

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. KRS CHAPTER 239 IS ESTABLISHED AND A NEW
4 SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

5 *As used in this chapter:*

6 *(1) "Amateur athletics" means any interscholastic athletics in which the*
7 *participating athletes are elementary or secondary school students of any public*
8 *or private institution of learning, or any athletics sponsored or regulated by*
9 *amateur athletic associations, including but not limited to:*

10 *(a) Amateur Softball Association;*

11 *(b) American Legion Baseball;*

12 *(c) Babe Ruth Leagues of Kentucky;*

13 *(d) Bluegrass State Games;*

14 *(e) Kentucky Amateur Athletics Union;*

15 *(f) Kentucky Special Olympics;*

16 *(g) Kentucky Youth Soccer Association;*

17 *(h) Little League Baseball; and*

18 *(i) United States Olympic Committee;*

19 *(2) "Collegiate sports contest" means any intercollegiate sports contest in which the*
20 *participating athletes are students of any public or private institution of higher*
21 *education and which is held under the auspices of a national athletic association*
22 *for college sports such as the National Collegiate Athletic Association or the*
23 *National Association of Intercollegiate Athletics;*

24 *(3) "Commission" means the Kentucky Gaming Commission established by this*
25 *chapter;*

26 *(4) "Principal" means any of the following individuals associated with a*
27 *partnership, trust, association, limited liability company, or corporation that is*

1 licensed or seeking licensure to conduct sports wagering or seeking licensure as a
 2 sports wagering vendor;

3 (a) The chairman and all members of the board of directors of a corporation;

4 (b) All partners of a partnership and all participating members of a limited
 5 liability company;

6 (c) All trustees and trust beneficiaries of an association;

7 (d) The president or chief executive officer and all other officers, managers,
 8 and employees who have policy-making or fiduciary responsibility within
 9 the organization;

10 (e) All stockholders or other individuals who own, hold, or control, either
 11 directly or indirectly, five percent (5%) or more of stock or financial interest
 12 in the collective organization; and

13 (f) Any other employee, agent, guardian, personal representative, or lender or
 14 holder of indebtedness who has the power to exercise a significant influence
 15 over the applicant's or licensee's operation;

16 (5) "Professional sports contest" means a sports contest in which the participants
 17 are paid to participate and which is overseen by a national or international sports
 18 association such as the National Football League, the National Basketball
 19 Association, or the National Association for Stock Car Auto Racing;

20 (6) "Sports wager" means a wager, or the record of a wager, placed upon the
 21 outcome of a collegiate or professional sports contest, or upon an event or events
 22 happening as part of a collegiate or professional sports contest; and

23 (7) "Sports wagering" means the placing of wagers on the outcomes of collegiate or
 24 professional sports contests, or upon events happening as part of a collegiate or
 25 professional sports contest.

26 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 239 IS CREATED TO
 27 READ AS FOLLOWS:

- 1 (1) The Kentucky Gaming Commission is created as an independent agency of state
2 government to regulate the conduct of sports wagering within the Commonwealth
3 of Kentucky. The commission shall be attached to the Public Protection Cabinet
4 for administrative purposes.
- 5 (2) The commission shall consist of nine (9) members, including the Attorney
6 General and the secretary of the Public Protection Cabinet or their designees,
7 who shall serve as ex officio, nonvoting members. In addition the Governor shall
8 appoint, subject to the advice and consent of the Senate:
- 9 (a) One (1) member from a list of three (3) names submitted by the
10 Thoroughbred Owners and Breeders Association;
- 11 (b) One (1) member from a list of three (3) names submitted by the Kentucky
12 Harness Horsemen's Association;
- 13 (c) One (1) member from a list of three (3) names submitted by the Kentucky
14 Commonwealth's Attorneys Association;
- 15 (d) One (1) member from a list of three (3) names submitted by the Council on
16 Postsecondary Education;
- 17 (e) One (1) member from a list of three (3) names submitted by the Kentucky
18 Lottery Corporation;
- 19 (f) One (1) member who is a certified public accountant licensed in any
20 jurisdiction in the United States; and
- 21 (g) One (1) member who is an attorney experienced in gaming law.
- 22 (3) (a) Members appointed by the Governor and confirmed by the Senate shall be
23 residents of the Commonwealth of Kentucky and serve a term of four (4)
24 years, except that the members selected from names submitted by the
25 Thoroughbred Owners and Breeders Association, the Commonwealth
26 Attorney's Association, and the Kentucky Lottery Corporation shall all be
27 appointed to an initial term of two (2) years, but shall be appointed to four

- 1 (4) year terms after their initial appointments.
- 2 (b) Members appointed when the Senate is not in session shall serve only until
3 the next regular session, or special session if such matter is included in the
4 call therefor of the General Assembly, at which time they shall be subject to
5 confirmation by the Senate.
- 6 (c) Should the Senate refuse to confirm a member, then he or she shall forfeit
7 his or her office as of the date on which the Senate refuses to confirm him
8 or her.
- 9 (d) Any person not confirmed by the Senate shall not be reappointed as a
10 member for a period of two (2) years.
- 11 (e) Members confirmed by the Senate may serve thirty (30) days beyond the end
12 of their respective terms if their successors have not been appointed and
13 qualified.
- 14 (f) If the Governor fails to appoint a successor within thirty (30) days of
15 expiration of a member's term, the commission shall make the appointment
16 with the advice and consent of the Senate.
- 17 (g) No appointed member shall serve more than two (2) four (4) year terms.
- 18 (h) Appointed members may be removed by the vote of a majority of board
19 members for neglect of duty, misfeasance, or nonfeasance in office.
20 Members removed by the board may appeal that decision to the Governor.
- 21 (3) (a) The commission shall establish and maintain a general office for the
22 transaction of its business and may in its discretion establish a branch
23 office or offices.
- 24 (b) The commission may hold meetings at any of its offices or at any other
25 place when the convenience of the commission requires.
- 26 (c) All meetings of the commission shall be open and public and shall be
27 conducted in accordance with KRS 61.805 to 61.850.

1 (d) A majority of the voting members of the commission shall constitute a
2 quorum for the transaction of its business or exercise of any of its powers.

3 (e) Before entering upon the discharge of their duties, all members of the
4 commission shall take the constitutional oath of office.

5 (4) The commission shall elect one (1) member of the commission to serve as its
6 chairperson and a second member to serve as vice chair with authority to act in
7 the absence of the chairperson.

8 (5) Members of the commission other than the ex officio members shall receive one
9 hundred dollars (\$100) per day for each meeting attended. All members shall be
10 reimbursed for all expenses paid or incurred in the discharge of official business.

11 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 239 IS CREATED TO
12 READ AS FOLLOWS:

13 (1) The commission shall:

14 (a) Promulgate administrative regulations prescribing conditions under which
15 all legitimate sports wagering is conducted in the Commonwealth;

16 (b) Issue licenses to:

17 1. Facilities authorized to conduct sports wagering; and

18 2. Vendors authorized to supply sports wagering equipment; and

19 (c) Regulate and maintain sports wagering in the Commonwealth so as to
20 dissipate any cloud of association with the undesirable and maintain the
21 appearance as well as the fact of complete honesty and integrity.

22 (2) The commission or its representatives may:

23 (a) Undertake studies of sports gaming conducted in other jurisdictions in
24 order to improve the effectiveness and efficiency of sports wagering in
25 Kentucky;

26 (b) Inspect the premises of any sports wagering licensee or licensed sports
27 wagering supplier during any period of normal business operations;

1 (c) Review the financial records of any sports wagering licensee at the location
2 of the licensee's business, or at a location more convenient to the
3 commission; and

4 (d) Bar individuals identified as problem gamblers from placing sports wagers
5 at any licensed location for a period of time to be determined by the
6 commission.

7 ➔SECTION 4. A NEW SECTION OF KRS CHAPTER 239 IS CREATED TO
8 READ AS FOLLOWS:

9 (1) The Governor shall appoint an executive director who shall serve at the pleasure
10 of the Governor. The Governor shall set the qualifications and salary for the
11 position of executive director pursuant to KRS 64.640. The executive director
12 shall possess the powers and perform the duties imposed upon him or her by the
13 Governor, and other duties as the commission may direct or prescribe.

14 (2) The executive director shall:

15 (a) Be responsible for the day-to-day operations of the commission;

16 (b) Set up appropriate organizational structures and personnel policies for
17 approval by the commission;

18 (c) Appoint all staff;

19 (d) Prepare annual reports of the commission's program of work;

20 (e) Carry out policy and program directives of the commission;

21 (f) Prepare and submit to the commission for its approval the proposed
22 biennial budget of the commission; and

23 (g) Perform all other duties and responsibilities assigned by law.

24 (3) The executive director shall cause to be kept a full record of all proceedings
25 before the commission and shall preserve at its general office all books, maps,
26 records, documents, licenses, and other papers of the commission. All records of
27 the commission shall be open to inspection by the public during regular office

1 hours.

2 (4) With approval of the commission, the executive director may enter into
 3 agreements with any state agency or political subdivision of the state, any
 4 postsecondary education institution, or any other person or entity to enlist
 5 assistance to implement the duties and responsibilities of the commission.

6 (5) (a) The executive director of the commission may employ, dismiss, or take other
 7 personnel action concerning other personnel as he or she may deem
 8 necessary to efficiently and effectively:

9 1. Operate the commission's general office or any branch thereof;

10 2. Provide technical expertise on sports wagering and odds making;

11 3. Inspect licensed facilities;

12 4. Inspect sports wagering equipment and terminals; and

13 5. Perform other functions as deemed necessary by the commission or
 14 the executive director.

15 (b) The executive director shall fix the compensation of all employees.

16 (c) The compensation of the employees, the executive director, and members of
 17 the commission, and any expenses incurred by employees, the executive
 18 director, or members of the commission shall be paid from commission
 19 funds dedicated for operating expenses in Section 7 of this Act.

20 ➔SECTION 5. A NEW SECTION OF KRS CHAPTER 239 IS CREATED TO
 21 READ AS FOLLOWS:

22 (1) Administrative regulations relating to sports wagering promulgated by the
 23 commission shall include but not be limited to:

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

26 (b) Standards and rules to govern the conduct of sports wagering and the
 27 system of wagering, including the manner in which wagers are received,

- 1 payouts are remitted, and point spreads, lines, and odds are determined;
- 2 (c) The method for calculating sports wagering revenue and standards for the
- 3 daily accounting and recording of cash and cash equivalents received in the
- 4 conduct of sports wagering, to include:
- 5 1. Methods of internal financial controls;
- 6 2. How financial records are to be maintained; and
- 7 3. Audit procedures and frequencies;
- 8 (d) Notice requirements for minimum and maximum wagers on sports
- 9 wagering;
- 10 (e) Compulsive and problem gambling standards pertaining to sports wagering;
- 11 (f) Standards prohibiting persons under the age of eighteen (18) from
- 12 participating in sports wagering;
- 13 (g) Limitations on locations for sports wagering facilities; and
- 14 (h) Security requirements.
- 15 (2) The commission shall establish licensing requirements for sports wagering
- 16 providers and vendors through promulgation of administrative regulations.
- 17 (3) (a) The Kentucky Lottery Corporation, due to its stringent oversight of lottery
- 18 retailers and the benefits generated for the Commonwealth through the
- 19 offering of lottery games, shall be issued a single license under which
- 20 lottery retailers may be authorized to conduct sports wagering at the
- 21 discretion of the Kentucky Lottery Corporation. The Kentucky Lottery
- 22 Corporation shall not be required to pay an initial license fee or a license
- 23 renewal fee.
- 24 (b) Each racing association licensed under KRS Chapter 230 may be issued a
- 25 license to conduct sports wagering. To be eligible to conduct sports
- 26 wagering, a racing association shall:
- 27 1. Apply on forms prescribed by the commission;

- 1 2. Pay an initial licensing fee of two hundred fifty thousand dollars
2 (\$250,000);
- 3 3. Include a letter of approval to conduct sports wagering from the
4 Kentucky Horse Racing Commission; and
- 5 4. Run at least as many live races for the same primary breed as were
6 run in the previous calendar year unless prevented from running live
7 races by reason of:
- 8 a. Flood;
9 b. Fire;
10 c. Inclement weather or natural disaster; or
11 d. Emergencies for other reasons beyond the control of the racing
12 association.
- 13 (c) Other locations seeking licensure to conduct sports wagering that do not
14 qualify under paragraph (a) or (b) of this subsection shall acquire a
15 separate license for each facility seeking to conduct sports wagering and
16 shall:
- 17 1. Apply on forms prescribed by the commission;
18 2. Pay an initial licensing fee of two hundred fifty thousand dollars
19 (\$250,000);
20 3. Demonstrate to the satisfaction of the commission that no principal of
21 the entity seeking licensure is a participant as defined in Section 6 of
22 this Act; and
- 23 4. Demonstrate to the commission's satisfaction a stringent system of
24 financial controls and accounting.
- 25 (d) Sports wagering licenses shall be renewed annually for a fee of twenty-five
26 thousand dollars (\$25,000).
- 27 (e) Sports wagering vendors and suppliers shall:

1 1. Apply for licensure on forms prescribed by the commission; and

2 2. Pay an initial licensing fee of twenty-five thousand dollars (\$25,000).

3 Sports wagering vendors and suppliers licenses shall be renewed annually

4 for a fee of five thousand dollars (\$5,000).

5 ➔SECTION 6. A NEW SECTION OF KRS CHAPTER 239 IS CREATED TO
6 READ AS FOLLOWS:

7 (1) A person shall not place a wager on a game or event in which he or she is a
8 participant.

9 (2) As used in this section, "participant" includes:

10 (a) Players;

11 (b) Coaches;

12 (c) Referees, judges, stewards or other officials involved in enforcing the rules
13 of the game; and

14 (d) Owners or shareholders of professional sports teams who might have
15 influence over players and coaches through the ability to hire or fire.

16 ➔SECTION 7. A NEW SECTION OF KRS CHAPTER 239 IS CREATED TO
17 READ AS FOLLOWS:

18 (1) There is hereby established in the State Treasury the sports wagering distribution
19 trust fund. The fund shall consist of moneys received from the license fees
20 imposed in Section 5 of this Act, the sports wagering tax imposed in Section 9 of
21 this Act, and dedicated lottery revenue as specified in Section 21 of this Act, and
22 any other proceeds from grants, contributions, appropriations, or other moneys
23 made available for the purposes of the fund.

24 (2) The fund shall be administered by the commission.

25 (3) After deductions for the real and necessary operating costs of the commission
26 and its staff, the remaining amounts deposited in the fund shall only be used for
27 the following purposes:

- 1 (a) Sixty percent (60%) shall be distributed to the Kentucky Employees
 2 Retirement System nonhazardous retirement fund and the Kentucky
 3 Teachers' Retirement System pension fund in amounts proportional to the
 4 number of participants in those funds;
- 5 (b) Thirty percent (30%) shall be distributed to the Kentucky educational
 6 excellence scholarship trust fund established in KRS 164.7877; and
- 7 (c) Ten percent (10%) shall be distributed to the Kentucky Thoroughbred
 8 development fund established in KRS 230.400 and the Kentucky
 9 standardbred development fund established in KRS 230.770 in amounts
 10 proportional to the number of racing days each breed runs during a racing
 11 year in Kentucky.
- 12 (4) Notwithstanding KRS 45.229, fund amounts not expended at the close of a fiscal
 13 year shall not lapse but shall be carried forward into the next fiscal year.
- 14 (5) Any interest earnings of the fund shall become a part of the fund and shall not
 15 lapse.
- 16 (6) Moneys deposited in the fund are hereby appropriated for the purposes set forth
 17 in this section and shall not be appropriated or transferred by the General
 18 Assembly for any other purposes.
- 19 ➔SECTION 8. A NEW SECTION OF KRS CHAPTER 239 IS CREATED TO
 20 READ AS FOLLOWS:
- 21 (1) (a) A person is guilty of tampering with the outcome of a sporting event when
 22 the person interacts with a player, coach, referee, or other participant with
 23 the intent to persuade the participant to act in a way that would:
- 24 1. Bias the outcome of the sporting event; or
 25 2. Alter events within the sporting event upon which people might wager.
- 26 (b) Tampering with the outcome of a sporting event is a Class C felony.
- 27 (2) Any person who wagers on a sporting event in which that person is a participant

1 in violation of Section 6 of this Act shall be guilty of a Class C felony.

2 ➔SECTION 9. A NEW SECTION OF KRS CHAPTER 138 IS CREATED TO
3 READ AS FOLLOWS:

4 (1) As used in this section:

5 (a) "Commission" means the Kentucky Gaming Commission;

6 (b) "Department" means the Department of Revenue;

7 (c) "Net sports wagering receipts" means the amount of money collected as
8 sports wagers less the amount paid out as winnings to wagerers; and

9 (d) "Sports wagering" has the same meaning as in Section 1 of this Act.

10 (2) An excise tax is hereby imposed on all sports wagering at non-lottery retail
11 facilities at the rate of twenty-five percent (25%) of the net sports wagering
12 receipts.

13 (3) The tax revenues shall be appropriated to the sports wagering distribution trust
14 fund created in Section 7 of this Act.

15 (4) The sports wagering tax imposed by this section is due and payable to the
16 department monthly and shall be remitted on or before the twentieth day of the
17 next succeeding calendar month.

18 (5) (a) Payment shall be accompanied by a return form that the department shall
19 prescribe.

20 (b) The return form shall report, at a minimum:

21 1. The total number of wagers placed on sports contests;

22 2. The total amount of money wagered on sports contests;

23 3. Prizes paid;

24 4. Net sports wagering receipts; and

25 5. Sports wagering tax due.

26 (6) The department shall enforce the provisions of and collect the taxes and penalties
27 imposed by this section, and in doing so it shall have the general powers and

1 duties granted it in KRS Chapters 131 and 135, including the power to enforce,
2 by an action in the Franklin Circuit Court, the collection of the taxes, penalties,
3 and other payments imposed or required by this section.

4 (7) Any person who violates any provision of this section shall be subject to the
5 uniform civil penalties imposed pursuant to KRS 131.180 and interest at the tax
6 interest rate as defined in KRS 131.010.

7 ➔Section 10. KRS 131.1817 is amended to read as follows:

8 (1) As used in this section:

9 (a) "Attorney's license" means a license issued pursuant to the rules of the
10 Supreme Court of Kentucky authorizing the practice of law in the
11 Commonwealth;

12 (b) "Delinquent taxpayer" means:

13 1. A taxpayer with an overdue state tax liability:

14 a. That is not covered by a current installment payment agreement;

15 b. For which all protest and appeal rights under the law have expired;
16 and

17 c. About which the department has contacted the taxpayer; or

18 2. A taxpayer who:

19 a. Has not filed a required tax return within ninety (90) days
20 following the due date of the return, or if the due date was
21 extended, within ninety (90) days following the extended due date
22 of the return; and

23 b. Was contacted by the department about the delinquent return;

24 (c) "Driver's license" means a license issued by the Transportation Cabinet;

25 (d) "License" means any occupational or professional certification, license,
26 registration, or certificate issued by a licensing agency that is required to
27 engage in an occupation, profession, or trade in the Commonwealth, other

1 than a license issued to an attorney; and

2 (e) "Licensing agency" means any instrumentality, agency, board, commission, or
3 department established by statute that has the power and authority within the
4 Commonwealth to issue any license, except "licensing agency" shall not
5 include the Supreme Court of Kentucky, relating to licenses issued to
6 attorneys to practice law in the Commonwealth.

7 (2) The department may identify licensing agencies from which it wants to obtain
8 information for the purpose of tax compliance.

9 (3) Any licensing agency identified by the department shall work with the department
10 to develop a process to provide the department with information about its licensees.

11 (4) Any delinquent taxpayer who:

12 (a) Holds a license;

13 (b) Is an attorney licensed to practice law in the Commonwealth;

14 (c) Holds a driver's license; or

15 (d) Owns a motor vehicle registered in the Commonwealth;

16 may have that license or driver's license suspended or revoked, and may be denied
17 the ability to register his or her motor vehicle in the Commonwealth as provided in
18 subsection (5) of this section.

19 (5) (a) To begin the process of revocation of a license, or suspension of the ability to
20 register a motor vehicle, the department shall notify the delinquent taxpayer
21 by certified mail at least twenty (20) days prior to submission of the name of a
22 delinquent taxpayer to the relevant agency that his or her name will be
23 submitted to:

24 1. The licensing agency, for revocation of a license;

25 2. The Transportation Cabinet, for revocation of a driver's license or denial
26 of the ability to register a motor vehicle in the Commonwealth; or

27 3. The Kentucky Supreme Court, for the revocation of a license to practice

1 law in the Commonwealth.

2 (b) The notice shall:

- 3 1. State the reason for the action;
- 4 2. Set forth the amount of any overdue tax liability, including any
5 applicable penalties and interest;
- 6 3. Explain any other area of noncompliance that must be satisfied to
7 prevent the submission of the taxpayer's name to the licensing agency as
8 a delinquent taxpayer; and
- 9 4. List all licenses or registrations for which revocation will be sought.

10 (c) After the passage of at least twenty (20) days from the date the notice was sent
11 under paragraph (a) of this subsection, and if the issues identified in the notice
12 were not resolved to the satisfaction of the department, the department may:

- 13 1. Submit the name of the delinquent taxpayer to the licensing agency or
14 the Transportation Cabinet; or
- 15 2. If the delinquent taxpayer is an attorney licensed to practice law in the
16 Commonwealth, submit the name of the attorney to the Kentucky
17 Supreme Court for appropriate action to enforce Supreme Court Rules.

18 (d) Upon notification by the department that the licensee or motor vehicle owner
19 is a delinquent taxpayer, the licensing agency or Transportation Cabinet, as
20 the case may be, shall deny or revoke any license held or applied for by the
21 licensee, and the Transportation Cabinet shall not allow the delinquent
22 taxpayer to register a motor vehicle in the Commonwealth.

23 (e) Any delinquent taxpayer who has had a license denied or revoked, or who has
24 been denied the ability to register a motor vehicle shall have the right to
25 appeal to the licensing agency or the Transportation Cabinet as authorized by
26 law, provided that appeals shall only be permitted based upon a mistake in
27 facts relied upon by the department, the licensing agency, or the

1 Transportation Cabinet that the licensee or motor vehicle owner is a
2 delinquent taxpayer.

3 (f) A license that has been denied or revoked under this section shall not be
4 reissued or renewed, and a motor vehicle registration that has been denied
5 under this section shall not be permitted, until a written tax clearance has been
6 received from the department by the licensing agency or the Transportation
7 Cabinet, as the case may be.

8 (g) The department may promulgate administrative regulations under KRS
9 Chapter 13A to implement the provisions of this section.

10 **(6) Upon a sports wagering licensee's failure to timely submit payment of the sports**
11 **wagering tax due under Section 9 of this Act or administrative regulations**
12 **promulgated thereunder, the department may work with the Kentucky Gaming**
13 **Commission to suspend, revoke, or decline to renew a license.**

14 ➔Section 11. KRS 154A.010 is amended to read as follows:

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

16 (1) "Amateur sports contest~~[athletics]~~" means any interscholastic sports contest~~[~~
17 ~~athletics]~~ in which the participating athletes are elementary or secondary school
18 students of any public or private institution of learning,~~;~~ ~~any intercollegiate~~
19 ~~athletics in which the participating athletes are students of any public or private~~
20 ~~institution of higher education;~~ or any sports contest~~[athletics]~~ sponsored or
21 regulated by the following amateur athletic associations, including~~;~~ but not limited
22 to:

23 (a) United States Olympic Committee;

24 (b) ~~[National Collegiate Athletic Association;~~

25 ~~(c) National Association of Interscholastic Athletics;~~

26 ~~(d) Kentucky High School Athletic Association;~~

27 **(c)**~~(e)]~~ Kentucky Amateur Athletics Union;

- 1 ~~(d)~~~~(f)~~ Bluegrass State Games;
- 2 ~~(e)~~~~(g)~~ Little League Baseball;
- 3 ~~(f)~~~~(h)~~ Amateur Softball Association;
- 4 ~~(g)~~~~(i)~~ Babe Ruth Leagues of Kentucky;
- 5 ~~(h)~~~~(j)~~ American Legion Baseball;
- 6 ~~(i)~~~~(k)~~ Kentucky Youth Soccer Association; or
- 7 ~~(j)~~~~(l)~~ Kentucky Special Olympics;

8 (2) **"Collegiate sports contest" means any intercollegiate sports contest in which the**
9 **participating athletes are students of any public or private institution of higher**
10 **education and which is held under the auspices of a national athletic association**
11 **for college sports such as the National Collegiate Athletic Association or the**
12 **National Association of Intercollegiate Athletics;**

13 (3) "Corporation" means the Kentucky Lottery Corporation;

14 ~~(4)~~~~(3)~~ "Lottery" means any game of chance approved by the corporation and
15 operated pursuant to this chapter, except for games prohibited by the General
16 Assembly as provided for in KRS 154A.063;

17 ~~(5)~~~~(4)~~ "Major lottery-specific procurement" means any gaming product or service
18 including, but not limited to, major advertising contracts, annuity contracts, prize
19 payment agreements, consulting services, personal service contracts, equipment,
20 tickets, and all other products and services unique to the operation of the
21 corporation in its lottery activities, but not including materials, supplies, equipment,
22 and services common to the ordinary operations of a corporation;

23 ~~(6)~~~~(5)~~ "President" means the president of the Kentucky Lottery Corporation who
24 shall also serve as chief executive officer of the corporation;

25 (7) **"Professional sports contest" means a sports contest in which the participants**
26 **are paid to participate and which is overseen by a national or international sports**
27 **association such as the National Football League, the National Basketball**

1 **Association, or the National Association for Stock Car Racing:**

2 ~~(8)~~~~(6)~~ (a) With respect to an individual, "related entity" means any spouse, child,
3 brother, sister, or parent residing as a member of the same household in the
4 principal place of abode of the individual, and any entity with respect to which
5 the individual, or spouse, child, brother, sister, or parent of the individual has
6 a financial interest of five percent (5%) or more, or is an officer, director,
7 employee, or partner; and

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

13 ~~(9)~~~~(7)~~ "Retailer" means any person with whom the corporation has contracted to sell
14 lottery tickets to the public **or accept sports wagers from the public;**

15 ~~(10)~~~~(8)~~ "Security" means the protection of information that would provide an unfair
16 advantage to any individual or other entity involved or seeking involvement in the
17 operation of the lottery or the supply of major lottery-specific procurement items to
18 the corporation, and the protection of:

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

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

25 ~~(11)~~~~(9)~~ "Sports contest" means any professional, **collegiate,** or amateur sport, athletic
26 game or contest, or race or contest involving machines, persons, or animals, except
27 horses, that is viewed by the public;~~and~~

1 (12) "Sports wager" means a wager, or the record of a wager, placed upon the
 2 outcome of a collegiate or professional sports contest, or upon an event or events
 3 happening as part of a collegiate or professional sports contest;

4 (13) "Sports wagering" means the placing of wagers on the outcomes of collegiate or
 5 professional sports contests and retailers and other locations authorized by KRS
 6 Chapter 239; and

7 (14)~~(10)~~ "Vendor" means any person who has entered into a major lottery-specific
 8 procurement contract with the corporation.

9 →Section 12. KRS 154A.030 is amended to read as follows:

10 (1) (a) The affairs of the corporation shall be administered by a board of directors
 11 composed of eight (8) members.

12 (b) One (1) member of the board shall be the State Treasurer, who shall serve on
 13 the board in an ex officio capacity.

14 (c) 1. The other seven (7) members shall be appointed by the Governor,
 15 subject to the advice and consent of the Senate.

16 2. Members appointed when the Senate is not in session shall serve only
 17 until the next regular session, or special session if such matter is
 18 included in the call therefor of the General Assembly, at which time they
 19 shall be subject to confirmation by the Senate.

20 3. If the Senate is not in session, the appointments shall be subject to
 21 review by the Interim Joint Committee on State Government, which
 22 shall hold a public hearing and shall transmit its recommendations to the
 23 Senate.

24 4. Should the Senate refuse to confirm a member then he shall forfeit his
 25 office as of the date on which the Senate refuses to confirm him.

26 5. Any person not confirmed by the Senate shall not be reappointed as a
 27 member for a period of two (2) years.

1 6. Members appointed by the Governor, and confirmed by the Senate, shall
2 be residents of the Commonwealth of Kentucky and serve a term of four
3 (4) years ~~[, except that of the initial members appointed, two (2) shall be~~
4 ~~appointed for one (1) year with the term ending on the twenty eighth~~
5 ~~(28th) day of November, 1989; two (2) shall be appointed for two (2)~~
6 ~~years with the term ending on the twenty eighth (28th) day of~~
7 ~~November, 1990; two (2) shall be appointed for three (3) years with the~~
8 ~~term ending on the twenty eighth (28th) day of November, 1991; and~~
9 ~~one (1) shall be appointed for four (4) years with the term ending on the~~
10 ~~twenty eighth (28th) day of November, 1992].~~

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

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

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

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

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

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

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

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

- 1 2. Use or attempt to use any means to influence the corporation in
2 derogation of the corporation;
- 3 3. Use his official position or office to obtain financial gain for himself, or
4 any spouse, parent, brother, sister, or child of the director; or
- 5 4. Use or attempt to use his official position to secure or create privileges,
6 exemptions, advantages, or treatment for himself or others in derogation
7 of the interests of the corporation or of the Commonwealth.
- 8 (b) No director shall appear before the board or the corporation in any manner
9 other than as a director.
- 10 (c) A director shall abstain from action on an official decision in which he has or
11 may have a personal or private interest, and shall disclose the existence of that
12 personal or private interest in writing to each other member of the board on
13 the same day on which the director becomes aware that the interest exists or
14 that an official decision may be under consideration by the board. This
15 disclosure shall cause the decision on these matters to be made in a meeting of
16 the members of the board who do not have the conflict from which meeting
17 the director shall be absent and from all votes on which matters the director
18 shall abstain.
- 19 (d) In determining whether to abstain from action on an official decision because
20 of a possible conflict of interest, a director shall consider the following
21 guidelines:
- 22 1. Whether a substantial threat to his independence of judgment has been
23 created by his personal or private interest;
- 24 2. The effect of his participation on public confidence in the integrity of the
25 corporation and the lottery;
- 26 3. Whether his participation is likely to have any significant effect on the
27 disposition of the matter;

- 1 4. The need for his particular contribution, such as special knowledge of
2 the subject matter, to the effective functioning of the corporation; and
3 5. Whether the official decision will affect him in a manner differently
4 from the public, or will affect him as a member of a business,
5 profession, occupation, or group to no greater extent generally than other
6 members of his business, profession, occupation, or group.

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

9 (e) No director, in order to further his own economic interests, or those of any
10 person, shall knowingly disclose or use confidential information acquired in
11 the course of his official duties.

12 (f) No director shall knowingly receive, directly or indirectly, any interest or
13 profit arising from the use or loan of lottery funds or funds to be raised
14 through the lottery.

15 (g) No director shall knowingly accept compensation, other than that provided in
16 this section for directors, for performance of his official duties.

17 (h) No present or former director shall, within one (1) year following termination
18 of his membership on the board, accept employment, compensation, or other
19 economic benefit from any person or business that contracts or does business
20 with the corporation in matters in which he was directly involved during his
21 tenure. This provision shall not prohibit an individual from continuing in the
22 same business, firm, occupation, or profession in which he was involved prior
23 to becoming a director, provided that, for a period of one (1) year following
24 termination of his position as a director, he personally refrains from working
25 on any matter in which he was directly involved as a director.

26 (i) No director, and no spouse, child, brother, sister, or parent of that director
27 shall have a financial interest of more than five percent (5%) of the total value

1 of any vendor, other supplier of goods or services to the corporation, retailer,
2 professional sports team, or related entity. The corporation shall provide each
3 member of the board with a list of all current vendors, which shall be updated
4 on at least a quarterly basis.

5 (j) No director, and no spouse, child, brother, sister, or parent of that director
6 shall sit on the board of a college or university that engages in collegiate
7 sports contests upon which sports wagers may be placed.

8 (3) Appointed members of the board of directors shall be entitled to five thousand
9 dollars (\$5,000) per year as remuneration for serving on the board, except for the
10 chairman, who shall receive seven thousand five hundred dollars (\$7,500), and all
11 members shall be reimbursed for necessary travel and other reasonable expenses
12 incurred in the performance of their official duties.

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

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

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

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

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

26 (d) The board of directors shall meet within thirty (30) days of the date the
27 Governor submits the name of a nominee for president of the corporation and

1 shall, within that time frame, either approve or reject the nomination.

2 (e) The president of the corporation shall manage the daily affairs of the
3 corporation and shall have such powers and duties as specified by KRS
4 154A.070 and by the board of directors.

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

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

7 (7) All meetings of the board shall be open unless they may be closed under KRS
8 61.810 or relate to trade secrets, legally-protectable intellectual property,
9 confidential proprietary information, the security of the corporation in the operation
10 of the lottery, or the security of the lottery's retailers.

11 ➔Section 13. KRS 154A.050 is amended to read as follows:

12 (1) The board of directors shall provide the president with private-sector perspectives
13 on the operation of a large marketing enterprise. The board shall:

14 (a) Approve, disapprove, amend, or modify the budget recommended by the
15 president for the operation of the corporation;

16 (b) Approve, disapprove, amend, or modify the terms of major lottery or sports
17 wagering procurements recommended by the president;

18 (c) Serve as a board of appeal for any denial, revocation, or cancellation by the
19 president of a contract with a lottery retailer or sports wagering licensee; and

20 (d) Adopt, from time to time, administrative regulations which shall be subject to
21 the provisions of KRS Chapter 13A, as may be necessary to carry out and
22 implement its powers and duties, the operation of the corporation, the conduct
23 of lottery games in general, the operation and oversight of sports wagering,
24 and any other matters necessary or desirable for the efficient and effective
25 operation of the lottery, sports wagering, or convenience of the public.

26 (e) The board may adopt, without recourse to the administrative regulation
27 process unless it so desires, rules for the conduct of specific lottery games,

- 1 including but not limited to, rules specifying:
- 2 1. The types of games to be conducted;
 - 3 2. The sale price of tickets;
 - 4 3. The number and amount of prizes;
 - 5 4. The method and location of selecting or validating winning tickets;
 - 6 5. The frequency and the means of conducting drawings which shall be
 - 7 open to the public;
 - 8 6. The manner of payment of prizes;
 - 9 7. The frequency of games and drawings;
 - 10 8. The manner and amount of compensation to lottery retailers, except all
 - 11 compensation shall be uniform; and
 - 12 9. Any other matters necessary or desirable for the efficient and effective
 - 13 operation of the lottery or for the convenience of the public.
- 14 (2) In all other matters, the board shall advise and make recommendations. However,
- 15 the board shall:
- 16 (a) Conduct hearings upon complaints charging violations of this chapter or of
 - 17 administrative regulations adopted by the corporation and shall conduct such
 - 18 other hearings as may be provided by administrative regulation;
 - 19 (b) Review the performance of the corporation and:
 - 20 1. Advise the president and make recommendations to him regarding
 - 21 operations of the corporation; and
 - 22 2. Identify potential improvements in this chapter, the administrative
 - 23 regulations of the corporation, and the management of the corporation;
 - 24 (c) Request from the corporation any information the board determines to be
 - 25 relevant to its duties; and
 - 26 (d) Report to the president of the corporation, the Governor, the President of the
 - 27 Senate, and the Speaker of the House of Representatives regarding its findings

1 and recommendations.

2 ➔Section 14. KRS 154A.060 is amended to read as follows:

- 3 (1) The corporation shall conduct and administer lottery games **and sports wagering**
4 which will result in maximization of revenues to the Commonwealth of Kentucky
5 while at the same time provide entertainment to its citizens. It shall be the duty of
6 the corporation, its employees, and the members of the board to provide for the
7 effective operation of lottery games **and sports wagering** which ~~ensure~~^{insure} the
8 integrity of the lottery, **sports wagering, and the sporting events upon which**
9 **wagers are placed,** and maintain the dignity of the Commonwealth and the general
10 welfare of its citizens. The corporation, in pursuit of the attainment of the objectives
11 and the purposes of this chapter, may:
- 12 (a) Sue and be sued in its corporate name;
 - 13 (b) Adopt a corporate seal and a symbol;
 - 14 (c) Hold copyrights, trademarks, and service marks, and enforce its rights with
15 respect thereto;
 - 16 (d) Appoint agents upon which process may be served;
 - 17 (e) Enter into written agreements with one (1) or more other states for the
18 operation, marketing, and promotion of a joint lottery or joint lottery games;
 - 19 (f) Acquire real property and make improvements thereon. These acquisitions
20 shall be reported to the Capital Projects and Bond Oversight Committee for its
21 review and determination in accordance with KRS 45.750 to 45.810; and
 - 22 (g) Make, execute, and effectuate any and all agreements or contracts including:
 - 23 1. Contracts for the purchase of such goods and services as are necessary
24 for the operation and promotion of the state lottery. Proposed purchases
25 of major items of equipment estimated to cost one hundred thousand
26 dollars (\$100,000) or more and proposed purchases of items of
27 equipment where the estimated contract price for all the items of

1 equipment taken together is four hundred thousand dollars (\$400,000) or
2 more shall be reported to the Capital Projects and Bond Oversight
3 Committee for its review and determination in accordance with the
4 provisions of KRS 45.750 to 45.810. A contract shall not be artificially
5 divided to cause an estimated contract price to fall below the four
6 hundred thousand dollar (\$400,000) threshold. Contracts for personal
7 service shall be reviewed in accordance with KRS 45A.690 to
8 45A.725;[-]

- 9 2. Contracts to incur debt in its own name and enter into financing
10 agreements with the Commonwealth, its own agencies, or with a
11 commercial bank, excluding the authority to issue bonds; and

12 3. Contracts for the purchase of such goods and services as are
13 necessary for the operation and promotion of sports wagering.
14 Proposed purchases of major items of equipment estimated to cost one
15 hundred thousand dollars (\$100,000) or more and proposed purchases
16 of items of equipment where the estimated contract price for all the
17 items of equipment taken together is four hundred thousand dollars
18 (\$400,000) or more shall be reported to the Kentucky Gaming
19 Commission for its approval and to the Capital Projects and Bond
20 Oversight Committee for its review and determination in accordance
21 with KRS 45.750 to 45.810. A contract shall not be artificially divided
22 to cause an estimated contract price to fall below the four hundred
23 thousand dollar (\$400,000) threshold. Contracts for personal service
24 shall be reviewed in accordance with KRS 45A.690 to 45A.725.

25 (2) The corporation shall:

- 26 (a) Supervise and administer the lottery in accordance with the provisions of this
27 chapter and the administrative regulations adopted by the board;

- 1 (b) Submit monthly and annual reports to the Governor, *the Kentucky Gaming*
2 *Commission*, the President of the Senate, and the Speaker of the House of
3 Representatives containing financial statements which include but are not
4 limited to disclosure of gross revenues, expenses, and net proceeds for the
5 period;
- 6 (c) Adopt by administrative regulation a system of continuous internal audits;
- 7 (d) Maintain weekly or more frequent records of lottery *and sports wagering*
8 transactions, including distribution of tickets to lottery retailers, *sports wagers*
9 *made*, revenues received, claims for prizes, prizes paid, and all other financial
10 transactions of the corporation;
- 11 (e) Adopt by administrative regulation a code of ethics for officers and employees
12 of the corporation to carry out the standards of conduct established by the
13 provisions of this chapter;
- 14 (f) Include capital projects, as defined in KRS 45.750(1)(f), which exceed the
15 thresholds set forth in KRS 154A.060(1)(g)1. in the budget unit request
16 submitted by the corporation to the Finance and Administration Cabinet
17 pursuant to KRS 48.050. In the budget unit request submitted by the
18 corporation, a contingency item for acquisition of the on-line central system,
19 all related equipment, and any other equipment owned by vendors of the
20 corporation relating to computer-generated lottery games from the
21 corporation's vendors shall be stated separately from all other equipment.
22 Further, if the identification of specific projects requiring the acquisition of
23 equipment in the nature of computer systems, communications equipment and
24 related peripheral devices, and operating system software cannot be
25 ascertained with absolute certainty at the time the corporation is required to
26 submit its budget unit request, the corporation shall be entitled to submit a
27 general request for the equipment without individually identifying specific

1 projects, together with a maximum amount to be allocated for the equipment,
2 in the budget unit request;

- 3 (g) The Kentucky Lottery Corporation and the Cabinet for Health and Family
4 Services shall develop a system to allow the Kentucky Lottery Corporation to
5 receive a list of delinquent child support obligors from the Cabinet for Health
6 and Family Services on a monthly basis. The Kentucky Lottery Corporation
7 shall withhold delinquent amounts from prizes of lottery or sports wagering
8 winners that appear on the list. This system shall be timely and shall not create
9 an unavoidable delay in the payment of a lottery or sports wagering prize; and
- 10 (h) The Kentucky Lottery Corporation and the authority shall develop a system to
11 allow the Kentucky Lottery Corporation to receive on a periodic basis a list of
12 persons declared in default of repayment obligations under financial assistance
13 programs in KRS Chapters 164 and 164A. The Kentucky Lottery Corporation
14 shall withhold from a person's lottery or sports wagering prize winnings the
15 amount of the defaulted loan and shall transfer the amount to the authority to
16 credit the account of the person in default. Any amount remaining after the
17 deduction of the loan amount shall be paid to the person.

18 ➔Section 15. KRS 154A.063 is amended to read as follows:

- 19 (1) The corporation shall not utilize amateur sports contests~~athletics~~ for any purpose
20 including, but not limited to, advertising, promoting, conducting a lottery, or as a
21 basis for a lottery.
- 22 (2) The corporation shall not approve and operate any casino or similar gambling
23 establishment and shall not approve or operate any game played with playing cards,
24 dice, dominos, slot machines, roulette wheels, or where winners are determined by
25 the outcome of an amateur~~a~~ sports contest.
- 26 (3) This section shall not be construed to prohibit the corporation from:
27 (a) Advertising the lottery at, during, or in connection with a sports contest;

1 **(b) Accepting sports wagers placed on the outcome of a collegiate sports**
2 **contest; or**

3 **(c) Accepting sports wagers placed on the outcome of a professional sports**
4 **contest.**

5 ➔Section 16. KRS 154A.065 is amended to read as follows:

6 The corporation may utilize horse racing or contests involving horses for any purpose
7 including~~[,]~~ but not limited to~~[,]~~ advertising, promoting, conducting a lottery, or as a basis
8 for a lottery, after obtaining the necessary permission from the horse racing track or
9 sponsoring authority involved, **but shall not accept sports wagers on the outcomes of**
10 **horse racing or contests involving horses.**

11 ➔Section 17. KRS 154A.070 is amended to read as follows:

12 (1) The president, as chief executive officer of the corporation, shall direct and
13 supervise all administrative and technical activities in accordance with the
14 provisions of this chapter and with the administrative regulations adopted by the
15 board. It shall be his **or her** duty to:

16 (a) Supervise and administer the operation of the lottery games **and sports**
17 **wagering;**

18 (b) Employ and direct such personnel as may be necessary to carry out the
19 purposes of this chapter and utilize such services, personnel, or facilities of
20 the corporation as he **or she** may deem necessary. He **or she** may employ by
21 personal service contract pursuant to KRS 45A.690 to 45A.725 and
22 compensate such consultants and technical assistants as may be required to
23 carry out the provisions of this chapter. The president may, by agreement,
24 secure information and services as he **or she** may deem necessary from any
25 department, agency, or unit of state government, and shall compensate such
26 department, agency, or unit of state government for its services. Such
27 agencies, departments, or units of state government shall cooperate with the

- 1 corporation and provide such information and services as may be required by
2 the corporation to assure the integrity of the lottery and the effective operation
3 of the lottery games;
- 4 (c) Contract in accordance with the administrative regulations of the corporation
5 **and the Kentucky Gaming Commission** with persons to sell lottery tickets at
6 retail **and to accept sports wagers on behalf of the corporation**. The president
7 shall require a bond or bank letter of credit from lottery retailers in an amount
8 provided by administrative regulations issued by the board;
- 9 (d) Make available for inspection by the board or any member of the board, upon
10 request, all books, records, files, and other information and documents of his
11 **or her** office and to advise the board and recommend such administrative
12 regulations and other matters he **or she** deems necessary and advisable to
13 improve the operation and administration of the lottery;
- 14 (e) Enter into any contract pursuant to KRS Chapters 45 and 45A or
15 administrative regulations promulgated by the board, and pursuant to KRS
16 154A.120, with any person, firm, or corporation for the promotion and any
17 operation of the lottery, or for the performance of any of the functions as
18 provided in this chapter;
- 19 (f) Attend meetings of the board or appoint a designee to attend on his **or her**
20 behalf; and
- 21 (g) On the first day of the Regular Session of the General Assembly in 1990 and
22 biennially thereafter, submit the proposed biennial budget of the corporation
23 to the Appropriations and Revenue Committee of the House of
24 Representatives for review and comment. The budget shall be submitted to the
25 Director of the Legislative Research Commission within five (5) days of
26 adoption by the board for distribution to the Appropriations and Revenue
27 Committee of the House of Representatives for review.

- 1 (2) The president, with the approval of the board, may amend or modify the budget at
2 any time in any manner deemed necessary for the proper operation of the
3 corporation; however, each change shall be reported in writing to the board and to
4 the director of the Legislative Research Commission, who shall transmit a copy of
5 the change to the Appropriations and Revenue Committee of the House of
6 Representatives.
- 7 (3) Following his or her confirmation, and during his entire term of office, the
8 president shall reside in Kentucky.
- 9 (4) The president, and the board, may conduct an ongoing study of the operation and
10 administration of lotteries in other states or countries, of available literature on the
11 subject, of federal laws and regulations which may affect the operation of the
12 lottery, and of the reaction of citizens of this state to existing or proposed features of
13 lottery games, with a view toward implementing improvements that will tend to
14 serve the purposes of this chapter.
- 15 (5) The president also may:
- 16 (a) Require bond from corporate employees with access to corporate funds or
17 lottery or sports wagering funds, in such an amount as provided in the
18 administrative regulations of the board. The president may also require bond
19 from other employees as he or she deems necessary; and
- 20 (b) For good cause, suspend, revoke, or refuse to renew any contract entered into
21 in accordance with the provisions of this chapter or the administrative
22 regulations of the board.
- 23 ➔Section 18. KRS 154A.090 is amended to read as follows:
- 24 (1) Any retailer, vendor, or applicant for a retailer or vendor contract aggrieved by an
25 action of the president of the corporation may appeal that decision to the board.
- 26 (2) All appeals before the board shall be decided within thirty (30) days of the hearing.
- 27 (3) Any person aggrieved by a decision of the board may appeal the decision to the

1 Circuit Court of the county in which the corporation maintains its headquarters,
2 except that if the person aggrieved is a lottery retailer or an applicant to become a
3 lottery retailer, then the Circuit Court of the county in which said retailer does or
4 applicant would operate shall have concurrent venue as to such appeal.

- 5 (4) The Circuit Court may reverse the decision of the board only in the event the
6 decision is found to be:
- 7 (a) Clearly erroneous; or
 - 8 (b) Arbitrary and capricious; or
 - 9 (c) Procured by fraud; or
 - 10 (d) A result of misconduct by the board, or a member thereof.

11 **(5) Any sports wagering retailer aggrieved by a decision of the board may appeal the**
12 **decision to the Kentucky Gaming Commission.**

13 ➔Section 19. KRS 154A.110 is amended to read as follows:

14 (1) Proceeds of lottery prizes **and sports wagers** shall be subject to Kentucky state
15 income tax. Any attachments, garnishments, or executions authorized and issued
16 pursuant to statute shall also be withheld if served upon the process agent of the
17 corporation. This section shall not apply to a retailer.

18 (2) The board shall adopt rules to establish a system of verifying the validity of tickets
19 **and sports wagers** claimed to win prizes and to effect payment of such prizes,
20 except that:

- 21 (a) No prize, nor any portion of a prize, nor any right of any person to a prize
22 awarded shall be assignable, except as provided in subsection (6) of this
23 section. Any prize, or portion thereof, remaining unpaid at the death of a prize
24 winner shall be paid to the estate of such deceased prize winner or to the
25 trustee under a revocable living trust established by the deceased prize winner
26 as settlor, provided that a copy of such a trust has been filed with the
27 corporation along with a notarized letter of direction from the settlor and no

1 written notice of revocation has been received by the corporation prior to the
2 settlor's death. Following such a settlor's death and prior to any payment to
3 such a successor trustee, the corporation shall obtain from the trustee and each
4 trust beneficiary a written agreement to indemnify and hold the corporation
5 harmless with respect to any claims that may be asserted against the
6 corporation arising from payment to or through the trust. Notwithstanding any
7 other provisions of this section, any person, pursuant to an appropriate judicial
8 order, shall be paid the prize to which a winner is entitled.

9 (b) No lottery ticket shall knowingly be sold to nor sports wagers accepted from
10 any person under the age of eighteen (18), but this section does not prohibit
11 the purchase of a lottery ticket by a person eighteen (18) years of age or older
12 for the purpose of making a gift to any person of any age. In such case, the
13 corporation shall direct payment to an adult member of the person's family or
14 the legal guardian of the person on behalf of such person. The person named
15 as custodian shall have the same powers and duties as prescribed for a
16 custodian pursuant to the Uniform Transfers to Minors Act.

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

25 (d) No particular prize in any lottery game or sports wager shall be paid more
26 than once, and in the event of a binding determination that more than one
27 claimant is entitled to a particular prize, the sole remedy of such claimants is

1 the award to each of them of an equal share in the prize.

2 (e) A holder of a winning cash ticket from a Kentucky lottery game **or a sports**
3 **wager** shall claim a prize within~~[three hundred sixty five (365) days (for a~~
4 ~~ticket issued before January 1, 1995), and within]~~ one hundred eighty (180)
5 ~~days (for a ticket issued on or after January 1, 1995)]~~, or for a multistate
6 lottery game within one hundred eighty (180) days, after the drawing in which
7 the prize was won. In any Kentucky lottery game in which the player may
8 determine instantly if he **or she** has won or lost, he **or she** shall claim a prize
9 within~~[three hundred sixty five (365) days (for lottery games commenced or~~
10 ~~tickets printed or reprinted before January 1, 1995), and within]~~ one hundred
11 eighty (180) days~~[(for lottery games commenced or tickets printed or~~
12 ~~reprinted on or after January 1, 1995)]~~, or for a multistate lottery game within
13 one hundred eighty (180) days, after the end of the lottery game as announced
14 by the corporation. However, a holder of a pull-tab lottery ticket shall claim a
15 prize within the time period and in the manner printed on the ticket. If a valid
16 claim is not made for a prize within the applicable period, the prize shall
17 constitute an unclaimed prize for purposes of subsection (3) of this section.

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

21 (3) **(a)** Any unclaimed **lottery** prize money may be retained by the corporation and
22 added to the pool from which future prizes are to be awarded or used for
23 special prize promotions, or may be appropriated by the General Assembly
24 directly from the corporation for any public purpose.~~[For fiscal years 2000-~~
25 ~~2001 and 2001-2002, any unclaimed prize money in excess of six million~~
26 ~~dollars (\$6,000,000) shall be transferred to the affordable housing trust fund~~
27 ~~established by KRS 198A.710.]~~

1 **(b) Any unclaimed sports wager prize money shall be added to the sports**
2 **wagering distribution trust fund established by Section 7 of this Act and**
3 **shall be appropriated by the General Assembly only for the purposes**
4 **established for that fund.**

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

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

8 (a) Any member of the board of directors, officers, or employees of the
9 corporation;

10 (b) Any vendors or related entities, or any member of the board of directors,
11 officers, employees of, partners in, or owners of any vendors or related entities
12 to the vendors;~~or~~

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

15 **(d) Any owner, or any member of the board of directors, officers, employees of,**
16 **partners in, or coaches or players of any professional sports team, or any**
17 **coach or player of a collegiate team.**

18 (6) The right of any person to receive payments due under a prize that is paid in
19 installments over time by the corporation, excluding prizes payable for the winner's
20 life, may be voluntarily assigned, in whole or in part, if the assignment is made to a
21 person or entity designated pursuant to an order of the Circuit Court located in the
22 judicial circuit where the headquarters of the corporation is located. The Circuit
23 Court shall issue an order approving a voluntary assignment, specifying the exact
24 dollar amount of each prize payment or payments assigned, or any portion thereof,
25 the dates of the payments being assigned, the name of the assignor as it appears on
26 the lottery claim form or the full legal name of the assignor if different than the
27 name as it appears on the lottery claim form, and the full legal name of the assignee

1 to whom the assigned payments will be made, and directing the corporation to make
2 the specified payments to the assignee, if all of the following conditions have been
3 met:

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

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

- 7 1. Is of sound mind, in full command of his or her faculties, and is not
8 acting under duress;
- 9 2. Has had the opportunity to receive independent legal, financial, and tax
10 advice concerning the effects of the assignment;
- 11 3. Understands that he or she will not receive the prize payments, or
12 portions thereof, for the years assigned;
- 13 4. Understands and agrees that with regard to the assigned payments, the
14 Commonwealth, the corporation, and its respective officials and
15 employees will have no further liability or responsibility to make the
16 assigned payments to the assignor;
- 17 5. Has been provided with a one (1) page written disclosure statement in
18 bold type, fourteen (14) point font or larger, setting forth:
 - 19 a. The payments being assigned, by amounts and payment dates;
 - 20 b. The purchase price being paid; and
 - 21 c. The amount, if any, of any origination or closing fees that will be
22 charged to the lottery winner; and
- 23 6. Has disclosed the existence or nonexistence of a current spouse; and, if
24 married, unless the court finds the assignor may make the assignment
25 without the spouse's consent, the assignor has submitted to the court a
26 signed and notarized statement wherein the spouse consents to the
27 assignment.

- 1 (7) Written notice of any petition seeking court approval of an assignment under
2 subsection (6) of this section and of a court hearing, if any, concerning the proposed
3 assignment shall be delivered by certified mail, return receipt requested, to the
4 corporation's registered agent at least fifteen (15) days prior to entry of the court
5 order or a court hearing, if any. The corporation is not a necessary or indispensable
6 party and is not required to appear in or be named as a party to any action seeking
7 court approval of a voluntary assignment, but may intervene as of right in any such
8 proceeding.
- 9 (8) A voluntary assignment under subsection (6) of this section shall not include or
10 cover payments or portions of payments that are, at the time of entry of the court
11 order, subject to offset or withholding due to:
- 12 (a) A defaulted or delinquent child support obligation;
 - 13 (b) A debt owed to a state agency; or
 - 14 (c) Any attachments, garnishments, or executions authorized and issued pursuant
15 to statute and served upon the process agent of the corporation as set forth in
16 subsection (1) of this section;
- 17 unless appropriate provision is made in the court order to satisfy the obligation or
18 obligations giving rise to the offset or withholding at the time of closing of the
19 assignment transaction. Each court order shall provide that any delinquent child
20 support obligation owed by the assignor as of the date of the court order and any
21 debts owed to a state agency by the assignor as of the date of the court order shall be
22 offset by the corporation first against remaining payments or portions thereof then
23 due the assignor and then against payments due the assignee each year until paid in
24 full.
- 25 (9) A court order approving a voluntary assignment under subsection (6) of this section,
26 together with any other order issued in connection with any one (1) prize drawn,
27 shall not require the corporation to divide any single prize payment among more

1 than three (3) different persons or entities.

2 (10) The Commonwealth, the corporation, and their respective officials and employees
3 shall be discharged of all further liability upon payment of a prize pursuant to court
4 order issued under subsection (6) of this section. It shall be the responsibility of the
5 assignor or the assignee to provide the corporation information necessary for the
6 corporation to identify the parties to any assignment under subsection (6) of this
7 section and to make the payments assigned.

8 (11) The Kentucky Lottery Corporation may establish a reasonable fee, not to exceed
9 one thousand dollars (\$1,000), to defray any administrative expenses associated
10 with processing each assignment made pursuant to subsection (6) of this section.
11 The fee amount shall reflect the direct and indirect costs associated with processing
12 the assignments. A court order approving an assignment under subsection (6) of this
13 section shall direct the assignee to pay the fee to the corporation no later than ten
14 (10) days after entry of the order.

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

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

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

26 (a) The publication by the United States Internal Revenue Service, hereinafter
27 referred to in this subsection as the "Service," of a revenue ruling or other

1 public ruling of the Service, which rules that, based upon the right of
2 assignment provided in subsection (6) of this section, Kentucky lottery
3 prizewinners who do not assign any prize payments would be subject to an
4 immediate income tax liability for the value of the entire prize rather than
5 annual income tax liability for each installment when paid; or

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

12 ➔Section 20. KRS 154A.120 is amended to read as follows:

13 (1) The corporation shall conduct all procurements in accordance with procedures
14 which are not inconsistent with the provisions of KRS Chapter 45A, and this
15 chapter, this chapter being deemed to control in the event that, and to the extent
16 that, any provision in this chapter is expressly inconsistent with any provision of
17 KRS Chapter 45A; or the corporation shall adopt administrative regulations
18 establishing its procurement procedures. If the corporation elects to promulgate
19 administrative regulations establishing its procurement procedures rather than
20 conduct procurements in accordance with the provisions of KRS Chapter 45A, the
21 corporation may include sections of KRS Chapter 45A as part of its administrative
22 regulations. However, major lottery or sports wagering-specific procurements for
23 personal service contracts shall not be subject to the requirements of KRS
24 45A.695(2)(b), due to the unique operational activities conducted for state
25 government by the corporation as recognized in KRS 154A.020. The corporation's
26 procurement procedures or administrative regulations shall be designed to provide
27 for the purchase of supplies, equipment, services, and construction items that

1 provide the greatest long term benefit to the state, the greatest integrity for the
2 corporation, and the best service and products, for the public.

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

7 ➔Section 21. KRS 154A.130 is amended to read as follows:

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

11 (b) The corporation is authorized to use all money in the corporate operating
12 account for the purposes of paying lottery prizes and the necessary expenses
13 of the corporation and dividends to the state.

14 (c) The corporation shall allocate the amount to be paid by the corporation to
15 prize winners.

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

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

26 The net revenues shall be determined by deducting from gross revenues the
27 payment costs incurred in the operation and administration of the lottery,

1 including the expenses of the corporation and the costs resulting from any
2 contract or contracts entered into for promotional, advertising, or operational
3 services or for the purchase or lease of lottery equipment and materials, fixed
4 capital outlays, and the payment of prizes to the holders of winning tickets.

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

8 (g) Net sports wagering receipts shall be used for expenses the lottery incurs
9 directly related to sports wagering. Net sports wagering receipts in excess of
10 expenses shall be deposited in the sports wagering distribution trust fund
11 created by Section 7 of this Act and shall be allocated as provided in that
12 section.

13 (h) As used in this subsection, "net sports wagering receipts" means the
14 amount of money collected as sports wagers less the amount paid out as
15 winnings to wagerers.

16 (2) A Kentucky lottery trust account is established in the State Treasury. Net lottery
17 revenues shall be credited to this restricted account as provided in subsection (1) of
18 this section. Moneys credited to the Kentucky lottery trust account shall be invested
19 by the state in accordance with state investment practices and all earnings from the
20 investments shall accrue to this account. No moneys shall be allotted or expended
21 from this account unless pursuant to an appropriation by the General Assembly,
22 except that moneys as are needed shall be transferred to the general fund pursuant to
23 the provisions of the Acts of the Extraordinary Session of the 1988 General
24 Assembly. Moneys in the Kentucky lottery trust account shall not lapse at the close
25 of the state fiscal year.

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

- 1 (a) To the Collaborative Center for Literacy Development, one million two
2 hundred thousand dollars (\$1,200,000); and
- 3 (b) To the reading diagnostic and intervention fund, one million eight hundred
4 thousand dollars (\$1,800,000).
- 5 (4) After the allocation of three million dollars (\$3,000,000) to literacy development, as
6 provided in subsection (3) of this section, net lottery revenues from the sale of
7 lottery tickets shall be credited from the general fund as follows:
- 8 (a) To the Wallace G. Wilkinson Kentucky educational excellence scholarship
9 trust fund established in KRS 164.7877:
- 10 1. Forty percent (40%) in fiscal year 2003-2004; and
11 2. Forty-five percent (45%) in fiscal year 2004-2005 and each fiscal year
12 thereafter; and
- 13 (b) To the College Access Program and the Kentucky Tuition Grants Program
14 established in KRS Chapter 164:
- 15 1. Forty percent (40%) in fiscal year 2003-2004;
16 2. Forty-five percent (45%) in fiscal year 2004-2005; and
17 3. Fifty-five percent (55%) of net lottery revenues in fiscal year 2005-2006
18 and each fiscal year thereafter.
- 19 (5) The Auditor of Public Accounts shall be responsible for a financial postaudit of the
20 books and records of the corporation. The postaudit shall be conducted in
21 accordance with generally accepted accounting principles, shall be paid for by the
22 corporation, and shall be completed within ninety (90) days of the close of the
23 corporation's fiscal year. The Auditor of Public Accounts shall contract with an
24 independent, certified public accountant who meets the qualifications existing to do
25 business within the Commonwealth of Kentucky to perform the corporation
26 postaudit. The Auditor of Public Accounts shall remain responsible for the annual
27 postaudit and the corporation shall pay all audit costs. The Auditor of Public

1 Accounts may at any time conduct additional audits, including performance audits,
2 of the corporation as he deems necessary or desirable. Contracts shall be entered
3 into for audit services for a period not to exceed five (5) years and the same firm
4 shall not receive two (2) consecutive audit contracts. All audits shall be filed with
5 the Governor, the President of the Senate, and the Speaker of the House of
6 Representatives. The corporation shall reimburse the Auditor of Public Accounts
7 for the reasonable costs of any audits performed by him. The corporation shall
8 cooperate with the Auditor of Public Accounts by giving employees designated by
9 any of them access to facilities of the corporation for the purpose of efficient
10 compliance with their respective responsibilities. With respect to any
11 reimbursement that the corporation is required to pay to any agency, the corporation
12 shall enter into an agreement with that agency under which the corporation shall pay
13 to the agency an amount reasonably anticipated to cover the reimbursable expenses
14 in advance of the expenses being incurred.

15 (6) By no later than December 31 of each year, in an advertisement at least one-fourth
16 (1/4) of a page in size, the Kentucky Lottery Corporation shall publish the following
17 information in every general-circulation daily newspaper published in Kentucky:

18 (a) The statements of revenue, expenses, and changes in retained earnings as
19 shown in the most recent annual audit report. It shall be explained that the
20 transfer of dividends is the amount of lottery earnings transferred to the
21 general fund;

22 (b) A statement identifying the auditing firm;

23 (c) A telephone number which citizens may call to obtain a complete copy of the
24 annual audit report; and

25 (d) The name of the president/chief executive officer of the Kentucky Lottery
26 Corporation and a complete list of board members.

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

1 ➔Section 22. KRS 154A.400 is amended to read as follows:

- 2 (1) (a) The General Assembly hereby recognizes that to conduct a successful lottery
3 and sports wagering system, the corporation must develop and maintain a
4 statewide network of ~~[lottery]~~ retailers that will serve the public convenience
5 or promote the sale of tickets and the placing of sports wagers, while
6 ensuring ~~[insuring]~~ the integrity of the system ~~[of the lottery]~~.
- 7 (b) To govern the selection of lottery retailers, the board shall, by administrative
8 regulation, develop a list of objective criteria upon which the selection of
9 lottery retailers shall be based. Separate criteria shall be developed to govern
10 the selection of retailers of instant tickets and on-line retailers. In developing
11 these criteria the board shall consider such factors as the applicant's financial
12 responsibility, security of the applicant's place of business or activity,
13 integrity, and reputation; however, the board shall not consider political
14 affiliation, activities, or monetary contributions to political organizations or
15 candidates for any public office. The criteria shall include, but not be limited
16 to the following:
- 17 1. The applicant shall be current in payment of all taxes, interest and
18 penalties owed to any taxing subdivision where the lottery retailer will
19 sell lottery tickets;
 - 20 2. The applicant shall be current in filing all applicable tax returns and in
21 payment of all taxes, interest and penalties owed to the Commonwealth
22 of Kentucky, excluding items under formal appeal pursuant to applicable
23 statutes;
 - 24 3. No person, partnership, unincorporated association, corporation, or other
25 business entity shall be selected as a lottery retailer for the sale of instant
26 tickets or on-line games who:
 - 27 a. Has been convicted of a felony related to the security or integrity

- 1 of the lottery in this or any other jurisdiction, unless at least ten
2 (10) years have passed since satisfactory completion of the
3 sentence or probation imposed by the court for each felony;
- 4 b. Has been convicted of any illegal gambling activity in this or any
5 other jurisdiction, unless at least ten (10) years have passed since
6 satisfactory completion of the sentence or probation imposed by
7 the court for each conviction;
- 8 c. Has been found to have violated the provisions of this chapter or
9 any administrative regulation adopted hereunder, unless at least ten
10 (10) years have passed since the violation;
- 11 d. Is a vendor or an employee or agent of any vendor doing business
12 with the corporation;
- 13 e. Resides in the same household as an officer of the corporation; or
14 f. Has made a statement of material fact to the corporation, knowing
15 such statement to be false, unless at least ten (10) years have
16 passed since the statement was made.
- 17 4. Retailers shall be afforded the same exceptions to disqualification as
18 provided for vendors in KRS 154A.600(4)(a) and (b) or (c).
- 19 5. In addition to the provisions of subsection (3) of this section, no person,
20 partnership, unincorporated association, corporation, or other business
21 entity shall be selected as an on-line lottery retailer who:
- 22 a. Has been denied a license to sell instant tickets on the basis of
23 objective criteria established by the board, or any provision of this
24 chapter; or
25 b. Has failed to sell sufficient instant tickets to indicate that the
26 location of an on-line game at his outlet would be of economic
27 benefit to him or the lottery corporation.

1 6. The applicant shall not be engaged exclusively in the sale of lottery
2 tickets. However, this paragraph does not preclude the corporation from
3 contracting for the sale of lottery tickets with nonprofit, charitable
4 organizations or units of local government in accordance with the
5 provisions of this chapter.

6 (c) Criteria for the selection of sports wagering retailers may be identical to the
7 criteria developed under paragraph (b) of this subsection, but shall be
8 developed in consultation with and shall be approved by the Kentucky
9 Gaming Commission.

10 (d) Persons applying to become lottery or sports wagering retailers shall be
11 charged a uniform application fee for each lottery or sports wagering outlet.
12 Retailers chosen to participate in on-line games shall be charged a uniform
13 annual fee for each on-line outlet.

14 ~~(e)~~~~(d)~~ Any lottery or sports wagering retailer contract executed pursuant to
15 this section may, for good cause, be suspended, revoked, or terminated by the
16 president if the retailer is found to have violated any of the objective criteria
17 established by the board as provided in this subsection~~[(1) of this section]~~.
18 Review of such action shall be in accordance with the procedures outlined in
19 KRS 154A.090. All lottery or sports wagering retailer contracts shall be
20 renewable annually after issuance unless sooner canceled or terminated.

21 (2) (a) A lottery or sports wagering retailer who has been denied an on-line game for
22 reasons other than financial responsibility, security, or integrity shall be
23 permitted to purchase or lease the equipment necessary to operate such a game
24 from the corporation in a manner consistent with the corporation's manner of
25 acquisition. A retailer need not file an appeal before being permitted to
26 purchase or lease on-line equipment.

27 (b) After one (1) year of operation, any retailer who purchased or leased on-line

1 equipment pursuant to paragraph (a) of this subsection and whose sales are
2 equal to or greater than the statewide average of sales of on-line retailers, shall
3 be reimbursed the cost of the purchase or lease by the corporation. The board
4 may purchase the terminals of other retailers who purchased their equipment if
5 the board determines that such purchase is in the best interest of the lottery
6 and sports wagering system.

7 (3) No lottery or sports wagering retailer contract awarded under this section shall be
8 transferable or assignable. No lottery or sports wagering retailer shall contract with
9 any person for lottery or sports wagering goods or services, except with the
10 approval of the board.

11 (4) Each lottery or sports wagering retailer shall be issued a ~~lottery~~ retailer certificate
12 which shall be conspicuously displayed at the place where the ~~lottery~~ retailer is
13 authorized to sell lottery tickets or accept sports wagers. Lottery tickets shall only
14 be sold by the retailer at the location stated on the lottery retailer certificate.

15 (5) A member of the General Assembly who meets the same requirements as any other
16 applicant to be a retailer may be granted a retail contract to sell lottery tickets, ~~or~~
17 participate in any other lottery game operations, or accept sports wagering. No
18 member of the General Assembly shall be entitled to preference over any other
19 applicant for a contract.

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

24 ➔Section 23. KRS 154A.420 is amended to read as follows:

25 (1) (a) All proceeds from the sale of lottery tickets or sports wagers received by a
26 person in the capacity of a lottery or sports wagering retailer shall constitute a
27 trust fund until paid to the corporation either directly, or through the

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

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

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

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

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

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

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

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

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

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

1 disclose the specific amount of liability at any given date to any interested
2 party legally entitled to the information.

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

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

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

18 ➔Section 24. KRS 154A.430 is amended to read as follows:

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

26 ➔Section 25. KRS 154A.440 is amended to read as follows:

27 (1) No person shall sell a ticket at a price other than that established by the corporation,

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

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

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

12 ➔Section 26. KRS 154A.600 is amended to read as follows:

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

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

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

22 (d) In all procurement decisions, the corporation shall take into account the
23 particularly sensitive nature of the state lottery and sports wagering system
24 and shall act to promote and ensure security, honesty, fairness and integrity in
25 the operation and administration of the lottery and sports wagering system
26 and the objectives of raising net proceeds for the benefit of the public purpose
27 described in this chapter.

- 1 (2) The corporation shall investigate the financial responsibility, security, and integrity
2 of any person who submits a bid, proposal or offer as part of a major procurement.
3 At the time of submitting such bid, proposal, or offer to the corporation, the
4 corporation may require the following items:
- 5 (a) A disclosure of the vendor's name and address and, as applicable, the name
6 and address of the following:
- 7 1. If the vendor is a corporation, the officers, directors, and each
8 stockholder in such corporation; except that, in the case of owners of
9 equity securities of a publicly traded corporation, only the names and
10 addresses of those known to the corporation to own beneficially five
11 percent (5%) or more of such securities need be disclosed;
 - 12 2. If the vendor is a trust, the trustee and all persons entitled to receive
13 income or benefit from the trust;
 - 14 3. If the vendor is an association, the members, officers, and directors; and
 - 15 4. If the vendor is a partnership or joint venture, all of the general partners,
16 limited partners, or joint venturers.
- 17 (b) A disclosure of all the states and jurisdictions in which the vendor does
18 business, and the nature of the business for each such state or jurisdiction.
- 19 (c) A disclosure of all the states and jurisdictions in which the vendor has
20 contracts to supply gaming goods or services, including~~[-]~~ but not limited to~~[-]~~
21 lottery **and sports wagering** goods and services, and the nature of the goods or
22 services involved for each such state or jurisdiction.
- 23 (d) A disclosure of all the states and jurisdictions in which the vendor has applied
24 for, has sought renewal of, has received, has been denied, has pending, or has
25 had revoked a gaming license of any kind, and the disposition of such in each
26 such state or jurisdiction. If any gaming license has been revoked or has not
27 been renewed or any gaming license application has been either denied or is

1 pending and has remained pending for more than six (6) months, all of the
2 facts and circumstances underlying the failure to receive such a license shall
3 be disclosed.

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

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

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

14 (3) A contract for a procurement with any vendor subject to subsection (2) of this
15 section who has not complied with the disclosure requirements described in
16 subsection (2) of this section shall not be entered into, and any contract with such a
17 vendor is unenforceable. Any contract with a vendor who does not comply with
18 such requirements for periodically updating such disclosures during the tenure of
19 contract as may be specified in such contract shall be terminated by the corporation.
20 This subsection and subsection (2) of this section shall be construed broadly and
21 liberally to achieve the ends of full disclosure of all information necessary to allow
22 for a full and complete evaluation by the corporation of the competence, integrity,
23 background and character of vendors for major procurements.

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

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

1 and

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

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

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

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

20 (b) United States bonds, notes, and bills for which the full faith and credit of the
21 government of the United States is pledged for the payment of principal and
22 interest;

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

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

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

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

7 ➔Section 27. KRS 154A.650 is amended to read as follows:

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

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

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

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

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

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

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

1 ➔Section 28. KRS 154A.990 is amended to read as follows:

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

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

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

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

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

16 (12) Unless the corporation shall have promulgated administrative regulations governing
17 its procurements under KRS 154A.120(1), the provisions of KRS 45A.990(1) to
18 45A.990(8) shall be deemed to apply to procurement activities conducted under this
19 chapter which are governed by KRS Chapter 45A. If the corporation has
20 promulgated administrative regulations governing its procurements, any person who
21 willfully violates the administrative regulations shall be guilty of a Class A
22 misdemeanor.

23 ➔Section 29. KRS 230.225 is amended to read as follows:

24 (1) The Kentucky Horse Racing Commission is created as an independent agency of
25 state government to regulate the conduct of horse racing and pari-mutuel wagering
26 on horse racing, to oversee sports wagering at licensed racing associations on
27 sports contests not related to horse racing, and to oversee related activities within

1 the Commonwealth of Kentucky. The racing commission shall be attached to the
2 Public Protection Cabinet for administrative purposes.

- 3 (2) (a) The Kentucky Horse Racing Commission shall consist of fifteen (15)
4 members appointed by the Governor, with the secretaries of the Public
5 Protection Cabinet, Tourism, Arts and Heritage Cabinet, and Economic
6 Development Cabinet, or their designees, serving as ex officio nonvoting
7 members.
- 8 (b) Two (2) members shall have no financial interest in the business or industry
9 regulated.
- 10 (c) The members of the racing commission shall be appointed to serve for a term
11 of four (4) years, except the initial terms shall be staggered as follows:
- 12 1. Five (5) members shall serve for a term of four (4) years;
 - 13 2. Five (5) members shall serve for a term of three (3) years; and
 - 14 3. Five (5) members shall serve for a term of two (2) years.
- 15 (d) Any member appointed to fill a vacancy occurring other than by expiration of
16 a term shall be appointed for the remainder of the unexpired term.
- 17 (e) In making appointments, the Governor may consider members broadly
18 representative of the Thoroughbred industry and members broadly
19 representative of the standardbred, quarter horse, Appaloosa, or Arabian
20 industries. The Governor may also consider recommendations from the
21 Kentucky Thoroughbred Owners and Breeders, Inc., the Kentucky Division of
22 the Horsemen's Benevolent and Protective Association, the Kentucky Harness
23 Horsemen's Association, and other interested organizations.
- 24 (3) (a) Members of the racing commission shall receive no compensation for serving
25 on the commission, but shall be reimbursed for travel expenses for attending
26 meetings and performing other official functions consistent with the
27 reimbursement policy for state employees established by KRS 45.101 and

1 administrative regulations promulgated thereunder.

2 (b) The Governor shall appoint one (1) member of the racing commission to serve
3 as its chairperson who shall serve at the pleasure of the Governor.

4 (c) The Governor shall further designate a second member to serve as vice chair
5 with authority to act in the absence of the chairperson.

6 (d) Before entering upon the discharge of their duties, all members of the
7 Kentucky Horse Racing Commission shall take the constitutional oath of
8 office.

9 (4) (a) The racing commission shall establish and maintain a general office for the
10 transaction of its business and may in its discretion establish a branch office or
11 offices.

12 (b) The racing commission may hold meetings at any of its offices or at any other
13 place when the convenience of the racing commission requires.

14 (c) All meetings of the racing commission shall be open and public, and all
15 persons shall be permitted to attend meetings.

16 (d) A majority of the voting members of the racing commission shall constitute a
17 quorum for the transaction of its business or exercise of any of its powers.

18 (5) Except as otherwise provided, the racing commission shall be responsible for the
19 following:

20 (a) Developing and implementing programs designed to ensure the safety and
21 well-being of horses, jockeys, and drivers;

22 (b) Developing programs and procedures that will aggressively fulfill its oversight
23 and regulatory role on such matters as medical practices and integrity issues;

24 (c) Recommending tax incentives and implementing incentive programs to ensure
25 the strength and growth of the equine industry;

26 (d) Designing and implementing programs that strengthen the ties between
27 Kentucky's horse industry and the state's universities, with the goal of

1 significantly increasing the economic impact of the horse industry on
2 Kentucky's economy, improving research for the purpose of promoting the
3 enhanced health and welfare of the horse, and other related industry issues;
4 and

5 (e) Developing and supporting programs which ensure that Kentucky remains in
6 the forefront of equine research.

7 ➔Section 30. KRS 230.370 is amended to read as follows:

8 The racing commission may promulgate any reasonable and necessary administrative
9 regulation for the enforcement of the provisions of this chapter and the conduct of
10 hearings held before it, except that administrative regulations relating to sports
11 wagering shall be developed in consultation with the Kentucky Gaming Commission.
12 Administrative regulations relating to sports wagering may only be promulgated after
13 approval of the Kentucky Gaming Commission.

14 ➔Section 31. KRS 243.500 is amended to read as follows:

15 Any license may be revoked or suspended for the following causes:

- 16 (1) Conviction of the licensee or the licensee's agent, servant, or employee for selling
17 any illegal alcoholic beverages on the licensed premises.
- 18 (2) Making any false, material statements in an application or renewal application for a
19 license or supplemental license.
- 20 (3) Conviction of the licensee or any of the licensee's agents, servants, or employees of:
- 21 (a) Two (2) violations of the terms and provisions of KRS Chapters 241 to 244,
22 or any act regulating the manufacture, sale, and transportation of alcoholic
23 beverages within two (2) consecutive years;
- 24 (b) Two (2) misdemeanors directly or indirectly attributable to the use of
25 alcoholic beverages within two (2) consecutive years; or
- 26 (c) Any felony.
- 27 (4) Failure or default of a licensee to pay an excise tax or any part of the tax or any

1 penalties imposed by or under the provisions of any statutes, ordinances, or Acts of
2 Congress relative to taxation, or for a violation of any related administrative
3 regulations promulgated by the Department of Revenue.

4 (5) Revocation of any license or permit provided in KRS 243.060, 243.070, 243.600,
5 and 243.610, or granted under any Act of Congress relative to the regulation of the
6 manufacture, sale, and transportation of alcoholic beverages.

7 (6) Setting up, conducting, operating, or keeping, on the licensed premises, any
8 gambling game, device, machine, contrivance, lottery, gift enterprise, handbook, or
9 facility for betting or transmitting bets on horse races; or permitting to be set up,
10 conducted, operated, kept, or engaged in, on the licensed premises, any gambling
11 game, device, machine, contrivance, lottery, gift enterprise, handbook, or facility.

12 This subsection shall not apply to:

13 (a) The sale of lottery tickets sold under the provisions of KRS Chapter 154A;

14 (b) The operation of a pari-mutuel system for betting, where authorized by law;

15 (c) The conduct of charitable gaming by a charitable organization licensed or
16 permitted under KRS Chapter 238;~~or~~

17 (d) Special temporary raffles of alcoholic beverages under KRS 243.036; or

18 (e) *The conduct of sports wagering licensed or permitted under KRS Chapter*
19 *239.*

20 (7) Conviction of the licensee, the licensee's agents, servants, or employees for:

21 (a) The trafficking or possession upon the licensed premises of controlled or
22 illegal substances described in KRS Chapter 218A, including synthetic drugs;

23 (b) Knowingly permitting the trafficking or possession by patrons upon the
24 licensed premises of controlled or illegal substances described in KRS
25 Chapter 218A, including synthetic drugs; or

26 (c) Knowingly receiving stolen property upon the licensed premises.

27 (8) Failure to comply with the terms of a final order of the board.

1 ➔Section 32. KRS 12.020 is amended to read as follows:

2 Departments, program cabinets and their departments, and the respective major
3 administrative bodies that they include are enumerated in this section. It is not intended
4 that this enumeration of administrative bodies be all-inclusive. Every authority, board,
5 bureau, interstate compact, commission, committee, conference, council, office, or any
6 other form of organization shall be included in or attached to the department or program
7 cabinet in which they are included or to which they are attached by statute or statutorily
8 authorized executive order; except in the case of the Personnel Board and where the
9 attached department or administrative body is headed by a constitutionally elected officer,
10 the attachment shall be solely for the purpose of dissemination of information and
11 coordination of activities and shall not include any authority over the functions,
12 personnel, funds, equipment, facilities, or records of the department or administrative
13 body.

14 I. Cabinet for General Government - Departments headed by elected officers:

- 15 (1) The Governor.
- 16 (2) Lieutenant Governor.
- 17 (3) Department of State.
- 18 (a) Secretary of State.
- 19 (b) Board of Elections.
- 20 (c) Registry of Election Finance.
- 21 (4) Department of Law.
- 22 (a) Attorney General.
- 23 (5) Department of the Treasury.
- 24 (a) Treasurer.
- 25 (6) Department of Agriculture.
- 26 (a) Commissioner of Agriculture.
- 27 (b) Kentucky Council on Agriculture.

- 1 (7) Auditor of Public Accounts.
- 2 II. Program cabinets headed by appointed officers:
- 3 (1) Justice and Public Safety Cabinet:
- 4 (a) Department of Kentucky State Police.
- 5 (b) Department of Criminal Justice Training.
- 6 (c) Department of Corrections.
- 7 (d) Department of Juvenile Justice.
- 8 (e) Office of the Secretary.
- 9 (f) Office of Drug Control Policy.
- 10 (g) Office of Legal Services.
- 11 (h) Office of the Kentucky State Medical Examiner.
- 12 (i) Parole Board.
- 13 (j) Kentucky State Corrections Commission.
- 14 (k) Office of Legislative and Intergovernmental Services.
- 15 (l) Office of Management and Administrative Services.
- 16 (m) Department of Public Advocacy.
- 17 (2) Education and Workforce Development Cabinet:
- 18 (a) Office of the Secretary.
- 19 1. Governor's Scholars Program.
- 20 2. Governor's School for Entrepreneurs Program.
- 21 (b) Office of Legal and Legislative Services.
- 22 1. Client Assistance Program.
- 23 (c) Office of Communication.
- 24 (d) Office of Budget and Administration.
- 25 1. Division of Human Resources.
- 26 2. Division of Administrative Services.
- 27 (e) Office of Technology Services.

- 1 (f) Office of Educational Programs.
- 2 (g) Office for Education and Workforce Statistics.
- 3 (h) Board of the Kentucky Center for Education and Workforce Statistics.
- 4 (i) Board of Directors for the Center for School Safety.
- 5 (j) Department of Education.
- 6 1. Kentucky Board of Education.
- 7 2. Kentucky Technical Education Personnel Board.
- 8 (k) Department for Libraries and Archives.
- 9 (l) Department of Workforce Investment.
- 10 1. Office for the Blind.
- 11 2. Office of Vocational Rehabilitation.
- 12 3. Office of Employment and Training.
- 13 a. Division of Grant Management and Support.
- 14 b. Division of Workforce and Employment Services.
- 15 c. Division of Unemployment Insurance.
- 16 (m) Foundation for Workforce Development.
- 17 (n) Kentucky Office for the Blind State Rehabilitation Council.
- 18 (o) Kentucky Workforce Investment Board.
- 19 (p) Statewide Council for Vocational Rehabilitation.
- 20 (q) Unemployment Insurance Commission.
- 21 (r) Education Professional Standards Board.
- 22 1. Division of Educator Preparation.
- 23 2. Division of Certification.
- 24 3. Division of Professional Learning and Assessment.
- 25 4. Division of Legal Services.
- 26 (s) Kentucky Commission on the Deaf and Hard of Hearing.
- 27 (t) Kentucky Educational Television.

- 1 (u) Kentucky Environmental Education Council.
- 2 (3) Energy and Environment Cabinet:
- 3 (a) Office of the Secretary.
- 4 1. Office of Legislative and Intergovernmental Affairs.
- 5 2. Office of Legal Services.
- 6 a. Legal Division I.
- 7 b. Legal Division II.
- 8 3. Office of Administrative Hearings.
- 9 4. Office of Communication.
- 10 5. Mine Safety Review Commission.
- 11 6. Office of Kentucky Nature Preserves.
- 12 7. Kentucky Public Service Commission.
- 13 (b) Department for Environmental Protection.
- 14 1. Office of the Commissioner.
- 15 2. Division for Air Quality.
- 16 3. Division of Water.
- 17 4. Division of Environmental Program Support.
- 18 5. Division of Waste Management.
- 19 6. Division of Enforcement.
- 20 7. Division of Compliance Assistance.
- 21 (c) Department for Natural Resources.
- 22 1. Office of the Commissioner.
- 23 2. Division of Mine Permits.
- 24 3. Division of Mine Reclamation and Enforcement.
- 25 4. Division of Abandoned Mine Lands.
- 26 5. Division of Oil and Gas.
- 27 6. Division of Mine Safety.

- 1 7. Division of Forestry.
- 2 8. Division of Conservation.
- 3 9. Office of the Reclamation Guaranty Fund.
- 4 (d) Office of Energy Policy.
 - 5 1. Division of Energy Assistance.
- 6 (e) Office of Administrative Services.
 - 7 1. Division of Human Resources Management.
 - 8 2. Division of Financial Management.
 - 9 3. Division of Information Services.
- 10 (4) Public Protection Cabinet.
 - 11 (a) Office of the Secretary.
 - 12 1. Office of Communications and Public Outreach.
 - 13 2. Office of Legal Services.
 - 14 a. Insurance Legal Division.
 - 15 b. Charitable Gaming Legal Division.
 - 16 c. Alcoholic Beverage Control Legal Division.
 - 17 d. Housing, Buildings and Construction Legal Division.
 - 18 e. Financial Institutions Legal Division.
 - 19 f. Professional Licensing Legal Division.
 - 20 3. Office of Administrative Hearings.
 - 21 4. Office of Administrative Services.
 - 22 a. Division of Human Resources.
 - 23 b. Division of Fiscal Responsibility.
 - 24 (b) Kentucky Claims Commission.
 - 25 (c) Kentucky Boxing and Wrestling Commission.
 - 26 (d) Kentucky Horse Racing Commission.
 - 27 1. Office of Executive Director.

- 1 a. Division of Pari-mutuel Wagering and Compliance.
- 2 b. Division of Stewards.
- 3 c. Division of Licensing.
- 4 d. Division of Enforcement.
- 5 e. Division of Incentives and Development.
- 6 f. Division of Veterinary Services.
- 7 (e) Department of Alcoholic Beverage Control.
 - 8 1. Division of Distilled Spirits.
 - 9 2. Division of Malt Beverages.
 - 10 3. Division of Enforcement.
- 11 (f) Department of Charitable Gaming.
 - 12 1. Division of Licensing and Compliance.
 - 13 2. Division of Enforcement.
- 14 (g) Department of Financial Institutions.
 - 15 1. Division of Depository Institutions.
 - 16 2. Division of Non-Depository Institutions.
 - 17 3. Division of Securities.
- 18 (h) Department of Housing, Buildings and Construction.
 - 19 1. Division of Fire Prevention.
 - 20 2. Division of Plumbing.
 - 21 3. Division of Heating, Ventilation, and Air Conditioning.
 - 22 4. Division of Building Code Enforcement.
- 23 (i) Department of Insurance.
 - 24 1. Division of Insurance Product Regulation.
 - 25 2. Division of Administrative Services.
 - 26 3. Division of Financial Standards and Examination.
 - 27 4. Division of Agent Licensing.

- 1 5. Division of Insurance Fraud Investigation.
- 2 6. Division of Consumer Protection.
- 3 7. Division of Kentucky Access.
- 4 (j) Department of Professional Licensing.
- 5 1. Real Estate Authority.
- 6 **(k) Kentucky Gaming Commission.**
- 7 (5) Labor Cabinet.
- 8 (a) Office of the Secretary.
- 9 1. Office of General Counsel.
- 10 a. Workplace Standards Legal Division.
- 11 b. Workers' Claims Legal Division.
- 12 2. Office of Administrative Services.
- 13 a. Division of Human Resources Management.
- 14 b. Division of Fiscal Management.
- 15 c. Division of Professional Development and Organizational
- 16 Management.
- 17 d. Division of Information Technology and Support Services.
- 18 3. Office of Inspector General.
- 19 (b) Department of Workplace Standards.
- 20 1. Division of Apprenticeship.
- 21 2. Division of Occupational Safety and Health Compliance.
- 22 3. Division of Occupational Safety and Health Education and
- 23 Training.
- 24 4. Division of Wages and Hours.
- 25 (c) Department of Workers' Claims.
- 26 1. Division of Workers' Compensation Funds.
- 27 2. Office of Administrative Law Judges.

- 1 3. Division of Claims Processing.
- 2 4. Division of Security and Compliance.
- 3 5. Division of Information Services.
- 4 6. Division of Specialist and Medical Services.
- 5 7. Workers' Compensation Board.
- 6 (d) Workers' Compensation Funding Commission.
- 7 (e) Occupational Safety and Health Standards Board.
- 8 (f) Apprenticeship and Training Council.
- 9 (g) State Labor Relations Board.
- 10 (h) Employers' Mutual Insurance Authority.
- 11 (i) Kentucky Occupational Safety and Health Review Commission.
- 12 (j) Workers' Compensation Nominating Committee.
- 13 (6) Transportation Cabinet:
- 14 (a) Department of Highways.
 - 15 1. Office of Project Development.
 - 16 2. Office of Project Delivery and Preservation.
 - 17 3. Office of Highway Safety.
 - 18 4. Highway District Offices One through Twelve.
- 19 (b) Department of Vehicle Regulation.
- 20 (c) Department of Aviation.
- 21 (d) Department of Rural and Municipal Aid.
 - 22 1. Office of Local Programs.
 - 23 2. Office of Rural and Secondary Roads.
- 24 (e) Office of the Secretary.
 - 25 1. Office of Public Affairs.
 - 26 2. Office for Civil Rights and Small Business Development.
 - 27 3. Office of Budget and Fiscal Management.

- 1 4. Office of Inspector General.
- 2 (f) Office of Support Services.
- 3 (g) Office of Transportation Delivery.
- 4 (h) Office of Audits.
- 5 (i) Office of Human Resource Management.
- 6 (j) Office of Information Technology.
- 7 (k) Office of Legal Services.
- 8 (7) Cabinet for Economic Development:
- 9 (a) Office of the Secretary.
- 10 1. Office of Legal Services.
- 11 2. Department for Business Development.
- 12 3. Department for Financial Services.
- 13 a. Kentucky Economic Development Finance Authority.
- 14 b. Finance and Personnel Division.
- 15 c. IT and Resource Management Division.
- 16 d. Compliance Division.
- 17 e. Incentive Administration Division.
- 18 f. Bluegrass State Skills Corporation.
- 19 4. Office of Marketing and Public Affairs.
- 20 a. Communications Division.
- 21 b. Graphics Design Division.
- 22 5. Office of Workforce, Community Development, and Research.
- 23 6. Office of Entrepreneurship.
- 24 a. Commission on Small Business Advocacy.
- 25 (8) Cabinet for Health and Family Services:
- 26 (a) Office of the Secretary.
- 27 (b) Office of Health Policy.

- 1 (c) Office of Legal Services.
- 2 (d) Office of Inspector General.
- 3 (e) Office of Communications and Administrative Review.
- 4 (f) Office of the Ombudsman.
- 5 (g) Office of Finance and Budget.
- 6 (h) Office of Human Resource Management.
- 7 (i) Office of Administrative and Technology Services.
- 8 (j) Department for Public Health.
- 9 (k) Department for Medicaid Services.
- 10 (l) Department for Behavioral Health, Developmental and Intellectual
- 11 Disabilities.
- 12 (m) Department for Aging and Independent Living.
- 13 (n) Department for Community Based Services.
- 14 (o) Department for Income Support.
- 15 (p) Department for Family Resource Centers and Volunteer Services.
- 16 (q) Office for Children with Special Health Care Needs.
- 17 (r) Governor's Office of Electronic Health Information.
- 18 (s) Office of Legislative and Regulatory Affairs.
- 19 (9) Finance and Administration Cabinet:
- 20 (a) Office of the Secretary.
- 21 (b) Office of the Inspector General.
- 22 (c) Office of Legislative and Intergovernmental Affairs.
- 23 (d) Office of General Counsel.
- 24 (e) Office of the Controller.
- 25 (f) Office of Administrative Services.
- 26 (g) Office of Policy and Audit.
- 27 (h) Department for Facilities and Support Services.

- 1 (i) Department of Revenue.
- 2 (j) Commonwealth Office of Technology.
- 3 (k) State Property and Buildings Commission.
- 4 (l) Office of Equal Employment Opportunity and Contract Compliance.
- 5 (m) Kentucky Employees Retirement Systems.
- 6 (n) Commonwealth Credit Union.
- 7 (o) State Investment Commission.
- 8 (p) Kentucky Housing Corporation.
- 9 (q) Kentucky Local Correctional Facilities Construction Authority.
- 10 (r) Kentucky Turnpike Authority.
- 11 (s) Historic Properties Advisory Commission.
- 12 (t) Kentucky Tobacco Settlement Trust Corporation.
- 13 (u) Kentucky Higher Education Assistance Authority.
- 14 (v) Kentucky River Authority.
- 15 (w) Kentucky Teachers' Retirement System Board of Trustees.
- 16 (x) Executive Branch Ethics Commission.
- 17 (10) Tourism, Arts and Heritage Cabinet:
- 18 (a) Kentucky Department of Tourism.
- 19 1. Division of Tourism Services.
- 20 2. Division of Marketing and Administration.
- 21 3. Division of Communications and Promotions.
- 22 (b) Kentucky Department of Parks.
- 23 1. Division of Information Technology.
- 24 2. Division of Human Resources.
- 25 3. Division of Financial Operations.
- 26 4. Division of Facilities Management.
- 27 5. Division of Facilities Maintenance.

- 1 6. Division of Customer Services.
- 2 7. Division of Recreation.
- 3 8. Division of Golf Courses.
- 4 9. Division of Food Services.
- 5 10. Division of Rangers.
- 6 11. Division of Resort Parks.
- 7 12. Division of Recreational Parks and Historic Sites.
- 8 (c) Department of Fish and Wildlife Resources.
- 9 1. Division of Law Enforcement.
- 10 2. Division of Administrative Services.
- 11 3. Division of Engineering, Infrastructure, and Technology.
- 12 4. Division of Fisheries.
- 13 5. Division of Information and Education.
- 14 6. Division of Wildlife.
- 15 7. Division of Marketing.
- 16 (d) Kentucky Horse Park.
- 17 1. Division of Support Services.
- 18 2. Division of Buildings and Grounds.
- 19 3. Division of Operational Services.
- 20 (e) Kentucky State Fair Board.
- 21 1. Office of Administrative and Information Technology Services.
- 22 2. Office of Human Resources and Access Control.
- 23 3. Division of Expositions.
- 24 4. Division of Kentucky Exposition Center Operations.
- 25 5. Division of Kentucky International Convention Center.
- 26 6. Division of Public Relations and Media.
- 27 7. Division of Venue Services.

- 1 8. Division of Personnel Management and Staff Development.
- 2 9. Division of Sales.
- 3 10. Division of Security and Traffic Control.
- 4 11. Division of Information Technology.
- 5 12. Division of the Louisville Arena.
- 6 13. Division of Fiscal and Contract Management.
- 7 14. Division of Access Control.
- 8 (f) Office of the Secretary.
 - 9 1. Office of Finance.
 - 10 2. Office of Government Relations and Administration.
 - 11 3. Office of Film and Tourism Development.
- 12 (g) Office of Legal Affairs.
- 13 (h) Office of Human Resources.
- 14 (i) Office of Public Affairs and Constituent Services.
- 15 (j) Office of Arts and Cultural Heritage.
- 16 (k) Kentucky African-American Heritage Commission.
- 17 (l) Kentucky Foundation for the Arts.
- 18 (m) Kentucky Humanities Council.
- 19 (n) Kentucky Heritage Council.
- 20 (o) Kentucky Arts Council.
- 21 (p) Kentucky Historical Society.
 - 22 1. Division of Museums.
 - 23 2. Division of Oral History and Educational Outreach.
 - 24 3. Division of Research and Publications.
 - 25 4. Division of Administration.
- 26 (q) Kentucky Center for the Arts.
 - 27 1. Division of Governor's School for the Arts.

- 1 (r) Kentucky Artisans Center at Berea.
- 2 (s) Northern Kentucky Convention Center.
- 3 (t) Eastern Kentucky Exposition Center.
- 4 (11) Personnel Cabinet:
- 5 (a) Office of the Secretary.
- 6 (b) Department of Human Resources Administration.
- 7 (c) Office of Employee Relations.
- 8 (d) Kentucky Public Employees Deferred Compensation Authority.
- 9 (e) Office of Administrative Services.
- 10 (f) Office of Legal Services.
- 11 (g) Governmental Services Center.
- 12 (h) Department of Employee Insurance.
- 13 (i) Office of Diversity, Equality, and Training.
- 14 (j) Office of Public Affairs.
- 15 III. Other departments headed by appointed officers:
- 16 (1) Council on Postsecondary Education.
- 17 (2) Department of Military Affairs.
- 18 (3) Department for Local Government.
- 19 (4) Kentucky Commission on Human Rights.
- 20 (5) Kentucky Commission on Women.
- 21 (6) Department of Veterans' Affairs.
- 22 (7) Kentucky Commission on Military Affairs.
- 23 (8) Office of Minority Empowerment.
- 24 (9) Governor's Council on Wellness and Physical Activity.
- 25 (10) Kentucky Communications Network Authority.