

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 this*
6 *chapter and administrative regulations promulgated under the authority of this*
7 *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 ~~(7)~~~~(5)~~ "President" means the president of the Kentucky Lottery Corporation who
19 shall also serve as chief executive officer of the corporation;
- 20 (8) **"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 ~~(9)~~~~(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 ~~(10)~~~~(7)~~ "Retailer" means any person with whom the corporation has contracted to sell
9 lottery tickets to the public or accept sports wagers from the public;

10 ~~(11)~~~~(8)~~ "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 ~~(12)~~~~(9)~~ "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 ~~(13)~~~~(10)~~ "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 ~~(14)~~ "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) The affairs of the corporation shall be administered by a board of directors
3 composed of eight (8) members.

4 (a) One (1) member of the board shall be the State Treasurer, who shall serve on
5 the board in an ex officio capacity.

6 (b) The other seven (7) members shall be appointed by the Governor, subject to
7 the advice and consent of the Senate.

8 1. 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 2. 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 3. 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 4. Any person not confirmed by the Senate shall not be reappointed as a
19 member for a period of two (2) years.

20 5. 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 6. 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 7. 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 (c) No appointed member shall serve more than two (2) consecutive four-year
9 terms.

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

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

14 (f) 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) The president of the corporation shall be appointed by the Governor subject to
10 confirmation by the board of directors.

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

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

15 (c) 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 (d) 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 (e) The president shall not be a member of the board.

22 (f) 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 45A.725.
- 24 2. Contracts to incur debt in its own name and enter into financing
25 agreements with the Commonwealth, its own agencies, or with a
26 commercial bank, excluding the authority to issue bonds.
- 27 **3. Contracts for the purchase of such goods and services as are**

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

13 (2) The corporation shall:

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

1 provisions of this chapter;

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

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

25 (h) The Kentucky Lottery Corporation and the authority shall develop a system to
26 allow the Kentucky Lottery Corporation to receive on a periodic basis a list of
27 persons declared in default of repayment obligations under financial assistance

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

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

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

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

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

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

- 24 (1) The president, as chief executive officer of the corporation, shall direct and
25 supervise all administrative and technical activities in accordance with the
26 provisions of this chapter and with the administrative regulations adopted by the
27 board. It shall be his duty to:

- 1 (a) Supervise and administer the operation of the lottery games and sports
2 wagering;
- 3 (b) Employ and direct such personnel as may be necessary to carry out the
4 purposes of this chapter and utilize such services, personnel, or facilities of
5 the corporation as he may deem necessary. He may employ by personal
6 service contract pursuant to KRS 45A.690 to 45A.725 and compensate such
7 consultants and technical assistants as may be required to carry out the
8 provisions of this chapter. The president may, by agreement, secure
9 information and services as he may deem necessary from any department,
10 agency, or unit of state government, and shall compensate such department,
11 agency, or unit of state government for its services. Such agencies,
12 departments, or units of state government shall cooperate with the corporation
13 and provide such information and services as may be required by the
14 corporation to assure the integrity of the lottery and the effective operation of
15 the lottery games;
- 16 (c) Contract in accordance with the administrative regulations of the corporation
17 with persons to sell lottery tickets at retail and to accept sports wagers on
18 behalf of the corporation. The president shall require a bond or bank letter of
19 credit from lottery retailers in an amount provided by administrative
20 regulations issued by the board;
- 21 (d) Make available for inspection by the board or any member of the board, upon
22 request, all books, records, files, and other information and documents of his
23 office and to advise the board and recommend such administrative regulations
24 and other matters he deems necessary and advisable to improve the operation
25 and administration of the lottery;
- 26 (e) Enter into any contract pursuant to KRS Chapters 45 and 45A or
27 administrative regulations promulgated by the board, and pursuant to KRS

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

- 1 (5) The president also may:
- 2 (a) Require bond from corporate employees with access to corporate funds or
- 3 lottery or sports wagering funds, in such an amount as provided in the
- 4 administrative regulations of the board. The president may also require bond
- 5 from other employees as he deems necessary; and
- 6 (b) For good cause, suspend, revoke, or refuse to renew any contract entered into
- 7 in accordance with the provisions of this chapter or the administrative
- 8 regulations of the board.

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

- 10 (1) Any retailer, vendor, sports wagering retailer, or applicant for a retailer, sports
- 11 wagering retailer, or vendor contract aggrieved by an action of the president of the
- 12 corporation may appeal that decision to the board.
- 13 (2) All appeals before the board shall be decided within thirty (30) days of the hearing.
- 14 (3) Any person aggrieved by a decision of the board may appeal the decision to the
- 15 Circuit Court of the county in which the corporation maintains its headquarters,
- 16 except that if the person aggrieved is a lottery retailer or sports wagering retailer,
- 17 or an applicant to become a lottery retailer or sports wagering retailer, then the
- 18 Circuit Court of the county in which said retailer or sports wagering retailer does
- 19 or applicant would operate shall have concurrent venue as to such appeal.
- 20 (4) The Circuit Court may reverse the decision of the board only in the event the
- 21 decision is found to be:
- 22 (a) Clearly erroneous; or
- 23 (b) Arbitrary and capricious; or
- 24 (c) Procured by fraud; or
- 25 (d) A result of misconduct by the board, or a member thereof.

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

- 27 (1) Proceeds of lottery prizes and sports wagers shall be subject to Kentucky state

1 income tax. Any attachments, garnishments, or executions authorized and issued
2 pursuant to statute shall also be withheld if served upon the process agent of the
3 corporation. This section shall not apply to a retailer **or sports wagering retailer**.

4 (2) The board shall adopt rules to establish a system of verifying the validity of **lottery**
5 **and sports wagering** tickets claimed to win prizes and to effect payment of such
6 prizes, except that:

7 (a) No prize, nor any portion of a prize, nor any right of any person to a prize
8 awarded shall be assignable, except as provided in subsection (6) of this
9 section. Any prize, or portion thereof, remaining unpaid at the death of a prize
10 winner shall be paid to the estate of such deceased prize winner or to the
11 trustee under a revocable living trust established by the deceased prize winner
12 as settlor, provided that a copy of such a trust has been filed with the
13 corporation along with a notarized letter of direction from the settlor and no
14 written notice of revocation has been received by the corporation prior to the
15 settlor's death. Following such a settlor's death and prior to any payment to
16 such a successor trustee, the corporation shall obtain from the trustee and each
17 trust beneficiary a written agreement to indemnify and hold the corporation
18 harmless with respect to any claims that may be asserted against the
19 corporation arising from payment to or through the trust. Notwithstanding any
20 other provisions of this section, any person, pursuant to an appropriate judicial
21 order, shall be paid the prize to which a winner is entitled.

22 (b) No **lottery** ticket shall knowingly be sold to **nor sports wager accepted from**
23 any person under the age of eighteen (18), but this section does not prohibit
24 the purchase of a **lottery** ticket by a person eighteen (18) years of age or older
25 for the purpose of making a gift to any person of any age. In such case, the
26 corporation shall direct payment to an adult member of the person's family or
27 the legal guardian of the person on behalf of such person. The person named

1 as custodian shall have the same powers and duties as prescribed for a
2 custodian pursuant to the Uniform Transfers to Minors Act.

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

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

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

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

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

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

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

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

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

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

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

27 (c) Any spouse, child, brother, sister, or parent residing as a member of the same

1 household in the principal place of abode of any such person; or
2 (d) Any owner, or any member of the board of directors, officers, employees of,
3 partners in, or coaches or players of any professional sports team or, or any
4 coach or player of a collegiate sports team.

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

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

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

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

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

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

27 4. Understands and agrees that with regard to the assigned payments, the

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

- 1 (c) Any attachments, garnishments, or executions authorized and issued pursuant
2 to statute and served upon the process agent of the corporation as set forth in
3 subsection (1) of this section;
4 unless appropriate provision is made in the court order to satisfy the obligation or
5 obligations giving rise to the offset or withholding at the time of closing of the
6 assignment transaction. Each court order shall provide that any delinquent child
7 support obligation owed by the assignor as of the date of the court order and any
8 debts owed to a state agency by the assignor as of the date of the court order shall be
9 offset by the corporation first against remaining payments or portions thereof then
10 due the assignor and then against payments due the assignee each year until paid in
11 full.
- 12 (9) A court order approving a voluntary assignment under subsection (6) of this section,
13 together with any other order issued in connection with any one (1) prize drawn,
14 shall not require the corporation to divide any single prize payment among more
15 than three (3) different persons or entities.
- 16 (10) The Commonwealth, the corporation, and their respective officials and employees
17 shall be discharged of all further liability upon payment of a prize pursuant to court
18 order issued under subsection (6) of this section. It shall be the responsibility of the
19 assignor or the assignee to provide the corporation information necessary for the
20 corporation to identify the parties to any assignment under subsection (6) of this
21 section and to make the payments assigned.
- 22 (11) The Kentucky Lottery Corporation may establish a reasonable fee, not to exceed
23 one thousand dollars (\$1,000), to defray any administrative expenses associated
24 with processing each assignment made pursuant to subsection (6) of this section.
25 The fee amount shall reflect the direct and indirect costs associated with processing
26 the assignments. A court order approving an assignment under subsection (6) of this
27 section shall direct the assignee to pay the fee to the corporation no later than ten

1 (10) days after entry of the order.

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

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

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

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

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

26 ➔SECTION 11. A NEW SECTION OF KRS CHAPTER 154A IS CREATED
27 TO READ AS FOLLOWS:

1 (1) It is the intent of the General Assembly to permit sports wagering at lottery
 2 retailers which have a seating capacity of at least twenty (20).

3 (2) The corporation shall have exclusive jurisdiction to regulate the operation of
 4 sports wagering at any location where it is authorized to be conducted under this
 5 chapter.

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

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

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

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

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

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

20 1. Methods of internal financial controls;

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

22 3. Audit procedures and frequencies;

23 (d) Notice requirements for minimum and maximum wagers on sports
 24 wagering;

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

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

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

2 (h) Security requirements.

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

6 (a) Players;

7 (b) Coaches;

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

9 (d) Owners, members of the board of directors, officers, employees, or partners
 10 in of any professional sports team who might have influence over players
 11 and coaches through the ability to hire or fire.

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

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

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

17 (b) Any other proceeds from grants, contributions, appropriations, or other
 18 moneys made available for the purposes of the fund.

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

20 (3) Amounts deposited in the fund shall be used for:

21 (a) The real and necessary costs of administration and oversight of the sports
 22 wagering system at retailers, licensed racing associations, simulcast
 23 facilities, and other authorized locations;

24 (b) Two percent (2%) of the amount deposited in the sports wagering
 25 distribution trust fund, up to a maximum amount of two million dollars
 26 (\$2,000,000) per fiscal year, shall be transferred to the problem gamblers
 27 awareness and treatment trust fund created by Section 14 of this Act; and

1 (c) After deductions for paragraph (a) and (b) of this subsection, the remainder
2 of the amounts deposited shall be distributed to the Kentucky Employees
3 Retirement System nonhazardous retirement fund and the Kentucky
4 Teachers' Retirement System pension fund in amounts proportional to the
5 number of participants in those funds.

6 Paragraph (c) of this subsection shall remain in effect for ten (10) years from the
7 effective date of this Act, after which time the amounts distributed under
8 paragraph (c) shall revert to the General Fund.

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

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

13 (6) All moneys held in the fund shall be invested by the corporation in accordance
14 with the corporation's investment practices, and all earnings from the
15 investments shall accrue to the benefit of the fund and the Commonwealth.

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

18 (1) The problem gamblers awareness and treatment trust fund is created in the State
19 Treasury as a separate revolving fund to be administered by the Cabinet for
20 Health and Family Services. The trust fund shall consist of amounts deposited in
21 the fund as provided in Section 13 of this Act and any other proceeds from
22 grants, contributions, appropriations, or other moneys made available for the
23 purposes of the trust fund.

24 (2) Notwithstanding KRS 45.229, any moneys remaining in the fund at the close of
25 the fiscal year shall not lapse but shall be carried forward to the next fiscal year
26 to be used for the purposes set forth in this section.

27 (3) Any interest earnings of the trust fund shall become a part of the trust fund and

1 shall not lapse.

2 (4) Trust fund moneys shall be used and are hereby appropriated for reasonable
3 administrative expenses and for the purposes of providing assistance to the
4 boards for mental health and individuals with developmental disabilities, certified
5 compulsive gambling counselors, and other agencies, groups, organizations, and
6 persons that:

7 (a) Provide education and treatment in an accessible and timely manner to
8 persons and families experiencing difficulty as a result of problem or
9 pathological gambling;

10 (b) Promote the awareness of problem and pathological gamblers' assistance
11 programs; and

12 (c) Develop and promote programs for the prevention of problem and
13 pathological gambling.

14 (5) The Cabinet for Health and Family Services shall coordinate with the
15 department, the Kentucky Horse Racing Commission, and the Kentucky Lottery
16 Corporation concerning education programs to promote public awareness and
17 understanding of problem and pathological gambling.

18 (6) At no time shall the cabinet expend or distribute more moneys than the amount
19 received by the fund as provided in this section and Section 13 of this Act.

20 (7) No money appropriated to this fund shall be used to pay the debts or living
21 expenses of a problem or pathological gambler.

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

24 The Cabinet for Health and Family Services shall promulgate administrative
25 regulations to address the manner in which moneys deposited into the problem
26 gamblers awareness and treatment trust fund created under Section 14 of this Act shall
27 be expended, and shall also be responsible for evaluations of requests for funding

1 submitted pursuant to administrative regulations. Administrative regulations
 2 promulgated under the authority of this section shall establish:

3 (1) Standards for the types of agencies, groups, organizations, and persons that will
 4 be eligible to receive funding from the problem gamblers awareness and
 5 treatment trust fund;

6 (2) Standards for the types of activities that will be eligible for funding;

7 (3) Standards for the appropriate documentation of past performance of agencies,
 8 groups, organizations, and persons and the activities that they have conducted;

9 (4) Procedures for the processing of applications for funding;

10 (5) Procedures for evaluation of requests submitted from the various agencies,
 11 groups, organizations, and persons that are seeking funding from the problem
 12 gamblers awareness and treatment trust fund to provide services; and

13 (6) A procedure requiring funding recipients to submit the appropriate
 14 documentation of how funds from the problem gamblers awareness and
 15 treatment trust fund have been expended, including audits.

16 ➔SECTION 16. A NEW SECTION OF KRS CHAPTER 154A IS CREATED
 17 TO READ AS FOLLOWS:

18 (1) Effective July 1, 2020, and for every fiscal year thereafter, the Cabinet for Health
 19 and Family Services shall prepare an annual report detailing activities and
 20 expenditures associated with the problem gamblers awareness and treatment trust
 21 fund for the preceding fiscal year.

22 (2) This annual report shall be submitted to the Legislative Research Commission,
 23 the Governor, the department, the Kentucky Horse Racing Commission, and the
 24 Kentucky Lottery Corporation, on or before September 30 of each year.

25 ➔Section 17. KRS 154A.120 is amended to read as follows:

26 (1) The corporation shall conduct all procurements in accordance with procedures
 27 which are not inconsistent with the provisions of KRS Chapter 45A, and this

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

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

20 ➔Section 18. KRS 154A.130 is amended to read as follows:

21 (1) (a) All money received by the corporation from the sale of lottery tickets and all
22 other sources except net sports wagering receipts shall be deposited into a
23 corporate operating account.

24 (b) The corporation is authorized to use all money in the corporate operating
25 account for the purposes of paying prizes and the necessary expenses of the
26 corporation and dividends to the state.

27 (c) The corporation shall allocate the amount to be paid by the corporation to

1 prize winners.

2 (d) The amount in the corporate operating account which the corporation
3 anticipates will be available for the payment of prizes on an annuity basis may
4 be invested in direct United States Treasury obligations. These instruments
5 may be in varying maturities with respect to payment of annuities and may be
6 in book-entry form.

7 (e) Monthly, no later than the last business day of the succeeding month, the
8 corporation shall transfer to a lottery trust fund the amount of net revenues
9 which the corporation determines are surplus to its needs. ~~These funds shall
10 be held in trust until 1990 at which time the General Assembly shall
11 determine the manner in which the funds will be allocated and appropriated.~~

12 The net revenues shall be determined by deducting from gross revenues the
13 payment costs incurred in the operation and administration of the lottery,
14 including the expenses of the corporation and the costs resulting from any
15 contract or contracts entered into for promotional, advertising, or operational
16 services or for the purchase or lease of lottery equipment and materials, fixed
17 capital outlays, and the payment of prizes to the holders of winning tickets.

18 (f) After the start-up costs are paid, it is the intent of the Legislature that it shall
19 be the goal of the corporation to transfer each year thirty-five percent (35%) of
20 gross revenues to the general fund for the purposes stated above.

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

24 (2) A Kentucky lottery trust account is established in the State Treasury. Net lottery
25 revenues shall be credited to this restricted account as provided in subsection (1) of
26 this section. Moneys credited to the Kentucky lottery trust account shall be invested
27 by the state in accordance with state investment practices and all earnings from the

1 investments shall accrue to this account. No moneys shall be allotted or expended
2 from this account unless pursuant to an appropriation by the General Assembly,
3 except that moneys as are needed shall be transferred to the general fund pursuant to
4 the provisions of the Acts of the Extraordinary Session of the 1988 General
5 Assembly. Moneys in the Kentucky lottery trust account shall not lapse at the close
6 of the state fiscal year.

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

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

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

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

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

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

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

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

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

24 2. Forty-five percent (45%) in fiscal year 2004-2005; and

25 3. Fifty-five percent (55%) of net lottery revenues in fiscal year 2005-2006
26 and each fiscal year thereafter.

27 (5) The Auditor of Public Accounts shall be responsible for a financial postaudit of the

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

23 (6) By no later than December 31 of each year, in an advertisement at least one-fourth
24 (1/4) of a page in size, the Kentucky Lottery Corporation shall publish the following
25 information in every general-circulation daily newspaper published in Kentucky:

26 (a) The statements of revenue, expenses, and changes in retained earnings as
27 shown in the most recent annual audit report. It shall be explained that the

1 transfer of dividends is the amount of lottery earnings transferred to the
2 general fund;

- 3 (b) A statement identifying the auditing firm;
- 4 (c) A telephone number which citizens may call to obtain a complete copy of the
5 annual audit report; and
- 6 (d) The name of the president/chief executive officer of the Kentucky Lottery
7 Corporation and a complete list of board members.

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

9 ➔Section 19. KRS 154A.400 is amended to read as follows:

- 10 (1) (a) The General Assembly hereby recognizes that to conduct a successful lottery
11 and sports wagering system, the corporation must develop and maintain a
12 statewide network of lottery and sports wagering retailers that will serve the
13 public convenience or promote the sale of tickets and the placing of wagers,
14 while insuring the integrity of the lottery and wagering system.
- 15 (b) To govern the selection of lottery and sports wagering retailers, the board
16 shall, by administrative regulation, develop a list of objective criteria upon
17 which the selection of lottery and sports wagering retailers shall be based.
18 Separate criteria shall be developed to govern the selection of retailers of
19 instant tickets, ~~and~~ on-line, and sports wagering retailers. In developing
20 these criteria the board shall consider such factors as the applicant's financial
21 responsibility, security of the applicant's place of business or activity,
22 integrity, and reputation; however, the board shall not consider political
23 affiliation, activities, or monetary contributions to political organizations or
24 candidates for any public office. The criteria shall include, but not be limited
25 to the following:
- 26 1. The applicant shall be current in payment of all taxes, interest and
27 penalties owed to any taxing subdivision where the lottery retailer will

- 1 sell lottery tickets or accept sports wagers;
- 2 2. The applicant shall be current in filing all applicable tax returns and in
3 payment of all taxes, interest and penalties owed to the Commonwealth
4 of Kentucky, excluding items under formal appeal pursuant to applicable
5 statutes;
- 6 3. No person, partnership, unincorporated association, corporation, or other
7 business entity shall be selected as a lottery retailer for the sale of instant
8 tickets, sports wagers, or on-line games who:
- 9 a. Has been convicted of a felony related to the security or integrity
10 of the lottery in this or any other jurisdiction, unless at least ten
11 (10) years have passed since satisfactory completion of the
12 sentence or probation imposed by the court for each felony;
- 13 b. Has been convicted of any illegal gambling activity in this or any
14 other jurisdiction, unless at least ten (10) years have passed since
15 satisfactory completion of the sentence or probation imposed by
16 the court for each conviction;
- 17 c. Has been found to have violated the provisions of this chapter or
18 any administrative regulation adopted hereunder, unless at least ten
19 (10) years have passed since the violation;
- 20 d. Is a vendor or an employee or agent of any vendor doing business
21 with the corporation;
- 22 e. Resides in the same household as an officer of the corporation; or
23 f. Has made a statement of material fact to the corporation, knowing
24 such statement to be false, unless at least ten (10) years have
25 passed since the statement was made; ~~[-]~~
- 26 4. Retailers shall be afforded the same exceptions to disqualification as
27 provided for vendors in KRS 154A.600(4)(a) and (b) or (c).

- 1 5. In addition to the provisions of subsection (3) of this section, no person,
2 partnership, unincorporated association, corporation, or other business
3 entity shall be selected as an on-line lottery retailer who:
- 4 a. Has been denied a license to sell instant tickets on the basis of
5 objective criteria established by the board, or any provision of this
6 chapter; or
- 7 b. Has failed to sell sufficient instant tickets to indicate that the
8 location of an on-line game at his outlet would be of economic
9 benefit to him or the lottery corporation; ~~and~~[-]
- 10 6. The applicant shall not be engaged exclusively in the sale of lottery
11 tickets or sport wagers. However, this paragraph does not preclude the
12 corporation from contracting for the sale of lottery tickets or sports
13 wagers with nonprofit, charitable organizations or units of local
14 government in accordance with the provisions of this chapter.
- 15 (c) Persons applying to become lottery or sports wagering retailers shall be
16 charged a uniform application fee for each lottery or sports wagering outlet.
17 Retailers chosen to participate in on-line games shall be charged a uniform
18 annual fee for each on-line outlet.
- 19 (d) Any lottery or sports wagering retailer contract executed pursuant to this
20 section may, for good cause, be suspended, revoked, or terminated by the
21 president if the retailer is found to have violated any of the objective criteria
22 established by the board as provided in subsection (1) of this section. Review
23 of such action shall be in accordance with the procedures outlined in KRS
24 154A.090. All lottery or sports wagering retailer contracts shall be renewable
25 annually after issuance unless sooner canceled or terminated.
- 26 (2) (a) A retailer who has been denied an on-line game for reasons other than
27 financial responsibility, security, or integrity shall be permitted to purchase or

1 lease the equipment necessary to operate such a game from the corporation in
2 a manner consistent with the corporation's manner of acquisition. A retailer
3 need not file an appeal before being permitted to purchase or lease on-line
4 equipment.

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

11 (3) No lottery or sports wagering retailer contract awarded under this section shall be
12 transferable or assignable. No lottery or sports wagering retailer shall contract with
13 any person for lottery or sports wagering goods or services except with the
14 approval of the board.

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

20 (5) A member of the General Assembly who meets the same requirements as any other
21 applicant to be a retailer may be granted a retail contract to sell lottery tickets,
22 accept sports wagers, or participate in any other lottery game operations. No
23 member of the General Assembly shall be entitled to preference over any other
24 applicant for a contract.

25 (6) For the convenience of the public, all retailers shall be authorized to pay winners up
26 to six hundred dollars (\$600) after the retailer performs validation procedures
27 appropriate to the lottery game or sports wager involved. Lottery tickets and sports

1 wagers shall be exempt from the Kentucky sales tax.

2 ➔Section 20. KRS 154A.410 is amended to read as follows:

- 3 (1) Any contract executed by the corporation pursuant to this chapter shall specify the
4 reasons for which any contract may be suspended, revoked, or terminated by the
5 corporation, including, but not limited to:
- 6 (a) Commission of a violation of this chapter or administrative regulations
7 adopted pursuant thereto;
 - 8 (b) Failure to accurately account for lottery tickets, sports wagers, revenues, or
9 prizes as required by the corporation;
 - 10 (c) Commission of any fraud, deceit, or misrepresentation;
 - 11 (d) Insufficient sale of tickets or sports wagers;
 - 12 (e) Conduct prejudicial to public confidence in the lottery;
 - 13 (f) Any material change in any matter considered by the corporation in executing
14 the contract with the retailer;
 - 15 (g) Failure to meet any of the objective criteria established by the board pursuant
16 to KRS 154A.400(1).
- 17 (2) If, in the discretion of the president, such denial, revocation, suspension or rejection
18 of renewal is in the best interests of the lottery, the public welfare, or the
19 Commonwealth of Kentucky, the president may suspend, revoke, or terminate, after
20 notice and a hearing, any contract issued pursuant to this chapter. Such contract
21 may, however, be temporarily suspended by the president without prior notice,
22 pending any prosecution, hearing, or investigation, whether by a third party or by
23 the president. A contract may be suspended, revoked, or terminated by the president
24 for one (1) or more of the reasons enumerated in subsection (1) of this section.

25 ➔Section 21. KRS 154A.420 is amended to read as follows:

- 26 (1) (a) All proceeds from the sale of lottery tickets or sports wagers received by a
27 person in the capacity of a lottery or sports wagering retailer shall constitute a

1 trust fund until paid to the corporation either directly, or through the
2 corporation's authorized collection representative. Proceeds shall include
3 unsold instant tickets received by a lottery retailer and cash proceeds of sale of
4 any lottery products or sports wagers, net of allowable sales commissions and
5 credit for lottery and sports wagering prizes paid to winners by lottery
6 retailers.

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

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

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

19 (e) *The corporation may require a retailer to establish a separate sports*
20 *wagering electronic funds transfer account, where available, for the*
21 *purpose of receiving moneys from sports wagers, making payments to the*
22 *corporation related to sports wagering, and receiving payments from the*
23 *corporation.*

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

26 (g) This section shall apply to all lottery tickets generated by computer terminal,
27 other electronic device, sports wagers, and any other tickets delivered to

1 lottery retailers.

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

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

21 (b) The lien imposed by paragraph (a) of this subsection shall not be valid as
22 against any purchaser, judgment lien creditor, or holder of a security interest
23 or mechanic's lien until notice of the corporation's lien has been filed by the
24 corporation with the county clerk of any county or counties in which the
25 retailer's business or residence is located, or in any county in which the retailer
26 has an interest in property. The recording of the lien shall constitute notice of
27 both the original obligation to the corporation and all subsequent obligations

1 to the corporation of the same retailer. Upon request, the corporation shall
2 disclose the specific amount of liability at any given date to any interested
3 party legally entitled to the information.

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

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

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

19 ➔Section 22. KRS 154A.430 is amended to read as follows:

20 If a lottery retailer's rental payments for the business premises are contractually
21 computed, in whole or in part, on the basis of a percentage of retail sales, and such
22 computation of retail sales is not explicitly defined to include sales of tickets in a state-
23 operated lottery, *or sales of sports wagers in a state-operated sports wagering system,*
24 the compensation received by the lottery retailer from the lottery *for lottery ticket and*
25 *sports wagering sales* shall be considered the amount of the retail sale for purposes of
26 computing the rental payment.

27 ➔Section 23. KRS 154A.440 is amended to read as follows:

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

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

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

13 ➔Section 24. KRS 154A.600 is amended to read as follows:

14 (1) (a) The corporation may purchase, lease, or lease-purchase such goods or services
15 as are necessary for effectuating the purposes of this chapter.

16 (b) Applicable leases, purchases, and lease-purchases shall be reported to the
17 capital projects and bond oversight committee for its review and
18 determination in accordance with the provisions of KRS 45.750 to 45.810.

19 (c) The corporation shall not contract with any person or entity for the total
20 operation and administration of the state lottery or sports wagering system,
21 but may make procurements which integrate functions such as lottery game
22 design, lottery ticket distribution to retailers, supply of goods and services,
23 calculation of odds and payouts, and advertising.

24 (d) In all procurement decisions, the corporation shall take into account the
25 particularly sensitive nature of the state lottery and sports wagering system
26 and shall act to promote and ensure security, honesty, fairness and integrity in
27 the operation and administration of the lottery and sports wagering system

1 and the objectives of raising net proceeds for the benefit of the public purpose
2 described in this chapter.

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

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

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

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

21 (c) A disclosure of all the states and jurisdictions in which the vendor has
22 contracts to supply gaming goods or services, including, but not limited to,
23 lottery and sports wagering goods and services, and the nature of the goods or
24 services involved for each such state or jurisdiction.

25 (d) A disclosure of all the states and jurisdictions in which the vendor has applied
26 for, has sought renewal of, has received, has been denied, has pending, or has
27 had revoked a gaming license of any kind, and the disposition of such in each

1 such state or jurisdiction. If any gaming license has been revoked or has not
2 been renewed or any gaming license application has been either denied or is
3 pending and has remained pending for more than six (6) months, all of the
4 facts and circumstances underlying the failure to receive such a license shall
5 be disclosed.

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

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

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

16 (3) (a) A contract for a procurement with any vendor subject to subsection (2) of this
17 section who has not complied with the disclosure requirements described in
18 subsection (2) of this section shall not be entered into, and any contract with
19 such a vendor is unenforceable.

20 (b) Any contract with a vendor who does not comply with such requirements for
21 periodically updating such disclosures during the tenure of contract as may be
22 specified in such contract shall be terminated by the corporation.

23 (c) This subsection and subsection (2) of this section shall be construed broadly
24 and liberally to achieve the ends of full disclosure of all information necessary
25 to allow for a full and complete evaluation by the corporation of the
26 competence, integrity, background and character of vendors for major
27 procurements.

- 1 (4) A contract shall not be entered into with any vendor who has been found guilty of a
2 felony committed within the preceding ten (10) years, unless the corporation
3 determines that:
- 4 (a) The vendor has been pardoned or the vendor's civil rights have been restored;
5 and
 - 6 (b) Subsequent to such findings of guilt the vendor has engaged in the kind of
7 law-abiding commerce and good citizenship that would reflect well upon the
8 integrity of the lottery; or
 - 9 (c) If the vendor is a firm, association, partnership, trust, corporation or other
10 entity, the vendor has terminated its relationship with the individual whose
11 actions directly contributed to the vendor's guilt.
- 12 (5) Each vendor shall, at the execution of the contract with the corporation, post a
13 performance bond or letter of credit from a bank acceptable to the corporation, in an
14 amount equal to the full amount estimated to be paid annually to the vendor under
15 the contract. In lieu of the bond, a vendor may, to assure the faithful performance of
16 its obligations, deposit and maintain with the State Treasurer securities that are
17 interest bearing or accruing and that, with the exception of those specified in
18 paragraph (a) or (b) of this subsection, are rated in one (1) of the three (3) highest
19 classifications by an established nationally recognized investment rating service.
20 Securities eligible under this subsection are limited to:
- 21 (a) Certificates of deposit issued by solvent banks or savings associations
22 organized and existing under the laws of this state or under the laws of the
23 United States and having their principal place of business in this state;
 - 24 (b) United States bonds, notes, and bills for which the full faith and credit of the
25 government of the United States is pledged for the payment of principal and
26 interest;
 - 27 (c) General obligation bonds and notes of any political subdivision of the state; or

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

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

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

11 ➔Section 25. KRS 154A.650 is amended to read as follows:

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

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

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

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

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

26 (d) Report any suspected violations of this chapter to the appropriate
27 Commonwealth's attorney, or the Attorney General and law enforcement

1 agencies; and

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

5 ➔Section 26. KRS 154A.990 is amended to read as follows:

- 6 (1) (a) Any person who knowingly sells a lottery ticket to *or accepts a sports wager*
7 *from* a person under eighteen (18) years of age shall be guilty of a violation
8 for the first offense and for each subsequent offense shall be guilty of a Class
9 B misdemeanor.
- 10 (b) Any lottery retailer who violates KRS 154A.450 shall be notified by the
11 corporation in writing that the retailer shall have thirty (30) days in which to
12 correct the violation. If at the end of that thirty (30) day period the violation is
13 not corrected, the corporation shall remove all lottery vending machines from
14 the retailer's premises.
- 15 (2) Any person who, with intent to defraud, falsely makes, alters, forges, utters, passes,
16 or counterfeits a state lottery ticket shall be guilty of a Class C felony.
- 17 (3) Any person who influences or attempts to influence the winning of a prize through
18 the use of coercion, fraud, deception, or tampering with lottery equipment or
19 materials shall be guilty of a Class B felony.
- 20 (4) Any person who violates the provisions of KRS 154A.030(2) shall be guilty of a
21 Class D felony and shall be removed from the board.
- 22 (5) Any person who violates the provisions of KRS 154A.080(2) shall be fined not less
23 than five thousand dollars (\$5,000) nor more than fifty thousand dollars (\$50,000)
24 and shall be guilty of a Class D felony.
- 25 (6) Any person who violates the provisions of KRS 154A.080(3) shall be guilty of a
26 Class D felony.
- 27 (7) Any person who violates the provisions of KRS 154A.080(4) shall be guilty of a

1 Class A misdemeanor.

2 (8) Any person, including any retailer and any officers, directors, or employees of a
3 corporate retailer, any general partner or employee of a retailer which is a
4 partnership or joint venture, or any owner or employee of a retailer which is a sole
5 proprietorship, who willfully violates the provisions of KRS 154A.420(1) shall be
6 fined not less than one thousand dollars (\$1,000) nor more than ten thousand dollars
7 (\$10,000) and shall be guilty of a Class D felony.

8 (9) Any person who violates the provisions of KRS 154A.440(1) for the first offense
9 shall be guilty of a violation and for each subsequent offense shall be guilty of a
10 Class B misdemeanor.

11 (10) Any person violating KRS 154A.160(2) is guilty of a Class D felony.

12 (11) Any person who knowingly provides false or intentionally misleading information
13 to the corporation in connection with a background investigation prior to
14 employment pursuant to KRS 154A.080(5), an application for a lottery retailer
15 certificate under KRS 154A.400, the corporation's investigation of prospective
16 vendors pursuant to KRS 154A.600, or any investigation by the corporation's
17 Division of Security shall be fined not less than one thousand dollars (\$1,000) nor
18 more than ten thousand dollars (\$10,000), and shall be guilty of a Class D felony.

19 (12) Unless the corporation shall have promulgated administrative regulations governing
20 its procurements under KRS 154A.120(1), the provisions of KRS 45A.990(1) to
21 45A.990(8) shall be deemed to apply to procurement activities conducted under this
22 chapter which are governed by KRS Chapter 45A. If the corporation has
23 promulgated administrative regulations governing its procurements, any person who
24 willfully violates the administrative regulations shall be guilty of a Class A
25 misdemeanor.

26 **(13) (a) A person is guilty of tampering with the outcome of a sporting event when**
27 **the person interacts with a player, coach, referee, or other participant with**

1 *the intent to persuade the participant to act in a way that would bias the*
2 *outcome of the sporting event.*

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

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