

CHAPTER 110
SENATE BILL No. 66

AN ACT concerning lotteries; enacting the Kansas expanded lottery act; authorizing operation of certain gaming facilities, electronic gaming machines and other lottery games at certain locations; prohibiting certain acts and providing penalties for violations; amending K.S.A. 60-2102, 74-8702, 74-8710, 74-8716, 74-8723, 74-8814, 74-8823, 74-8830, 74-8832 and 74-8838 and K.S.A. 2006 Supp. 12-4516, 19-101a, 21-4619, 74-8711, 74-8810 and 79-4805 and repealing the existing sections; also repealing K.S.A. 2006 Supp. 19-1011 and 21-4619c.

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

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

(a) *“Ancillary lottery gaming facility operations” means additional non-lottery game products and services not owned and operated by the state which may be included in the overall development associated with the lottery gaming facility. Such operations may include, but are not limited to, restaurants, hotels, motels, museums or entertainment facilities.*

~~(a)~~ (b) *“Commission” means the Kansas lottery commission.*

(c) *“Electronic gaming machine” means any electronic, electromechanical, video or computerized device, contrivance or machine authorized by the Kansas lottery which, upon insertion of cash, tokens, electronic cards or any consideration, is available to play, operate or simulate the play of a game authorized by the Kansas lottery pursuant to the Kansas expanded lottery act, including, but not limited to, bingo, poker, blackjack, keno and slot machines, and which may deliver or entitle the player operating the machine to receive cash, tokens, merchandise or credits that may be redeemed for cash. Electronic gaming machines may use bill validators and may be single-position reel-type, single or multi-game video and single-position multi-game video electronic game, including, but not limited to, poker, blackjack and slot machines. Electronic gaming machines shall be directly linked to a central computer at a location determined by the executive director for purposes of security, monitoring and auditing.*

~~(b)~~ (d) *“Executive director” means the executive director of the Kansas lottery.*

~~(c)~~ *“Gaming equipment” means any electric, electronic or mechanical device or other equipment unique to the Kansas lottery used directly in the operation of any lottery and in the determination of winners pursuant to this act.*

(e) *“Gaming equipment” means any electric, electronic, computerized or electromechanical machine, mechanism, supply or device or any other equipment, which is: (1) Unique to the Kansas lottery and used pursuant to the Kansas lottery act; and (2) integral to the operation of an electronic gaming machine or lottery facility game; and (3) affects the results of an electronic gaming machine or lottery facility game by determining win or loss.*

(f) *“Gaming zone” means: (1) The northeast Kansas gaming zone, which consists of Wyandotte county; (2) the southeast Kansas gaming zone, which consists of Crawford and Cherokee counties; (3) the south central Kansas gaming zone, which consists of Sedgwick and Sumner counties; and (4) the southwest Kansas gaming zone, which consists of Ford county.*

(g) *“Gray machine” means any mechanical, electro-mechanical or electronic device, capable of being used for gambling, that is: (1) Not authorized by the Kansas lottery, (2) not linked to a lottery central computer system, (3) available to the public for play or (4) capable of simulating a game played on an electronic gaming machine or any similar gambling game authorized pursuant to the Kansas expanded lottery act.*

~~(d)~~ (h) *“Kansas lottery” means the state agency created by this act to operate a lottery or lotteries pursuant to this act.*

(i) *“Lottery” or “state lottery” means the lottery or lotteries operated pursuant to this act.*

(j) *“Lottery facility games” means any electronic gaming machines and any other games which, as of January 1, 2007, are authorized to be conducted or operated at a tribal gaming facility, as defined in K.S.A. 74-9802, and amendments thereto, located within the boundaries of this state.*

(k) “Lottery gaming enterprise” means an entertainment enterprise which includes a lottery gaming facility authorized pursuant to the Kansas expanded lottery act and ancillary lottery gaming facility operations that have a coordinated business or marketing strategy. A lottery gaming enterprise shall be designed to attract to its lottery gaming facility consumers who reside outside the immediate area of such enterprise.

(l) “Lottery gaming facility” means that portion of a building used for the purposes of operating, managing and maintaining lottery facility games.

(m) “Lottery gaming facility expenses” means normal business expenses, as defined in the lottery gaming facility management contract, associated with the ownership and operation of a lottery gaming facility.

(n) “Lottery gaming facility management contract” means a contract, subcontract or collateral agreement between the state and a lottery gaming facility manager for the management of a lottery gaming facility, the business of which is owned and operated by the Kansas lottery, negotiated and signed by the executive director on behalf of the state.

(o) “Lottery gaming facility manager” means a corporation, limited liability company, resident Kansas American Indian tribe or other business entity authorized to construct and manage, or manage alone, pursuant to a lottery gaming facility management contract with the Kansas lottery, and on behalf of the state, a lottery gaming enterprise and lottery gaming facility.

(p) “Lottery gaming facility revenues” means the total revenues from lottery facility games at a lottery gaming facility after all related prizes are paid.

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

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

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

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

(2) “Lottery machine” shall not mean:

(A) Any food vending machine defined by K.S.A. 36-501, and amendments thereto;

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

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

(D) any machine excluded from the definition of gambling devices under subsection (d) of K.S.A. 21-4302, and amendments thereto; or

(E) any electronic gaming machine or lottery facility game operated in accordance with the provisions of the Kansas expanded lottery act.

~~(e)~~ (r) “Lottery retailer” means any person with whom the Kansas lottery has contracted to sell lottery tickets or shares, or both, to the public.

~~(f)~~ “Lottery” or “state lottery” means the lottery or lotteries operated pursuant to this act.

~~(g)~~ (s) (1) “Major procurement” means any gaming product or service, including but not limited to facilities, advertising and promotional services, annuity contracts, prize payment agreements, consulting services, equipment, tickets and other products and services unique to the Kansas lottery, but not including materials, supplies, equipment and services common to the ordinary operations of state agencies.

(2) “Major procurement” shall not mean any product, service or other matter covered by or addressed in the Kansas expanded lottery act or a lottery gaming facility management contract or racetrack gaming facility management contract executed pursuant to the Kansas expanded lottery act.

(t) “Net electronic gaming machine income” means all cash or other consideration utilized to play an electronic gaming machine operated at a racetrack gaming facility, less all cash or other consideration paid out

to winning players as prizes.

(u) “Organization licensee” has the meaning provided by K.S.A. 74-8802, and amendments thereto.

(v) “Parimutuel licensee” means a facility owner licensee or facility manager licensee under the Kansas parimutuel racing act.

(w) “Parimutuel licensee location” means a racetrack facility, as defined in K.S.A. 74-8802, and amendments thereto, owned or managed by the parimutuel licensee. A parimutuel licensee location may include any existing structure at such racetrack facility or any structure that may be constructed on real estate where such racetrack facility is located.

(H) (x) “Person” means any natural person, association, limited liability company, corporation or partnership.

(I) (y) “Prize” means any prize paid directly by the Kansas lottery pursuant to ~~its~~ the Kansas lottery act or the Kansas expanded lottery act or any rules and regulations adopted pursuant to either act.

(z) “Progressive electronic game” means a game played on an electronic gaming machine for which the payoff increases uniformly as the game is played and for which the jackpot, determined by application of a formula to the income of independent, local or interlinked electronic gaming machines, may be won.

(aa) “Racetrack gaming facility” means that portion of a parimutuel licensee location where electronic gaming machines are operated, managed and maintained.

(bb) “Racetrack gaming facility management contract” means an agreement between the Kansas lottery and a racetrack gaming facility manager, negotiated and signed by the executive director on behalf of the state, for placement of electronic gaming machines owned and operated by the state at a racetrack gaming facility.

(cc) “Racetrack gaming facility manager” means a parimutuel licensee specifically certified by the Kansas lottery to become a certified racetrack gaming facility manager and offer electronic gaming machines for play at the racetrack gaming facility.

(dd) “Returned ticket” means any ticket which was transferred to a lottery retailer, which was not sold by the lottery retailer and which was returned to the Kansas lottery for refund by issuance of a credit or otherwise.

(E) (ee) “Share” means any intangible manifestation authorized by the Kansas lottery to prove participation in a lottery game, except as provided by the Kansas expanded lottery act.

(F) (ff) “Ticket” means any tangible evidence issued by the Kansas lottery to prove participation in a lottery game other than a lottery facility game.

(gg) “Token” means a representative of value, of metal or other material, which is not legal tender, redeemable for cash only by the issuing lottery gaming facility manager or racetrack gaming facility manager and which is issued and sold by a lottery gaming facility manager or racetrack gaming facility manager for the sole purpose of playing an electronic gaming machine or lottery facility game.

(H) (hh) “Vendor” means any person who has entered into a major procurement contract with the Kansas lottery.

~~(m) “Returned ticket” means any ticket which was transferred to a lottery retailer, which was not sold by the lottery retailer and which was returned to the Kansas lottery for refund by issuance of a credit or otherwise.~~

~~(n) (ii) “Video lottery machine” means any electronic video game machine that, upon insertion of cash, is available to play or simulate the play of a video game authorized by the commission, including, but not limited to, bingo, poker, black jack and keno, and which uses a video display and microprocessors and in which, by chance, the player may receive free games or credits that can be redeemed for cash.~~

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

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

~~(B) any machine or device in which the prize or evidence of a prize~~

is determined only by chance, including, but not limited to, any slot machine or bingo machine; or

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

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

~~(A) Any food vending machine defined by K.S.A. 36-501, and amendments thereto;~~

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

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

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

New Sec. 2. (a) Sections 2 through 42, and amendments thereto, shall be known and may be cited as the Kansas expanded lottery act. The Kansas expanded lottery act shall be part of and supplemental to the Kansas lottery act.

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

(c) Any action challenging the constitutionality of or arising out of any provision of this act, any lottery gaming facility management contract or any racetrack gaming facility management contract entered into pursuant to this act shall be brought in the district court of Shawnee county.

New Sec. 3. (a) The Kansas lottery may operate one lottery gaming facility in each gaming zone.

(b) Not more than 30 days after the effective date of this act the lottery commission shall adopt and publish in the Kansas register the procedure for receiving, considering and approving, proposed lottery gaming facility management contracts. Such procedure shall include provisions for review of competitive proposals within a gaming zone and the date by which proposed lottery gaming facility management contracts must be received by the lottery commission if they are to receive consideration.

(c) The lottery commission shall adopt standards to promote the integrity of the gaming and finances of lottery gaming facilities, which shall apply to all management contracts, shall meet or exceed industry standards for monitoring and controlling the gaming and finances of gaming facilities and shall give the executive director sufficient authority to monitor and control the gaming operation and to ensure its integrity and security.

(d) The Kansas lottery commission may approve management contracts with one or more prospective lottery gaming facility managers to manage, or construct and manage, on behalf of the state of Kansas and subject to the operational control of the Kansas lottery, a lottery gaming facility or lottery gaming enterprise at specified destination locations within the northeast, south central, southwest and southeast Kansas gaming zones where the commission determines the operation of such facility would promote tourism and economic development. The commission shall approve or disapprove a proposed management contract within 90 days after the deadline for receipt of proposals established pursuant to subsection (b).

(e) In determining whether to approve a management contract with a prospective lottery gaming facility manager to manage a lottery gaming facility or lottery gaming enterprise pursuant to this section, the commission shall take into consideration the following factors: The size of the proposed facility; the geographic area in which such facility is to be located; the proposed facility's location as a tourist and entertainment destination; the estimated number of tourists that would be attracted by the proposed facility; the number and type of lottery facility games to be operated at the proposed facility; and agreements related to ancillary lottery gaming operations.

(f) Subject to the requirements of this section, the commission shall approve at least one proposed lottery gaming facility management contract for a lottery gaming facility in each gaming zone.

(g) The commission shall not approve a management contract unless:

(1) (A) The prospective lottery gaming facility manager is a resident Kansas American Indian tribe and, at a minimum: (i) Has sufficient access

to financial resources to support the activities required of a lottery gaming facility manager under the Kansas expanded lottery act; and (ii) has three consecutive years' experience in the management of gaming which would be class III gaming, as defined in K.S.A. 46-2301, and amendments thereto, operated pursuant to state or federal law; or

(B) the prospective lottery gaming facility manager is not a resident Kansas American Indian tribe and, at a minimum: (i) Has sufficient access to financial resources to support the activities required of a lottery gaming facility manager under the Kansas expanded lottery act; (ii) is current in filing all applicable tax returns and in payment of all taxes, interest and penalties owed to the state of Kansas and any taxing subdivision where such prospective manager is located in the state of Kansas, excluding items under formal appeal pursuant to applicable statutes; and (iii) has three consecutive years' experience in the management of gaming which would be class III gaming, as defined in K.S.A. 46-2301, and amendments thereto, operated pursuant to state or federal law; and

(2) The commission determines that the proposed development consists of an investment in infrastructure, including ancillary lottery gaming facility operations, of at least \$225,000,000 in the northeast, southeast and south central Kansas gaming zones and \$50,000,000 in the southwest Kansas gaming zone. The commission, in determining whether the minimum investment required by this subsection is met, shall not include any amounts derived from or financed by state or local retailers' sales tax revenues.

(h) Any management contract approved by the commission under this section shall:

(1) Have a maximum initial term of 15 years from the date of opening of the lottery gaming facility. At the end of the initial term, the contract may be renewed by mutual consent of the state and the lottery gaming facility manager;

(2) specify the total amount to be paid to the lottery gaming facility manager pursuant to the contract;

(3) establish a mechanism to facilitate payment of lottery gaming facility expenses, payment of the lottery gaming facility manager's share of the lottery gaming facility revenues and distribution of the state's share of the lottery gaming facility revenues;

(4) include a provision for the lottery gaming facility manager to pay the costs of oversight and regulation of the lottery gaming facility manager and the operations of the lottery gaming facility by the Kansas racing and gaming commission;

(5) establish the types of lottery facility games to be installed in such facility;

(6) provide for the prospective lottery gaming facility manager, upon approval of the proposed lottery gaming facility management contract, to pay to the state treasurer a privilege fee of \$25,000,000 for the privilege of being selected as a lottery gaming facility manager of a lottery gaming facility in the northeast, southeast or south central Kansas gaming zone and \$5,500,000 for the privilege of being selected as a lottery gaming facility manager of a lottery gaming facility in the southwest Kansas gaming zone. Such fee shall be deposited in the state treasury and credited to the lottery gaming facility manager fund, which is hereby created in the state treasury;

(7) incorporate terms and conditions for the ancillary lottery gaming facility operations;

(8) designate as key employees, subject to approval of the executive director, any employees or contractors providing services or functions which are related to lottery facility games authorized by a management contract;

(9) include financing commitments for construction;

(10) include a resolution of endorsement from the city governing body, if the proposed facility is within the corporate limits of a city, or from the county commission, if the proposed facility is located in the unincorporated area of the county;

(11) include a requirement that any parimutuel licensee developing a lottery gaming facility pursuant to this act comply with all orders and rules and regulations of the Kansas racing and gaming commission with regard to the conduct of live racing, including the same minimum days of racing as specified in section 15, and amendments thereto, for operation of electronic gaming machines at racetrack gaming facilities;

(12) include a provision for the state to receive not less than 22% of lottery gaming facility revenues, which shall be paid to the expanded lottery act revenues fund established by section 37, and amendments thereto;

(13) include a provision for 2% of lottery gaming facility revenues to be paid to the problem gambling and addictions grant fund established by K.S.A. 2006 Supp. 79-4805, and amendments thereto;

(14) if the prospective lottery gaming facility manager is an American Indian tribe, include a provision that such tribe agrees to waive its sovereign immunity with respect to any actions arising from or to enforce either the Kansas expanded lottery act or any provision of the lottery gaming facility management contract; any action brought by an injured patron or by the state of Kansas; any action for purposes of enforcing the workers compensation act or any other employment or labor law; and any action to enforce laws, rules and regulations and codes pertaining to health, safety and consumer protection; and for any other purpose deemed necessary by the executive director to protect patrons or employees and promote fair competition between the tribe and others seeking a lottery gaming facility management contract;

(15) (A) if the lottery gaming facility is located in the northeast or southwest Kansas gaming zone and is not located within a city, include a provision for payment of an amount equal to 3% of the lottery gaming facility revenues to the county in which the lottery gaming facility is located; or (B) if the lottery gaming facility is located in the northeast or southwest Kansas gaming zone and is located within a city, include provision for payment of an amount equal to 1.5% of the lottery gaming facility revenues to the city in which the lottery gaming facility is located and an amount equal to 1.5% of such revenues to the county in which such facility is located;

(16) (A) if the lottery gaming facility is located in the southeast or south central Kansas gaming zone and is not located within a city, include a provision for payment of an amount equal to 2% of the lottery gaming facility revenues to the county in which the lottery gaming facility is located and an amount equal to 1% of such revenues to the other county in such zone; or (B) if the lottery gaming facility is located in the southeast or south central Kansas gaming zone and is located within a city, provide for payment of an amount equal to 1% of the lottery gaming facility revenues to the city in which the lottery gaming facility is located, an amount equal to 1% of such revenues to the county in which such facility is located and an amount equal to 1% of such revenues to the other county in such zone;

(17) allow the lottery gaming facility manager to manage the lottery gaming facility in a manner consistent with this act and applicable law, but shall place full, complete and ultimate ownership and operational control of the gaming operation of the lottery gaming facility with the Kansas lottery. The Kansas lottery shall not delegate and shall explicitly retain the power to overrule any action of the lottery gaming facility manager affecting the gaming operation without prior notice. The Kansas lottery shall retain full control over all decisions concerning lottery gaming facility games;

(18) include provisions for the Kansas racing and gaming commission to oversee all lottery gaming facility operations, including, but not limited to: Oversight of internal controls; oversight of security of facilities; performance of background investigations, determination of qualifications and credentialing of employees, contractors and agents of the lottery gaming facility manager and of ancillary lottery gaming facility operations, as determined by the Kansas racing and gaming commission; auditing of lottery gaming facility revenues; enforcement of all state laws and maintenance of the integrity of gaming operations; and

(19) include enforceable provisions: (A) Prohibiting the state, until July 1, 2032, from (i) entering into management contracts for more than four lottery gaming facilities or similar gaming facilities, one to be located in the northeast Kansas gaming zone, one to be located in the south central Kansas gaming zone, one to be located in the southwest 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 2,800 electronic gaming machines at all parimutuel licensee locations; and (B) requiring the state to repay

to the lottery gaming facility manager an amount equal to the privilege fee paid by such lottery 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).

(i) The power of eminent domain shall not be used to acquire any interest in real property for use in a lottery gaming enterprise.

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

(k) A person who is the manager of the racetrack gaming facility in a gaming zone shall not be eligible to be the manager of the lottery gaming facility in the same zone.

(l) Management contracts authorized by this section may include provisions relating to:

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

(2) minimum requirements for a lottery gaming facility manager to provide qualified oversight, security and supervision of the lottery facility games including the use of qualified personnel with experience in applicable technology;

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

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

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

(6) provision for termination of the management contract by either party for cause; and

(7) any other provision deemed necessary by the parties, including such other terms and restrictions as necessary to conduct any lottery facility game in a legal and fair manner.

(m) A management contract shall not constitute property, nor shall it be subject to attachment, garnishment or execution, nor shall it be alienable or transferable, except upon approval by the executive director, nor shall it be subject to being encumbered or hypothecated. The trustee of any insolvent or bankrupt lottery gaming facility manager may continue to operate pursuant to the management contract under order of the appropriate court for no longer than one year after the bankruptcy or insolvency of such manager.

(n) (1) The Kansas lottery shall be the licensee and owner of all software programs used at a lottery gaming facility for any lottery facility game.

(2) A lottery gaming facility manager, on behalf of the state, shall purchase or lease for the Kansas lottery all lottery facility games. All lottery facility games shall be subject to the ultimate control of the Kansas lottery in accordance with this act.

(o) A lottery gaming facility shall comply with any planning and zoning regulations of the city or county in which it is to be located. The executive director shall not contract with any prospective lottery gaming facility manager for the operation and management of such lottery gaming facility unless such manager first receives any necessary approval under planning and zoning requirements of the city or county in which it is to be located.

(p) Prior to expiration of the term of a lottery gaming facility management contract, the lottery commission may negotiate a new lottery gaming facility management contract with the lottery gaming facility manager if the new contract is substantially the same as the existing contract. Otherwise, the lottery gaming facility review board shall be reconstituted and a new lottery gaming facility management contract shall be negotiated and approved in the manner provided by this act.

New Sec. 4. (a) There is hereby created the lottery gaming facility review board. The board shall consist of:

(1) Three members appointed by the governor;

(2) two members appointed by the president of the senate; and

(3) two members appointed by the speaker of the house of representatives.

(b) To be eligible for appointment to the board, a person shall submit to the appointing authority evidence of significant business experience, particularly in business development and location of new businesses to maximize revenue.

(c) A person shall not be eligible for appointment to the board if the person:

(1) Is a resident of or owns property in a gaming zone;

(2) has an interest in any business domiciled in or conducting a significant portion of its business in a gaming zone; or

(3) has, or has had during the preceding two years, either directly or indirectly, a financial interest in or is, or has been during the preceding two years, employed by or a consultant to a prospective lottery gaming facility manager or any ancillary lottery gaming facility operations proposed by a prospective lottery gaming facility manager.

(d) Not more than four members of the board shall be members of the same political party.

(e) The governor shall designate one member of the board to serve as chairperson of the board.

(f) The vote of at least four members of the board shall be required to take action.

(g) Subject to the limitations of appropriations therefor, members of the board shall receive such compensation as determined by the governor. Members of the board attending meetings of the board or subcommittee meetings thereof approved by the board shall be paid subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223, and amendments thereto.

(h) The board is hereby attached to the Kansas racing and gaming commission as a part thereof. All budgeting, purchasing and related management functions of the board shall be administered by the executive director of the Kansas racing and gaming commission and the executive director shall provide office and meeting space and such clerical and other staff assistance as may be necessary to assist the board in carrying out its powers, duties and functions under this act. The board may employ any experts, consultants or other professionals at the expense of a prospective lottery gaming facility manager to provide assistance in evaluating a lottery gaming facility management contract submitted to the board.

New Sec. 5. (a) Upon approval of a lottery gaming facility management contract by the commission, but not later than 90 days after the deadline for receipt of proposals established pursuant to subsection (b) of section 3, and amendments thereto, the executive director and the prospective lottery gaming facility manager shall execute the contract, which shall be binding upon the parties only upon a determination by the lottery gaming facility review board pursuant to this section that the contract is the best possible such contract, approval of the contract by the Kansas racing and gaming commission pursuant to this section and endorsement by resolution of the city governing body or county commission as required in section 3, and amendments thereto.

(b) Upon execution of a lottery gaming facility management contract or contracts by the executive director, the executive director shall submit such contract or contracts to the lottery gaming facility review board. The board shall determine which contract best maximizes revenue, encourages tourism and otherwise serves the interests of the people of Kansas. In making its determination, the board shall conduct public hearings, take testimony, solicit the advice of experts and investigate the merits of each contract submitted by the executive director.

(c) Within 30 days after execution of a lottery gaming facility management contract with a parimutuel licensee for development of a lottery gaming facility at a parimutuel licensee location, the parimutuel licensee must submit to the Kansas racing and gaming commission, for approval by the commission, a plan for compliance with the requirements for live racing and purse supplements established pursuant to sections 14 and 36, and amendments thereto. Upon application of a parimutuel licensee, the Kansas racing and gaming commission shall open a proceeding to consider such licensee's proposal for development of a lottery gaming facility at the parimutuel licensee location. Such proposal shall include provisions for: (1) Compliance with the requirements of section 14, and amendments thereto; (2) payment of purse supplements from the appropriate funds established by section 36, and amendments thereto; and (3) a plan for protecting and promoting live racing in Kansas. The Kansas racing and

gaming commission shall hear evidence and testimony from all interested parties. Upon a finding by the Kansas racing and gaming commission that the proposal is in the best interest of live racing in Kansas and more beneficial to live racing than placement of electronic gaming machines at such parimutuel licensee location, the Kansas racing and gaming commission may approve such proposal. The Kansas racing and gaming commission shall notify the lottery gaming facility review board of the commission's approval or disapproval of the proposal. If the Kansas racing and gaming commission does not approve the proposal, the lottery gaming facility review board shall not give further consideration to the lottery gaming facility management contract with the parimutuel licensee and the executive director shall direct the state treasurer to refund, without interest, the privilege fee paid pursuant to such contract.

(d) (1) Not more than 60 days after all lottery gaming facility management contracts for a lottery gaming facility in a gaming zone have been submitted to the lottery gaming facility review board, the board: (A) If more than one lottery gaming facility management contract has been submitted for a lottery gaming facility in a gaming zone, shall select by public vote the lottery gaming facility management contract, if any, which the board determines is the best possible such contract; or (B) if the executive director submits only one lottery gaming facility management contract for a lottery gaming facility in a gaming zone, shall determine whether such contract is the best possible such contract.

(2) If the board cannot reach agreement that a lottery gaming facility management contract is the best possible such contract, the board shall request the executive director to renegotiate the contract or contracts until the board determines that the best possible such contract or contracts have been executed.

(e) Upon a determination by the lottery gaming facility review board that a lottery gaming facility management contract is the best possible such contract, the board shall submit the contract to the Kansas racing and gaming commission for approval. The Kansas racing and gaming commission shall conduct such background investigations of prospective lottery gaming facility managers, their directors and officers and any other persons having an interest in such prospective managers, as determined in accordance with rules and regulations adopted by the Kansas racing and gaming commission. Upon completion of such investigations and approval of the background of the prospective lottery gaming facility manager, directors, officers and other persons having an interest in such prospective manager, but not more than 10 days after receiving the recommendation of the lottery gaming facility review board, the Kansas racing and gaming commission shall vote to approve in whole or reject in whole the recommendation of the lottery gaming facility review board. If the Kansas racing and gaming commission does not approve the background of such prospective lottery gaming facility manager, directors, officers and other persons having an interest in such prospective manager or does not approve the recommendation of the lottery gaming facility review board, the Kansas racing and gaming commission shall notify the executive director of the lottery and the process for selection of a lottery gaming facility manager shall begin again in the manner provided in sections 3 and 4, and amendments thereto.

(f) The deadline for receipt of proposals established pursuant to subsection (b) of section 3, and amendments thereto, the time limit imposed by subsection (a) for action by the lottery commission, the time limit imposed by subsection (d) for action by the lottery gaming facility review board or the time limit imposed by subsection (e) for action by the Kansas racing and gaming commission, upon application by the respective commission or board, may be extended by the governor for a period not to exceed 60 days if the governor, in the governor's discretion, determines that the respective commission or board has acted on good faith to comply with the time limit. Failure to comply with any such time limit, unless extended as provided by this subsection, or to comply with an extended time limit authorized by this subsection, shall render the respective commission or board subject to relief in the form of mandamus, injunction or other legal remedy.

New Sec. 6. (a) The board of county commissioners of each county in each gaming zone shall submit by resolution to the qualified voters of the county a proposition to permit the operation of a lottery gaming facility within the county as provided in this section. The proposition shall

be submitted to the voters at a special election called by the board of county commissioners for that purpose and held not more than 180 days after the effective date of this act.

(b) Upon the adoption of a resolution calling for an election pursuant to this section, the county election officer shall cause the following proposition to be placed on the ballot at the election called for that purpose: "Shall the Kansas lottery be authorized to operate a lottery gaming facility in _____ county?"

(c) If a majority of the votes cast and counted at such election is in favor of approving the operation of a lottery gaming facility within the county, the Kansas lottery may operate a lottery gaming facility in such county, subject to the provisions of this act. If a majority of the votes cast and counted at an election under this section is against permitting the operation of a lottery gaming facility within the county, the Kansas lottery shall not operate a lottery gaming facility in such county. The county election officer shall transmit a copy of the certification of the results of the election to the executive director.

(d) The election provided for by this section shall be conducted, and the votes counted and canvassed, in the manner provided by law for question submitted elections of the county.

(e) The lottery commission may waive the requirement that an election be held pursuant to this section if the lottery commission determines that after December 31, 2004, and before the effective date of this act, the county has held an election of qualified voters pursuant to the county's home rule authority: (1) At which the ballot question was in substantial compliance with the requirements of this section; (2) which was administered by the county election officer in a manner consistent with the requirements of state election law; and (3) at which a majority of the votes cast and counted was in favor of the proposition.

(f) The question of the operation of a lottery gaming facility in a county may be submitted at the same election as the question of placement of electronic gaming machines at a parimutuel licensee location in the county under section 12, and amendments thereto.

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

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

(b) If the certification shows that a majority of the voters voted in favor of the operation of a lottery gaming facility in the county, the executive director shall direct the state treasurer to refund, without interest, all privilege fees paid pursuant to lottery gaming facility management contracts for a lottery gaming facility in the county, other than the lottery gaming facility management contract which is binding as provided by section 5, and amendments thereto. Thereupon, the state treasurer shall transfer to the expanded lottery act revenues fund an amount equal to the privilege fee paid pursuant to the lottery gaming facility management contract which is binding as provided by section 5, and amendments thereto, the lottery gaming facility manager fund shall be abolished.

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

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

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

New Sec. 10. (a) The executive director of the Kansas lottery shall negotiate a racetrack gaming facility management contract to place elec-

tronic gaming machines at one parimutuel licensee location in each gaming zone except the southwest Kansas gaming zone.

(b) To be eligible to enter into a racetrack gaming facility management contract the prospective racetrack gaming facility manager shall, at a minimum:

(1) Have sufficient access to financial resources to support the activities required of a racetrack gaming facility manager under the Kansas expanded lottery act; and

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

(c) A racetrack gaming facility management contract shall include:

(1) The term of the contract;

(2) provisions for the Kansas racing and gaming commission to oversee all racetrack gaming facility operations, including, but not limited to: Oversight of internal controls; oversight of security of facilities; performance of background investigations, determination of qualifications and any required certification or licensing of officers, directors, board members, employees, contractors and agents of the racetrack gaming facility manager; auditing of net electronic gaming machine income and maintenance of the integrity of electronic gaming machine operations;

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

(4) enforceable provisions: (A) Prohibiting the state, until July 1, 2032, from (i) entering into management contracts for more than three lottery gaming facilities or similar gaming facilities, one to be located in the northeast Kansas gaming zone, one to be located in the south central 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 2,800 electronic gaming machines at all parimutuel licensee 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).

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

(1) Accounting procedures to determine net electronic gaming machine income, unclaimed prizes and credits;

(2) minimum requirements for a racetrack gaming facility manager to provide qualified oversight, security and supervision of electronic gaming machines including the use of qualified personnel with experience in applicable technology;

(3) eligibility requirements for employees, contractors or agents of a racetrack gaming facility manager who will have responsibility for or involvement with electronic gaming machines or for the handling of cash or tokens;

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

(5) credentialing or certification requirements of any employee, contractor or agent as provided by the Kansas expanded lottery act or rules and regulations adopted pursuant thereto;

(6) provision for termination of the management contract by either party for cause; and

(7) any other provision deemed necessary by the parties, including such other terms and restrictions as necessary to conduct racetrack gaming facility operations in a legal and fair manner.

(e) A person who is the manager of a lottery gaming facility in a gaming zone shall not be eligible to be the manager of the racetrack gaming facility in the same zone.

(f) A racetrack gaming facility management contract shall not constitute property, nor shall it be subject to attachment, garnishment or execution, nor shall it be alienable or transferable, except upon approval by the executive director, nor shall it be subject to being encumbered or

hypothecated.

New Sec. 11. The executive director shall submit the proposed racetrack gaming facility management contract to the commission for the commission's approval. Upon approval of the Kansas lottery commission, the executive director shall submit such contract to the Kansas racing and gaming commission for approval. The Kansas racing and gaming commission shall conduct such background investigations of the proposed racetrack gaming facility manager, and its officers, directors, employees, owners, agents and contractors, as determined in accordance with rules and regulations adopted by the Kansas racing and gaming commission. Upon completion of such investigations and approval of the background of the proposed racetrack gaming facility manager, and its officers, directors, employees, owners, agents and contractors, the Kansas racing and gaming commission shall vote to approve or reject the contract in whole. If the Kansas racing and gaming commission rejects the contract, the Kansas racing and gaming commission shall notify the executive director of the lottery and make recommendations regarding negotiation of the contract. The executive director may then resume negotiations with the proposed racetrack gaming facility manager.

New Sec. 12. (a) The board of county commissioners of each county where there is a parimutuel licensee location shall submit to the qualified voters of the county a proposition to permit the placement of electronic gaming machines in the county as provided in this section. The proposition shall be submitted to the voters at a special election called by the board of county commissioners for that purpose and held not more than 180 days after the effective date of this act.

(b) Upon the adoption of a resolution calling for an election pursuant to this section, the county election officer shall cause the following proposition to be placed on the ballot at the election called for that purpose: "Shall the Kansas Lottery be authorized to place electronic gaming machines in _____ county?"

(c) If a majority of the votes cast and counted at such election is in favor of approving the placement of electronic gaming machines in the county, the Kansas lottery may place and operate electronic gaming machines at a parimutuel licensee location in the county, subject to the provisions of this act. If a majority of the votes cast and counted at an election under this section is against permitting placement of electronic gaming machines in the county, the Kansas lottery shall not place or operate electronic gaming machines at a parimutuel licensee location in the county. The county election officer shall transmit a copy of the certification of the results of the election to the executive director.

(d) The election provided for by this section shall be conducted, and the votes counted and canvassed, in the manner provided by law for question submitted elections of the county.

(e) The lottery commission may waive the requirement that an election be held pursuant to this section if the lottery commission determines that after December 31, 2004, and before the effective date of this act, the county has held an election of qualified voters pursuant to the county's home rule authority: (1) At which the ballot question was in substantial compliance with the requirements of this section; (2) which was administered by the county election officer in a manner consistent with the requirements of state election law; and (3) at which a majority of the votes cast and counted was in favor of the proposition.

(f) The question of the placement of electronic gaming machines in a county may be submitted at the same election as the question of operation of a lottery gaming facility in the county under section 6, and amendments thereto.

New Sec. 13. (a) In accordance with rules and regulations adopted by the commission, the executive director shall have general responsibility for the implementation and administration of the provisions of this act relating to racetrack gaming facility operations, including the responsibility to:

(1) Certify net electronic gaming machine income by inspecting records, conducting audits, having agents of the Kansas lottery on site or by any other reasonable means; and

(2) assist the commission in the promulgation of rules and regulations concerning the operation of racetrack gaming facilities, which rules and regulations shall include, without limitation, the following:

(A) The number of electronic gaming machines allocated for place-

ment at each racetrack gaming facility, subject to the provisions of subsection (b);

(B) standards for advertising, marketing and promotional materials used by racetrack gaming facility managers;

(C) the kind, type, number and location of electronic gaming machines at any racetrack gaming facility; and

(D) rules and regulations and procedures for the accounting and reporting of the payments required from racetrack gaming facility managers under section 35, and amendments thereto, including the calculations required for such payments.

(b) Rules and regulations establishing the minimum and maximum number of electronic gaming machines allocated for placement at each racetrack gaming facility shall be adopted and published not later than 120 days after the effective date of this act. Such rules and regulations shall be subject to the following:

(1) At least 600 electronic gaming machines shall be allocated to and placed at each racetrack gaming facility.

(2) The total number of electronic gaming machines allocated to and placed at all racetrack gaming facilities in the state shall not exceed 2,800. Until lottery gaming facility management contracts for lottery gaming facilities in all gaming zones become binding, the total number of electronic gaming machines placed at all racetrack gaming facilities shall not exceed 2,200. When lottery gaming facility management contracts for lottery gaming facilities in all gaming zones have become binding, the lottery commission shall take privilege fee bids from the lottery gaming facility manager and racetrack gaming facility manager in each gaming zone for the remaining electronic gaming machines allocated to but not yet placed at the racetrack gaming facility in such zone. The minimum bid shall be a privilege fee of \$2,500 per electronic gaming machine. If the racetrack gaming facility manager submits the highest bid, the lottery commission shall place the remaining electronic gaming machines at the racetrack gaming facility. If the lottery gaming facility manager submits the highest bid, the commission shall not place any additional electronic gaming machines at the racetrack gaming facility.

(3) In addition to any privilege fee paid pursuant to paragraph (2), each racetrack gaming facility manager shall pay a privilege fee of \$2,500 for each electronic gaming machine placed at the racetrack gaming facility for which a privilege fee is not paid pursuant to paragraph (2).

(4) The racetrack gaming facility manager shall pay the privilege fees provided by this subsection to the executive director, who shall remit the entire amount to the state treasurer in accordance with K.S.A. 75-4215, and amendments thereto. Upon receipt of the remittance, the state treasurer shall deposit the entire amount in the state treasury and credit it to the expanded lottery act revenues fund.

New Sec. 14. (a) All information and data required to be furnished to the Kansas lottery or the Kansas racing and gaming commission pursuant to sections 10 through 16, and amendments thereto, or which may otherwise be obtained, relative to the finances, earnings or revenue, except the net electronic gaming machine income, of any vendor shall be considered confidential and shall not be revealed in whole or in part without permission of the vendor, except (1) in the course of the necessary administration of the Kansas expanded lottery act, (2) upon the lawful order of a court of competent jurisdiction or (3) to a duly authorized law enforcement agency.

(b) All information and data pertaining to a vendor's criminal record, family and background furnished to or obtained by the Kansas lottery or Kansas racing and gaming commission pursuant to sections 10 through 16, and amendments thereto, from any source shall be considered confidential and shall not be revealed, in whole or part. Such information shall be released upon the lawful order of a court of competent jurisdiction or to a duly authorized law enforcement agency.

(c) Notice of the contents of any information released, except to a duly authorized law enforcement agency pursuant to this section, shall be given to any applicant, certificate holder or vendor in a manner prescribed by the rules and regulations adopted by the commission.

New Sec. 15. (a) Except as provided in subsection (b):

(1) No electronic gaming machines shall be operated 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 conducts at such location at least 100 live greyhound races each calendar week for the number of weeks raced during calendar year 2003 with at least 13 live races conducted each day for not less than five days per week.

(2) No electronic gaming machines shall be operated 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 conducts live horse racing programs for at least 60 days, with at least 10 live races conducted each program, and must offer and make a reasonable effort to conduct a minimum number of three live races restricted for quarter horses each day and seven live thoroughbred races each day, of which not less than two races each day shall be limited to registered Kansas-bred horses apportioned in the same ratio that live races are offered, except that the licensee shall not be required to conduct the second live race restricted to Kansas-bred horses unless there are at least seven qualified entries for such race, and with at least 100 live greyhound races each calendar week for at least the same number of weeks raced during calendar year 2003, with at least 13 live races conducted each day for not less than five days per week.

(3) No electronic gaming machines shall be operated 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 conducts at such location at least 85 live greyhound races each calendar week for the number of weeks raced during calendar year 2003 in Sedgwick county, with at least 12 live races conducted each day for not less than five days per week.

(4) If a parimutuel licensee has not held live races pursuant to a schedule approved by the Kansas racing and gaming commission in the preceding 12 months, the Kansas racing and gaming commission shall hold a hearing to determine the number of days of live racing required for the remaining days of the first calendar year of operation to qualify for operation of electronic gaming machines. At such hearing, the commission shall receive testimony and evidence from affected breed groups, the licensee and others, as the Kansas racing and gaming commission deems appropriate concerning the schedule of live race days. The operation of electronic gaming machines shall not commence more than 90 days prior to the start of live racing at such facility.

(b) The Kansas racing and gaming commission may not grant exceptions to the requirements of subsection (a) for a parimutuel licensee conducting live racing unless such exception is in the form of an agreement which: (1) Is between the parimutuel licensee and the affected recognized greyhound or recognized horsemen's group, as defined in K.S.A. 74-8802, and amendments thereto; (2) has been approved by the appropriate official breed registering agencies; and (3) has been submitted to and approved by the commission. In the case of emergencies, weather related issues or immediate circumstances beyond the control of the licensee, the Kansas racing and gaming commission may grant an exception.

New Sec. 16. (a) Net electronic gaming machine income from a racetrack gaming facility shall be distributed as follows:

(1) To the racetrack gaming facility manager, an amount equal to 25% of net electronic gaming machine income;

(2) 7% of net electronic gaming machine income shall be credited to the live horse racing purse supplement fund established by section 36, and amendments thereto, except that the amount of net electronic gaming machine income credited to the fund during any fiscal year from electronic gaming machines at a racetrack gaming facility shall not exceed an amount equal to the average of \$3,750 per electronic gaming machine at each location and any moneys in excess of such amount shall be distributed between the state and the racetrack gaming facility manager in accordance with the racetrack gaming facility management contract;

(3) 7% of net electronic gaming machine income shall be credited to the live greyhound racing purse supplement fund established by section 36, and amendments thereto, except that the amount of net electronic gaming machine income credited to the fund during any fiscal year from electronic gaming machines at a racetrack gaming facility shall not exceed an amount equal to the average of \$3,750 per electronic gaming machine at each location and any moneys in excess of such amount shall be distributed between the state and the racetrack gaming facility manager in

accordance with the racetrack gaming facility management contract;

(4) (A) if the racetrack gaming facility is located in the northeast Kansas gaming zone and is not located within a city, include a provision for payment of an amount equal to 3% of the racetrack gaming facility revenues to the county in which the racetrack gaming facility is located; or (B) if the racetrack gaming facility is located in the northeast Kansas gaming zone and is located within a city, include provision for payment of an amount equal to 1.5% of the racetrack gaming facility revenues to the city in which the racetrack gaming facility is located and an amount equal to 1.5% of such revenues to the county in which such facility is located;

(5) (A) if the racetrack gaming facility is located in the southeast or south central Kansas gaming zone and is not located within a city, include a provision for payment of an amount equal to 2% of the racetrack gaming facility revenues to the county in which the racetrack gaming facility is located and an amount equal to 1% of such revenues to the other county in such zone; or (B) if the racetrack gaming facility is located in the southeast or south central Kansas gaming zone and is located within a city, provide for payment of an amount equal to 1% of the racetrack gaming facility revenues to the city in which the racetrack gaming facility is located, an amount equal to 1% of such revenues to the county in which such facility is located and an amount equal to 1% of such revenues to the other county in such zone;

(6) 2% of net electronic gaming machine income shall be credited to the problem gambling and addictions grant fund established by K.S.A. 2006 Supp. 79-4805, and amendments thereto;

(7) 1% of net electronic gaming machine income shall be credited to the Kansas horse fair racing benefit fund established by K.S.A. 74-8838, and amendments thereto;

(8) 40% of net electronic gaming machine income shall be credited to the expanded lottery act revenues fund; and

(9) 15% of electronic gaming machine income shall be used for gaming expenses, subject to agreement between the Kansas lottery and the racetrack gaming facility manager.

(b) A racetrack gaming facility management contract may include provisions for a parimutuel licensee or any other entity to pay the parimutuel licensee's expenses related to electronic gaming machines, as the executive director deems appropriate, subject to the requirements of subsection (a)(9).

New Sec. 17. The Kansas lottery commission, upon the recommendation of the executive director, shall adopt rules and regulations necessary to carry out the purposes of this act. Temporary rules and regulations may be adopted by the commission without being subject to the provisions and requirements of K.S.A. 77-415 through 77-438, and amendments thereto, but shall be subject to approval by the attorney general as to legality and shall be filed with the secretary of state and published in the Kansas register.

New Sec. 18. (a) Electronic gaming machines operated pursuant to this act, including those operated as lottery facility games, shall:

(1) Pay out an average of not less than 87% of the amount wagered over the life of the machine;

(2) be directly linked to a central lottery communications system to provide monitoring, auditing and other available program information to the Kansas lottery;

(3) be on-line and in constant communication with a central computer situated at a location determined by the executive director and specified in the lottery gaming facility or racetrack gaming facility management contract; and

(4) be subject to deactivation at any time by order of the executive director.

(b) The communications systems selected by the executive director shall not limit participation to only one electronic gaming machine manufacturer, distributor, supplier or provider. The lottery gaming facility manager or racetrack gaming facility manager shall lease or purchase for the Kansas lottery and at such gaming facility manager's expense all equipment necessary to implement such central communications and auditing functions.

New Sec. 19. (a) Each specific type of electronic gaming machine and lottery facility game shall be approved by the Kansas racing and gam-

ing commission. The Kansas racing and gaming commission shall examine prototypes of electronic gaming machines and lottery facility games and shall notify the lottery gaming facility manager or racetrack gaming facility manager which types of electronic gaming machines or lottery facility games are in compliance with the requirements of this act. The use of progressive electronic gaming machines is expressly permitted.

(b) No electronic gaming machine or lottery facility game shall be operated pursuant to this act unless the executive director of the racing and gaming commission first issues a certificate for such machine or game authorizing its use at a specified location. Each electronic gaming machine and lottery facility game shall have such certificate prominently displayed thereon. Any electronic gaming machine or lottery facility game which does not display the certificate required by this section is contraband and a public nuisance subject to confiscation by any law enforcement officer.

(c) The executive director of the racing and gaming commission shall require any manufacturer, supplier, provider, lottery gaming facility manager, racetrack gaming facility manager or other person seeking the examination and certification of electronic gaming machines or lottery facility games to pay the anticipated actual costs of the examination in advance. After the completion of the examination, the executive director of the Kansas racing and gaming commission shall refund any overpayment or charge and collect amounts sufficient to reimburse the executive director for any underpayment of actual costs. The executive director of the Kansas racing and gaming commission may contract for the examination of electronic gaming machines and lottery facility games required by this section, and may rely upon testing done by or for other states regulating electronic gaming machines or lottery facility games, if the executive director deems such testing to be reliable and in the best interest of the state of Kansas.

(d) The executive director of the Kansas lottery or the executive director of the Kansas racing and gaming commission may remove from play and confiscate any electronic gaming machine or gray machine that does not comply with the requirements of the Kansas expanded lottery act. Any electronic gaming machine that the executive director or the executive director of the racing and gaming commission determines has been modified or the design of which has been modified without the consent of the executive director of the Kansas lottery may be removed from play, confiscated by either such executive director and disposed of in any manner allowed by law.

New Sec. 20. The Kansas racing and gaming commission, through rules and regulations, shall establish:

(a) A certification requirement, and enforcement procedure, for officers, directors, key employees and persons directly or indirectly owning a 0.5% or more interest in a lottery gaming facility manager or racetrack gaming facility manager. Such certification requirement shall include compliance with such security, fitness and background investigations and standards as the executive director of the Kansas racing and gaming commission deems necessary to determine whether such person's reputation, habits or associations pose a threat to the public interest of the state or to the reputation of or effective regulation and control of the lottery gaming facility or racetrack gaming facility. Any person convicted of any felony, a crime involving gambling or a crime of moral turpitude prior to applying for a certificate hereunder or at any time thereafter shall be deemed unfit. The Kansas racing and gaming commission shall conduct the security, fitness and background checks required pursuant to this subsection. Certification pursuant to this subsection shall not be assignable or transferable;

(b) a certification requirement, and enforcement procedure, for those persons, including electronic gaming machine manufacturers, technology providers and computer system providers, who propose to contract with a lottery gaming facility manager, a racetrack gaming facility manager or the state for the provision of goods or services related to a lottery gaming facility or racetrack gaming facility, including management services. Such certification requirements shall include compliance with such security, fitness and background investigations and standards of officers, directors, key gaming employees and persons directly or indirectly owning a 0.5% or more interest in such entity as the executive director of the Kansas racing and gaming commission deems necessary to determine

whether such person's reputation, habits and associations pose a threat to the public interest of the state or to the reputation of or effective regulation and control of the lottery gaming facility or racetrack gaming facility. Any person convicted of any felony, a crime involving gambling or a crime of moral turpitude prior to applying for a certificate hereunder or at any time thereafter shall be deemed unfit. If the executive director of the racing and gaming commission determines the certification standards of another state are comprehensive, thorough and provide similar adequate safeguards, the executive director may certify an applicant already certified in such state without the necessity of a full application and background check. The Kansas racing and gaming commission shall conduct the security, fitness and background checks required pursuant to this subsection. Certification pursuant to this subsection shall not be assignable or transferable;

(c) provisions for revocation of a certification required by subsection (a) or (b) upon a finding that the certificate holder, an officer or director thereof or a person directly or indirectly owning a 0.5% or more interest therein: (1) Has knowingly provided false or misleading material information to the Kansas lottery or its employees; or (2) has been convicted of a felony, gambling related offense or any crime of moral turpitude; and

(d) provisions for suspension, revocation or nonrenewal of a certification required by subsection (a) or (b) upon a finding that the certificate holder, an officer or director thereof or a person directly or indirectly owning a 0.5% or more interest therein: (1) Has failed to notify the Kansas lottery about a material change in ownership of the certificate holder, or any change in the directors or officers thereof; (2) is delinquent in remitting money owed to the Kansas lottery; (3) has violated any provision of any contract between the Kansas lottery and the certificate holder; or (4) has violated any provision of the Kansas expanded lottery act or any rule and regulation adopted hereunder.

New Sec. 21. (a) The executive director of the Kansas lottery and the executive director of the Kansas racing and gaming commission, or their designees, may observe and inspect all electronic gaming machines, lottery facility games, lottery gaming facilities, racetrack gaming facilities and all related equipment and facilities operated by a lottery gaming facility manager or racetrack gaming facility manager.

(b) In addition to any other powers granted pursuant to this act, the executive director of the racing and gaming commission shall have the power to:

(1) Examine, or cause to be examined by any agent or representative designated by such executive director, any books, papers, records or memoranda of any lottery gaming facility manager or racetrack gaming facility manager, or of any business involved in electronic gaming machines or lottery facility games authorized pursuant to the Kansas expanded lottery act, for the purpose of ascertaining compliance with any provision of the Kansas lottery act, the Kansas expanded lottery act, or any rules and regulations adopted thereunder;

(2) investigate alleged violations of the Kansas expanded lottery act and alleged violations of any rules and regulations, orders and final decisions of the Kansas lottery commission, the executive director of the Kansas lottery, the Kansas racing and gaming commission or the executive director of the Kansas racing and gaming commission;

(3) request a court to issue subpoenas to compel access to or for the production of any books, papers, records or memoranda in the custody or control of any lottery gaming facility manager or racetrack gaming facility manager related to the management of the lottery gaming facility or racetrack gaming facility, or to compel the appearance of any lottery gaming facility manager or racetrack gaming facility manager for the purpose of ascertaining compliance with the provisions of the Kansas lottery act and the Kansas expanded lottery act or rules and regulations adopted thereunder;

(4) inspect and approve, prior to publication or distribution, all advertising by a lottery gaming facility manager or racetrack gaming facility manager which includes any reference to the Kansas lottery; and

(5) take any other action as may be reasonable or appropriate to enforce the provisions of the Kansas expanded lottery act and any rules and regulations, orders and final decisions of the executive director of the Kansas lottery, the Kansas lottery commission, the executive director of the Kansas racing and gaming commission or the Kansas racing and gaming commis-

sion.

(c) Appropriate security measures shall be required in any and all areas where electronic gaming machines and other lottery facility games authorized pursuant to the Kansas expanded lottery act are located or operated. The executive director of the Kansas racing and gaming commission shall approve all such security measures.

(d) The executive director of the Kansas racing and gaming commission shall require an annual audit of the operations of each lottery gaming facility and ancillary lottery gaming facility operations and each racetrack gaming facility as determined by the commission. Such audit shall be conducted by the Kansas racing and gaming commission or a licensed accounting firm approved by the executive director of the Kansas racing and gaming commission and shall be conducted at the expense of the lottery gaming facility manager or racetrack facility manager.

(e) None of the information disclosed pursuant to subsection (b) or (d) shall be subject to disclosure under the Kansas open records act, K.S.A. 45-216 et seq., and amendments thereto.

New Sec. 22. (a) No revenue bonds, tax increment financing or similar financing shall be used to finance any part of any lottery gaming enterprise or any racetrack gaming facility.

(b) No state or local tax abatement shall apply to any part of any lottery gaming enterprise or any racetrack gaming facility.

New Sec. 23. Each lottery gaming facility manager and each racetrack gaming facility manager shall hold the executive director, the commission and the state harmless from and defend any and all claims which may be asserted against the executive director, the commission and the state, or the agents or employees thereof, arising from the operation of electronic gaming machines, lottery facility games or other lottery-type games pursuant to the Kansas expanded lottery act. This section may be satisfied by procurement of insurance by the lottery gaming facility manager or racetrack gaming facility manager, naming the executive director, the commission and the state as additional insured parties. Procurement of such insurance by a lottery gaming facility manager shall be a lottery gaming facility expense of the lottery gaming facility and procurement of such insurance by a racetrack gaming facility manager shall be a racetrack gaming facility expense of the racetrack gaming facility. The provisions of this section shall not apply to any claims arising from a negligent act or omission or willful or malicious misconduct of the executive director, the commission or the state, or the agents or employees thereof.

New Sec. 24. As a condition precedent to contracting for the privilege of being a lottery gaming facility manager or a racetrack gaming facility manager, such manager shall file with the secretary of state of this state a written and irrevocable consent that any action or garnishment proceeding may be commenced against such manager in the proper court of any county in this state by the service of process on a resident agent, and stipulating and agreeing that such service shall be valid and binding as if service had been made upon such manager. Such written consent shall state that the courts of this state have jurisdiction over the person of the lottery gaming facility manager or racetrack gaming facility manager and are the proper and convenient forum for such action and shall waive the right to request a change of jurisdiction or venue to a court outside this state and that all actions arising under this act and commenced by such manager shall be brought in this state's courts as the proper and convenient forum. Such consent shall be executed by the lottery gaming facility manager or racetrack gaming facility manager and, if a corporation, by the president and secretary of such corporate manager. Such consent shall be accompanied by a certified copy of the order or resolution of the board of directors, trustees or managers authorizing the president and secretary to execute the same.

New Sec. 25. (a) Wagers shall be received only from a person at the location where the electronic gaming machine or lottery facility game is authorized pursuant to the Kansas expanded lottery act. No person present at such location shall place or attempt to place a wager on behalf of another person who is not present at such location.

(b) No employee or contractor of, or other person who has any legal affiliation with, a racetrack gaming facility manager shall loan money to or otherwise extend credit to patrons of the parimutuel licensee.

(c) No employee or contractor of, or other person who has any legal affiliation with, a lottery gaming facility manager shall loan money to or

otherwise extend credit to patrons of a lottery gaming facility.

(d) Violation of this section is a class A nonperson misdemeanor upon a conviction for a first offense. Violation of this section is a severity level 9, nonperson felony upon conviction for a second or subsequent offense.

New Sec. 26. (a) A person less than 21 years of age shall not be permitted in an area where electronic gaming machines or lottery facility games are being conducted, except for a person at least 18 years of age who is an employee of the lottery gaming facility manager or the racetrack gaming facility manager. No employee under age 21 shall perform any function involved in gaming by the patrons.

(b) No person under age 21 shall play or make a wager on an electronic gaming machine game or a lottery facility game.

New Sec. 27. (a) Except as authorized in subsection (c), it is unlawful for any racetrack gaming facility manager, or any employee or agent thereof, to allow any person to play an electronic gaming machine game at a racetrack gaming facility, or share in winnings of such person, knowing such person to be:

- (1) Less than 21 years of age;
- (2) the executive director of the Kansas lottery, a member of the Kansas lottery commission or an employee of the Kansas lottery;
- (3) the executive director, a member or an employee of the Kansas racing and gaming commission;
- (4) an officer or employee of a vendor contracting with the Kansas lottery to supply gaming equipment or tickets to the Kansas lottery for use in the operation of any lottery conducted pursuant to the Kansas expanded lottery act;
- (5) an employee or agent of the racetrack gaming facility manager;
- (6) a spouse, child, stepchild, brother, stepbrother, sister, stepsister, parent or stepparent of a person described by subsection (a)(2), (a)(3), (a)(4) or (a)(5); or
- (7) a person who resides in the same household as any person described by subsection (a)(2), (a)(3), (a)(4) or (a)(5).

Violation of this subsection is a class A nonperson misdemeanor upon conviction for a first offense. Violation of this subsection is a severity level 9, nonperson felony upon conviction for the second or a subsequent offense.

(b) Except as authorized in subsection (c), it is unlawful for any lottery gaming facility manager, or its employees or agents, to allow any person to play electronic gaming machines or lottery facility games at a lottery gaming facility or share in winnings of such person knowing such person to be:

- (1) Under 21 years of age;
- (2) the executive director of the Kansas lottery, a member of the Kansas lottery commission or an employee of the Kansas lottery;
- (3) the executive director, a member or an employee of the Kansas racing and gaming commission;
- (4) an employee or agent of the lottery gaming facility manager;
- (5) an officer or employee of a vendor contracting with the Kansas lottery to supply gaming equipment to the Kansas lottery for use in the operation of any electronic gaming machine or lottery facility game conducted pursuant to the Kansas expanded lottery act;
- (6) a spouse, child, stepchild, brother, stepbrother, sister, stepsister, parent or stepparent of a person described in subsection (b)(2), (b)(3), (b)(4) or (b)(5); or
- (7) a person who resides in the same household as any person described by subsection (b)(2), (b)(3), (b)(4) or (b)(5).

Violation of this subsection is a class A nonperson misdemeanor upon conviction for a first offense. Violation of this subsection is a severity level 9, nonperson felony upon conviction for a second or subsequent offense.

(c) The executive director of the Kansas racing and gaming commission may authorize in writing any employee of the Kansas racing and gaming commission and any employee of a lottery vendor to play an electronic gaming machine game or a lottery facility game to verify the proper operation thereof with respect to security and contract compliance. Any prize awarded as a result of such ticket purchase shall become the property of the Kansas lottery and be added to the prize pools of subsequent electronic gaming machine games or lottery facility games. No money or merchandise shall be awarded to any employee playing an electronic gaming machine game or a lottery facility game pursuant to this subsection.

New Sec. 28. Except for persons acting in accordance with rules and regulations of the Kansas racing and gaming commission or by written authority of the executive director of the Kansas racing and gaming commission in performing installation, maintenance and repair services, any person who, with the intent to manipulate the outcome, pay out or operation of an electronic gaming machine game or a lottery facility game, manipulates by physical, electrical or mechanical means the outcome, pay out or operation of such game shall be guilty of a severity level 8, non-person felony.

New Sec. 29. (a) Except in accordance with rules and regulations of the Kansas racing and gaming commission or by written authority from the executive director of the Kansas racing and gaming commission in performing installation, maintenance, inspection and repair services, it is a class A nonperson misdemeanor for the following to place a wager on or play an electronic gaming machine game or a lottery facility game at a lottery gaming facility in this state: The executive director of the Kansas lottery, a member of the Kansas lottery commission or any employee or agent of the Kansas lottery; the executive director, a member or any employee or agent of the Kansas racing and gaming commission; or the lottery gaming facility manager or any employee of the lottery gaming facility manager.

(b) Except in accordance with rules and regulations of the Kansas racing and gaming commission or by written authority from the executive director of the Kansas racing and gaming commission in performing installation, maintenance, inspection and repair services, it is a class A non-person misdemeanor for the following to place a wager on or play an electronic gaming machine at a racetrack gaming facility in this state: The executive director of the Kansas lottery, a member of the Kansas lottery commission or any employee or agent of the Kansas lottery; the executive director, a member or any employee or agent of the Kansas racing and gaming commission; or the racetrack gaming facility manager or any employee of the racetrack gaming facility manager.

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

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

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

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

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

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

New Sec. 31. (a) As used in this section:

(1) "Affiliated person" means:

(A) Any member of the immediate family of a state or local official;
or

(B) any partnership, firm, corporation or limited liability company with which a state or local official is associated or in which a state or local official has an interest, or any partner, officer, director or employee thereof while the state or local official is associated with such partnership, firm, corporation or company.

(2) "State or local official" means any person who, on or after January 9, 2006, is:

(A) Any state officer or employee required to file a written statement of substantial interests pursuant to the state governmental ethics law and any other state officer or employee with responsibility for matters affecting activities or operations of any lottery gaming facility or racetrack gaming facility;

(B) the governor or any full-time professional employee of the office of the governor;

(C) any member of the legislature and any full-time professional employee of the legislature;

(D) any justice of the supreme court, judge of the court of appeals or judge of the district court;

(E) the head of any state agency, the assistant or deputy heads of any state agency, or the head of any division within a state agency; or

(F) any member of the governing body of a city or county where a lottery gaming facility or racetrack gaming facility is located; any municipal or county judge of such city or county; any city, county or district attorney of such city or county; and any member of or attorney for the planning board or zoning board of such city or county and any professional planner or consultant regularly employed or retained by such planning board or zoning board.

(b) No state or local official or affiliated person shall hold, directly or indirectly, an interest in, be employed by, represent or appear for a lottery gaming facility or racetrack gaming facility, or for any lottery gaming facility manager or racetrack gaming facility manager, or any holding or intermediary company with respect thereto, in connection with any cause, application or matter.

No state or local official or affiliated person shall represent, appear for or negotiate on behalf of any person submitting a proposal for a lottery gaming facility or racetrack gaming facility, or on behalf of any lottery gaming facility manager or racetrack gaming facility manager, or any holding or intermediary company with respect thereto, in connection with any cause, application or matter.

(c) No state or local official or affiliated person, within five years immediately subsequent to the termination of the office or employment of the official, shall hold, directly or indirectly, an interest in, be employed by or represent, appear for or negotiate on behalf of any person submitting a proposal for a lottery gaming facility or racetrack gaming facility, or on behalf of any lottery gaming facility manager or racetrack gaming facility manager, in connection with any cause, application or matter, or on behalf of any holding or intermediary company with respect thereto, in connection with any phase of development of a lottery gaming facility or racetrack gaming facility or any other matter whatsoever related to activities or operations of a lottery gaming facility or racetrack gaming facility.

(d) No state or local official shall solicit or accept, directly or indirectly, any complimentary service or discount from any person submitting a proposal for a lottery gaming facility or racetrack gaming facility, or from any lottery gaming facility manager or racetrack gaming facility manager, which such official knows or has reason to know is other than a service or discount that is offered to members of the general public in like circumstance.

(e) No state or local official shall influence, or attempt to influence, by use of official authority, the decision of the Kansas lottery commission, lottery gaming facility review board or Kansas racing and gaming commission pursuant to this act; the investigation of a proposal for a lottery gaming facility or racetrack gaming facility pursuant to this act; or any proceeding to enforce the provisions of this act or rules and regulations of the Kansas lottery commission or Kansas racing and gaming commission. Any such attempt shall be reported promptly to the attorney general.

(f) Willful violation of this section is a class A misdemeanor.

New Sec. 32. Each person subject to a background check pursuant to the Kansas expanded lottery act shall be subject to a state and national criminal history records check which conforms to applicable federal standards for the purpose of verifying the identity of the applicant and whether the person has been convicted of any crime that would disqualify the person from engaging in activities pursuant to this act. The executive director is authorized to use the information obtained from the national criminal history record check to determine the person's eligibility to engage in such activities.

New Sec. 33. Each lottery gaming facility manager and each racetrack gaming facility manager shall post one or more signs at the location where such manager operates electronic gaming machines or lottery facility games to inform patrons of the toll-free number available to provide information and referral services regarding compulsive or problem gambling. The text shall be determined by the executive director of the Kansas racing and gaming commission. Failure by a lottery gaming facility manager or racetrack gaming facility manager to post and maintain such signs shall be cause for the imposition of a fine not to exceed \$500 per day.

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

New Sec. 35. (a) There is hereby established in the state treasury the expanded lottery receipts fund. Separate accounts shall be maintained in such fund for receipt of moneys from each lottery gaming facility manager and racetrack gaming facility manager. All expenditures from the fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the executive director for the purposes set forth in this act.

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

(c) The executive director shall certify weekly to the director of accounts and reports the percentages or amounts to be transferred from each account maintained in the expanded lottery receipts fund to the expanded lottery act revenues fund, the live horse racing supplement fund, the live greyhound racing purse supplement fund and the problem gambling and addictions grant fund, as provided by the lottery gaming facility management contract or section 16, and amendments thereto. Upon receipt of the certification, the director of accounts and reports shall transfer amounts from each such account in accordance with the certification of the executive director. Once each month, the executive director shall cause amounts from each such account to be paid to cities, counties and lottery gaming facility managers in accordance with the lottery gaming facility management contract and to racetrack gaming facility managers in accordance with section 16, and amendments thereto.

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

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

(2) Twenty-five percent of all moneys credited to the live horse racing purse supplement fund shall be transferred to the Kansas horse breeding development fund created pursuant to K.S.A. 74-8829, and amendments thereto. Two percent of the moneys credited to the live horse racing purse supplement fund shall be distributed to the official registering agency designated pursuant to K.S.A. 74-8830, and amendments thereto, to be used for horse registration, administration, development, representation and promotion of the Kansas horse racing and breeding industries. A

complete financial accounting for the use of the funds received pursuant to this subsection shall be provided annually to the Kansas racing and gaming commission. Fifty percent of the moneys credited to the Kansas horse breeding development fund pursuant to this section shall be used as purse supplements for registered Kansas-bred foals and distributed based upon recommendation from the official horse breed registering agency and approval of the Kansas racing and gaming commission. The balance of funds credited to the Kansas horse breeding development fund pursuant to this section shall be used as breed awards for registered Kansas-bred broodmares and stallions. The Kansas racing and gaming commission shall distribute such moneys credited to the Kansas horse breeding development fund in accordance with K.S.A. 74-8829, and amendments thereto.

(3) Based on the contribution to the Kansas horse racing and breeding industries in Kansas, the balance in the live horse race purse supplement fund shall be distributed in accordance with rules and regulations adopted by the Kansas racing and gaming commission with recommendations by the official registering agency designated pursuant to K.S.A. 74-8830, and amendments thereto.

(b) There is hereby established in the state treasury the live greyhound racing purse supplement fund. Moneys available in such fund shall be paid to the 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 25% of the total amount credited to such fund shall be transferred to the credit of the Kansas greyhound breeding development fund, created pursuant to K.S.A. 74-8831, and amendments thereto. Moneys transferred into the Kansas greyhound breeding development fund pursuant to this section shall be used to supplement special stake races and enhance the amount per point paid to the owners of Kansas-whelped greyhounds which win live races at Kansas greyhound tracks in accordance with Kansas racing and gaming commission rules and regulations. Upon the recommendation of the official greyhound breed registry, the Kansas racing and gaming commission may transfer moneys from the Kansas greyhound breeding development fund to the live greyhound racing purse supplement fund.

(c) All purse supplements paid pursuant to this act shall be according to the point schedule in effect on January 1, 2003, at the respective parimutuel licensee locations. All purse supplements paid pursuant to this section shall be in addition to purses and supplements paid under K.S.A. 74-8801 et seq., and amendments thereto.

New Sec. 37. There is hereby created the expanded lottery act revenues fund in the state treasury. All expenditures and transfers from such fund shall be made in accordance with appropriation acts. All moneys credited to such fund shall be expended or transferred only for the purposes of reduction of state debt, state infrastructure improvements and reduction of local ad valorem tax in the same manner as provided for allocation of amounts in the local ad valorem tax reduction fund.

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

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

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

New Sec. 40. Pursuant to section 2 of the federal act entitled "An Act to Prohibit Transportation of Gambling Devices in Interstate and Foreign Commerce," 15 U.S.C. 1171 through 1777, the state of Kansas, acting by and through the duly elected and qualified members of the

legislature, does hereby in this section, and in accordance with and in compliance with the provisions of section 2 of such federal act, declare and proclaims that it is exempt from the provision of section 2 of such federal act to the extent that such gambling devices as described therein are being transported to or from the Kansas lottery or to or from a lottery gaming facility or racetrack gaming facility or a location within the state of Kansas where such gambling devices are authorized pursuant to the Kansas expanded lottery act.

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

(a) Promoting the integrity of the gaming and finances of lottery gaming facilities and racetrack gaming facilities and shall meet or exceed industry standards for monitoring and controlling the gaming and finances of lottery gaming facility operations and racetrack gaming facility operations and shall give the Kansas racing and gaming commission sufficient authority to monitor and control the gaming operation and to ensure its integrity and security;

(b) prescribing the on-site security arrangements for lottery gaming facilities and racetrack gaming facilities;

(c) requiring reporting of information about any lottery gaming facility manager or racetrack gaming facility manager, and its employees, vendors and finances, necessary or desirable to ensure the security of lottery gaming facility and racetrack gaming facility operations. None of the information disclosed pursuant to this subsection shall be subject to disclosure under the Kansas open records act;

(d) requiring reporting and auditing of financial information of lottery gaming facility managers and racetrack gaming facility managers, including, but not limited to, the reporting of profits or losses incurred by lottery gaming facility managers and racetrack gaming facility managers and the reporting of such other information as the Kansas racing and gaming commission requires to determine compliance with the Kansas expanded lottery act and rules and regulations adopted hereunder. None of the information disclosed pursuant to this subsection shall be subject to disclosure under the Kansas open records act; and

(e) provisions for oversight of all lottery gaming facility operations and racetrack gaming facility operations, including, but not limited to, oversight of internal controls; oversight of security of facilities; performance of background investigations, determination of qualifications and credentialing of employees, contractors and agents of lottery gaming facility managers, ancillary lottery gaming facility operations and racetrack gaming facilities; auditing of lottery gaming facility revenues and net electronic gaming machine income of racetrack gaming facilities; enforcement of all state laws; and maintenance of the integrity of lottery gaming facility and racetrack gaming facility operations.

New Sec. 42. The Kansas racing and gaming commission shall appoint or employ such officers and employees as the commission deems necessary to implement, administer and enforce the provisions of the Kansas expanded lottery act and may designate not more than 25 of such officers and employees to be in the unclassified service under the Kansas civil service act.

New Sec. 43. (a) A racetrack facility shall not be subject to subdivision regulations of a city but shall be subject to the Kansas fire prevention code adopted by the state fire marshal.

(b) This section shall be part of and supplemental to the Kansas pari-mutuel racing act.

Sec. 44. K.S.A. 74-8710 is hereby amended to read as follows: 74-8710. (a) The commission, upon the recommendation of the executive director, shall adopt rules and regulations governing the establishment and operation of a state lottery, *sales of lottery tickets and the operation of lottery gaming facilities and racetrack gaming facilities* as necessary to carry out the purposes of ~~this~~ *the Kansas lottery act and the Kansas expanded lottery act*. Temporary rules and regulations may be adopted by the commission without being subject to the provisions and requirements of K.S.A. 77-415 through 77-438, and amendments thereto, but shall be subject to approval by the attorney general as to legality and shall be filed with the secretary of state and published in the Kansas register. Tem-

porary and permanent rules and regulations may include but shall not be limited to:

(1) Subject to the provisions of subsection (c), the types of lottery games to be conducted, including, but not limited to, instant lottery, on-line ~~and~~ traditional games, *lottery facility games and electronic gaming machine games* but not including games on video lottery machines or lottery machines.

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

(3) The manner of payment of prizes to the holders of winning tickets or shares.

(4) The frequency of the drawings or selections of winning tickets or shares.

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

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

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

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

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

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

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

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

(13) *Rules and regulations to implement, administer and enforce the provisions of the Kansas expanded lottery act. Such rules and regulations shall include, but not be limited to, rules and regulations which govern management contracts and which are designed to (A) ensure the integrity of electronic gaming machines and other lottery facility games and the finances of lottery gaming facilities and racetrack gaming facilities and (B) alleviate problem gambling, including a requirement that each lottery gaming facility and each racetrack gaming facility maintain a self-exclusion list by which individuals may exclude themselves from access to electronic gaming machines and other lottery facility games.*

(14) *The types of electronic gaming machines, lottery facility games and electronic gaming machine games to be operated pursuant to the Kansas expanded lottery act.*

(b) No new lottery game shall commence operation after the effective date of this act unless first approved by the governor or, in the governor's absence or disability, the lieutenant governor. *This subsection shall not be construed to require approval of games played on an electronic gaming machine.*

(c) The lottery shall adopt rules and regulations concerning the game of keno. Such rules and regulations shall require that the amount of time which elapses between the start of games shall not be less than four minutes.

Sec. 45. K.S.A. 2006 Supp. 74-8711 is hereby amended to read as follows: 74-8711. (a) There is hereby established in the state treasury the lottery operating fund.

(b) Except as provided by K.S.A. 2006 Supp. 74-8724 *and the Kansas expanded lottery act*, and amendments thereto, the executive director shall remit all moneys collected from the sale of lottery tickets and shares and any other moneys received by or on behalf of the Kansas lottery to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the lottery operating fund. Moneys credited to the fund shall be expended or transferred only as provided by this act. Expenditures from such fund shall be made in accordance with appropriations acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the executive director or by a person designated by the executive director.

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

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

(2) the payment of compensation to lottery retailers;

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

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

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

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

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

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

(2) except for pull-tab lottery tickets and shares, an amount equal to not less than 30% of total monthly revenues from the sales of lottery tickets and shares less estimated returned tickets. In the case of pull-tab lottery tickets and shares, an amount equal to not less than 20% of the total monthly revenues from the sales of pull-tab lottery tickets and shares less estimated returned tickets.

Sec. 46. K.S.A. 74-8716 is hereby amended to read as follows: 74-8716. (a) It is unlawful for the executive director, a member of the commission or any employee of the Kansas lottery, or any person residing in the household thereof to:

(1) Have, either directly or indirectly, an interest in a business knowing that such business contracts with the Kansas lottery for a major procurement, whether such interest is as a natural person, partner, member of an association, stockholder or director or officer of a corporation; or

(2) accept or agree to accept any economic opportunity, gift, loan, gratuity, special discount, favor or service, or hospitality other than food and beverages, having an aggregate value of \$20 or more in any calendar year from a person knowing that such person (A) contracts or seeks to contract with the state to supply gaming equipment, materials, tickets or consulting services for use in the lottery or (B) is a lottery retailer or an applicant for lottery retailer.

(b) It is unlawful for a lottery retailer, an applicant for lottery retailer or a person who contracts or seeks to contract with the state to supply gaming equipment, materials, tickets or consulting services for use in the lottery to offer, pay, give or make any economic opportunity, gift, loan, gratuity, special discount, favor or service, or hospitality other than food and beverages, having an aggregate value of \$20 or more in any calendar year to a person, knowing such person is the executive director, a member of the commission or an employee of the Kansas lottery, or a person residing in the household thereof.

(c) *It shall be unlawful for any person to serve as executive director, a member of the commission or an employee of the Kansas lottery while or within five years after holding, either directly or indirectly, a financial interest or being employed by or a consultant to any of the following:*

(1) *Any lottery gaming facility manager, subcontractor or agent of a lottery gaming facility manager, manufacturer or vendor of electronic gaming machines or central computer system provider, or any business which sells goods or services to a lottery gaming facility manager; or*

(2) *any licensee pursuant to the Kansas parimutuel racing act, other than the Kansas lottery or a person holding a license on behalf of the Kansas lottery, or any business which sells goods or services to a parimutuel licensee.*

(d) *No person who holds a license issued by the Kansas racing and*

gaming commission shall serve as executive director or as a member of the commission or shall be employed by the Kansas lottery while or within five years after holding such license.

(e) No person shall participate, directly or indirectly, as an owner, owner-trainer or trainer of a horse or greyhound, or as a jockey of a horse, entered in a race meeting conducted in this state while executive director, a member of the commission or an employee of the Kansas lottery.

(f) It shall be unlawful for the executive director, a member of the commission or an employee of the Kansas lottery to accept any compensation, gift, loan, entertainment, favor or service from any lottery gaming facility manager, subcontractor or agent of a lottery gaming facility manager, manufacturer or vendor of electronic gaming machines or central computer system provider.

(g) It shall be unlawful for the executive director, a member of the commission or an employee of the Kansas lottery to accept any compensation, gift, loan, entertainment, favor or service from any licensee pursuant to the Kansas parimutuel racing act, except such suitable facilities and services within a racetrack facility operated by an organization licensee as may be required to facilitate the performance of the executive director's, member's or employee's official duties.

~~(e)~~ *(h) Violation of this section is a class A misdemeanor.*

~~(d)~~ *(i) If the executive director, a member of the commission or an employee of the Kansas lottery, or any person residing in the household thereof, is convicted of an act described by this section, such executive director, member or employee shall be removed from office or employment with the Kansas lottery.*

~~(e)~~ *(j) In addition to the provisions of this section, all other provisions of law relating to conflicts of interest of state employees shall apply to the members of the commission and employees of the Kansas lottery.*

Sec. 47. K.S.A. 74-8723 is hereby amended to read as follows: 74-8723. (a) The Kansas lottery and the office of executive director of the Kansas lottery, established by K.S.A. 74-8703, and amendments thereto, and the Kansas lottery commission, created by K.S.A. 74-8709, and amendments thereto, shall be and hereby are abolished on July 1, ~~2008~~ 2022.

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

Sec. 48. K.S.A. 2006 Supp. 74-8810 is hereby amended to read as follows: 74-8810. (a) It is a class A nonperson misdemeanor for any person to have a financial interest, directly or indirectly, in any racetrack facility within the state of Kansas or in any host facility for a simulcast race displayed in this state:

(1) While such person is executive director or a member of the commission or during the five years immediately following such person's term as executive director or member of the commission; or

(2) while such person is an officer, director or member of an organization licensee, other than a fair association or horsemen's nonprofit organization, or during the five years immediately following the time such person is an officer, director or member of such an organization licensee.

(b) It is a class A nonperson misdemeanor for any person to hold any paid position with any facility manager licensee, facility owner licensee or organization licensee or to have any financial interest, directly or indirectly, in any racetrack facility within the state of Kansas:

(1) While such person is a member of the Kansas legislature or during the five years immediately following such person's term as such member; or

(2) if such person is (A) the spouse of a member of the Kansas legislature, (B) the spouse of a person who has been a member of the Kansas legislature during the preceding five years or (C) one of the following blood-relatives, half-relatives or step-relatives of a member of the Kansas legislature or a person who has been a member of the Kansas legislature during the preceding five years: Parent, grandparent, brother, sister, child, son-in-law, daughter-in-law, grandchild, uncle, aunt, parent-in-law, brother-in-law or sister-in-law.

~~(b)~~ *(c) It is a class A nonperson misdemeanor for any member, employee or appointee of the commission, including stewards and racing judges, to knowingly:*

(1) Participate in the operation of or have a financial interest in any business which has been issued a concessionaire license, racing or wa-

gering equipment or services license, facility owner license or facility manager license, or any business which sells goods or services to an organization licensee;

(2) participate directly or indirectly as an owner, owner-trainer or trainer of a horse or greyhound, or as a jockey of a horse, entered in a race meeting conducted in this state;

(3) place a wager on an entry in a horse or greyhound race conducted by an organization licensee; or

(4) accept any compensation, gift, loan, entertainment, favor or service from any licensee, except such suitable facilities and services within a racetrack facility operated by an organization licensee as may be required to facilitate the performance of the member's, employee's or appointee's official duties.

~~(c)~~ (d) (1) Except as provided in paragraph (2), it is a class A nonperson misdemeanor for any member, employee or appointee of the commission, or any spouse, parent, grandparent, brother, sister, child, son-in-law, daughter-in-law, grandchild, uncle, aunt, parent-in-law, brother-in-law or sister-in-law thereof, to:

(A) Hold any license issued by the commission, except that a steward or racing judge shall hold an occupation license to be such a steward or judge; or

(B) enter into any business dealing, venture or contract with an owner or lessee of a racetrack facility in Kansas.

(2) This subsection shall not apply to any racing judge holding an occupation license, if such racing judge is employed at a racetrack facility and such racing judge's relative, as listed above, is a licensed owner, owner-trainer or trainer of a greyhound that races at a different racetrack facility.

~~(d)~~ (e) It is a class A nonperson misdemeanor for any officer, director or member of an organization licensee, other than a fair association or horsemen's nonprofit organization, to:

(1) Receive, for duties performed as an officer or director of such licensee, any compensation or reimbursement or payment of expenses in excess of the amounts provided by K.S.A. 75-3223 and amendments thereto for board members' compensation, mileage and expenses; or

(2) enter into any business dealing, venture or contract with the organization licensee or, other than in the capacity of an officer or director of the organization licensee, with a facility owner licensee, facility manager licensee, racing or wagering equipment or services license or concessionaire licensee, or with any host facility for a simulcast race displayed in this state.

~~(e)~~ (f) It is a class A nonperson misdemeanor for any facility owner licensee or facility manager licensee, other than a horsemen's association, or any officer, director, employee, stockholder or shareholder thereof or any person having an ownership interest therein, to participate directly or indirectly as an owner, owner-trainer or trainer of a horse or greyhound, or as a jockey of a horse, entered in a live race conducted in this state.

~~(f)~~ (g) It is a class A nonperson misdemeanor for any licensee of the commission, or any person who is an officer, director, member or employee of a licensee, to place a wager at a racetrack facility located in Kansas on an entry in a horse or greyhound race if:

(1) The commission has by rules and regulations designated such person's position as a position which could influence the outcome of such race or the parimutuel wagering thereon; and

(2) such race is conducted at or simulcast to the racetrack facility where the licensee is authorized to engage in licensed activities.

~~(g)~~ (h) It is a class B nonperson misdemeanor for any person to use any animal or fowl in the training or racing of racing greyhounds.

~~(h)~~ (i) It is a class A nonperson misdemeanor for any person to:

(1) Sell a parimutuel ticket or an interest in such a ticket to a person knowing such person to be under ~~18~~ 21 years of age, upon conviction of the first offense;

(2) accept, transmit or deliver, from a person outside a racetrack facility, anything of value to be wagered in any parimutuel system of wagering within a racetrack facility, upon conviction of the first offense;

(3) administer or conspire to administer any drug or medication to a horse or greyhound within the confines of a racetrack facility in violation of rules and regulations of the commission, upon conviction of the first

offense;

(4) possess or conspire to possess, within the confines of a racetrack facility, any drug or medication for administration to a horse or greyhound in violation of rules and regulations of the commission, upon conviction of the first offense;

(5) possess or conspire to possess, within the confines of a racetrack facility, equipment for administering drugs or medications to horses or greyhounds in violation of rules and regulations of the commission, upon conviction of the first offense;

(6) enter any horse or greyhound in any race knowing such horse or greyhound to be ineligible to compete in such race pursuant to K.S.A. 74-8812 and amendments thereto; or

(7) prepare or cause to be prepared an application for registration of a horse pursuant to K.S.A. 74-8830 and amendments thereto knowing that such application contains false information.

↔ (j) It is a severity level 8, nonperson felony for any person to:

(1) Sell a parimutuel ticket or an interest in such a ticket to a person knowing such person to be under ~~18~~ 21 years of age, upon conviction of the second or a subsequent offense;

(2) accept, transmit or deliver, from any person outside a racetrack facility, anything of value to be wagered in any parimutuel system of wagering within a racetrack facility, upon the second or a subsequent conviction;

(3) conduct or assist in the conduct of a horse or greyhound race, or the display of a simulcast race, where the parimutuel system of wagering is used or is intended to be used and where no license has been issued to an organization to conduct or simulcast such race;

(4) enter any horse or greyhound in any race conducted by an organization licensee knowing that the class or grade in which such horse or greyhound is entered is not the true class or grade or knowing that the name under which such horse or greyhound is entered is not the name under which such horse or greyhound has been registered and has publicly performed;

(5) use or conspire to use any device, other than an ordinary whip for horses or a mechanical lure for greyhounds, for the purpose of affecting the speed of any horse or greyhound at any time during a race conducted by an organization licensee;

(6) possess or conspire to possess, within the confines of a racetrack facility, any device, other than an ordinary whip for horses or a mechanical lure for greyhounds, designed or intended to affect the speed of a horse or greyhound;

(7) administer or conspire to administer any drug or medication to a horse or greyhound within the confines of a racetrack facility in violation of rules and regulations of the commission, upon conviction of the second or a subsequent offense;

(8) possess or conspire to possess, within the confines of a racetrack facility, any drug or medication for administration to a horse or greyhound in violation of rules and regulations of the commission, upon conviction of the second or a subsequent offense;

(9) possess or conspire to possess, within the confines of a racetrack facility, equipment for administering drugs or medications to horses or greyhounds in violation of rules and regulations of the commission, upon conviction of the second or a subsequent offense;

(10) sponge the nostrils or windpipe of a horse for the purpose of stimulating or depressing such horse or affecting its speed at any time during a race meeting conducted by an organization licensee;

(11) alter or attempt to alter the natural outcome of any race conducted by, or any simulcast race displayed by, an organization licensee or transmit or receive an altered race or delayed broadcast race if parimutuel wagering is conducted or solicited after off time of the race;

(12) influence or attempt to influence, by the payment or promise of payment of money or other valuable consideration, any person to alter the natural outcome of any race conducted by, or any simulcast race displayed by, an organization licensee;

(13) influence or attempt to influence any member, employee or appointee of the commission, by the payment or promise of payment of money or other valuable consideration, in the performance of any official duty of that member, employee or appointee;

(14) fail to report to the commission or to one of its employees or

appointees knowledge of any violation of this act by another person for the purpose of stimulating or depressing any horse or greyhound, or affecting its speed, at any time during any race conducted by an organization licensee;

(15) commit any of the following acts with respect to the prior racing record, pedigree, identity or ownership of a registered horse or greyhound in any matter related to the breeding, buying, selling or racing of the animal: (A) Falsify, conceal or cover up, by any trick, scheme or device, a material fact; (B) make any false, fictitious or fraudulent statement or representation; or (C) make or use any false writing or document knowing that it contains any false, fictitious or fraudulent statement or entry; or

(16) pass or attempt to pass, cash or attempt to cash any altered or forged parimutuel ticket knowing it to have been altered or forged.

~~(j)~~ (k) (1) No person less than ~~18~~ 21 years of age shall purchase a parimutuel ticket or an interest in such a ticket.

(2) Any person ~~violating less than 18 years of age who violates~~ this subsection shall be subject to adjudication as a juvenile offender pursuant to the revised Kansas juvenile justice code.

(3) *Violation of this subsection by a person 18 or more years of age is a class A misdemeanor upon conviction of the first offense and a severity level 8, nonperson felony upon conviction of the second or a subsequent offense.*

Sec. 49. K.S.A. 74-8814 is hereby amended to read as follows: 74-8814. (a) Subject to the provisions of subsection (b), the commission shall establish by rules and regulations an application fee not exceeding \$500 for any of the following which applies for an organization license and the license fee for any of the following granted an organization license shall be \$100 for each day of racing approved by the commission:

(1) Any fair association other than the Greenwood county and Anthony fair associations, any horsemen's nonprofit organization or the national greyhound association of Abilene, Kansas, if: (A) Such association conducts not more than two race meetings each year; (B) such race meets are held within the boundaries of the county where the applicant is located; and (C) such race meetings are held for a total of not more than ~~21~~ 40 days per year; or

(2) the Greenwood county fair association or a horsemen's nonprofit organization, with respect to race meetings conducted by such association or organization at Eureka Downs, or the Anthony fair association or a horsemen's nonprofit organization, with respect to race meetings conducted by such association or organization at Anthony Downs, for which the number of race meetings and days, and the dates thereof, shall be specified by the commission.

(b) The commission shall adopt rules and regulations providing for simplified and less costly procedures and requirements for fair associations and horsemen's nonprofit organizations applying for or holding a license to conduct race meetings.

(c) The Kansas ~~bureau of investigation~~ *racing and gaming commission* shall investigate:

(1) The president, vice-president, secretary and treasurer of a fair association, and such other members as the commission considers necessary, to determine eligibility for an organization license;

(2) each officer and each director of a nonprofit horsemen's organization, and such other members or shareholders as the commission considers necessary to determine eligibility for an organization license.

(d) Except as otherwise provided by this section, all applicants for organization licenses for the conduct of race meetings pursuant to the provisions of this section shall be required to comply with all the provisions of K.S.A. 74-8813 and amendments thereto.

Sec. 50. K.S.A. 74-8823 is hereby amended to read as follows: 74-8823. (a) There is hereby imposed a tax on the gross sum wagered by the parimutuel method as follows:

(1) Of the total daily takeout from parimutuel pools for live horse races conducted in this state, a tax at the rate of $\frac{3}{16}$;

(2) except as provided by subsection (a)(3), for live greyhound races conducted in this state at a racetrack facility for the racing of only greyhounds: (A) During the first four years when racing with parimutuel wagering is conducted at such facility, a tax at the rate of $\frac{3}{16}$ of the total daily takeout from parimutuel pools for live greyhound races; and (B) thereafter, from parimutuel pools for each live greyhound performance,

a tax at the rate of $\frac{3}{16}$ s of the first \$400,000 wagered, $\frac{1}{16}$ s of the next \$200,000 wagered and $\frac{5}{16}$ s of any amounts wagered exceeding \$600,000;

(3) for live greyhound races conducted in this state at a dual racetrack facility or at a racetrack facility owned by a licensee whose license authorizes the construction of a dual racetrack facility: (A) During the first seven years when racing with parimutuel wagering is conducted at such facility, a tax at the rate of $\frac{3}{16}$ s of the total daily takeout from parimutuel pools for live greyhound races; and (B) thereafter, from parimutuel pools for each live greyhound performance, a tax at the rate of $\frac{3}{16}$ s of the first \$600,000 wagered, $\frac{1}{16}$ s of the next \$200,000 wagered and $\frac{5}{16}$ s of any amounts wagered exceeding \$800,000; and

(4) of the total daily takeout from amounts wagered in this jurisdiction on simulcast races displayed in this state, a tax at the rate of $\frac{3}{16}$ s.

(b) The tax imposed by this section shall be no less than 3% nor more than 6% of the total money wagered each day at a racetrack facility.

(c) The tax imposed by this section shall be remitted to the commission by each organization licensee by the next business day following the day on which the wagers took place. The commission shall remit any such tax moneys received to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the state racing fund created by K.S.A. 74-8826, and amendments thereto, except as provided by K.S.A. 74-8838, and amendments thereto.

(d) The commission shall audit and verify that the amount of tax received from each organization licensee hereunder is correct.

(e) *Nothing in this section shall be construed to impose any tax on amounts wagered on electronic gaming machine games operated pursuant to the Kansas expanded lottery act.*

Sec. 51. K.S.A. 74-8830 is hereby amended to read as follows: 74-8830. (a) The commission shall, by rules and regulations:

(1) Qualify stallions for participation in Kansas-registered stallion awards;

(2) provide for the registration of Kansas-domiciled mares, Kansas-domiciled stallions and Kansas-bred horses;

(3) determine qualifications of Kansas-bred horses and establish classes of Kansas-bred horses for registration purposes and for the purpose of awarding purse supplements, stakes and awards pursuant to K.S.A. 74-8829 and amendments thereto; and

(4) establish a schedule of fees for the registration of Kansas-domiciled mares, Kansas-domiciled stallions and Kansas-bred horses sufficient to provide for all expenses incurred in the administration of the Kansas horse breeding development fund created pursuant to K.S.A. 74-8829 and amendments thereto.

(b) The commission may contract with and designate an official registering agency to implement the registration of horses. *The board of directors of the official registering agency shall consist of five representatives of the quarter horse breed and five representatives of the thoroughbred breed. Representatives shall be selected by each breed organization from their respective memberships pursuant to rules and regulations adopted by the Kansas racing and gaming commission. In order to be eligible to serve on the board, a participant must be a legal resident of the state of Kansas and a member of the Kansas quarter horse racing association or the Kansas thoroughbred association.* Such agency shall operate under the supervision of the commission and be subject to rules and regulations of the commission. The official registering agency shall receive no compensation *from the Kansas racing and gaming commission* except fees received for registration of horses necessary to pay its expenses for such registration.

(c) The commission may contract with and designate an agency to provide for the distribution of purse supplements, stakes and awards from the Kansas horse breeding development fund. Such agency shall operate under the supervision of the commission and be subject to rules and regulations of the commission.

Sec. 52. K.S.A. 74-8832 is hereby amended to read as follows: 74-8832. (a) The commission shall, by rules and regulations, establish a schedule of fees for the registration of Kansas-whelped greyhounds which, together with the amount provided pursuant to K.S.A. 74-8830 and amendments thereto, shall be sufficient to provide for all expenses

incurred in the administration of the Kansas greyhound breeding development fund created pursuant to K.S.A. 74-8831 and amendments thereto.

(b) The commission may contract with and designate an official registering agency to implement the registration of greyhounds. Such agency shall operate under the supervision of the commission and be subject to rules and regulations of the commission. The official registering agency shall receive no compensation *from the Kansas racing and gaming commission* except the amount provided pursuant to K.S.A. ~~74-8830~~ 74-8831, and amendments thereto, and fees received for registration of greyhounds necessary to pay its expenses for such registration.

(c) The commission may contract with and designate an agency to provide for the distribution of purse supplements from the Kansas greyhound breeding development fund. Such agency shall operate under the supervision of the commission and be subject to rules and regulations of the commission.

Sec. 53. K.S.A. 74-8838 is hereby amended to read as follows: 74-8838. (a) The state treasurer shall credit $\frac{1}{3}$ of the taxes on the takeout from parimutuel pools for simulcast races, as certified by the executive director, to the horse fair racing benefit fund, which is hereby created in the state treasury.

(b) *Twenty-five percent of all moneys credited to the horse fair racing benefit fund may be expended, upon application to the commission, for capital improvements to racetrack facilities on or adjacent to premises used by a fair association to conduct fair racing activities.*

(c) *The remaining moneys in the horse fair racing benefit fund shall be expended only for:*

(1) Reimbursement of the commission for the commission's administrative costs, as established by rules and regulations of the commission, related to race meetings conducted by a fair association or a horsemen's nonprofit organization, including the cost of stewards, racing judges and assistant animal health officers performing services at such race meetings;

(2) paying the costs of totalisator expenses incurred by an organization licensee that is a fair association or horsemen's nonprofit organization;

(3) paying the costs of background investigations required under the Kansas parimutuel racing act for members of a fair association or horsemen's nonprofit organization;

(4) purse supplements at race meetings conducted by a fair association or horsemen's nonprofit organization;

(5) basic operating assistance grants to an organization licensee that is a fair association or horsemen's nonprofit organization; and

(6) costs for employment of key racing officials, as determined by the commission, incurred by an organization licensee that is a fair association or horsemen's nonprofit organization.

~~(e)~~ (d) The commission shall adopt rules and regulations establishing procedures for distributing moneys in the horse fair racing benefit fund to fair associations and nonprofit horsemen's organizations for the purposes provided by this section.

~~(f)~~ (e) Expenditures from the horse fair racing benefit fund related to the conduct of a race meeting shall not be allocated to any organization licensee for a period exceeding ~~21~~ 40 days.

~~(g)~~ (f) Expenditures from the horse fair racing benefit fund shall not be allocated to any organization licensee to support the conduct of parimutuel greyhound races unless the organization licensee conducts an equal or greater number of parimutuel horse races during the race meeting.

~~(h)~~ (g) Expenditures from the horse fair racing benefit fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the chairperson of the commission or a person designated by the chairperson.

New Sec. 54. (a) The Kansas racing and gaming commission shall establish a greyhound promotion and development fund which shall be funded through a voluntary greyhound purse checkoff program which shall provide for the deduction of 2% from all purses paid to kennels and greyhound owners who participate in the program. Greyhound owners and kennel operators shall be provided an opportunity annually to not participate in the program by signing a form approved by the Kansas racing and gaming commission. Moneys deposited into the fund shall be

used for the development, promotion and representation of the greyhound industry in Kansas and shall be distributed to the organization contracted with by the Kansas racing and gaming commission to administer the official greyhound registry in Kansas.

(b) This section shall be part of and supplemental to the Kansas pari-mutuel racing act.

Sec. 55. K.S.A. 2006 Supp. 79-4805 is hereby amended to read as follows: 79-4805. (a) There is hereby established in the state treasury the problem gambling *and addictions* grant fund. All moneys credited to such fund shall be used only for the awarding of grants under this section. Such fund shall be administered in accordance with this section and the provisions of appropriation acts.

(b) All expenditures from the problem gambling *and addictions* grant fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved in the manner prescribed by law.

(c) (1) There is hereby established a state grant program to provide assistance for the direct treatment of persons diagnosed as suffering from pathological gambling and to provide funding for research regarding the impact of gambling on residents of Kansas. Research grants awarded under this section may include, but need not be limited to, grants for determining the effectiveness of education and prevention efforts on the prevalence of pathological gambling in Kansas. All grants shall be made after open solicitation of proposals and evaluation of proposals against criteria established in rules and regulations adopted by the secretary of the department of social and rehabilitation services. Both public and private entities shall be eligible to apply for and receive grants under the provisions of this section.

(2) *Moneys in the problem gambling and addictions grant fund may be used to treat alcoholism, drug abuse and other addictive behaviors.*

(d) The secretary of the department of social and rehabilitation services is hereby authorized to receive moneys from any grants, gifts, contributions or bequests made for the purpose of funding grants under this section and to expend such moneys for the purpose for which received.

(e) All grants made in accordance with this section shall be made from the problem gambling *and addictions* grant fund. The secretary shall administer the provisions of this section and shall adopt rules and regulations establishing criteria for qualification to receive grants and such other matters deemed necessary by the secretary for the administration of this section. Such rules and regulations shall include, but need not be limited to, a requirement that each recipient of a grant to provide treatment for pathological gamblers report at least annually to the secretary the grantee's measurable achievement of specific outcome goals.

(f) For the purpose of this section "pathological gambling" means the disorder by that name described in the most recent edition of the diagnostic and statistical manual.

(g) *On the effective date of this act the director of accounts and reports shall transfer all moneys in the problem gambling grant fund to the problem gambling and addictions grant fund. Thereupon the problem gambling grant fund shall be and is hereby abolished.*

Sec. 56. K.S.A. 2006 Supp. 12-4516 is hereby amended to read as follows: 12-4516. (a) (1) Except as provided in subsection (b) or (c), any person who has been convicted of a violation of a city ordinance of this state may petition the convicting court for the expungement of such conviction and related arrest records if three or more years have elapsed since the person:

- (A) Satisfied the sentence imposed; or
- (B) was discharged from probation, parole or a suspended sentence.

(2) Except as provided in subsection (b) or (c), any person who has fulfilled the terms of a diversion agreement based on a violation of a city ordinance of this state may petition the court for the expungement of such diversion agreement and related arrest records if three or more years have elapsed since the terms of the diversion agreement were fulfilled.

(b) No person may petition for expungement until five or more years have elapsed since the person satisfied the sentence imposed or the terms of a diversion agreement or was discharged from probation, parole, conditional release or a suspended sentence, if such person was convicted of the violation of a city ordinance which would also constitute:

- (1) Vehicular homicide, as defined by K.S.A. 21-3405, and amend-

ments thereto;

(2) driving while the privilege to operate a motor vehicle on the public highways of this state has been canceled, suspended or revoked, as prohibited by K.S.A. 8-262, and amendments thereto;

(3) perjury resulting from a violation of K.S.A. 8-261a, and amendments thereto;

(4) a violation of the provisions of the fifth clause of K.S.A. 8-142, and amendments thereto, relating to fraudulent applications;

(5) any crime punishable as a felony wherein a motor vehicle was used in the perpetration of such crime;

(6) failing to stop at the scene of an accident and perform the duties required by K.S.A. 8-1602, 8-1603 or 8-1604, and amendments thereto;

(7) a violation of the provisions of K.S.A. 40-3104, and amendments thereto, relating to motor vehicle liability insurance coverage; or

(8) a violation of K.S.A. 21-3405b, and amendments thereto.

(c) There shall be no expungement of convictions or diversions for a violation of a city ordinance which would also constitute a violation of K.S.A. 8-1567 or 8-2,144, and amendments thereto.

(d) When a petition for expungement is filed, the court shall set a date for a hearing of such petition and shall cause notice of such hearing to be given to the prosecuting attorney and the arresting law enforcement agency. The petition shall state: (1) The defendant's full name;

(2) the full name of the defendant at the time of arrest, conviction or diversion, if different than the defendant's current name;

(3) the defendant's sex, race and date of birth;

(4) the crime for which the defendant was arrested, convicted or diverted;

(5) the date of the defendant's arrest, conviction or diversion; and

(6) the identity of the convicting court, arresting law enforcement agency or diverting authority. A municipal court may prescribe a fee to be charged as costs for a person petitioning for an order of expungement pursuant to this section. Any person who may have relevant information about the petitioner may testify at the hearing. The court may inquire into the background of the petitioner and shall have access to any reports or records relating to the petitioner that are on file with the secretary of corrections or the Kansas parole board.

(e) At the hearing on the petition, the court shall order the petitioner's arrest record, conviction or diversion expunged if the court finds that:

(1) The petitioner has not been convicted of a felony in the past two years and no proceeding involving any such crime is presently pending or being instituted against the petitioner;

(2) the circumstances and behavior of the petitioner warrant the expungement; and

(3) the expungement is consistent with the public welfare.

(f) When the court has ordered an arrest record, conviction or diversion expunged, the order of expungement shall state the information required to be contained in the petition. The clerk of the court shall send a certified copy of the order of expungement to the Kansas bureau of investigation which shall notify the federal bureau of investigation, the secretary of corrections and any other criminal justice agency which may have a record of the arrest, conviction or diversion. After the order of expungement is entered, the petitioner shall be treated as not having been arrested, convicted or diverted of the crime, except that:

(1) Upon conviction for any subsequent crime, the conviction that was expunged may be considered as a prior conviction in determining the sentence to be imposed;

(2) the petitioner shall disclose that the arrest, conviction or diversion occurred if asked about previous arrests, convictions or diversions:

(A) In any application for employment as a detective with a private detective agency, as defined by K.S.A. 75-7b01, and amendments thereto; as security personnel with a private patrol operator, as defined by K.S.A. 75-7b01, and amendments thereto; or with an institution, as defined in K.S.A. 76-12a01, and amendments thereto, of the department of social and rehabilitation services;

(B) in any application for admission, or for an order of reinstatement, to the practice of law in this state;

(C) to aid in determining the petitioner's qualifications for employment with the Kansas lottery or for work in sensitive areas within the

Kansas lottery as deemed appropriate by the executive director of the Kansas lottery;

(D) to aid in determining the petitioner's qualifications for executive director of the Kansas racing *and gaming* commission, for employment with the commission or for work in sensitive areas in parimutuel racing as deemed appropriate by the executive director of the commission, or to aid in determining qualifications for licensure or renewal of licensure by the commission;

(E) to aid in determining the petitioner's qualifications for the following under the Kansas expanded lottery act: (i) Lottery gaming facility manager or prospective manager, racetrack gaming facility manager or prospective manager, licensee or certificate holder; or (ii) an officer, director, employee, owner, agent or contractor thereof;

~~(F)~~ (F) upon application for a commercial driver's license under K.S.A. 8-2,125 through 8-2,142, and amendments thereto;

~~(G)~~ (G) to aid in determining the petitioner's qualifications to be an employee of the state gaming agency;

~~(H)~~ (H) to aid in determining the petitioner's qualifications to be an employee of a tribal gaming commission or to hold a license issued pursuant to a tribal-state gaming compact;

~~(I)~~ (I) in any application for registration as a broker-dealer, agent, investment adviser or investment adviser representative all as defined in K.S.A. 2006 Supp. 17-12a102, and amendments thereto; or

(J) in any application for employment as a law enforcement officer, as defined in K.S.A. 22-2202 or 74-5602, and amendments thereto;

(3) the court, in the order of expungement, may specify other circumstances under which the arrest, conviction or diversion is to be disclosed; and

(4) the conviction may be disclosed in a subsequent prosecution for an offense which requires as an element of such offense a prior conviction of the type expunged.

(g) Whenever a person is convicted of an ordinance violation, pleads guilty and pays a fine for such a violation, is placed on parole or probation or is granted a suspended sentence for such a violation, the person shall be informed of the ability to expunge the arrest records or conviction. Whenever a person enters into a diversion agreement, the person shall be informed of the ability to expunge the diversion.

(h) Subject to the disclosures required pursuant to subsection (f), in any application for employment, license or other civil right or privilege, or any appearance as a witness, a person whose arrest records, conviction or diversion of an offense has been expunged under this statute may state that such person has never been arrested, convicted or diverted of such offense.

(i) Whenever the record of any arrest, conviction or diversion has been expunged under the provisions of this section or under the provisions of any other existing or former statute, the custodian of the records of arrest, conviction, diversion and incarceration relating to that crime shall not disclose the existence of such records, except when requested by:

(1) The person whose record was expunged;

(2) a private detective agency or a private patrol operator, and the request is accompanied by a statement that the request is being made in conjunction with an application for employment with such agency or operator by the person whose record has been expunged;

(3) a court, upon a showing of a subsequent conviction of the person whose record has been expunged;

(4) the secretary of social and rehabilitation services, or a designee of the secretary, for the purpose of obtaining information relating to employment in an institution, as defined in K.S.A. 76-12a01, and amendments thereto, of the department of social and rehabilitation services of any person whose record has been expunged;

(5) a person entitled to such information pursuant to the terms of the expungement order;

(6) a prosecuting attorney, and such request is accompanied by a statement that the request is being made in conjunction with a prosecution of an offense that requires a prior conviction as one of the elements of such offense;

(7) the supreme court, the clerk or disciplinary administrator thereof, the state board for admission of attorneys or the state board for discipline

of attorneys, and the request is accompanied by a statement that the request is being made in conjunction with an application for admission, or for an order of reinstatement, to the practice of law in this state by the person whose record has been expunged;

(8) the Kansas lottery, and the request is accompanied by a statement that the request is being made to aid in determining qualifications for employment with the Kansas lottery or for work in sensitive areas within the Kansas lottery as deemed appropriate by the executive director of the Kansas lottery;

(9) the governor or the Kansas racing *and gaming* commission, or a designee of the commission, and the request is accompanied by a statement that the request is being made to aid in determining qualifications for executive director of the commission, for employment with the commission, for work in sensitive areas in parimutuel racing as deemed appropriate by the executive director of the commission or for licensure, renewal of licensure or continued licensure by the commission;

(10) *the Kansas racing and gaming commission, or a designee of the commission, and the request is accompanied by a statement that the request is being made to aid in determining qualifications of the following under the Kansas expanded lottery act: (A) Lottery gaming facility managers and prospective managers, racetrack gaming facility managers and prospective managers, licensees and certificate holders; and (B) their officers, directors, employees, owners, agents and contractors;*

~~(10)~~ (11) the state gaming agency, and the request is accompanied by a statement that the request is being made to aid in determining qualifications: (A) To be an employee of the state gaming agency; or (B) to be an employee of a tribal gaming commission or to hold a license issued pursuant to a tribal-state gaming compact;

~~(11)~~ (12) the Kansas securities commissioner, or a designee of the commissioner, and the request is accompanied by a statement that the request is being made in conjunction with an application for registration as a broker-dealer, agent, investment adviser or investment adviser representative by such agency and the application was submitted by the person whose record has been expunged;

~~(12)~~ (13) the attorney general, and the request is accompanied by a statement that the request is being made to aid in determining qualifications for a license to carry a concealed weapon pursuant to the personal and family protection act;

~~(13)~~ (14) the Kansas sentencing commission;

~~(14)~~ (15) the Kansas ~~law enforcement training~~ *commission on peace officers' standards and training* and the request is accompanied by a statement that the request is being made to aid in determining certification eligibility as a law enforcement officer pursuant to K.S.A. 74-5601 et seq., and amendments thereto; or

~~(15)~~ (16) a law enforcement agency and the request is accompanied by a statement that the request is being made to aid in determining eligibility for employment as a law enforcement officer as defined by K.S.A. 22-2202, and amendments thereto.

Sec. 57. K.S.A. 2006 Supp. 19-101a is hereby amended to read as follows: 19-101a. (a) The board of county commissioners may transact all county business and perform all powers of local legislation and administration it deems appropriate, subject only to the following limitations, restrictions or prohibitions:

(1) Counties shall be subject to all acts of the legislature which apply uniformly to all counties.

(2) Counties may not affect the courts located therein.

(3) Counties shall be subject to acts of the legislature prescribing limits of indebtedness.

(4) In the exercise of powers of local legislation and administration authorized under provisions of this section, the home rule power conferred on cities to determine their local affairs and government shall not be superseded or impaired without the consent of the governing body of each city within a county which may be affected.

(5) Counties may not legislate on social welfare administered under state law enacted pursuant to or in conformity with public law No. 271—74th congress, or amendments thereof.

(6) Counties shall be subject to all acts of the legislature concerning elections, election commissioners and officers and their duties as such officers and the election of county officers.

(7) Counties shall be subject to the limitations and prohibitions imposed under K.S.A. 12-187 to 12-195, inclusive, and amendments thereto, prescribing limitations upon the levy of retailers' sales taxes by counties.

(8) Counties may not exempt from or effect changes in statutes made nonuniform in application solely by reason of authorizing exceptions for counties having adopted a charter for county government.

(9) No county may levy ad valorem taxes under the authority of this section upon real property located within any redevelopment project area established under the authority of K.S.A. 12-1772, and amendments thereto, unless the resolution authorizing the same specifically authorized a portion of the proceeds of such levy to be used to pay the principal of and interest upon bonds issued by a city under the authority of K.S.A. 12-1774, and amendments thereto.

(10) Counties shall have no power under this section to exempt from any statute authorizing or requiring the levy of taxes and providing substitute and additional provisions on the same subject, unless the resolution authorizing the same specifically provides for a portion of the proceeds of such levy to be used to pay a portion of the principal and interest on bonds issued by cities under the authority of K.S.A. 12-1774, and amendments thereto.

(11) Counties may not exempt from or effect changes in the provisions of K.S.A. 19-4601 through 19-4625, and amendments thereto.

(12) Except as otherwise specifically authorized by K.S.A. 12-1,101 through 12-1,109, and amendments thereto, counties may not levy and collect taxes on incomes from whatever source derived.

(13) Counties may not exempt from or effect changes in K.S.A. 19-430, and amendments thereto.

(14) Counties may not exempt from or effect changes in K.S.A. 19-302, 19-502b, 19-503, 19-805 or 19-1202, and amendments thereto.

~~(15) (A) Counties may not exempt from or effect changes in K.S.A. 13-13a26, and amendments thereto.~~

~~(B) This provision shall expire on June 30, 2006.~~

~~(16) (A) Counties may not exempt from or effect changes in K.S.A. 71-301a, and amendments thereto.~~

~~(B) This provision shall expire on June 30, 2006.~~

~~(17) (15) Counties may not exempt from or effect changes in K.S.A. 19-15,139, 19-15,140 and 19-15,141, and amendments thereto.~~

~~(18) (16) Counties may not exempt from or effect changes in the provisions of K.S.A. 12-1223, 12-1225, 12-1225a, 12-1225b, 12-1225c and 12-1226, and amendments thereto, or the provisions of K.S.A. 12-1260 through 12-1270 and 12-1276, and amendments thereto.~~

~~(19) (17) Counties may not exempt from or effect changes in the provisions of K.S.A. 19-211, and amendments thereto.~~

~~(20) (18) Counties may not exempt from or effect changes in the provisions of K.S.A. 19-4001 through 19-4015, and amendments thereto.~~

~~(21) (19) Counties may not regulate the production or drilling of any oil or gas well in any manner which would result in the duplication of regulation by the state corporation commission and the Kansas department of health and environment pursuant to chapter 55 and chapter 65 of the Kansas Statutes Annotated, and amendments thereto, and any rules and regulations adopted pursuant thereto. Counties may not require any license or permit for the drilling or production of oil and gas wells. Counties may not impose any fee or charge for the drilling or production of any oil or gas well.~~

~~(22) (20) Counties may not exempt from or effect changes in K.S.A. 79-41a04, and amendments thereto.~~

~~(23) (21) Counties may not exempt from or effect changes in K.S.A. 79-1611, and amendments thereto.~~

~~(24) (22) Counties may not exempt from or effect changes in K.S.A. 79-1494, and amendments thereto.~~

~~(25) (23) Counties may not exempt from or effect changes in subsection (b) of K.S.A. 19-202, and amendments thereto.~~

~~(26) (24) Counties may not exempt from or effect changes in subsection (b) of K.S.A. 19-204, and amendments thereto.~~

~~(27) (25) Counties may not levy or impose an excise, severance or any other tax in the nature of an excise tax upon the physical severance and production of any mineral or other material from the earth or water.~~

~~(28) (26) Counties may not exempt from or effect changes in K.S.A. 79-2017 or 79-2101, and amendments thereto.~~

~~(29)~~ (27) Counties may not exempt from or effect changes in K.S.A. 2-3302, 2-3305, 2-3307, 2-3318, 17-5904, 17-5908, 47-1219, 65-171d, 65-1,178 through 65-1,199, and amendments thereto.

~~(30)~~ (28) Counties may not exempt from or effect changes in K.S.A. 2006 Supp. 80-121, and amendments thereto.

~~(31)~~ (29) Counties may not exempt from or effect changes in K.S.A. 19-228, and amendments thereto.

~~(32)~~ (30) Counties may not exempt from or effect changes in the wireless enhanced 911 act, *in the VoIP enhanced 911 act* or in the provisions of K.S.A. 12-5301 through 12-5308, and amendments thereto.

~~(33)~~ (31) Counties may not exempt from or effect changes in K.S.A. 2006 Supp. 26-601, and amendments thereto.

~~(34)~~ (A) ~~From and after November 15, 2005,~~ (32) (A) Counties may not exempt from or effect changes in the Kansas liquor control act except as provided by paragraph (B).

(B) ~~From and after November 15, 2005,~~ Counties may adopt resolutions which are not in conflict with the Kansas liquor control act.

~~(35)~~ (A) ~~From and after November 15, 2005,~~ (33) (A) Counties may not exempt from or effect changes in the Kansas cereal malt beverage act except as provided by paragraph (B).

(B) ~~From and after November 15, 2005,~~ Counties may adopt resolutions which are not in conflict with the Kansas cereal malt beverage act.

(34) *Counties may not exempt from or effect changes in the Kansas lottery act.*

(35) *Counties may not exempt from or effect changes in the Kansas expanded lottery act.*

(b) Counties shall apply the powers of local legislation granted in subsection (a) by resolution of the board of county commissioners. If no statutory authority exists for such local legislation other than that set forth in subsection (a) and the local legislation proposed under the authority of such subsection is not contrary to any act of the legislature, such local legislation shall become effective upon passage of a resolution of the board and publication in the official county newspaper. If the legislation proposed by the board under authority of subsection (a) is contrary to an act of the legislature which is applicable to the particular county but not uniformly applicable to all counties, such legislation shall become effective by passage of a charter resolution in the manner provided in K.S.A. 19-101b, and amendments thereto.

(c) Any resolution adopted by a county which conflicts with the restrictions in subsection (a) is null and void.

Sec. 58. K.S.A. 2006 Supp. 21-4619 is hereby amended to read as follows: 21-4619. (a) (1) Except as provided in subsections (b) and (c), any person convicted in this state of a traffic infraction, cigarette or tobacco infraction, misdemeanor or a class D or E felony, or for crimes committed on or after July 1, 1993, nondrug crimes ranked in severity levels 6 through 10 or any felony ranked in severity level 4 of the drug grid, may petition the convicting court for the expungement of such conviction or related arrest records if three or more years have elapsed since the person: (A) Satisfied the sentence imposed; or (B) was discharged from probation, a community correctional services program, parole, post-release supervision, conditional release or a suspended sentence.

(2) Except as provided in subsections (b) and (c), any person who has fulfilled the terms of a diversion agreement may petition the district court for the expungement of such diversion agreement and related arrest records if three or more years have elapsed since the terms of the diversion agreement were fulfilled.

(b) Except as provided in subsection (c), no person may petition for expungement until five or more years have elapsed since the person satisfied the sentence imposed, the terms of a diversion agreement or was discharged from probation, a community correctional services program, parole, postrelease supervision, conditional release or a suspended sentence, if such person was convicted of a class A, B or C felony, or for crimes committed on or after July 1, 1993, if convicted of an off-grid felony or any nondrug crime ranked in severity levels 1 through 5 or any felony ranked in severity levels 1 through 3 of the drug grid, or:

(1) Vehicular homicide, as defined by K.S.A. 21-3405, and amendments thereto, or as prohibited by any law of another state which is in substantial conformity with that statute;

(2) driving while the privilege to operate a motor vehicle on the public

highways of this state has been canceled, suspended or revoked, as prohibited by K.S.A. 8-262, and amendments thereto, or as prohibited by any law of another state which is in substantial conformity with that statute;

(3) perjury resulting from a violation of K.S.A. 8-261a, and amendments thereto, or resulting from the violation of a law of another state which is in substantial conformity with that statute;

(4) violating the provisions of the fifth clause of K.S.A. 8-142, and amendments thereto, relating to fraudulent applications or violating the provisions of a law of another state which is in substantial conformity with that statute;

(5) any crime punishable as a felony wherein a motor vehicle was used in the perpetration of such crime;

(6) failing to stop at the scene of an accident and perform the duties required by K.S.A. 8-1602, 8-1603 or 8-1604, and amendments thereto, or required by a law of another state which is in substantial conformity with those statutes;

(7) violating the provisions of K.S.A. 40-3104, and amendments thereto, relating to motor vehicle liability insurance coverage; or

(8) a violation of K.S.A. 21-3405b, prior to its repeal.

(c) There shall be no expungement of convictions for the following offenses or of convictions for an attempt to commit any of the following offenses: (1) Rape as defined in K.S.A. 21-3502, and amendments thereto; (2) indecent liberties with a child as defined in K.S.A. 21-3503, and amendments thereto; (3) aggravated indecent liberties with a child as defined in K.S.A. 21-3504, and amendments thereto; (4) criminal sodomy as defined in subsection (a)(2) or (a)(3) of K.S.A. 21-3505, and amendments thereto; (5) aggravated criminal sodomy as defined in K.S.A. 21-3506, and amendments thereto; (6) indecent solicitation of a child as defined in K.S.A. 21-3510, and amendments thereto; (7) aggravated indecent solicitation of a child as defined in K.S.A. 21-3511, and amendments thereto; (8) sexual exploitation of a child as defined in K.S.A. 21-3516, and amendments thereto; (9) aggravated incest as defined in K.S.A. 21-3603, and amendments thereto; (10) endangering a child as defined in K.S.A. 21-3608, and amendments thereto; (11) abuse of a child as defined in K.S.A. 21-3609, and amendments thereto; (12) capital murder as defined in K.S.A. 21-3439, and amendments thereto; (13) murder in the first degree as defined in K.S.A. 21-3401, and amendments thereto; (14) murder in the second degree as defined in K.S.A. 21-3402, and amendments thereto; (15) voluntary manslaughter as defined in K.S.A. 21-3403, and amendments thereto; (16) involuntary manslaughter as defined in K.S.A. 21-3404, and amendments thereto; (17) involuntary manslaughter while driving under the influence of alcohol or drugs as defined in K.S.A. 2006 Supp. 21-3442, and amendments thereto; (18) sexual battery as defined in K.S.A. 21-3517, and amendments thereto, when the victim was less than 18 years of age at the time the crime was committed; (19) aggravated sexual battery as defined in K.S.A. 21-3518, and amendments thereto; (20) a violation of K.S.A. 8-1567, and amendments thereto, including any diversion for such violation; (21) a violation of K.S.A. 8-2,144, and amendments thereto, including any diversion for such violation; or (22) any conviction for any offense in effect at any time prior to the effective date of this act, that is comparable to any offense as provided in this subsection.

(d) When a petition for expungement is filed, the court shall set a date for a hearing of such petition and shall cause notice of such hearing to be given to the prosecuting attorney and the arresting law enforcement agency. The petition shall state: (1) The defendant's full name;

(2) the full name of the defendant at the time of arrest, conviction or diversion, if different than the defendant's current name;

(3) the defendant's sex, race and date of birth;

(4) the crime for which the defendant was arrested, convicted or diverted;

(5) the date of the defendant's arrest, conviction or diversion; and

(6) the identity of the convicting court, arresting law enforcement authority or diverting authority. There shall be no docket fee for filing a petition pursuant to this section. All petitions for expungement shall be docketed in the original criminal action. Any person who may have relevant information about the petitioner may testify at the hearing. The court may inquire into the background of the petitioner and shall have

access to any reports or records relating to the petitioner that are on file with the secretary of corrections or the Kansas parole board.

(e) At the hearing on the petition, the court shall order the petitioner's arrest record, conviction or diversion expunged if the court finds that:

(1) The petitioner has not been convicted of a felony in the past two years and no proceeding involving any such crime is presently pending or being instituted against the petitioner;

(2) the circumstances and behavior of the petitioner warrant the expungement; and

(3) the expungement is consistent with the public welfare.

(f) When the court has ordered an arrest record, conviction or diversion expunged, the order of expungement shall state the information required to be contained in the petition. The clerk of the court shall send a certified copy of the order of expungement to the Kansas bureau of investigation which shall notify the federal bureau of investigation, the secretary of corrections and any other criminal justice agency which may have a record of the arrest, conviction or diversion. After the order of expungement is entered, the petitioner shall be treated as not having been arrested, convicted or diverted of the crime, except that:

(1) Upon conviction for any subsequent crime, the conviction that was expunged may be considered as a prior conviction in determining the sentence to be imposed;

(2) the petitioner shall disclose that the arrest, conviction or diversion occurred if asked about previous arrests, convictions or diversions:

(A) In any application for licensure as a private detective, private detective agency, certification as a firearms trainer pursuant to K.S.A. 2006 Supp. 75-7b21, and amendments thereto, or employment as a detective with a private detective agency, as defined by K.S.A. 75-7b01, and amendments thereto; as security personnel with a private patrol operator, as defined by K.S.A. 75-7b01, and amendments thereto; or with an institution, as defined in K.S.A. 76-12a01, and amendments thereto, of the department of social and rehabilitation services;

(B) in any application for admission, or for an order of reinstatement, to the practice of law in this state;

(C) to aid in determining the petitioner's qualifications for employment with the Kansas lottery or for work in sensitive areas within the Kansas lottery as deemed appropriate by the executive director of the Kansas lottery;

(D) to aid in determining the petitioner's qualifications for executive director of the Kansas racing *and gaming* commission, for employment with the commission or for work in sensitive areas in parimutuel racing as deemed appropriate by the executive director of the commission, or to aid in determining qualifications for licensure or renewal of licensure by the commission;

(E) *to aid in determining the petitioner's qualifications for the following under the Kansas expanded lottery act: (i) Lottery gaming facility manager or prospective manager, racetrack gaming facility manager or prospective manager, licensee or certificate holder; or (ii) an officer, director, employee, owner, agent or contractor thereof;*

~~(F)~~ (F) upon application for a commercial driver's license under K.S.A. 8-2,125 through 8-2,142, and amendments thereto;

~~(G)~~ (G) to aid in determining the petitioner's qualifications to be an employee of the state gaming agency;

~~(H)~~ (H) to aid in determining the petitioner's qualifications to be an employee of a tribal gaming commission or to hold a license issued pursuant to a tribal-state gaming compact;

~~(I)~~ (I) in any application for registration as a broker-dealer, agent, investment adviser or investment adviser representative all as defined in K.S.A. 2006 Supp. 17-12a102, and amendments thereto; or

~~(J)~~ (J) in any application for employment as a law enforcement officer as defined in K.S.A. 22-2202 or 74-5602, and amendments thereto;

(3) the court, in the order of expungement, may specify other circumstances under which the conviction is to be disclosed;

(4) the conviction may be disclosed in a subsequent prosecution for an offense which requires as an element of such offense a prior conviction of the type expunged; and

(5) upon commitment to the custody of the secretary of corrections, any previously expunged record in the possession of the secretary of cor-

rections may be reinstated and the expungement disregarded, and the record continued for the purpose of the new commitment.

(g) Whenever a person is convicted of a crime, pleads guilty and pays a fine for a crime, is placed on parole, postrelease supervision or probation, is assigned to a community correctional services program, is granted a suspended sentence or is released on conditional release, the person shall be informed of the ability to expunge the arrest records or conviction. Whenever a person enters into a diversion agreement, the person shall be informed of the ability to expunge the diversion.

(h) Subject to the disclosures required pursuant to subsection (f), in any application for employment, license or other civil right or privilege, or any appearance as a witness, a person whose arrest records, conviction or diversion of a crime has been expunged under this statute may state that such person has never been arrested, convicted or diverted of such crime, but the expungement of a felony conviction does not relieve an individual of complying with any state or federal law relating to the use or possession of firearms by persons convicted of a felony.

(i) Whenever the record of any arrest, conviction or diversion has been expunged under the provisions of this section or under the provisions of any other existing or former statute, the custodian of the records of arrest, conviction, diversion and incarceration relating to that crime shall not disclose the existence of such records, except when requested by:

- (1) The person whose record was expunged;
- (2) a private detective agency or a private patrol operator, and the request is accompanied by a statement that the request is being made in conjunction with an application for employment with such agency or operator by the person whose record has been expunged;
- (3) a court, upon a showing of a subsequent conviction of the person whose record has been expunged;
- (4) the secretary of social and rehabilitation services, or a designee of the secretary, for the purpose of obtaining information relating to employment in an institution, as defined in K.S.A. 76-12a01, and amendments thereto, of the department of social and rehabilitation services of any person whose record has been expunged;
- (5) a person entitled to such information pursuant to the terms of the expungement order;
- (6) a prosecuting attorney, and such request is accompanied by a statement that the request is being made in conjunction with a prosecution of an offense that requires a prior conviction as one of the elements of such offense;
- (7) the supreme court, the clerk or disciplinary administrator thereof, the state board for admission of attorneys or the state board for discipline of attorneys, and the request is accompanied by a statement that the request is being made in conjunction with an application for admission, or for an order of reinstatement, to the practice of law in this state by the person whose record has been expunged;
- (8) the Kansas lottery, and the request is accompanied by a statement that the request is being made to aid in determining qualifications for employment with the Kansas lottery or for work in sensitive areas within the Kansas lottery as deemed appropriate by the executive director of the Kansas lottery;
- (9) the governor or the Kansas racing *and gaming* commission, or a designee of the commission, and the request is accompanied by a statement that the request is being made to aid in determining qualifications for executive director of the commission, for employment with the commission, for work in sensitive areas in parimutuel racing as deemed appropriate by the executive director of the commission or for licensure, renewal of licensure or continued licensure by the commission;
- (10) *the Kansas racing and gaming commission, or a designee of the commission, and the request is accompanied by a statement that the request is being made to aid in determining qualifications of the following under the Kansas expanded lottery act: (A) Lottery gaming facility managers and prospective managers, racetrack gaming facility managers and prospective managers, licensees and certificate holders; and (B) their officers, directors, employees, owners, agents and contractors;*
- ~~(10)~~ (11) the Kansas sentencing commission;
- ~~(11)~~ (12) the state gaming agency, and the request is accompanied by a statement that the request is being made to aid in determining qual-

ifications: (A) To be an employee of the state gaming agency; or (B) to be an employee of a tribal gaming commission or to hold a license issued pursuant to a tribal-gaming compact;

~~(12)~~ (13) the Kansas securities commissioner or a designee of the commissioner, and the request is accompanied by a statement that the request is being made in conjunction with an application for registration as a broker-dealer, agent, investment adviser or investment adviser representative by such agency and the application was submitted by the person whose record has been expunged;

~~(13)~~ (14) the Kansas law enforcement training commission *on peace officers' standards and training* and the request is accompanied by a statement that the request is being made to aid in determining certification eligibility as a law enforcement officer pursuant to K.S.A. 74-5601 et seq., and amendments thereto;

~~(14)~~ (15) a law enforcement agency and the request is accompanied by a statement that the request is being made to aid in determining eligibility for employment as a law enforcement officer as defined by K.S.A. 22-2202, and amendments thereto; or

~~(15)~~ (16) the attorney general and the request is accompanied by a statement that the request is being made to aid in determining qualifications for a license to carry a concealed weapon pursuant to the personal and family protection act.

Sec. 59. K.S.A. 60-2102 is hereby amended to read as follows: 60-2102. (a) ~~As~~ *Appeal to court of appeals as matter of right*. Except for any order or final decision of a district magistrate judge, the appellate jurisdiction of the court of appeals may be invoked by appeal as a matter of right from:

(1) An order that discharges, vacates or modifies a provisional remedy.

(2) An order that grants, continues, modifies, refuses or dissolves an injunction, or an order that grants or refuses relief in the form of mandamus, quo warranto or habeas corpus.

(3) An order that appoints a receiver or refuses to wind up a receivership or to take steps to accomplish the purposes thereof, such as directing sales or other disposal of property, or an order involving the tax or revenue laws, the title to real estate, the constitution of this state or the constitution, laws or treaties of the United States.

(4) A final decision in any action, except in an action where a direct appeal to the supreme court is required by law. In any appeal or cross appeal from a final decision, any act or ruling from the beginning of the proceedings shall be reviewable.

(b) *Appeal to supreme court as matter of right*. The appellate jurisdiction of the supreme court may be invoked by appeal as a matter of right from:

(1) A preliminary or final decision in which a statute of this state has been held unconstitutional as a violation of Article 6 of the Kansas constitution pursuant to K.S.A. 2006 Supp. 72-64b03, and amendments thereto. Any appeal filed pursuant to this subsection (b)(1) shall be filed within 30 days of the date the preliminary or final decision is filed.

(2) *A final decision of the district court in any action challenging the constitutionality of or arising out of any provision of the Kansas expanded lottery act, any lottery gaming facility management contract or any race-track gaming facility management contract entered into pursuant to the Kansas expanded lottery act.*

(c) *Other appeals*. When a district judge, in making a civil action an order not otherwise appealable under this section, is of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, the judge shall so state in writing in such order. The court of appeals may thereupon, in its discretion, permit an appeal to be taken from such order, if application is made to it within 10 days after the entry of the order under such terms and conditions as the supreme court fixes by rule. Application for an appeal hereunder shall not stay proceedings in the district court unless the district judge or an appellate court or a judge thereof so orders.

Sec. 60. K.S.A. 74-8705 is hereby amended to read as follows: 74-8705. (a) Major procurement contracts shall be awarded in accordance with K.S.A. 75-3738 through 75-3744, and amendments thereto, or sub-

section (b), as determined by the director, except that:

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

(2) The commission shall designate certain major procurement contracts or portions thereof to be awarded, in accordance with rules and regulations of the commission, solely to minority business enterprises.

(b) The director may award any major procurement contract by use of a procurement negotiating committee. Such committee shall be composed of: (1) The executive director or a Kansas lottery employee designated by the executive director; (2) the chairperson of the commission or a commission member designated by the chairperson; and (3) the director of the division of purchases or an employee of such division designated by the director. Prior to negotiating a major procurement contract, the committee shall solicit bids or proposals thereon. The division of purchases shall provide staff support for the committee's solicitations. Upon receipt of bids or proposals, the committee may negotiate with one or more of the persons submitting such bids or proposals and select from among such persons the person to whom the contract is awarded. Such procurements shall be open and competitive and shall consider relevant factors, including security, competence, experience, timely performance and maximization of net revenues to the state. If a procurement negotiating committee is utilized, the provisions of K.S.A. 75-3738 through 75-3744, and amendments thereto, shall not apply. Meetings conducted by the procurement negotiating committee shall be exempt from the provisions of the Kansas open meeting act, K.S.A. 75-4317 through ~~75-4320a~~ 75-4320c, and amendments thereto.

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

Upon the request of the chairperson, the Kansas bureau of investigation and other criminal justice agencies shall provide to the chairperson all background investigation information including criminal history record information, arrest and nonconviction data, criminal intelligence information and information relating to criminal and background investigations of a vendor to whom a major procurement contract is to be awarded. Such information, other than conviction data, shall be confidential and shall not be disclosed, except as provided in this section. In addition to any other penalty provided by law, disclosure of such information shall be grounds for removal from office or termination of employment.

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

(e) The executive director shall not agree to any renewal or extension of a major procurement contract unless such extension or renewal is awarded in the manner provided by this section.

Sec. 61. K.S.A. 74-8708 is hereby amended to read as follows: 74-8708. (a) The executive director shall select as lottery retailers such persons as deemed best able to serve the public convenience and promote

the sale of tickets or shares in accordance with marketing plans developed by the Kansas lottery. In the selection of lottery retailers, the executive director shall consider factors such as financial responsibility, security of the applicant's place of business or activity, accessibility of the applicant's place of business or activity, integrity, reputation, volume of expected sales and such other factors as the executive director may deem appropriate. The executive director may select the state fair board as a lottery retailer to sell lottery tickets or shares only on the state fairgrounds and only during the time of the annual state fair. Other persons lawfully engaged in nongovernmental business on state property may be selected as lottery retailers.

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

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

(d) No lottery retailer contract awarded under this act shall be transferred or assignable.

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

~~(e)~~ (e) Lottery tickets or shares shall only be sold by the lottery retailer at the location ~~stated on the lottery retailer certificate~~ approved by the Kansas lottery.

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

(1) Be at least 18 years of age;

(2) have sufficient financial resources to support the activities required to sell lottery tickets or shares;

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

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

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

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

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

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

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

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

(5) resides in the same household of an employee of the Kansas lottery or of a member of the commission; or

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

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

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

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

~~(l)~~ (k) The executive director may terminate the ~~certificate contract~~ of any lottery retailer who fails to meet any of the applicable qualifying standards for selection as a retailer provided in this section or on the

grounds for termination provided in the contract pursuant to rules and regulations adopted by the commission.

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

Sec. 62. K.S.A. 60-2102, 74-8702, 74-8710, 74-8716, 74-8723, 74-8814, 74-8823, 74-8830, 74-8832 and 74-8838 and K.S.A. 2006 Supp. 12-4516, 19-101a, 19-101l, 21-4619, 21-4619c, 74-8711, 74-8810 and 79-4805 are hereby repealed.

Sec. 63. This act shall take effect and be in force from and after its publication in the Kansas register.

Approved April 11, 2007.

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