

**154A.400 Statewide network of lottery retailers -- Criteria for selection -- Uniform fees -- Suspension, revocation or termination of contract -- Purchase or lease of on-line equipment -- Contracts not transferable or assignable -- Certificates -- General Assembly members not prohibited from being retailers -- Payment of prize -- Sales tax exemption.**

- (1) (a) The General Assembly hereby recognizes that to conduct a successful lottery, the corporation must develop and maintain a statewide network of lottery retailers that will serve the public convenience or promote the sale of tickets, while insuring the integrity of the lottery.
- (b) To govern the selection of lottery retailers, the board shall, by administrative regulation, develop a list of objective criteria upon which the selection of lottery retailers shall be based. Separate criteria shall be developed to govern the selection of retailers of instant tickets and on-line retailers. In developing these criteria the board shall consider such factors as the applicant's financial responsibility, security of the applicant's place of business or activity, integrity, and reputation; however, the board shall not consider political affiliation, activities, or monetary contributions to political organizations or candidates for any public office. The criteria shall include, but not be limited to the following:
  1. The applicant shall be current in payment of all taxes, interest and penalties owed to any taxing subdivision where the lottery retailer will sell lottery tickets;
  2. The applicant shall be current in filing all applicable tax returns and in payment of all taxes, interest and penalties owed to the Commonwealth of Kentucky, excluding items under formal appeal pursuant to applicable statutes;
  3. No person, partnership, unincorporated association, corporation, or other business entity shall be selected as a lottery retailer for the sale of instant tickets or on-line games who:
    - a. Has been convicted of a felony related to the security or integrity of the lottery in this or any other jurisdiction, unless at least ten (10) years have passed since satisfactory completion of the sentence or probation imposed by the court for each felony;
    - b. Has been convicted of any illegal gambling activity in this or any other jurisdiction, unless at least ten (10) years have passed since satisfactory completion of the sentence or probation imposed by the court for each conviction;
    - c. Has been found to have violated the provisions of this chapter or any administrative regulation adopted hereunder, unless at least ten (10) years have passed since the violation;
    - d. Is a vendor or an employee or agent of any vendor doing business with the corporation;
    - e. Resides in the same household as an officer of the corporation; or
    - f. Has made a statement of material fact to the corporation,

knowing such statement to be false, unless at least ten (10) years have passed since the statement was made.

4. Retailers shall be afforded the same exceptions to disqualification as provided for vendors in KRS 154A.600(4)(a) and (b) or (c).
  5. In addition to the provisions of subsection (3) of this section, no person, partnership, unincorporated association, corporation, or other business entity shall be selected as an on-line lottery retailer who:
    - a. Has been denied a license to sell instant tickets on the basis of objective criteria established by the board, or any provision of this chapter; or
    - b. Has failed to sell sufficient instant tickets to indicate that the location of an on-line game at his outlet would be of economic benefit to him or the lottery corporation.
  6. The applicant shall not be engaged exclusively in the sale of lottery tickets. However, this paragraph does not preclude the corporation from contracting for the sale of lottery tickets with nonprofit, charitable organizations or units of local government in accordance with the provisions of this chapter.
- (c) Persons applying to become lottery retailers shall be charged a uniform application fee for each lottery outlet. Retailers chosen to participate in on-line games shall be charged a uniform annual fee for each on-line outlet.
  - (d) Any lottery retailer contract executed pursuant to this section may, for good cause, be suspended, revoked, or terminated by the president if the retailer is found to have violated any of the objective criteria established by the board as provided in subsection (1) of this section. Review of such action shall be in accordance with the procedures outlined in KRS 154A.090. All lottery retailer contracts shall be renewable annually after issuance unless sooner canceled or terminated.
- (2)
    - (a) A retailer who has been denied an on-line game for reasons other than financial responsibility, security, or integrity shall be permitted to purchase or lease the equipment necessary to operate such a game from the corporation in a manner consistent with the corporation's manner of acquisition. A retailer need not file an appeal before being permitted to purchase or lease on-line equipment.
    - (b) After one (1) year of operation, any retailer who purchased or leased on-line equipment pursuant to paragraph (a) of this subsection and whose sales are equal to or greater than the statewide average of sales of on-line retailers, shall be reimbursed the cost of the purchase or lease by the corporation. The board may purchase the terminals of other retailers who purchased their equipment if the board determines that such purchase is in the best interest of the lottery.
  - (3) No lottery retailer contract awarded under this section shall be transferable or assignable. No lottery retailer shall contract with any person for lottery goods or services except with the approval of the board.

- (4) Each lottery retailer shall be issued a lottery retailer certificate which shall be conspicuously displayed at the place where the lottery retailer is authorized to sell lottery tickets. Lottery tickets shall only be sold by the retailer at the location stated on the lottery retailer certificate.
- (5) A member of the General Assembly who meets the same requirements as any other applicant to be a retailer may be granted a retail contract to sell lottery tickets or participate in any other lottery game operations. No member of the General Assembly shall be entitled to preference over any other applicant for a contract.
- (6) For the convenience of the public, all retailers shall be authorized to pay winners up to six hundred dollars (\$600) after the retailer performs validation procedures appropriate to the lottery game involved. Lottery tickets shall be exempt from the Kentucky sales tax.

**Effective:** December 15, 1988

**History:** Created 1988 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 9, effective December 15, 1988.