

1 AN ACT relating to charitable gaming.

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

3 ➔SECTION 1. KRS 238.505 IS REPEALED AND REENACTED TO READ
4 AS FOLLOWS:

5 *As used in this chapter:*

- 6 *(1) "Adjusted gross receipts" means gross receipts less all cash prizes and the*
7 *amount paid for merchandise prizes purchased;*
- 8 *(2) "Affiliate" means any corporation, partnership, association, or other business or*
9 *professional entity or any natural person that directly or indirectly, through one*
10 *(1) or more intermediaries, controls, is controlled by, or is under common control*
11 *with a licensed manufacturer, distributor, or charitable gaming facility;*
- 12 *(3) "Bingo" means a specific game of chance in which participants use cards or*
13 *paper sheets, or card-minding device representations thereof, divided into*
14 *horizontal and vertical spaces, each of which is designated by a letter and a*
15 *number, and prizes are awarded on the basis of the letters and numbers on the*
16 *card conforming to a predetermined and preannounced configuration of letters*
17 *and numbers selected at random;*
- 18 *(4) "Card-minding device" means any mechanical, electronic, electromechanical, or*
19 *computerized device that is interfaced with or connected to equipment used to*
20 *conduct a game of bingo and that allows a player to store, display, and mark a*
21 *bingo card face. A card-minding device shall not be designed and manufactured*
22 *to resemble any electronic gaming device that utilizes a video display monitor,*
23 *such as a video lottery terminal, video slot machine, video poker machine, or any*
24 *similar video gaming device;*
- 25 *(5) "Chairperson" means the chief executive officer and any officer, member, or*
26 *employee of a licensed charitable organization who will be involved in the*
27 *management and supervision of charitable gaming as designated in the*

1 organization's charitable gaming license application under subsection (13)(g) of
2 Section 4 of this Act;

3 (6) "Charitable gaming":

4 (a) Means bingo, charity game tickets, raffles, and charity fundraising events
5 conducted for fundraising purposes by charitable organizations licensed
6 and regulated under this chapter; and

7 (b) Does not include slot machines, electronic video gaming devices, wagering
8 on live sporting events, or simulcast broadcasts of horse races;

9 (7) "Charitable gaming facility" means the premises on which charitable gaming is
10 conducted;

11 (8) "Charitable gaming supplies and equipment":

12 (a) Means any material, device, apparatus, or paraphernalia customarily used
13 in the conduct of charitable gaming, including bingo cards and paper,
14 charity game tickets, and other apparatus or paraphernalia used in
15 conducting games of chance at charity fundraising events subject to
16 regulation under this chapter; and

17 (b) Does not include any material, device, apparatus, or paraphernalia
18 incidental to the game, such as pencils, daubers, playing cards, or other
19 supplies that may be purchased from normal sources of supply;

20 (9) "Charitable organization" means a nonprofit entity organized for charitable,
21 religious, educational, literary, civic, fraternal, or patriotic purposes;

22 (10) "Charity fundraising event" means an activity of limited duration at which
23 games of chance approved by the department are conducted, including bingo,
24 raffles, charity game tickets, special limited charitable games, and wagering on
25 prerecorded horse races, KRS Chapter 230 notwithstanding, and which attract
26 patrons for community, social, and entertainment purposes apart from charitable
27 gaming, such as fairs, festivals, carnivals, licensed charitable gaming

1 organization conventions, bazaars, and banquets. For the purposes of this
2 subsection, "banquet" means a formal meal or feast held by a charitable
3 organization for community, social, or entertainment purposes apart from
4 charitable gaming;

5 (11) "Charity game ticket":

6 (a) Means a game of chance using a folded or banded paper ticket, or a paper
7 card with perforated break-open tabs, or electronic pulltab device
8 representations thereof, the face of which is covered or otherwise hidden
9 from view to conceal a number, letter, symbol, or set of numbers, letters, or
10 symbols, some of which have been designated in advance as prize winners;
11 and

12 (b) Includes charity game tickets that utilize a seal card, and pulltabs, both
13 paper and electronic representations thereof;

14 (12) "Commissioner" means the commissioner of the Department of Charitable
15 Gaming within the Public Protection Cabinet;

16 (13) "Department" means the Department of Charitable Gaming within the Public
17 Protection Cabinet;

18 (14) "Distributor":

19 (a) Means a person who sells, markets, leases, or otherwise furnishes to a
20 charitable organization charitable gaming equipment or supplies, or both,
21 used in the conduct of charitable gaming; and

22 (b) Does not include:

23 1. A resident printer who prints raffle tickets at the request of a licensed
24 charitable organization; or

25 2. A licensed charitable organization that affects a one (1) time donation
26 of charitable gaming supplies or equipment to another licensed
27 charitable organization if the donation is first approved by the

1 department;

2 (15) "Door prize" means a prize awarded to a person based solely upon the person's
3 attendance at an event or the purchase of a ticket to attend an event;

4 (16) "Electronic pulltab device":

5 (a) Means an electronic device used only for charitable gaming to facilitate the
6 play of an electronic pulltab;

7 (b) Shall be a tablet or other personal computing device, other than a mobile
8 phone or similar handheld device, as approved by the department;

9 (c) May only operate on a closed network or intranet that is confined to the
10 licensee's premises, and shall not be Internet-accessible by patrons, but
11 shall be connected to a central server system solely for the purposes of
12 monitoring, reporting, accounting, and software maintenance; and

13 (d) Shall not be designed and manufactured to resemble any electronic gaming
14 device that utilizes a video display monitor, such as a video lottery terminal,
15 video slot machine, video poker machine, or any similar video gaming
16 device;

17 (17) "Electronic video gaming device":

18 (a) Means any device that possesses a video display and computer mechanism
19 for playing a game; and

20 (b) Does not mean any electronic representation of charitable gaming games
21 identified, defined, and approved by statute or by administrative regulation
22 of the department;

23 (18) "Gross receipts" means all moneys collected or received from the conduct of
24 charitable gaming;

25 (19) "Immediate family" means:

26 (a) Spouse and parents-in-law;

27 (b) Parents and grandparents;

1 (c) Children and their spouses; and

2 (d) Siblings and their spouses;

3 (20) "Manufacturer":

4 (a) Means a person who assembles from raw materials or subparts any
5 charitable gaming equipment or supplies used in the conduct of charitable
6 gaming or creates, including a person who converts, modifies, or adds to or
7 removes parts from charitable gaming equipment and supplies; and

8 (b) Does not include:

9 1. Any person who services or repairs charitable gaming supplies and
10 equipment, so long as that person replaces or repairs an incidental,
11 malfunctioning, or nonfunctioning part with a similar or identical
12 part; or

13 2. Any distributor who cuts, collates, and packages for distribution any
14 gaming supplies and equipment purchased in bulk;

15 (21) "Net receipts" means adjusted gross receipts less all expenses, charges, fees, and
16 deductions authorized under this chapter;

17 (22) "Raffle" means a game of chance in which a participant is required to purchase
18 a ticket for a chance to win a prize, with the winner to be determined by a random
19 drawing;

20 (23) "Seal card" means a board or placard used in conjunction with charity game
21 tickets, that contains a seal or seals which, when removed or opened, reveal
22 predesignated winning numbers, letters, or symbols;

23 (24) "Secretary" means the secretary of the Public Protection Cabinet;

24 (25) "Session" or "bingo session" means a single gathering at which a bingo game or
25 series of successive bingo games are played, excluding bingo played at a charity
26 fundraising event;

27 (26) "Special limited charitable game" means roulette, blackjack, poker, keno, money

1 wheel, baccarat, pusher-type games, any dice game in which the player competes
 2 against the house, and any other game of chance as identified, defined, and
 3 approved by administrative regulation of the department;

4 (27) "Special limited charity fundraising event" means any type of charity
 5 fundraising event, commonly known as and operated as a "casino night," "Las
 6 Vegas night," or "Monte Carlo night," at which the predominant number or
 7 types of games offered for play are special limited charitable games; and

8 (28) "Year" means calendar year except as used in KRS 238.535(11), 238.545(4),
 9 238.547(1), and 238.555(7), when "year" means the licensee's license year.

10 ➔Section 2. KRS 238.520 is amended to read as follows:

11 (1) The Charitable Gaming Advisory Commission is created to be composed of nine
 12 (9) members consisting of:

13 (a) The secretary of the Public Protection Cabinet or his or her designee;

14 (b) The Attorney General or his or her designee;

15 (c) One (1) representative from the Kentucky Commonwealth's Attorneys
 16 Association;

17 ~~(d) One (1) representative from the Kentucky Charitable Gaming Association;~~

18 ~~(e) One (1) certified public accountant;~~

19 ~~(f) One (1) certified public accountant;~~ Two (2) members ~~One (1) member~~ selected from the public at large;

20 ~~(g) One (1) representative selected from the Joint Executive Council of~~
 21 Veterans Organizations of Kentucky;

22 ~~(h) One (1) representative from Catholic organizations; and~~

23 ~~(i) One (1) representative from Kentucky's volunteer firefighter~~
 24 organizations.

25 The certified public accountant, the ~~two~~ two ~~one~~ (2) ~~(1)~~ at-large members ~~member~~,

26 and the representative ~~representatives~~ from the Kentucky Commonwealth's

27 Attorneys Association ~~and the Kentucky Charitable Gaming Association~~ shall be

1 appointed by the Governor. The ~~representative from each of the two (2)~~
2 ~~associations, the~~ one (1) representative from the Joint Executive Council of
3 Veterans Organizations of Kentucky, the one (1) representative from the Catholic
4 organizations, and the one (1) representative from the volunteer firefighter
5 organizations shall be selected from a list of at least three (3) names submitted to
6 the Governor by the respective association.

7 (2) ~~Initial appointments to the commission shall be for staggered terms as follows: one~~
8 ~~(1) member for a term of one (1) year; two (2) members for a term of two (2) years;~~
9 ~~two (2) members for a term of three (3) years; and two (2) members for a term of~~
10 ~~four (4) years. Thereafter,]~~Each member shall be appointed for a term of four (4)
11 years, and ~~]. No member from the public at large shall be appointed in the same~~
12 ~~year.]~~ vacancies shall be filled in the same manner as the original appointment for
13 the unexpired portion of the term. No member of the commission may serve more
14 than two (2) full terms.

15 (3) The Charitable Gaming Advisory Commission shall provide ongoing advice and
16 input to the department and to the General Assembly but shall not become directly
17 involved in the licensing and regulation of charitable gaming by the department.

18 (4) The commission shall meet semiannually ~~quarterly~~, upon the request of the chair
19 or four (4) of its members or as otherwise directed by the department. Five (5)
20 members shall constitute a quorum for conducting business. The commission shall
21 annually elect a chairman from its membership, and no person elected chairman
22 shall serve more than two (2) consecutive terms of one (1) year each. Members
23 shall receive no compensation for serving on the commission, but shall be
24 reimbursed for travel expenses for attending meetings and performing other official
25 functions, consistent with state reimbursement policy for state employees.

26 ➔Section 3. KRS 238.525 is amended to read as follows:

27 (1) Licenses shall be issued by the department on an annual or biennial basis, except as

1 otherwise permitted in KRS 238.530 and 238.545. A license term may be
2 determined by the department in any manner it deems appropriate to facilitate
3 efficient licensing. The department shall charge a renewal fee not to exceed the
4 maximum amounts established in KRS 238.530, 238.535, and 238.555.

5 (2) The department may issue a temporary license to an applicant who has met the
6 requirements for a license. A temporary license shall be valid from the date of
7 issuance until the regular license is issued or for a period of sixty (60) days,
8 whichever is shorter. A temporary license shall not be renewed, except for good
9 cause and shall not exceed a total of nine (9) months in length.

10 (3) An applicant for any license to be issued under KRS 238.530 and 238.555 shall be
11 subjected to a state and national criminal history background check by the
12 department, with the assistance of the Department of Kentucky State Police and the
13 Federal Bureau of Investigation. An applicant for any license to be issued under
14 KRS 238.535 shall be subjected to a state criminal history background check and
15 may, if deemed reasonably necessary, be subjected to a national criminal history
16 background check by the department with the assistance of the Department of
17 Kentucky State Police and the Federal Bureau of Investigation. The criminal history
18 background check shall apply to the chief executive officer and the chief financial
19 officer or director of an applicant; any employee or member of an applicant who
20 has been designated as chairperson of the charitable gaming activity; the applicant
21 itself; and any individual with a ten percent (10%) or more financial interest in the
22 applicant. ~~[- The department shall require the fingerprinting of all applicants for~~
23 ~~licensure under KRS 238.530 and 238.555 and may require, if deemed reasonably~~
24 ~~necessary, the fingerprints of all applicants for licensure under KRS 238.535, who~~
25 ~~are natural persons in connection with the national criminal history background~~
26 ~~check to assure the identity of the applicant or applicants.] The department may~~
27 charge a reasonable fee not to exceed the actual cost of ~~[fingerprinting and]~~ records

1 searching.

2 (4) No applicant shall be licensed and no license holder shall be able to maintain a
3 license if an individual associated with the applicant or license holder in a capacity
4 listed in subsection (3) of this section or the applicant or license holder itself has
5 been convicted of a felony, gambling offense, criminal fraud, forgery, theft,
6 falsifying business records, violation of KRS 238.995(7), or any two (2)
7 misdemeanor crimes in federal court or the courts of any state, the District of
8 Columbia, or any territory, consistent with the provisions of KRS Chapter 335B
9 within ten (10) years preceding the application for licensure.

10 (5) **All manufacturer and distributor applicants shall be required to disclose on their**
11 **application any criminal charge, administrative action, or civil litigation initiated**
12 **against them in any jurisdiction. An application may be denied based upon these**
13 **disclosures**~~No applicant shall be licensed unless all applicants required to be~~
14 ~~fingerprinted under the provision of subsection (3) of this section have been~~
15 ~~fingerprinted. The Department of Kentucky State Police may submit fingerprints of~~
16 ~~any applicant to the Federal Bureau of Investigation for the national criminal~~
17 ~~history background check]. The department may by administrative regulation~~
18 impose additional qualifications to meet the requirements of Pub. L. **No.** 92-544.

19 (6) If a change occurs in any information submitted during the license application
20 process, the applicant or licensee shall notify the department in writing within thirty
21 (30) days of the date the change occurred.

22 ➔Section 4. KRS 238.535 is amended to read as follows:

23 (1) Any charitable organization conducting charitable gaming in the Commonwealth of
24 Kentucky shall be licensed by the department. A charitable organization qualifying
25 under subsection (12) of this section but not exceeding the limitations provided in
26 this subsection shall be exempt from the licensure requirements when conducting
27 the following charitable gaming activities:

- 1 (a) Bingo in which the gross receipts do not exceed a total of twenty-five
2 thousand dollars (\$25,000) per year;
- 3 (b) A raffle or raffles for which the gross receipts do not exceed twenty-five
4 thousand dollars (\$25,000) per year; and
- 5 (c) A charity fundraising event or events that do not involve special limited
6 charitable games and the gross gaming receipts for which do not exceed
7 twenty-five thousand dollars (\$25,000) per year.

8 However, at no time shall a charitable organization's total limitations under this
9 subsection exceed twenty-five thousand dollars (\$25,000).

- 10 (2) (a) Any charitable organization exempt from the process of applying for a license
11 under subsection (1) of this section, shall notify the department in writing, on
12 a simple form issued by the department, of its intent to engage in exempt
13 charitable gaming and the address at which the gaming is to occur. Any
14 charitable organization exempt from the process of applying for a license
15 under subsection (1) of this section, shall comply with all other provisions of
16 this chapter relating to the conduct of charitable gaming, except:
- 17 1. Payment of the fee imposed under the provisions of KRS 238.570; and
 - 18 2. The quarterly reporting requirements imposed under the provisions of
19 KRS 238.550(7), unless the exempt charitable organization obtains a
20 retroactive license pursuant to subsection (9) of this section.
- 21 (b) Before January 31 of the year immediately following the year of exemption, a
22 charitable organization exempt from licensure under the provisions of
23 subsection (1) of this section shall file a financial report with the department,
24 on a form issued by the department, that contains the following information:
- 25 1. The type of gaming activity in which it engaged during that year;
 - 26 2. The total gross receipts derived from gaming;
 - 27 3. The amount of charitable gaming expenses paid;

- 1 4. The amount of net receipts derived; and
- 2 5. The disposition of those net receipts.
- 3 (3) An exemption that has been granted to a charitable organization for the preceding
- 4 calendar year shall be automatically renewed on January 1 of the following year.
- 5 (4) If upon receipt of the financial report the department determines that the
- 6 information appearing on the financial report renders the charitable organization
- 7 ineligible to possess an exemption, the department shall notify the charitable
- 8 organization that its exemption is rescinded. The organization may request an
- 9 appeal of this rescission pursuant to KRS 238.565.
- 10 (5) If the annual financial report is not received by January 31, the exemption is
- 11 automatically rescinded unless an extension of no more than thirty (30) days is
- 12 granted by the department. The organization may request an appeal of this
- 13 rescission pursuant to KRS 238.565.
- 14 (6) If an exemption is revoked because an organization has exceeded the limit imposed
- 15 in subsection (1) of this section, the organization shall apply for a retroactive
- 16 license in accordance with subsection (7) of this section.
- 17 (7) If an organization exceeds the limit imposed by any subsection of this section it
- 18 shall:
- 19 (a) Report the amount to the department; and
- 20 (b) Apply for a retroactive charitable gaming license.
- 21 (8) Upon receipt of a report and application for a retroactive charitable gaming license,
- 22 the department shall investigate to determine if the organization is otherwise
- 23 qualified to hold the license.
- 24 (9) If the department determines that the applicant is qualified, it shall issue a charitable
- 25 gaming license retroactive to the date on which the exemption limit was exceeded.
- 26 The retroactive charitable gaming license shall be issued in the same manner as
- 27 regular charitable gaming licenses.

1 (10) If the department determines that the applicant is not qualified it shall deny the
2 license and take enforcement action, if appropriate.

3 (11) Once a retroactive or regular gaming license is issued to an organization, that
4 organization shall not be eligible for exempt status in the future and shall maintain a
5 charitable gaming license if it intends to continue charitable gaming activities,
6 unless the charitable organization has not exceeded the exemption limitations of
7 subsection (1) of this section for a period of two (2) years prior to its exemption
8 request.

9 (12) (a) In order to qualify for licensure, a charitable organization shall:

10 1. a. Possess a tax exempt status under 26 U.S.C. secs. 501(c)(3),
11 501(c)(4), 501(c)(8), 501(c)(10), or 501(c)(19), or be covered
12 under a group ruling issued by the Internal Revenue Service under
13 authority of those sections; or

14 b. Be organized within the Commonwealth of Kentucky as a
15 common school as defined in KRS 158.030, as an institution of
16 higher education as defined in KRS 164A.305, or as a state college
17 or university as provided for in KRS 164.290;

18 2. Have been established and continuously operating within the
19 Commonwealth of Kentucky for charitable purposes, other than the
20 conduct of charitable gaming, for a period of three (3) years prior to
21 application for licensure. For purposes of this paragraph, an applicant
22 shall demonstrate establishment and continuous operation in Kentucky
23 by its conduct of charitable activities from an office physically located
24 within Kentucky both during the three (3) years immediately preceding
25 its application for licensure and at all times during which it possesses a
26 charitable gaming license. However, a charitable organization that
27 operates for charitable purposes in more than ten (10) states and whose

1 principal place of business is physically located in a state other than
2 Kentucky may satisfy the requirements of this paragraph if it can
3 document that it has:

4 a. Been actively engaged in charitable activities and has made
5 reasonable progress, as defined in subparagraph 3. of this
6 paragraph, in the conduct of charitable activities or the expenditure
7 of funds within Kentucky for a period of three (3) years prior to
8 application for licensure; and

9 b. Operated for charitable purposes from an office or place of
10 business in the Kentucky county where it proposes to conduct
11 charitable gaming for at least one (1) year prior to application for
12 licensure, in accordance with subparagraph 4. of this paragraph ~~and~~
13 ~~and paragraph (c) of this subsection];~~

14 3. Have been actively engaged in charitable activities during the three (3)
15 years immediately prior to application for licensure and be able to
16 demonstrate, to the satisfaction of the department, reasonable progress
17 in accomplishing its charitable purposes during this period. As used in
18 this paragraph, "reasonable progress in accomplishing its charitable
19 purposes" means the regular and uninterrupted conduct of activities
20 within the Commonwealth or the expenditure of funds within the
21 Commonwealth to accomplish relief of poverty, advancement of
22 education, protection of health, relief from disease, relief from suffering
23 or distress, protection of the environment, conservation of wildlife,
24 advancement of civic, governmental, or municipal purposes, or
25 advancement of those purposes delineated in KRS 238.505(2)(3). In
26 order to demonstrate reasonable progress in accomplishing its charitable
27 purposes when applying to renew an existing license, a licensed

1 charitable organization shall additionally provide to the department a
2 detailed accounting regarding its expenditure of charitable gaming net
3 receipts for the purposes described in this paragraph; and

4 4. Have maintained an office or place of business, other than for the
5 conduct of charitable gaming, for at least one (1) year in the county in
6 which charitable gaming is to be conducted. The office or place of
7 business shall be a separate and distinct address and location from that
8 of any other licensee of the Department of Charitable Gaming, ~~and~~ except
9 that up to three (3) licensed charitable organizations may have the same
10 address if they legitimately share office space. *A licensed charitable*
11 *organization that relocates its office or place of business to another*
12 *Kentucky county after obtaining a charitable gaming license shall not*
13 *be required to have maintained for at least one (1) year an office or*
14 *place of business in the county to which it has relocated in order to*
15 *renew its charitable gaming license and conduct charitable gaming in*
16 *the county.*

17 (b) 1. A charitable organization that has established and maintained an office
18 or place of business in the county for a period of at least one (1) year
19 may hold a raffle drawing or a charity fundraising event, including
20 special limited charity fundraising events, in a Kentucky county other
21 than that in which the organization's office or place of business is
22 located.

23 2. For raffles, the organization shall notify the Department of Charitable
24 Gaming in writing of the organization's intent to change the drawing's
25 location at least thirty (30) days before the drawing takes place. This
26 written notification:

27 a. May be transmitted in any commercially reasonable means,

1 authorized by the department, including facsimile and electronic
2 mail; and

3 b. Shall set out the place and the county in which the drawing will
4 take place.

5 Approval by the department shall be received prior to the conduct of the
6 raffle drawing at the new location.

7 ~~[(c) Any charitable organization that was registered with the county clerk to
8 conduct charitable gaming in a county on or before March 31, 1992, shall
9 satisfy the requirement contained in paragraph (a)4. of this subsection if it
10 maintained a place of business or operation, other than for the conduct of
11 charitable gaming, for one (1) year prior to application in a Kentucky county
12 adjoining the county in which they were registered.]~~

13 (13) In applying for a license, the information to be submitted shall include but not be
14 limited to the following:

15 (a) The name and address of the charitable organization;

16 (b) The date of the charitable organization's establishment in the Commonwealth
17 of Kentucky and the date of establishment in the county or counties in which
18 charitable gaming is to be conducted;

19 (c) A statement of the charitable purpose or purposes for which the organization
20 was organized. If the charitable organization is incorporated, a copy of the
21 articles of incorporation shall satisfy this requirement;

22 (d) A statement explaining the organizational structure and management of the
23 organization. For incorporated entities, a copy of the organizations' bylaws
24 shall satisfy this requirement;

25 (e) A detailed accounting of the charitable activities in which the charitable
26 organization has been engaged for the three (3) years preceding application
27 for licensure;

- 1 (f) The names, addresses, dates of birth, and Social Security numbers of all
2 officers of the organization;
- 3 (g) The names, addresses, dates of birth, and Social Security numbers of all
4 employees and members of the charitable organization who will be involved
5 in the management and supervision of charitable gaming. No fewer than two
6 (2) employees or members of the charitable organization who are involved in
7 the management and supervision of charitable gaming, along with the chief
8 executive officer or the director of the applicant organization, shall be
9 designated as chairpersons;
- 10 (h) The address of the location at which charitable gaming will be conducted and
11 the name and address of the owner of the property, if it is owned by a person
12 other than the charitable organization;
- 13 (i) A copy of the letter or other legal document issued by the Internal Revenue
14 Service to grant tax-exempt status;
- 15 (j) A statement signed by the presiding or other responsible officer of the
16 charitable organization attesting that the information submitted in the
17 application is true and correct and that the organization agrees to comply with
18 all applicable laws and administrative regulations regarding charitable
19 gaming;
- 20 (k) An agreement that the charitable organization's records may be released by
21 the Federal Internal Revenue Service to the department; and
- 22 (l) Any other information the department deems appropriate.
- 23 (14) (a) An organization or a group of individuals that does not meet the licensing
24 requirements of subsection (12) of this section may hold a raffle if:
- 25 1. The gross receipts do not exceed five hundred dollars (\$500);
- 26 2. All proceeds from the raffle are distributed to a charitable organization;
- 27 and

- 1 3. The organization or group of individuals holds no more than three (3)
2 raffles each year;
3 and shall be exempt from complying with the notification, application, and
4 reporting requirements of subsections (2) and (13) of this section.
- 5 (b) An organization or a group of individuals that does not meet the licensing
6 requirements of subsection (12) of this section may hold a raffle if:
- 7 1. The organization holds a special event raffle license issued by the
8 department and complies with the regulatory requirements in this
9 chapter, including but not limited to the quarterly reporting requirements
10 of KRS 238.550(7), the retention requirements of KRS 238.536, and
11 payment of the fee imposed by KRS 238.570;
- 12 2. The organization possesses a tax-exempt status under 26 U.S.C. sec.
13 501(c)(7);
- 14 3. The organization holds no more than twelve (12) raffles per year;
- 15 4. Each raffle complies with the department's raffle standards in KRS
16 238.545 and administrative regulations promulgated thereunder and is
17 approved by the department in writing prior to the sale of the first raffle
18 ticket;
- 19 5. The gross receipts of each raffle do not exceed five hundred thousand
20 dollars (\$500,000); and
- 21 6. One hundred percent (100%) of the net receipts of each raffle shall be
22 distributed to a charitable organization licensed by the department
23 pursuant to subsection (12) of this section to conduct charitable gaming
24 as follows:
- 25 a. All distributed net receipts shall be maintained by the recipient
26 licensed charitable organization in a separate account to be
27 designated as the "raffle recipient account";

- 1 b. All distributed net receipts shall be expended by the recipient
2 licensed charitable organization to further the charitable purpose of
3 the recipient licensed charitable organization as required by KRS
4 238.550(4); and
- 5 c. All distributed net receipts, and the expenditure thereof, shall be
6 reported to the department and be subject to the department's
7 auditing and investigative authority consistent with the provisions
8 of this chapter.
- 9 (c) An applicant qualifying under paragraph (b) of this subsection shall submit an
10 application for a special event raffle license, and the information to be
11 submitted shall include but not be limited to the following:
- 12 1. The name and address of the organization;
- 13 2. The date of the organization's establishment in the Commonwealth of
14 Kentucky and the date of the organization's establishment in the county
15 or counties in which charitable gaming is to be conducted;
- 16 3. A statement of the purpose or purposes for which the organization was
17 organized and identification of the licensed charitable organization to
18 which the applicant will distribute its net receipts. If the organization is
19 incorporated, a copy of the articles of incorporation shall satisfy this
20 requirement;
- 21 4. A statement explaining the organizational structure and management of
22 the organization. For incorporated entities, a copy of the organization's
23 bylaws shall satisfy this requirement;
- 24 5. The names, addresses, dates of birth, and Social Security numbers of all
25 officers of the organization;
- 26 6. The names, addresses, dates of birth, and Social Security numbers of all
27 employees and members of the organization who will be involved in the

- 1 management and supervision of charitable gaming. No fewer than two
2 (2) employees or members of the organization who are involved in the
3 management and supervision of charitable gaming, along with the chief
4 executive officer or the director of the applicant organization, shall be
5 designated as chairpersons;
- 6 7. The address of the location at which charitable gaming will be
7 conducted and the name and address of the owner of the property, if it is
8 owned by a person other than the organization;
- 9 8. A copy of the letter or other legal document issued by the Internal
10 Revenue Service to grant tax-exempt status;
- 11 9. A statement signed by the presiding or other responsible officer of the
12 organization attesting that the information submitted in the application is
13 true and correct and that the organization agrees to comply with all
14 applicable laws and administrative regulations regarding charitable
15 gaming;
- 16 10. An agreement that the organization's records may be released by the
17 federal Internal Revenue Service to the department; and
- 18 11. Any other information as determined by the department through the
19 promulgation of administrative regulations.
- 20 (15) The department may issue a license for a specified period of time, based on the type
21 of charitable gaming involved and the desired duration of the activity.
- 22 (16) The department shall charge a fee for each license issued and renewed, not to
23 exceed three hundred dollars (\$300). Specific fees to be charged shall be prescribed
24 in a graduated scale promulgated by administrative regulations and based on type of
25 license, type of charitable gaming, actual or projected gross receipts, or other
26 applicable factors, or combination of factors.
- 27 (17) (a) A licensed charitable organization may place its charitable gaming license in

1 escrow if:

- 2 1. The licensee notifies the department in writing that it desires to place its
- 3 license in escrow; and
- 4 2. The license is in good standing and the department has not initiated
- 5 disciplinary action against the licensee.

6 (b) During the escrow period, the licensee shall not engage in charitable gaming,
7 and the escrow period shall not be included in calculating the licensee's
8 retention rate under KRS 238.536.

9 (c) A charitable organization may apply for reinstatement of its active license and
10 the license shall be reinstated provided:

- 11 1. The charitable organization continues to qualify for licensure;
- 12 2. The charitable organization has not engaged in charitable gaming during
- 13 the escrow period; and
- 14 3. The charitable organization pays a reinstatement fee established by the
- 15 department.

16 ➔Section 5. KRS 238.545 is amended to read as follows:

17 (1) A licensed charitable organization shall be limited by the following:

18 (a) In the conduct of bingo, to one (1) session per day, two (2) sessions per week,
19 for a period not to exceed five (5) consecutive hours in any day and not to
20 exceed ten (10) total hours per week:

- 21 1. No licensed charitable organization shall conduct bingo at more than
- 22 one (1) location during the same twenty-four (24) hour period;
- 23 2. No licensed charitable organization shall award prizes for bingo that
- 24 exceed ***ten thousand dollars (\$10,000)***~~five thousand dollars (\$5,000)~~
- 25 in fair market value per twenty-four (24) hour period, including the
- 26 value of door prizes; and
- 27 3. No person under the age of eighteen (18) shall be permitted to purchase

- 1 bingo supplies or play bingo unless he or she is playing for noncash
2 prizes and is accompanied by a parent or legal guardian and only if the
3 value of any noncash prize awarded does not exceed ten dollars (\$10);
- 4 (b) 1. A licensed charitable organization may provide card-minding devices
5 for use by players of bingo games.
- 6 2. If a licensed charitable organization offers card-minding devices for use
7 by players, the devices shall be capable of being used in conjunction
8 with bingo cards or paper sheets at all times.
- 9 3. The department shall have broad authority to define and regulate the use
10 of card-minding devices and shall promulgate an administrative
11 regulation concerning use and control of them;
- 12 (c) Charity game tickets shall be sold only at the address of the location
13 designated on the license to conduct charitable gaming;
- 14 (d) Charity game tickets may be sold, with prior approval of the department:
- 15 1. At any authorized special charity fundraising event conducted by a
16 licensed charitable organization at any off-site location; or
- 17 2. By a licensed charitable organization possessing a special limited
18 charitable gaming license at any off-site location; and
- 19 (e) An automated charity game ticket dispenser may be utilized by a licensed
20 charitable organization, with the prior approval of the department, only at the
21 address of the location designated on the license to conduct charitable gaming.
22 The department shall promulgate administrative regulations regulating the use
23 and control of approved automated charity game ticket dispensers.
- 24 (2) (a) No prize for an individual charity game ticket shall exceed five hundred
25 ninety-nine dollars (\$599) in value, not including the value of cumulative or
26 carryover prizes awarded in seal card games.
- 27 (b) Cumulative or carryover prizes in seal card games shall not exceed two

1 thousand four hundred dollars (\$2,400).

2 (c) Information concerning rules of the particular game and prizes that are to be
3 awarded in excess of fifty dollars (\$50) in each separate package or series of
4 packages with the same serial number and all rules governing the handling of
5 cumulative or carryover prizes in seal card games shall be posted prominently
6 in an area where charity game tickets are sold. A legible poster that lists prizes
7 to be awarded, and on which prizes actually awarded are posted at the
8 completion of the sale of each separate package shall satisfy this requirement.

9 (d) Any unclaimed money or prize shall return to the charitable organization.

10 (e) No paper charity game ticket shall be sold in the Commonwealth of Kentucky
11 that does not conform to the standards for opacity, randomization, minimum
12 information, winner protection, color, and cutting established by the
13 department.

14 (f) No electronic pulltab device representation of a charity game ticket shall be
15 sold in the Commonwealth of Kentucky that does not conform to the
16 construction standards set forth in an administrative regulation promulgated
17 by the department. Electronic pulltab devices shall only be used for charitable
18 gaming.

19 (g) No person under the age of eighteen (18) shall be permitted to purchase, or
20 open in any manner, a charity game ticket.

21 (3) (a) Tickets for a raffle shall be sold separately, and each ticket shall constitute a
22 separate and equal chance to win.

23 (b) All raffle tickets shall be sold for the price stated on the ticket, and no person
24 shall be required to purchase more than one (1) ticket or to pay for anything
25 other than a ticket to enter a raffle.

26 (c) Raffle tickets and tickets for charity fundraising raffle games approved by the
27 department which are offered exclusively at charity fundraising events and

1 special limited charity fundraising events are not required to be sold
2 separately and may be sold at discounted package rates.

3 (d) Raffle tickets shall have a unique identifier on each ticket.

4 (e) Winners shall be drawn at random at a date, time, and place announced in
5 advance or printed on the ticket.

6 (f) All prizes for a raffle shall be identified in advance of the drawing and all
7 prizes identified shall be awarded.

8 (4) With respect to charity fundraising events, a licensed charitable organization shall
9 be limited as follows:

10 (a) No licensed charitable organization shall conduct a charity fundraising event
11 or a special limited charity fundraising event unless they have a license for the
12 respective event issued by the department;

13 (b) No special license shall be required for any wheel game, such as a cake wheel,
14 that awards only noncash prizes the value of which does not exceed one
15 hundred dollars (\$100);

16 (c) The department may grant approval for a licensed charitable organization to
17 play bingo games at a charity fundraising event. Cash prizes for bingo games
18 played during a charity fundraising event may not exceed ~~ten~~^{five} thousand
19 dollars ~~(\$10,000)~~^(\$5,000) for the entire event. No person under the age of
20 eighteen (18) shall be permitted to play bingo at a charity fundraising event
21 unless accompanied by a parent or legal guardian;

22 (d) The department may grant approval for a licensed charitable organization to
23 play special limited charitable games at a charity fundraising event authorized
24 under this section. The department shall not grant approval for the playing of
25 special limited charitable games under the provisions of a charity fundraising
26 event license unless the proposed event meets the definition of a charity
27 fundraising event in Section 1 of this Act and is held for community, social,

1 or entertainment purposes apart from charitable gaming~~[in accordance with~~
2 ~~KRS 238.505(8)]~~;

3 (e) Except for state, county, city fairs, and special limited charity fundraising
4 events, a charity fundraising event license issued under this section shall not
5 exceed seventy-two (72) consecutive hours. A licensed charitable
6 organization shall not be eligible for more than eight (8) total charity
7 fundraising event licenses per year, including two (2) special limited charity
8 fundraising event licenses. No person under eighteen (18) years of age shall
9 be allowed to play or conduct any special limited charitable game. The
10 department shall have broad authority to regulate the conduct of special
11 limited charity fundraising events in accordance with the provisions of KRS
12 238.547; and

13 (f) Charity fundraising events may be held:

- 14 1. On or in the premises of a licensed charitable organization;
- 15 2. In a licensed charitable gaming facility, subject to restrictions contained
16 in KRS 238.555(7); or
- 17 3. At an unlicensed facility which shall be subject to the requirements
18 stipulated in KRS 238.555(3), and subject to the restrictions contained in
19 KRS 238.547(2).

20 (5) Presentation of false, fraudulent, or altered identification by a minor shall be an
21 affirmative defense in any disciplinary action or prosecution that may result from a
22 violation of age restrictions contained in this section, if the appearance and
23 character of the minor were such that his or her age could not be reasonably
24 ascertained by other means.

25 ➔Section 6. KRS 238.550 is amended to read as follows:

26 (1) All adjusted gross receipts from charitable gaming shall be handled only by
27 chairpersons, officers, or employees of the licensed charitable organization.

- 1 (2) Except as provided in subsection (11) of this section, within two (2) business days
2 after the completion of a charitable gaming event or session, all gross receipts and
3 adjusted gross receipts shall be deposited into one (1) checking account devoted
4 exclusively to charitable gaming. This checking account shall be designated the
5 "charitable gaming account," and the licensed charitable organization shall maintain
6 its account at a financial institution located in the Commonwealth of Kentucky. No
7 other funds may be deposited or transferred into the charitable gaming account.
- 8 (3) All payments for charitable gaming expenses, payments made for prizes purchased,
9 and any charitable donations from charitable gaming receipts shall be made from
10 the charitable gaming account and the payments or donations shall be made only by
11 bona fide officers of the organization by checks having preprinted consecutive
12 numbers and made payable to specific persons or organizations. No check drawn on
13 the charitable gaming account may be made payable to "cash," or "bearer," except
14 that a licensed charitable organization may withdraw start-up funds for a charitable
15 gaming event or session from the charitable gaming account by check made payable
16 to "cash" or "bearer," if these start-up funds are redeposited into the charitable
17 gaming account together with all adjusted gross receipts derived from the particular
18 event or session. Checks shall be imprinted with the words "charitable gaming
19 account" and shall contain the organization's license number on the face of each
20 check. Payments for charitable gaming expenses, prizes purchased, and charitable
21 donations may be made by electronic funds transfer if the payments are made to
22 specific persons or organizations. The department may by administrative regulation
23 adopt alternative reporting requirements for charitable gaming of limited scope or
24 duration, if these requirements are sufficient to ensure accountability for all moneys
25 handled.
- 26 (4) A licensed charitable organization shall expend net receipts exclusively for
27 purposes consistent with the charitable, religious, educational, literary, civic,

1 fraternal, or patriotic functions or objectives for which the licensed charitable
2 organization received and maintains federal tax-exempt status, or consistent with its
3 status as a common school, an institution of higher education, or a state college or
4 university. No net receipts shall inure to the private benefit or financial gain of any
5 individual.

6 (5) Accurate records and books shall be maintained by each organization exempt from
7 licensure under KRS 238.535(1) and each licensed charitable organization for a
8 period of three (3) years. Department staff shall have access to these records at
9 reasonable times. Licensed charitable organizations and exempt organizations shall
10 maintain their charitable gaming records at their offices or places of business within
11 the Commonwealth of Kentucky as identified in their license applications or
12 applications for exempt status. An exempt organization shall submit a yearly
13 financial report in accordance with KRS 238.535(2), and failure to file this report
14 shall constitute grounds for revocation of the organization's exempt status.

15 (6) All licensed charitable organizations that have annual gross receipts of two hundred
16 thousand dollars (\$200,000) or less and do not have a weekly bingo session shall
17 report to the department annually at the time and on a form established in
18 administrative regulations promulgated by the department.

19 (7) All other licensed charitable organizations shall submit reports to the department at
20 least quarterly at the time and on a form established in administrative regulations
21 promulgated by the department.

22 (8) Failure by a licensed charitable organization to file reports required under this
23 chapter shall constitute grounds for revocation of the organization's license or
24 denial of the organization's application to renew its license in accordance with KRS
25 238.560(3). Reports filed by a licensed charitable organization shall include but
26 shall not be limited to the following information:

27 (a) All gross receipts received from charitable gaming for the reporting period,

- 1 classified by type of gaming activity;
- 2 (b) The names and addresses of all persons who are winners of prizes having a
- 3 fair market value of six hundred dollars (\$600) or more;
- 4 (c) All expenses paid and the names and addresses of all persons to whom
- 5 expenses were paid;
- 6 (d) All net receipts retained and the names and addresses of all charitable
- 7 endeavors that received money from the net receipts; and
- 8 (e) Any other information the department deems appropriate.
- 9 (9) No licensed charitable organization shall incur charitable gaming expenses, except
- 10 as provided in this chapter. No licensed charitable organization shall be permitted to
- 11 expend amounts in excess of prevailing market rates for the following charitable
- 12 gaming expenses:
- 13 (a) Charitable gaming supplies and equipment;
- 14 (b) Rent;
- 15 (c) Utilities;
- 16 (d) Insurance;
- 17 (e) Advertising;
- 18 (f) Janitorial services;
- 19 (g) Bookkeeping and accounting services;
- 20 (h) Security services;
- 21 (i) Membership dues for its participation in any charitable gaming trade
- 22 organization; and
- 23 (j) Any other expenses the department may determine by administrative
- 24 regulation to be legitimate.
- 25 (10) No licensed charitable organization shall expend receipts from charitable gaming
- 26 activities nor incur expenses to form, maintain, or operate as a labor organization.
- 27 **(11) For the purposes of deposits under subsection (2) of this section, a licensed**

- 1 charitable organization conducting charitable gaming events or sessions shall
2 only be required to deposit its gross receipts and adjusted gross receipts one (1)
3 time per week if the following conditions are met:
- 4 (a) The charitable gaming involves only games using charity game tickets;
5 (b) The charitable gaming is not part of a charity fundraising event; and
6 (c) The licensed charitable organization's deposits of gross receipts and
7 adjusted gross receipts from charitable gaming total less than two thousand
8 five hundred dollars (\$2,500) in the week prior to the deposit.