

## Senate Substitute for HOUSE BILL No. 2422

By Committee on Federal and State Affairs

3-22

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1 AN ACT concerning gaming; relating to certification of gaming suppliers  
2 by the Kansas racing and gaming commission; exempting certain  
3 suppliers from such certification requirements; limiting adoption of  
4 rules and regulations by the commission; amending K.S.A. 2023 Supp.  
5 74-8751 and 74-8772 and repealing the existing sections.

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

8 Section 1. K.S.A. 2023 Supp. 74-8751 is hereby amended to read as  
9 follows: 74-8751. (a) The Kansas racing and gaming commission, through  
10 rules and regulations, shall establish:

11 (1) A certification requirement, and enforcement procedure, for  
12 officers, directors, key employees and persons directly or indirectly  
13 owning a 5% or more interest in a lottery gaming facility manager or  
14 racetrack gaming facility manager. Such certification requirement shall  
15 include compliance with such security, fitness and background  
16 investigations and standards as the executive director of the Kansas racing  
17 and gaming commission deems necessary to determine whether such  
18 person's reputation, habits or associations pose a threat to the public  
19 interest of the state or to the reputation of or effective regulation and  
20 control of the lottery gaming facility or racetrack gaming facility;

21 (2) (A) a certification requirement, and enforcement procedure, for  
22 those persons, including electronic gaming machine manufacturers,  
23 technology providers and computer system providers, who propose to  
24 contract with a lottery gaming facility manager, a racetrack gaming facility  
25 manager or the state for the provision of goods or services related to a  
26 lottery gaming facility or racetrack gaming facility, including management  
27 services. Such certification requirements shall include compliance with  
28 such security, fitness and background investigations and standards of  
29 officers, directors, key gaming employees and persons directly or  
30 indirectly owning a 5% or more interest in such entity as the executive  
31 director of the Kansas racing and gaming commission deems necessary to  
32 determine whether such person's reputation, habits and associations pose a  
33 threat to the public interest of the state or to the reputation of or effective  
34 regulation and control of the lottery gaming facility or racetrack gaming  
35 facility. If the executive director of the racing and gaming commission  
36 determines the certification standards of another state are comprehensive,

1 thorough and provide similar adequate safeguards, the executive director  
2 may certify an applicant already certified in such state without the  
3 necessity of a full application and background check; *and*

4 *(B) the provisions of this paragraph shall not apply to any person*  
5 *who:*

6 *(i) Manufactures or otherwise supplies goods or services to a person*  
7 *who is required to be certified under subparagraph (A);*

8 *(ii) does not propose to contract with a lottery gaming facility*  
9 *manager, racetrack gaming facility manager or the state for such goods or*  
10 *services; and*

11 *(iii) does not perform any work or provide any services on the*  
12 *premises of a lottery gaming facility or racetrack gaming facility;*

13 (3) (A) a certification requirement and enforcement procedure for:

14 (i) Employees of a lottery gaming facility manager or another entity  
15 owned by the lottery gaming facility manager's parent company that are  
16 directly involved in the management of sports wagering managed by such  
17 manager; and

18 (ii) those persons who propose to contract with a lottery gaming  
19 facility manager in an amount that exceeds \$250,000 per year for the  
20 provision of goods or services related to sports wagering, including any  
21 interactive sports wagering platform requested by a lottery gaming facility  
22 manager under K.S.A. 2023 Supp. 74-8782, and amendments thereto; and

23 (B) such certification requirement shall include compliance with such  
24 security, fitness and background investigations and standards as the  
25 executive director deems necessary to determine whether such person's  
26 reputation, habits or associations pose a threat to the public interest of the  
27 state or to the reputation of, or effective regulation and control of, sports  
28 wagering conducted by the lottery gaming facility. Such certification shall  
29 be valid for one year from the date of issuance;

30 (4) provisions for revocation of a certification required by subsection  
31 (a)(1) or (a)(2) upon a finding that the certificate holder, an officer or  
32 director thereof or a person directly or indirectly owning a 5% or more  
33 interest therein:

34 (A) Has knowingly provided false or misleading material information  
35 to the Kansas lottery or its employees; or

36 (B) has been convicted of a felony, gambling related offense or any  
37 crime of moral turpitude;

38 (5) provisions for suspension, revocation or nonrenewal of a  
39 certification required by subsection (a)(1) or (a)(2) upon a finding that the  
40 certificate holder, an officer or director thereof or a person directly or  
41 indirectly owning a 5% or more interest therein:

42 (A) Has failed to notify the Kansas lottery about a material change in  
43 ownership of the certificate holder, or any change in the directors or

1 officers thereof;

2 (B) is delinquent in remitting money owed to the Kansas lottery;

3 (C) has violated any provision of any contract between the Kansas  
4 lottery and the certificate holder; or

5 (D) has violated any provision of the Kansas expanded lottery act or  
6 any rule and regulation adopted hereunder; and

7 (6) provisions for suspension, revocation or nonrenewal of a  
8 certification required by subsection (a)(3) upon a finding that the  
9 certificate holder has:

10 (A) Knowingly provided false or misleading material information to  
11 the Kansas lottery, the Kansas racing and gaming commission or to the  
12 employees of either entity;

13 (B) been convicted of a felony, gambling-related offense or any crime  
14 of moral turpitude;

15 (C) violated any provision of any contract between the Kansas lottery  
16 and the certificate holder; or

17 (D) violated any provision of the Kansas expanded lottery act or any  
18 rule and regulation adopted hereunder.

19 (b) A certification issued pursuant to this section shall not be  
20 assignable or transferable.

21 Sec. 2. K.S.A. 2023 Supp. 74-8772 is hereby amended to read as  
22 follows: 74-8772. (a) On or before January 1, 2023, the Kansas racing and  
23 gaming commission shall adopt such permanent rules and regulations as  
24 the commission deems necessary to carry out the duties and functions of  
25 the commission pursuant to the Kansas expanded lottery act. Temporary  
26 rules and regulations may be adopted by the commission without being  
27 subject to the provisions and requirements of K.S.A. 77-415 through 77-  
28 438, and amendments thereto, but shall be subject to approval by the  
29 attorney general as to legality and shall be filed with the secretary of state  
30 and published in the Kansas register. Temporary and permanent rules and  
31 regulations shall include, but not be limited to, rules and regulations:

32 ~~(a)~~(1) Promoting the integrity of the gaming and finances of lottery  
33 gaming facilities and racetrack gaming facilities and shall meet or exceed  
34 industry standards for monitoring and controlling the gaming and finances  
35 of lottery gaming facility operations and racetrack gaming facility  
36 operations and shall give the Kansas racing and gaming commission  
37 sufficient authority to monitor and control the gaming operation and to  
38 ensure its integrity and security;

39 ~~(b)~~(2) prescribing the on-site security arrangements for lottery  
40 gaming facilities and racetrack gaming facilities;

41 ~~(c)~~(3) requiring reporting of information about any lottery gaming  
42 facility manager or racetrack gaming facility manager, and its employees,  
43 vendors and finances, necessary or desirable to ensure the security of

1 lottery gaming facility and racetrack gaming facility operations. None of  
2 the information disclosed pursuant to this subsection shall be subject to  
3 disclosure under the Kansas open records act;

4 ~~(d)~~(4) requiring reporting and auditing of financial information of  
5 lottery gaming facility managers and racetrack gaming facility managers,  
6 including, but not limited to, the reporting of profits or losses incurred by  
7 lottery gaming facility managers and racetrack gaming facility managers  
8 and the reporting of such other information as the Kansas racing and  
9 gaming commission requires to determine compliance with the Kansas  
10 expanded lottery act and rules and regulations adopted hereunder. None of  
11 the information disclosed pursuant to this subsection shall be subject to  
12 disclosure under the Kansas open records act; and

13 ~~(e)~~(5) provisions for oversight of all lottery gaming facility operations  
14 and racetrack gaming facility operations, including, but not limited to,  
15 oversight of internal controls; oversight of security of facilities;  
16 performance of background investigations, determination of qualifications  
17 and credentialing of employees, contractors and agents of lottery gaming  
18 facility managers, ancillary lottery gaming facility operations and  
19 racetrack gaming facilities; auditing of lottery gaming facility revenues  
20 and net electronic gaming machine income of racetrack gaming facilities;  
21 enforcement of all state laws; and maintenance of the integrity of lottery  
22 gaming facility and racetrack gaming facility operations.

23 *(b) Commencing on July 1, 2024, the Kansas racing and gaming*  
24 *commission shall not adopt any rules and regulations or any amendments*  
25 *thereto pursuant to this section or any other provision of the Kansas*  
26 *expanded lottery act or implement any changes in the interpretation of any*  
27 *such rules and regulations unless such rules and regulations or*  
28 *amendments thereto or changes in interpretation have been approved by*  
29 *the legislature.*

30 Sec. 3. K.S.A. 2023 Supp. 74-8751 and 74-8772 are hereby repealed.

31 Sec. 4. This act shall take effect and be in force from and after its  
32 publication in the statute book.