

Senate Substitute for HOUSE BILL No. 2422

By Committee on Federal and State Affairs

3-22

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.

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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.