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MEMORANDUM

TO: Jennifer Wolsing, General Counsel, Kentucky Horse Racing Commission

FROM: Emily Caudill, Regulations Compiler

RE: Acknowledgement of Proposed & Emergency Regulation – 809 KAR 010:001 & E, 809 KAR 010:002 & E, 809 KAR 010:003 & E, 809 KAR 010:004 & E, 809 KAR 010:005 & E, 809 KAR 010:006 & E, 809 KAR 010:007 & E, 809 KAR 010:008 & E

DATE: July 10, 2023

A copy of the ordinary and emergency administrative regulations listed above are enclosed for your files. Pursuant to KRS 13A.190, the emergency administrative regulation became effective upon filing with our office on **July 10, 2023** and, unless an extension on the accompanying ordinary is requested, will expire either in 270 days on **April 5, 2024**, or when replaced by its corresponding ordinary regulation, whichever occurs first. Please note - Expiration dates may be impacted by legislation or other statutes.

Emergency regulation

The emergency regulation is tentatively scheduled for review by the Administrative Regulation Review Subcommittee at its **September 2023** meeting. We will notify you of the date and time of this meeting once it has been scheduled. Pursuant to KRS 13A.280, *if* comments are received during the public comment period, a Statement of Consideration for this emergency regulation is due **by noon on September 15, 2023**.

Ordinary regulation

The ordinary regulation is tentatively scheduled for review by the Administrative Regulation Review Subcommittee at its **October 2023** meeting. We will notify you of the date and time of this meeting once it has been scheduled. Pursuant to KRS 13A.280, *if* comments are received during the public comment period, a Statement of Consideration for this ordinary regulation or a one-month extension request is due **by noon on October 13, 2023**.

Please reference KRS 13A.270 and 13A.280 for other requirements relating to the public hearing and public comment period and Statements of Consideration.

If you have questions, please contact us at RegsCompiler@LRC.ky.gov or (502) 564-8100.

Enclosures


FILED WITH LRC
TIME: 4pm
JUL 10 2023
Emily B. Custill
REGULATIONS COMPILER

STATEMENT OF EMERGENCY

809 KAR 10:005E +0

This emergency regulatory amendment is promulgated to prevent a loss of state funds that are required to be deposited with the State Treasury pursuant to KRS 230.817, and to meet an imminent deadline for the promulgation of an administrative regulation that is established by state statute. More specifically, this administrative regulation is filed on an emergency basis to ensure: (1) that funds are timely remitted to the State Treasury in accordance with the General Assembly's statutory mandate set out in KRS 230.817; and (2) that a fully functioning sports wagering system is established within six (6) months of the effective date of House Bill 551 (2023 Regular Session), pursuant to the timeline established in KRS 230.361. The Kentucky Horse Racing Commission therefore seeks to implement sports wagering on an emergency basis, in order to comply with the above-referenced statutory requirements.

This emergency regulation will be replaced by an ordinary administrative regulation at this time. The ordinary administrative regulation is identical to this emergency administrative regulation.



Andy Beshear
Governor



Ray Perry
Secretary, Public Protection

1 PUBLIC PROTECTION CABINET

2 KENTUCKY HORSE RACING COMMISSION

3 New emergency administrative regulation

4 809 KAR 10:005E. Licensed Premises

5 RELATES TO: KRS Chapter 230

6 STATUTORY AUTHORITY: KRS 230.260(16), KRS 230.361, KRS 230.805

7 NECESSITY, FUNCTION, AND CONFORMITY: KRS 230.260 requires the
8 commission to “promulgate administrative regulations to establish standards for the
9 conduct of sports wagering.” KRS 230.361 states the “racing commission shall
10 promulgate administrative regulations to establish a fully functioning sports wagering
11 system....” KRS 230.805 permits sports wagering at a licensed facility for sports wagering
12 on Licensed Premises. This administrative regulation establishes controls for sports
13 wagering on Licensed Premises, including the floor plan, security, surveillance, sports
14 wagering windows, sports wagering kiosks, sports wagers and vouchers, drop and count,
15 and incident reporting.

16 Section 1. Floor Plan.

17 (1) An applicant for a sports wagering operator’s license shall specify where sports
18 wagering will take place within the Licensed Facility for Sports Wagering, if any, by
19 providing the following information:

1 (a) A drawing to scale of the building, and each floor thereof, in which sports
2 wagering shall be conducted, at a scale sufficient to identify all of the information
3 established in this section.

4 (b) The drawing shall depict the following information:

5 1. The total square footage of the Race and Sports Book Location;

6 2. A diagram, outlined in red, of the proposed designated area for the Sports
7 Wagering, if any, on each floor within the building;

8 3. The Race and Sports Book Locations, including each Wagering Window;

9 4. The locations of each Sports Wagering Kiosk;

10 a. Notwithstanding the foregoing, Licensees may move Sports Wagering Kiosks
11 from one location to another with approval of the racing commission.

12 5. Any Race and Sports Book Location that is, or is from time to time, a restricted
13 Race and Sports Book Location, specifying the nature of the restrictions and when they
14 will apply;

15 6. Each cage;

16 7. The count room;

17 8. The vault;

18 9. Any other restricted areas; and

19 10. All areas subject to surveillance.

20 (c) A certificate of compliance approved by the local fire and building officials which
21 has been approved; and a written statement by the appropriate local official that
22 handicapped access to the designated Licensed Facility for Sports Wagering has been
23 provided.

1 (2) The Race and Sports Book shall include both sports wagering and pari-mutuel
2 products.

3 (a) All floor plans for a Race and Sports Book shall be approved by the commission.
4 In considering a request related to a floor plan, the commission shall consider, among
5 other things:

6 1. The equitable number, size, and picture clarity of displays or other equipment
7 used to show broadcasts of horse racing and sporting events;

8 2. The equitable number of sports wagering kiosks and pari-mutuel wagering
9 terminals; and,

10 3. The presence of a live sports wagering teller on the Licensed Premises.

11 (3) The designated Licensed Facility for Sports Wagering and simulcasting areas
12 shall be approved by the commission as a condition of license approval.

13 (4) A floor plan may be amended upon request by the Licensed Premises and
14 approval by the racing commission. Such a request shall be filed with the racing
15 commission in writing at least seventy-two (72) hours prior to the time for which
16 implementation of the amendment(s) is sought.

17 (5) If a Licensee includes a sports wagering kiosk in a simulcast area, the layout
18 of the simulcast area shall be subject to commission approval.

19 Section 2. Race and Sports Book Locations.

20 (1) Designated Race and Sports Book Locations within the Licensed Premises
21 shall be established so as to control access by the general public and prevent entry by
22 any patron who is under eighteen (18) years of age or is otherwise not permitted to place
23 wagers.

1 Section 3. Underage Persons Prohibited from Wagering.

2 An Underage Person shall not be permitted by any Licensee to purchase or cash
3 a sports wagering ticket or voucher.

4 Section 4. Anonymous Wagers and Payouts Greater Than \$10,000

5 The requirements of this section only apply for wagers and payouts not associated
6 with a sports wagering account.

7 (1) Prior to accepting any wager in excess of ten thousand (10,000) dollars or
8 making a payout in excess of ten thousand (10,000) dollars on a winning wager, a
9 Licensee shall obtain and record the following information:

10 (a) The patron's full legal name;

11 (b) The patron's date of birth;

12 (c) The patron's principal physical address other than a post office box;

13 (d) The patron's Social Security number, or the last four (4) digits of the Social
14 Security number, or an equivalent government identification number for a noncitizen, such
15 as a passport or taxpayer identification number; and

16 (e) The document number from one of the following valid identification credentials
17 collected from the patron to verify their identity:

18 1. Driver's license;

19 2. Passport;

20 3. Non-resident alien identification card;

21 4. Other reliable government-issued identification credentials; or

22 5. Other picture identification credential normally acceptable as a means of
23 identification when cashing checks.

1 (2) Subsequent to accepting a wager in excess of ten thousand (10,000) dollars or
2 making a payout in excess of ten thousand (10,000) dollars on a winning wager the
3 Licensee shall maintain records for five (5) years that include:

- 4 (a) The time and date of the wager or payout;
- 5 (b) The amount of the wager or payout;
- 6 (c) The patron's full legal name;
- 7 (d) The ticket writer or other identification of the location where the wager or payout
8 occurred; and
- 9 (e) The identification of the employee(s) accepting or approving the wager and
10 payout on the wager.

11 (3) Licensees shall monitor all wagers and payouts to ensure patrons are not
12 circumventing the recording and reporting requirements of this section.

13 Section 5. Wagering Windows

14 (1) Each Licensed Premises may have one or more Wagering Windows located in
15 the Race and Sports Book Location or other window locations as approved by the racing
16 commission.

17 (2) A Wagering Window shall:

18 (a) Be designed and constructed to provide maximum security for the materials
19 stored and the activities performed therein, in a manner approved by the racing
20 commission;

21 (b) Include one or more Ticket Writer Stations, each of which shall:

- 22 1. Interface with the Sports Wagering System for all sports wagers placed;

1 2. Contain a permanently affixed number, which shall be visible to the surveillance
2 system;

3 3. Contain manually triggered silent alarm systems, which shall be connected
4 directly to the surveillance operation room(s); and

5 4. Contain full enclosures, unless funds are either secured in a drop safe approved
6 by the racing commission or transferred to the vault or cage;

7 (c) Include manually triggered silent alarm systems, which shall be connected
8 directly to the surveillance operation room(s);

9 (d) Provide for surveillance equipment capable of accurate visual monitoring and
10 recording of any activities; and

11 (e) Require any emergency exit door that is not a mantrap to be alarmed.

12 (3) A Wagering Window shall have access to a secure location, such as a vault, for
13 the purpose of storing funds issued by a cage to be used in the operation of Sports
14 Wagering. The secure location shall:

15 (a) Be a fully enclosed room, located in an area not accessible to the public;

16 (b) Have a metal door with a locking mechanism that shall be maintained and
17 controlled by the wagering manager;

18 (c) Have an alarm device that signals surveillance personnel if the door to the
19 secure location is opened; and

20 (d) Have surveillance equipment capable of accurate visual monitoring and
21 recording of all activities in the secure location.

22 (4) A Wagering Window shall have an operating balance not to exceed an amount
23 specified in the Licensee's Internal Controls and approved by the racing commission.

1 Funds in excess of the operating balance shall be transferred to the cage in a secured
2 container by an employee of the counter accompanied by a security officer. Prior to
3 transporting the funds, security personnel shall notify surveillance personnel that the
4 transfer will take place. Surveillance personnel shall monitor the transfer. The funds shall
5 be transferred with appropriate documentation as set forth in the Internal Controls, as
6 approved by the commission.

7 (5) The assets for which each ticket writer is responsible shall be maintained on
8 an imprest basis. A ticket writer shall not permit any other person to access the Ticket
9 Writer's imprest inventory.

10 (6) A ticket writer shall begin a shift with an imprest amount of currency and coin
11 to be known as the "wagering inventory." No funds shall be added to or removed from the
12 Wagering inventory during such shift except:

13 (a) In collection of Sports Wagers;

14 (b) In order to make change for a patron placing a wager;

15 (c) In collection for the issuance of vouchers;

16 (d) In payment of winning or properly cancelled or refunded Wagers;

17 (e) In payment of vouchers;

18 (f) To process deposits or withdrawals to or from a Sports Wagering Account,
19 where supported;

20 (g) In exchanges with the cashier's cage, a satellite cage, or vault supported by
21 proper documentation which documentation shall be sufficient for accounting
22 reconciliation purposes; or

23 (h) In payment of appeasement payments.

1 (7) A wagering inventory slip shall be completed and signed by the wagering
2 manager, and the following information shall be recorded thereon at the commencement
3 of a shift:

4 (a) The date, time, and shift of preparation;

5 (b) The denomination of currency and coin in the wagering inventory issued to the
6 ticket writer;

7 (c) The total amount of each denomination of currency and coin in the Wagering
8 inventory issued to the ticket writer;

9 (d) The Ticket Writer station to which the ticket writer is assigned; and

10 (e) The signature of the wagering manager.

11 (8) A ticket writer assigned to a Ticket Writer Station shall count and verify the
12 wagering inventory at the vault or other approved location and shall reconcile the count
13 to the Wagering Inventory Slip. The ticket writer shall sign the count sheet attesting to the
14 accuracy of the information recorded thereon. The wagering inventory shall be placed in
15 a ticket writer's drawer and transported directly to the appropriate Ticket Writer station by
16 the ticket writer.

17 (9) If funds are transferred from the vault to a ticket writer, the wagering manager
18 responsible for the vault shall prepare a two-part Writer Transfer-Out form. Upon
19 completion of the form, the original shall be retained by the vault manager and the
20 duplicate shall be retained by the ticket writer. The form shall include:

21 (a) Date and time of the transfer;

22 (b) Designation of the vault location;

23 (c) Ticket Writer Station to where the funds are being transferred to;

- 1 (d) Amount of each denomination being transferred;
- 2 (e) Total amount of the transfer;
- 3 (f) Signature of the preparer of the transfer;
- 4 (g) Signature of the manager verifying and issuing the funds; and
- 5 (h) Signature of the ticket writer verifying and receiving the funds.

6 (10) If funds are transferred from the ticket writer to a vault, a two-part Writer
7 Transfer-In form shall be prepared. Upon completion of the form, the original shall be
8 retained by the ticket writer and the duplicate shall be immediately returned with the funds
9 to the vault. The form shall include:

- 10 (a) Date and time of the transfer;
- 11 (b) Designation of the vault location where the funds are being transferred to;
- 12 (c) Ticket Writer station to where the funds are being transferred from;
- 13 (d) Amount of each denomination being transferred;
- 14 (e) Total amount of the transfer;
- 15 (f) Signature of the ticket writer verifying and sending the funds to the vault; and
- 16 (g) Signature of the manager verifying and receiving the funds.

17 (11) At the conclusion of a ticket writer's shift, the ticket writer's drawer and its
18 contents shall be transported directly to the vault or to a location approved by the racing
19 commission in the Wagering Window, where the ticket writer shall count the contents of
20 the drawer and record on the Wagering Inventory Slip the following information:

- 21 (a) The date, time, and shift of preparation;
- 22 (b) The denomination of currency and coupons in the drawer;
- 23 (c) The total amount of each denomination of currency and coupons in the drawer;

1 (d) The total of the Writer Transfer-Out forms;

2 (e) The total of the Writer Transfer-In forms;

3 (f) The total amount in the drawer; and

4 (g) The signature of the ticket writer.

5 (12) The wagering manager shall compare the ticket writer closing balance to the
6 Wagering Inventory Slip total, record any over or short amount, and sign the Wagering
7 Inventory Slip.

8 (13) If the Wagering Inventory Slip lists an overage or shortage, the ticket writer
9 and the wagering manager shall attempt to determine the cause of the discrepancy in the
10 count. If the discrepancy cannot be resolved, such discrepancy shall be reported to
11 surveillance personnel and the wagering manager or supervisor in charge at such time.
12 Any discrepancy in excess of five hundred dollars (\$500) shall be reported to the racing
13 commission. Such report shall include:

14 (a) Date on which the discrepancy occurred;

15 (b) Shift during which the discrepancy occurred;

16 (c) Name of the ticket writer;

17 (d) Name of the wagering manager;

18 (e) Ticket Writer Station number; and

19 (f) Amount of the discrepancy.

20 (14) If funds are transferred from the vault to the cashier's cage, the wagering
21 manager responsible for the vault shall prepare a two-part Vault Transfer-Out form. Upon
22 completion of the form, the original shall be retained by the vault manager and the
23 duplicate shall be transferred with the funds to the cashier's cage. The form shall include:

- 1 (a) Date and time of the transfer;
- 2 (b) Designation of the vault location;
- 3 (c) Designation of the cage location;
- 4 (d) Amount of each denomination being transferred;
- 5 (e) Total amount of the transfer;
- 6 (f) Signature of the preparer of the transfer;
- 7 (g) Signature of the vault manager verifying and issuing the funds; and
- 8 (h) Signature of the cage cashier verifying and receiving the funds.

9 (15) If funds are transferred from the cashier's cage to a vault, a two-part Vault
10 Transfer-In form shall be prepared. Upon completion of the form, the original shall be
11 retained by the cage cashier and the duplicate shall be transferred with the funds to the
12 vault. The form shall include:

- 13 (a) Date and time of the transfer;
- 14 (b) Designation of the vault location where the funds are being transferred to;
- 15 (c) Cashier location where the funds are being transferred from;
- 16 (d) Amount of each denomination being transferred;
- 17 (e) Total amount of the transfer;
- 18 (f) Signature of the cage cashier verifying and sending the funds to the vault; and
- 19 (g) Signature of the vault manager verifying and receiving the funds.

20 (16) In lieu of separate wagering windows with live tellers, cage personnel may
21 write and cash tickets.

22 Section 6. Wrong Ticket Claims.

1 Subject to a Ticket Writer's discretion, any claim by a patron that he or she has
2 been issued a Sports Wagering Ticket other than that requested shall be made before the
3 patron has left the Wagering Window or before the Ticket Writer has initiated a transaction
4 with another patron.

5 Section 7. Sports wagering kiosks.

6 A Licensee may utilize Sports Wagering Kiosks located in a Licensed Premises for
7 wagering transactions in conjunction with a Sports Wagering System in a location
8 approved by the commission. A Sports Wagering Kiosk shall be established and operated
9 as follows:

10 (1) All aspects of a Sports Wagering Kiosk, including the computer and any related
11 hardware, software, or related devices, shall be submitted to a nationally recognized,
12 independent testing laboratory approved by the racing commission for certification testing
13 and approved by the racing commission prior to use by a Licensee. The racing
14 commission may require any additional testing or field inspection of the Sports Wagering
15 Kiosk it deems necessary prior to or after approval;

16 (2) To obtain a temporary license, a Licensee may submit to the racing commission
17 a certification report of an independent testing laboratory of kiosk components in
18 operation in another jurisdiction in the United States where the licensee is currently
19 licensed or permitted. The report must certify the kiosk components to either the GLI-33
20 Standards or, at the discretion of the racing commission, a standard deemed to be the
21 equivalent of the GLI-33 Standards. This alternative certification report must include a list
22 of all critical files and associated signatures and an appendix which lists the differences
23 of any controlled items or processes required to be certified in Kentucky which were not

1 certified in the jurisdiction in which the report was issued. Upon review of the certification
2 report, the racing commission will make a determination on whether to accept the
3 certification or require additional information or documentation or testing.

4 (3) Each Sports Wagering Kiosk shall be configured not to:

5 (a) Issue a Sports Wagering Ticket with a wager in excess of ten thousand (10,000)
6 dollars;

7 (b) Redeem a winning Sports Wagering Ticket with a value in excess of ten
8 thousand (10,000) dollars or other limits set by the IRS; or

9 (c) Issue or redeem a Sports Wagering Voucher with a value in excess of ten
10 thousand (10,000) dollars or other limits set by the IRS;

11 (4) All Sports Wagering Kiosks shall have a sign permanently affixed to the kiosk
12 notifying the public that patrons shall not be Underage Persons, as approved by the
13 commission;

14 (5) On a schedule approved by the commission, a Licensee shall remove the drop
15 boxes in the Sports Wagering Kiosks. The drop boxes shall be monitored and recorded
16 by surveillance. The Licensee shall submit the Sports Wagering Kiosk drop schedule to
17 the commission or its designee; and

18 (6) The Licensee shall reconcile the sports wagering kiosks on a schedule
19 approved by the commission pursuant to internal controls. Any variance of five hundred
20 (500) dollars or more shall be documented by the accounting department and reported in
21 writing to the racing commission within five (5) business days after drop and count of
22 sports wagering kiosks. The report shall indicate the cause of the variance and shall
23 contain any documentation required to support the stated explanation.

1 (7) In locations where Sports Wagering Kiosks do not allow for redemption, the
2 Licensee shall display prominently the methods of paying out or cashing out vouchers
3 near each Sports Wagering Kiosk.

4 Section 8. Drop and Count.

5 (1) A Licensed Premises shall have a count room whose physical access shall be
6 limited to count team employees, designated staff, commission employees, and other
7 persons authorized by the Licensee, and shall remain locked unless entry and exist is
8 required by authorized persons.

9 (a) Count team employees shall not exit or enter the count room during the count
10 except for emergencies or scheduled breaks.

11 (b) Surveillance staff shall be notified if count room employees exit or enter the
12 count room during the count.

13 (c) A Licensee shall establish a count team policy that shall address the
14 transportation of extraneous personal items such as personal belongings, toolboxes,
15 beverage containers, into or out of the count room.

16 (2) Security of the count and the count room shall be ensured to prevent
17 unauthorized access, misappropriation of funds, forgery, theft, or fraud.

18 (a) All counts shall be performed by at least two employees.

19 (b) At no time during the count shall there be fewer than two count team employees
20 in the count room until the drop proceeds have been accepted into cage or vault
21 accountability.

22 (c) Count team employees shall be independent of the department being counted.

23 A cage or vault employee may be used if they are not the sole recorder of the count and

1 do not participate in the transfer of drop proceeds to the cage or vault. An accounting
2 employee may be used if there is an independent audit of all count documentation.

3 (3) Currency cassettes and drop boxes shall be securely removed from sports
4 wagering kiosks.

5 (a) Surveillance shall be notified prior to the drop boxes or currency cassettes
6 being accessed in a kiosk.

7 (b) At least two employees shall be involved in the collection of currency cassettes
8 and drop boxes from kiosks and at least one employee should be independent of kiosk
9 accountability.

10 (c) Currency cassettes and drop boxes shall be secured in a manner that restricts
11 access to only employees authorized by the Licensee.

12 (d) If applicable, redeemed vouchers collected from the kiosk shall be secured and
13 delivered to the appropriate department (cage or accounting) for reconciliation.

14 (e) Controls shall be established, and procedures implemented to ensure that
15 currency cassettes contain the correct denominations and have been properly installed.

16 (f) Access to stored full kiosk drop boxes and currency cassettes shall be restricted
17 to:

18 1. Employees authorized by the Licensee; and

19 2. In an emergency, additional persons authorized for the resolution of a problem.

20 (g) The kiosk count shall be performed in a secure area, such as the cage or count
21 room.

1 (h) If counts from kiosks and any other areas requiring counts occur simultaneously
2 in the count room, procedures shall be in effect that prevent the commingling of funds
3 from the kiosks with any other areas requiring counts.

4 (i) The kiosk drop boxes and currency cassettes shall be individually emptied and
5 counted so as to prevent the commingling of funds between kiosks until the count of the
6 kiosk contents has been recorded.

7 (j) Procedures shall be implemented to ensure that any corrections to the count
8 documentation are permanent and identifiable, and that the original, corrected information
9 remains legible. Corrections shall be verified by two employees.

10 Section 9. Winning wagers and vouchers.

11 (1) Payment on valid sports wagering tickets shall be made only if presented and
12 surrendered within one (1) year following the settling of the Sporting Event, or, in the event
13 of a parlay, the last-in-time Sporting Event to settle on the ticket. Failure to present a ticket
14 within one (1) year shall constitute a waiver of the right to receive payment on the ticket.

15 (2) Sports wagering vouchers shall be valid for one (1) year after the date of
16 issuance. Failure to present any voucher for redemption within one (1) year of issuance
17 shall constitute a waiver of the right to receive payment on the voucher.

18 (3) A mutilated sports wagering ticket or voucher that cannot be identified as a valid
19 ticket or voucher shall not be accepted for payment.

20 (4) A Licensee shall establish a written procedure for granting patrons an
21 opportunity to file a claim on a lost sports wagering ticket or voucher and provide a copy
22 to the racing commission.

23 Section 10. Cashiers, Windows, and Cages

1 (1) Each Licensed Premises shall have on or immediately adjacent to the Race
2 and Sports Book Location a physical structure known as a cashiers' cage to house the
3 cashiers, which is located in or within close proximity to the Race and Sports Book
4 Location. Each Licensed Premises may also have one or more satellite cages in or within
5 close proximity to the Race and Sports Book Location.

6 (2) A cage or satellite cage shall be fully enclosed and shall have the following
7 features:

8 (a) Perform financial transactions related to Sports Wagering;

9 (b) Be designed and constructed to provide maximum security for the materials
10 stored and the activities performed therein, in a manner approved by the racing
11 commission;

12 (c) Include openings at one or more numbered cashier windows through which
13 financial transactions related to sports wagering will be conducted, each of which shall
14 contain a cashier's drawer;

15 (d) Include manually triggered silent alarm systems, which shall be connected
16 directly to the surveillance and the security operation room(s);

17 (e) Provide for surveillance equipment capable of accurate visual monitoring and
18 recording of any activities; and

19 (f) Include a mantrap if the cage or satellite cage secure assets having a value
20 greater than an amount established by the racing commission. The outer door of the
21 mantrap shall be controlled by security personnel and the inner door shall be controlled
22 by accounting personnel. The doors of the mantrap shall have separate and distinct

1 locking mechanisms on each door of the double door entry and exit system. The mantrap
2 shall be subject to continuous surveillance coverage.

3 (3) Each Licensed Premises may have one or more service windows to serve as
4 a location in the facility to conduct financial transactions. Such window shall be designed
5 and constructed in accordance with subsection (2)(b) of this section, and access shall be
6 controlled by an accounting supervisor.

7 (4) If approved paperless systems are not in use, the Internal Controls shall require
8 that documents regarding the funds stored in cages shall be transported between cages
9 in a secure manner approved by the racing commission and accompanied by security.

10 (5) Each Licensed Premises shall have on hand in the cage, or readily available
11 such as in a restricted bank account or by bond, a reserve of cash to pay winning patrons.

12 (6) A cashiers' cage and any satellite cage shall be segregated by personnel such
13 that no single person has both control and approval for any aspect of cage operations
14 maintained.

15 (7) A qualified supervisor may perform the functions of a cashier provided the
16 functions are not incompatible with proper separation of duties. A supervisor shall not
17 operate from another cashier or supervisor's imprest inventory.

18 (8) The assets for which each cashier is responsible shall be maintained on an
19 imprest basis. A cashier shall not permit any other person to access his or her imprest
20 inventory. Cashier functions shall include the following:

21 (a) Perform check consolidations, total or partial redemptions, or substitutions for
22 patrons;

1 (b) Receive cash, authorized cash equivalents and authorized electronic transfers
2 from patrons in exchange for currency or Sports Wagering Vouchers;

3 (c) Perform deposit and withdrawal transactions for Sports Wagering Accounts,
4 where supported;

5 (d) Process exchanges with cashiers, supported by documentation with signatures
6 thereon, for the effective segregation of functions in the cashiers' cage;

7 (e) Receive Sports Wagering Tickets or Vouchers from patrons or authorized
8 employees in exchange for cash; and

9 (f) Exchange and reconcile imprest funds used by attendants, including imprest
10 change/pouch payout funds.

11 (9) A Licensed Premises may consolidate the cashier functions, provided that the
12 cashier is qualified to perform all functions and performs no functions incompatible with
13 proper separation of duties.

14 Section 11. Security and Surveillance

15 (1) The Licensed Premises shall have appropriate physical security and
16 surveillance controls that:

17 (a) Enable a suitable response to any security issue within the Licensed Premises;
18 and

19 (b) Prevent any person from tampering with or interfering with the operation of any
20 sports wagering or equipment.

21 (2) The Licensed Premises shall establish provisions describing the duties and
22 operation of its security department, which shall include details relative to the design,

1 construction, and location of primary and secondary armored car routes , including
2 provisions for the security of such routes.

3 (3) Licensed Premises shall install, maintain, and operate a surveillance system
4 that has the capability to monitor and record continuous unobstructed views of all sports
5 wagering and financial transactions as well as any dynamic displays of sports wagering
6 information.

7 (4) The surveillance system shall:

8 (a) Have the capability to display all camera views on a monitor; and

9 (b) Record all camera views.

10 (5) The surveillance system shall be maintained and operated from a surveillance
11 operation room(s) or, when authorized by the racing commission, a secured location, such
12 as a locked cabinet.

13 (a) The surveillance operation room(s) shall be secured to prevent unauthorized
14 entry.

15 (b) The location of the surveillance operation room or rooms shall ensure the
16 interior is not visible to the public and employees who do not work in the surveillance
17 room or rooms.

18 (c) Access to the surveillance operation room(s) shall be limited to surveillance
19 personnel, the racing commission, and other persons authorized by the Licensee.

20 (d) Surveillance operation room(s) access logs shall be maintained, recording all
21 entries and exits.

1 (e) No personal recording devices of any kind are permitted in the surveillance
2 operation room. This includes devices such as cameras, video recorders, and mobile
3 phones.

4 (f) Surveillance operation room equipment shall have total override capability over
5 all other satellite surveillance equipment.

6 (6) If a power loss to the surveillance system occurs, alternative security
7 procedures, such as additional supervisory or security employees, shall be implemented
8 immediately.

9 (7) The surveillance system shall record an accurate date and time stamp on
10 recorded events. The displayed date and time shall not significantly obstruct the recorded
11 view.

12 (8) All surveillance employees shall be trained in the use of the equipment and
13 wagering rules.

14 (9) A periodic inspection of the surveillance systems shall be conducted. When a
15 dedicated camera stops providing coverage in the Racing and Sports Book or to Sports
16 Wagering Kiosks, the coverage failure and necessary repairs shall be documented, and
17 repairs initiated within seventy-two (72) hours.

18 (a) If a dedicated camera stops providing coverage, alternative security
19 procedures, such as additional supervisory or security personnel, shall be implemented
20 immediately.

21 (b) The racing commission shall be notified of any coverage failure for more than
22 twenty-four (24) hours and the alternative security measures being implemented.

23 (10) Surveillance coverage shall be provided for the following areas as follows:

1 (a) For public entrances to the Licensed Facility for Sports Wagering:

2 1. Each entrance shall have sufficient coverage of at least two cameras that shall
3 be able to positively identify each person entering; and

4 2. Each security check-in point at the entrances shall have a dedicated camera to
5 capture an unobstructed facial view of all persons entering the Licensed Premises.

6 (b) For non-public entrances to the Licensed Facility for Sports Wagering, including
7 loading docks and emergency exits:

8 1. Each entrance shall have sufficient camera coverage, of at least two cameras
9 with sufficient image quality to be able to positively identify each person entering;

10 2. Employee entrances shall be secured either via the use of digitally controlled
11 access systems or by in-person verification conducted by security; and

12 3. Policies shall be in place requiring that employees entering the Licensed Facility
13 for Sports Wagering be identifiable and of sufficient quality to positively identify each
14 person entering.

15 (c) For restricted areas of the Licensed Facility for Sports Wagering:

16 1. All restricted areas shall have surveillance coverage sufficient that all persons
17 in the area can be clearly identified;

18 2. All restricted areas shall have sufficient coverage and resolution that all cash-
19 handling and gaming equipment and currency and currency equivalents are identifiable;

20 3. All restricted areas shall have additional camera coverage sufficient to provide
21 asset protection as approved by the racing commission; and

22 4. Access to coverage of the surveillance operation room is limited to senior
23 management and the racing commission.

1 d. For all Race and Sports Book Locations:

2 1. The surveillance system shall monitor and record general activities, to include
3 the ticket writer and cashier areas, with sufficient clarity to identify the personnel
4 performing the different functions; and

5 2. All Race and Sports Book Locations shall have sufficient coverage that a patron
6 can be tracked throughout the entirety of the Race and Sports Book Location.

7 (e) For Ticket Writer Stations:

8 1. All Ticket Writer Stations shall have sufficient coverage to identify currency
9 amounts;

10 2. Any Ticket Writer Stations that can be utilized for placing wagers shall have
11 surveillance coverage sufficient to identify the patron and employee involved in the
12 transaction; and

13 3. Surveillance personnel shall have access to the Ticket Writer Stations to access
14 transaction amounts.

15 (f) For Sports Wagering Kiosks, the surveillance system shall monitor and record
16 activities occurring at each Sports Wagering Kiosk with:

17 1. Sufficient clarity to identify the activity and the individuals performing it, including
18 maintenance, drops or fills, and redemption of Sports Wagering tickets or vouchers; and

19 2. Accurate time stamps.

20 (g) For the cage and vault:

21 1. The surveillance system shall monitor and record activities occurring in each
22 cage and vault area with:

1 a. Sufficient clarity to identify individuals within the cage and patrons and staff
2 members at the window areas, and to confirm the amount of each cash transaction; and

3 b. Accurate time stamps.

4 2. Each cashier station shall be equipped with one (1) dedicated overhead camera
5 covering the transaction area; and

6 3. The cage or vault area in which exchange and transfer transactions occur shall
7 be monitored and recorded by a dedicated camera or motion activated dedicated camera
8 that provides coverage with sufficient clarity to identify the amounts on the exchange and
9 transfer documentation. Controls provided by a computerized exchange and transfer
10 system constitute an adequate alternative to viewing the amounts on the exchange and
11 transfer documentation.

12 (h) For count rooms, the surveillance system shall:

13 1. Monitor and record with sufficient clarity a general overview of all areas
14 where cash or cash equivalents may be stored or counted; and

15 2. Provide coverage of count equipment with sufficient clarity to view any
16 attempted manipulation of the recorded data.

17 (i) All machines capable of dispensing cash shall have sufficient coverage to
18 view the transaction and the currency amount being dispensed and the individuals at the
19 machine.

20 (11) The Licensed Premises shall utilize an incident reporting system to
21 document incidents and activities, as set forth in subsection (a).

22 (a) Security and surveillance procedures approved by the racing commission shall
23 be implemented for reporting:

1 1. An individual engaged in, attempting to engage in, or suspected of cheating,
2 theft, embezzlement, or other illegal activities;

3 2. An individual possessing a firearm, electronic control device, dangerous
4 weapon, or other device or object prohibited Title 809 of the Kentucky Administrative
5 Regulations;

6 3. An individual in the Race and Sports Book Location who is a Prohibited Person,
7 the subject of a law enforcement contact by the Licensee, or a potential victim of human
8 trafficking.

9 4. All camera, system, or recording outages;

10 5. Any routine tasks accomplished by security or surveillance personnel at the
11 request of another team; and

12 6. Any suspicious incidents observed.

13 (b) Any violation of the Act or Title 809 of the Kentucky Administrative Regulations
14 shall be identified as such in the incident reporting system.

15 (c) The racing commission shall have real-time, read-only access to the incident
16 reporting system.

17 (d) The incident reporting system shall be capable of generating reports that detail
18 all incident types and such reports shall be delivered to the racing commission upon
19 request.

20 (e) The incident reporting system shall be in an electronic format equipped with
21 software that prevents modification of an entry after it has been initially entered into the
22 system.

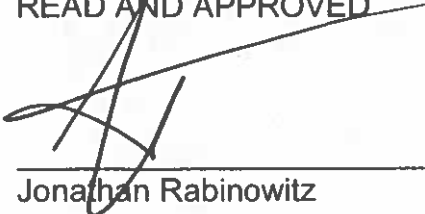
23 (f) The incident reporting system shall document the following:

- 1 1. Assignment number of the incident;
- 2 2. Date and time;
- 3 3. Name and identification license of the individual covering the incident;
- 4 4. Nature of the incident; and
- 5 5. Resolution of the incident.

6 (g) All recordings required by this section shall be retained for a minimum retention
7 period of ninety (90) calendar days. Suspected crimes, illegal activity, or detentions by
8 security personnel discovered within the initial retention period shall be copied and
9 retained for a time period not less than five (5) years.

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READ AND APPROVED



Jonathan Rabinowitz
Chair, Kentucky Horse Racing Commission

7/10/23
Date



Ray Perry
Secretary, Public Protection Cabinet

6-10-23
Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD

A public hearing on this administrative regulation shall be held on August 22, 2023 at 9:00 a.m., at the Kentucky Horse Racing Commission, 4063 Iron Works Parkway, Building B, Lexington, Kentucky 40511. Individuals interested in being heard at this hearing shall notify this agency in writing by five workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing was received by that date, the hearing may be cancelled. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through August 31, 2023. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

Contact Person: Jennifer Wolsing

Title: General Counsel

Address: Kentucky Horse Racing Commission, 4063 Iron Works Parkway, Building B,
Lexington, Kentucky 40511

Phone: (859) 246-2040

Fax: (859) 246-2039

Email: jennifer.wolsing@ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

809 KAR 10:005

Contact Person: Jennifer Wolsing

Phone: (859) 246-2040

Email: jennifer.wolsing@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes controls for sports wagering on Licensed Premises.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to provide specific rules and controls for sports wagering on Licensed Premises, including the floor plan, security, surveillance, sports wagering windows, sports wagering kiosks, sports wagers and vouchers, drop and count, and incident reporting.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 230.260 requires the commission to "promulgate administrative regulations to establish standards for the conduct of sports wagering." KRS 230.361 states the "racing commission shall promulgate administrative regulations to establish a fully functioning sports wagering system...." KRS 230.805 permits sports wagering at a licensed facility for sports wagering on Licensed Premises. This regulation establishes controls for sports wagering on Licensed Premises.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This regulation will assist in the effective administration of the statutes by establishing clear and specific controls related to sports wagering on Licensed Premises. This protects the wagering public and the citizens of the Commonwealth and assists Licensees in properly conducting sports wagering on Licensed Premises.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: This is a new regulation.

(b) The necessity of the amendment to this administrative regulation: This is a new regulation.

(c) How the amendment conforms to the content of the authorizing statutes: This is a new regulation.

(d) How the amendment will assist in the effective administration of the statutes: This is a new regulation.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: This regulation affects the licensed tracks that apply for and receive a license to conduct sports wagering in the Commonwealth. There are currently nine (9) licensed tracks operating in the Commonwealth. Each track is allowed to contract with up to three (3) service providers. Therefore, up to 27 service providers may be affected this regulation. An unknown number of sports wagering license holders and sports wagering patrons also will be

affected by this regulation.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: Licensees and sports wagering license holders must observe the regulatory requirements when offering sports wagering on Licensed Premises.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): Compliance costs are uncertain. Licensees likely will incur costs to administer sports wagering on Licensed Premises in accordance with the regulations.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): Licensees and license holders will have clear controls for sports wagering on Licensed Premises. Sports wagering patrons will benefit from properly operated sports wagering on Licensed Premises.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: It is estimated that the commission will spend approximately \$2.4 million to implement sports wagering in Kentucky in the first year.

(b) On a continuing basis: It is further estimated that the commission will spend approximately \$1.2 million annually to continue regulating sports wagering in Kentucky on a yearly basis.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: The funding to implement and enforce sports wagering in Kentucky will come from the sports wagering administrative fund, as established in KRS 230.817.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No increase in fees or funding will be necessary to implement this administrative regulation.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: This regulation does not establish any new fees or increase any current fees.

(9) TIERING: Is tiering applied? (Explain why or why not) Tiering is not applied, because this amended regulation will apply similarly to all similarly situated entities in an equal manner.

FISCAL NOTE

809 KAR 10:005

Contact Person: Jennifer Wolsing

Phone: (859) 246-2040

Email: jennifer.wolsing@ky.gov

(1) What units, parts, or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The Kentucky Horse Racing Commission will be impacted by this administrative regulation.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 230.260(16), KRS 230.361, KRS 230.805

(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? This regulation will not generate revenue during the first year.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? This regulation will not generate revenue during subsequent years.

(c) How much will it cost to administer this program for the first year? It is estimated that the commission will spend approximately \$2.4 million in the first year to implement sports wagering in Kentucky.

(d) How much will it cost to administer this program for subsequent years? It is further estimated that the commission will spend approximately \$1.2 million annually to continue regulating sports wagering in Kentucky in subsequent years.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-): Neutral.

Expenditures (+/-): See answers to (c) and (d) above.

Other Explanation: None.

(4) Estimate the effect of this administrative regulation on the expenditures and cost savings of regulated entities for the first full year the administrative regulation is to be in effect.

(a) How much cost savings will this administrative regulation generate for the regulated entities for the first year? This administrative regulation is not expected to generate cost savings for the first year.

(b) How much cost savings will this administrative regulation generate for the regulated entities for subsequent years? This administrative regulation is not expected to generate cost savings for subsequent years.

(c) How much will it cost the regulated entities for the first year? Compliance costs are uncertain. Licensees likely will incur costs to administer sports wagering on Licensed Premises in accordance with the regulations.

(d) How much will it cost the regulated entities for subsequent years? Compliance costs are uncertain. Licensees likely will incur costs to administer sports wagering on Licensed Premises in accordance with the regulations.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Cost Savings (+/-): None.

Expenditures (+/-): Compliance costs are uncertain. Licensees likely will incur costs to administer sports wagering on Licensed Premises in accordance with the regulations.

Other Explanation: None.

(5) Explain whether this administrative regulation will have a major economic impact, as defined below. *"Major economic impact" means an overall negative or adverse economic impact from an administrative regulation of five hundred thousand dollars (\$500,000) or more on state or local government or regulated entities, in aggregate, as determined by the promulgating administrative bodies. [KRS 13A.010(13)]* This regulation is not anticipated to have a major economic impact on Kentucky for the reasons stated above.