special election called by the board of county commission-
41 ers for that purpose and held not less than 90 days after the res-
42 olution is adopted. Upon the adoption of the resolution, the county
43 election officer shall cause the following proposition to be placed

1 on the ballot at the election called for that purpose: "Shall the
2 operation of electronic gaming machines by the Kansas lottery be
3 permitted in _____ county?" If a majority of the votes
4 cast and counted at such election are in favor of permitting the
5 operation of such machines within the county, the Kansas lottery
6 may enter a contract pursuant to subsection (a) for operation of
7 such machines in the county. If less than a majority of the votes
8 cast and counted at an election under this section are against per-
9 mitting the operation of electronic gaming machines within the
10 county, the Kansas lottery shall not contract pursuant to subsection
11 (a) for the operation of such machines within the county. The
12 county election officer shall transmit a copy of the certification of
13 the results of the election to the executive director and to the Kan-
14 sas racing and gaming commission.

15 [(e) The election provided for by this section shall be con-
16 ducted, and the votes counted and canvassed, in the manner pro-
17 vided by law for question submitted elections of the county.

18 [(f) If in any election provided for by this section a majority of
19 the votes cast and counted is against permitting the operation of
20 electronic gaming machines in the county, another election sub-
21 mitting the issue of the operation of electronic gaming machines
22 in the county shall not be held for at least four years from the date
23 of such election.]

24 New Sec. ~~23~~. [24.] If a disagreement arises between the executive
25 director and the Kansas racing and gaming commission with regard to
26 their respective duties or responsibilities in carrying out the purposes of
27 the Kansas gaming act, such disagreement shall be resolved by the gov-
28 ernor in a manner not inconsistent with the provisions of this act.

29 New Sec. ~~24~~. [25.] As a condition precedent to contracting for the
30 privilege of being a lottery gaming machine contractor, parimutuel li-
31 censees shall file with the secretary of state of this state written consent,
32 irrevocable, that any action or garnishment proceeding may be com-
33 menced against such licensees in the proper court of any county in this
34 state in which the case of action shall arise or in which the plaintiff may
35 reside by the service of process on a resident agent, and stipulating and
36 agreeing that such service shall be taken and held in all courts to be as
37 valid and binding as if due service had been made upon the licensee. The
38 written consent shall state that the courts of this state have jurisdiction
39 over the person of such licensee and are the proper and convenient forum
40 for such action and shall waive the right to request a change of jurisdiction
41 or venue to a court outside that state and that all actions arising under
42 this act and commenced by the licensee shall be brought in this state's
43 court as the proper and convenient forum. Such consent shall be executed

21-1

Substitute for HOUSE BILL No. 2183

By Committee on Tourism

4-10

10 AN ACT concerning lotteries; authorizing electronic gaming machines
11 at certain locations; amending K.S.A. 2001 Supp. 19-101a, 74-8702,
12 74-8710, 74-8711 and 79-4805 and repealing the existing sections.

13
14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. K.S.A. 2001 Supp. 74-8702 is hereby amended to read as
16 follows: 74-8702. As used in the Kansas lottery act, unless the context
17 otherwise requires:

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

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

21 ~~(c) "Gaming equipment" means any electric, electronic or mechani-~~
22 ~~cal device or other equipment unique to the Kansas lottery used directly~~
23 ~~in the operation of any lottery and in the determination of winners pur-~~
24 ~~suant to this act.~~

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

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

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

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

37 (g) "Major procurement" means any gaming product or service, in-
38 cluding but not limited to facilities, advertising and promotional services,
39 annuity contracts, prize payment agreements, consulting services, equip-
40 ment, tickets and other products and services unique to the Kansas lot-
41 tery, but not including materials, supplies, equipment and services com-
42 mon to the ordinary operations of state agencies.

43 (h) "Person" means any natural person, association, *limited liability*

Schmidt

*5-9-02
5-11-02
5-11-02*

Proposed Amendments to

Substitute for House Bill No. 2183

5-2

1 tion of electronic gaming machines. Moneys in such fund may be ex-
2 pended only pursuant to appropriation and moneys in excess of those
3 appropriated to the Kansas lottery and the Kansas racing and gaming
4 commission may be transferred to the state general fund and expended
5 as provided by appropriation.

6 New Sec. 8. (a) The executive director shall collect and remit to the
7 state treasurer in accordance with K.S.A. 75-4215, and amendments
8 thereto, all net machine income received from lottery gaming machine
9 contractors. Upon receipt of the remittance, the state treasurer shall de-
10 posit the entire amount in the state treasury and credit it to the electronic
11 gaming machine fund, established pursuant to section 7, and amendments
12 thereto. Separate accounts shall be maintained in the electronic gaming
13 machine fund for receipt of moneys from each lottery gaming machine
14 contractor.

15 (b) Not less than once each week, the state treasurer shall transfer
16 the following percentages of the balance remaining, after transfer of mon-
17 eys pursuant to subsection (b), in each account in the electronic gaming
18 machine fund for receipt of moneys from lottery gaming machine con-
19 tractors which are parimutuel licensees:

20 (1) To the lottery gaming machine contractors, ~~66%~~ **except that at**
21 **the parimutuel licensee location located in Crawford county, the**
22 **lottery gaming machine contractor shall receive 65.80%, 0.10% of**
23 **the money credited to the account of the electronic gaming ma-**
24 **chine contractor located in Crawford county shall be deposited to**
25 **the credit of the Frontenac bison maintenance fund created pur-**
26 **suant to section 27, and amendments thereto and 0.10% of the**
27 **money credited to the account of the electronic gaming machine**
28 **contractor located in Crawford county shall be deposited to the**
29 **credit of the U.S. 69 highway maintenance fund created pursuant**
30 **to section 28, and amendments thereto];**

31 (2) to the problem gambling grant fund established pursuant to
32 K.S.A. 2001 Supp. 79-4805, and amendments thereto, 0.5%, except that
33 such transfer shall be to the credit of the state general fund at such time
34 as the balance in such fund is equal to the amount of \$4,000,000, but if
35 the balance in such fund falls below the amount of \$3,000,000, such trans-
36 fers shall resume;

37 (3) to the state general fund, 25%;

38 (4) to the nonprofit organization licensed by the Kansas racing and
39 gaming commission to conduct races at the parimutuel licensee location,
40 1%;

41 (5) to the fund established for restoration and repair of the statehouse
42 pursuant to K.S.A. 75-2262; and amendments thereto, 0.5%;

43 (6) to the city where the parimutuel location is located. 1%:

54%

53

- 1 (7) to the county where the parimutuel location is located, 1%;
- 2 (8) to the live dog racing purse supplement fund, ~~2%~~;
- 3 (9) to the live horse racing purse supplement fund, ~~2%~~; and
- 4 (10) to the electronic gaming machine operation and regulatory fund
- 5 established pursuant to subsection (d) of section 7, and amendments
- 6 thereto, 1%.

8%

7 For purposes of this subsection, the unified government of Wyandotte
8 county shall be deemed both a city and a county.

9 (e) After distribution of moneys pursuant to subsection (b), the state
10 treasurer, not less than once each week, shall remit the balance in the
11 account for each lottery gaming machine contractor to such lottery gam-
12 ing machine contractor.

13 New Sec. 9. (a) Except as when authorized in accordance with sub-
14 section (c), it is unlawful for any parimutuel licensee or its employees or
15 agents to allow any person to play electronic gaming machines or share
16 in winnings of a person knowing such person to be:

- 17 (1) Under 21 years of age;
- 18 (2) the executive director, a member of the commission or an em-
19 ployee of the Kansas lottery;
- 20 (3) an officer or employee of a vendor contracting with the Kansas
21 lottery to supply gaming equipment or tickets to the Kansas lottery for
22 use in the operation of any lottery conducted pursuant to this act;
- 23 (4) a spouse, child, stepchild, brother, stepbrother, sister, stepsister,
24 parent or stepparent of a person described by subsection (a)(2) or (3); or
- 25 (5) a person who resides in the same household as any person de-
26 scribed by subsection (a)(2) or (3).

27 (b) Violation of subsection (a) is a class A nonperson misdemeanor
28 upon conviction for a first offense. Violation of subsection (a) is a severity
29 level 9, nonperson felony upon conviction for a second or subsequent
30 offense.

31 (c) The executive director may authorize in writing any employee of
32 the Kansas lottery and any employee of a lottery vendor to play an elec-
33 tronic gaming machine to verify the proper operation thereof with respect
34 to security and contract compliance. Any prize awarded as a result of such
35 ticket purchase shall become the property of the Kansas lottery and be
36 added to the prize pools of subsequent lottery games. No money or mer-
37 chandise shall be awarded to any employee playing an electronic gaming
38 machine pursuant to this subsection.

39 New Sec. 10. No person shall operate an electronic gaming machine
40 while intoxicated. The Kansas racing and gaming commission shall adopt
41 rules and regulations governing identification of persons who are intoxi-
42 cated and procedures for removal of such persons from premises where
43 electronic gaming machines are operated. Such rules and regulations may

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Fund
2015
HB 2183

1 racing and gaming commission shall not authorize the operation of such
2 machines at such racetrack facility unless the qualified voters of the
3 county where such racetrack facility is located have voted pursuant to
4 section 5, and amendments thereto, to permit operation of such machines
5 within the county.

6 New Sec. 7. Expenditures from all funds created pursuant to this
7 section shall be made in accordance with appropriations acts upon war-
8 rants of the director of accounts and reports issued pursuant to vouchers
9 approved by the chair of the Kansas racing and gaming commission or
10 the chair's designee.

11 (a) There is hereby established in the state treasury the live horse racing
12 purse supplement fund. Moneys available in such fund shall be paid to
13 parimutuel licensees for distribution as purse supplements in accordance
14 with rules and regulations of the Kansas racing and gaming commission.
15 Such moneys shall be distributed from the separate horse purse supple-
16 ment accounts maintained pursuant to this section, in accordance with
17 rules and regulations of the Kansas racing and gaming commission, pro-
18 vided that not less than \$1,600,000 shall be guaranteed annually by par-
19 imutuel licensees to be charged against the accounts of such licensees on
20 a pro rata basis. Such rules and regulations shall provide that an amount
21 not to exceed 20% of the total amount credited to such fund shall be
22 transferred to the credit of the horse breeding development fund created
23 pursuant to K.S.A. 74-8829, and amendments thereto.

24 (b) There is hereby established in the state treasury the live dog rac-
25 ing purse supplement fund. Moneys available in such fund shall be paid
26 to parimutuel licensees for distribution as purse supplements in accord-
27 ance with rules and regulations of the Kansas racing and gaming com-
28 mission. Such rules and regulations shall provide that, in addition to purse
29 supplements paid to winners of live dog races at each parimutuel licensee
30 location, the lottery gaming machine operator at the parimutuel licensee
31 location shall pay to the owner of each winner that is a Kansas-whelped
32 greyhound an additional amount equal to ~~\$60~~ \$100 per point for each point
33 awarded to the winner. In addition, such rules and regulations shall pro-
34 vide that an amount not to exceed 20% of the total amount credited to
35 such fund shall be transferred to the credit of the greyhound breeding
36 development fund, created pursuant to section 74-8831, and amendments
37 thereto.

38 (c) There is hereby established in the state treasury the electronic
39 gaming machine fund.

40 (d) There is hereby established in the state treasury the electronic
41 gaming machine operation and regulatory fund. Moneys in such fund shall
42 be used to pay for the expenses of the Kansas lottery and the Kansas
43 racing and gaming commission attributable to the operation and regula-

2-7

- 1 (7) to the county where the parimutuel location is located, 1%;
- 2 (8) to the live dog racing purse supplement fund, ~~2%~~ 3½%
- 3 (9) to the live horse racing purse supplement fund, ~~2%~~ 3½% and
- 4 (10) to the electronic gaming machine operation and regulatory fund
- 5 established pursuant to subsection (d) of section 7, and amendments
- 6 thereto, 1%.

7 For purposes of this subsection, the unified government of Wyandotte
8 county shall be deemed both a city and a county.

9 (e) After distribution of moneys pursuant to subsection (b), the state
10 treasurer, not less than once each week, shall remit the balance in the
11 account for each lottery gaming machine contractor to such lottery gam-
12 ing machine contractor.

13 New Sec. 9. (a) Except as when authorized in accordance with sub-
14 section (c), it is unlawful for any parimutuel licensee or its employees or
15 agents to allow any person to play electronic gaming machines or share
16 in winnings of a person knowing such person to be:

- 17 (1) Under 21 years of age;
- 18 (2) the executive director, a member of the commission or an em-
19 ployee of the Kansas lottery;
- 20 (3) an officer or employee of a vendor contracting with the Kansas
21 lottery to supply gaming equipment or tickets to the Kansas lottery for
22 use in the operation of any lottery conducted pursuant to this act;
- 23 (4) a spouse, child, stepchild, brother, stepbrother, sister, stepsister,
24 parent or stepparent of a person described by subsection (a)(2) or (3); or
- 25 (5) a person who resides in the same household as any person de-
26 scribed by subsection (a)(2) or (3).

27 (b) Violation of subsection (a) is a class A nonperson misdemeanor
28 upon conviction for a first offense. Violation of subsection (a) is a severity
29 level 9, nonperson felony upon conviction for a second or subsequent
30 offense.

31 (c) The executive director may authorize in writing any employee of
32 the Kansas lottery and any employee of a lottery vendor to play an elec-
33 tronic gaming machine to verify the proper operation thereof with respect
34 to security and contract compliance. Any prize awarded as a result of such
35 ticket purchase shall become the property of the Kansas lottery and be
36 added to the prize pools of subsequent lottery games. No money or mer-
37 chandise shall be awarded to any employee playing an electronic gaming
38 machine pursuant to this subsection.

39 New Sec. 10. No person shall operate an electronic gaming machine
40 while intoxicated. The Kansas racing and gaming commission shall adopt
41 rules and regulations governing identification of persons who are intoxi-
42 cated and procedures for removal of such persons from premises where
43 electronic gaming machines are operated. Such rules and regulations may

Am. by HCW
5-11-17

1 by the Kansas racing and gaming commission, any additional amounts
2 necessary to pay such expenses. No license shall be issued to an applicant
3 until the applicant has paid such additional amounts in full, and such
4 amounts shall not be refundable except to the extent that they exceed the
5 actual expenses of processing the application and investigating the appli-
6 cant's qualifications for licensure.

7 (c) The Kansas racing and gaming commission shall require appli-
8 cants as a condition of licensure to consent to allow agents of the Kansas
9 bureau of investigation, security personnel of the Kansas lottery or the
10 Kansas racing and gaming commission to search without warrant the li-
11 censee's premises and personal property and the persons of its owners,
12 officers and employees while engaged in the licensee's business within
13 the premises of the racetrack facility or adjacent facilities under the con-
14 trol of the organization licensee, for the purpose of investigating criminal
15 violations of this act or violations of rules and regulations of the Kansas
16 racing and gaming commission.

17 (d) The Kansas racing and gaming commission ~~may~~ refuse to issue
18 an electronic gaming machine equipment or services license to any busi-
19 ness if any person having an interest ownership in such business, any
20 person who is an officer of such business or any person employed by such
21 business ~~within the racetrack facility~~.

shall

or has been during the preceeding 24
months

22 (1) Has been convicted of a felony in a court of any state or of the
23 United States; has been adjudicated in the last 10 years, in any such court
24 of committing as a juvenile an act which, if committed by an adult, would
25 constitute a felony or has been convicted of a crime in any other state or
26 country which would constitute a felony, if committed under the same
27 circumstances pursuant to Kansas law;

28 (2) has been convicted of a violation of any law of any state or of the
29 United States involving gambling or controlled substances or has been
30 adjudicated in the last 10 years in any such court of committing as a
31 juvenile an act which, if committed by an adult, would constitute such a
32 violation;

33 (3) fails to disclose any material fact or provides information, knowing
34 such information to be false, in connection with the application for the
35 license;

36 (4) has been found by the Kansas racing and gaming commission to
37 have violated any provision of this act or any rule and regulation of the
38 Kansas racing and gaming commission; or

39 (5) has failed to meet any monetary or tax obligation to the federal
40 government or to any state or local government.

41 (e) The Kansas racing and gaming commission may suspend or re-
42 voke the electronic gaming machine equipment or services license of any
43 business for any reason which would justify refusal to issue such a license.

Substitute for HOUSE BILL No. 2183

By Committee on Tourism

4-10

Proposed Amendments to Substitute for

House Bill No. 2183

Handwritten:
2002
2183

10 AN ACT concerning lotteries; authorizing electronic gaming machines
11 at certain locations; amending K.S.A. 2001 Supp. 19-101a, 74-8702,
12 74-8710, 74-8711 and 79-4805 and repealing the existing sections.

13
14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. K.S.A. 2001 Supp. 74-8702 is hereby amended to read as
16 follows: 74-8702. As used in the Kansas lottery act, unless the context
17 otherwise requires:

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

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

21 ~~(c) "Gaming equipment" means any electric, electronic or mechani-~~
22 ~~cal device or other equipment unique to the Kansas lottery used directly~~
23 ~~in the operation of any lottery and in the determination of winners pur-~~
24 ~~suant to this act.~~

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

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

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

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

37 (g) "Major procurement" means any gaming product or service, in-
38 cluding but not limited to facilities, advertising and promotional services,
39 annuity contracts, prize payment agreements, consulting services, equip-
40 ment, tickets and other products and services unique to the Kansas lot-
41 tery, but not including materials, supplies, equipment and services com-
42 mon to the ordinary operations of state agencies.

43 (h) "Person" means any natural person, association, *limited liability*

1 tion of electronic gaming machines. Moneys in such fund may be ex-
2 pended only pursuant to appropriation and moneys in excess of those
3 appropriated to the Kansas lottery and the Kansas racing and gaming
4 commission may be transferred to the state general fund and expended
5 as provided by appropriation.

6 New Sec. 8. (a) The executive director shall collect and remit to the
7 state treasurer in accordance with K.S.A. 75-4215, and amendments
8 thereto, all net machine income received from lottery gaming machine
9 contractors. Upon receipt of the remittance, the state treasurer shall de-
10 posit the entire amount in the state treasury and credit it to the electronic
11 gaming machine fund, established pursuant to section 7, and amendments
12 thereto. Separate accounts shall be maintained in the electronic gaming
13 machine fund for receipt of moneys from each lottery gaming machine
14 contractor.

15 (b) Not less than once each week, the state treasurer shall transfer
16 the following percentages of the balance remaining, after transfer of mon-
17 eys pursuant to subsection (b), in each account in the electronic gaming
18 machine fund for receipt of moneys from lottery gaming machine con-
19 tractors which are parimutuel licensees:

20 (1) To the lottery gaming machine contractors, 66%[, **except that at**
21 **the parimutuel licensee location located in Crawford county, the**
22 **lottery gaming machine contractor shall receive 65.80%, 0.10% of**
23 **the money credited to the account of the electronic gaming ma-**
24 **chine contractor located in Crawford county shall be deposited to**
25 **the credit of the Frontenac bison maintenance fund created pur-**
26 **suant to section 27, and amendments thereto [and 0.10% of the**
27 **money credited to the account of the electronic gaming machine**
28 **contractor located in Crawford county shall be deposited to the**
29 **credit of the U.S. 69 highway maintenance fund created pursuant**
30 **to section 28, and amendments thereto];**

31 (2) to the problem gambling grant fund established pursuant to
32 K.S.A. 2001 Supp. 79-4805, and amendments thereto, 0.5%, except that
33 such transfer shall be to the credit of the state general fund at such time
34 as the balance in such fund is equal to the amount of \$4,000,000, but if
35 the balance in such fund falls below the amount of \$3,000,000, such trans-
36 fers shall resume;

37 (3) to the state general fund, 25%;

38 (4) to the nonprofit organization licensed by the Kansas racing and
39 gaming commission to conduct races at the parimutuel licensee location,
40 1%;

41 (5) to the fund established for restoration and repair of the statehouse
42 pursuant to K.S.A. 75-2262; and amendments thereto, 0.5%;

43 (6) to the city where the parimutuel location is located, 1%;

;

; 1% of the money credited to the account of the electronic gaming machine contractor located in Crawford county shall be deposited to the credit of the southeast Kansas, Inc. regional economic development fund pursuant to section 32, and amendments thereto; and 1% of the money credited to the account of the electronic gaming machine contractor located in Crawford county shall be deposited to the credit of the bison park and bike trail fund pursuant to section 33, and amendments thereto

1 cation, *treatment* and prevention efforts on the prevalence of pathological
2 gambling in Kansas. All grants shall be made after open solicitation of
3 proposals and evaluation of proposals against criteria established in rules
4 and regulations adopted by the secretary of the department of social and
5 rehabilitation services. Both public and private entities shall be eligible
6 to apply for and receive grants under the provisions of this section.

7 (d) The secretary of the department of social and rehabilitation serv-
8 ices is hereby authorized to receive moneys from any grants, gifts, con-
9 tributions or bequests made for the purpose of funding grants under this
10 section and to expend such moneys for the purpose for which received.

11 (e) All grants made in accordance with this section shall be made from
12 the problem gambling grant fund. The secretary shall administer the pro-
13 visions of this section and shall adopt rules and regulations establishing
14 criteria for qualification to receive grants and such other matters deemed
15 necessary by the secretary for the administration of this section. Such
16 rules and regulations shall include, but need not be limited to, a require-
17 ment that each recipient of a grant to provide treatment for pathological
18 gamblers report at least annually to the secretary the grantee's measurable
19 achievement of specific outcome goals.

20 (f) For the purpose of this section "pathological gambling" means the
21 disorder by that name described in the most recent edition of the diag-
22 nostic and statistical manual.

23 Sec. ~~29.~~ ~~32.~~ K.S.A. 2001 Supp. 19-101a, 74-8702, 74-8710, 74-8711
24 and 79-4805 are hereby repealed.

25 Sec. ~~30.~~ ~~35.~~ This act shall take effect and be in force from and after
26 its publication in the Kansas register.

34.

35.

New Sec. 32. (a) There is hereby created within the state treasury the southeast Kansas, Inc. regional economic development fund. All expenditures from the fund shall be made for the purpose of providing for economic development and tourism in southeast Kansas through a grant to southeast Kansas, Inc.

(b) All expenditures from the fund shall be upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of commerce and housing or the secretary's designee.

New Sec. 33. (a) There is hereby created within the state treasury the bison park and bike trail fund. All expenditures from the fund shall be made for the purpose of maintaining and developing the bison park and bike trail and other tourism in southeast Kansas.

(b) All expenditures from the fund shall be upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of wildlife and parks or the secretary's designee.

Larry D. Montgomery

May 9, 2002

Senator John L. Vratil, Chairman
Senator Ed Pugh, Vice Chairman
Senator Lana Oleen, Majority Leader of the Senate
Distinguished Members
KANSAS SENATE JUDICIARY COMMITTEE
Topeka, Kansas 66612

Note: **The New York Model provides the best opportunity for the General Fund to receive up to 60% of the net revenue after prizes from Substitute H. B. 2183**

If Substitute H. B. 2183 does not pass this year, I encourage your Committee to consider an interim study committee to evaluate the New York Model.

Dear Chairman Vratil, Vice Chairman Pugh, Majority Leader Oleen and Distinguished Members:

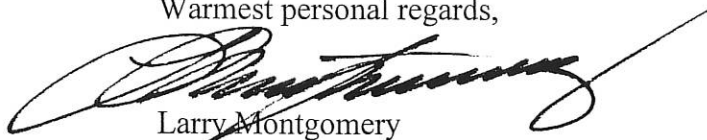
The return to the State of Kansas General fund from the New York Model would be approximately 60% of net revenue after prizes, just as it is in New York for their education fund. That is opposed to approximately 30% to 35% of net revenue after prizes return to the state in Rhode Island, Delaware and West Virginia and 25% to the Kansas General fund as Substitute H. B. 2183 is currently drafted.

The State of Kansas can take advantage of the multi-million dollar, two-year research conducted by the New York State Lottery to determine the "best technology" available today for state run gaming at race tracks. New York, as you know, has significant horse and dog racing tracks and has, over the years, been a mecca for such entertainment. Therefore, it is with great confidence, and personal knowledge of the available technology, that I recommend to you consideration of this "newest" of state models for gaming at race tracks; the New York Model.

Significant benefits of the New York Model are: 1) control of the games remains within the lottery system – and games are drawn from a central computer located at lottery headquarters and downloaded via "today's technology" to the track sites; 2) operation of the central site is performed by a vendor that is separate from manufacturers of the machines – a positive firewall for continued integrity of the games; and 3) the return to the State is the "largest" of any state run gaming system at other tracks in the nation – including Rhode Island, Delaware and West Virginia.

Thank you for encouraging all of us to submit amendments for today's Committee meeting. I decided against submitting amendments to include concepts from the New York Model because of the complexity of making those amendments "right for Kansas" within the time frame available. I do suggest, however, that if Substitute H. B. 2183 does not pass this year, that you consider an interim study committee to evaluate benefits of the New York Model for the State of Kansas.

Warmest personal regards,



Larry Montgomery

1920 S. W. West Union Road, Topeka, Kansas 66615
(785) 256-6560, Fax (785) 256-6038, Cell (785) 224-7052, E-Mail larrymont@aol.com

*See Dub
5-9-02
attg*

REVENUE SPLITS
 UNDER SUBSTITUTE H. B. 2183 AND NEW YORK MODEL

Section Number	Who Receives	Substitute H. B. 2183	New York Model	Comments on New York Model
8 b(1)	Facility Operator	66.0%	17.0%	For Mgt and Oper. Only, No Costs for Central Site Vendor Or Machines
8 b(2)	Problem Gambling	.5%	.5%	
8 b(3)	State General Fund	25.0%	60.0%	
8 b(4)	Non Profit	1.0%	1.0%	
8 b(5)	Repair of State House	.5%	.5%	
8 b(6)	City where Located	1.0%	1.0%	
8 b(7)	County where Located	1.0%	1.0%	
8 b(8)	Live Dog Purse Supp	2.0%	2.0%	
8 b(9)	Live Horse Purse Supp	2.0%	2.0%	
8 b(10)	Admin & Reg.	<u>1.0%</u> 100.0%	<u>15.0%</u> 100.0%	Lottery pays for Central Site Vendor And Machine Manufacturers out Of this 15%

KANSAS STATE SENATE

L E KERR
SENATOR, RENO COUNTY
STATE CAPITOL
TOPEKA, KS 66612-1504
(785) 296-2419
FAX: (785) 296-6718
e-mail: kerr@senate.state.ks.us
BOX 2620
HUTCHINSON, KS 67504
(620) 663-1225



PRESIDENT

COMMITTEE ASSIGNMENTS

CHAIRMAN:
INTERSTATE COOPERATION
LEGISLATIVE COORDINATING COUNCIL
ORGANIZATION, CALENDAR AND RULES

MEMBER:
COMMERCE
WAYS AND MEANS
STATE FINANCE COUNCIL
LEGISLATIVE POST AUDIT
PENSIONS, INVESTMENTS & BENEFITS

May 8, 2002

The Honorable Carla J. Stovall
Attorney General
120 SW 10th Avenue, 2nd Floor
Topeka, Kansas 66612-1597

Re: Substitute for H.B. 2183, 2002 Session

Dear General Stovall:

This letter is written in my capacity as President of the Kansas Senate.

Certain questions have arisen concerning Substitute for H.B. 2183 and whether the provisions of that bill are uniform so as to preclude cities and counties from exercising their home rule authority.

My purpose in writing this letter is to request your opinion as to whether the provisions of Substitute for H.B. 2183, as it passed the House of Representatives, are uniform or non-uniform with respect to home rule. Specifically, I would like for your opinion to address the question of whether cities and counties would be legally able to vary from the provisions of Substitute for H.B. 2183 through their use of home rule powers.

As you can imagine, *this issue is of current importance to the Kansas Legislature* and I would request that you make every effort to expedite a response to my request for an opinion.

Sincerely,

Dave Kerr
Senate President

ksr

*See July
5-9-02
att 10*