

PUBLIC PROTECTION CABINET
Kentucky Horse Racing Commission
(Amended After Comments)

809 KAR 10:005. Licensed premises.

RELATES TO: KRS Chapter 230

STATUTORY AUTHORITY: KRS 230.260(16), 230.361, 230.805

NECESSITY, FUNCTION, AND CONFORMITY: KRS 230.260 requires the commission to "promulgate administrative regulations to establish standards for the conduct of sports wagering." KRS 230.361 states the "racing commission shall promulgate administrative regulations to establish a fully functioning sports wagering system...." KRS 230.805 permits sports wagering at a licensed facility for sports wagering on licensed premises. This administrative regulation establishes controls for sports wagering on licensed premises, including the floor plan, security, surveillance, sports wagering windows, sports wagering kiosks, sports wagers and vouchers, drop and count, and incident reporting.

Section 1. Floor Plan.

(1) An applicant for a sports wagering operator's license shall specify where sports wagering will take place within the licensed facility for sports wagering, if any, by providing the following information:

(a) A drawing to scale of the building, and each floor thereof, in which sports wagering shall be conducted, at a scale sufficient to identify all of the information established in this section.

(b) The drawing shall depict the following information:

1. The total square footage of the race and sports book location;
2. A diagram, outlined in red, of the proposed designated area for the sports wagering, if any, on each floor within the building;
3. The race and sports book locations, including each wagering window;
4. The locations of each sports wagering kiosk. Notwithstanding the foregoing, licensees may move sports wagering kiosks from one location to another with approval of the racing commission;
5. Any race and sports book location that is, or is from time to time, a restricted race and sports book location, specifying the nature of the restrictions and when they will apply;
6. Each cage;
7. The count room;
8. The vault;
9. Any other restricted areas; and
10. All areas subject to surveillance.

(c) A certificate of compliance approved by the local fire and building officials which has been approved; and a written statement by the appropriate local official that handicapped access to the designated licensed facility for sports wagering has been provided.

(2)

(a) The race and sports book shall include both sports wagering and pari-mutuel products.

(b) All floor plans for a race and sports book shall be approved by the commission. In considering a request related to a floor plan, the commission shall consider, among other things:

1. The equitable number, size, and picture clarity of displays or other equipment used to show broadcasts of horse racing and sporting events;

2. The equitable number of sports wagering kiosks and pari-mutuel wagering terminals; and,
 3. The presence of a live sports wagering teller on the licensed premises.
- (3) The designated licensed facility for sports wagering and simulcasting areas shall be approved by the commission as a condition of license approval.
- (4) A floor plan may be amended upon request by the licensed premises and approval by the racing commission. Such a request shall be filed with the racing commission in writing at least seventy-two (72) hours prior to the time for which implementation of the amendment(s) is sought.
- (5) If a licensee includes a sports wagering kiosk in a simulcast area, the layout of the simulcast area shall be subject to commission approval.

Section 2. Race and Sports Book Locations. Designated race and sports book locations within the licensed premises shall be established so as to control access by the general public and prevent entry by any patron who is under eighteen (18) years of age or is otherwise not permitted to place wagers.

~~Section 3. Underage Persons Prohibited from Wagering. An underage person shall not be permitted by any licensee to purchase or cash a sports wagering ticket or voucher.~~

~~Section 4.~~ Anonymous Wagers and Payouts Greater Than \$10,000. The requirements of this section only apply for wagers and payouts not associated with a sports wagering account.

- (1) Prior to accepting any wager in excess of \$10,000 or making a payout in excess of \$10,000 on a winning wager, a licensee shall obtain and record the following information:
 - (a) The patron's full legal name;
 - (b) The patron's date of birth;
 - (c) The patron's principal physical address other than a post office box;
 - (d) The patron's Social Security number, or the last four (4) digits of the Social Security number, or an equivalent government identification number for a noncitizen, such as a passport or taxpayer identification number; and
 - (e) The document number from one of the following valid identification credentials collected from the patron to verify their identity:
 1. Driver's license;
 2. Passport;
 3. Non-resident alien identification card;
 4. Other reliable government-issued identification credentials; or
 5. Other picture identification credential normally acceptable as a means of identification when cashing checks.
- (2) Subsequent to accepting a wager in excess of \$10,000 or making a payout in excess of \$10,000 on a winning wager the licensee shall maintain records for five (5) years that include:
 - (a) The time and date of the wager or payout;
 - (b) The amount of the wager or payout;
 - (c) The patron's full legal name;
 - (d) The ticket writer or other identification of the location where the wager or payout occurred; and
 - (e) The identification of the employee(s) accepting or approving the wager and payout on the wager.
- (3) Licensees shall monitor all wagers and payouts to ensure patrons are not circumventing the recording and reporting requirements of this section.

Section 4. ~~Section 5.~~ Wagering Windows.

(1) Each licensed premises may have one or more wagering windows located in the race and sports book location or other window locations as approved by the racing commission.

(2) A wagering window shall:

(a) Be designed and constructed to provide maximum security for the materials stored and the activities performed therein, in a manner approved by the racing commission;

(b) Include one (1) or more ticket writer stations, each of which shall:

1. Interface with the Sports Wagering System for all sports wagers placed;

2. Contain a permanently affixed number, which shall be visible to the surveillance system;

3. Contain manually triggered silent alarm systems, which shall be connected directly to the surveillance operation room(s); and

4. Contain full enclosures, unless funds are either secured in a drop safe approved by the racing commission or transferred to the vault or cage;

(c) Include manually triggered silent alarm systems, which shall be connected directly to the surveillance operation room(s);

(d) Provide for surveillance equipment capable of accurate visual monitoring and recording of any activities; and

(e) Require any emergency exit door that is not a mantrap to be alarmed.

(3) A wagering window shall have access to a secure location, such as a vault, for the purpose of storing funds issued by a cage to be used in the operation of Sports Wagering. The secure location shall:

(a) Be a fully enclosed room, located in an area not accessible to the public;

(b) Have a metal door with a locking mechanism that shall be maintained and controlled by the wagering manager;

(c) Have an alarm device that signals surveillance personnel if the door to the secure location is opened; and

(d) Have surveillance equipment capable of accurate visual monitoring and recording of all activities in the secure location.

(4) A wagering window shall have an operating balance not to exceed an amount specified in the licensee's internal controls and approved by the racing commission. Funds in excess of the operating balance shall be transferred to the cage in a secured container by an employee of the counter accompanied by a security officer. Prior to transporting the funds, security personnel shall notify surveillance personnel that the transfer will take place. Surveillance personnel shall monitor the transfer. The funds shall be transferred with appropriate documentation as set forth in the internal controls, as approved by the commission.

(5) The assets for which each ticket writer is responsible shall be maintained on an imprest basis. A ticket writer shall not permit any other person to access the ticket writer's imprest inventory.

(6) A ticket writer shall begin a shift with an imprest amount of currency and coin to be known as the "wagering inventory." No funds shall be added to or removed from the wagering inventory during such shift except:

(a) In collection of sports wagers;

(b) In order to make change for a patron placing a wager;

(c) In collection for the issuance of vouchers;

(d) In payment of winning or properly cancelled or refunded wagers;

(e) In payment of vouchers;

(f) To process deposits or withdrawals to or from a sports wagering account, where supported;

(g) In exchanges with the cashier's cage, a satellite cage, or vault supported by proper documentation which documentation shall be sufficient for accounting reconciliation

purposes; or

(h) In payment of appeasement payments.

(7) A wagering inventory slip shall be completed and signed or initialed by the wagering manager, and the following information shall be recorded thereon at the commencement of a shift:

(a) The date, time, and shift of preparation;

(b) The denomination of currency and coin in the wagering inventory issued to the ticket writer;

(c) The total amount of each denomination of currency and coin in the Wagering inventory issued to the ticket writer;

(d) The ticket writer station to which the ticket writer is assigned; and

(e) The signature or initials of the wagering manager.

(8) A ticket writer assigned to a ticket writer station shall count and verify the wagering inventory at the vault or other approved location and shall reconcile the count to the wagering inventory slip. The ticket writer shall sign the count sheet attesting to the accuracy of the information recorded thereon. The wagering inventory shall be placed in a ticket writer's drawer and transported directly to the appropriate ticket writer station by the ticket writer.

(9) If funds are transferred from the vault to a ticket writer, the wagering manager responsible for the vault shall prepare a two-part Writer Transfer-Out form. Upon completion of the form, the original shall be retained by the vault manager and the duplicate shall be retained by the ticket writer. The form shall include:

(a) Date and time of the transfer;

(b) Designation of the vault location;

(c) Ticket writer station to where the funds are being transferred to;

(d) Amount of each denomination being transferred;

(e) Total amount of the transfer;

(f) Signature of the preparer of the transfer;

(g) Signature of the manager verifying and issuing the funds; and

(h) Signature of the ticket writer verifying and receiving the funds.

(10) If funds are transferred from the ticket writer to a vault, a two-part Writer Transfer-In form shall be prepared. Upon completion of the form, the original shall be retained by the ticket writer and the duplicate shall be immediately returned with the funds to the vault. The form shall include:

(a) Date and time of the transfer;

(b) Designation of the vault location where the funds are being transferred to;

(c) Ticket writer station to where the funds are being transferred from;

(d) Amount of each denomination being transferred;

(e) Total amount of the transfer;

(f) Signature of the ticket writer verifying and sending the funds to the vault; and

(g) Signature of the manager verifying and receiving the funds.

(11) At the conclusion of a ticket writer's shift, the ticket writer's drawer and its contents shall be transported directly to the vault or to a location approved by the racing commission in the wagering window, where the ticket writer shall count the contents of the drawer and record on the Wagering Inventory Slip the following information:

(a) The date, time, and shift of preparation;

(b) The denomination of currency and coupons in the drawer;

(c) The total amount of each denomination of currency and coupons in the drawer;

(d) The total of the Writer Transfer-Out forms;

(e) The total of the Writer Transfer-In forms;

(f) The total amount in the drawer; and

(g) The signature of the ticket writer.

(12) The wagering manager shall compare the ticket writer closing balance to the wagering inventory slip total, record any over or short amount, and sign the wagering inventory slip.

(13) If the wagering inventory slip lists an overage or shortage, the ticket writer and the wagering manager shall attempt to determine the cause of the discrepancy in the count. If the discrepancy cannot be resolved, such discrepancy shall be reported to surveillance personnel and the wagering manager or supervisor in charge at such time. Any discrepancy in excess of \$500 shall be reported to the racing commission. Such report shall include:

- (a) Date on which the discrepancy occurred;
- (b) Shift during which the discrepancy occurred;
- (c) Name of the ticket writer;
- (d) Name of the wagering manager;
- (e) Ticket writer station number; and
- (f) Amount of the discrepancy.

(14) If funds are transferred from the vault to the cashier's cage, the wagering manager responsible for the vault shall prepare a two (2) part Vault Transfer-Out form. Upon completion of the form, the original shall be retained by the vault manager and the duplicate shall be transferred with the funds to the cashier's cage. The form shall include:

- (a) Date and time of the transfer;
- (b) Designation of the vault location;
- (c) Designation of the cage location;
- (d) Amount of each denomination being transferred;
- (e) Total amount of the transfer;
- (f) Signature of the preparer of the transfer;
- (g) Signature of the vault manager verifying and issuing the funds; and
- (h) Signature of the cage cashier verifying and receiving the funds.

(15) If funds are transferred from the cashier's cage to a vault, a two-part Vault Transfer-In form shall be prepared. Upon completion of the form, the original shall be retained by the cage cashier and the duplicate shall be transferred with the funds to the vault. The form shall include:

- (a) Date and time of the transfer;
- (b) Designation of the vault location where the funds are being transferred to;
- (c) Cashier location where the funds are being transferred from;
- (d) Amount of each denomination being transferred;
- (e) Total amount of the transfer;
- (f) Signature of the cage cashier verifying and sending the funds to the vault; and
- (g) Signature of the vault manager verifying and receiving the funds.

(16) In lieu of separate wagering windows with live tellers, cage personnel may write and cash tickets.

Section 5. ~~**Section 6.**~~ Wrong Ticket Claims. Subject to a ticket writer's discretion, any claim by a patron that he or she has been issued a sports wagering ticket other than that requested shall be made before the patron has left the wagering window or before the ticket writer has initiated a transaction with another patron.

Section 6. ~~**Section 7.**~~ Sports Wagering Kiosks. A licensee may utilize sports wagering kiosks located in a licensed premises for wagering transactions in conjunction with a sports wagering system in a location approved by the commission. A sports wagering kiosk shall be established and operated as follows:

- (1) All aspects of a sports wagering kiosk, including the computer and any related hardware, software, or related devices, shall be submitted to a nationally recognized, independent testing laboratory approved by the racing commission for certification

testing and approved by the racing commission prior to use by a licensee. The racing commission may require any additional testing or field inspection of the sports wagering kiosk it deems necessary prior to or after approval;

(2) To obtain a temporary license, a licensee may submit to the racing commission a certification report of an independent testing laboratory of kiosk components in operation in another jurisdiction in the United States where the licensee is currently licensed or permitted. The report must certify the kiosk components to either the GLI-33 Standards or, at the discretion of the racing commission, a standard deemed to be the equivalent of the GLI-33 Standards. This alternative certification report must include a list of all critical files and associated signatures and an appendix which lists the differences of any controlled items or processes required to be certified in Kentucky which were not certified in the jurisdiction in which the report was issued. Upon review of the certification report, the racing commission will make a determination on whether to accept the certification or require additional information or documentation or testing.

(3) Each sports wagering kiosk shall be configured not to:

(a) Issue a sports wagering ticket with a wager in excess of \$10,000;

(b) Redeem a winning sports wagering ticket with a value in excess of \$10,000 or other limits set by the IRS; or

(c) Issue or redeem a sports wagering voucher with a value in excess of \$10,000 or other limits set by the IRS;

(4) All sports wagering kiosks shall have a sign permanently affixed to the kiosk notifying the public that patrons shall not be Underage Persons, as approved by the commission;

(5) On a schedule approved by the commission, a licensee shall remove the drop boxes in the sports wagering kiosks. The drop boxes shall be monitored and recorded by surveillance. The licensee shall submit the sports wagering kiosk drop schedule to the commission or its designee; and

(6) The licensee shall reconcile the sports wagering kiosks on a schedule approved by the commission pursuant to internal controls. Any variance of \$500 dollars or more shall be documented by the accounting department and reported in writing to the racing commission within five (5) business days after drop and count of sports wagering kiosks. The report shall indicate the cause of the variance and shall contain any documentation required to support the stated explanation.

(7) In locations where sports wagering kiosks do not allow for redemption, the licensee shall display prominently the methods of paying out or cashing out vouchers near each sports wagering kiosk.

Section 7. ~~Section 8.~~ Drop and Count.

(1) A licensed premises shall have a count room whose physical access shall be limited to count team employees, designated staff, commission employees, and other persons authorized by the licensee, and shall remain locked unless entry and exist is required by authorized persons.

(a) Count team employees shall not exit or enter the count room during the count except for emergencies or scheduled breaks.

(b) Surveillance staff shall be notified if count room employees exit or enter the count room during the count.

(c) A licensee shall establish a count team policy that shall address the transportation of extraneous personal items such as personal belongings, toolboxes, beverage containers, into or out of the count room.

(2) Security of the count and the count room shall be ensured to prevent unauthorized access, misappropriation of funds, forgery, theft, or fraud.

(a) All counts shall be performed by at least two (2) employees.

- (b) At no time during the count shall there be fewer than two (2) count team employees in the count room until the drop proceeds have been accepted into cage or vault accountability.
- (c) Count team employees shall be independent of the department being counted. A cage or vault employee may be used if they are not the sole recorder of the count and do not participate in the transfer of drop proceeds to the cage or vault. An accounting employee may be used if there is an independent audit of all count documentation.
- (3) Currency cassettes and drop boxes shall be securely removed from sports wagering kiosks.
 - (a) Surveillance shall be notified prior to the drop boxes or currency cassettes being accessed in a kiosk.
 - (b) At least two employees shall be involved in the collection of currency cassettes and drop boxes from kiosks and at least one employee should be independent of kiosk accountability.
 - (c) Currency cassettes and drop boxes shall be secured in a manner that restricts access to only employees authorized by the licensee.
 - (d) If applicable, redeemed vouchers collected from the kiosk shall be secured and delivered to the appropriate department (cage or accounting) for reconciliation.
 - (e) Controls shall be established, and procedures implemented to ensure that currency cassettes contain the correct denominations and have been properly installed.
 - (f) Access to stored full kiosk drop boxes and currency cassettes shall be restricted to:
 - 1. Employees authorized by the licensee; and
 - 2. In an emergency, additional persons authorized for the resolution of a problem.
 - (g) The kiosk count shall be performed in a secure area, such as the cage or count room.
 - (h) If counts from kiosks and any other areas requiring counts occur simultaneously in the count room, procedures shall be in effect that prevent the commingling of funds from the kiosks with any other areas requiring counts.
 - (i) The kiosk drop boxes and currency cassettes shall be individually emptied and counted so as to prevent the commingling of funds between kiosks until the count of the kiosk contents has been recorded.
 - (j) Procedures shall be implemented to ensure that any corrections to the count documentation are permanent and identifiable, and that the original, corrected information remains legible. Corrections shall be verified by two (2) employees.

Section 8. ~~Section 9.~~ Winning Wagers and Vouchers.

- (1) Payment on valid sports wagering tickets shall be made only if presented and surrendered within one (1) year following the settling of the sporting event, or, in the event of a parlay, the last-in-time sporting event to settle on the ticket. Failure to present a ticket within one (1) year shall constitute a waiver of the right to receive payment on the ticket.
- (2) Sports wagering vouchers shall be valid for one (1) year after the date of issuance. Failure to present any voucher for redemption within one (1) year of issuance shall constitute a waiver of the right to receive payment on the voucher.
- (3) A mutilated sports wagering ticket or voucher that cannot be identified as a valid ticket or voucher shall not be accepted for payment.
- (4) A licensee shall establish a written procedure for granting patrons an opportunity to file a claim on a lost sports wagering ticket or voucher and provide a copy to the racing commission.

Section 9. ~~Section 10.~~ Cashiers, Windows, and Cages.

- (1) Each licensed premises shall have on or immediately adjacent to the race and sports book location a physical structure known as a cashiers' cage to house the cashiers, which

is located in or within close proximity to the race and sports book location. Each licensed premises may also have one or more satellite cages in or within close proximity to the race and sports book location.

(2) A cage or satellite cage shall be fully enclosed and shall have the following features:

- (a) Perform financial transactions related to sports wagering;
- (b) Be designed and constructed to provide maximum security for the materials stored and the activities performed therein, in a manner approved by the racing commission;
- (c) Include openings at one or more numbered cashier windows through which financial transactions related to sports wagering will be conducted, each of which shall contain a cashier's drawer;
- (d) Include manually triggered silent alarm systems, which shall be connected directly to the surveillance and the security operation room(s);
- (e) Provide for surveillance equipment capable of accurate visual monitoring and recording of any activities; and
- (f) Include a mantrap if the cage or satellite cage secure assets having a value greater than an amount established by the racing commission. The outer door of the mantrap shall be controlled by security personnel and the inner door shall be controlled by accounting personnel. The doors of the mantrap shall have separate and distinct locking mechanisms on each door of the double door entry and exit system. The mantrap shall be subject to continuous surveillance coverage.

(3) Each licensed premises may have one or more service windows to serve as a location in the facility to conduct financial transactions. Such window shall be designed and constructed in accordance with subsection (2)(b) of this section, and access shall be controlled by an accounting supervisor.

(4) If approved paperless systems are not in use, the internal controls shall require that documents regarding the funds stored in cages shall be transported between cages in a secure manner approved by the racing commission and accompanied by security.

(5) Each licensed premises shall have on hand in the cage, or readily available such as in a restricted bank account or by bond, a reserve of cash to pay winning patrons.

(6) A cashiers' cage and any satellite cage shall be segregated by personnel such that no single person has both control and approval for any aspect of cage operations maintained.

(7) A qualified supervisor may perform the functions of a cashier provided the functions are not incompatible with proper separation of duties. A supervisor shall not operate from another cashier or supervisor's imprest inventory.

(8) The assets for which each cashier is responsible shall be maintained on an imprest basis. A cashier shall not permit any other person to access his or her imprest inventory. Cashier functions shall include the following:

- (a) Perform check consolidations, total or partial redemptions, or substitutions for patrons;
- (b) Receive cash, authorized cash equivalents and authorized electronic transfers from patrons in exchange for currency or sports wagering vouchers;
- (c) Perform deposit and withdrawal transactions for sports wagering accounts, where supported;
- (d) Process exchanges with cashiers, supported by documentation with signatures thereon, for the effective segregation of functions in the cashiers' cage;
- (e) Receive sports wagering tickets or vouchers from patrons or authorized employees in exchange for cash; and
- (f) Exchange and reconcile imprest funds used by attendants, including imprest change/pouch payout funds.

(9) A licensed premises may consolidate the cashier functions, provided that the cashier is qualified to perform all functions and performs no functions incompatible with proper separation of duties.

Section 10. ~~[Section 11.]~~ Security and Surveillance.

(1) The licensed premises shall have appropriate physical security and surveillance controls that:

- (a) Enable a suitable response to any security issue within the licensed premises; and
- (b) Prevent any person from tampering with or interfering with the operation of any sports wagering or equipment.

(2) The licensed premises shall establish provisions describing the duties and operation of its security department, which shall include details relative to the design, construction, and location of primary and secondary armored car routes, including provisions for the security of such routes.

(3) Licensed premises shall install, maintain, and operate a surveillance system that has the capability to monitor and record continuous unobstructed views of all sports wagering and financial transactions as well as any dynamic displays of sports wagering information.

(4) The surveillance system shall:

- (a) Have the capability to display all camera views on a monitor; and
- (b) Record all camera views.

(5) The surveillance system shall be maintained and operated from a surveillance operation room(s) or, when authorized by the racing commission, a secured location, such as a locked cabinet.

- (a) The surveillance operation room(s) shall be secured to prevent unauthorized entry.
- (b) The location of the surveillance operation room or rooms shall ensure the interior is not visible to the public and employees who do not work in the surveillance room or rooms.

(c) Access to the surveillance operation room(s) shall be limited to surveillance personnel, the racing commission, and other persons authorized by the licensee.

(d) Surveillance operation room(s) access logs shall be maintained, recording all entries and exits.

(e) No personal recording devices of any kind are permitted in the surveillance operation room. This includes devices such as cameras, video recorders, and mobile phones.

(f) Surveillance operation room equipment shall have total override capability over all other satellite surveillance equipment.

(6) If a power loss to the surveillance system occurs, alternative security procedures, such as additional supervisory or security employees, shall be implemented immediately.

(7) The surveillance system shall record an accurate date and time stamp on recorded events. The displayed date and time shall not significantly obstruct the recorded view.

(8) All surveillance employees shall be trained in the use of the equipment and wagering rules.

(9) A periodic inspection of the surveillance systems shall be conducted. When a dedicated camera stops providing coverage in the racing and sports book or to sports wagering kiosks, the coverage failure and necessary repairs shall be documented, and repairs initiated within seventy-two (72) hours.

(a) If a dedicated camera stops providing coverage, alternative security procedures, such as additional supervisory or security personnel, shall be implemented immediately.

(b) The racing commission shall be notified of any coverage failure for more than twenty-four (24) hours and the alternative security measures being implemented.

(10) Surveillance coverage shall be provided for the following areas as follows:

(a) For public entrances to the licensed facility for sports wagering:

- 1. Each entrance shall have sufficient coverage of at least two (2) cameras that shall be able to positively identify each person entering; and

2. Each security check-in point at the entrances shall have a dedicated camera to capture an unobstructed facial view of all persons entering the licensed premises.
- (b) For non-public entrances to the licensed facility for sports wagering, including loading docks and emergency exits:
1. Each entrance shall have sufficient camera coverage, of at least two cameras with sufficient image quality to be able to positively identify each person entering;
 2. Employee entrances shall be secured either via the use of digitally controlled access systems or by in-person verification conducted by security; and
 3. Policies shall be in place requiring that employees entering the licensed facility for sports wagering be identifiable and of sufficient quality to positively identify each person entering.
- (c) For restricted areas of the licensed facility for sports wagering:
1. All restricted areas shall have surveillance coverage sufficient that all persons in the area can be clearly identified;
 2. All restricted areas shall have sufficient coverage and resolution that all cash-handling and gaming equipment and currency and currency equivalents are identifiable;
 3. All restricted areas shall have additional camera coverage sufficient to provide asset protection as approved by the racing commission; and
 4. Access to coverage of the surveillance operation room is limited to senior management and the racing commission.
- (d) For all race and sports book locations:
1. The surveillance system shall monitor and record general activities, to include the ticket writer and cashier areas, with sufficient clarity to identify the personnel performing the different functions; and
 2. All race and sports book locations shall have sufficient coverage that a patron can be tracked throughout the entirety of the race and sports book location.
- (e) For ticket writer stations:
1. All ticket writer stations shall have sufficient coverage to identify currency amounts;
 2. Any ticket writer stations that can be utilized for placing wagers shall have surveillance coverage sufficient to identify the patron and employee involved in the transaction; and
 3. Surveillance personnel shall have access to the ticket writer stations to access transaction amounts.
- (f) For sports wagering kiosks, the surveillance system shall monitor and record activities occurring at each sports wagering kiosk with:
1. Sufficient clarity to identify the activity and the individuals performing it, including maintenance, drops or fills, and redemption of sports wagering tickets or vouchers; and
 2. Accurate time stamps.
- (g) For the cage and vault:
1. The surveillance system shall monitor and record activities occurring in each cage and vault area with:
 - a. Sufficient clarity to identify individuals within the cage and patrons and staff members at the window areas, and to confirm the amount of each cash transaction; and
 - b. Accurate time stamps.
 2. Each cashier station shall be equipped with one (1) dedicated overhead camera covering the transaction area; and
 3. The cage or vault area in which exchange and transfer transactions occur shall be monitored and recorded by a dedicated camera or motion activated dedicated camera

that provides coverage with sufficient clarity to identify the amounts on the exchange and transfer documentation. Controls provided by a computerized exchange and transfer system constitute an adequate alternative to viewing the amounts on the exchange and transfer documentation.

(h) For count rooms, the surveillance system shall:

1. Monitor and record with sufficient clarity a general overview of all areas where cash or cash equivalents may be stored or counted; and
2. Provide coverage of count equipment with sufficient clarity to view any attempted manipulation of the recorded data.

(i) All machines capable of dispensing cash shall have sufficient coverage to view the transaction and the currency amount being dispensed and the individuals at the machine.

(11) The licensed premises shall utilize an incident reporting system to document incidents and activities, as set forth in paragraph (a) of this subsection.

(a) Security and surveillance procedures approved by the racing commission shall be implemented for reporting:

1. An individual engaged in, attempting to engage in, or suspected of cheating, theft, embezzlement, or other illegal activities;
2. An individual possessing a firearm, electronic control device, dangerous weapon, or other device or object prohibited KAR Title 809;
3. An individual in the race and sports book location who is a prohibited person, the subject of a law enforcement contact by the licensee, or a potential victim of human trafficking.
4. All camera, system, or recording outages;
5. Any routine tasks accomplished by security or surveillance personnel at the request of another team; and
6. Any suspicious incidents observed.

(b) Any violation of the Act or KAR Title 809 shall be identified as such in the incident reporting system.

(c) The racing commission shall have real-time, read-only access to the incident reporting system.

(d) The incident reporting system shall be capable of generating reports that detail all incident types and such reports shall be delivered to the racing commission upon request.

(e) The incident reporting system shall be in an electronic format equipped with software that prevents modification of an entry after it has been initially entered into the system.

(f) The incident reporting system shall document the following:

1. Assignment number of the incident;
2. Date and time;
3. Name and identification license of the individual covering the incident;
4. Nature of the incident; and
5. Resolution of the incident.

(g) All recordings required by this section shall be retained for a minimum retention period of ninety (90) calendar days. Suspected crimes, illegal activity, or detentions by security personnel discovered within the initial retention period shall be copied and retained for a time period not less than five (5) years.

*JENNIFER WOLSING, General Counsel
For JONATHAN RABINOWITZ, Chair
RAY PERRY, Secretary*

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REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Contact Person:Jennifer Wolsing

(1) Provide a brief summary of:

(a) What this administrative regulation does:

This administrative regulation establishes controls for sports wagering on Licensed Premises.

(b) The necessity of this administrative regulation:

This administrative regulation is necessary to provide specific rules and controls for sports wagering on Licensed Premises, including the floor plan, security, surveillance, sports wagering windows, sports wagering kiosks, sports wagers and vouchers, drop and count, and incident reporting.

(c) How this administrative regulation conforms to the content of the authorizing statutes:

KRS 230.260 requires the commission to “promulgate administrative regulations to establish standards for the conduct of sports wagering.” KRS 230.361 states the “racing commission shall promulgate administrative regulations to establish a fully functioning sports wagering system...” KRS 230.805 permits sports wagering at a licensed facility for sports wagering on Licensed Premises. This regulation establishes controls for sports wagering on Licensed Premises.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:

This regulation will assist in the effective administration of the statutes by establishing clear and specific controls related to sports wagering on Licensed Premises. This protects the wagering public and the citizens of the Commonwealth and assists Licensees in properly conducting sports wagering on Licensed Premises.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation:

This is a new regulation.

(b) The necessity of the amendment to this administrative regulation:

This is a new regulation.

(c) How the amendment conforms to the content of the authorizing statutes:

This is a new regulation.

(d) How the amendment will assist in the effective administration of the statutes:

This is a new regulation.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation:

(a) This regulation affects the licensed tracks that apply for and receive a license to conduct sports wagering in the Commonwealth. There are currently nine (9) licensed tracks operating in the Commonwealth. (b) Each track is allowed to contract with up to three (3) service providers. Therefore, up to 27 service providers may be affected this regulation. (c) An unknown number of sports wagering license holders and sports wagering patrons also will be affected by this regulation.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment:

Licensees and sports wagering license holders must observe the regulatory requirements when offering sports wagering on Licensed Premises.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3):

Compliance costs are uncertain. Licensees likely will incur costs to administer sports wagering on Licensed Premises in accordance with the regulations.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3):

Licensees and license holders will have clear controls for sports wagering on Licensed Premises. Sports wagering patrons will benefit from properly operated sports wagering on Licensed Premises.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially:

It is estimated that the commission will spend approximately \$2.4 million to implement sports wagering in Kentucky in the first year.

(b) On a continuing basis:

It is further estimated that the commission will spend approximately \$1.2 million annually to continue regulating sports wagering in Kentucky on a yearly basis.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation:

The funding to implement and enforce sports wagering in Kentucky will come from the sports wagering administrative fund, as established in KRS 230.817.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

No increase in fees or funding will be necessary to implement this administrative regulation.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees:

This regulation does not establish any new fees or increase any current fees.

(9) TIERING: Is tiering applied?

Tiering is not applied, because this amended regulation will apply similarly to all similarly situated entities in an equal manner.

FISCAL NOTE

(1) What units, parts, or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation?

The Kentucky Horse Racing Commission will be impacted by this administrative regulation.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation.

KRS 230.260(16), KRS 230.361, KRS 230.805

(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year?

This regulation will not generate revenue during the first year.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years?

This regulation will not generate revenue during subsequent years.

(c) How much will it cost to administer this program for the first year?

It is estimated that the commission will spend approximately \$2.4 million in the first year to implement sports wagering in Kentucky.

(d) How much will it cost to administer this program for subsequent years?

It is further estimated that the commission will spend approximately \$1.2 million annually to continue regulating sports wagering in Kentucky in subsequent years.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):Neutral.

Expenditures (+/-):See answers to (c) and (d) above.

Other Explanation:

None.

(4) Estimate the effect of this administrative regulation on the expenditures and cost savings of regulated entities for the first full year the administrative regulation is to be in effect.

(a) How much cost savings will this administrative regulation generate for the regulated entities for the first year?

This administrative regulation is not expected to generate cost savings for the first year.

(b) How much cost savings will this administrative regulation generate for the regulated entities for subsequent years?

This administrative regulation is not expected to generate cost savings for subsequent years.

(c) How much will it cost the regulated entities for the first year?

Compliance costs are uncertain. Licensees likely will incur costs to administer sports wagering on Licensed Premises in accordance with the regulations.

(d) How much will it cost the regulated entities for subsequent years?

Compliance costs are uncertain. Licensees likely will incur costs to administer sports wagering on Licensed Premises in accordance with the regulations.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Cost Savings (+/-):None.

Expenditures (+/-):Compliance costs are uncertain. Licensees likely will incur costs to administer sports wagering on Licensed Premises in accordance with the regulations.

Other Explanation:

None.

(5) Explain whether this administrative regulation will have a major economic impact, as defined below.

"Major economic impact" means an overall negative or adverse economic impact from an administrative regulation of five hundred thousand dollars (\$500,000) or more on state or local government or regulated entities, in aggregate, as determined by the promulgating administrative bodies. [KRS 13A.010(13)]: This regulation is not anticipated to have a major economic impact on Kentucky for the reasons stated above.