

HOUSE BILL No. 2272

By Committee on Commerce, Labor and Economic Development

2-8

1 AN ACT concerning ~~property tax exemption; relating to industrial revenue~~  
2 ~~bond property tax abatement; amending K.S.A. 2012 Supp. 79-201a~~  
3 ~~gaming; amending K.S.A. 2013 Supp. 74-8734~~ and repealing the  
4 existing section.

5  
6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. ~~K.S.A. 2012 Supp. 79-201a is hereby amended to read as~~  
8 ~~follows: 79-201a. The following described property, to the extent herein~~  
9 ~~specified, shall be exempt from all property or ad valorem taxes levied~~  
10 ~~under the laws of the state of Kansas:~~

11 ~~*First.* All property belonging exclusively to the United States, except~~  
12 ~~property which congress has expressly declared to be subject to state and~~  
13 ~~local taxation.~~

14 ~~*Second.* All property used exclusively by the state or any municipality~~  
15 ~~or political subdivision of the state. All property owned, being acquired~~  
16 ~~pursuant to a lease-purchase agreement or operated by the state or any~~  
17 ~~municipality or political subdivision of the state, including property which~~  
18 ~~is vacant or lying dormant, which is used or is to be used for any~~  
19 ~~governmental or proprietary function and for which bonds may be issued~~  
20 ~~or taxes levied to finance the same, shall be considered to be used~~  
21 ~~exclusively by the state, municipality or political subdivision for the~~  
22 ~~purposes of this section. The lease by a municipality or political~~  
23 ~~subdivision of the state of any real property owned or being acquired~~  
24 ~~pursuant to a lease-purchase agreement for the purpose of providing office~~  
25 ~~space necessary for the performance of medical services by a person~~  
26 ~~licensed to practice medicine and surgery or osteopathic medicine by the~~  
27 ~~board of healing arts pursuant to K.S.A. 65-2801 et seq., and amendments~~  
28 ~~thereto, dentistry services by a person licensed by the Kansas dental board~~  
29 ~~pursuant to K.S.A. 65-1401 et seq., and amendments thereto, optometry~~  
30 ~~services by a person licensed by the board of examiners in optometry~~  
31 ~~pursuant to K.S.A. 65-1501 et seq., and amendments thereto, or K.S.A. 74-~~  
32 ~~1501 et seq., and amendments thereto, podiatry services by a person~~  
33 ~~licensed by the board of healing arts pursuant to K.S.A. 65-2001 et seq.,~~  
34 ~~and amendments thereto, or the practice of psychology by a person~~  
35 ~~licensed by the behavioral sciences regulatory board pursuant to K.S.A.~~  
36 ~~74-5301 et seq., and amendments thereto, shall be construed to be a~~

1 ~~governmental function, and such property actually and regularly used for~~  
2 ~~such purpose shall be deemed to be used exclusively for the purposes of~~  
3 ~~this paragraph. The lease by a municipality or political subdivision of the~~  
4 ~~state of any real property, or portion thereof, owned or being acquired~~  
5 ~~pursuant to a lease-purchase agreement to any entity for the exclusive use~~  
6 ~~by it for an exempt purpose, including the purpose of displaying or~~  
7 ~~exhibiting personal property by a museum or historical society, if no~~  
8 ~~portion of the lease payments include compensation for return on the~~  
9 ~~investment in such leased property shall be deemed to be used exclusively~~  
10 ~~for the purposes of this paragraph. All property leased, other than motor~~  
11 ~~vehicles leased for a period of at least one year and property being~~  
12 ~~acquired pursuant to a lease-purchase agreement, to the state or any~~  
13 ~~municipality or political subdivision of the state by any private entity shall~~  
14 ~~not be considered to be used exclusively by the state or any municipality~~  
15 ~~or political subdivision of the state for the purposes of this section except~~  
16 ~~that the provisions of this sentence shall not apply to any such property~~  
17 ~~subject to lease on the effective date of this act until the term of such lease~~  
18 ~~expires but property taxes levied upon any such property prior to tax year~~  
19 ~~1989, shall not be abated or refunded. Any property constructed or~~  
20 ~~purchased with the proceeds of industrial revenue bonds issued prior to~~  
21 ~~July 1, 1963, as authorized by K.S.A. 12-1740 through 12-1749, and~~  
22 ~~amendments thereto, or purchased with proceeds of improvement district~~  
23 ~~bonds issued prior to July 1, 1963, as authorized by K.S.A. 19-2776, and~~  
24 ~~amendments thereto, or with proceeds of bonds issued prior to July 1,~~  
25 ~~1963, as authorized by K.S.A. 19-3815a and 19-3815b, and amendments~~  
26 ~~thereto, or any property improved, purchased, constructed, reconstructed~~  
27 ~~or repaired with the proceeds of revenue bonds issued prior to July 1,~~  
28 ~~1963, as authorized by K.S.A. 13-1238 to 13-1245, inclusive, and~~  
29 ~~amendments thereto, or any property improved, reimproved, reconstructed~~  
30 ~~or repaired with the proceeds of revenue bonds issued after July 1, 1963,~~  
31 ~~under the authority of K.S.A. 13-1238 to 13-1245, inclusive, and~~  
32 ~~amendments thereto, which had previously been improved, reconstructed~~  
33 ~~or repaired with the proceeds of revenue bonds issued under such act on or~~  
34 ~~before July 1, 1963, shall be exempt from taxation for so long as any of the~~  
35 ~~revenue bonds issued to finance such construction, reconstruction,~~  
36 ~~improvement, repair or purchase shall be outstanding and unpaid. Any~~  
37 ~~property constructed or purchased with the proceeds of any revenue bonds~~  
38 ~~authorized by K.S.A. 13-1238 to 13-1245, inclusive, and amendments~~  
39 ~~thereto, 19-2776, 19-3815a and 19-3815b, and amendments thereto, issued~~  
40 ~~on or after July 1, 1963, shall be exempt from taxation only for a period of~~  
41 ~~10 calendar years after the calendar year in which the bonds were issued.~~  
42 ~~Any property, all or any portion of which is constructed or purchased with~~  
43 ~~the proceeds of revenue bonds authorized by K.S.A. 12-1740 to 12-1749,~~

1 ~~inclusive, and amendments thereto, issued on or after July 1, 1963 and~~  
2 ~~prior to July 1, 1981, shall be exempt from taxation only for a period of 10~~  
3 ~~calendar years after the calendar year in which the bonds were issued.~~  
4 ~~Except as hereinafter provided, any property constructed or purchased~~  
5 ~~wholly with the proceeds of revenue bonds issued on or after July 1, 1981,~~  
6 ~~under the authority of K.S.A. 12-1740 to 12-1749, inclusive, and~~  
7 ~~amendments thereto, shall be exempt from taxation only for a period of 10~~  
8 ~~calendar years after the calendar year in which the bonds were issued.~~  
9 ~~Except as hereinafter provided, any property constructed or purchased in~~  
10 ~~part with the proceeds of revenue bonds issued on or after July 1, 1981,~~  
11 ~~under the authority of K.S.A. 12-1740 to 12-1749, inclusive, and~~  
12 ~~amendments thereto, shall be exempt from taxation to the extent of the~~  
13 ~~value of that portion of the property financed by the revenue bonds and~~  
14 ~~only for a period of 10 calendar years after the calendar year in which the~~  
15 ~~bonds were issued. The exemption of that portion of the property~~  
16 ~~constructed or purchased with the proceeds of revenue bonds shall~~  
17 ~~terminate upon the failure to pay all taxes levied on that portion of the~~  
18 ~~property which is not exempt and the entire property shall be subject to~~  
19 ~~sale in the manner prescribed by K.S.A. 79-2301 et seq., and amendments~~  
20 ~~thereto. Property constructed or purchased in whole or in part with the~~  
21 ~~proceeds of revenue bonds issued on or after January 1, 1995, under the~~  
22 ~~authority of K.S.A. 12-1740 to 12-1749, inclusive, and amendments~~  
23 ~~thereto, and used in any retail enterprise identified under NAICS sectors~~  
24 ~~44 and 45, except facilities used exclusively to house the headquarters or~~  
25 ~~back office operations of such retail enterprises identified thereunder, shall~~  
26 ~~not be exempt from taxation. For the purposes of the preceding provision~~  
27 ~~"NAICS" means the North American industry classification system, as~~  
28 ~~developed under the authority of the office of management and budget of the~~  
29 ~~office of the president of the United States. "Headquarters or back~~  
30 ~~office operations" means a facility from which the enterprise is provided~~  
31 ~~direction, management, administrative services, or distribution or~~  
32 ~~warehousing functions in support of transactions made by the enterprise.~~  
33 ~~Property purchased, constructed, reconstructed, equipped, maintained or~~  
34 ~~repaired with the proceeds of industrial revenue bonds issued under the~~  
35 ~~authority of K.S.A. 12-1740 et seq., and amendments thereto, which is~~  
36 ~~located in a redevelopment project area established under the authority of~~  
37 ~~K.S.A. 12-1770 et seq., and amendments thereto, shall not be exempt from~~  
38 ~~taxation. Property purchased, acquired, constructed, reconstructed,~~  
39 ~~improved, equipped, furnished, repaired, enlarged or remodeled with all or~~  
40 ~~any part of the proceeds of revenue bonds issued under authority of K.S.A.~~  
41 ~~12-1740 to 12-1749a, inclusive, and amendments thereto, for any poultry~~  
42 ~~confinement facility on agricultural land which is owned, acquired,~~  
43 ~~obtained or leased by a corporation, as such terms are defined by K.S.A.~~

1 ~~17-5903, and amendments thereto, shall not be exempt from such taxation.~~  
2 ~~Property purchased, acquired, constructed, reconstructed, improved,~~  
3 ~~equipped, furnished, repaired, enlarged or remodeled with all or any part~~  
4 ~~of the proceeds of revenue bonds issued under the authority of K.S.A. 12-~~  
5 ~~1740 to 12-1749a, inclusive, and amendments thereto, for a rabbit~~  
6 ~~confinement facility on agricultural land which is owned, acquired,~~  
7 ~~obtained or leased by a corporation, as such terms are defined by K.S.A.~~  
8 ~~17-5903, and amendments thereto, shall not be exempt from such taxation.~~

9 ~~*Third.* All works, machinery and fixtures used exclusively by any rural~~  
10 ~~water district or township water district for conveying or production of~~  
11 ~~potable water in such rural water district or township water district, and all~~  
12 ~~works, machinery and fixtures used exclusively by any entity which~~  
13 ~~performed the functions of a rural water district on and after January 1,~~  
14 ~~1990, and the works, machinery and equipment of which were exempted~~  
15 ~~hereunder on March 13, 1995.~~

16 ~~*Fourth.* All fire engines and other implements used for the~~  
17 ~~extinguishment of fires, with the buildings used exclusively for the~~  
18 ~~safekeeping thereof, and for the meeting of fire companies, whether~~  
19 ~~belonging to any rural fire district, township fire district, town, city or~~  
20 ~~village, or to any fire company organized therein or therefor.~~

21 ~~*Fifth.* All property, real and personal, owned by county fair associations~~  
22 ~~organized and operating under the provisions of K.S.A. 2-125 et seq., and~~  
23 ~~amendments thereto.~~

24 ~~*Sixth.* Property acquired and held by any municipality under the~~  
25 ~~municipal housing law, K.S.A. 17-2337 et seq., and amendments thereto,~~  
26 ~~except that such exemption shall not apply to any portion of the project~~  
27 ~~used by a nondwelling facility for profit making enterprise.~~

28 ~~*Seventh.* All property of a municipality, acquired or held under and for~~  
29 ~~the purposes of the urban renewal law, K.S.A. 17-4742 et seq., and~~  
30 ~~amendments thereto, except that such tax exemption shall terminate when~~  
31 ~~the municipality sells, leases or otherwise disposes of such property in an~~  
32 ~~urban renewal area to a purchaser or lessee which is not a public body~~  
33 ~~entitled to tax exemption with respect to such property.~~

34 ~~*Eighth.* All property acquired and held by the Kansas armory board for~~  
35 ~~armory purposes under the provisions of K.S.A. 48-317, and amendments~~  
36 ~~thereto.~~

37 ~~*Ninth.* All property acquired and used by the Kansas turnpike authority~~  
38 ~~under the authority of K.S.A. 68-2001 et seq., and amendments thereto,~~  
39 ~~K.S.A. 68-2030 et seq., and amendments thereto, K.S.A. 68-2051 et seq.,~~  
40 ~~and amendments thereto, and K.S.A. 68-2070 et seq., and amendments~~  
41 ~~thereto.~~

42 ~~*Tenth.* All property acquired and used for state park purposes by the~~  
43 ~~Kansas department of wildlife, parks and tourism.~~

1 ~~*Eleventh.* The state office building constructed under authority of~~  
2 ~~K.S.A. 75-3607 et seq., and amendments thereto, and the site upon which~~  
3 ~~such building is located.~~

4 ~~*Twelfth.* All buildings erected under the authority of K.S.A. 76-6a01 et~~  
5 ~~seq., and amendments thereto, and all other student union buildings and~~  
6 ~~student dormitories erected upon the campus of any institution mentioned~~  
7 ~~in K.S.A. 76-6a01, and amendments thereto, by any other nonprofit~~  
8 ~~corporation.~~

9 ~~*Thirteenth.* All buildings, as the same is defined in subsection (c) of~~  
10 ~~K.S.A. 76-6a13, and amendments thereto, which are erected, constructed~~  
11 ~~or acquired under the authority of K.S.A. 76-6a13 et seq., and amendments~~  
12 ~~thereto, and building sites acquired therefor.~~

13 ~~*Fourteenth.* All that portion of the waterworks plant and system of the~~  
14 ~~city of Kansas City, Missouri, now or hereafter located within the territory~~  
15 ~~of the state of Kansas pursuant to the compact and agreement adopted by~~  
16 ~~K.S.A. 79-205, and amendments thereto.~~

17 ~~*Fifteenth.* All property, real and personal, owned by a groundwater~~  
18 ~~management district organized and operating pursuant to K.S.A. 82a-1020,~~  
19 ~~and amendments thereto.~~

20 ~~*Sixteenth.* All property, real and personal, owned by the joint water~~  
21 ~~district organized and operating pursuant to K.S.A. 80-1616 et seq., and~~  
22 ~~amendments thereto.~~

23 ~~*Seventeenth.* All property, including interests less than fee ownership,~~  
24 ~~acquired for the state of Kansas by the secretary of transportation or a~~  
25 ~~predecessor in interest which is used in the administration, construction,~~  
26 ~~maintenance or operation of the state system of highways, regardless of~~  
27 ~~how or when acquired.~~

28 ~~*Eighteenth.* Any building used primarily as an industrial training center~~  
29 ~~for academic or vocational education programs designed for and operated~~  
30 ~~under contract with private industry, and located upon a site owned, leased~~  
31 ~~or being acquired by or for an area vocational school, an area vocational-~~  
32 ~~technical school, a technical college, or a community college, as defined~~  
33 ~~by K.S.A. 72-4412, and amendments thereto, and the site upon which any~~  
34 ~~such building is located.~~

35 ~~*Nineteenth.* For all taxable years commencing after December 31,~~  
36 ~~1997, all buildings of an area vocational school, an area vocational-~~  
37 ~~technical school, a technical college or a community college, as defined by~~  
38 ~~K.S.A. 72-4412, and amendments thereto, which are owned and operated~~  
39 ~~by any such school or college as a student union or dormitory and the site~~  
40 ~~upon which any such building is located.~~

41 ~~*Twentieth.* For all taxable years commencing after December 31, 1997,~~  
42 ~~all personal property which is contained within a dormitory that is exempt~~  
43 ~~from property taxation and which is necessary for the accommodation of~~

1 the students residing therein.

2 ~~*Twenty-First.* All real property from and after the date of its transfer by~~  
3 ~~the city of Olathe, Kansas, to the Kansas state university foundation, all~~  
4 ~~buildings and improvements thereafter erected and located on such~~  
5 ~~property, and all tangible personal property, which is held, used or~~  
6 ~~operated for educational and research purposes at the Kansas state~~  
7 ~~university Olathe innovation campus located in the city of Olathe, Kansas.~~

8 ~~*Twenty-Second.* All real property, and all tangible personal property,~~  
9 ~~owned by postsecondary educational institutions, as that term is defined in~~  
10 ~~K.S.A. 74-3201b, and amendments thereto, or by the board of regents on~~  
11 ~~behalf of the postsecondary educational institutions, which is leased by a~~  
12 ~~for profit company and is actually and regularly used exclusively for~~  
13 ~~research and development purposes so long as any rental income received~~  
14 ~~by such postsecondary educational institution or the board of regents from~~  
15 ~~such a company is used exclusively for educational or scientific purposes.~~  
16 ~~Any such lease or occupancy described in this section shall be for a term~~  
17 ~~of no more than five years.~~

18 ~~*Twenty-Third.* Any and all housing developments and related~~  
19 ~~improvements located on United States department of defense military~~  
20 ~~installations in the state of Kansas, which are developed pursuant to the~~  
21 ~~military housing privatization initiative, 10 U.S.C. § 2871 et seq., or any~~  
22 ~~successor thereto, and which are provided exclusively or primarily for use~~  
23 ~~by military personnel of the United States and their families.~~

24 ~~*Twenty-Fourth.* For all taxable years commencing after December 31,~~  
25 ~~2012, except as hereinafter provided, any property constructed or~~  
26 ~~purchased in part with the proceeds of revenue bonds issued on or after:~~  
27 ~~July 1, 2013, under the authority of K.S.A. 12-1740 to 12-1749a, inclusive,~~  
28 ~~and amendments thereto, shall be exempt from taxation to the extent of the~~  
29 ~~value of that portion of the property financed by the revenue bonds and~~  
30 ~~only for a period of 10 calendar years after the calendar year in which the~~  
31 ~~bonds were issued. The exemption of that portion of the property~~  
32 ~~constructed or purchased with the proceeds of revenue bonds shall~~  
33 ~~terminate upon the failure to pay all taxes levied on that portion of the~~  
34 ~~property which is not exempt and the entire property shall be subject to~~  
35 ~~sale in the manner prescribed by K.S.A. 79-2301 et seq., and amendments~~  
36 ~~thereto. Property constructed or purchased in whole or in part with the~~  
37 ~~proceeds of revenue bonds issued on or after January 1, 1995, under the~~  
38 ~~authority of K.S.A. 12-1740 to 12-1749a, inclusive, and amendments~~  
39 ~~thereto, and used in any retail enterprise identified under NAICS sectors:~~  
40 ~~44 and 45, except facilities used exclusively to house the headquarters or~~  
41 ~~back office operations of such retail enterprises identified thereunder,~~  
42 ~~shall not be exempt from taxation. For the purposes of the preceding~~  
43 ~~provision "NAICS" means the North American industry classification~~

1 ~~system, as developed under the authority of the office of management and~~  
2 ~~budget of the office of the president of the United States. "Headquarters or~~  
3 ~~back office operations" means a facility from which the enterprise is~~  
4 ~~provided direction, management, administrative services, or distribution~~  
5 ~~or warehousing functions in support of transactions made by the~~  
6 ~~enterprise. Property purchased, constructed, reconstructed, equipped,~~  
7 ~~maintained or repaired with the proceeds of industrial revenue bonds~~  
8 ~~issued under the authority of K.S.A. 12-1740 et seq., and amendments~~  
9 ~~thereto, which is located in a redevelopment project area established~~  
10 ~~under the authority of K.S.A. 12-1770 et seq., and amendments thereto,~~  
11 ~~shall not be exempt from taxation. Property purchased, acquired,~~  
12 ~~constructed, reconstructed, improved, equipped, furnished, repaired,~~  
13 ~~enlarged or remodeled with all or any part of the proceeds of revenue~~  
14 ~~bonds issued under authority of K.S.A. 12-1740 to 12-1749a, inclusive,~~  
15 ~~and amendments thereto, for any poultry confinement facility on~~  
16 ~~agricultural land which is owned, acquired, obtained or leased by a~~  
17 ~~corporation, as such terms are defined by K.S.A. 17-5903, and~~  
18 ~~amendments thereto, shall not be exempt from such taxation. Property~~  
19 ~~purchased, acquired, constructed, reconstructed, improved, equipped,~~  
20 ~~furnished, repaired, enlarged or remodeled with all or any part of the~~  
21 ~~proceeds of revenue bonds issued under the authority of K.S.A. 12-1740 to~~  
22 ~~12-1749a, inclusive, and amendments thereto, for a rabbit confinement~~  
23 ~~facility on agricultural land which is owned, acquired, obtained or leased~~  
24 ~~by a corporation, as such terms are defined by K.S.A. 17-5903, and~~  
25 ~~amendments thereto, shall not be exempt from such taxation.~~

26 ~~Except as otherwise specifically provided, the provisions of this section~~  
27 ~~shall apply to all taxable years commencing after December 31, 2010.~~

28 **Section 1. K.S.A. 2013 Supp. 74-8734 is hereby amended to read as**  
29 **follows: 74-8734. (a) The Kansas lottery may operate one lottery gaming**  
30 **facility in each gaming zone.**

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

39 **(c) The lottery commission shall adopt standards to promote the**  
40 **integrity of the gaming and finances of lottery gaming facilities, which**  
41 **shall apply to all management contracts, shall meet or exceed industry**  
42 **standards for monitoring and controlling the gaming and finances of**  
43 **gaming facilities and shall give the executive director sufficient**

1 *authority to monitor and control the gaming operation and to ensure its*  
2 *integrity and security.*

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

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

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

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

29 *(1) (A) The prospective lottery gaming facility manager is a resident*  
30 *Kansas American Indian tribe and, at a minimum: (i) Has sufficient*  
31 *access to financial resources to support the activities required of a*  
32 *lottery gaming facility manager under the Kansas expanded lottery act;*  
33 *and (ii) has three consecutive years' experience in the management of*  
34 *gaming which would be class III gaming, as defined in K.S.A. 46-2301,*  
35 *and amendments thereto, operated pursuant to state or federal law; or*

36 *(B) the prospective lottery gaming facility manager is not a resident*  
37 *Kansas American Indian tribe and, at a minimum: (i) Has sufficient*  
38 *access to financial resources to support the activities required of a*  
39 *lottery gaming facility manager under the Kansas expanded lottery act;*  
40 *(ii) is current in filing all applicable tax returns and in payment of all*  
41 *taxes, interest and penalties owed to the state of Kansas and any taxing*  
42 *subdivision where such prospective manager is located in the state of*  
43 *Kansas, excluding items under formal appeal pursuant to applicable*



1 *statutes; and (iii) has three consecutive years' experience in the*  
2 *management of gaming which would be class III gaming, as defined in*  
3 *K.S.A. 46-2301, and amendments thereto, operated pursuant to state or*  
4 *federal law; and*

5 *(2) the commission determines that the proposed development*  
6 *consists of an investment in infrastructure, including ancillary lottery*  
7 *gaming facility operations, of at least \$225,000,000 in the northeast,*  
8 *southeast and south central Kansas gaming zones and of at least*  
9 *\$50,000,000 in the southeast and southwest Kansas gaming-zone zones.*  
10 *The commission, in determining whether the minimum investment*  
11 *required by this subsection is met, shall not include any amounts derived*  
12 *from or financed by state or local retailers' sales tax revenues.*

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

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

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

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

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

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

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

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

43 *(8) designate as key employees, subject to approval of the executive*

1 *director, any employees or contractors providing services or functions*  
2 *which are related to lottery facility games authorized by a management*  
3 *contract;*

4 *(9) include financing commitments for construction;*

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

9 *(11) include a requirement that any parimutuel licensee developing*  
10 *a lottery gaming facility pursuant to this act comply with all orders and*  
11 *rules and regulations of the Kansas racing and gaming commission with*  
12 *regard to the conduct of live racing, including the same minimum days*  
13 *of racing as specified in K.S.A.—~~2012~~ 2013 Supp. 74-8746, and*  
14 *amendments thereto, for operation of electronic gaming machines at*  
15 *racetrack gaming facilities;*

16 *(12) include a provision for the state to receive not less than 22% of*  
17 *lottery gaming facility revenues, which shall be paid to the expanded*  
18 *lottery act revenues fund established by K.S.A.—~~2012~~ 2013 Supp. 74-*  
19 *8768, and amendments thereto;*

20 *(13) include a provision for 2% of lottery gaming facility revenues*  
21 *to be paid to the problem gambling and addictions grant fund*  
22 *established by K.S.A.—~~2012~~ 2013 Supp. 79-4805, and amendments*  
23 *thereto;*

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

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

1 *and an amount equal to 1.5% of such revenues to the county in which*  
2 *such facility is located;*

3 *(16) (A) if the lottery gaming facility is located in the southeast or*  
4 *south central Kansas gaming zone and is not located within a city,*  
5 *include a provision for payment of an amount equal to 2% of the lottery*  
6 *gaming facility revenues to the county in which the lottery gaming*  
7 *facility is located and an amount equal to 1% of such revenues to the*  
8 *other county in such zone; or (B) if the lottery gaming facility is located*  
9 *in the southeast or south central Kansas gaming zone and is located*  
10 *within a city, provide for payment of an amount equal to 1% of the*  
11 *lottery gaming facility revenues to the city in which the lottery gaming*  
12 *facility is located, an amount equal to 1% of such revenues to the county*  
13 *in which such facility is located and an amount equal to 1% of such*  
14 *revenues to the other county in such zone;*

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

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

34 *(19) include enforceable provisions: (A) Prohibiting the state, until*  
35 *July 1, 2032, from: (i) Entering into management contracts for more*  
36 *than four lottery gaming facilities or similar gaming facilities, one to be*  
37 *located in the northeast Kansas gaming zone, one to be located in the*  
38 *south central Kansas gaming zone, one to be located in the southwest*  
39 *Kansas gaming zone and one to be located in the southeast Kansas*  
40 *gaming zone; (ii) designating additional areas of the state where*  
41 *operation of lottery gaming facilities or similar gaming facilities would*  
42 *be authorized; or (iii) operating an aggregate of more than 2,800*  
43 *electronic gaming machines at all parimutuel licensee locations; and (B)*

1 *requiring the state to repay to the lottery gaming facility manager an*  
2 *amount equal to the privilege fee paid by such lottery gaming facility*  
3 *manager, plus interest on such amount, compounded annually at the*  
4 *rate of 10%, if the state violates the prohibition provision described in*  
5 *(A).*

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

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

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

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

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

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

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

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

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

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

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

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

1 *or insolvency of such manager.*

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

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

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

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

24 Sec. 2. ~~K.S.A. 2012 2013 Supp. 79-201a 74-8734~~ is hereby repealed.

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