AN ACT concerning the Kansas expanded lottery act; relating to racetrack gaming facilities; amending K.S.A. 2013 Supp. 74-8702, 74-8734, 74-8741, 74-8751 and 74-8768 and repealing the existing sections.

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

Section 1. K.S.A. 2013 Supp. 74-8702 is hereby amended to read as follows: 74-8702. As used in the Kansas lottery act, unless the context otherwise requires:

(a) "Ancillary lottery gaming facility operations" means additional non-lottery facility game products and services not owned and operated by the state which may be included in the overall development associated with the lottery gaming facility. Such operations may include, but are not limited to, restaurants, hotels, motels, museums or entertainment facilities.

(b) "Commission" means the Kansas lottery commission.

(c) "Electronic gaming machine" means any electronic, electromechanical, video or computerized device, contrivance or machine authorized by the Kansas lottery which, upon insertion of cash, tokens, electronic cards or any consideration, is available to play, operate or simulate the play of a game authorized by the Kansas lottery pursuant to the Kansas expanded lottery act, including, but not limited to, bingo, poker, blackjack, keno and slot machines, and which may deliver or entitle the player operating the machine to receive cash, tokens, merchandise or credits that may be redeemed for cash. Electronic gaming machines may use bill validators and may be single-position reel-type, single or multi-game video and single-position multi-game video electronic game, including, but not limited to, poker, blackjack and slot machines. Electronic gaming machines shall be directly linked to a central computer at a location determined by the executive director for purposes of security, monitoring and auditing.

(d) "Executive director" means the executive director of the Kansas lottery.

(e) "Gaming equipment" means any electric, electronic, computerized or electromechanical machine, mechanism, supply or device or any other equipment, which is: (1) Unique to the Kansas lottery and used pursuant to the Kansas lottery act; and (2) integral to the operation of an electronic gaming machine or lottery facility game; and (3) affects the results of an...
electronic gaming machine or lottery facility game by determining win or loss.

(f) "Gaming zone" means: (1) The northeast Kansas gaming zone, which consists of Wyandotte county; (2) the southeast Kansas gaming zone which consists of Crawford and Cherokee counties; (3) the north central Kansas gaming zone, which consists of Crawford and Cherokee counties Geary county; (4) the south central Kansas gaming zone, which consists of Sedgwick and Sumner counties; and (4) the southwest Kansas gaming zone, which consists of Ford county.

(g) "Gray machine" means any mechanical, electro-mechanical or electronic device, capable of being used for gambling, that is: (1) Not authorized by the Kansas lottery; (2) not linked to a lottery central computer system; (3) available to the public for play; or (4) capable of simulating a game played on an electronic gaming machine or any similar gambling game authorized pursuant to the Kansas expanded lottery act.

(h) "Kansas lottery" means the state agency created by this act to operate a lottery or lotteries pursuant to this act.

(i) "Lottery" or "state lottery" means the lottery or lotteries operated pursuant to this act.

(j) "Lottery facility games" means any electronic gaming machines and any other games which, as of January 1, 2007, are authorized to be conducted or operated at a tribal gaming facility, as defined in K.S.A. 74-9802, and amendments thereto, located within the boundaries of this state.

(k) "Lottery gaming enterprise" means an entertainment enterprise which includes a lottery gaming facility authorized pursuant to the Kansas expanded lottery act and ancillary lottery gaming facility operations that have a coordinated business or marketing strategy. A lottery gaming enterprise shall be designed to attract to its lottery gaming facility consumers who reside outside the immediate area of such enterprise.

(l) "Lottery gaming facility" means that portion of a building used for the purposes of operating, managing and maintaining lottery facility games.

(m) "Lottery gaming facility expenses" means normal business expenses, as defined in the lottery gaming facility management contract, associated with the ownership and operation of a lottery gaming facility.

(n) "Lottery gaming facility management contract" means a contract, subcontract or collateral agreement between the state and a lottery gaming facility manager for the management of a lottery gaming facility, the business of which is owned and operated by the Kansas lottery, negotiated and signed by the executive director on behalf of the state.

(o) "Lottery gaming facility manager" means a corporation, limited liability company, resident Kansas American Indian tribe or other business entity authorized to construct and manage, or manage alone, pursuant to a
lottery gaming facility management contract with the Kansas lottery, and
on behalf of the state, a lottery gaming enterprise and lottery gaming
facility.

(p) "Lottery gaming facility revenues" means the total revenues from
lottery facility games at a lottery gaming facility after all related prizes are
paid.

(q) (1) "Lottery machine" means any machine or device that allows a
player to insert cash or other form of consideration and may deliver as the
result of an element of chance, regardless of the skill required by the
player, a prize or evidence of a prize, including, but not limited to:

(A) any machine or device in which the prize or evidence of a prize
is determined by both chance and the player's or players' skill, including,
but not limited to, any machine or device on which a lottery game or
lottery games, such as poker or blackjack, are played;

(B) any machine or device in which the prize or evidence of a prize is
determined only by chance, including, but not limited to, any slot machine
or bingo machine; or

(C) any lottery ticket vending machine, such as a keno ticket vending
machine, pull-tab vending machine or an instant-bingo vending machine.

(2) "Lottery machine" shall not mean:

(A) any food vending machine defined by K.S.A. 36-501, and
amendments thereto;

(B) any nonprescription drug machine authorized under K.S.A. 65-
650, and amendments thereto;

(C) any machine which dispenses only bottled or canned soft drinks,
chewing gum, nuts or candies;

(D) any machine excluded from the definition of gambling devices
under subsection (d) of K.S.A. 21-4302, prior to its repeal, or K.S.A. 2013
Supp. 21-6403, and amendments thereto; or

(E) any electronic gaming machine or lottery facility game operated
in accordance with the provisions of the Kansas expanded lottery act.

(r) "Lottery retailer" means any person with whom the Kansas lottery
has contracted to sell lottery tickets or shares, or both, to the public.

(s) (1) "Major procurement" means any gaming product or service,
including, but not limited to, facilities, advertising and promotional
services, annuity contracts, prize payment agreements, consulting services,
equipment, tickets and other products and services unique to the Kansas
lottery, but not including materials, supplies, equipment and services
common to the ordinary operations of state agencies.

(2) "Major procurement" shall not mean any product, service or other
matter covered by or addressed in the Kansas expanded lottery act or a
lottery gaming facility management contract or racetrack gaming facility
management contract executed pursuant to the Kansas expanded lottery
"Net electronic gaming machine income" means all cash or other consideration utilized to play an electronic gaming machine operated at a racetrack gaming facility, less all cash or other consideration paid out to winning players as prizes.

"Organization licensee" has the meaning provided by K.S.A. 74-8802, and amendments thereto.

"Parimutuel licensee" means a facility owner licensee or facility manager licensee under the Kansas parimutuel racing act.

"Parimutuel licensee location" means a racetrack facility, as defined in K.S.A. 74-8802, and amendments thereto, owned or managed by the parimutuel licensee. A parimutuel licensee location may include any existing structure at such racetrack facility or any structure that may be constructed on real estate where such racetrack facility is located.

"Person" means any natural person, association, limited liability company, corporation or partnership.

"Prize" means any prize paid directly by the Kansas lottery pursuant to the Kansas lottery act or the Kansas expanded lottery act or any rules and regulations adopted pursuant to either act.

"Progressive electronic game" means a game played on an electronic gaming machine for which the payoff increases uniformly as the game is played and for which the jackpot, determined by application of a formula to the income of independent, local or interlinked electronic gaming machines, may be won.

"Racetrack gaming facility" means that portion of a parimutuel licensee location where electronic gaming machines are operated, managed and maintained.

"Racetrack gaming facility management contract" means an agreement between the Kansas lottery and a racetrack gaming facility manager, negotiated and signed by the executive director on behalf of the state, for placement of electronic gaming machines owned and operated by the state at a racetrack gaming facility.

"Racetrack gaming facility manager" means a parimutuel licensee specifically certified by the Kansas lottery to become a certified racetrack gaming facility manager and offer electronic gaming machines for play at the racetrack gaming facility.

"Returned ticket" means any ticket which was transferred to a lottery retailer, which was not sold by the lottery retailer and which was returned to the Kansas lottery for refund by issuance of a credit or otherwise.

"Share" means any intangible manifestation authorized by the Kansas lottery to prove participation in a lottery game, except as provided by the Kansas expanded lottery act.
(ff) "Ticket" means any tangible evidence issued by the Kansas lottery to prove participation in a lottery game other than a lottery facility game.

(gg) "Token" means a representative of value, of metal or other material, which is not legal tender, redeemable for cash only by the issuing lottery gaming facility manager or racetrack gaming facility manager and which is issued and sold by a lottery gaming facility manager or racetrack gaming facility manager for the sole purpose of playing an electronic gaming machine or lottery facility game.

(hh) "Vendor" means any person who has entered into a major procurement contract with the Kansas lottery.

(ii) "Video lottery machine" means any electronic video game machine that, upon insertion of cash, is available to play or simulate the play of a video game authorized by the commission, including, but not limited to, bingo, poker, black jack and keno, and which uses a video display and microprocessors and in which, by chance, the player may receive free games or credits that can be redeemed for cash.

Sec. 2. K.S.A. 2013 Supp. 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 lottery commission shall adopt and publish in the Kansas register the procedure for receiving, considering and approving, proposed lottery gaming facility management contracts. Such procedure shall include provisions for review of competitive proposals within a gaming zone and the date by which proposed lottery gaming facility management contracts must be received by the lottery commission if they are to receive consideration.

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

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

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

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

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

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

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

3. the commission determines that the proposed development
   consists of an investment in infrastructure, including ancillary lottery
   gaming facility operations, of at least $225,000,000 in the northeast-
southeast and south central Kansas gaming zones and $50,000,000 in the
   of at least $50,000,000 in the southeast, the north central and southwest
   Kansas gaming zones. The commission, in determining whether the
   minimum investment required by this subsection is met, shall not include
   any amounts derived from or financed by state or local retailers' sales tax
revenues.

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

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

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

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

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

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

(6) provide for the prospective lottery gaming facility manager, upon approval of the proposed lottery gaming facility management contract, to pay to the state treasurer a nonrefundable privilege fee of, except as provided in K.S.A. 2013 Supp. 74-8738, and amendments thereto, and except in circumstances when a lottery facility management contract is disapproved by either the lottery gaming facility review board or the Kansas racing and gaming commission pursuant to K.S.A. 2013 Supp. 74-8736, and amendments thereto, of: (A) $25,000,000 for the privilege of being selected as a lottery gaming facility manager of a lottery gaming facility in the northeast, southeast or south central Kansas gaming zone and $5,500,000; and (B) $5,500,000 for the privilege of being selected as a lottery gaming facility manager of a lottery gaming facility in the north central, southeast and southwest Kansas gaming zones. Such fee shall be deposited in the state treasury and credited to the lottery gaming facility manager fund, which is hereby created in the state treasury;

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

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

(9) include financing commitments for construction;

(10) include a resolution of endorsement from the city governing body, if the proposed facility is within the corporate limits of a city, or
from the county commission, if the proposed facility is located in the
unincorporated area of the county;
(11) include a requirement that any parimutuel licensee developing a
lottery gaming facility pursuant to this act comply with all orders and rules
and regulations of the Kansas racing and gaming commission with regard
to the conduct of live racing, including the same minimum days of racing
as specified in K.S.A. 2013 Supp. 74-8746, and amendments thereto, for
operation of electronic gaming machines at racetrack gaming facilities;
(12) include a provision for the state to receive not less than 22% of
lottery gaming facility revenues, which shall be paid to the expanded
lottery act revenues fund established by K.S.A. 2013 Supp. 74-8768, and
amendments thereto;
(13) include a provision for 2% of lottery gaming facility revenues to
be paid to the problem gambling and addictions grant fund established by
K.S.A. 2013 Supp. 79-4805, and amendments thereto;
(14) if the prospective lottery gaming facility manager is an American
Indian tribe, include a provision that such tribe agrees to waive its
sovereign immunity with respect to any actions arising from or to enforce
either the Kansas expanded lottery act or any provision of the lottery
gaming facility management contract; any action brought by an injured
patron or by the state of Kansas; any action for purposes of enforcing the
workers compensation act or any other employment or labor law; and any
action to enforce laws, rules and regulations and codes pertaining to
health, safety and consumer protection; and for any other purpose deemed
necessary by the executive director to protect patrons or employees and
promote fair competition between the tribe and others seeking a lottery
gaming facility management contract;
(15) (A) if the lottery gaming facility is located in the northeast or
southwest Kansas gaming zone and is not located within a city, include a
 provision for payment of an amount equal to 3% of the lottery gaming
facility revenues to the county in which the lottery gaming facility is
located; or (B) if the lottery gaming facility is located in the northeast or
southwest Kansas gaming zone and is located within a city, include
provision for payment of an amount equal to 1.5% of the lottery gaming
facility revenues to the city in which the lottery gaming facility is located
and an amount equal to 1.5% of such revenues to the county in which such
facility is located;
(16) (A) if the lottery gaming facility is located in the southeast, the
north central or the south central Kansas gaming zone and is not
located within a city, include a provision for payment of an amount equal
to 2% of the lottery gaming facility revenues to the county in which the
lottery gaming facility is located and an amount equal to 1% of such
revenues to the other county in such zone; or (B) if the lottery gaming
facility is located in the southeast or, the north central or the south central
Kansas gaming zones and is located within a city, provide for
payment of an amount equal to 1% of the lottery gaming facility revenues
to the city in which the lottery gaming facility is located, an amount equal
to 1% of such revenues to the county in which such facility is located and
an amount equal to 1% of such revenues to the other county in such zone;
(17) allow the lottery gaming facility manager to manage the lottery
gaming facility in a manner consistent with this act and applicable law, but
shall place full, complete and ultimate ownership and operational control
of the gaming operation of the lottery gaming facility with the Kansas
lottery. The Kansas lottery shall not delegate and shall explicitly retain the
power to overrule any action of the lottery gaming facility manager
affecting the gaming operation without prior notice. The Kansas lottery
shall retain full control over all decisions concerning lottery gaming
facility games;
(18) include provisions for the Kansas racing and gaming
commission to oversee all lottery gaming facility operations, including, but
not limited to: Oversight of internal controls; oversight of security of
facilities; performance of background investigations, determination of
qualifications and credentialing of employees, contractors and agents of
the lottery gaming facility manager and of ancillary lottery gaming facility
operations, as determined by the Kansas racing and gaming commission;
auditing of lottery gaming facility revenues; enforcement of all state laws
and maintenance of the integrity of gaming operations; and
(19) include enforceable provisions: (A) Prohibiting the state, until
July 1, 2032, from (i) entering into management contracts for more than
four five lottery gaming facilities or similar gaming facilities, one to be
located in the northeast Kansas gaming zone, one to be located in the
north central Kansas gaming zone, one to be located in the south central
Kansas gaming zone, one to be located in the southwest Kansas gaming
zone and one to be located in the southeast Kansas gaming zone, (ii)
designating additional areas of the state where operation of lottery gaming
facilities or similar gaming facilities would be authorized or (iii) operating
an aggregate of more than 2,800 electronic gaming machines at all
parimutuel licensee locations; and (B) requiring the state to repay to the
lottery gaming facility manager an amount equal to the privilege fee paid
by such lottery gaming facility manager, plus interest on such amount,
compounded annually at the rate of 10%, if the state violates the
prohibition provision described in (A).
(i) The power of eminent domain shall not be used to acquire any
interest in real property for use in a lottery gaming enterprise.
(j) Any proposed management contract for which the privilege fee
has not been paid to the state treasurer within 30 days after the date of
approval of the management contract shall be null and void.

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

(l) Management contracts authorized by this section may include
    provisions relating to:
    (1) Accounting procedures to determine the lottery gaming facility
        revenues, unclaimed prizes and credits;
    (2) minimum requirements for a lottery gaming facility manager to
        provide qualified oversight, security and supervision of the lottery facility
        games including the use of qualified personnel with experience in
        applicable technology;
    (3) eligibility requirements for employees, contractors or agents of a
        lottery gaming facility manager who will have responsibility for or
        involvement with actual gaming activities or for the handling of cash or
        tokens;
    (4) background investigations to be performed by the Kansas racing
        and gaming commission;
    (5) credentialing requirements for any employee, contractor or agent
        of the lottery gaming facility manager or of any ancillary lottery gaming
        facility operation as provided by the Kansas expanded lottery act or rules
        and regulations adopted pursuant thereto;
    (6) provision for termination of the management contract by either
        party for cause; and
    (7) any other provision deemed necessary by the parties, including
        such other terms and restrictions as necessary to conduct any lottery
        facility game in a legal and fair manner.

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

(n) (1) The Kansas lottery shall be the licensee and owner of all
    software programs used at a lottery gaming facility for any lottery facility
    game.
    (2) A lottery gaming facility manager, on behalf of the state, shall
        purchase or lease for the Kansas lottery all lottery facility games. All
        lottery facility games shall be subject to the ultimate control of the Kansas
        lottery in accordance with this act.
    (o) A lottery gaming facility shall comply with any planning and
zoning regulations of the city or county in which it is to be located. The executive director shall not contract with any prospective lottery gaming facility manager for the operation and management of such lottery gaming facility unless such manager first receives any necessary approval under planning and zoning requirements of the city or county in which it is to be located.

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

Sec. 3. K.S.A. 2013 Supp. 74-8741 is hereby amended to read as follows: 74-8741. (a) The executive director of the Kansas lottery shall negotiate a racetrack gaming facility management contract to place electronic gaming machines at one parimutuel licensee location in each gaming zone except the southwest Kansas gaming zone.

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

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

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

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

(1) The term of the contract;

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

(3) provisions for the racetrack gaming facility manager to pay the costs of oversight and regulation of the racetrack gaming facility manager under this act and such manager's racetrack gaming facility operations by the Kansas racing and gaming commission and the Kansas lottery; and
(4) enforceable provisions: (A) Prohibiting the state, until July 1, 2032, from (i) entering into management contracts for more than five lottery gaming facilities or similar gaming facilities, one to be located in the northeast Kansas gaming zone, one to be located in the north central Kansas gaming zone, one to be located in the south central Kansas gaming zone and one to be located in the southwest Kansas gaming zone, (ii) designating additional areas of the state where operation of lottery gaming facilities or similar gaming facilities would be authorized or (iii) operating an aggregate of more than 2,800 electronic gaming machines at all parimutuel licensee locations; and (B) requiring the state to repay to the racetrack gaming facility manager an amount equal to the privilege fee paid by such racetrack gaming facility manager, plus interest on such amount, compounded annually at the rate of 10%, if the state violates the prohibition provision described in (A); and
(5) a resolution of endorsement from the city governing body, if the proposed facility is within the corporate limits of a city, or from the county commission, if the proposed facility is located in the unincorporated area of the county.
(d) Racetrack gaming facility management contracts authorized by this section may include provisions relating to:
(1) Accounting procedures to determine net electronic gaming machine income, unclaimed prizes and credits;
(2) minimum requirements for a racetrack gaming facility manager to provide qualified oversight, security and supervision of electronic gaming machines including the use of qualified personnel with experience in applicable technology;
(3) eligibility requirements for employees, contractors or agents of a racetrack gaming facility manager who will have responsibility for or involvement with electronic gaming machines or for the handling of cash or tokens;
(4) background investigations to be performed by the Kansas racing and gaming commission;
(5) credentialing or certification requirements of any employee, contractor or agent as provided by the Kansas expanded lottery act or rules and regulations adopted pursuant thereto;
(6) provision for termination of the management contract by either party for cause; and
(7) any other provision deemed necessary by the parties, including such other terms and restrictions as necessary to conduct racetrack gaming facility operations in a legal and fair manner.
(e) A person who is the manager of a lottery gaming facility in a gaming zone shall not be eligible to be the manager of the racetrack
gaming facility in the same zone.

(f) A racetrack gaming facility management contract shall not constitute property, nor shall it be subject to attachment, garnishment or execution, nor shall it be alienable or transferable, except upon approval by the executive director, nor shall it be subject to being encumbered or hypothecated.

Sec. 4. K.S.A. 2013 Supp. 74-8751 is hereby amended to read as follows: 74-8751. The Kansas racing and gaming commission, through rules and regulations, shall establish:

(a) A certification requirement, and enforcement procedure, for officers, directors, key employees and persons directly or indirectly owning a 0.5% 5% or more interest in a lottery gaming facility manager or racetrack gaming facility manager. Such certification requirement shall include compliance with such security, fitness and background investigations and standards as the executive director of the Kansas racing and gaming commission deems necessary to determine whether such person's reputation, habits or associations pose a threat to the public interest of the state or to the reputation of or effective regulation and control of the lottery gaming facility or racetrack gaming facility. In the case of a publicly traded company subject to the jurisdiction of the United States securities and exchange commission, such certification requirements shall require such security, fitness and background investigations and standards of officers, directors, key gaming employees and persons directly or indirectly owning a 5% or more interest in such entity, and specify that such publicly traded company annually provide a list of all identifiable shareholders. In the case of institutional investors in a publicly traded company, the certification requirement shall provide a procedure for issuance of waivers of the background investigation requirement by the executive director of the Kansas racing and gaming commission. Any person convicted of any felony, a crime involving gambling or a crime of moral turpitude prior to applying for a certificate hereunder or at any time thereafter shall be deemed unfit. The Kansas racing and gaming commission shall conduct the security, fitness and background checks required pursuant to this subsection. Certification pursuant to this subsection shall not be assignable or transferable;

(b) a certification requirement, and enforcement procedure, for those persons, including electronic gaming machine manufacturers, technology providers and computer system providers, who propose to contract with a lottery gaming facility manager, a racetrack gaming facility manager or the state for the provision of goods or services related to a lottery gaming facility or racetrack gaming facility, including management services. Such certification requirements shall include compliance with such security, fitness and background investigations and standards of officers, directors,
key gaming employees and persons directly or indirectly owning a 0.5% or more interest in such entity as the executive director of the Kansas racing and gaming commission deems necessary to determine whether such person's reputation, habits and associations pose a threat to the public interest of the state or to the reputation of or effective regulation and control of the lottery gaming facility or racetrack gaming facility. In the case of a publicly traded company subject to the jurisdiction of the United States securities and exchange commission or equivalent foreign securities law, such certification requirements shall require such security, fitness and background investigations and standards of officers, directors, key gaming employees and persons directly or indirectly owning a 5% or more interest in such entity, and specify that such publicly traded company annually provide a list of all identifiable shareholders. In the case of institutional investors in a publicly traded company, the certification requirement shall provide a procedure for issuance of waivers of the background investigation requirement by the executive director of the Kansas racing and gaming commission. Any person convicted of any felony, a crime involving gambling or a crime of moral turpitude prior to applying for a certificate hereunder or at any time thereafter shall be deemed unfit. If the executive director of the racing and gaming commission determines the certification standards of another state are comprehensive, thorough and provide similar adequate safeguards, the executive director may certify an applicant already certified in such state without the necessity of a full application and background check. The Kansas racing and gaming commission shall conduct the security, fitness and background checks required pursuant to this subsection. Certification pursuant to this subsection shall not be assignable or transferable;

(c) provisions for revocation of a certification required by subsection (a) or (b) upon a finding that the certificate holder, an officer or director thereof or a person directly or indirectly owning a 0.5% 5% or more interest therein: (1) Has knowingly provided false or misleading material information to the Kansas lottery or its employees; or (2) has been convicted of a felony, gambling related offense or any crime of moral turpitude; and

(d) provisions for suspension, revocation or nonrenewal of a certification required by subsection (a) or (b) upon a finding that the certificate holder, an officer or director thereof or a person directly or indirectly owning a 0.5% 5% or more interest therein: (1) Has failed to notify the Kansas lottery about a material change in ownership of the certificate holder, or any change in the directors or officers thereof; (2) is delinquent in remitting money owed to the Kansas lottery; (3) has violated any provision of any contract between the Kansas lottery and the certificate holder; or (4) has violated any provision of the Kansas
Sec. 5. K.S.A. 2013 Supp. 74-8768 is hereby amended to read as follows: 74-8768. (a) There is hereby created the expanded lottery act revenues fund in the state treasury. All expenditures and transfers from such fund shall be made in accordance with appropriation acts. All moneys credited to such fund shall be expended or transferred only for the purposes of reduction of state debt, state infrastructure improvements, expenditures for deferred maintenance of regents institutions pursuant to K.S.A. 2013 Supp. 76-7,101 et seq., and amendments thereto, expenditures by the Kansas public employees retirement system to be applied to the payment of the unfunded actuarial liability of the state of Kansas and participating employers under K.S.A. 74-4931, and amendments thereto, as directed by the Kansas public employees retirement system, the university engineering initiative act, reduction of local ad valorem tax in the same manner as provided for allocation of amounts in the local ad valorem tax reduction fund and reduction of the unfunded actuarial liability of the system attributable to the state of Kansas and participating employers under K.S.A. 74-4931, and amendments thereto, by the Kansas public employees retirement system.

(b) On July 1, 2012, July 1, 2013, July 1, 2014, July 1, 2015, July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020, and July 1, 2021, or as soon thereafter such date as moneys are available, the first $10,500,000 credited to the expanded lottery act revenues fund shall be transferred by the director of accounts and reports from the expanded lottery act revenues fund in one or more substantially equal amounts, to each of the following: The Kan-grow engineering fund – KU, Kan-grow engineering fund – KSU and Kan-grow engineering fund – WSU. Each such special revenue fund shall receive $3,500,000 annually in each of such years. Commencing in fiscal year 2014, after such transfer has been made, 50% of the remaining moneys credited to the fund shall be transferred on a quarterly basis by the director of accounts and reports from the fund to the Kansas public employees retirement system fund to be applied to reduce the unfunded actuarial liability of the system attributable to the state of Kansas and participating employers under K.S.A. 74-4931 et seq., and amendments thereto, until the system as a whole attains an 80% funding ratio as certified by the board of trustees of the Kansas public employees retirement system.

Sec. 6. K.S.A. 2013 Supp. 74-8702, 74-8734, 74-8741, 74-8751 and 74-8768 are hereby repealed.

Sec. 7. This act shall take effect and be in force from and after its publication in the statute book.