

SENATE BILL No. 207

By Committee on Federal and State Affairs

2-21

1 AN ACT concerning gaming; relating to the Kansas expanded lottery act;
2 making and concerning appropriations for the fiscal year ending June
3 30, 2018, for the Kansas lottery; relating to the state debtor setoff
4 program; relating to horse and greyhound racing; amending K.S.A. 74-
5 8836 and K.S.A. 2016 Supp. 74-8734, 74-8741, 74-8744, 74-8746, 74-
6 8747, 74-8766, 74-8814 and 75-6204 and repealing the existing
7 sections.

8
9 *Be it enacted by the Legislature of the State of Kansas:*

10 Section 1.

11 KANSAS LOTTERY

12 (a) There is appropriated for the above agency from the following
13 special revenue fund or funds for the fiscal year ending June 30, 2018, all
14 moneys now or hereafter lawfully credited to and available in such fund or
15 funds, except that expenditures other than refunds authorized by law and
16 transfers to other state agencies shall not exceed the following:

- 17 Privilege fee repayment fund.....No limit
18 Escrow account repayment fund.....No limit
19 Litigation cost reimbursement fund.....No limit

20 New Sec. 2. On or before December 1, the official breed registering
21 agencies for both horse and greyhound breeds, as designated by the
22 Kansas racing and gaming commission in K.S.A. 74-8830 and 74-8832,
23 and amendments thereto, shall make recommendations to the Kansas
24 racing and gaming commission for implementation of programs which will
25 maximize the benefit to economic development in rural Kansas.

26 New Sec. 3. (a) Prior to any lottery gaming facility manager,
27 racetrack gaming facility manager or facility owner licensee paying any
28 prize requiring the completion of an internal revenue service form W-2G,
29 the manager or licensee shall cause the person winning the prize to be
30 matched against the state debtor files maintained by the director of
31 accounts and reports as prescribed under K.S.A. 75-6201 et seq., and
32 amendments thereto. If such person is listed in the state debtor files, the
33 prize shall be withheld by the lottery gaming facility manager, racetrack
34 gaming facility manager or the facility owner licensee to the extent of such
35 person's debt as set forth in the state debtor files.

36 (b) The lottery gaming facility manager, racetrack gaming facility

1 manager and facility owner licensee shall not be subject to any civil,
2 criminal or administrative liability for any actions taken pursuant to this
3 section, unless such actions are intentional, malicious or wanton by such
4 lottery gaming facility manager, racetrack gaming facility manager, facility
5 owner licensee or employees or agents thereof. The sole remedy at law for
6 any person who claims that a prize was wrongfully withheld pursuant to
7 this section shall be to submit an appeal to the department of
8 administration pursuant to K.S.A. 75-6201 et seq., and amendments
9 thereto.

10 (c) Moneys withheld, based on the state debtor files, shall be remitted
11 to the state treasurer in accordance with K.S.A. 75-4215, and amendments
12 thereto. The state treasurer shall deposit the entire amount in the state
13 treasury and credit it to the department of administration's setoff clearing
14 fund.

15 (d) As used in this section:

16 (1) "Facility owner licensee" shall have the same meaning as that
17 term is defined in K.S.A. 74-8802, and amendments thereto.

18 (2) "Racetrack gaming facility manager" shall have the same meaning
19 as that term is defined in K.S.A. 74-8702, and amendments thereto.

20 (3) "Lottery gaming facility manager" shall have the same meaning as
21 that term is defined in K.S.A. 74-8702, and amendments thereto.

22 (4) "Prize" shall have the same meaning as that term is defined in
23 K.S.A. 74-8702, and amendments thereto, and any winnings from
24 parimutuel wagering as provided by the Kansas parimutuel racing act in
25 K.S.A. 74-8801 et seq., and amendments thereto.

26 (e) Nothing in this section shall apply to Native American tribal
27 gaming facilities.

28 (f) This section shall be a part of and supplemental to the state debtor
29 setoff program.

30 New Sec. 4. (a) The board of county commissioners of Sedgwick
31 county shall submit, upon presentation of a valid petition, to the qualified
32 voters of the county a proposition to permit the operation of electronic
33 gaming machines at an existing parimutuel racetrack within that county,
34 namely Wichita greyhound park. The petition shall be signed by not fewer
35 than 5,000 qualified voters of the county. The following shall appear on
36 the petition: "We request an election to determine whether the operation of
37 electronic gaming machines at the Wichita Greyhound Park by the Kansas
38 lottery shall be permitted in Sedgwick county."

39 (b) Upon the submission of a petition, the county election officer
40 shall determine whether a sufficient number of qualified voters of the
41 county have signed such petition. If the petition is deemed valid, the
42 county election officer shall cause the following proposition to be placed
43 on the ballot at the election called for that purpose and to be held no later

1 than 120 days after the petition is deemed valid: "Shall the operation of
2 electronic gaming machines at the Wichita Greyhound Park by the Kansas
3 lottery be permitted in Sedgwick county?"

4 (c) If a majority of the votes cast and counted at the election is in
5 favor of permitting the operation of such machines, the executive director
6 may enter into a contract with the parimutuel racetrack facility licensee or
7 the facility owner licensee at the Wichita greyhound park in Sedgwick
8 county to operate such machines at its existing location in the county. If a
9 majority of the votes cast and counted at an election under this section is
10 against permitting the operation of electronic gaming machines at the
11 Wichita greyhound park in Sedgwick county, the Kansas lottery shall not
12 operate such machines in the county, unless a subsequent election results
13 in a favorable vote. The county election officer shall transmit a copy of the
14 certification of the results of the election to the executive director and to
15 the Kansas racing and gaming commission.

16 (d) This section shall be a part of and supplemental to the Kansas
17 expanded lottery act.

18 New Sec. 5. (a) If the Kansas lottery enters into a racetrack gaming
19 facility management contract for the placement of electronic gaming
20 machines at a partimutuel licensee location in any Kansas gaming zone,
21 the executive director shall give notice thereof to the lottery gaming
22 facility manager in each of the Kansas gaming zones. Such notice shall
23 advise that each lottery gaming facility manager shall have 60 days from
24 the effective date of the racetrack gaming facility management contract to
25 file or become a party to an action seeking to obtain a judgment that such
26 racetrack gaming facility management contract violates the provisions of
27 K.S.A. 2016 Supp. 74-8734(h)(19) or 74-8741(c)(4), and amendments
28 thereto, or that such racetrack gaming facility management contract creates
29 a material breach of the lottery gaming facility manager's gaming facility
30 management contract, thereby entitling the lottery gaming facility manager
31 to recover the privilege fee filed by the lottery gaming facility manager,
32 plus an amount equal to the accrued interest thereon at a rate of 10%
33 compounded annually from the date when the privilege fee was paid to the
34 effective date of such racetrack gaming facility management contract. Any
35 such action shall be commenced in the district court of Shawnee county.

36 (b) (1) If a timely action is commenced as provided in subsection (a),
37 within 60 days following the end of the 60-day period prescribed in
38 subsection (a), the racetrack gaming facility manager that is a party to such
39 racetrack gaming facility management contract shall place into escrow
40 cash or a surety bond in a total amount equal to the privilege fees paid by
41 the lottery gaming facility managers that are parties to the action, plus an
42 amount equal to the accrued interest on each of the privilege fees at the
43 rate of 10% compounded annually from the date the privilege fee was filed

1 to the effective date of such racetrack gaming facility management
2 contract. This requirement shall be included in each racetrack gaming
3 facility management contract, so that the failure of the racetrack gaming
4 facility manager to place cash or a surety bond in escrow in a timely
5 manner shall constitute a material breach of the racetrack gaming facility
6 management contract and shall be cause for termination of such contract.
7 The total amount of the cash or surety bond placed in escrow shall be
8 verified by the executive director. If a surety bond is placed in escrow, the
9 surety bond shall be executed by the surety in favor of the Kansas lottery,
10 and the cash or surety bond shall be held by the escrow agent designated
11 by the Kansas lottery pursuant to an escrow agreement executed by the
12 executive director.

13 (2) Upon placing cash or a surety bond in escrow in accordance with
14 subsection (b)(1), the racetrack gaming facility manager may proceed with
15 the construction and operation of the racetrack gaming facility governed
16 by the racetrack gaming facility management contract, without exposure to
17 a restraining order or injunction requested by any party for any purpose in
18 any action pursuant to this section or otherwise.

19 (3) If a timely action is commenced in accordance with subsection
20 (a), each lottery gaming facility manager that is a party to the action, at the
21 time it becomes a party, shall place into escrow with the Kansas lottery, as
22 liquidated damages, the sum of \$5,000,000 either in cash or surety bond. If
23 a surety bond is placed in escrow, a surety bond shall be executed by the
24 surety in favor of the Kansas lottery, and the cash or surety bond shall be
25 held by the escrow agent designated by the Kansas lottery pursuant to an
26 escrow agreement executed by the executive director.

27 (c) (1) If a timely action is commenced as provided in subsection (a),
28 and a court of competent jurisdiction determines pursuant to a final, non-
29 appealable order that the racetrack gaming facility management contract
30 does not violate the provisions of K.S.A. 2016 Supp. 74-8734(h)(19) or
31 74-8741(c)(4), and amendments thereto, or create a material breach of any
32 lottery gaming facility management contract entered into with the Kansas
33 lottery by any of the lottery gaming facility managers who are a party to
34 such action, the executive director shall release and discharge back to the
35 racetrack gaming facility manager the cash or surety bond held in escrow
36 pursuant to subsection (b)(1). The executive director also shall direct the
37 escrow agent holding in escrow cash or a surety bond pursuant to
38 subsection (b)(3) to pay any such cash to the executive director, and the
39 executive director also shall make demand on the surety for any surety
40 bond held in escrow pursuant to subsection (b)(3). The executive director
41 shall remit that portion of any cash or the proceeds of any such surety
42 bond as is sufficient to reimburse the racetrack gaming facility manager
43 for court costs and other costs of the action, including attorney fees, to the

1 state treasurer. Upon receipt of such remittance, the state treasurer shall
2 deposit such amount in the state treasury to the credit of the litigation cost
3 reimbursement fund. The remaining balance of any cash or the proceeds of
4 any surety bond shall be deposited by the executive director in the
5 expanded lottery act revenue fund. If there is more than one cash deposit
6 or surety bond placed in escrow pursuant to subsection (b)(3),
7 reimbursement of the racetrack gaming facility manager, as provided
8 above, shall be made on a pro rata basis.

9 (2) If a timely action is commenced as provided in subsection (a), and
10 a court of competent jurisdiction determines in a final, non-appealable
11 order, that the racetrack gaming management contract violates the
12 provisions of K.S.A. 2016 Supp. 74-8734(h)(19) or 74-8741(c)(4), and
13 amendments thereto, or creates a material breach of any lottery gaming
14 facility management contract entered into with the Kansas lottery by any
15 of the lottery gaming facility managers that are a party to such action, the
16 executive director shall release and discharge back to each lottery gaming
17 facility manager the cash or surety bond held in escrow pursuant to
18 subsection (b)(3). The executive director also shall direct the escrow agent
19 holding in escrow cash or a surety bond pursuant to subsection (b)(1) to
20 pay such cash to the executive director, and the executive director also
21 shall make demand on the surety for any surety bond held in escrow
22 pursuant to subsection (b)(1). The total amount of cash and proceeds of
23 any surety bond shall enable the repayment of any privilege fees and
24 accrued interest thereon to any lottery gaming facility manager in whose
25 favor final judgment has been rendered in such action. The executive
26 director shall remit all such cash and the proceeds of any surety bond to
27 the state treasurer. Upon receipt of such remittance, the state treasurer shall
28 deposit the entire amount in the state treasury to the credit of the privilege
29 fee repayment fund.

30 (d) In the event any proceeds from the surety bond held in escrow
31 under subsection (b)(1) are remitted to the state treasurer for repayment to
32 a lottery gaming facility manager pursuant to subsection (c)(2), the Kansas
33 lottery shall thereafter reimburse an equal amount to the racetrack gaming
34 facility manager. Such reimbursement payments shall be paid monthly
35 from the escrow account repayment fund. The amount of each monthly
36 reimbursement payment shall be a percentage of the funds in the expanded
37 lottery act revenue fund that were received by the Kansas lottery pursuant
38 to K.S.A. 2016 Supp. 74-8747(a)(1), and amendments thereto, as
39 hereinafter provided. Such percentage shall be agreed to by the executive
40 director and the racetrack gaming facility manager in each racetrack
41 gaming facility management contract, except that such percentage shall
42 not be less than 50% of the funds in the expanded lottery act revenue fund
43 that were received by the Kansas lottery pursuant to K.S.A. 2016 Supp.

1 74-8747(a)(1), and amendments thereto. The executive director shall
2 certify the amount to be paid under this subsection to the director of
3 accounts and reports. Upon receipt of such certification, the director of
4 accounts and reports shall transfer such certified amount from the
5 expanded lottery act revenue fund to the escrow account repayment fund.
6 Transfers from the expanded lottery act revenue fund under this subsection
7 shall only be made from those funds held in the expanded lottery act
8 revenue fund that were received by the Kansas lottery pursuant to K.S.A.
9 2016 Supp. 74-8747(a)(1), and amendments thereto, as net electronic
10 gaming machine income from the racetrack gaming facility to which the
11 racetrack gaming facility management contract applies. All funds
12 transferred to the escrow account repayment fund pursuant to this
13 subsection shall be expended by the Kansas lottery for the purposes of this
14 subsection.

15 (e) (1) The privilege fee repayment fund is hereby created in the state
16 treasury and shall be administered by the Kansas lottery. The privilege fee
17 repayment fund shall consist of those moneys credited to the privilege fee
18 repayment fund pursuant to subsection (c)(2). All expenditures from the
19 privilege fee repayment fund shall be for the repayment of privilege fees,
20 including accrued interest thereon, pursuant to subsection (c)(2), and shall
21 be made in accordance with appropriation acts upon warrants of the
22 director of accounts and reports issued pursuant to vouchers approved by
23 the executive director.

24 (2) The escrow account repayment fund is hereby created in the state
25 treasury and shall be administered by the Kansas lottery. The escrow
26 account repayment fund shall consist of those moneys credited to the
27 escrow account repayment fund pursuant to subsection (d). All
28 expenditures from the escrow account repayment fund shall be for
29 reimbursement to the racetrack gaming facility manager of the proceeds
30 from the cash or surety bond held in escrow under subsection (b)(1) that
31 are remitted to the state treasurer for payment to a lottery gaming facility
32 manager pursuant to subsection (c)(2), and shall be made in accordance
33 with appropriation acts upon warrants of the director of accounts and
34 reports issued pursuant to vouchers approved by the executive director.

35 (3) The litigation cost reimbursement fund is hereby created in the
36 state treasury and shall be administered by the Kansas lottery. The
37 litigation cost reimbursement fund shall consist of those moneys credited
38 to the litigation cost reimbursement fund pursuant to subsection (c)(1). All
39 expenditures from the litigation cost reimbursement fund shall be for
40 reimbursement to the racetrack gaming facility manager for court costs
41 and other costs of the action described in subsection (a), including attorney
42 fees, and shall be made in accordance with appropriation acts upon
43 warrants of the director of accounts and reports issued pursuant to

1 vouchers approved by the executive director.

2 (f) For purposes of this section, the Kansas expanded lottery act and
3 the Kansas parimutuel racing act, a racetrack gaming facility manager, as
4 defined in K.S.A. 2016 Supp. 74-8702, and amendments thereto, may also
5 be a facility owner licensee, as defined in K.S.A. 74-8802, and
6 amendments thereto.

7 (g) The provisions of this section shall be a part of and supplemental
8 to the Kansas expanded lottery act.

9 New Sec. 6. There is hereby established in the state treasury the
10 Kansas horse council fund, which shall be administered by the Kansas
11 racing and gaming commission and which shall be funded by 0.1% of net
12 electronic gaming machine income in the south central Kansas gaming
13 zone, as provided in K.S.A. 2016 Supp. 74-8747, and amendments thereto.
14 All expenditures from this fund shall be made in accordance with
15 appropriation acts upon warrants of the director of accounts and reports
16 issued pursuant to vouchers approved by the executive director of the
17 Kansas racing and gaming commission. The moneys credited to this fund
18 shall be used for the development, promotion and representation of the
19 equine industry in Kansas and shall be distributed to the Kansas horse
20 council by contract with the Kansas racing and gaming commission for
21 these purposes.

22 Sec. 7. K.S.A. 2016 Supp. 74-8734 is hereby amended to read as
23 follows: 74-8734. (a) The Kansas lottery may operate one lottery gaming
24 facility in each gaming zone.

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

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

40 (d) The Kansas lottery commission may approve management
41 contracts with one or more prospective lottery gaming facility managers to
42 manage, or construct and manage, on behalf of the state of Kansas and
43 subject to the operational control of the Kansas lottery, a lottery gaming

1 facility or lottery gaming enterprise at specified destination locations
2 within the northeast, south central, southwest and southeast Kansas
3 gaming zones where the commission determines the operation of such
4 facility would promote tourism and economic development. The
5 commission shall approve or disapprove a proposed management contract
6 within 90 days after the deadline for receipt of proposals established
7 pursuant to subsection (b).

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

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

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

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

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

40 (2) the commission determines that the proposed development
41 consists of an investment in infrastructure, including ancillary lottery
42 gaming facility operations, of at least \$225,000,000 in the northeast and
43 south central Kansas gaming zones and of at least \$50,000,000 in the

1 southeast and southwest Kansas gaming zones. The commission, in
2 determining whether the minimum investment required by this subsection
3 is met, shall not include any amounts derived from or financed by state or
4 local retailers' sales tax revenues.

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

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

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

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

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

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

23 (6) provide for the prospective lottery gaming facility manager, upon
24 approval of the proposed lottery gaming facility management contract, to
25 pay to the state treasurer a privilege fee of \$25,000,000 for the privilege of
26 being selected as a lottery gaming facility manager of a lottery gaming
27 facility in the northeast or south central Kansas gaming zone and
28 \$5,500,000 for the privilege of being selected as a lottery gaming facility
29 manager of a lottery gaming facility in the southeast or southwest Kansas
30 gaming zone. Such fee shall be deposited in the state treasury and credited
31 to the lottery gaming facility manager fund, which is hereby created in the
32 state treasury;

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

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

39 (9) include financing commitments for construction;

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

1 (11) include a requirement that any parimutuel licensee developing a
2 lottery gaming facility pursuant to this act comply with all orders and rules
3 and regulations of the Kansas racing and gaming commission with regard
4 to the conduct of live racing, including the same minimum days of racing
5 as specified in K.S.A. 2016 Supp. 74-8746, and amendments thereto, for
6 operation of electronic gaming machines at racetrack gaming facilities;

7 (12) include a provision for the state to receive not less than 22% of
8 lottery gaming facility revenues, which shall be paid to the expanded
9 lottery act revenues fund established by K.S.A. 2016 Supp. 74-8768, and
10 amendments thereto;

11 (13) include a provision for 2% of lottery gaming facility revenues to
12 be paid to the problem gambling and addictions grant fund established by
13 K.S.A. 2016 Supp. 79-4805, and amendments thereto;

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

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

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

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

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

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

22 (19) include enforceable provisions: (A) Prohibiting the state, until
23 July 1, 2032, from: (i) Entering into management contracts for more than
24 four lottery gaming facilities or similar gaming facilities, one to be located
25 in the northeast Kansas gaming zone, one to be located in the south central
26 Kansas gaming zone, one to be located in the southwest Kansas gaming
27 zone and one to be located in the southeast Kansas gaming zone; (ii)
28 designating additional areas of the state where operation of lottery gaming
29 facilities or similar gaming facilities would be authorized; or (iii) operating
30 an aggregate of more than 2,800 electronic gaming machines at all
31 parimutuel licensee locations; and (B) requiring the state to repay to the
32 lottery gaming facility manager an amount equal to the privilege fee paid
33 by such lottery gaming facility manager, plus interest on such amount,
34 compounded annually at the rate of 10%, if the state violates the
35 prohibition provision described in (A).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 planning and zoning requirements of the city or county in which it is to be
2 located.

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

10 (q) *For purposes of this section, the term "similar gaming facilities"*
11 *does not include any racetrack gaming facility, as that term is defined in*
12 *K.S.A. 74-8702, and amendments thereto, that was authorized on the*
13 *effective date of this act.*

14 Sec. 8. K.S.A. 2016 Supp. 74-8741 is hereby amended to read as
15 follows: 74-8741. (a) The executive director of the Kansas lottery shall
16 negotiate a racetrack gaming facility management contract to place
17 electronic gaming machines at one parimutuel licensee location in each
18 gaming zone except the southwest Kansas gaming zone.

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

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

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

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

31 (1) The term of the contract;

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

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

1 (4) enforceable provisions: (A) Prohibiting the state, until July 1,
2 2032, from: (i) Entering into management contracts for more than ~~three~~
3 *four* lottery gaming facilities or similar gaming facilities, one to be located
4 in the northeast Kansas gaming zone, one to be located in the south central
5 Kansas gaming zone ~~and~~, one to be located in the southeast Kansas
6 gaming zone; *and one to be located in the southwest Kansas gaming zone;*
7 (ii) designating additional areas of the state where operation of lottery
8 gaming facilities or similar gaming facilities would be authorized; or (iii)
9 operating an aggregate of more than 2,800 electronic gaming machines at
10 all parimutuel licensee locations; and (B) requiring the state to repay to the
11 racetrack gaming facility manager an amount equal to the privilege fee
12 paid by such racetrack gaming facility manager, plus interest on such
13 amount, compounded annually at the rate of 10%, if the state violates the
14 prohibition provision described in (A); *and*

15 (5) *provisions for the distribution of the net electronic gaming*
16 *machine income from the racetrack gaming facility, which shall be in*
17 *accordance with K.S.A. 2016 Supp. 74-8747, and amendments thereto.*

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

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

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

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

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

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

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

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

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

43 (f) A racetrack gaming facility management contract shall not

1 constitute property, nor shall it be subject to attachment, garnishment or
2 execution, nor shall it be alienable or transferable, except upon approval
3 by the executive director, nor shall it be subject to being encumbered or
4 hypothecated.

5 (g) *For purposes of this section, the term "similar gaming facilities"*
6 *does not include any racetrack gaming facility, as that term is defined in*
7 *K.S.A. 74-8702, and amendments thereto, that was authorized on the*
8 *effective date of this act.*

9 Sec. 9. K.S.A. 2016 Supp. 74-8744 is hereby amended to read as
10 follows: 74-8744. (a) In accordance with rules and regulations adopted by
11 the commission, the executive director shall have general responsibility for
12 the implementation and administration of the provisions of this act relating
13 to racetrack gaming facility operations, including the responsibility to:

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

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

20 (A) The number of electronic gaming machines allocated for
21 placement at each racetrack gaming facility, subject to the provisions of
22 subsection (b);

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

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

27 (D) rules and regulations and procedures for the accounting and
28 reporting of the payments required from racetrack gaming facility
29 managers under K.S.A. 2016 Supp. 74-8766, and amendments thereto,
30 including the calculations required for such payments.

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

36 (1) At least ~~600~~ 400 electronic gaming machines shall be allocated to
37 and placed at each racetrack gaming facility.

38 (2) The total number of electronic gaming machines allocated to and
39 placed at all racetrack gaming facilities in the state shall not exceed 2,800.
40 ~~Until lottery gaming facility management contracts for lottery gaming~~
41 ~~facilities in all gaming zones become binding, the total number of~~
42 ~~electronic gaming machines placed at all racetrack gaming facilities shall~~
43 ~~not exceed 2,200. When lottery gaming facility management contracts for~~

1 lottery gaming facilities in all gaming zones have become binding, the
2 lottery commission shall take privilege fee bids from the lottery gaming
3 facility manager and racetrack gaming facility manager in each gaming
4 zone for the remaining electronic gaming machines allocated to but not yet
5 placed at the racetrack gaming facility in such zone. The minimum bid
6 shall be a privilege fee of \$2,500 per electronic gaming machine. If the
7 racetrack gaming facility manager submits the highest bid, the lottery
8 commission shall place the remaining electronic gaming machines at the
9 racetrack gaming facility. If the lottery gaming facility manager submits
10 the highest bid, the commission shall not place any additional electronic
11 gaming machines at the racetrack gaming facility.

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

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

22 Sec. 10. K.S.A. 2016 Supp. 74-8746 is hereby amended to read as
23 follows: 74-8746. (a) Except as provided in subsection (b):

24 (1) No electronic gaming machines shall be operated at a parimutuel
25 licensee location in Sedgwick county unless, during the first full calendar
26 year and each year thereafter in which electronic gaming machines are
27 operated at such location, the parimutuel licensee conducts at such location
28 at least 100 live greyhound races each calendar week ~~for the number of~~
29 ~~weeks raced during calendar year 2003~~ *at least 50 weeks* with at least 13
30 live races conducted each day for not less than five days per week.

31 (2) No electronic gaming machines shall be operated at a parimutuel
32 licensee location in Wyandotte county unless, during the first full calendar
33 year and each year thereafter in which electronic gaming machines are
34 operated at such location, the parimutuel licensee conducts live horse
35 racing programs for at least 60 days, with at least 10 live races conducted
36 each program, and must offer and make a reasonable effort to conduct a
37 minimum number of three live races restricted for quarter horses each day
38 and seven live thoroughbred races each day, of which not less than two
39 races each day shall be limited to registered Kansas-bred horses
40 apportioned in the same ratio that live races are offered, except that the
41 licensee shall not be required to conduct the second live race restricted to
42 Kansas-bred horses unless there are at least seven qualified entries for such
43 race; ~~and with at least 100 live greyhound races each calendar week for at~~

1 ~~least the same number of weeks raced during calendar year 2003, with at~~
2 ~~least 13 live races conducted each day for not less than five days per week.~~

3 (3) No electronic gaming machines shall be operated at a parimutuel
4 licensee location in Crawford county unless, during the first full calendar
5 year and each year thereafter in which electronic gaming machines are
6 operated at such location, the parimutuel licensee conducts at such location
7 at least 85 live greyhound races each calendar week ~~for the number of~~
8 ~~weeks raced during calendar year 2003 in Sedgewick county, at least 25~~
9 ~~weeks~~ with at least 12 live races conducted each day for not less than five
10 days per week.

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

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

33 Sec. 11. K.S.A. 2016 Supp. 74-8747 is hereby amended to read as
34 follows: 74-8747. (a) *A racetrack gaming facility management contract*
35 *shall include provisions for net electronic gaming machine income from a*
36 *racetrack gaming facility shall to be distributed as follows:*

37 ~~To the racetrack gaming facility manager.~~ An amount equal to
38 ~~25%~~ 22% of net electronic gaming machine income *shall be credited to*
39 *the expanded lottery act revenues fund;*

40 (2) ~~7%~~ an amount equal to 10% of net electronic gaming machine
41 income *derived from electronic gaming machines located at racetrack*
42 *gaming facilities licensed to conduct live horse races during the first and*
43 *second years of operation, and 14% of net electronic gaming machine*

1 *income derived from electronic gaming machines located at such*
2 *racetrack gaming facilities during the third and subsequent years of*
3 *operation shall be credited to the live horse racing purse supplement fund*
4 *established by K.S.A. 2016 Supp. 74-8767, and amendments thereto,*
5 ~~*except that the amount of net electronic gaming machine income credited*~~
6 ~~*to the fund during any fiscal year from electronic gaming machines at a*~~
7 ~~*racetrack gaming facility shall not exceed an amount equal to the average*~~
8 ~~*of \$3,750 per electronic gaming machine at each location and any moneys*~~
9 ~~*in excess of such amount shall be distributed between the state and the*~~
10 ~~*racetrack gaming facility manager in accordance with the racetrack*~~
11 ~~*gaming facility management contract;*~~

12 (3) *an amount equal to 7% of net electronic gaming machine income*
13 *derived from electronic gaming machines located at racetrack gaming*
14 *facilities licensed to conduct greyhound races shall be credited to the live*
15 *greyhound racing purse supplement fund established by K.S.A. 2016*
16 *Supp. 74-8767, and amendments thereto,*~~*except that the amount of net*~~
17 ~~*electronic gaming machine income credited to the fund during any fiscal*~~
18 ~~*year from electronic gaming machines at a racetrack gaming facility shall*~~
19 ~~*not exceed an amount equal to the average of \$3,750 per electronic gaming*~~
20 ~~*machine at each location and any moneys in excess of such amount shall*~~
21 ~~*be distributed between the state and the racetrack gaming facility manager*~~
22 ~~*in accordance with the racetrack gaming facility management contract;*~~

23 (4) (A) *if the racetrack gaming facility is located in the northeast*
24 *Kansas gaming zone and is not located within a city, include a provision*
25 ~~*for payment of an amount equal to 3% of the racetrack gaming facility*~~
26 ~~*revenues 2% of net electronic gaming machine income shall be paid to the*~~
27 ~~*county in which the racetrack gaming facility is located; or (B) if the*~~
28 ~~*racetrack gaming facility is located in the northeast Kansas gaming zone*~~
29 ~~*and is located within a city, include provision for payment of an amount*~~
30 ~~*equal to 1.5% of the racetrack gaming facility revenues 1% of net*~~
31 ~~*electronic gaming machine income shall be paid to the city in which the*~~
32 ~~*racetrack gaming facility is located and an amount equal to 1.5% of such*~~
33 ~~*revenues 1% of net electronic gaming machine income shall be paid to the*~~
34 ~~*county in which such facility is located;*~~

35 (5) (A) *if the racetrack gaming facility is located in the southeast or*
36 *south central Kansas gaming zone and is not located within a city, include*
37 ~~*a provision for payment of an amount equal to 2% of the racetrack gaming*~~
38 ~~*facility revenues 2% of net electronic gaming machine income shall be*~~
39 ~~*paid to the county in which the racetrack gaming facility is located and an*~~
40 ~~*amount equal to 1% of such revenues to the other county in such zone; or*~~
41 ~~*(B) if the racetrack gaming facility is located in the southeast or south*~~
42 ~~*central Kansas gaming zone and is located within a city, provide for*~~
43 ~~*payment of an amount equal to 1% of the racetrack gaming facility*~~

1 ~~revenues~~ *1% of net electronic gaming machine income shall be paid to the*
2 *city in which the racetrack gaming facility is located; and an amount equal*
3 *to 1% of such revenues net electronic gaming machine income shall be*
4 *paid to the county in which such facility is located and an amount equal to*
5 *1% of such revenues to the other county in such zone;*

6 *(6) (A) if the racetrack gaming facility is located in the southeast*
7 *Kansas gaming zone and is not located within a city, 2% of net electronic*
8 *gaming machine income shall be paid to the county in which the racetrack*
9 *gaming facility is located and 1% of net electronic gaming machine*
10 *income shall be paid to the other county in such zone; or*

11 *(B) if the racetrack gaming facility is located in the southeast Kansas*
12 *gaming zone and is located within a city, 1% of the net electronic gaming*
13 *machine income shall be paid to the city in which the racetrack gaming*
14 *facility is located, 1% of net electronic gaming machine income shall be*
15 *paid to the county in which the racetrack gaming facility is located and*
16 *1% of net electronic gaming machine income shall be paid to the other*
17 *county in such zone;*

18 ~~(6)~~ *(7) 2% an amount equal to 0.5% of net electronic gaming*
19 *machine income shall be credited to the problem gambling and addictions*
20 *grant fund established by K.S.A. 2016 Supp. 79-4805, and amendments*
21 *thereto;*

22 ~~(7)~~ *(8) (A) an amount equal to 1% of net electronic gaming machine*
23 *income derived from electronic gaming machines located at a racetrack*
24 *gaming facility located in the northeast Kansas gaming zone shall be*
25 *credited to the Kansas horse fair racing benefit fund established by K.S.A.*
26 *74-8838, and amendments thereto; and*

27 *(B) an amount equal to 0.4% of net electronic gaming machine*
28 *income derived from electronic gaming machines located at racetrack*
29 *gaming facilities located in the southeast Kansas gaming zone or south*
30 *central Kansas gaming zone shall be credited to the Kansas horse fair*
31 *racetrack benefit fund established by K.S.A. 74-8838, and amendments*
32 *thereto;*

33 ~~(8)~~ *(9) 40% of net electronic gaming machine income shall be*
34 *credited to the expanded lottery act revenues fund an amount equal to*
35 *0.1% of net electronic gaming machine income derived from electronic*
36 *gaming machines located at a racetrack gaming facility located in the*
37 *south central Kansas gaming zone shall be credited to the Kansas horse*
38 *council fund established by section 6, and amendments thereto; and*

39 ~~(9)~~ *(10) 15% of electronic gaming machine income shall be used for*
40 *gaming expenses, subject to agreement between the Kansas lottery and the*
41 *remaining balance of net electronic gaming machine income shall be paid*
42 *to the racetrack gaming facility manager.*

43 *(b) A racetrack gaming facility management contract may include*

1 provisions for a parimutuel licensee or any other entity to pay the
2 parimutuel licensee's expenses related to electronic gaming machines, as
3 the executive director deems appropriate, ~~subject to the requirements of~~
4 ~~subsection (a)(9).~~

5 Sec. 12. K.S.A. 2016 Supp. 74-8766 is hereby amended to read as
6 follows: 74-8766. (a) There is hereby established in the state treasury the
7 expanded lottery receipts fund. Separate accounts shall be maintained in
8 such fund for receipt of moneys from each lottery gaming facility manager
9 and racetrack gaming facility manager. All expenditures from the fund
10 shall be made in accordance with appropriation acts upon warrants of the
11 director of accounts and reports issued pursuant to vouchers approved by
12 the executive director for the purposes set forth in this act.

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

22 (c) The executive director shall certify weekly to the director of
23 accounts and reports the percentages or amounts to be transferred from
24 each account maintained in the expanded lottery receipts fund to the
25 expanded lottery act revenues fund, the live horse racing supplement fund,
26 the live greyhound racing purse supplement fund and the problem
27 gambling and addictions grant fund, as provided by the lottery gaming
28 facility management contract or K.S.A. 2016 Supp. 74-8747, and
29 amendments thereto. Upon receipt of the certification, the director of
30 accounts and reports shall transfer amounts from each such account in
31 accordance with the certification of the executive director. Once each
32 month, the executive director shall cause amounts from each such account
33 to be paid to cities, counties and lottery gaming facility managers in
34 accordance with the lottery gaming facility management contract and to
35 racetrack gaming facility managers in accordance with K.S.A. 2016 Supp.
36 74-8747, and amendments thereto.

37 (d) Amounts remaining in an account in the expanded lottery receipts
38 fund after transfers and payments pursuant to subsection (c) *and section 5,*
39 *and amendments thereto,* shall be distributed in accordance with the
40 related lottery gaming facility management contract or racetrack gaming
41 facility management contract.

42 Sec. 13. K.S.A. 2016 Supp. 74-8814 is hereby amended to read as
43 follows: 74-8814. (a) Subject to the provisions of subsection (b), the

1 commission shall establish by rules and regulations an application fee not
 2 exceeding ~~\$500~~ \$50 for any of the following ~~which organizations that~~
 3 applies for an organization license and ~~the a~~ license fee ~~for any of the~~
 4 ~~following granted an organization license shall be \$100~~ of \$25 for each
 5 day of racing approved by the commission ~~for any of the following~~
 6 ~~organizations that are granted an organization license:~~

7 ~~(1) Any fair association other than the Greenwood county and~~
 8 ~~Anthony fair associations;~~ any horsemen's nonprofit organization; or the
 9 national greyhound association of Abilene, Kansas, if: ~~(A) (1) Such~~
 10 association conducts not more than two race meetings each year; ~~(B) (2)~~
 11 such race meets are held within the boundaries of the county where the
 12 applicant is located; and ~~(C) (3) such race meetings are held for a total of~~
 13 not more than 40 days per year; ~~or~~

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

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

25 (c) The Kansas racing and gaming commission shall ~~investigate~~
 26 ~~perform a criminal history records check and credit history check of:~~

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

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

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

37 Sec. 14. K.S.A. 74-8836 is hereby amended to read as follows: 74-
 38 8836. (a) Any organization licensee that conducts at least ~~150~~ 60 days of
 39 live racing during a calendar year, *or is in compliance with the provisions*
 40 *of K.S.A. 2016 Supp. 74-8746, and amendments thereto*, or a fair
 41 association that conducts fewer than ~~22~~ 40 days of live racing during a
 42 calendar year may apply to the commission for a simulcasting license to
 43 display simulcast horse or greyhound races and to conduct intertrack

1 parimutuel wagering thereon. If the organization licensee conducts races at
2 a racetrack facility that is owned by a facility owner licensee, both
3 licensees shall join in the application. ~~A simulcasting license granted to a~~
4 ~~fair association that conducts fewer than 22 days of live racing shall~~
5 ~~restrict the fair association's display of simulcast races to a number of~~
6 ~~days, including days on which it conducts live races, equal to not more~~
7 ~~than twice the number of days on which it conducts live races.~~

8 (b) (1) A simulcasting license granted to an organization licensee
9 other than a fair association shall authorize the display of simulcast races
10 at the racetrack facility where the live races are conducted so long as the
11 licensee conducts at least eight live races per day and an average of 10 live
12 races per day per week *is in compliance with the provisions of K.S.A. 2016*
13 *Supp. 74-8746, and amendments thereto.* If a simulcasting licensee
14 conducts live horse races on a day when simulcast races are displayed by
15 the licensee and the licensee conducts fewer than an average of 10 live
16 horse races per day per week, not less than 80% of the races on which
17 wagers are taken by the licensee during such week shall be live races
18 conducted by the licensee unless approved by the recognized horsemen's
19 group or upon a finding by the commission that the organization licensee
20 was unable to do so for reasonable cause. If a simulcast licensee conducts
21 live greyhound races on a day when simulcast races *also* are displayed by
22 the licensee and the licensee schedules fewer than 13 live greyhound races
23 during a performance on such day, not less than 80% of the races on which
24 wagers are taken by the licensee during such performance shall be live
25 races conducted by the licensee.

26 (2) A simulcasting license granted to a fair association shall authorize
27 the display of simulcast races at the racetrack facility where the races are
28 conducted ~~only if live races are scheduled for two or more days of the~~
29 ~~same calendar week, except that the licensee may conduct simulcast races~~
30 ~~in the week immediately before and immediately after a live meeting if the~~
31 ~~total number of days on which simulcast races are displayed does not~~
32 ~~exceed the total authorized in subsection (a). In no case shall the live meet~~
33 ~~or simulcast races allowed under this subsection exceed 10 consecutive~~
34 ~~weeks. For purposes of this subsection, a calendar week shall be measured~~
35 ~~from Monday through the following Sunday.~~

36 (3) Notwithstanding the provisions of subsection (a), (b)(1) or (b)(2),
37 a fair association may apply to the commission for not more than five
38 additional days of simulcasting of special events. In addition, the
39 commission may authorize a fair association to display additional
40 simulcast races but, if such fair association is less than 100 miles from an
41 organization licensee that is not a fair association, it also shall secure
42 written consent from that organization licensee.

43 (4) ~~Notwithstanding the provisions of subsection (b)(1), if an~~

1 emergency causes the cancellation of all or any live races scheduled for a
2 day or performance by a simulcasting licensee, the commission or the
3 commission's designee may authorize the licensee to display any simulcast
4 races previously scheduled for such day or performance.

5 ~~(5)~~ (4) Notwithstanding the provisions of subsection (b)(1), the
6 commission may authorize the licensee to display simulcast special racing
7 events as designated by the commission.

8 (c) The application for a simulcasting license shall be filed with the
9 commission at a time and place prescribed by rules and regulations of the
10 commission. The application shall be in a form and include such
11 information as the commission prescribes.

12 (d) To qualify for a simulcasting license the applicant shall:

13 (1) Comply with the interstate horse racing act of 1978 (15 U.S.C. §
14 3001 et seq.), as in effect December 31, 1991;

15 (2) submit with the application a written approval of the proposed
16 simulcasting schedule signed by: (A) The recognized horsemen's group for
17 the track, if the applicant is licensed to conduct only horse races, *and*
18 *horse races or greyhound races, or both, are to be simulcast*; (B) the
19 recognized greyhound owners' group, if the applicant is licensed to
20 conduct only greyhound races and only greyhound races are to be
21 simulcast; (C) both the recognized greyhound owners' group and a
22 recognized horsemen's group, if the applicant is licensed to conduct only
23 greyhound races and horse races are to be simulcast; (D) the recognized
24 greyhound owners' group, if the applicant is licensed to conduct both
25 greyhound and horse races, only greyhound races are to be simulcast and
26 races are to be simulcast only while the applicant is conducting live
27 greyhound races; (E) the recognized horsemen's group for the track, if the
28 applicant is licensed to conduct both greyhound and horse races, only
29 horse races are to be simulcast and races are to be simulcast only while the
30 applicant is conducting live horse races; or (F) both the recognized
31 greyhound owners' group and the recognized horsemen's group for the
32 track, if the applicant is licensed to conduct both greyhound races and
33 horse races and horse races are to be simulcast while the applicant is
34 conducting live greyhound races or greyhound races are to be simulcast
35 while the applicant is conducting live horse races; and

36 (3) submit, in accordance with rules and regulations of the
37 commission and before the simulcasting of a race, a written copy of each
38 contract or agreement which the applicant proposes to enter into with
39 regard to such race, and any proposed modification of any such contract or
40 agreement.

41 (e) The term of a simulcasting license shall be one year.

42 (f) A simulcasting licensee may apply to the commission or its
43 designee for changes in the licensee's approved simulcasting schedule if

1 such changes are approved by the respective recognized greyhound
2 owners' group or recognized horsemen's group needed throughout the term
3 of the license. Application shall be made upon forms furnished by the
4 commission and shall contain such information as the commission
5 prescribes.

6 (g) Except as provided by subsection (j), the takeout for simulcast
7 horse and greyhound races shall be the same as it is for the live horse and
8 greyhound races conducted during the current or next live race meeting at
9 the racetrack facility where the simulcast races are displayed. For
10 simulcast races the tax imposed on amounts wagered shall be as provided
11 by K.S.A. 74-8823, and amendments thereto. Of the balance of the takeout
12 remaining after deduction of taxes, an amount equal to a percentage, to be
13 determined by the commission, of the gross sum wagered on simulcast
14 races shall be used for purses, as follows:

15 (1) For greyhound races conducted by the licensee, if the simulcast
16 race is a greyhound race and the licensee conducts only live greyhound
17 races;

18 (2) for horse races conducted by the licensee, if the simulcast race is a
19 horse race and the licensee conducts only live horse races;

20 (3) for horse races and greyhound races, as determined by both the
21 recognized horsemen's group and the recognized greyhound owners'
22 group, if the simulcast race is a greyhound race and the licensee does not
23 conduct or is not currently conducting live greyhound races; or

24 (4) for horse races and greyhound races, as determined by both the
25 recognized horsemen's group and the recognized greyhound owners'
26 group, if the simulcast is a horse race and the licensee does not conduct or
27 is not currently conducting live horse races. That portion of simulcast
28 purse money determined to be used for horse purses shall be apportioned
29 by the commission to the various horse race meetings held in any calendar
30 year based upon the number of live horse race dates comprising such horse
31 race meetings in the preceding calendar year.

32 (h) Except as provided by subsection (j):

33 (1) If a simulcasting licensee has a license to conduct live horse races
34 and the *simulcasting* licensee displays a simulcast horse race: (A) All
35 breakage proceeds shall be remitted by the licensee to the commission not
36 later than the 15th day of the month following the race from which the
37 breakage is derived and the commission shall remit any such proceeds
38 received to the state treasurer in accordance with the provisions of K.S.A.
39 75-4215, and amendments thereto. Upon receipt of each such remittance,
40 the state treasurer shall deposit the entire amount in the state treasury to
41 the credit of the Kansas horse breeding development fund created by
42 K.S.A. 74-8829, and amendments thereto; and (B) all unclaimed ticket
43 proceeds shall be remitted by the licensee to the commission on the 61st

1 day after the end of the calendar year and the commission shall remit any
2 such proceeds received to the state treasurer in accordance with the
3 provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of
4 each such remittance, the state treasurer shall deposit the entire amount in
5 the state treasury to the credit of the Kansas horse breeding development
6 fund created by K.S.A. 74-8829, and amendments thereto.

7 (2) If a simulcasting licensee has a license to conduct live greyhound
8 races and the *simulcasting* licensee displays a simulcast greyhound race,
9 breakage and unclaimed winning ticket proceeds shall be distributed in the
10 manner provided by K.S.A. 74-8821 and 74-8822, and amendments
11 thereto, for breakage and unclaimed winning ticket proceeds from live
12 greyhound races.

13 (3) If a simulcasting licensee has a license to conduct live racing of
14 only horses and the *simulcasting* licensee displays a simulcast greyhound
15 race, unclaimed winning ticket proceeds shall be distributed in the manner
16 provided by K.S.A. 74-8822, and amendments thereto, for unclaimed
17 winning ticket proceeds from live greyhound races. Breakage for such
18 races shall be distributed for use to benefit greyhound racing as determined
19 by the commission.

20 (4) If a simulcasting licensee has a license to conduct live racing of
21 only greyhounds and the *simulcasting* licensee displays a simulcast horse
22 race: (A) All breakage proceeds shall be remitted by the licensee to the
23 commission not later than the 15th day of the month following the race
24 from which the breakage is derived and the commission shall remit any
25 such proceeds received to the state treasurer in accordance with the
26 provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of
27 each such remittance, the state treasurer shall deposit the entire amount in
28 the state treasury to the credit of the Kansas horse breeding development
29 fund created by K.S.A. 74-8829, and amendments thereto; and (B) all
30 unclaimed ticket proceeds shall be remitted by the licensee to the
31 commission on the 61st day after the end of the calendar year and the
32 commission shall remit any such proceeds received to the state treasurer in
33 accordance with the provisions of K.S.A. 75-4215, and amendments
34 thereto. Upon receipt of each such remittance, the state treasurer shall
35 deposit the entire amount in the state treasury to the credit of the Kansas
36 horse breeding development fund created by K.S.A. 74-8829, and
37 amendments thereto.

38 (i) The commission may approve a request by two or more
39 simulcasting licensees to combine wagering pools within the state of
40 Kansas pursuant to rules and regulations adopted by the commission.

41 (j) (1) The commission may authorize any simulcasting licensee to
42 participate in an interstate combined wagering pool with one or more other
43 racing jurisdictions.

1 (2) If a licensee participates in an interstate pool, the licensee may
2 adopt the takeout of the host jurisdiction or facility. The amount and
3 manner of paying purses from the takeout in an interstate pool shall be as
4 provided by subsection (g).

5 (3) The tax imposed on amounts wagered in an interstate pool shall
6 be as provided by K.S.A. 74-8823, and amendments thereto. Parimutuel
7 taxes may not be imposed on any amounts wagered in an interstate
8 combined wagering pool other than amounts wagered within this
9 jurisdiction.

10 (4) Breakage for interstate combined wagering pools shall be
11 calculated in accordance with the statutes and rules and regulations of the
12 host jurisdiction and shall be allocated among the participating
13 jurisdictions in a manner agreed to among the jurisdictions. Breakage
14 allocated to this jurisdiction shall be distributed as provided by subsection
15 (h).

16 (5) Upon approval of the respective recognized greyhound owners'
17 group or recognized horsemen's group, the commission may permit an
18 organization licensee to simulcast to other racetrack facilities or off-track
19 wagering or intertrack wagering facilities in other jurisdictions one or
20 more races conducted by such licensee, use one or more races conducted
21 by such licensee for an intrastate combined wagering pool or use one or
22 more races conducted by such licensee for an interstate combined
23 wagering pool at off-track wagering or intertrack wagering locations
24 outside the commission's jurisdiction and may allow parimutuel pools in
25 other jurisdictions to be combined with parimutuel pools in the
26 commission's jurisdiction for the purpose of establishing an interstate
27 combined wagering pool.

28 (6) The participation by a simulcasting licensee in a combined
29 interstate wagering pool does not cause that licensee to be considered to be
30 doing business in any jurisdiction other than the jurisdiction in which the
31 licensee is physically located.

32 (k) If the organization licensee, facility owner licensee if any and the
33 recognized horsemen's group or recognized greyhound owners' group are
34 unable to agree concerning a simulcasting application, the matter may be
35 submitted to the commission for determination at the written request of
36 any party in accordance with rules and regulations of the commission.

37 (l) This section shall be part of and supplemental to the Kansas
38 parimutuel racing act.

39 Sec. 15. K.S.A. 2016 Supp. 75-6204 is hereby amended to read as
40 follows: 75-6204. (a) Subject to the limitations provided in this act, if a
41 debtor fails to pay to the state of Kansas or any state agency, foreign state
42 agency, municipality or the federal department of the treasury an amount
43 owed, the director may setoff such amount and a reasonable collection

1 assistance fee determined in accordance with K.S.A. 75-6210, and
2 amendments thereto, against any money held for, or any money owed to,
3 such debtor by the state ~~or~~, any state agency, *lottery gaming facility*
4 *manager; racetrack gaming facility manager or facility owner licensee.*

5 (b) The director may enter into an agreement with a municipality for
6 participation in the setoff program for the purpose of assisting in the
7 collection of a debt as defined by K.S.A. 75-6202, and amendments
8 thereto. The director shall include in any such agreement a provision
9 requiring the municipality to certify that the municipality has made at least
10 three attempts to collect a debt prior to submitting such debt to setoff
11 pursuant to this act.

12 (c) (1) Except as provided in subsection (c)(2), the director shall add
13 the cost of collection and the debt for a total amount subject to setoff
14 against a debtor.

15 (2) Any debts due and owing to an individual, the state of Kansas or
16 an agency of another state that are being enforced by the Kansas
17 department for children and families under part D of title IV of the federal
18 social security act, 42 U.S.C. § 651 et seq., as amended, shall not have the
19 cost of collection added to the debt owed and subject to setoff. Such cost
20 of collection shall be paid by the Kansas department for children and
21 families.

22 Sec. 16. K.S.A. 74-8836 and 75-6204 and K.S.A. 2016 Supp. 74-
23 8734, 74-8741, 74-8744, 74-8746, 74-8747, 74-8766 and 74-8814 are
24 hereby repealed.

25 Sec. 17. This act shall take effect and be in force from and after its
26 publication in the statute book.