

1 AN ACT relating to sports wagering and making an appropriation therefor.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 154A IS CREATED TO
4 READ AS FOLLOWS:

5 ***The corporation shall institute a system of sports wagering in conformance with the***
6 ***provisions of this chapter and administrative regulations promulgated under the***
7 ***authority of this chapter.***

8 ➔Section 2. KRS 154A.010 is amended to read as follows:

9 As used in this chapter, unless the context requires otherwise:

10 (1) "Amateur athletics" means any interscholastic athletics in which the participating
11 athletes are elementary or secondary school students of any public or private
12 institution of learning, ~~any intercollegiate athletics in which the participating~~
13 ~~athletes are students of any public or private institution of higher education;~~ or any
14 athletics sponsored or regulated by the following amateur athletic associations
15 including, but not limited to:

- 16 (a) United States Olympic Committee;
- 17 ~~(b) National Collegiate Athletic Association;~~
- 18 ~~(c) National Association of Interscholastic Athletics;~~
- 19 ~~(d) Kentucky High School Athletic Association;~~
- 20 (c)~~(e)~~ Kentucky Amateur Athletics Union;
- 21 (d)~~(f)~~ Bluegrass State Games;
- 22 (e)~~(g)~~ Little League Baseball;
- 23 (f)~~(h)~~ Amateur Softball Association;
- 24 (g)~~(i)~~ Babe Ruth Leagues of Kentucky;
- 25 (h)~~(j)~~ American Legion Baseball;
- 26 (i)~~(k)~~ Kentucky Youth Soccer Association; or
- 27 (j)~~(l)~~ Kentucky Special Olympics;

- 1 (2) **"Collegiate sports contest" means any intercollegiate sports contest in which the**
2 **participating athletes are students of any public or private institution of higher**
3 **education and where the contest is held under the auspices of a national athletic**
4 **association for college sports such as the National Collegiate Athletic Association**
5 **or the National Association of Intercollegiate Athletics;**
- 6 (3) "Corporation" means the Kentucky Lottery Corporation;
- 7 (4)~~(3)~~ "Lottery" means any game of chance approved by the corporation and
8 operated pursuant to this chapter, except for games prohibited by the General
9 Assembly as provided for in KRS 154A.063;
- 10 (5)~~(4)~~ "Major lottery-specific procurement" means any gaming product or service
11 including, but not limited to, major advertising contracts, annuity contracts, prize
12 payment agreements, consulting services, personal service contracts, equipment,
13 tickets, and all other products and services unique to the operation of the
14 corporation in its lottery activities, but not including materials, supplies, equipment,
15 and services common to the ordinary operations of a corporation;
- 16 (6) **"Net sports wagering receipts" means the amount of moneys collected as wagers**
17 **less the amount paid out as winnings to players;**
- 18 (6)~~(5)~~ "President" means the president of the Kentucky Lottery Corporation who
19 shall also serve as chief executive officer of the corporation;
- 20 (7) **"Professional sports contest" means a sports contest in which the participants**
21 **are paid to participate and which is overseen by a national or international sports**
22 **association such as the National Football League, the National Basketball**
23 **Association, or the National Association for Stock Car Auto Racing;**
- 24 (8)~~(6)~~ (a) With respect to an individual, "related entity" means any spouse, child,
25 brother, sister, or parent residing as a member of the same household in the
26 principal place of abode of the individual, and any entity with respect to which
27 the individual, or spouse, child, brother, sister, or parent of the individual has

1 a financial interest of five percent (5%) or more, or is an officer, director,
2 employee, or partner; and

3 (b) With respect to any partnership, corporation, joint venture, or other entity,
4 "related entity" means any officer, director, employee, partner, or owner of a
5 financial interest of five percent (5%) or more of the total value thereof; any
6 parent, subsidiary, or brother corporation; and any other entity with which the
7 given entity has an identity of ownership of fifty percent (50%) or more.

8 ~~(9)~~ "Retailer" means any person with whom the corporation has contracted to sell
9 lottery tickets to the public;

10 ~~(10)~~ "Security" means the protection of information that would provide an unfair
11 advantage to any individual or other entity involved or seeking involvement in the
12 operation of the lottery or the supply of major lottery-specific procurement items to
13 the corporation, and the protection of:

14 (a) Information that relates to detection or deterrence of, or could assist in the
15 perpetration of, crimes against the corporation or its retailers, their locations,
16 or their employees; or

17 (b) Information which could impair or adversely impact the ability of the
18 corporation or its retailers to protect the integrity of the lottery or protect
19 lottery equipment, supplies, or proceeds;

20 ~~(11)~~ "Sports contest" means any professional or amateur sport, athletic game or
21 contest, or race or contest involving machines, persons, or animals, except horses,
22 that is viewed by the public;~~and~~

23 ~~(12)~~ **"Sports wagering" means the placing of wagers on the outcomes of**
24 **collegiate or professional sports contests at retailers and locations authorized**
25 **under this chapter; and**

26 ~~(13)~~ "Vendor" means any person who has entered into a major lottery-specific
27 procurement contract with the corporation.

1 ➔Section 3. KRS 154A.030 is amended to read as follows:

- 2 (1) (a) The affairs of the corporation shall be administered by a board of directors
3 composed of eight (8) members.
- 4 (b) One (1) member of the board shall be the State Treasurer, who shall serve on
5 the board in an ex officio capacity.
- 6 (c) 1. The other seven (7) members shall be appointed by the Governor,
7 subject to the advice and consent of the Senate.
- 8 2. Members appointed when the Senate is not in session shall serve only
9 until the next regular session, or special session if such matter is
10 included in the call therefor of the General Assembly, at which time they
11 shall be subject to confirmation by the Senate.
- 12 3. If the Senate is not in session, the appointments shall be subject to
13 review by the Interim Joint Committee on State Government which shall
14 hold a public hearing and shall transmit its recommendations to the
15 Senate.
- 16 4. Should the Senate refuse to confirm a member then he shall forfeit his
17 office as of the date on which the Senate refuses to confirm him.
- 18 5. Any person not confirmed by the Senate shall not be reappointed as a
19 member for a period of two (2) years.
- 20 6. Members appointed by the Governor, and confirmed by the Senate, shall
21 be residents of the Commonwealth of Kentucky and serve a term of four
22 (4) years~~[-, except that of the initial members appointed, two (2) shall be~~
23 ~~appointed for one (1) year with the term ending on the twenty eighth~~
24 ~~(28th) day of November, 1989; two (2) shall be appointed for two (2)~~
25 ~~years with the term ending on the twenty eighth (28th) day of~~
26 ~~November, 1990; two (2) shall be appointed for three (3) years with the~~
27 ~~term ending on the twenty eighth (28th) day of November, 1991; and~~

1 ~~one (1) shall be appointed for four (4) years with the term ending on the~~
2 ~~twenty-eighth (28th) day of November, 1992].~~

3 7. Members, confirmed by the Senate, may serve thirty (30) days beyond
4 the end of their respective terms if their successors have not been
5 appointed and qualified.

6 8. If the Governor fails to appoint a successor within thirty (30) days of
7 expiration of a member's term, the board shall make the appointment.

8 (d) No appointed member shall serve more than two (2) consecutive four-year
9 terms.

10 (e) No more than four (4) of the members appointed by the Governor shall be
11 from the same political party.

12 (f) Appointed members may be removed by the Governor for neglect of duty,
13 misfeasance, or nonfeasance in office.

14 (g) The board shall annually elect a chairman from among its appointed members.

15 (2) (a) No member of the board of directors, by himself or through others, shall
16 knowingly:

17 1. Use or attempt to use his influence in any manner which involves a
18 substantial conflict between his personal or private interest and his
19 duties to the corporation;

20 2. Use or attempt to use any means to influence the corporation in
21 derogation of the corporation;

22 3. Use his official position or office to obtain financial gain for himself, or
23 any spouse, parent, brother, sister, or child of the director; or

24 4. Use or attempt to use his official position to secure or create privileges,
25 exemptions, advantages, or treatment for himself or others in derogation
26 of the interests of the corporation or of the Commonwealth.

27 (b) No director shall appear before the board or the corporation in any manner

1 other than as a director.

2 (c) A director shall abstain from action on an official decision in which he has or
3 may have a personal or private interest, and shall disclose the existence of that
4 personal or private interest in writing to each other member of the board on
5 the same day on which the director becomes aware that the interest exists or
6 that an official decision may be under consideration by the board. This
7 disclosure shall cause the decision on these matters to be made in a meeting of
8 the members of the board who do not have the conflict from which meeting
9 the director shall be absent and from all votes on which matters the director
10 shall abstain.

11 (d) In determining whether to abstain from action on an official decision because
12 of a possible conflict of interest, a director shall consider the following
13 guidelines:

- 14 1. Whether a substantial threat to his independence of judgment has been
15 created by his personal or private interest;
- 16 2. The effect of his participation on public confidence in the integrity of the
17 corporation and the lottery;
- 18 3. Whether his participation is likely to have any significant effect on the
19 disposition of the matter;
- 20 4. The need for his particular contribution, such as special knowledge of
21 the subject matter, to the effective functioning of the corporation; and
- 22 5. Whether the official decision will affect him in a manner differently
23 from the public, or will affect him as a member of a business,
24 profession, occupation, or group to no greater extent generally than other
25 members of his business, profession, occupation, or group.

26 Any director may request a vote of the disinterested members of the board on
27 whether any director shall abstain from action on an official decision.

- 1 (e) No director, in order to further his own economic interests, or those of any
2 person, shall knowingly disclose or use confidential information acquired in
3 the course of his official duties.
- 4 (f) No director shall knowingly receive, directly or indirectly, any interest or
5 profit arising from the use or loan of lottery funds or funds to be raised
6 through the lottery.
- 7 (g) No director shall knowingly accept compensation, other than that provided in
8 this section for directors, for performance of his official duties.
- 9 (h) No present or former director shall, within one (1) year following termination
10 of his membership on the board, accept employment, compensation, or other
11 economic benefit from any person or business that contracts or does business
12 with the corporation in matters in which he was directly involved during his
13 tenure. This provision shall not prohibit an individual from continuing in the
14 same business, firm, occupation, or profession in which he was involved prior
15 to becoming a director, provided that, for a period of one (1) year following
16 termination of his position as a director, he personally refrains from working
17 on any matter in which he was directly involved as a director.
- 18 (i) No director, and no spouse, child, brother, sister, or parent of that director
19 shall have a financial interest of more than five percent (5%) of the total value
20 of any vendor, other supplier of goods or services to the corporation, retailer,
21 *professional sports team*, or related entity. The corporation shall provide each
22 member of the board with a list of all current vendors, which shall be updated
23 on at least a quarterly basis.
- 24 (3) Appointed members of the board of directors shall be entitled to five thousand
25 dollars (\$5,000) per year as remuneration for serving on the board, except for the
26 chairman, who shall receive seven thousand five hundred dollars (\$7,500), and all
27 members shall be reimbursed for necessary travel and other reasonable expenses

1 incurred in the performance of their official duties.

2 (4) The board, upon call of the chairman or the president, shall meet at least monthly
3 for the first eighteen (18) months and bimonthly thereafter and at such other times
4 as the chairman or the president may determine. Four (4) members of the board
5 shall constitute a quorum. The board shall also meet upon call of three (3) or more
6 of the voting members of the board. The board shall keep accurate and complete
7 records of all its meetings.

8 (5) The State Treasurer shall not be compensated for his service on the board.

9 (6) (a) The president of the corporation shall be appointed by the Governor subject to
10 confirmation by the board of directors.

11 (b) Should the board of directors refuse to confirm the appointment of the
12 president, then the Governor shall submit another name.

13 (c) The person whose appointment was refused shall not be renamed for
14 confirmation for a period of two (2) years.

15 (d) The board of directors shall meet within thirty (30) days of the date the
16 Governor submits the name of a nominee for president of the corporation and
17 shall, within that time frame, either approve or reject the nomination.

18 (e) The president of the corporation shall manage the daily affairs of the
19 corporation and shall have such powers and duties as specified by KRS
20 154A.070 and by the board of directors.

21 (f) The president shall not be a member of the board.

22 (g) The president of the corporation may be removed by the board of directors.

23 (7) All meetings of the board shall be open unless they may be closed under KRS
24 61.810 or relate to trade secrets, legally-protectable intellectual property,
25 confidential proprietary information, the security of the corporation in the operation
26 of the lottery, or the security of the lottery's retailers.

27 ➔Section 4. KRS 154A.050 is amended to read as follows:

- 1 (1) The board of directors shall provide the president with private-sector perspectives
2 on the operation of a large marketing enterprise. The board shall:
- 3 (a) Approve, disapprove, amend, or modify the budget recommended by the
4 president for the operation of the corporation;
- 5 (b) Approve, disapprove, amend, or modify the terms of major lottery or sports
6 wagering procurements recommended by the president;
- 7 (c) Serve as a board of appeal for any denial, revocation, or cancellation by the
8 president of a contract with a lottery retailer or sports wagering licensee; and
- 9 (d) Adopt, from time to time, administrative regulations which shall be subject to
10 the provisions of KRS Chapter 13A, as may be necessary to carry out and
11 implement its powers and duties, the operation of the corporation, the conduct
12 of lottery games in general, the operation and oversight of sports wagering
13 games, and any other matters necessary or desirable for the efficient and
14 effective operation of the lottery, sports wagering, or convenience of the
15 public. The board may adopt, without recourse to the administrative regulation
16 process unless it so desires, rules for the conduct of specific lottery games,
17 including but not limited to, rules specifying:
- 18 1. The types of games to be conducted;
- 19 2. The sale price of tickets;
- 20 3. The number and amount of prizes;
- 21 4. The method and location of selecting or validating winning tickets;
- 22 5. The frequency and the means of conducting drawings which shall be
23 open to the public;
- 24 6. The manner of payment of prizes;
- 25 7. The frequency of games and drawings;
- 26 8. The manner and amount of compensation to lottery retailers, except all
27 compensation shall be uniform; and

1 9. Any other matters necessary or desirable for the efficient and effective
2 operation of the lottery or for the convenience of the public.

3 (2) In all other matters, the board shall advise and make recommendations. However,
4 the board shall:

5 (a) Conduct hearings upon complaints charging violations of this chapter or of
6 administrative regulations adopted by the corporation and shall conduct such
7 other hearings as may be provided by administrative regulation;

8 (b) Review the performance of the corporation and:

9 1. Advise the president and make recommendations to him regarding
10 operations of the corporation; and

11 2. Identify potential improvements in this chapter, the administrative
12 regulations of the corporation, and the management of the corporation;

13 (c) Request from the corporation any information the board determines to be
14 relevant to its duties; and

15 (d) Report to the president of the corporation, the Governor, the President of the
16 Senate, and the Speaker of the House of Representatives regarding its findings
17 and recommendations.

18 ➔Section 5. KRS 154A.060 is amended to read as follows:

19 (1) The corporation shall conduct and administer lottery games **and sports wagering**
20 which will result in maximization of revenues to the Commonwealth of Kentucky
21 while at the same time provide entertainment to its citizens. It shall be the duty of
22 the corporation, its employees, and the members of the board to provide for the
23 effective operation of lottery games **and sports wagering** which insure the integrity
24 of the lottery, **sports wagering, and the sporting events upon which wagers are**
25 **placed.** and maintain the dignity of the Commonwealth and the general welfare of
26 its citizens. The corporation, in pursuit of the attainment of the objectives and the
27 purposes of this chapter, may:

- 1 (a) Sue and be sued in its corporate name;
- 2 (b) Adopt a corporate seal and a symbol;
- 3 (c) Hold copyrights, trademarks, and service marks, and enforce its rights with
4 respect thereto;
- 5 (d) Appoint agents upon which process may be served;
- 6 (e) Enter into written agreements with one (1) or more other states for the
7 operation, marketing, and promotion of a joint lottery or joint lottery games;
- 8 (f) Acquire real property and make improvements thereon. These acquisitions
9 shall be reported to the Capital Projects and Bond Oversight Committee for its
10 review and determination in accordance with KRS 45.750 to 45.810; and
- 11 (g) Make, execute, and effectuate any and all agreements or contracts including:
- 12 1. Contracts for the purchase of such goods and services as are necessary
13 for the operation and promotion of the state lottery. Proposed purchases
14 of major items of equipment estimated to cost one hundred thousand
15 dollars (\$100,000) or more and proposed purchases of items of
16 equipment where the estimated contract price for all the items of
17 equipment taken together is four hundred thousand dollars (\$400,000) or
18 more shall be reported to the Capital Projects and Bond Oversight
19 Committee for its review and determination in accordance with the
20 provisions of KRS 45.750 to 45.810. A contract shall not be artificially
21 divided to cause an estimated contract price to fall below the four
22 hundred thousand dollar (\$400,000) threshold. Contracts for personal
23 service shall be reviewed in accordance with KRS 45A.690 to
24 45A.725;[-]
- 25 2. Contracts to incur debt in its own name and enter into financing
26 agreements with the Commonwealth, its own agencies, or with a
27 commercial bank, excluding the authority to issue bonds; ***and***[-]

1 3. Contracts for the purchase of such goods and services as are
2 necessary for the operation, oversight, and promotion of sports
3 wagering. Proposed purchases of major items of equipment estimated
4 to cost one hundred thousand dollars (\$100,000) or more and
5 proposed purchases of items of equipment where the estimated
6 contract price for all the items of equipment taken together is four
7 hundred thousand dollars (\$400,000) or more shall be reported to the
8 Capital Projects and Bond Oversight Committee for its review and
9 determination in accordance with the provisions of KRS 45.750 to
10 45.810. A contract shall not be artificially divided to cause an
11 estimated contract price to fall below the four hundred thousand
12 dollar (\$400,000) threshold. Contracts for personal service shall be
13 reviewed in accordance with KRS 45A.690 to 45A.725.

- 14 (2) The corporation shall:
- 15 (a) Supervise and administer the lottery and sports wagering in accordance with
16 the provisions of this chapter and the administrative regulations adopted by
17 the board;
- 18 (b) Submit monthly and annual reports to the Governor, the President of the
19 Senate, and the Speaker of the House of Representatives containing financial
20 statements which include but are not limited to disclosure of gross revenues,
21 expenses, and net proceeds for the period;
- 22 (c) Adopt by administrative regulation a system of continuous internal audits;
- 23 (d) Maintain weekly or more frequent records of lottery and sports wagering
24 transactions, including distribution of tickets to lottery retailers, wagers made,
25 revenues received, claims for prizes, prizes paid, and all other financial
26 transactions of the corporation;
- 27 (e) Adopt by administrative regulation a code of ethics for officers and employees

1 of the corporation to carry out the standards of conduct established by the
2 provisions of this chapter;

3 (f) Include capital projects, as defined in KRS 45.750(1)(f), which exceed the
4 thresholds set forth in KRS 154A.060(1)(g)1. in the budget unit request
5 submitted by the corporation to the Finance and Administration Cabinet
6 pursuant to KRS 48.050. In the budget unit request submitted by the
7 corporation, a contingency item for acquisition of the on-line central system,
8 all related equipment, and any other equipment owned by vendors of the
9 corporation relating to computer-generated lottery games from the
10 corporation's vendors shall be stated separately from all other equipment.
11 Further, if the identification of specific projects requiring the acquisition of
12 equipment in the nature of computer systems, communications equipment and
13 related peripheral devices, and operating system software cannot be
14 ascertained with absolute certainty at the time the corporation is required to
15 submit its budget unit request, the corporation shall be entitled to submit a
16 general request for the equipment without individually identifying specific
17 projects, together with a maximum amount to be allocated for the equipment,
18 in the budget unit request;

19 (g) The Kentucky Lottery Corporation and the Cabinet for Health and Family
20 Services shall develop a system to allow the Kentucky Lottery Corporation to
21 receive a list of delinquent child support obligors from the Cabinet for Health
22 and Family Services on a monthly basis. The Kentucky Lottery Corporation
23 shall withhold delinquent amounts from prizes of lottery or sports wagering
24 winners that appear on the list. This system shall be timely and shall not create
25 an unavoidable delay in the payment of a lottery prize; and

26 (h) The Kentucky Lottery Corporation and the authority shall develop a system to
27 allow the Kentucky Lottery Corporation to receive on a periodic basis a list of

1 persons declared in default of repayment obligations under financial assistance
 2 programs in KRS Chapters 164 and 164A. The Kentucky Lottery Corporation
 3 shall withhold from a person's **lottery or sports wagering** prize winnings the
 4 amount of the defaulted loan and shall transfer the amount to the authority to
 5 credit the account of the person in default. Any amount remaining after the
 6 deduction of the loan amount shall be paid to the person.

7 ➔Section 6. KRS 154A.063 is amended to read as follows:

- 8 (1) The corporation shall not utilize amateur athletics for any purpose including, but not
 9 limited to, advertising, promoting, conducting a lottery, or as a basis for a lottery.
- 10 (2) The corporation shall not approve and operate any casino or similar gambling
 11 establishment and shall not approve or operate any game played with playing cards,
 12 dice, dominos, slot machines, **or** roulette wheels~~, or where winners are determined~~
 13 ~~by the outcome of a sports contest].~~
- 14 (3) This section shall not be construed to prohibit the corporation from:
- 15 **(a)** Advertising the lottery at, during, or in connection with a sports contest;
- 16 **(b)** **Accepting wagers placed on the outcome of a collegiate sports contest; or**
- 17 **(c)** **Accepting wagers placed on the outcome of a professional sports contest.**

18 ➔Section 7. KRS 154A.065 is amended to read as follows:

19 The corporation may utilize horse racing or contests involving horses for any purpose
 20 including, but not limited to, advertising, promoting, conducting a lottery, or as a basis for
 21 a lottery, after obtaining the necessary permission from the horse racing track or
 22 sponsoring authority involved, **but shall not accept sports wagers on the outcomes of**
 23 **horse racing or contests involving horses.**

24 ➔Section 8. KRS 154A.070 is amended to read as follows:

- 25 (1) The president, as chief executive officer of the corporation, shall direct and
 26 supervise all administrative and technical activities in accordance with the
 27 provisions of this chapter and with the administrative regulations adopted by the

1 board. It shall be his duty to:

2 (a) Supervise and administer the operation of the lottery games and sports
3 wagering;

4 (b) Employ and direct such personnel as may be necessary to carry out the
5 purposes of this chapter and utilize such services, personnel, or facilities of
6 the corporation as he may deem necessary. He may employ by personal
7 service contract pursuant to KRS 45A.690 to 45A.725 and compensate such
8 consultants and technical assistants as may be required to carry out the
9 provisions of this chapter. The president may, by agreement, secure
10 information and services as he may deem necessary from any department,
11 agency, or unit of state government, and shall compensate such department,
12 agency, or unit of state government for its services. Such agencies,
13 departments, or units of state government shall cooperate with the corporation
14 and provide such information and services as may be required by the
15 corporation to assure the integrity of the lottery and the effective operation of
16 the lottery games;

17 (c) Contract in accordance with the administrative regulations of the corporation
18 with persons to sell lottery tickets at retail and to accept sports wagers on
19 behalf of the corporation. The president shall require a bond or bank letter of
20 credit from lottery retailers in an amount provided by administrative
21 regulations issued by the board;

22 (d) Make available for inspection by the board or any member of the board, upon
23 request, all books, records, files, and other information and documents of his
24 office and to advise the board and recommend such administrative regulations
25 and other matters he deems necessary and advisable to improve the operation
26 and administration of the lottery;

27 (e) Enter into any contract pursuant to KRS Chapters 45 and 45A or

- 1 administrative regulations promulgated by the board, and pursuant to KRS
2 154A.120, with any person, firm, or corporation for the promotion and any
3 operation of the lottery, or for the performance of any of the functions as
4 provided in this chapter;
- 5 (f) Attend meetings of the board or appoint a designee to attend on his behalf;
6 and
- 7 (g) On the first day of the Regular Session of the General Assembly in 1990 and
8 biennially thereafter, submit the proposed biennial budget of the corporation
9 to the Appropriations and Revenue Committee of the House of
10 Representatives for review and comment. The budget shall be submitted to the
11 Director of the Legislative Research Commission within five (5) days of
12 adoption by the board for distribution to the Appropriations and Revenue
13 Committee of the House of Representatives for review.
- 14 (2) The president, with the approval of the board, may amend or modify the budget at
15 any time in any manner deemed necessary for the proper operation of the
16 corporation; however, each change shall be reported in writing to the board and to
17 the director of the Legislative Research Commission, who shall transmit a copy of
18 the change to the Appropriations and Revenue Committee of the House of
19 Representatives.
- 20 (3) Following his confirmation, and during his entire term of office, the president shall
21 reside in Kentucky.
- 22 (4) The president, and the board, may conduct an ongoing study of the operation and
23 administration of lotteries and sports wagering systems in other states or countries,
24 of available literature on the subject, of federal laws and regulations which may
25 affect the operation of the lottery or a sports wagering system, and of the reaction
26 of citizens of this state to existing or proposed features of lottery games and sports
27 wagering, with a view toward implementing improvements that will tend to serve

1 the purposes of this chapter.

2 (5) The president also may:

3 (a) Require bond from corporate employees with access to corporate funds or
4 lottery or sports wagering funds, in such an amount as provided in the
5 administrative regulations of the board. The president may also require bond
6 from other employees as he deems necessary; and

7 (b) For good cause, suspend, revoke, or refuse to renew any contract entered into
8 in accordance with the provisions of this chapter or the administrative
9 regulations of the board.

10 ➔Section 9. KRS 154A.090 is amended to read as follows:

11 (1) Any retailer, vendor, sports wagering retailer, or applicant for a retailer, sports
12 wagering retailer, or vendor contract aggrieved by an action of the president of the
13 corporation may appeal that decision to the board.

14 (2) All appeals before the board shall be decided within thirty (30) days of the hearing.

15 (3) Any person aggrieved by a decision of the board may appeal the decision to the
16 Circuit Court of the county in which the corporation maintains its headquarters,
17 except that if the person aggrieved is a lottery retailer or sports wagering retailer,
18 or an applicant to become a lottery retailer or sports wagering retailer, then the
19 Circuit Court of the county in which said retailer or sports wagering retailer does
20 or applicant would operate shall have concurrent venue as to such appeal.

21 (4) The Circuit Court may reverse the decision of the board only in the event the
22 decision is found to be:

23 (a) Clearly erroneous; or

24 (b) Arbitrary and capricious; or

25 (c) Procured by fraud; or

26 (d) A result of misconduct by the board, or a member thereof.

27 ➔Section 10. KRS 154A.110 is amended to read as follows:

- 1 (1) Proceeds of lottery prizes and sports wagers shall be subject to Kentucky state
2 income tax. Any attachments, garnishments, or executions authorized and issued
3 pursuant to statute shall also be withheld if served upon the process agent of the
4 corporation. This section shall not apply to a retailer or sports wagering retailer.
- 5 (2) The board shall adopt rules to establish a system of verifying the validity of lottery
6 and sports wagering tickets claimed to win prizes and to effect payment of such
7 prizes, except that:
- 8 (a) No prize, nor any portion of a prize, nor any right of any person to a prize
9 awarded shall be assignable, except as provided in subsection (6) of this
10 section. Any prize, or portion thereof, remaining unpaid at the death of a prize
11 winner shall be paid to the estate of such deceased prize winner or to the
12 trustee under a revocable living trust established by the deceased prize winner
13 as settlor, provided that a copy of such a trust has been filed with the
14 corporation along with a notarized letter of direction from the settlor and no
15 written notice of revocation has been received by the corporation prior to the
16 settlor's death. Following such a settlor's death and prior to any payment to
17 such a successor trustee, the corporation shall obtain from the trustee and each
18 trust beneficiary a written agreement to indemnify and hold the corporation
19 harmless with respect to any claims that may be asserted against the
20 corporation arising from payment to or through the trust. Notwithstanding any
21 other provisions of this section, any person, pursuant to an appropriate judicial
22 order, shall be paid the prize to which a winner is entitled.
- 23 (b) No lottery ticket shall knowingly be sold to nor sports wager accepted from
24 any person under the age of eighteen (18), but this section does not prohibit
25 the purchase of a lottery ticket by a person eighteen (18) years of age or older
26 for the purpose of making a gift to any person of any age. In such case, the
27 corporation shall direct payment to an adult member of the person's family or

1 the legal guardian of the person on behalf of such person. The person named
2 as custodian shall have the same powers and duties as prescribed for a
3 custodian pursuant to the Uniform Transfers to Minors Act.

4 (c) No prize shall be paid arising from claimed lottery tickets or sports wagers
5 that are stolen, counterfeit, altered, fraudulent, unissued, produced or issued in
6 error, unreadable, not received or not recorded by the corporation within
7 applicable deadlines, lacking in captions that conform and agree with the play
8 symbols as appropriate to the lottery game involved, or not in compliance with
9 such additional specific rules and public or confidential validation and
10 security tests of the corporation appropriate to the particular lottery game or
11 sports wager involved.

12 (d) No particular prize in any lottery game or sports wager shall be paid more
13 than once, and in the event of a binding determination that more than one
14 claimant is entitled to a particular prize, the sole remedy of such claimants is
15 the award to each of them of an equal share in the prize.

16 (e) A holder of a winning cash ticket from a Kentucky lottery game or sports
17 wager shall claim a prize within ~~three hundred sixty five (365) days (for a~~
18 ~~ticket issued before January 1, 1995), and within one hundred eighty (180)~~
19 ~~days (for a ticket issued on or after January 1, 1995), or for a multistate lottery~~
20 ~~game within~~ one hundred eighty (180) days, after the drawing in which the
21 prize was won or the conclusion of the sports event upon which the wager
22 was placed. In any Kentucky lottery game in which the player may determine
23 instantly if he has won or lost, he shall claim a prize within ~~three hundred~~
24 ~~sixty five (365) days (for lottery games commenced or tickets printed or~~
25 ~~reprinted before January 1, 1995), and within~~ one hundred eighty (180) days
26 ~~(for lottery games commenced or tickets printed or reprinted on or after~~
27 ~~January 1, 1995)]~~, or for a multistate lottery game within one hundred eighty

1 (180) days, after the end of the lottery game as announced by the corporation.
 2 However, a holder of a pull-tab lottery ticket shall claim a prize within the
 3 time period and in the manner printed on the ticket. If a valid claim is not
 4 made for a prize within the applicable period, the prize shall constitute an
 5 unclaimed prize for purposes of subsection (3) of this section.

6 (f) No prize shall be paid upon a ticket purchased or sold **or a sports wager**
 7 **placed** in violation of this chapter. Any such prize shall constitute an
 8 unclaimed prize for purposes of subsection (3) of this section.

9 (3) (a) Any unclaimed **lottery** prize money may be retained by the corporation and
 10 added to the pool from which future prizes are to be awarded or used for
 11 special prize promotions, or may be appropriated by the General Assembly
 12 directly from the corporation for any public purpose. ~~For fiscal years 2000-~~
 13 ~~2001 and 2001-2002, any unclaimed prize money in excess of six million~~
 14 ~~dollars (\$6,000,000) shall be transferred to the affordable housing trust fund~~
 15 ~~established by KRS 198A.710.]~~

16 (b) **Any unclaimed sports wager prize money shall be added to the sports**
 17 **wagering distribution trust fund established by Section 13 of this Act and**
 18 **shall be appropriated by the General Assembly only for the purposes**
 19 **established for that fund.**

20 (4) The corporation is discharged of all liability upon payment of a prize.

21 (5) No **lottery** ticket **or sports wager** shall be purchased by and no prize shall be paid to
 22 any of the following persons:

23 (a) Any member of the board of directors, officers, or employees of the
 24 corporation;

25 (b) Any vendors or related entities, or any member of the board of directors,
 26 officers, employees of, partners in, or owners of any vendors or related entities
 27 to the vendors; ~~or~~

1 (c) Any spouse, child, brother, sister, or parent residing as a member of the same
2 household in the principal place of abode of any such person; or

3 (d) Any owner, or any member of the board of directors, officers, employees of,
4 partners in, or coaches or players of any professional sports team, or any
5 coach or player of a collegiate sports team.

6 (6) The right of any person to receive payments due under a prize that is paid in
7 installments over time by the corporation, excluding prizes payable for the winner's
8 life, may be voluntarily assigned, in whole or in part, if the assignment is made to a
9 person or entity designated pursuant to an order of the Circuit Court located in the
10 judicial circuit where the headquarters of the corporation is located. The Circuit
11 Court shall issue an order approving a voluntary assignment, specifying the exact
12 dollar amount of each prize payment or payments assigned, or any portion thereof,
13 the dates of the payments being assigned, the name of the assignor as it appears on
14 the lottery claim form or the full legal name of the assignor if different than the
15 name as it appears on the lottery claim form, and the full legal name of the assignee
16 to whom the assigned payments will be made, and directing the corporation to make
17 the specified payments to the assignee, if all of the following conditions have been
18 met:

19 (a) The assignment is in writing, executed by the assignor either before or after
20 July 12, 2006, and by its terms, subject to the laws of this Commonwealth;

21 (b) The assignor provides a sworn affidavit attesting that the assignor:

22 1. Is of sound mind, in full command of his or her faculties, and is not
23 acting under duress;

24 2. Has had the opportunity to receive independent legal, financial, and tax
25 advice concerning the effects of the assignment;

26 3. Understands that he or she will not receive the prize payments, or
27 portions thereof, for the years assigned;

- 1 4. Understands and agrees that with regard to the assigned payments, the
2 Commonwealth, the corporation, and its respective officials and
3 employees will have no further liability or responsibility to make the
4 assigned payments to the assignor;
- 5 5. Has been provided with a one (1) page written disclosure statement in
6 bold type, fourteen (14) point font or larger, setting forth:
- 7 a. The payments being assigned, by amounts and payment dates;
8 b. The purchase price being paid; and
9 c. The amount, if any, of any origination or closing fees that will be
10 charged to the lottery winner; and
- 11 6. Has disclosed the existence or nonexistence of a current spouse; and, if
12 married, unless the court finds the assignor may make the assignment
13 without the spouse's consent, the assignor has submitted to the court a
14 signed and notarized statement wherein the spouse consents to the
15 assignment.
- 16 (7) Written notice of any petition seeking court approval of an assignment under
17 subsection (6) of this section and of a court hearing, if any, concerning the proposed
18 assignment shall be delivered by certified mail, return receipt requested, to the
19 corporation's registered agent at least fifteen (15) days prior to entry of the court
20 order or a court hearing, if any. The corporation is not a necessary or indispensable
21 party and is not required to appear in or be named as a party to any action seeking
22 court approval of a voluntary assignment, but may intervene as of right in any such
23 proceeding.
- 24 (8) A voluntary assignment under subsection (6) of this section shall not include or
25 cover payments or portions of payments that are, at the time of entry of the court
26 order, subject to offset or withholding due to:
- 27 (a) A defaulted or delinquent child support obligation;

- 1 (b) A debt owed to a state agency; or
- 2 (c) Any attachments, garnishments, or executions authorized and issued pursuant
- 3 to statute and served upon the process agent of the corporation as set forth in
- 4 subsection (1) of this section;
- 5 unless appropriate provision is made in the court order to satisfy the obligation or
- 6 obligations giving rise to the offset or withholding at the time of closing of the
- 7 assignment transaction. Each court order shall provide that any delinquent child
- 8 support obligation owed by the assignor as of the date of the court order and any
- 9 debts owed to a state agency by the assignor as of the date of the court order shall be
- 10 offset by the corporation first against remaining payments or portions thereof then
- 11 due the assignor and then against payments due the assignee each year until paid in
- 12 full.
- 13 (9) A court order approving a voluntary assignment under subsection (6) of this section,
- 14 together with any other order issued in connection with any one (1) prize drawn,
- 15 shall not require the corporation to divide any single prize payment among more
- 16 than three (3) different persons or entities.
- 17 (10) The Commonwealth, the corporation, and their respective officials and employees
- 18 shall be discharged of all further liability upon payment of a prize pursuant to court
- 19 order issued under subsection (6) of this section. It shall be the responsibility of the
- 20 assignor or the assignee to provide the corporation information necessary for the
- 21 corporation to identify the parties to any assignment under subsection (6) of this
- 22 section and to make the payments assigned.
- 23 (11) The Kentucky Lottery Corporation may establish a reasonable fee, not to exceed
- 24 one thousand dollars (\$1,000), to defray any administrative expenses associated
- 25 with processing each assignment made pursuant to subsection (6) of this section.
- 26 The fee amount shall reflect the direct and indirect costs associated with processing
- 27 the assignments. A court order approving an assignment under subsection (6) of this

1 section shall direct the assignee to pay the fee to the corporation no later than ten
2 (10) days after entry of the order.

3 (12) A certified copy of a court order approving a voluntary assignment under subsection
4 (6) of this section shall be delivered by certified mail, return receipt requested, to
5 the corporation's registered agent at least thirty (30) days prior to the date upon
6 which the first assigned payment is to be paid to the assignee. Within ten (10) days
7 of receipt of the court order, the corporation shall acknowledge in writing to both
8 the assignor and the assignee its receipt of the court order and that the corporation
9 shall thereafter make the prize payments in accordance with the court order.

10 (13) Subsection (6) of this section supersedes and prevails over any provision in the
11 Uniform Commercial Code, including KRS 355.9-406.

12 (14) The right to assign prize payments pursuant to subsection (6) of this section shall be
13 suspended upon:

14 (a) The publication by the United States Internal Revenue Service, hereinafter
15 referred to in this subsection as the "Service," of a revenue ruling or other
16 public ruling of the Service, which rules that, based upon the right of
17 assignment provided in subsection (6) of this section, Kentucky lottery
18 prizewinners who do not assign any prize payments would be subject to an
19 immediate income tax liability for the value of the entire prize rather than
20 annual income tax liability for each installment when paid; or

21 (b) The issuance by a court of competent jurisdiction of a published decision
22 holding that, based upon the right of assignment provided in subsection (6) of
23 this section, a lottery prizewinner who does not assign any prize payments
24 under that subsection would be subject to an immediate income tax liability
25 for the value of the entire prize rather than annual income tax liability for each
26 installment when paid.

27 ➔SECTION 11. A NEW SECTION OF KRS CHAPTER 154A IS CREATED

1 TO READ AS FOLLOWS:

2 (1) It is the intent of this chapter to permit sports wagering at:

3 (a) Lottery retailers;

4 (b) Associations licensed to conduct horse racing; and

5 (c) Licensed simulcast facilities.

6 The corporation shall have exclusive jurisdiction to regulate the operation of
7 sports wagering at any location where it is authorized to be conducted under this
8 chapter.

9 (2) A racing association or simulcast facility shall be issued a retailer license by the
10 corporation prior to commencing the operation of sports wagering. The
11 corporation may, through the issuance of the retailer license, authorize the
12 operation of sports wagering exclusively or in combination with the sale of lottery
13 tickets or operation of on-line lottery games.

14 (3) To be eligible to conduct sports wagering, a racing association or simulcast
15 facility shall:

16 (a) Apply to the corporation for a retail license in accordance with
17 administrative regulations promulgated by the corporation and applicable
18 to all retailers;

19 (b) Comply with any other standards imposed by the corporation through the
20 promulgation of administrative regulations applicable specifically to racing
21 associations and simulcast facilities; and

22 (c) Pay to the corporation any fees required under this chapter or
23 administrative regulations. Fees collected from racing associations and
24 simulcast facilities licensed as retailers under this chapter shall be deposited
25 to the credit of the sports wagering distribution trust fund established under
26 Section 13 of this Act.

27 (4) Before sports wagering may commence at racing associations or simulcast

- 1 facilities licensed as retailers by the corporation, a memorandum of agreement
2 shall be jointly executed by the Kentucky Horse Racing Commission and the
3 corporation to describe each agency's responsibility for:
- 4 (a) Financial oversight and audit requirements;
5 (b) Security concerns;
6 (c) Information technology requirements; and
7 (d) Other information the two (2) agencies determine to be necessary to ensure
8 the efficient and fair operation of sports wagering at racing associations or
9 simulcast facilities.
- 10 (5) An application to conduct sports wagering by a licensed racing association may
11 be denied, rescinded, suspended, revoked, or not renewed if the applicant track:
- 12 (a) Does not meet, or ceases to meet, the requirements specified in the
13 memorandum of agreement required by subsection (4) of this section;
14 (b) Fails to run at least as many live races for the same primary breed as were
15 run in calendar year 2017; or
16 (c) Has engaged in an activity that is a violation of a provision of this chapter
17 or an administrative regulation promulgated under this chapter, the nature
18 of which would render the licensee unsuitable to continue as a licensed
19 sports wagering provider.
- 20 (6) An association shall be deemed to have met the requirements of subsection (5)(b)
21 of this section if the association is prevented from running a live race or races by
22 reason of:
- 23 (a) Flood;
24 (b) Fire;
25 (c) Inclement weather or natural disaster; or
26 (d) Emergencies for other reasons beyond the control of the association.
- 27 (7) A licensed racing association may only conduct sports wagering if sports

1 wagering at the track has been approved by the horse owner's group representing
 2 the breed run in the majority of races at the track. The horse owner's groups
 3 shall include:

4 (a) For Thoroughbred racing, the Kentucky Thoroughbred Owners and
 5 Breeders, Inc., and the Kentucky Division of the Horsemen's Benevolent
 6 and Protective Association; and

7 (b) For harness racing, the Kentucky Harness Horsemen's Association.

8 ➔SECTION 12. A NEW SECTION OF KRS CHAPTER 154A IS CREATED
 9 TO READ AS FOLLOWS:

10 (1) The corporation shall promulgate administrative regulations prescribing the
 11 manner in which sports wagering shall be conducted in the Commonwealth.

12 (2) Administrative regulations relating to sports wagering promulgated by the
 13 corporation shall include but not be limited to:

14 (a) Standards and procedures for sports wagering, including any new sports
 15 wagering or variations or composites of approved sports wagering;

16 (b) Standards and rules to govern the conduct of sports wagering and the
 17 system of wagering, including the manner in which wagers are received,
 18 payouts are remitted, and point spreads, lines, and odds are determined;

19 (c) The method for calculating sports wagering revenue and standards for the
 20 daily accounting and recording of cash and cash equivalents received in the
 21 conduct of sports wagering, to include:

22 1. Methods of internal financial controls;

23 2. How financial records are to be maintained; and

24 3. Audit procedures and frequencies;

25 (d) Notice requirements for minimum and maximum wagers on sports
 26 wagering;

27 (e) Compulsive and problem gambling standards pertaining to sports wagering;

1 (f) Standards prohibiting persons under the age of eighteen (18) from
 2 participating in sports wagering;

3 (g) Limitations on locations for sports wagering; and

4 (h) Security requirements.

5 (3) No person shall be permitted to place a wager on a game or event in which that
 6 person is a participant. For the purpose of this subsection, a participant shall
 7 include:

8 (a) Players;

9 (b) Coaches;

10 (c) Referees or other officials involved in enforcing the rules of the game; and

11 (d) An owner, member of the board of directors, officers, and employees of, or
 12 partners in, any professional sports team who might have influence over
 13 players and coaches through the ability to hire or fire.

14 ➔SECTION 13. A NEW SECTION OF KRS CHAPTER 154A IS CREATED
 15 TO READ AS FOLLOWS:

16 (1) There is hereby established in the State Treasury the sports wagering distribution
 17 trust fund. The fund shall consist of moneys received:

18 (a) By the corporation as net sports wagering receipts;

19 (b) From the license fees imposed upon racing associations and simulcast
 20 facilities as authorized under Section 11 of this Act; and

21 (c) Any other proceeds from grants, contributions, appropriations, or other
 22 moneys made available for the purposes of the fund.

23 (2) The fund shall be administered by the corporation.

24 (3) Amounts deposited in the fund shall be used for the real and necessary costs of
 25 administration and oversight of the sports wagering system at retailers, licensed
 26 racing associations, simulcast facilities, and other authorized locations. After
 27 deductions for real necessary administration and oversight costs, the remainder

1 of the amounts deposited shall be appropriated to the Kentucky Employees
2 Retirement System nonhazardous retirement fund, Kentucky Employees
3 Retirement System hazardous retirement fund, Kentucky Teachers' Retirement
4 System pension fund, the Judicial Retirement Plan, and the County Employees
5 Retirement Plan in accordance with the following:

6 (a) Funds appropriated to the retirement systems shall be distributed quarterly
7 in amounts proportional to the ratio each system's membership bears to the
8 total number of members of all systems;

9 (b) Appropriations to the pension systems authorized under this subsection
10 shall continue until each system reaches a funding level of one hundred
11 twenty-five percent (125%). When one (1) of the systems is determined to
12 have reached that funding level, appropriations to that system shall then be
13 distributed to the other systems until all systems reach a funding level of
14 one hundred twenty-five percent (125%);

15 (c) When all systems have reached a funding level of one hundred twenty-five
16 percent (125%), funds held by the corporation in the sports wagering
17 distribution trust fund shall then be appropriated to the budget reserve trust
18 fund created pursuant to KRS 48.705; and

19 (d) When the balance in the budget reserve trust fund reaches an amount equal
20 to five percent (5%) of general fund revenues, funds distributed pursuant to
21 this subsection shall be credited to the general fund.

22 (4) Notwithstanding KRS 45.229, fund amounts not expended at the close of a fiscal
23 year shall not lapse but shall be carried forward into the next fiscal year.

24 (5) Any interest earnings of the fund shall become a part of the fund and shall not
25 lapse.

26 (6) All moneys held in the fund shall be invested by the corporation in accordance
27 with the corporation's investment practices, and all earnings from the

1 *investments shall accrue to the benefit of the fund and the Commonwealth.*

2 *(7) Moneys deposited in the fund are hereby appropriated for the purposes set forth*
3 *in this section and shall not be appropriated or transferred by the General*
4 *Assembly for any other purposes.*

5 ➔Section 14. KRS 154A.120 is amended to read as follows:

6 (1) The corporation shall conduct all procurements in accordance with procedures
7 which are not inconsistent with the provisions of KRS Chapter 45A, and this
8 chapter, this chapter being deemed to control in the event that, and to the extent
9 that, any provision in this chapter is expressly inconsistent with any provision of
10 KRS Chapter 45A; or the corporation shall adopt administrative regulations
11 establishing its procurement procedures. If the corporation elects to promulgate
12 administrative regulations establishing its procurement procedures rather than
13 conduct procurements in accordance with the provisions of KRS Chapter 45A, the
14 corporation may include sections of KRS Chapter 45A as part of its administrative
15 regulations. However, major lottery *or sports wagering*-specific procurements for
16 personal service contracts shall not be subject to the requirements of KRS
17 45A.695(2)(b), due to the unique operational activities conducted for state
18 government by the corporation as recognized in KRS 154A.020. The corporation's
19 procurement procedures or administrative regulations shall be designed to provide
20 for the purchase of supplies, equipment, services, and construction items that
21 provide the greatest long term benefit to the state, the greatest integrity for the
22 corporation, and the best service and products, for the public.

23 (2) In its bidding and negotiation processes, the corporation may do its own bidding
24 and procurement, or may utilize the services of the Finance and Administration
25 Cabinet, or a combination thereof. The president of the corporation may, in lieu of
26 the secretary of finance, declare an emergency for purchasing purposes.

27 ➔Section 15. KRS 154A.130 is amended to read as follows:

- 1 (1) (a) All money received by the corporation from the sale of lottery tickets and all
2 other sources except net sports wagering receipts shall be deposited into a
3 corporate operating account.
- 4 (b) The corporation is authorized to use all money in the corporate operating
5 account for the purposes of paying prizes and the necessary expenses of the
6 corporation and dividends to the state.
- 7 (c) The corporation shall allocate the amount to be paid by the corporation to
8 prize winners.
- 9 (d) The amount in the corporate operating account which the corporation
10 anticipates will be available for the payment of prizes on an annuity basis may
11 be invested in direct United States Treasury obligations. These instruments
12 may be in varying maturities with respect to payment of annuities and may be
13 in book-entry form.
- 14 (e) Monthly, no later than the last business day of the succeeding month, the
15 corporation shall transfer to a lottery trust fund the amount of net revenues
16 which the corporation determines are surplus to its needs. ~~These funds shall~~
17 ~~be held in trust until 1990 at which time the General Assembly shall~~
18 ~~determine the manner in which the funds will be allocated and appropriated.~~
19 The net revenues shall be determined by deducting from gross revenues the
20 payment costs incurred in the operation and administration of the lottery,
21 including the expenses of the corporation and the costs resulting from any
22 contract or contracts entered into for promotional, advertising, or operational
23 services or for the purchase or lease of lottery equipment and materials, fixed
24 capital outlays, and the payment of prizes to the holders of winning tickets.
- 25 (f) After the start-up costs are paid, it is the intent of the Legislature that it shall
26 be the goal of the corporation to transfer each year thirty-five percent (35%) of
27 gross revenues to the general fund for the purposes stated above.

1 (g) Net sports wagering receipts shall be deposited in the sports wagering
2 distribution trust fund created in Section 13 of this Act and shall be
3 allocated as provided in that section.

4 (2) A Kentucky lottery trust account is established in the State Treasury. Net lottery
5 revenues shall be credited to this restricted account as provided in subsection (1) of
6 this section. Moneys credited to the Kentucky lottery trust account shall be invested
7 by the state in accordance with state investment practices and all earnings from the
8 investments shall accrue to this account. No moneys shall be allotted or expended
9 from this account unless pursuant to an appropriation by the General Assembly,
10 except that moneys as are needed shall be transferred to the general fund pursuant to
11 the provisions of the Acts of the Extraordinary Session of the 1988 General
12 Assembly. Moneys in the Kentucky lottery trust account shall not lapse at the close
13 of the state fiscal year.

14 (3) Each fiscal year, three million dollars (\$3,000,000) from net lottery revenues from
15 the sale of lottery tickets shall be credited from the general fund as follows:

16 (a) To the Collaborative Center for Literacy Development, one million two
17 hundred thousand dollars (\$1,200,000); and

18 (b) To the reading diagnostic and intervention fund, one million eight hundred
19 thousand dollars (\$1,800,000).

20 (4) After the allocation of three million dollars (\$3,000,000) to literacy development, as
21 provided in subsection (3) of this section, net lottery revenues from the sale of
22 lottery tickets shall be credited from the general fund as follows:

23 (a) To the Wallace G. Wilkinson Kentucky educational excellence scholarship
24 trust fund established in KRS 164.7877:

25 1. Forty percent (40%) in fiscal year 2003-2004; and

26 2. Forty-five percent (45%) in fiscal year 2004-2005 and each fiscal year
27 thereafter; and

1 (b) To the College Access Program and the Kentucky Tuition Grants Program
2 established in KRS Chapter 164:

- 3 1. Forty percent (40%) in fiscal year 2003-2004;
- 4 2. Forty-five percent (45%) in fiscal year 2004-2005; and
- 5 3. Fifty-five percent (55%) of net lottery revenues in fiscal year 2005-2006
6 and each fiscal year thereafter.

7 (5) The Auditor of Public Accounts shall be responsible for a financial postaudit of the
8 books and records of the corporation. The postaudit shall be conducted in
9 accordance with generally accepted accounting principles, shall be paid for by the
10 corporation, and shall be completed within ninety (90) days of the close of the
11 corporation's fiscal year. The Auditor of Public Accounts shall contract with an
12 independent, certified public accountant who meets the qualifications existing to do
13 business within the Commonwealth of Kentucky to perform the corporation
14 postaudit. The Auditor of Public Accounts shall remain responsible for the annual
15 postaudit and the corporation shall pay all audit costs. The Auditor of Public
16 Accounts may at any time conduct additional audits, including performance audits,
17 of the corporation as he deems necessary or desirable. Contracts shall be entered
18 into for audit services for a period not to exceed five (5) years and the same firm
19 shall not receive two (2) consecutive audit contracts. All audits shall be filed with
20 the Governor, the President of the Senate, and the Speaker of the House of
21 Representatives. The corporation shall reimburse the Auditor of Public Accounts
22 for the reasonable costs of any audits performed by him. The corporation shall
23 cooperate with the Auditor of Public Accounts by giving employees designated by
24 any of them access to facilities of the corporation for the purpose of efficient
25 compliance with their respective responsibilities. With respect to any
26 reimbursement that the corporation is required to pay to any agency, the corporation
27 shall enter into an agreement with that agency under which the corporation shall pay

1 to the agency an amount reasonably anticipated to cover the reimbursable expenses
2 in advance of the expenses being incurred.

- 3 (6) By no later than December 31 of each year, in an advertisement at least one-fourth
4 (1/4) of a page in size, the Kentucky Lottery Corporation shall publish the following
5 information in every general-circulation daily newspaper published in Kentucky:
- 6 (a) The statements of revenue, expenses, and changes in retained earnings as
7 shown in the most recent annual audit report. It shall be explained that the
8 transfer of dividends is the amount of lottery earnings transferred to the
9 general fund;
 - 10 (b) A statement identifying the auditing firm;
 - 11 (c) A telephone number which citizens may call to obtain a complete copy of the
12 annual audit report; and
 - 13 (d) The name of the president/chief executive officer of the Kentucky Lottery
14 Corporation and a complete list of board members.

15 The Kentucky Lottery Corporation shall pay for the cost of the advertisement.

16 ➔Section 16. KRS 154A.400 is amended to read as follows:

- 17 (1) (a) The General Assembly hereby recognizes that to conduct a successful lottery
18 and sports wagering system, the corporation must develop and maintain a
19 statewide network of lottery and sports wagering retailers that will serve the
20 public convenience or promote the sale of tickets and wagers, while insuring
21 the integrity of the lottery.
- 22 (b) To govern the selection of lottery retailers, the board shall, by administrative
23 regulation, develop a list of objective criteria upon which the selection of
24 lottery retailers shall be based. Separate criteria shall be developed to govern
25 the selection of retailers of instant tickets, ~~and~~ on-line, and sports wagering
26 retailers. In developing these criteria the board shall consider such factors as
27 the applicant's financial responsibility, security of the applicant's place of

1 business or activity, integrity, and reputation; however, the board shall not
2 consider political affiliation, activities, or monetary contributions to political
3 organizations or candidates for any public office. The criteria shall include,
4 but not be limited to the following:

- 5 1. The applicant shall be current in payment of all taxes, interest and
6 penalties owed to any taxing subdivision where the lottery retailer will
7 sell lottery tickets or accept sports wagers;
- 8 2. The applicant shall be current in filing all applicable tax returns and in
9 payment of all taxes, interest and penalties owed to the Commonwealth
10 of Kentucky, excluding items under formal appeal pursuant to applicable
11 statutes;
- 12 3. No person, partnership, unincorporated association, corporation, or other
13 business entity shall be selected as a lottery retailer for the sale of instant
14 tickets, sports wagers, or on-line games who:
 - 15 a. Has been convicted of a felony related to the security or integrity
16 of the lottery in this or any other jurisdiction, unless at least ten
17 (10) years have passed since satisfactory completion of the
18 sentence or probation imposed by the court for each felony;
 - 19 b. Has been convicted of any illegal gambling activity in this or any
20 other jurisdiction, unless at least ten (10) years have passed since
21 satisfactory completion of the sentence or probation imposed by
22 the court for each conviction;
 - 23 c. Has been found to have violated the provisions of this chapter or
24 any administrative regulation adopted hereunder, unless at least ten
25 (10) years have passed since the violation;
 - 26 d. Is a vendor or an employee or agent of any vendor doing business
27 with the corporation;

- 1 e. Resides in the same household as an officer of the corporation; or
- 2 f. Has made a statement of material fact to the corporation, knowing
- 3 such statement to be false, unless at least ten (10) years have
- 4 passed since the statement was made.
- 5 4. Retailers shall be afforded the same exceptions to disqualification as
- 6 provided for vendors in KRS 154A.600(4)(a) and (b) or (c).
- 7 5. In addition to the provisions of subsection (3) of this section, no person,
- 8 partnership, unincorporated association, corporation, or other business
- 9 entity shall be selected as an on-line lottery retailer who:
- 10 a. Has been denied a license to sell instant tickets on the basis of
- 11 objective criteria established by the board, or any provision of this
- 12 chapter; or
- 13 b. Has failed to sell sufficient instant tickets to indicate that the
- 14 location of an on-line game at his outlet would be of economic
- 15 benefit to him or the lottery corporation.
- 16 6. The applicant shall not be engaged exclusively in the sale of lottery
- 17 tickets or sport wagers. However, this paragraph does not preclude the
- 18 corporation from contracting for the sale of lottery tickets with
- 19 nonprofit, charitable organizations or units of local government in
- 20 accordance with the provisions of this chapter.
- 21 (c) Persons applying to become lottery or sports wagering retailers shall be
- 22 charged a uniform application fee for each lottery or sports wagering outlet.
- 23 Retailers chosen to participate in on-line games shall be charged a uniform
- 24 annual fee for each on-line outlet.
- 25 (d) Any lottery or sports wagering retailer contract executed pursuant to this
- 26 section may, for good cause, be suspended, revoked, or terminated by the
- 27 president if the retailer is found to have violated any of the objective criteria

1 established by the board as provided in subsection (1) of this section. Review
2 of such action shall be in accordance with the procedures outlined in KRS
3 154A.090. All lottery or sports wagering retailer contracts shall be renewable
4 annually after issuance unless sooner canceled or terminated.

5 (2) (a) A retailer who has been denied an on-line game for reasons other than
6 financial responsibility, security, or integrity shall be permitted to purchase or
7 lease the equipment necessary to operate such a game from the corporation in
8 a manner consistent with the corporation's manner of acquisition. A retailer
9 need not file an appeal before being permitted to purchase or lease on-line
10 equipment.

11 (b) After one (1) year of operation, any retailer who purchased or leased on-line
12 equipment pursuant to paragraph (a) of this subsection and whose sales are
13 equal to or greater than the statewide average of sales of on-line retailers, shall
14 be reimbursed the cost of the purchase or lease by the corporation. The board
15 may purchase the terminals of other retailers who purchased their equipment if
16 the board determines that such purchase is in the best interest of the lottery.

17 (3) No lottery or sports wagering retailer contract awarded under this section shall be
18 transferable or assignable. No lottery or sports wagering retailer shall contract with
19 any person for lottery or sports wagering goods or services except with the
20 approval of the board.

21 (4) Each lottery or sports wagering retailer shall be issued a ~~lottery retailer~~ certificate
22 which shall be conspicuously displayed at the place where the ~~lottery~~ retailer is
23 authorized to sell lottery tickets or accept sports wagers. Lottery tickets shall only
24 be sold, and wagers shall only be accepted by the retailer at the location stated on
25 the ~~lottery retailer~~ certificate.

26 (5) A member of the General Assembly who meets the same requirements as any other
27 applicant to be a retailer may be granted a retail contract to sell lottery tickets.

1 accept sports wagers, or participate in any other lottery game operations. No
2 member of the General Assembly shall be entitled to preference over any other
3 applicant for a contract.

4 (6) For the convenience of the public, all retailers shall be authorized to pay winners up
5 to six hundred dollars (\$600) after the retailer performs validation procedures
6 appropriate to the lottery game or sports wager involved. Lottery tickets and sports
7 wagers shall be exempt from the Kentucky sales tax.

8 ➔Section 17. KRS 154A.410 is amended to read as follows:

9 (1) Any contract executed by the corporation pursuant to this chapter shall specify the
10 reasons for which any contract may be suspended, revoked, or terminated by the
11 corporation, including, but not limited to:

12 (a) Commission of a violation of this chapter or administrative regulations
13 adopted pursuant thereto;

14 (b) Failure to accurately account for lottery tickets, sports wagers, revenues, or
15 prizes as required by the corporation;

16 (c) Commission of any fraud, deceit, or misrepresentation;

17 (d) Insufficient sale of tickets or sports wagers;

18 (e) Conduct prejudicial to public confidence in the lottery;

19 (f) Any material change in any matter considered by the corporation in executing
20 the contract with the retailer;

21 (g) Failure to meet any of the objective criteria established by the board pursuant
22 to KRS 154A.400(1).

23 (2) If, in the discretion of the president, such denial, revocation, suspension or rejection
24 of renewal is in the best interests of the lottery, the public welfare, or the
25 Commonwealth of Kentucky, the president may suspend, revoke, or terminate, after
26 notice and a hearing, any contract issued pursuant to this chapter. Such contract
27 may, however, be temporarily suspended by the president without prior notice,

1 pending any prosecution, hearing, or investigation, whether by a third party or by
2 the president. A contract may be suspended, revoked, or terminated by the president
3 for one (1) or more of the reasons enumerated in subsection (1) of this section.

4 ➔Section 18. KRS 154A.420 is amended to read as follows:

5 (1) (a) All proceeds from the sale of lottery tickets or sports wagers received by a
6 person in the capacity of a lottery or sports wagering retailer shall constitute a
7 trust fund until paid to the corporation either directly, or through the
8 corporation's authorized collection representative. Proceeds shall include
9 unsold instant tickets received by a lottery retailer and cash proceeds of sale of
10 any lottery products or sports wagers, net of allowable sales commissions and
11 credit for lottery and sports wagering prizes paid to winners by lottery
12 retailers.

13 (b) Sales proceeds and unused instant tickets shall be delivered to the corporation
14 or its authorized collection representative upon demand.

15 (c) The corporation shall, by administrative regulation, require retailers to place
16 all lottery and sports wagering proceeds due the corporation in accounts in
17 institutions insured by the Federal Deposit Insurance Corporation or Federal
18 Savings and Loan Insurance Corporation not later than the close of the next
19 banking day after the date of their collection by the retailer until the date they
20 are paid over to the corporation.

21 (d) The corporation may require a retailer to establish a single separate electronic
22 funds transfer account, where available, for the purpose of receiving moneys
23 from ticket sales, making payments to the corporation, and receiving payments
24 from the corporation.

25 (e) *The corporation may require a retailer to establish a separate sports*
26 *wagering electronic funds transfer account, where available, for the*
27 *purpose of receiving moneys from sports wagers, making payments to the*

1 corporation related to sports wagering, and receiving payments from the
2 corporation.

3 (f) Lottery and sports wagering retailers shall be personally liable for all
4 proceeds.

5 (g) This section shall apply to all lottery tickets generated by computer terminal,
6 other electronic device, sports wagers, and any other tickets delivered to
7 lottery retailers.

8 (2) Whenever any person who receives proceeds from the sale of lottery tickets or
9 sports wagers in the capacity of a lottery or sports wagering retailer becomes
10 insolvent, or dies insolvent, the proceeds due the corporation from such person or
11 his or her estate shall have preference over all debts or demands.

12 (3) (a) A lien is hereby given to the corporation on all funds and other personal
13 property, on all real property, and on all rights to real or personal property
14 owned or subsequently acquired by each retailer in the amount of, and to
15 secure, the retailer's obligations to remit lottery proceeds to the corporation.
16 The lien shall be in the amount of all sums due to the corporation at any time,
17 together with all interest, penalties, fees, commissions, charges, and other
18 expenses incurred by reason of nonpayment of the lottery and sports
19 wagering proceeds to the corporation or in the process of collecting those
20 proceeds, and shall have priority over any other obligation or liability for
21 which the funds or real or personal property are liable. The lien shall be of
22 equal rank with the tax liens of the state, or any city, county, or other taxing
23 authority within the state. The lien shall arise upon the receipt of lottery or
24 sports wagering proceeds by the retailer, whether or not the retailer is at that
25 time obligated to remit all or any portion of those proceeds to the corporation,
26 and shall be enforceable until the liability is paid or extinguished.

27 (b) The lien imposed by paragraph (a) of this subsection shall not be valid as

1 against any purchaser, judgment lien creditor, or holder of a security interest
2 or mechanic's lien until notice of the corporation's lien has been filed by the
3 corporation with the county clerk of any county or counties in which the
4 retailer's business or residence is located, or in any county in which the retailer
5 has an interest in property. The recording of the lien shall constitute notice of
6 both the original obligation to the corporation and all subsequent obligations
7 to the corporation of the same retailer. Upon request, the corporation shall
8 disclose the specific amount of liability at any given date to any interested
9 party legally entitled to the information.

10 (c) Even though notice of a lien has been filed as provided by paragraph (b) of
11 this subsection, and notwithstanding the provisions of KRS 382.520, the lien
12 imposed by paragraph (a) of this subsection shall not be valid with respect to a
13 security interest which comes into existence after the notice of lien has been
14 filed by reason of disbursements made within forty-five (45) days after the
15 date the lien was filed or the date the person making the disbursements had
16 actual notice of the lien filing, whichever is earlier, if the security interest:

- 17 1. Is in property which at the time of filing is subject to the lien imposed by
18 paragraph (a) of this subsection, and is covered by the terms of a written
19 agreement entered into before the lien is filed; and
- 20 2. Is protected under local law against a judgment lien arising as of the
21 time of the lien filing, out of an unsecured obligation.

22 (d) The corporation shall be afforded the same rights and remedies with respect to
23 enforcement of any lien and collection of lottery proceeds as is afforded state,
24 county, city, and other taxing authorities by KRS Chapter 134.

25 ➔Section 19. KRS 154A.430 is amended to read as follows:

26 If a lottery retailer's rental payments for the business premises are contractually
27 computed, in whole or in part, on the basis of a percentage of retail sales, and such

1 computation of retail sales is not explicitly defined to include sales of tickets in a state-
2 operated lottery, *or sales of sports wagers in a state-operated sports wagering system,*
3 the compensation received by the lottery retailer from the lottery *for lottery ticket and*
4 *sports wagering sales* shall be considered the amount of the retail sale for purposes of
5 computing the rental payment.

6 ➔Section 20. KRS 154A.440 is amended to read as follows:

7 (1) No person shall sell a ticket at a price other than that established by the corporation,
8 unless authorized in writing by the president. No person other than a duly certified
9 lottery retailer shall sell lottery tickets, except that nothing in this chapter shall be
10 construed to prevent a person who may lawfully purchase tickets from making a gift
11 of lottery tickets to another. Nothing in this chapter shall be construed to prohibit
12 the corporation from designating certain of its agents and employees to sell lottery
13 tickets directly to the public.

14 (2) Lottery tickets may be given by merchants as a means of promoting goods or
15 services to customers or prospective customers subject to approval by the
16 corporation.

17 (3) No lottery retailer shall sell a ticket *or accept a sports wager* away from the
18 locations listed in his *or her* contract.

19 ➔Section 21. KRS 154A.600 is amended to read as follows:

20 (1) The corporation may purchase, lease, or lease-purchase such goods or services as
21 are necessary for effectuating the purposes of this chapter. Applicable leases,
22 purchases, and lease-purchases shall be reported to the capital projects and bond
23 oversight committee for its review and determination in accordance with the
24 provisions of KRS 45.750 to 45.810. The corporation shall not contract with any
25 person or entity for the total operation and administration of the state lottery *or*
26 *sports wagering system,* but may make procurements which integrate functions
27 such as lottery game design, lottery ticket distribution to retailers, supply of goods

1 and services, calculation of odds and payouts, and advertising. In all procurement
2 decisions, the corporation shall take into account the particularly sensitive nature of
3 the state lottery and sports wagering system and shall act to promote and ensure
4 security, honesty, fairness and integrity in the operation and administration of the
5 lottery and sports wagering system and the objectives of raising net proceeds for
6 the benefit of the public purpose described in this chapter.

7 (2) The corporation shall investigate the financial responsibility, security, and integrity
8 of any person who submits a bid, proposal or offer as part of a major procurement.
9 At the time of submitting such bid, proposal, or offer to the corporation, the
10 corporation may require the following items:

11 (a) A disclosure of the vendor's name and address and, as applicable, the name
12 and address of the following:

- 13 1. If the vendor is a corporation, the officers, directors, and each
14 stockholder in such corporation; except that, in the case of owners of
15 equity securities of a publicly traded corporation, only the names and
16 addresses of those known to the corporation to own beneficially five
17 percent (5%) or more of such securities need be disclosed;
- 18 2. If the vendor is a trust, the trustee and all persons entitled to receive
19 income or benefit from the trust;
- 20 3. If the vendor is an association, the members, officers, and directors; and
- 21 4. If the vendor is a partnership or joint venture, all of the general partners,
22 limited partners, or joint venturers.

23 (b) A disclosure of all the states and jurisdictions in which the vendor does
24 business, and the nature of the business for each such state or jurisdiction.

25 (c) A disclosure of all the states and jurisdictions in which the vendor has
26 contracts to supply gaming goods or services, including, but not limited to,
27 lottery and sports wagering goods and services, and the nature of the goods or

1 services involved for each such state or jurisdiction.

2 (d) A disclosure of all the states and jurisdictions in which the vendor has applied
3 for, has sought renewal of, has received, has been denied, has pending, or has
4 had revoked a gaming license of any kind, and the disposition of such in each
5 such state or jurisdiction. If any gaming license has been revoked or has not
6 been renewed or any gaming license application has been either denied or is
7 pending and has remained pending for more than six (6) months, all of the
8 facts and circumstances underlying the failure to receive such a license shall
9 be disclosed.

10 (e) A disclosure of the details of any finding of guilt, in a state or federal court,
11 against the vendor for any felony or any other criminal offense other than a
12 traffic violation.

13 (f) A disclosure of the details of any bankruptcy, insolvency, reorganization, or
14 any pending litigation of the vendor.

15 (g) Such additional disclosures and information as the corporation may determine
16 to be appropriate for the procurement involved. If the vendor subcontracts any
17 substantial portion of the work to be performed under the contract to a
18 subcontractor, the vendor shall disclose all of the information required by this
19 subsection for the subcontractor as if the subcontractor were itself a vendor.

20 (3) A contract for a procurement with any vendor subject to subsection (2) of this
21 section who has not complied with the disclosure requirements described in
22 subsection (2) of this section shall not be entered into, and any contract with such a
23 vendor is unenforceable. Any contract with a vendor who does not comply with
24 such requirements for periodically updating such disclosures during the tenure of
25 contract as may be specified in such contract shall be terminated by the corporation.
26 This subsection and subsection (2) of this section shall be construed broadly and
27 liberally to achieve the ends of full disclosure of all information necessary to allow

1 for a full and complete evaluation by the corporation of the competence, integrity,
2 background and character of vendors for major procurements.

3 (4) A contract shall not be entered into with any vendor who has been found guilty of a
4 felony committed within the preceding ten (10) years, unless the corporation
5 determines that:

6 (a) The vendor has been pardoned or the vendor's civil rights have been restored;
7 and

8 (b) Subsequent to such findings of guilt the vendor has engaged in the kind of
9 law-abiding commerce and good citizenship that would reflect well upon the
10 integrity of the lottery; or

11 (c) If the vendor is a firm, association, partnership, trust, corporation or other
12 entity, the vendor has terminated its relationship with the individual whose
13 actions directly contributed to the vendor's guilt.

14 (5) Each vendor shall, at the execution of the contract with the corporation, post a
15 performance bond or letter of credit from a bank acceptable to the corporation, in an
16 amount equal to the full amount estimated to be paid annually to the vendor under
17 the contract. In lieu of the bond, a vendor may, to assure the faithful performance of
18 its obligations, deposit and maintain with the State Treasurer securities that are
19 interest bearing or accruing and that, with the exception of those specified in
20 paragraph (a) or (b) of this subsection, are rated in one (1) of the three (3) highest
21 classifications by an established nationally recognized investment rating service.
22 Securities eligible under this subsection are limited to:

23 (a) Certificates of deposit issued by solvent banks or savings associations
24 organized and existing under the laws of this state or under the laws of the
25 United States and having their principal place of business in this state;

26 (b) United States bonds, notes, and bills for which the full faith and credit of the
27 government of the United States is pledged for the payment of principal and

1 interest;

2 (c) General obligation bonds and notes of any political subdivision of the state; or

3 (d) Corporate bonds of any corporation that is not an affiliate or subsidiary of the
4 depositor. Such securities shall be held in trust and shall have at all times a
5 market value at least equal to the full amount estimated to be paid annually to
6 the lottery vendor under contract.

7 (6) Every contract entered into by the corporation pursuant to this section shall contain
8 a provision for payment of liquidated damages to the corporation for any breach of
9 contract by the vendor.

10 (7) Each vendor shall be qualified to do business in this state and shall file appropriate
11 tax returns as provided by the laws of this state. All contracts under this section
12 shall be governed by the laws of this state.

13 ➔Section 22. KRS 154A.650 is amended to read as follows:

14 (1) The Department of Kentucky State Police shall, at the request of the division of
15 security, perform full criminal background investigations on all potential vendors
16 and potential employees of the corporation at the level of division director and
17 above and at any level within the division of security. The corporation shall
18 reimburse the Department of Kentucky State Police for the actual costs of such
19 investigations.

20 (2) The corporation or its division of security shall:

21 (a) Conduct criminal background investigations and credit investigations on all
22 potential retailers and investigate all potential employees of the corporation
23 not referred to in subsection (1) of this section;

24 (b) Supervise ticket validation, sports wager validation, and lottery drawings;

25 (c) Inspect at times determined solely by the division, the facilities of any vendor
26 in order to determine the integrity of the vendor's product and in order to
27 determine whether the vendor is in compliance with its contract;

1 (d) Report any suspected violations of this chapter to the appropriate
2 Commonwealth's attorney, or the Attorney General and law enforcement
3 agencies; and

4 (e) Upon request, provide assistance to any Commonwealth's attorney, the
5 Attorney General or law enforcement agency investigating a violation of this
6 chapter.

7 ➔Section 23. KRS 154A.990 is amended to read as follows:

8 (1) (a) Any person who knowingly sells a lottery ticket to *or accepts a sports wager*
9 *from* a person under eighteen (18) years of age shall be guilty of a violation
10 for the first offense and for each subsequent offense shall be guilty of a Class
11 B misdemeanor.

12 (b) Any lottery retailer who violates KRS 154A.450 shall be notified by the
13 corporation in writing that the retailer shall have thirty (30) days in which to
14 correct the violation. If at the end of that thirty (30) day period the violation is
15 not corrected, the corporation shall remove all lottery vending machines from
16 the retailer's premises.

17 (2) Any person who, with intent to defraud, falsely makes, alters, forges, utters, passes,
18 or counterfeits a state lottery ticket shall be guilty of a Class C felony.

19 (3) Any person who influences or attempts to influence the winning of a prize through
20 the use of coercion, fraud, deception, or tampering with lottery equipment or
21 materials shall be guilty of a Class B felony.

22 (4) Any person who violates the provisions of KRS 154A.030(2) shall be guilty of a
23 Class D felony and shall be removed from the board.

24 (5) Any person who violates the provisions of KRS 154A.080(2) shall be fined not less
25 than five thousand dollars (\$5,000) nor more than fifty thousand dollars (\$50,000)
26 and shall be guilty of a Class D felony.

27 (6) Any person who violates the provisions of KRS 154A.080(3) shall be guilty of a

- 1 Class D felony.
- 2 (7) Any person who violates the provisions of KRS 154A.080(4) shall be guilty of a
3 Class A misdemeanor.
- 4 (8) Any person, including any retailer and any officers, directors, or employees of a
5 corporate retailer, any general partner or employee of a retailer which is a
6 partnership or joint venture, or any owner or employee of a retailer which is a sole
7 proprietorship, who willfully violates the provisions of KRS 154A.420(1) shall be
8 fined not less than one thousand dollars (\$1,000) nor more than ten thousand dollars
9 (\$10,000) and shall be guilty of a Class D felony.
- 10 (9) Any person who violates the provisions of KRS 154A.440(1) for the first offense
11 shall be guilty of a violation and for each subsequent offense shall be guilty of a
12 Class B misdemeanor.
- 13 (10) Any person violating KRS 154A.160(2) is guilty of a Class D felony.
- 14 (11) Any person who knowingly provides false or intentionally misleading information
15 to the corporation in connection with a background investigation prior to
16 employment pursuant to KRS 154A.080(5), an application for a lottery retailer
17 certificate under KRS 154A.400, the corporation's investigation of prospective
18 vendors pursuant to KRS 154A.600, or any investigation by the corporation's
19 Division of Security shall be fined not less than one thousand dollars (\$1,000) nor
20 more than ten thousand dollars (\$10,000), and shall be guilty of a Class D felony.
- 21 (12) Unless the corporation shall have promulgated administrative regulations governing
22 its procurements under KRS 154A.120(1), the provisions of KRS 45A.990(1) to
23 45A.990(8) shall be deemed to apply to procurement activities conducted under this
24 chapter which are governed by KRS Chapter 45A. If the corporation has
25 promulgated administrative regulations governing its procurements, any person who
26 willfully violates the administrative regulations shall be guilty of a Class A
27 misdemeanor.

1 *(13) (a) A person is guilty of tampering with the outcome of a sporting event when*
2 *the person interacts with a player, coach, referee, or other participant with*
3 *the intent to persuade the participant to act in a way that would bias the*
4 *outcome of the sporting event.*

5 *(b) Tampering with the outcome of a sporting event is a Class C felony.*

6 *(14) Any person who wagers on a sporting event in which that person is a participant*
7 *in violation of Section 12 of this Act shall be guilty of a Class C felony.*

8 ➔Section 24. This Act takes effect only if the federal Professional and Amateur
9 Sports Protection Act of 1992, 28 U.S.C. secs. 3701 to 3704, is repealed in its entirety by
10 the Congress of the United States or is rendered void and unenforceable as a result of a
11 final judgment of the Supreme Court of the United States, on the date the repeal becomes
12 law or the date the judgment is rendered, whichever may occur first.