

HOUSE BILL No. 2740

By Committee on Federal and State Affairs

3-16

1 AN ACT concerning gaming; relating to the Kansas expanded lottery act;
2 Kansas lottery and Kansas racing and gaming commission, rules and
3 regulations; authorizing sports wagering; creating the sports wagering
4 receipts fund, the white collar crime fund, the privilege fee repayment
5 fund and the facility manager licensee repayment fund; authorizing
6 parimutuel licensees to operate historical horse race machines;
7 amending K.S.A. 46-2301, 74-8702, 74-8710, 74-8711, 74-8716, 74-
8 ~~8748~~-74-8733, 74-8734, 74-8751, 74-8752, 74-8757, 74-8760, 74-
9 8761, 74-8802, 74-8804, 74-8814, 74-8823, 74-8836 and 79-4806 and
10 K.S.A. 2021 Supp. 21-6403 and 21-6507 and repealing the existing
11 sections.
12

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

14 New Section 1. (a) Sports wagering shall only be conducted in this
15 state in accordance with the provisions of the Kansas lottery act and the
16 Kansas expanded lottery act.

17 (b) The Kansas lottery may offer sports wagering through one or
18 more lottery gaming facility managers that have contracted with the
19 Kansas lottery in accordance with the Kansas expanded lottery act to
20 operate and manage sports wagering on behalf of the Kansas lottery,
21 including, but not limited to, sports wagering over the internet through
22 websites and mobile device applications, through an interactive sports
23 wagering platform approved by the Kansas lottery and the use of any such
24 platform at the primary facility of a professional sports team or other
25 marketing entity pursuant to a marketing agreement entered into between
26 the lottery gaming facility manager and the professional sports team or
27 other marketing entity in accordance with section 4, and amendments
28 thereto.

29 New Sec. 2. (a) Each lottery gaming facility manager shall be limited
30 to three interactive sports wagering platforms that shall be approved by the
31 executive director. Any interactive sports wagering platform approved by
32 the executive director shall serve the public convenience and promote
33 sports wagering in accordance with marketing plans developed by the
34 Kansas lottery to offer sports wagers. Any lottery gaming facility manager
35 may enter into a contract on behalf of the Kansas lottery with an approved
36 interactive sports wagering platform. Any such contract shall be approved

Proposed Amendments to
House Bill No. 2740
House Committee on Federal and State Affairs
"Online Lottery Provisions"
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Strike in lines 7 and 8

1 by the Kansas lottery. A sports wagering manager shall only accept wagers
2 placed through an interactive sports wagering platform from individuals
3 who are physically located within the state of Kansas at the time of
4 submitting the wager. Sports wagering conducted through the interactive
5 sports wagering platform shall be offered only as approved by the Kansas
6 lottery and in accordance with the provisions of the Kansas expanded
7 lottery act.

8 (b) Requests for approval of an interactive sports wagering platform
9 submitted to the Kansas lottery shall be in such form and manner as
10 prescribed by the executive director. The lottery gaming facility manager
11 requesting approval shall provide such information regarding the
12 interactive sports wagering platform and the manager's intended use of
13 such platform as the executive director deems necessary. All background
14 investigation requirements required by the Kansas racing and gaming
15 commission pursuant to the Kansas expanded lottery act shall be
16 completed before the executive director shall consider approval and usage
17 of any interactive sports wagering platform. The executive director shall
18 not unreasonably withhold approval of an interactive sports wagering
19 platform that a lottery gaming facility manager requests to be approved for
20 conducting sports wagering. Lottery gaming facility managers shall not be
21 required to use the same interactive sports wagering platforms.

22 (c) A lottery gaming facility manager may apply to the Kansas lottery
23 for approval of one additional graphical user interface specific to a
24 professional sports team that has a marketing agreement with such lottery
25 gaming facility manager to be used to access an interactive sports
26 wagering platform approved by the Kansas lottery.

27 New Sec. 3. (a) No person shall provide goods, services, software or
28 any other components necessary for the determination of the odds or the
29 outcomes of any wager on a sporting event, directly or indirectly, to a
30 lottery gaming facility manager, including data feeds and odds services,
31 unless such person holds a license issued pursuant to this section.

32 (b) (1) Upon receipt of a complete application and payment of the
33 required license fee, the commission may issue a sports wagering supplier
34 license to a person who satisfies the requirements of this section and any
35 rules and regulations adopted pursuant thereto. Applications for a sports
36 wagering supplier license shall be submitted in such form and manner as
37 prescribed by the commission.

38 (2) Such application shall include:

39 (A) The identity of:

40 (i) Each person who directly owns at least a 10% ownership interest
41 in the applicant;

42 (ii) each holding, intermediary or parent company that directly owns
43 at least a 15% ownership interest in the applicant; and

1 accounts and reports shall transfer 75% from the lottery operating fund to
2 the community crisis stabilization centers fund of the Kansas department
3 for aging and disability services and 25% from the lottery operating fund
4 to the clubhouse model program fund of the Kansas department for aging
5 and disability services.

6 (2) Moneys transferred pursuant to paragraph (1) shall not exceed in
7 the aggregate \$4,000,000 in fiscal year 2019, and shall not exceed in the
8 aggregate \$8,000,000 in fiscal year 2020 and each fiscal year thereafter.

9 (f) *On July 1, 2023, and each July 1 thereafter, or as soon thereafter*
10 *as moneys are available, the first \$750,000 credited to the lottery*
11 *operating fund from sports wagering revenues deposited in the lottery*
12 *operating fund shall be transferred by the director of accounts and reports*
13 *from the lottery operating fund to the white collar crime fund established*
14 *in section 12, and amendments thereto.*

15 Sec. 25. K.S.A. 74-8716 is hereby amended to read as follows: 74-
16 8716. (a) It is unlawful for the executive director, a member of the
17 commission or any employee of the Kansas lottery, or any person residing
18 in the household thereof to:

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

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

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

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

43 (1) Any lottery gaming facility manager, subcontractor or agent of a

1 lottery gaming facility manager, manufacturer or vendor of electronic
2 gaming machines, *an interactive sports wagering platform* or central
3 computer system provider, or any business ~~which~~ that sells goods or
4 services to a lottery gaming facility manager; or

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

9 (d) No person who holds a license issued by the Kansas racing and
10 gaming commission shall serve as executive director or as a member of the
11 commission or shall be employed by the Kansas lottery while or within
12 five years after holding such license.

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

17 (f) It shall be unlawful for the executive director, a member of the
18 commission or an employee of the Kansas lottery to accept any
19 compensation, gift, loan, entertainment, favor or service from any lottery
20 gaming facility manager, subcontractor or agent of a lottery gaming
21 facility manager, manufacturer or vendor of electronic gaming machines,
22 *an interactive sports wagering platform* or central computer system
23 provider.

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

31 (h) Violation of this section is a class A misdemeanor.

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

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

40 ~~Sec. 26. K.S.A. 74-8718 is hereby amended to read as follows: 74-~~
41 ~~8718. (a) It is unlawful:~~

42 (1) ~~To sell a lottery ticket or share at a price other than that fixed by~~
43 ~~rules and regulations adopted pursuant to this act;~~

Strike all in lines 1-25

And by renumbering sections accordingly

~~(2) for any person other than the Kansas lottery or a lottery retailer authorized by the Kansas lottery to sell or resell any lottery ticket or share;~~
~~(3) to sell a lottery ticket or share to any person, knowing such person to be under 18 years of age; or~~
~~(4) to sell a lottery ticket at retail by electronic mail, the internet or telephone, except as provided in subsection (b);~~
~~(b) The lottery may sell tickets or shares over the internet or digital cellular network, including through a lottery website and mobile device application. No online game sold or conducted under this section shall:~~
~~(1) allow a player to choose the denomination of a ticket during game play;~~
~~(2) offer a ticket or game at a price less than any traditional lottery ticket offered at retail;~~
~~(3) simulate the play of an electronic gaming machine;~~
~~(4) extend or arrange credit for the purchase of a ticket;~~
~~(5) allow for the redemption for payment of a lottery ticket other than at a lottery retail location or with the Kansas lottery;~~
~~(6) allow a player to use an automatic play feature for consecutive instant games; or~~
~~(7) allow a player to use a reveal all feature that functions over a period of less than three seconds.~~
~~(c) (1) Violation of this section is a class A nonperson misdemeanor upon conviction for a first offense; and~~
~~(2) violation of this section is a severity level 9, nonperson felony upon conviction for a second or subsequent offense.~~
 Sec. 27. K.S.A. 74-8733 is hereby amended to read as follows: 74-8733. (a) K.S.A. 74-8733 through 74-8773, and amendments thereto, and sections 1 through 13, and amendments thereto, shall be known and may be cited as the Kansas expanded lottery act. The Kansas expanded lottery act shall be a part of and supplemental to the Kansas lottery act.
 (b) If any provision of this act or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect any other provision or application of the act which can be given effect without the invalid provision or application.
 (c) Any action challenging the constitutionality of or arising out of any provision of this act, any lottery gaming facility management contract or any racetrack gaming facility management contract entered into pursuant to this act shall be brought in the district court of Shawnee county.
 Sec. 28. K.S.A. 74-8734 is hereby amended to read as follows: 74-8734. (a) The Kansas lottery may operate one lottery gaming facility in each gaming zone.
 (b) Not more than 30 days after the effective date of this act the

1 lottery commission shall adopt and publish in the Kansas register the
2 procedure for receiving, considering and approving, proposed lottery
3 gaming facility management contracts. Such procedure shall include
4 provisions for review of competitive proposals within a gaming zone and
5 the date by which proposed lottery gaming facility management contracts
6 must be received by the lottery commission if they are to receive
7 consideration.

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

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

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

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

39 (g) The commission shall not approve a management contract unless:
40 (1) (A) The prospective lottery gaming facility manager is a resident
41 Kansas American Indian tribe and, at a minimum: (i) Has sufficient access
42 to financial resources to support the activities required of a lottery gaming
43 facility manager under the Kansas expanded lottery act; and (ii) has three

1 ~~winning ticket proceeds from live greyhound races. Breakage for such~~
2 ~~races shall be distributed for use to benefit greyhound racing as determined~~
3 ~~by the commission.~~

4 (4) If a simulcasting licensee has a license to conduct live racing of
5 only greyhounds and the licensee displays a simulcast horse race:

6 (A) All breakage proceeds shall be remitted by the licensee to the
7 commission not later than the 15th day of the month following the race
8 from which the breakage is derived and the commission shall remit any
9 such proceeds received to the state treasurer in accordance with the
10 provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of
11 each such remittance, the state treasurer shall deposit the entire amount in
12 the state treasury to the credit of the Kansas horse breeding development
13 fund created by K.S.A. 74-8829, and amendments thereto; and

14 (B) all unclaimed ticket proceeds shall be remitted by the licensee to
15 the commission on the 61st day after the end of the calendar year and the
16 commission shall remit any such proceeds received to the state treasurer in
17 accordance with the provisions of K.S.A. 75-4215, and amendments
18 thereto. Upon receipt of each such remittance, the state treasurer shall
19 deposit the entire amount in the state treasury to the credit of the Kansas
20 horse breeding development fund created by K.S.A. 74-8829, and
21 amendments thereto.

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

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

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

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

37 (4) Breakage for interstate combined wagering pools shall be
38 calculated in accordance with the statutes and rules and regulations of the
39 host jurisdiction and shall be allocated among the participating
40 jurisdictions in a manner agreed to among the jurisdictions. Breakage
41 allocated to this jurisdiction shall be distributed as provided by subsection
42 (h).

43 (5) Upon approval of the respective recognized greyhound owners'

1 group or recognized horsemen's group, the commission may permit an
 2 organization licensee to simulcast to other racetrack facilities or off-track
 3 wagering or intertrack wagering facilities in other jurisdictions one or
 4 more races conducted by such licensee, use one or more races conducted
 5 by such licensee for an intrastate combined wagering pool or use one or
 6 more races conducted by such licensee for an interstate combined
 7 wagering pool at off-track wagering or intertrack wagering locations
 8 outside the commission's jurisdiction and may allow parimutuel pools in
 9 other jurisdictions to be combined with parimutuel pools in the
 10 commission's jurisdiction for the purpose of establishing an interstate
 11 combined wagering pool.

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

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

21 (l) This section shall be a part of and supplemental to the Kansas
 22 parimutuel racing act.

23 Sec. 39. K.S.A. 79-4806 is hereby amended to read as follows: 79-
 24 4806. On July 1 of each year or as soon thereafter as sufficient moneys are
 25 available, ~~\$80,000~~ \$100,000 credited to the state gaming revenues fund
 26 shall be transferred and credited to the problem gambling *and addictions*
 27 grant fund established by K.S.A. 79-4805, and amendments thereto.

28 Sec. 40. K.S.A. 46-2301, 74-8702, 74-8710, 74-8711, 74-8716, 74-
 29 ~~8718~~, 74-8733, 74-8734, 74-8751, 74-8752, 74-8757, 74-8760, 74-8761,
 30 74-8802, 74-8804, 74-8814, 74-8823, 74-8836 and 79-4806 and K.S.A.
 31 2021 Supp. 21-6403 and 21-6507 are hereby repealed.

32 Sec. 41. This act shall take effect and be in force from and after its
 33 publication in the statute book.

Strike in lines 28 & 29