

Approved: 4-29-06
Date

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:30 a.m. on March 14, 2006 in Room 231-N of the Capitol.

All members were present except:
Senator Dennis Wilson- excused

Committee staff present:
Athena Andaya, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Mary Ann Torrence, Revisor of Statutes Office
Connie Burns, Committee Secretary

Conferees appearing before the committee:
Tuck Duncan, Kansas Wine and Spirits Wholesalers Association

Others attending:
See attached list.

Tuck Duncan, Kansas Wine and Spirits Wholesalers Association, appeared before the committee to request a bill introduction on flavored malt beverage relating to taxation and labeling.

Senator O'Connor made the motion that the request should be introduced as a committee bill. Senator Reitz seconded the motion. The motion carried.

Senator Brownlee requested a bill introduction concerning state high school activities association and directing the board of directors to conduct a study relating to the governance of such association.

Senator Brownlee made the motion that the request should be introduced as a committee bill. Senator O'Connor seconded the motion. The motion carried.

Final action:

SB 587 - Kansas expanded lottery act; authorizing casinos, electronic and video gaming and other games at certain locations

Senator Hensley provided the committee with a balloon amendment that starts on page 9 of the bill. (Attachment 1) On page 9, line 5 and page 24 line 4 by striking "state general fund" and inserting "Kansas education opportunity trust fund established by section 39, and amendments thereto", and striking in line 6, page 9 and line 2 on page 24 "local ad valorem tax reduction fund created by KSA 79-2959" and inserting "Kansas gaming revenue property tax relief fund established by section 38", striking "to the state general fund and the local ad valorem tax reduction" on page 24 on lines 11, 12, 21 and 22, page 35 lines 14 and 15 striking "state general fund and the local ad valorem tax reduction" and inserting "Kansas education opportunity trust fund and the Kansas gaming revenue property tax relief." Page 16 line 21 and 22 striking "to the state general fund". Inserting new section 31, new section 38 and new section 39 and renumber sections and amend cross-references accordingly.

Senator Hensley moved the balloon amendment. Senator Vratil seconded the motion. On a roll call vote the balloon amendment failed 4 - 4. Yeas: Brungardt, Gilstrap, Hensley, Vratil.
Nays: Brownlee, O'Connor, Ostmeyer, Reitz.

Senator Vratil provided the committee with an amendment starting on page 10 of the bill. (Attachment 2) The amendment would have a 5 year moratorium of the state entering into management contracts for more lottery gaming facilities or similar gaming facilities.

Senator Vratil moved the amendment. Senator Hensley seconded the motion. The motion carried.

Senator Vratil's next amendment would lower the number of slots at pari-mutuel from 7,000 to 5,000 where ever it appears in the bill.

Senator Vratil moved the amendment. Senator Hensley seconded the motion. The motion carried.

Senator Hensley provided an amendment with language that a person who is the manager of the racetrack gaming facility may not be eligible to be a manager of a lottery gaming facility in a nonexclusive gaming zone, and a manager of the lottery gaming facility may not be eligible to be a manager of a racetrack gaming facility in a nonexclusive gaming zone. (Attachment 3)

Senator Hensley moved the amendment. Senator Vratil seconded the motion. The motion carried.

Senator Reitz moved to reconsider the original Hensley balloon amendment which started on page 9 of the bill. Senator Hensley seconded the motion. The motion carried.

Senator Hensley moved his original balloon amendment. Senator Gilstrap seconded the motion. The motion carried.

There was committee discussion on the contract, location and type of destination casinos to be built. The moratorium language would be written into the management contract of the destination casinos, location and plans would be submitted in bids.

Senator Vratil moved to pass **SB 587** out favorably as amended without recommendation to the Senate. Senator Gilstrap seconded the motion. The motion carried.

The meeting was adjourned at 11:30 am. The next scheduled meeting is March 15, 2006.

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

DATE 3-14-06

NAME	REPRESENTING
Mark Tomb	LKM
Sean Tomb	POB
Stuart Little	Penn Nat. Gaming
Gary Smith	KHM
John D. Pincus	Butler National Corporation
Jack Foster	KTA
Donnie Moller	K-T.A.
Paul Asmann	KTA Ks Throughbred Assoc
John Bell	Ruffin Companies
Glady Shaw	Isle of Capri
Carol Dean	Isle of Capri
John Peterson	Hannahs Entertainment
Donna Doolin	SRS
Duane Oberding	Kansas Coalition on Problem Gambling
Brittany Herrs	Youth Leadership Dickinson County
Gina Hullet	"
Dale Mulderig	"
Megan Enrdle	"
Joyce Guerreo	Prairie Band Potawatomi
Mary Young	" " "
Supanne Heck	" " "
Reg Kitch	"
Ron Heik	Prairie Band Potawatomi Nation
Phil Bradley	KLBA
Lana Olson	KTEDA

1 regard to the conduct of live racing, including the same minimum days
2 of racing as specified in section 15, and amendments thereto, for opera-
3 tion of electronic gaming machines at racetrack gaming facilities;

4 (12) include a provision for the state to receive not less than 24% of
5 lottery gaming facility revenues, 75% of which shall be paid to the ~~state~~
6 ~~general fund~~ and 25% of which shall be paid to the ~~local ad valorem tax~~
7 ~~reduction fund created by K.S.A. 79-2959~~, and amendments thereto;

Kansas education opportunity trust fund established by section 39, and amendments thereto,

8 (13) include a provision for 1% of lottery gaming facility revenues to
9 be paid to the problem gambling grant fund established by K.S.A. 2005
10 Supp. 79-4805, and amendments thereto;

Kansas gaming revenue property tax relief fund established by section 38

11 (14) include a provision for 1% of lottery gaming facility revenues to
12 be paid to the Kansas charitable gaming fund established by section 37,
13 and amendments thereto;

14 (15) if the prospective lottery gaming facility manager is an American
15 Indian tribe, include a provision that such tribe agrees to waive its sov-
16 ereign immunity with respect to any actions arising from or to enforce
17 either the Kansas expanded lottery act or any provision of the lottery
18 gaming facility management contract; any action brought by an injured
19 patron or by the state of Kansas; any action for purposes of enforcing the
20 workers compensation act or any other employment or labor law; and any
21 action to enforce laws, rules and regulations and codes pertaining to
22 health, safety and consumer protection; and for any other purpose
23 deemed necessary by the executive director to protect patrons or em-
24 ployees and promote fair competition between the tribe and others seek-
25 ing a lottery gaming facility management contract;

26 (16) (A) if the lottery gaming facility is located in a nonexclusive gam-
27 ing zone comprised of one county and is not located within a city, include
28 a provision for payment of an amount equal to 3% of the lottery gaming
29 facility revenues to the county in which the lottery gaming facility is lo-
30 cated; or (B) if the lottery gaming facility is located in a nonexclusive
31 gaming zone comprised of one county and is located within a city, include
32 provision for payment of an amount equal to 1.5% of the lottery gaming
33 facility revenues to the city in which the lottery gaming facility is located
34 and an amount equal to 1.5% of such revenues to the county in which
35 such facility is located;

36 (17) (A) if the lottery gaming facility is located in a nonexclusive gam-
37 ing zone comprised of more than one county and is not located within a
38 city, include a provision for payment of an amount equal to 2% of the
39 lottery gaming facility revenues to the county in which the lottery gaming
40 facility is located and an amount equal to 1% of such revenues to the
41 other county in such zone; or (B) if the lottery gaming facility is located
42 in a nonexclusive gaming zone comprised of more than one county and
43 is located within a city, provide for payment of an amount equal to 1%

1 county may be submitted at the same election as the question of place-
2 ment of electronic gaming machines at a parimutuel licensee location in
3 the county under section 12, and amendments thereto.

4 New Sec. 7. Upon receipt of a copy of the certification of the results
5 of the election pursuant to section 6, and amendments thereto:

6 (a) If the certification shows that a majority of the voters voted against
7 the operation of a lottery gaming facility in the county, the executive
8 director shall direct the state treasurer to refund, without interest, all
9 privilege fees paid pursuant to lottery gaming facility management con-
10 tracts for a lottery gaming facility in the county.

11 (b) If the certification shows that a majority of the voters voted in
12 favor of the operation of a lottery gaming facility in the county, the ex-
13 ecutive director shall direct the state treasurer to refund, without interest,
14 all privilege fees paid pursuant to lottery gaming facility management
15 contracts for a lottery gaming facility in the county, other than the lottery
16 gaming facility management contract which is binding as provided by
17 section 6, and amendments thereto. Thereupon, the state treasurer shall
18 transfer to the state general fund an amount equal to the privilege fee
19 paid pursuant to the lottery gaming facility management contract which
20 is binding as provided by section 6, and amendments thereto, ~~to the state~~
21 ~~general fund~~ and the lottery gaming facility manager fund shall be
22 abolished.

23 New Sec. 8. The sale or service by lottery gaming facility managers
24 or ancillary lottery gaming facility operations and the consumption by
25 patrons of lottery gaming facilities of alcohol, liquor, wine, spirits, cereal
26 malt beverages and other intoxicating liquors is hereby permitted upon
27 and in lottery gaming facilities and ancillary lottery gaming facility oper-
28 ations. The provisions of K.S.A. 41-719, and amendments thereto, relating
29 to alcoholic liquor shall not be applicable to lottery gaming facilities and
30 ancillary lottery gaming facility operations.

31 New Sec. 9. (a) Subject to the provisions of subsection (b), the Kan-
32 sas lottery shall enter into racetrack gaming facility management contracts
33 to place electronic gaming machines at parimutuel licensee locations as
34 provided by sections 10 through 16, and amendments thereto.

35 (b) The Kansas lottery shall not place electronic gaming machines at
36 any parimutuel licensee location unless the commission has adopted rules
37 and regulations as provided in sections 10 through 16, and amendments
38 thereto.

39 New Sec. 10. (a) The executive director of the Kansas lottery shall
40 negotiate a racetrack gaming facility management contract to place elec-
41 tronic gaming machines at one parimutuel licensee location in each no-
42 nexclusive gaming zone and in each exclusive gaming zone.

43 (b) To be eligible to enter into a racetrack gaming facility manage-

1-3

1 (b) Of amounts distributed to the state pursuant to subsection (a)(8),
 2 25% shall be credited to the ~~local ad valorem tax reduction fund created~~
 3 ~~by K.S.A. 79-2059~~, and amendments thereto, and 75% shall be credited
 4 to the ~~state general fund~~.

Kansas gaming revenue property tax relief fund established by section 38

5 (c) A racetrack gaming facility management contract shall establish
 6 an accelerated racetrack gaming facility payment of \$15,000 per elec-
 7 tronic gaming machine installed at the parimutuel licensee location. Such
 8 payment shall be due and payable one month before the end of the fiscal
 9 year in which the racetrack gaming facility management contract is exe-
 10 cuted or in which the parimutuel licensee location opens, if not open
 11 when the contract is executed. Revenues credited to the ~~state general~~
 12 ~~fund and the local ad valorem tax reduction fund~~ prior to the date the

Kansas education opportunity trust fund established by section 39, and
 amendments thereto

13 accelerated racetrack gaming facility payment is due shall be credited
 14 against the amount which would otherwise be due pursuant to this sub-
 15 section. During the five fiscal years following the year in which payment
 16 of the accelerated racetrack gaming facility payment is made by a race-
 17 track gaming facility manager, the state shall repay to such manager an
 18 amount equal to the accelerated racetrack gaming facility payment made
 19 by such manager minus any credit allowed against such accelerated pay-
 20 ment pursuant to this subsection. The amount of the repayment in any
 21 fiscal year shall not exceed 20% of the moneys credited to the ~~state gen-
 22 eral fund and the local ad valorem tax reduction fund~~ during such fiscal
 23 year from net electronic gaming machine income derived from electronic
 24 gaming machines at such manager's racetrack gaming facility.

Kansas education opportunity trust fund and the Kansas gaming revenue
 property tax relief

25 (d) A racetrack gaming facility management contract may include
 26 provisions for a parimutuel licensee or any other entity to pay the pari-
 27 mutuel licensee's expenses related to electronic gaming machines, as the
 28 executive director deems appropriate, subject to the requirements of sub-
 29 section (a)(8).

30 (e) If the racetrack gaming facility manager pays to the organization
 31 licensee at the parimutuel licensee location an amount based on the net
 32 electronic gaming machine income which the racetrack gaming facility
 33 manager receives pursuant to this act:

34 (1) The organization licensee shall be required to pay to the executive
 35 director such amount paid by the racetrack gaming facility manager but
 36 not to exceed an amount equal to 1% of net electronic gaming machine
 37 income received by such manager. The executive director shall remit to
 38 the state treasurer all such amounts received from the organization li-
 39 censee. Upon receipt thereof, the state treasurer shall deposit the entire
 40 amount in the state treasury and credit it to the Kansas charitable gaming
 41 fund.

42 (2) If the amount paid to the organization licensee based on the net
 43 electronic gaming machine income is less than 1% of net electronic gam-

1 ployee of the racetrack gaming facility manager.

2 (c) It is a severity level 8, nonperson felony for any person playing or
3 using any electronic gaming machine in Kansas knowingly to:

4 (1) Use other than a lawful coin or legal tender of the United States
5 of America, or to use coin not of the same denomination as the coin
6 intended to be used in an electronic gaming machine, except that in the
7 playing of any electronic gaming machine or similar gaming device, it
8 shall be lawful for any person to use gaming billets, tokens or similar
9 objects therein which are approved by the Kansas racing and gaming
10 commission;

11 (2) possess or use, while on premises where electronic gaming ma-
12 chines are authorized pursuant to the Kansas expanded lottery act, any
13 cheating or thieving device, including, but not limited to, tools, wires,
14 drills, coins attached to strings or wires or electronic or magnetic devices
15 to facilitate removing from any electronic gaming machine any money or
16 contents thereof, except that a duly authorized agent or employee of the
17 Kansas racing and gaming commission, lottery gaming facility manager
18 or racetrack gaming facility manager may possess and use any of the
19 foregoing only in furtherance of the agent's or employee's employment
20 at the lottery gaming facility or racetrack gaming facility; or

21 (3) possess or use while on the premises of a lottery gaming facility
22 or racetrack gaming facility, or any location where electronic gaming ma-
23 chines are authorized pursuant to this act, any key or device designed for
24 the purpose of or suitable for opening or entering any electronic gaming
25 machine or similar gaming device or drop box.

26 (d) Any duly authorized agent or employee of the Kansas racing and
27 gaming commission, a lottery gaming facility manager or a racetrack gam-
28 ing facility manager may possess and use any of the devices described in
29 subsections (c)(3) and (c)(4) in furtherance of inspection or testing as
30 provided in the Kansas expanded lottery act or in furtherance of such
31 person's employment at any location where any electronic gaming ma-
32 chine or similar gaming device or drop box is authorized pursuant to the
33 Kansas expanded lottery act.

34 New Sec. 30. It shall be a severity level 9, nonperson felony for any
35 person to place in operation or continue to have in place any gray machine
36 for use by members of the public at any location in this state.

37 ~~New Sec. 31. It is a class A nonperson misdemeanor for any person
38 to hold any paid position with any lottery gaming facility manager, any
39 subcontractor or agent of a lottery gaming facility manager, any ancillary
40 lottery gaming facility operations or any business which sells goods or
41 services, including lobbying services, to a lottery gaming facility manager
42 or to have any financial interest, directly or indirectly, in any lottery gam-
43 ing facility manager, any subcontractor or agent of a lottery gaming facility~~

1 manager, any business which sells goods or services, including lobbying
 2 services, to a lottery gaming facility manager or any ancillary lottery gam-
 3 ing facility operations:

4 (a) While such person is a member of the Kansas legislature or during
 5 the five years immediately following such person's term as such member,
 6 or

7 (b) if such person is (1) the spouse of a member of the Kansas leg-
 8 islature, (2) the spouse of a person who has been a member of the Kansas
 9 legislature during the preceding five years or (3) one of the following
 10 blood relatives, half relatives or step relatives of a member of the Kansas
 11 legislature or a person who has been a member of the Kansas legislature
 12 during the preceding five years: Parent, grandparent, brother, sister,
 13 child, son in law, daughter in law, grandchild, uncle, aunt, parent in law,
 14 brother in law or sister in law.

15 New Sec. 32. Each person subject to a background check pursuant
 16 to the Kansas expanded lottery act shall be subject to a state and national
 17 criminal history records check which conforms to applicable federal stan-
 18 dards for the purpose of verifying the identity of the applicant and
 19 whether the person has been convicted of any crime that would disqualify
 20 the person from engaging in activities pursuant to this act. The executive
 21 director is authorized to use the information obtained from the national
 22 criminal history record check to determine the person's eligibility to en-
 23 gage in such activities:

24 New Sec. 33. Each lottery gaming facility manager and each race-
 25 track gaming facility manager shall post one or more signs at the location
 26 where such manager operates electronic gaming machines or lottery fa-
 27 cility games to inform patrons of the toll-free number available to provide
 28 information and referral services regarding compulsive or problem gam-
 29 bling. The text shall be determined by the executive director of the Kansas
 30 racing and gaming commission. Failure by a lottery gaming facility man-
 31 ager or racetrack gaming facility manager to post and maintain such signs
 32 shall be cause for the imposition of a fine not to exceed \$500 per day.

33 New Sec. 34. The Kansas lottery, lottery gaming facility managers,
 34 racetrack gaming facility managers, lottery gaming facility management
 35 contracts and racetrack gaming facility management contracts under the
 36 Kansas expanded lottery act shall not be subject to the provisions of and
 37 restrictions on major procurement contracts, including, but not limited to,
 38 the provisions of K.S.A. 74-8705, and amendments thereto.

39 New Sec. 35. (a) There is hereby established in the state treasury the
 40 expanded lottery act revenues fund. Separate accounts shall be main-
 41 tained in such fund for receipt of moneys from each lottery gaming facility
 42 manager and racetrack gaming facility manager. All expenditures from
 43 the fund shall be made in accordance with appropriation acts upon war-

New Sec. 31. (a) Except as provided in subsection (c), it is a class A nonperson
 misdemeanor for any person specified in subsection (b) to:

(1) Hold any paid position with: (A) Any lottery gaming facility manager or
 racetrack gaming facility manager; (B) any subcontractor or agent of any lottery
 gaming facility manager or racetrack gaming facility manager; or (C) any ancillary
 lottery gaming facility operations;

(2) have any financial interest, directly or indirectly, in: (A) Any lottery gaming
 facility manager or racetrack gaming facility manager; or (B) any subcontractor or
 agent of a lottery gaming facility manager or racetrack gaming facility manager; or

(3) enter into any business dealing, venture or contract, including a contract for
 lobbying, with a lottery gaming facility manager or racetrack gaming facility
 manager.

(b) Except as provided by subsection (c), the provisions of subsection (a) shall
 apply to:

(1) A person who is currently or has been during the preceding five years
 governor, lieutenant governor, attorney general or a member of the Kansas
 legislature;

(2) a person who is: (A) The spouse of a person who is currently or has been
 during the preceding five years governor, lieutenant governor, attorney general or
 a member of the Kansas legislature; or (2) one of the following blood-relatives,
 half-relatives or step-relatives of a person who is currently or has been during the
 preceding five years governor, lieutenant governor, attorney general or a member
 of the Kansas legislature: Parent, grandparent, brother, sister, child, son-in-law,
 daughter-in-law, grandchild, uncle, aunt, parent-in-law, brother-in-law or sister-in-
 law;

(3) a person who is currently or has been during the preceding five years a
 member of the lottery gaming facility review board; or

(4) a person who is: (A) The spouse of a person who is currently or has been
 during the preceding five years a member of the lottery gaming facility review
 board; or (2) one of the following blood-relatives, half-relatives or step-relatives of
 a person who is currently or has been during the preceding five years a member
 of the lottery gaming facility review board: Parent, grandparent, brother, sister,
 child, son-in-law, daughter-in-law, grandchild, uncle, aunt, parent-in-law, brother-
 in-law or sister-in-law

(c) Subsection (a) shall not apply to any governor, lieutenant governor, attorney
 general or legislator, or any relative thereof, who has not served as governor,
 lieutenant governor, attorney general or legislator after December 31, 2005.

[renumber sections and amend cross-references accordingly]

1 rants of the director of accounts and reports issued pursuant to vouchers
2 approved by the executive director for the purposes set forth in this act.

3 (b) All lottery gaming facility revenues from lottery gaming facilities
4 and all net electronic gaming machine income from racetrack gaming
5 facilities shall be paid daily and electronically to the executive director.
6 The executive director shall remit all moneys received therefrom to the
7 state treasurer in accordance with K.S.A. 75-4215, and amendments
8 thereto. Upon receipt of the remittance, the state treasurer shall deposit
9 the entire amount in the state treasury and credit it to the respective
10 account maintained for the lottery gaming facility manager or racetrack
11 gaming facility manager in the expanded lottery act revenues fund.

12 (c) The executive director shall certify weekly to the director of ac-
13 counts and reports the percentages or amounts to be transferred from
14 each account maintained in the expanded lottery act revenues fund to the
15 ~~state general fund, the local ad valorem tax reduction~~ fund, the live horse
16 racing supplement fund, the live greyhound racing purse supplement
17 fund, the Kansas charitable gaming fund and the problem gambling grant
18 fund, as provided by the lottery gaming facility management contract or
19 section 16, and amendments thereto. Upon receipt of the certification,
20 the director of accounts and reports shall transfer amounts from each
21 such account in accordance with the certification of the executive direc-
22 tor. Once each month, the executive director shall cause amounts from
23 each such account to be paid to cities, counties and lottery gaming facility
24 managers in accordance with the lottery gaming facility management con-
25 tract and to racetrack gaming facility managers in accordance with section
26 16, and amendments thereto.

Kansas education opportunity trust fund and the Kansas
gaming revenue property tax relief

27 (d) Amounts remaining in an account in the expanded lottery act
28 revenues fund after transfers and payments pursuant to subsection (c)
29 shall be distributed in accordance with the related lottery gaming facility
30 management contract or racetrack gaming facility management contract.

31 New Sec. 36. (a) (1) There is hereby established in the state treasury
32 the live horse racing purse supplement fund.

33 (2) Twenty-five percent of all moneys credited to the live horse racing
34 purse supplement fund shall be transferred to the Kansas horse breeding
35 development fund created pursuant to K.S.A. 74-8829, and amendments
36 thereto. Two percent of the moneys credited to the live horse racing purse
37 supplement fund shall be distributed to the official registering agency
38 designated pursuant to K.S.A. 74-8830, and amendments thereto, to be
39 used for horse registration, administration, development, representation
40 and promotion of the Kansas horse racing and breeding industries. A
41 complete financial accounting for the use of the funds received pursuant
42 to this subsection shall be provided annually to the Kansas racing and
43 gaming commission. Fifty percent of the moneys credited to the Kansas

1 meeting space and such clerical and other staff assistance as may be nec-
 2 essary to assist the board in carrying out its powers, duties and functions
 3 under this act. ✓

4 New Sec. 38. Each person subject to a background check pursuant
 5 to the Kansas expanded lottery act shall be subject to a state and national
 6 criminal history records check which conforms to applicable federal stan-
 7 dards for the purpose of verifying the identity of the applicant and
 8 whether the person has been convicted of any crime that would disqualify
 9 the person from engaging in activities pursuant to this act. The executive
 10 director of the Kansas racing and gaming commission is authorized to use
 11 the information obtained from the national criminal history record check
 12 to determine the person's eligibility to engage in such activities.

13 New Sec. 39. (a) No taxes, fees, charges, transfers or distributions,
 14 other than those provided for in the Kansas expanded lottery act, shall be
 15 made or levied by any city, county or other municipality from or against
 16 lottery gaming facility revenues of lottery gaming facilities or net elec-
 17 tronic gaming machine income of racetrack gaming facilities.

18 (b) All sales of games on electronic gaming machines authorized by
 19 the Kansas expanded lottery act shall be exempt from sales taxes imposed
 20 pursuant to K.S.A. 12-187 et seq., and 79-3601 et seq., and amendments
 21 thereto.

22 New Sec. 40. Pursuant to section 2 of the federal act entitled "An
 23 Act to Prohibit Transportation of Gambling Devices in Interstate and
 24 Foreign Commerce," 15 U.S.C. 1171 through 1777, the state of Kansas,
 25 acting by and through the duly elected and qualified members of the
 26 legislature, does hereby in this section, and in accordance with and in
 27 compliance with the provisions of section 2 of such federal act, declare
 28 and proclaims that it is exempt from the provision of section 2 of such
 29 federal act to the extent that such gambling devices as described therein
 30 are being transported to or from the Kansas lottery or to or from a lottery
 31 gaming facility or racetrack gaming facility or a location within the state
 32 of Kansas where such gambling devices are authorized pursuant to the
 33 Kansas expanded lottery act.

34 New Sec. 41. The Kansas racing and gaming commission shall adopt
 35 such rules and regulations as the commission deems necessary to carry
 36 out the duties and functions of the commission pursuant to the Kansas
 37 expanded lottery act. Such rules and regulations shall include, but not be
 38 limited to, rules and regulations:

39 (a) Promoting the integrity of the gaming and finances of lottery gam-
 40 ing facilities and racetrack gaming facilities and shall meet or exceed in-
 41 dustry standards for monitoring and controlling the gaming and finances
 42 of lottery gaming facility operations and racetrack gaming facility opera-
 43 tions and shall give the Kansas racing and gaming commission sufficient

New Sec. 38. (a) There is hereby established in the state treasury the
 Kansas gaming revenue property tax relief fund. All moneys transferred or
 credited to such fund under the provisions of this act or any other law shall
 be apportioned and distributed in the manner provided by this section.

(b) The state treasurer shall apportion and pay the amounts in the
 Kansas gaming revenue property tax relief fund to county treasurers on
 January 15 and on July 15 in each year in the same manner as provided by
 subsection (c) of K.S.A. 79-2959, and amendments thereto, for distributions
 of moneys in the local ad valorem tax reduction fund.

(c) Upon receipt of payment from the state treasurer pursuant to
 subsection (b), the county treasurer shall distribute the entire amount paid
 among the county and all cities and community colleges in the county in the
 same manner as provided by subsection (a) of K.S.A. 79-2961, and
 amendments thereto, for distribution of moneys paid to county treasurers
 from the local ad valorem tax reduction fund.

(d) The director of accounts and reports shall draw warrants on the state
 treasurer in favor of the several county treasurers on the dates and in the
 amounts apportioned to the several counties as provided in this section.
 Each such warrant shall be paid directly by the state treasurer to the county
 treasurer of the county in whose favor the warrant is drawn.

New Sec. 39. (a) There is hereby established in the state treasury the
 Kansas education opportunity trust fund. Amounts deposited in such fund
 shall be expended solely for the purpose of supplementing the state's
 obligation to fund preschool, kindergarten, elementary, secondary and
 postsecondary education programs. Expenditures from the Kansas
 education opportunity trust fund shall be made pursuant to appropriations
 acts.

(b) Such funding shall be supplemental to, and not in lieu of, any state
 revenues appropriated during the 2006 regular legislative session to fund
 educational programs for the fiscal year ending June 30, 2007.

(c) Unless the payment or transfer has been authorized pursuant to a
 separate appropriations act which has been approved by a majority vote of
 the members of the house of representatives and a majority vote of the
 members of the senate, the state treasurer shall not make transfers or
 payments pursuant to an appropriation for any purpose other than
 supplementing the funding of education programs as described in
 subsection (a). Such payment or transfer shall be made only upon
 certification of the governor that such payment meets the requirements of
 this section.

[renumber sections and amend cross-references accordingly]

1 of the lottery gaming facility revenues to the city in which the lottery
2 gaming facility is located, an amount equal to 1.% of such revenues to
3 the county in which such facility is located and an amount equal to 1%
4 of such revenues to the other county in such zone;

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

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

23 (i) Any proposed management contract for which the privilege fee
24 has not been paid to the state treasurer within 30 days after the date of
25 approval of the management contract shall be null and void.

26 (j) Management contracts authorized by this section may include pro-
27 visions relating to:

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

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

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

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

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

43 (6) provision for termination of the management contract by either

; and
(20) include enforceable provisions: (A) Prohibiting the state, until July 1, 2011, from (i) entering into management contracts for more than two lottery gaming facilities or similar gaming facilities, one to be located in the northeast Kansas gaming zone and one to be located in the southeast Kansas gaming zone, (ii) designating additional areas of the state where operation of lottery gaming facilities or similar gaming facilities would be authorized or (iii) operating an aggregate of more than 7,000 electronic gaming machines at all parimutuel locations; and (B) requiring the state to repay to the racetrack gaming facility manager an amount equal to the privilege fee paid by such racetrack gaming facility manager, plus interest on such amount, compounded annually at the rate of 10%, if the state violates the prohibition provision described in (A)

1 ment contract the prospective racetrack gaming facility manager shall, at
2 a minimum:

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

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

11 (c) (1) A racetrack gaming facility management contract to place
12 electronic gaming machines at a parimutuel licensee location in the south
13 Kansas gaming zone shall require the racetrack gaming facility manager
14 to remit to the county treasurer of Sedgwick county an exclusive gaming
15 zone privilege fee of \$10,000,000, payable upon execution of the contract.

16 (2) A racetrack gaming facility management contract to place elec-
17 tronic gaming machines at a parimutuel licensee location in the southwest
18 Kansas gaming zone shall require the racetrack gaming facility manager
19 to remit to the county treasurer of Ford county an exclusive gaming zone
20 privilege fee of \$3,000,000, payable upon approval by the Kansas racing
21 and gaming commission of construction of a parimutuel racetrack facility
22 in such zone.

23 (d) A racetrack gaming facility management contract shall include:

24 (1) The term of the contract;

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

33 (3) provisions for the racetrack gaming facility manager to pay the
34 costs of oversight and regulation of the racetrack gaming facility manager
35 under this act and such manager's racetrack gaming facility operations by
36 the Kansas racing and gaming commission.

37 (e) Racetrack gaming facility management contracts authorized by
38 this section may include provisions relating to:

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

41 (2) minimum requirements for a racetrack gaming facility manager
42 to provide qualified oversight, security and supervision of electronic gam-
43 ing machines including the use of qualified personnel with experience in

; and

(4) enforceable provisions: (A) Prohibiting the state, until July 1, 2011, from (i) entering into management contracts for more than two lottery gaming facilities or similar gaming facilities, one to be located in the northeast Kansas gaming zone and one to be located in the southeast Kansas gaming zone, (ii) designating additional areas of the state where operation of lottery gaming facilities or similar gaming facilities would be authorized or (iii) operating an aggregate of more than 7,000 electronic gaming machines at all parimutuel locations; and (B) requiring the state to repay to the racetrack gaming facility manager an amount equal to the privilege fee paid by such racetrack gaming facility manager, plus interest on such amount, compounded annually at the rate of 10%, if the state violates the prohibition provision described in (A)

A person who is the manager of the racetrack gaming facility in a nonexclusive gaming zone shall not be eligible to be the manager of the lottery gaming facility in such zone.

A person who is the manager of a lottery gaming facility in a nonexclusive gaming zone shall not be eligible to be the manager of the racetrack gaming facility in such zone.