

AN ACT proposing to create a new section of the Constitution of Kentucky and amending a section of the Constitution of Kentucky relating to the Kentucky state lottery.

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

1 ➔SECTION 1. IT IS PROPOSED THAT A NEW SECTION BE ADDED TO
2 THE CONSTITUTION OF KENTUCKY TO READ AS FOLLOWS:

3 (1) The General Assembly may by general law permit the operation of video
4 lottery terminals on behalf of the Commonwealth as part of the Kentucky state lottery.

5 (2) If enacted, the laws relating to the video lottery terminals shall:

6 (a) Require that the video lottery terminals are authorized only in counties
7 containing horse racing tracks licensed to operate in the Commonwealth prior to the
8 adoption of this section;

9 (b) Permit the operation of video lottery terminals in a county authorized by
10 paragraph (a) of this subsection only upon the approval of the majority of the votes
11 cast in that county at an election upon the question of whether to permit the operation
12 of video lottery terminals in that county;

13 (c) Ensure that the video lottery terminals are strictly regulated within the
14 Kentucky state lottery in the public interest;

15 (d) Establish standards necessary to ensure honesty, integrity, and public
16 confidence in the licensing and fees, taxation, and operation of video lottery terminals;

17 (e) Establish qualifications for:

18 1. Individuals and entities to hold a video lottery terminal license; and

19 2. Individuals to operate video lottery terminals and to participate in the
20 operation of video lottery terminals;

21 (f) Establish a process for the transfer of a license to operate video lottery
22 terminals; and

23 (g) Require that licenses to operate video lottery terminals shall expire after
24 twenty-five (25) years.

1 (3) If the General Assembly enacts laws permitting the operation of video
2 lottery terminals, it shall provide for the collection and disbursal of net terminal
3 revenue. "Net terminal revenue" means the total amount of revenue from video lottery
4 terminals less the total value of coins, vouchers, tokens, or other indicators of value
5 redeemed as winnings by players, excluding any promotional free play credits or
6 tokens.

7 (a) Each year, the first twenty-five percent (25%) of the net terminal revenue,
8 but no less than one hundred million dollars (\$100,000,000), shall fund an equine
9 excellence fund to ensure that purses, prizes, breeders' incentives, horsemen services,
10 and equine research, regulation, and marketing in the Commonwealth are
11 commensurate or superior to similar programs in other states. Distributions from the
12 fund shall only be made if the horse racing tracks licensed to operate in the
13 Commonwealth collectively maintain a racing schedule for all twelve (12) months of
14 the year;

15 (b) Fifty percent (50%), less any funds necessary to ensure the full funding of
16 the equine excellence fund and to pay the administrative costs of the Kentucky state
17 lottery for regulating video lottery terminals, shall fund a building Kentucky's future
18 fund for the construction of infrastructure projects and the retirement of debt service.
19 The building Kentucky's future fund:

20 1. Shall have its principal invested prudently to protect the fund and produce
21 interest income;

22 2. May be appropriated by the General Assembly in an amount up to fifty
23 percent (50%) of the fund total to retire debt service on bonds; and

24 3. May fund infrastructure projects with principal and interest not used to
25 retire debt service payments.

26 (c) Twenty-five percent (25%) shall be paid to the license holders operating the
27 video lottery terminals.

1 (4) If the General Assembly enacts laws permitting the operation of video
 2 lottery terminals, those laws shall establish a process by which licenses are awarded by
 3 a competitively bid process and shall provide for the distribution of funds generated by
 4 the awarding of video lottery terminal operation licenses equally between the equine
 5 excellence fund and the building Kentucky's future fund.

6 ➔Section 2. It is proposed that Section 226 of the Constitution of Kentucky be
 7 amended to read as follows:

8 (1) The General Assembly may establish a Kentucky state lottery and may
 9 establish a state lottery to be conducted in cooperation with other states. Any lottery so
 10 established shall be operated by or on behalf of the Commonwealth of Kentucky.

11 (2) The General Assembly may by general law permit charitable lotteries and
 12 charitable gift enterprises and, if it does so, it shall:

13 (a) Define what constitutes a charity or charitable organization;

14 (b) Define the types of charitable lotteries and charitable gift enterprises which
 15 may be engaged in;

16 (c) Set standards for the conduct of charitable lotteries and charitable gift
 17 enterprises by charitable organizations;

18 (d) Provide for means of accounting for the amount of money raised by lotteries
 19 and gift enterprises and for assuring its expenditure only for charitable purposes;

20 (e) Provide suitable penalties for violation of statutes relating to charitable
 21 lotteries and charitable gift enterprises; and

22 (f) Pass whatever other general laws the General Assembly deems necessary to
 23 assure the proper functioning, honesty, and integrity of charitable lotteries and charitable
 24 gift enterprises, and the charitable purposes for which the funds are expended.

25 (3) Except as provided in this section and Section 1 of this Act, lotteries and gift
 26 enterprises are forbidden, and no privileges shall be granted for such purposes, and none
 27 shall be exercised, and no schemes for similar purposes shall be allowed. The General

1 Assembly shall enforce this section by proper penalties. All lottery privileges or charters
2 heretofore granted are revoked.

3 ➔Section 3. This amendment shall be submitted to the voters of the
4 Commonwealth for their ratification or rejection at the time and in the manner provided
5 for under Sections 256 and 257 of the Constitution and under KRS 118.415. The question
6 to be presented to the voters shall read as follows: "Are you in favor of permitting the
7 General Assembly to authorize video lottery terminals that are regulated by the Kentucky
8 Lottery and permitted only in counties currently containing licensed horse racing tracks
9 and upon voter approval in those counties, in order to support Kentucky's horse industry
10 and fund infrastructure projects?"