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**REVISOR *of* STATUTES**

LEGISLATURE *of* THE STATE *of* KANSAS  
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**MEMORANDUM**

To: Chairman Barker  
Members of the House Committee on Federal and State Affairs

From: The Office of Revisor of Statutes

Date: March 11, 2020

Subject: HB 2671 – Authorizing sports wagering.

House Bill No. 2671 (HB 2671) would authorize sports wagering in Kansas. The bill creates 14 new sections of law that would be a part of and supplemental to the Kansas Expanded Lottery Act (KELA). Because all forms of lotteries must be owned and operated by the State, many of the provisions of the Kansas Lottery Act and the KELA would be applicable to sports wagering under HB 2671.

Sections 1 of the bill authorizes the Kansas Lottery (Lottery) to conduct sports wagering. Sports wagering may be conducted by the Lottery, itself, through sports wagering retailers who contract with the Lottery to conduct sports wagering on behalf of the State, or through casino and racetrack facility managers pursuant to their KELA management contracts. The bill allows the Lottery to approve interactive sports wagering platforms for use by the Lottery and the facility managers to offer sports wagering through the internet and mobile device applications. Any entity conducting sports wagering is referred to as a sports wagering manager.

Sports wagering is defined as placing bets on or more sports events or any portion of a sports event. A sports event excludes horse and greyhound races subject to the Kansas Parimutuel Racing Act and any event where a majority of the participants are under 18 years of age.

Section 2 governs contracts between the Lottery and sports wagering retailers. Retailers will be selected by the Lottery similar to how lottery ticket retailers are selected under current law. The Lottery cannot contract with more than 1,200 sports wagering retailers.

Section 3 permits the Lottery to select an interactive sports wagering platform for online sports wagering. Any casino or racetrack facility manager that contracts to manager sports

wagering may use the selected platform and may request the Lottery's approval of one additional platform. The casino or racetrack facility manager may also request approval of one additional graphical user interface, or skin, that is unique to the manager.

Section 4 allows the Lottery and any casino or racetrack facility manager to enter into a marketing agreement with a professional sports team for the purpose of offering sports wagering at the home stadium of the sports team. The marketing agreement must specify that only the Lottery or the manager can conduct sports wagering, and that the sports team is acting solely for purposes of marketing. A "professional sports team" is defined as an athletic team that competes at the major league level in baseball, basketball, football, ice hockey, or soccer.

Section 5 establishes regulatory restrictions on advertising by sports wagering managers. This includes not targeting minors or vulnerable people, disclosing the identity of the manager, providing problem gambling and addiction support information, and not using false or deceptive advertising.

Section 6 provides that a sports governing body, such as the National Football League, may request that certain sports events be excluded from sports wagering. The Lottery will review any requests and receive input from sports wagering managers before determining whether to approve or deny any such request.

Section 7 requires that sports wagering managers must use reasonable methods to prevent individuals with a conflict of interest from placing bets, such as the manager and platform providers, officers and employees of such entities and their family members, and athletes, coaches, referees, and other individuals connected with a sports team or sports governing body.

Sports wagering managers are also required to cooperate with investigations and report potentially illegal activity to the Lottery, the Kansas Racing and Gaming Commission (KRGK), and in certain instances the sports governing body.

HB 2671 establishes two categories of sports wagers for purposes of what data source a sports wagering manager may use to verify the outcome of a sports event. Tier one wagers are bets on the final score or outcome of a sports event, and managers may use data from any source for determining such wagers. Tier two wagers are all other types of bets and the manager may only use official league data provided by the relevant sports governing body, provided official league data is readily available and accessible on commercially reasonable terms.

Section 8 requires sports wagering managers to maintain records of betting activity, including personally identifiable information. This information must be made available upon request, except if a sports governing body requests real-time sharing of such information, then

the manager is not require to provide video recordings or any personally identifiable information. All disclosure must be subject to a data-sharing agreement between the Lottery and the sports governing body as required by Section 9 of HB 2671.

Section 10 provides a cause of action for the State and a sports governing body against any person who knowingly engages in conduct to improperly influence the outcome of a sports event for financial gain.

Section 11 allows individuals to place themselves on a self-exclusion list so that sports wagering managers can prevent such individuals from placing bets.

Section 12 establishes the sports wagering receipts fund. All revenues from sports wagering are to be deposited weekly, or as soon thereafter as reasonably possible but not before the settling of all bets on the sports events for which wagers were placed, in the sports wagering receipts fund. Each month the Lottery will certify the amounts to be paid to the sports retailers and the casino and racetrack facility managers pursuant to their management contracts. The remainder will be transferred to the lottery operating fund. HB 2671 also raises the transfer amount to the Problem Gambling and Addictions Grant Fund from \$80,000 to \$100,000 per year.

HB 2671 provides that the State's portion of sports wagering revenues from wagers placed with sports wagering retailers will what is specified in the contracts with the sports wagering retailers. In the management contracts with the casino and racetrack facility managers, the State's percentage will be 20% for wagers placed through a mobile application and 14% for wagers placed in person.

HB 2671 amends various statutes in the Lottery Act and the KELA to provide for the regulation of sports wagering. Section 21 adds new rules and regulations requirements for the Lottery to regulate sports wagering. Section 28 amends the criminal history record check certification statute to require the same background checks for individuals involved in offering sports wagering. Section 29 amends current law to include sports wagering in the gambling prohibition on individuals under 21. Finally, Section 31 amends existing law to apply the same prohibition on gambling by individuals with a conflict interest to sports wagering.

Regarding sports wagering under tribal gaming compacts, Section 15 of HB 2671 requires the Governor exercise good faith in negotiating existing tribal gaming compacts to include sports wagering.

With respect to the criminal provisions of HB 2671, Section 17 of the bill amends K.S.A. 21-6403 to exempt sports wagering from the criminal gambling laws. Section 16 creates the new

crime of misuse of nonpublic sports information, which is placing a sports wager based on material nonpublic information. A violation of this section would be a level 5, nonperson felony. The bill also raises the penalty for sports bribery if the offense is committed with the intent to obtain financial gain in connection with a sports wager. The higher offense is a level 5, nonperson felony.

Section 14 of HB 2671 creates the new white collar crime fund to be administered by the Attorney General. The first \$750,000 of lottery operating revenue from sports wagering is to be transferred to the white collar crime fund to be used to investigate and prosecute gambling and other financial crimes.

Section 32 amends the current statutory prohibition against gray machines to specify that the State, through the Attorney General and the KRGC, have original jurisdiction to investigate and prosecute violations of the gray machine prohibition.

HB 2671 also includes provision to allow what is known as iLottery. Sections 21 and 24 of the bill remove the current prohibitions on internet-based lottery games. HB 2671 would allow the Lottery to sell online lottery ticket games if:

- (1) The game did not functionally operate the same as a slot machine;
- (2) did not allow for the redemption of prizes of \$600 or more; and
- (3) did not extend credit for the purchase of a lottery ticket.

Finally, Sections 33, 34, and 35 amends the state debt setoff statutes to include sports wagering retailers as an entity that may act on behalf of the State in withholding prize winnings from individuals who have a debt owed to the State or a municipality.

If enacted, HB 2671 would become effective on July 1, 2020.