

**State of Nebraska**

**Nebraska Department of Revenue**

NOTICE is given that the Nebraska Department of Revenue will hold a regulation hearing pursuant to Neb. Rev. Stat. § 84-907 on December 12, 2023, beginning at 10:00 A.M., at the Nebraska State Office Building, 301 Centennial Mall South, Room Lower-Level A. The purpose of this hearing is to take testimony and receive into evidence any documentation concerning the adoption, repeal, and amendment of regulations within Title 316 of the Nebraska Administrative Code as identified below.

The proposed changes amend Title 316, Neb. Admin. Code Ch. 35, Charitable Gaming – County/City Lottery (Keno) to (1) eliminate redundancies; and add or amend definitions due to the enactment of LB 724 (2018) and LB 775 (2023); (2) adopt regulations for digital-on-premises tickets pursuant to LB 775 (2023); and (3) adopt regulations for lottery operators seeking authorization to comingle keno funds in a non-segregated bank account of the lottery operator location or sale outlet locations under LB 724 (2018).

**Title 316, Ch. 35, Charitable Gaming Regulations – County/City Lottery (Keno)**

*The following regulations are amended:*

REG-35-600 DEFINITIONS, SCOPE, AND ESTABLISHMENT BY COUNTIES, CITIES,  
AND VILLAGES

REG-35-613 CONDUCT OF THE GAME – KENO

REG-35-615 KENO CHECKOUT STANDARDS

REG-35-622 RECORD KEEPING AND REPORTING REQUIREMENTS - KENO LOTTERY

*The following regulation is adopted:*

REG-35-623 COMINGLING OF KENO FUNDS IN NON-SEGREGATED BANK ACCOUNT

A complete copy of the regulations and the descriptions of fiscal impact are available in the office of the Tax Commissioner, 301 Centennial Mall South, Lincoln, NE, Second Floor, or may be viewed at the websites for the Nebraska Department of Revenue [www.revenue.nebraska.gov](http://www.revenue.nebraska.gov) or the Secretary of State ([www.sos.ne.gov](http://www.sos.ne.gov)).

The opportunity to be heard will be offered to any interested person upon written request to James R. Kamm, Tax Commissioner, Nebraska Department of Revenue, PO Box 94818, Lincoln, NE 68509. Unscheduled testimony will be heard following the scheduled testimony at the hearing. Any interested party may submit a written statement by 5:00 PM on December 12, 2023, to be made part of the record. Individuals requiring physical or sensory accommodations, please contact

the Nebraska Department of Revenue at 301 Centennial Mall South, Lincoln, NE 68509 or by calling 402-471-2971 or TDD 402-471-5740, no later than December 12, 2023.

Dated this 7<sup>th</sup> day of November, 2023.

A handwritten signature in black ink, appearing to read "J.R. Kamm", written over a horizontal line.

James R. Kamm,  
Tax Commissioner

**TITLE 316 NEBRASKA ADMINISTRATIVE CODE, CHAPTER 35**  
**NEBRASKA DEPARTMENT OF REVENUE**  
**Charitable Gaming Regulations – County/City Lottery (Keno)**

**Summary:**

The following regulation changes enact statutory requirements and changes from LB 724 (2018) and LB 775 (2023), add definitions, and eliminate redundancies.

**Detailed Summary:**

**Reg-35-600 Definitions, Scope, and Establishment by Counties, Cities, and Villages**

**Reg-35-600.02 Definitions.** The changes to this regulation incorporate by reference the statutory definitions in Neb. Rev. Stat. §§ 9-603.02 to 9-618.

**Reg-35-600.02A to 600.02SS** The renumbered sections include the following changes:

- Removes the definitions of “authorized representative,” “governing official,” “lottery worker,” and “manufacturer-distributor,” to eliminate redundancies with the statutory definitions.
- Amends and adds definitions necessary to provide a basic framework for how electronic transfers under LB 724 (2018), and digital-on-premises keno under LB 775 (2023) will function.
- **Reg-35-600.02T** Changes the definition of “licensed racetrack enclosure” to incorporate the statutory definition in Neb. Rev. Stat. § 9-1103(10) enacted in LB 775 (2023).

**Reg-35-613 Conduct of the Game – Keno.** Amendments and additions provide updated language for daily operations of keno with digital-on-premises wagering and include the following:

**Reg-35-613.02 Equipment and Wagering Restrictions.** Allows payment of a ticket or wager with a debit card, cash balance of a payment application, transfer from an account at a financial institution, or account established in the player’s name with the lottery operator. Places \$200 limit on debit card purchases and deposits into player accounts per LB 775.

**Reg-35-613.03 to 35-613.10.** Updates language for digital-on-premises tickets, identification of players with net winnings above \$1,500, and to permit electronic payment of winnings.

**Reg-35-613.12 Player Account.** Adds procedures for the registration of player accounts. Ticket purchases through digital-on-premises applications or tablets must be made with player accounts.

**Reg-35-613.13 Digital-On-Premises Purchasing Application or Operator’s Tablet.** Adds requirements for using digital-on-premises applications or tablets for digital-on-premises tickets.

**Reg-35-615 Keno Checkout Standards.** The following additions and changes to this section are necessary to ensure deposits are made correctly and in a timely manner after a day of gaming:

Reg-35-615.01 **Keno Writer Banks.** Cash for starting bank, receipts from keno ticket sales, and any fills must be segregated from all other revenue during the hours that keno is conducted at a lottery operator location or sales outlet location.

Reg-35-615.03 **End of Shift or End of Day Checkout.** Cash turn-in for the shift or day must be deposited within five business days of collection, and keno funds must be separately stated on the deposit slip or otherwise documented for each day of gaming. Provides that cash collected after midnight will be considered collected on the most previous calendar day.

Reg-35-615.04 **Duty to Report Late Deposits** and 35-614.05. Requires operators to report late deposits of keno funds to the Department and county, city, or village.

Reg-35-615.06 **Player Account Deposits.** Lottery operators using player accounts must receive approval from Department on controls for ensuring proper deposits into such accounts. Upon approval, training is required.

Reg-35-622 **Record Keeping and Reporting Requirements – Keno Lottery.** The following amendments are necessary to ensure operators keep detailed and accurate records for reporting information to the Department:

Reg-35-622.03E. In the case of a keno lottery, the county, city, or village must ensure gross proceeds less prizes of lottery are deposited into a separate bank account within five business days after the cash was collected. Permits electronic funds transfers between lottery operator location's or sales outlet location's segregated bank account to lottery operator, county, city, or village bank account, requires transfer within five business days, and provides that cash collected after midnight is considered collected on most previous calendar day.

Reg-35-622.03F. In the case of a keno lottery, the county, city, or village must ensure a player does not purchase more than \$200 in wagers by debit card in a single business day per LB 775.

Reg-35-622.04A. Requires annual reports identify digital-on-premises ticket wagers in gross proceeds, and the value of prizes paid electronically. Keno operators bank account information must include any electronic transfers not fulfilled due to non-sufficient funds, and if a bank account is in a single community's name and the operator uses digital-on-premises application or operator's tablet to hold player account funds, the balance of the bank account at the end of the reporting period.

Reg-35-623 **Comingling of Keno Funds in Non-Segregated Bank Account.** This new regulation adds procedures for comingling keno funds with the location's bank funds:

Reg-35-623.01. Provides that this regulation only applies to lottery operators seeking to comeingle funds in non-segregated bank accounts.

Reg-35-623.02. To use a non-segregated bank account, lottery operators must use the audit procedure in Reg-35-623.03 or the camera procedures in Reg-35-623.04 and notify the Department in writing of its choice; or have an agreement with the Department on other controls.

Reg-35-623.03. Contains the audit procedures for lottery operators to use when comingling keno funds in non-segregated bank account.

Reg-35-623.04. Details the camera-installation procedures for use when comingling keno funds in non-segregated bank accounts.

Reg-35-623.05. If this regulation is followed, the keno operator may make deposits into a non-segregated bank account which must be designated by the lottery operator, county, city, or village. Keno funds must remain segregated from other revenue until deposited into the account. Deposits made with non-lottery funds must clearly indicate the amount of keno funds being deposited. Deposits must be made within five business days of collection and transfers may be done by electronic transfers.

PRELIMINARY FISCAL IMPACT STATEMENT

|  |                                 |
|--|---------------------------------|
| Agency: Revenue  |                                 |
| Title: 316   | Prepared by: Mary Kate Kincaid  |
| Chapter: 35  | Date prepared: November 2, 2023 |
| Subject: Charitable Gaming Regulations –<br>County/City Lottery (Keno) | Telephone: (402) 471-5921       |

Type of Fiscal Impact:

|                   | State Agency | Political Sub. | Regulated Public |
|-------------------|--------------|----------------|------------------|
| No Fiscal Impact  | (X)          | (X)            | (X)              |
| Increased Costs   | ()           | ()             | ()               |
| Decreased Costs   | ()           | ()             | ()               |
| Increased Revenue | ()           | ()             | ()               |
| Decreased Revenue | ()           | ()             | ()               |
| Indeterminable    | ()           | ()             | ()               |

Provide an Estimated Cost & Description of Impact:

State Agency:

Political  
Subdivision:

Regulated  
Public:

If indeterminable, explain why:

There will be additional time spent by inspectors/investigators by having to confirm proper installation of location monitoring equipment, but these teammates already conduct inspections/investigations and confirm other installation activities at these locations throughout the year. Comingling of funds should not impact teammates hours spent. These items could result in an indeterminable fiscal impact on the Department.

**NEBRASKA DEPARTMENT OF REVENUE**

**CHARITABLE GAMING – COUNTY/CITY LOTTERY REGULATIONS**

Title 316 Neb. Admin. Code Ch. 35 §§ 600, 613, 615, and 622 are amended. Title 316 Neb. Admin. Code, Ch. 35, § 623 is adopted.

## REG-35-600 Definitions, Scope, and Establishment by Counties, Cities, and Villages

600.01 **General Authorization.** Bingo, Lottery, Raffle, and Lottery by Pickle Card Regulations 35-600 through 35-~~622623~~ are adopted to carry out the provisions of the Nebraska County and City Lottery Act.

600.02 **Definitions.** The definitions found in Neb. Rev. Stat. §§ 9-603.02 to 9-618 apply to these regulations. The following definitions also apply for purposes of Regulations 35-600 through 35-~~622623~~:

600.02A Agent means a person authorized by the applicant or licensee to act for or in place of an applicant or licensee as a business representative to modify, affect, accept performance of, or transact business.

~~600.02B Authorized representative means any individual designated by the county, city, or village, or a joint entity created by the county, city, or village by entering into an agreement pursuant to the Interlocal Cooperation Act, to examine, approve, and sign a lottery worker license application for submission to the Department.~~

600.02CB Business day means any day except Saturday, Sunday, or a legal holiday.

600.02DC Cash means United States currency and does not mean checks, personal or otherwise, debit cards, or credit cards.

600.02ED Compliance procedures for keno mean the analysis required by Reg-35-616 to determine whether the regulations are being followed during the operation of the keno game.

600.02FE Conditioning, as it applies to keno, means a restatement of how many numbers or combinations of numbers are being selected by the players, the way in which they are wagered, and the corresponding dollar amounts wagered.

600.02GF Debt holder of a corporation, partnership, or limited liability company means a person that holds any mortgages, notes, bonds, convertible debentures, or other obligations, whether written or oral, issued by the corporation, partnership, or limited liability company.

600.02HG Department means the Nebraska Department of Revenue.

600.02H Digital-on-premises ticket means a digital ticket purchased in person on the operator's approved mobile application or other approved mobile wagering device verified to be present at the location of the lottery operator or an authorized sales outlet location.

600.02I Draw ticket means the ticket prepared by a licensed lottery worker to record the winning numbers of each keno game if winning number selection is by manual ball draw method.



600.02J Electronic tablet ticket generation device means any electronic device which is exclusively provided by the operator on site that is capable of building a wager to be processed by the tablet or by a keno writer. Any reference in these regulations to “tablet” or “operator’s tablet” means this definition, unless otherwise stated.

600.02K Electronic transfer of funds, also known as an electronic funds transfer (EFT) means the movement of value or funds between financial institutions through the Federal Reserve’s Automated Clearing House (ACH) system.

600.02JL Equity holder of a corporation, partnership, or limited liability company means an individual or person that holds any capital stock, whether common or preferred, or any ownership interest or share issued by the corporation, partnership, or limited liability company.

600.02KM Free play keno coupon means a certificate which entitles the holder to wager an amount corresponding to the face value of the coupon without charge. This coupon may be issued and redeemed through the lottery operator’s digital-on-premises purchasing application.

600.02LN Governing board means, in the case of a city, the city council; in the case of a village, the village board; or, in the case of a county, the county board.

~~600.02M Governing official means the chief executive officer of the county, city, or village, or any other elected or appointed official, including a governing board member, who has any decision-making responsibility regarding the conduct and operation of the lottery activity.~~

600.02NO Independent game location means a location where keno wagers are placed and winning number selection is performed. An independent game location is not electronically linked to another location for purposes of transmitting or receiving winning number selection.

600.02OP Inside ticket means keno paper with 80 preprinted numbers on which the player marks numbers to be wagered on and the type of wager. Inside ticket also includes electronic bet slips prepared by the player on or through the digital-on-premises purchasing application or the operator’s tablet.

600.02PQ Keno manager means the shift manager, supervisor, or individual in charge of the daily operation of a keno game at a location, an individual licensed as a sales outlet officer or owner, or an individual licensed as a lottery operator, officer, or owner.

600.02QR Keno system means an integrated system of computer hardware and software that generates outside tickets, records game outcomes, verifies winning tickets, produces management reports, and performs other functions and internal audit controls for the keno operation.

~~600.02RS~~ Keno writer means an individual whose primary responsibilities include accepting inside tickets or other requests for wagers and payments of wagers from players, issuing outside tickets, voiding tickets, ~~and redeeming tickets, and assisting with keno application issues.~~ A keno writer does not include a keno manager, a lottery operator, or any person who is directly in charge of the manual selection of winning numbers.

~~600.02ST~~ Licensed racetrack enclosure ~~means an enclosure licensed to conduct live thoroughbred horse racing for parimutuel wagering purposes pursuant to Neb. Rev. Stat. §§ 2-1201, et seq.~~ has the same meaning as in Neb. Rev. Stat. § 9-1103(10).

~~600.02TU~~ Licensee means a person holding a license issued by the Department pursuant to the Nebraska County and City Lottery Act.

~~600.02UV~~ Lottery equipment means: (a) all proprietary devices, machines, and parts used in and which are an integral part of conducting the lottery; and (b) equipment used in maintaining the equipment described in (a).

~~600.02UV(1)~~ Lottery equipment is equipment that directly affects the outcome of the lottery or monitors the operation of the lottery and includes, but is not limited to: keno balls; keno ball selection devices, including electrically-operated blower machines, automated ball draw systems, and other electronic selection devices; random number generators; and keno systems.

~~600.02UV(2)~~ Any equipment that does not directly affect the outcome of the lottery or is not an integral part of any system that monitors the operation of the lottery is not considered lottery equipment. For example, lottery equipment does not include video or digital recording equipment required for ball draw games, security cameras and systems, display devices, recording media, or other supply items used with the lottery equipment that do not directly affect the outcome of the game.

~~600.02VW~~ Lottery operator means any individual, sole proprietorship, partnership, limited liability company, or corporation which is licensed by the Department and responsible for conducting a lottery on behalf of a county, city, or village as provided by a written contract between the county, city, or village and the lottery operator. This contract may include responsibility and liability for all operational aspects of the lottery, including: daily gaming operations; purchase, repair, replacement, and maintenance of lottery equipment; purchase and maintenance of lottery supplies; compensation, staffing, and training of all employees and agents; processing and handling of lottery gross proceeds; preparing all reports required of a county, city, village, or lottery operator; advertising; developing official rules and procedures for play; collecting prizes and progressive game prizes; overseeing the lottery operation; record keeping; and all other lottery functions. Any reference in these regulations to “operator” means this definition, unless otherwise stated.

~~600.02WX~~ Lottery operator location means the main location of the lottery operator where keno wagers are placed.

600.02~~X~~Y Lottery supplies means all tickets, cards, boards, sheets, or other supplies which are used in and are an integral part of conducting any lottery activity.

600.02~~X~~Y(1) Lottery supplies do not include any item that does not directly affect the outcome of the lottery.

600.02~~X~~Y(2) For example, lottery supplies do not include keno paper, crayons and markers, and other supplies that do not directly affect the outcome of the game.

~~600.02Y Lottery worker means any individual, other than a keno writer, who performs any work directly related to conducting a county/city lottery including, but not limited to: winning number selection; winning number verification; record keeping; shift checkout; review of keno writer banks; and security.~~

600.02Z Main location means a location where keno wagers may be placed, and winning numbers are selected and electronically transmitted to satellite locations.

~~600.02AA Manufacturer-distributor means any individual, sole proprietorship, partnership, limited liability company, or corporation which assembles, produces, makes, prints, or supplies lottery equipment or supplies for sale, use, or distribution in this state.~~

600.02~~BB~~AA Multirace ticket means a single ticket which allows a player to make the same keno wager on consecutive games. A player must wait until the last game wagered on has been called to collect any accumulated winnings, unless approval has been obtained from the keno manager or from the keno writer on duty and all voided wagers are properly documented in the transaction log.

600.02BB Non-segregated bank account means a bank account which holds funds related to the operation of the keno lottery as well as funds from other sources.

600.02CC Outside ticket means the official paper ticket generated by the keno system that shows the player's wager. This includes the digital ticket generated by the digital-on-premises purchasing application or the operator's tablet.

600.02DD Owner means a person with a right to share in the profits, losses, or liabilities of a license applicant or licensee. The term includes loan guarantors who make actual debt payments for, or contribute capital to, a license applicant or licensee with a contingent right to share in the profits, losses, or liabilities of the operation. The term ownership interest has the same meaning as owner.

600.02EE Person means any individual or organization, including any sole proprietorship, partnership, limited liability company, or corporation.

600.02FF Play in a keno lottery means placing a wager, cashing a winning ticket, or collecting any winnings.

600.02GG Premises means any building, or any distinct portion of a building, where the lottery is conducted or played. Premises may include the main location, an independent game location, a sales outlet location, or a satellite location. Premises does not include any areas outside the building.

600.02HH Quick Pick ticket means a keno ticket for which the player selects numbers by requesting that the keno system generate them at random on an outside ticket.

600.02II Random number generator means hardware, software, or a combination hardware and software device for generating number values that exhibit characteristics of randomness.

600.02JJ Regrade means to manually recalculate the prize payout of a winning keno ticket according to the printed pay schedule.

600.02KK Replay means playing the identical keno wager as a prior wager with no change to selected numbers, conditioning, or amount of wager.

600.02LL ROM (read only memory) means the electronic component used for storing nonvolatile information in lottery equipment that provides instructions needed by the computer to begin its operations each time it is turned on. This includes programmable ROM (PROM) and erasable programmable ROM (EPROM).

600.02MM Sales outlet location means a location other than the lottery operator location where keno wagers are placed.

600.02NN Satellite location means a location where keno wagers are placed and where the winning numbers are electronically received from the main location. Winning number selection cannot be performed at a satellite location.

600.02OO Segregated bank account means a bank account which holds only funds related to the operation of the keno lottery.

600.02~~OO~~PP Substantial interest or connected with, interested in, or otherwise concerned directly or indirectly means having a significant responsibility for, or otherwise benefitting or having rights from, a license issued by the Department.

600.02~~OO~~PP(1) For a sole proprietorship, this includes, but is not limited to, an individual or his or her spouse owning, operating, managing, or conducting, directly or indirectly, a part of the sole proprietorship.

600.02~~OO~~PP(2) For a partnership, this includes, but is not limited to, an individual, his or her spouse, or a partnership, limited liability company, or corporation owning, operating, managing, or conducting, directly or indirectly, a part of the partnership activity, or sharing in any of the profits or potential profits of the partnership activity.

600.0200PP(3) For a limited liability company, this includes, but is not limited to, the involvement of an individual, his or her spouse, or a partnership, limited liability company, or corporation, owning, operating, managing, or conducting, directly or indirectly, a part of the limited liability company activity or sharing in any of the profits or potential profits of the limited liability company activity.

600.0200PP(4) For a corporation, this includes, but is not limited to, an individual, his or her spouse, or a partnership, limited liability company, or corporation owning, operating, managing, or conducting, directly or indirectly, a part of the corporation activity, or being an officer or director of the corporation, or being a holder, directly or indirectly, of 10% or more of any class of stock in the corporation or debt representing 10% or more of the total assets of the corporation.

600.0200PP(5) For a nonprofit corporation or nonprofit organization, this includes, but is not limited to, an individual or his or her spouse being an officer, director, or managing the business affairs of the nonprofit corporation or nonprofit organization.

600.02QQ Technology partner means any corporation or business entity which is not otherwise licensed under the Act or these regulations, that contractually agrees to develop some or all of a lottery operator's digital-on-premises ticket system or operator's tablet.

600.02PPRR Transaction log means a record of all transactions entered on the keno system. The transaction log includes, but is not limited to, all outside ticket information, ticket processing, voided tickets, game closing time, game results, payout, and all other information required by these regulations to be entered on the transaction log.

600.02QQSS Way ticket means a single outside ticket which allows a player to wager on a combination of groups of numbers in various ways.

**600.03 Election Required.** Any county or city, or any village as defined in Neb. Rev. Stat. §§ 17-201, et seq., desiring to establish and conduct a lottery must hold an election, and a majority of the registered voters of the county, city, or village casting ballots on the issue must approve the establishment of the lottery. The term county also includes a municipal county as provided in Neb. Rev. Stat. §§ 13-2801, et seq.

600.03A The issue may be decided at a regular election or at a special election called by the governing board of the county, city, or village for the purpose of voting on establishing a lottery.

600.03B If an initiative petition signed by at least 20% of the number of individuals voting in the city or village in the last preceding general election is submitted to the governing board of the city or village, the question of whether a lottery will be approved must be submitted to the voters as provided in Neb. Rev. Stat. §§ 18-2501, et seq.

**600.04 License Required.** After voter approval, the county, city, or village must obtain a license from the Department to conduct a lottery.

600.04A An applicant for a license must submit a Nebraska Application for County/City Lottery, Form 50G, to the Department. Each application must include:

600.04A(1) The name and address of the applicant;

600.04A(2) A certified copy of the election results showing that the lottery was approved by a majority of the registered voters of the county, city, or village that cast ballots in the election;

600.04A(3) The approval by ordinance or resolution adopted by the governing board of a county, city, or village authorizing the conduct of a lottery;

600.04A(4) The names, addresses, and dates of birth of each individual employed by the county, city, or village to conduct the lottery;

600.04A(5) The name and address of the authorized representatives designated by the county, city, or village or by a joint entity created by the county, city, or village by entering into an agreement pursuant to the Interlocal Cooperation Act, to examine, sign, and approve a lottery worker license application for submission to the Department;

600.04A(6) The name and address of at least one individual employed by the county, city, or village who represents the county, city, or village in all matters with the Department regarding the conduct of the lottery;

600.04A(7) A written statement describing the type of lottery to be conducted by the county, city, or village;

600.04A(8) If the county, city, or village has entered into a written agreement with a lottery operator;

600.04A(8)(a) A copy of the proposal submitted to the county, city, or village by the individual, sole proprietorship, partnership, or corporation selected to operate the lottery; and

600.04A(8)(b) A copy of the proposed contract or written agreement between the county, city, or village and the selected lottery operator.

600.04A(9) The biennial license fee for the county, city, or village of \$100;

600.04A(10) The method of winning number selection to be used in the keno lottery activity and, if both a ball draw and a random number generator are used, a separate schedule showing the days and times each will be used; and

600.04A(11) Any other information which the Department deems necessary.

600.04B A county, city, or village must notify the Department within 30 days of any changes in the information originally submitted in its application. Changes can be reported by filing an amended application and identifying only the information to be changed. All requests for change must be signed by a member of the governing board, a governing official, or other individual authorized by a Power of Attorney filed with the Department.

600.04C A county, city, or village is not considered licensed until it has physical possession of the printed license issued by the Department.

600.04D A copy of the signed and dated final contract or written agreement between the county, city, or village and the selected lottery operator must be provided to the Department prior to starting the lottery.

600.04E A license obtained by a county, city, or village to conduct a lottery must be renewed with the Department biennially if the county, city, or village intends to continue its lottery activity. The biennial license expires May 31 of every even-numbered year.

600.04E(1) License fees are due with the renewal application.

600.04E(2) Applications for renewal of a county, city, or village license must be submitted to the Department on a Nebraska Application for County/City Lottery, Form 50G, at least 60 days prior to the expiration date of the current license.

600.04F A county, city, or village electing to conduct a lottery may only conduct one type of lottery at any one time. If a county, city, or village conducting a lottery wishes to change the type of lottery that it conducts, it must notify the Department in writing of the change at least 30 days before the change takes effect.

**600.05 Sales Outlet Qualifications.** Prior to a county, city, village, or lottery operator conducting a lottery at a sales outlet location, the county, city, or village must establish sales outlet location qualification standards by ordinance or resolution.

600.05A The established qualification standards must be met by any person seeking to have its location qualify as an authorized sales outlet location.

600.05B The qualification standards are the sole basis on which the county, city, or village approves or disapproves each person that desires to conduct the lottery at its location.

600.05C The county, city, or village must file a copy of the ordinance or resolution establishing the qualification standards with the Department within 30 days after its adoption.

600.05D The county, city, or village must notify the Department of all approved sales outlet locations within 30 days of approval.

**600.06 Participation Restrictions.** Participation restrictions for playing or working with the county/city lottery include:

600.06A No individual under the age of 19 can play or participate in any way in any lottery.

600.06B No owner or officer of a lottery operator with whom the county, city, or village contracts to conduct its lottery can play any lottery conducted by the county, city, or village at any time.

600.06C No employee or agent of a county, city, village, lottery operator, or sales outlet location can play the lottery of the county, city, or village for which he or she performs work during the time he or she is actually working at the lottery or while on duty with the lottery. This also prohibits an individual from purchasing a multirace ticket for which some or all of the games will be called while the individual is on duty with the lottery.

600.06D A county, city, or village which authorizes the conduct of a lottery must establish by ordinance or resolution, the additional limitations, if any, on the playing of any lottery conducted by that county, city, or village by any member of the governing board, a governing official, or the immediate family of the member or official.

600.06D(1) For purposes of this regulation, immediate family means spouse, children, grandchildren, siblings, or parents, including those individuals with the same relationship to the spouse, residing in the same household under the control and support of the head of such household.

600.06E Nothing in this regulation prevents a county, city, village, lottery operator, or sales outlet location from adopting more restrictive player participation rules.

600.06E(1) The county, city, or village may adopt any restrictions by ordinance or resolution or by virtue of contractual agreements reached between the county, city, or village and the lottery operator.

600.06E(2) The lottery operator or sales outlet location may adopt any restrictions by internal policies formulated by either party.

**600.07 Physical Limits of a Lottery.** A county, city, or village electing to conduct a lottery may only do so within the boundaries of the county, city, or village, or within a licensed racetrack enclosure which abuts the corporate limits of a city or village, or which is within the zoning jurisdiction of a city.

600.07A A county, city, or village electing to conduct a lottery may enter an agreement pursuant to the Interlocal Cooperation Act to conduct a joint lottery with another county, city, or village if each county, city, or village that is included within the agreement has authorized a lottery in accordance with the Nebraska County and City Lottery Act.

600.07B All parties to an agreement under the Interlocal Cooperation Act must hold a valid license to conduct a lottery issued by the Department if currently conducting a county/city lottery.



600.07C A joint lottery may only be conducted within the boundaries of the counties, cities, or villages, or within a licensed racetrack enclosure which abuts the corporate limits of, or which is within the zoning jurisdiction of, the cities or villages which are conducting the joint lottery.

**600.08 Expiration.** A lottery to be conducted by a county, city, or village which was authorized by an election held on or after October 1, 1989, and which is inactive for more than any 10 consecutive years, is no longer authorized.

**600.09 Right to Vote on Continuation.** The registered voters of any county, city, or village have the right to vote on the question of whether or not an existing lottery should be continued.

600.09A If an initiative petition on continuing an existing lottery, signed by at least 20% of the number of individuals voting in the county, city, or village at the last preceding general election, is presented to the governing board of the county, city, or village conducting the lottery, the question of whether or not the lottery will continue must be submitted to the voters.

600.09B If the governing board of a county, city, or village decides to submit the issue to the registered voters of the county, city, or village at a regular or special election, the question of whether or not the lottery will continue must be submitted to the voters.

600.09C If a majority of the voters voting on the issue vote to discontinue the lottery, the county, city, or village must discontinue the lottery within 60 days after the certification of the election results.

600.09D If the voters decide to discontinue the lottery, the county, city, or village must notify the Department within 30 days of the certification of the election results. The notification consists of a copy of a certification of the results of the election prepared by the county, city, or village election commissioner or other official with the authority to certify the results of an election.

600.09E An election authorized under Reg-35-600.09B cannot be held within two years after the election authorizing the lottery, and not more than once every two years.

600.09F If an election results in discontinuing a lottery, a subsequent election to authorize another lottery cannot be held within two years after the election resulting in discontinuing the previously-authorized lottery.

600.09G Any contract entered into by a county, city, or village relating to conducting a lottery must include a provision permitting the county, city, or village to terminate the contract by giving 30 days' notice to the other party if the lottery has been discontinued by an election authorized under Neb. Rev. Stat. §§ 9-626 or 9-627.

**600.10 Local Restrictions.** Any county, city, or village may tax, regulate, control, or prohibit any lottery conducted pursuant to the Nebraska County and City Lottery Act within the boundaries of

the county, city, or village by resolution or ordinance, except that no county may impose a tax or otherwise regulate, control, or prohibit any lottery within the corporate limits of a city or village.

600.10A If a city or village which has exercised its authority to prohibit lotteries of a county within its boundaries annexes any area in which a lottery is being lawfully conducted by a county, the county may continue the lottery for a period not to exceed the shorter of: (1) the remainder of the term of the county's agreement with the lottery operator; or (2) two years.

**600.11 Municipal Counties.** If any county, city, or village is conducting a lottery at the time it is consolidated into a municipal county, the municipal county is subject to the same rights and obligations with respect to the lottery as the county, city, or village which was abolished.

600.11A Any rights or obligations under existing lottery contracts of counties, cities, and villages which were abolished continue in effect.

600.11B The lottery will continue to be subject to all other provisions of the Nebraska County and City Lottery Act, except that it cannot be expanded to any new location in any area of the municipal county where the lottery was not previously authorized before the consolidation, unless the expansion has been approved by a majority of the registered voters of the municipal county voting at a regular election or special election called by the governing board of the municipal county for this purpose.

### **REG-35-613 Conduct of the Game - Keno**

**613.01 Age Restrictions.** Individuals under the age of 19 cannot play or participate in any way in the game of keno.

613.01A Any ticket purchased by an individual under the age of 19 or by the agent of the individual is void.

613.01B A winning ticket presented by an individual under the age of 19 or by the agent of the individual will not be paid.

**613.02 Equipment and Wagering Restrictions.** Only computerized keno games may be conducted. Brush or non-computerized games are prohibited. The following restrictions also apply.

613.02A A player cannot close a keno game or initiate the selection of winning numbers.

613.02B No person or licensee, or any employee or agent of a licensee, who accepts keno wagers may extend credit from the keno gross proceeds to players to purchase keno tickets.

613.02C Except as provided below, no person is allowed to purchase any outside ticket or place any wager pursuant to the Nebraska County and City Lottery Act (Act) unless he or she pays for the ticket or wager with cash, a debit card, the cash balance of a payment application, a transfer from a deposit account at a financial institution, or an account established in the name of the player with the lottery operator. A credit card shall not be accepted as payment for any wager on keno.

613.02C(1) A lottery operator or sales outlet location may cash a check for a player from the lottery operator's or sales outlet location's personal account (for example, the bar account or business account). The player must receive an equivalent amount of cash, less any applicable check cashing fees, from non-keno funds, and cash must be given to the keno writer at the time the wager is made. It is not permissible to hold a check and await the outcome of the game.

613.02C(2) A lottery operator, sales outlet location, or county, city, or village cannot cash a check from the keno account, the keno cash drawer, or other keno funds unless the check was issued to the player by the lottery operator, sales outlet location, or county, city, or village for keno winnings.

613.02C(3) Players may use gift certificates redeemable for keno play, free play keno coupons, or similar promotional items if the dollar amount of keno wagers represented by the promotional items is included in the gross proceeds of the lottery.

613.02C(3)(a) The retail value of free keno play is considered a promotional expense of operating the lottery and is subject to the 14% limitation on expenses if reimbursed by the county, city, or village.

613.02C(3)(b) A gift certificate must identify the name of the county, city, village, lottery operator, or sales outlet location issuing the certificate; and indicate that it is redeemable only for keno play. The issuer of the gift certificate is responsible for including cash in the keno bank account deposit for the day it is redeemed equivalent to the face value of the certificate.

613.02C(4) A participant is prohibited from using a debit card to purchase more than \$200 in keno wagers from a lottery operator, or to deposit more than \$200 into an account established in the name of the player, in a calendar day.

### **613.03 Placing and Accepting Wagers.**

613.03A Permissible and Impermissible Wagers. Players may place a wager by marking a paper keno ticket constructed with 80 blocks containing the printed numbers 1 through 80, with their number selections. The marked ticket is known as an inside ticket, and must be presented to a keno writer. Players are permitted to place a wager through the operator's digital-on-premises purchasing application or the operator's tablet, where permitted by regulation.

613.03A(1) The inside ticket must contain an area known as the "bet block" which indicates the dollar amount of the wager. Inside tickets may also contain advertising if approved by the sponsoring county, city, or village. Inside tickets are not required to identify the name of the sponsoring county, city, or village.

613.03A(2) A player may also present an outside ticket for replay, place an oral wager, or place a wager by some other medium in order to accommodate the player and comply with the Americans with Disabilities Act of 1990.

613.03A(3) Quick pick wagers, where numbers are randomly selected by the keno computer system for the player, are permissible if the player has the option to reject the computer number selection.

613.03A(4) Wagers from a player not present at a licensed location of the keno lottery are not allowed.

613.03A(5) Wagers by telephone or any other means of electronic transmission are not allowed unless specifically authorized by the Act or these regulations.

613.03B Documenting the Wager. The keno writer must enter each number selected by the player along with the amount wagered, the number of games to be played, and any other ticket conditioning aspects of the wager. A wager is also documented properly when it is submitted and accepted before game close through the operator's digital-on-premises purchasing application or the operator's tablet, where permitted by regulation.

613.03B(1) If an inside ticket is used to place a wager, it must be retained by the keno writer at the writer station for as long as the county, city, village, or lottery operator requires.

613.03B(2) After a player has placed a wager, an outside ticket must be generated by the keno system and presented to the player. The information on the ticket required by Reg-35-613.03L must be recorded on the keno system transaction log.

613.03B(3) Preprogrammed keno tickets, default wager amounts, and using optical character

613.03C Advisory Statement. A statement advising players to check their tickets for accuracy, and stating the consequence of a ticket being generated in error and not corrected before the start of a game, must be legibly posted at each location where keno is played, printed on the outside ticket, or printed on the schedule of prize payouts. If an operator is using a digital-on-premises purchasing application or operator's tablet, the same notice must be available on the application and tablet. The statement must include the requirement that all winnings are computed and paid according to the outside ticket, including a timeline for payment if winnings will not be paid out immediately.

613.03D Void Tickets. If an outside ticket is voided, the information pertaining to the voided wager must be entered by the keno writer into the keno system, and the system ~~and~~ must log the transaction or a record of the void must be attached to the outside ticket to document the transaction. If an operator is using a digital-on-premises purchasing application or operator's tablet, the application must inform the player of the process for voiding a ticket. If the application or operator's tablet will void a ticket without a keno writer, all information outlined in Reg-35-613.03D must be documented. All voids must be initiated on premises.

613.03D(1) Void tickets which have not been issued and recorded by the keno system (manual voids) are not permissible, unless written procedures have been established by the county, city, village, or lottery operator regarding the circumstances under which a manual void ticket is permitted.

613.03D(2) The required record keeping for manual void tickets includes:

613.03D(2)(a) The outside ticket, if available, must have the word "VOID" written on it;

613.03D(2)(b) The keno writer's signature;

613.03D(2)(c) Documentation of the refund of any wager; and

613.03D(2)(d) Documentation of the circumstances which required a manual void.

613.03E Unexpected Game Delays. If any of the lottery equipment breaks down prior to selecting the winning numbers and completion of the game will be delayed until the next business day, players will be refunded the amount wagered on any games not completed at the time they present their outside tickets. Operators using a digital-on-premises purchasing application or operator's tablet must provide, through the application or operator's tablet, a means to request a refund in this situation.

613.03F Closing the Game. Once the required time interval has elapsed, the game can be closed. A "close game" command must be entered on the keno system and the corresponding message displayed on all keno display boards, writer stations, and video display monitors. No outside tickets may be written or voided after a game has been closed and the winning number selection process has begun, except for tickets voided in accordance with Reg-35-613.03D. Outside tickets may be written or voided for future games after the current game has been closed.

613.03F(1) Controls must exist to prevent writing or voiding outside tickets for a game which has been closed. These controls must be identical for all satellite locations.

613.03F(2) Keno display boards or video display monitors used at satellite locations must have a countdown timer to warn players of the amount of time remaining before a game is closed.

613.03G Five-Minute Rule. At least five minutes must elapse between the random selection of winning numbers for each keno game. The five-minute interval is measured from game closing to game closing as recorded on the transaction log.

613.03H Prize Schedule. The potential payout for each different type of wager must be made known to the players prior to selecting numbers. This may be done by posting the potential payouts in a manner clearly visible to the players or through a printed schedule that is available at each location where keno is played. The operator must provide the same information through any digital-on-premises purchasing application or operator's tablet. The requirements for progressive keno games are provided in Reg-35-613.09.

613.03I Wagering Limits. No outside ticket, including a way-ticket, may be purchased representing a wager of over \$100. A multirace ticket, however, may be purchased for an amount over \$100 if the wager for each game included in the ticket does not exceed \$100.

613.03J Time Limit for Redemption. A statement indicating any time restriction for redeeming a winning outside ticket must be visibly posted at each location where keno is played or printed on the outside ticket or on the schedule of prize payouts. The operator must provide the same information through any digital-on-premises purchasing application or operator's tablet.

613.03K Invalid Wins. Any outside ticket identified as a winning ticket by the keno system, which is subsequently determined by the county, city, village, or lottery operator to be a losing ticket or a winning ticket of a lesser amount, is not a valid claim in the original amount against the county, city, village, or lottery operator. If the outside ticket is actually a losing ticket, the claim is invalid. If the outside ticket is a win of a lesser amount than originally identified, the claim for the larger win is not valid, but the claim is valid for the verified winning amount. All these instances must be reported to the Department by the end of the next business day following the date of the determination.

613.03L Information Required on Each Ticket. Each outside ticket must contain the following information:

613.03L(1) The name of the sponsoring county, city, or village;

613.03L(2) The current day's date and time;

613.03L(3) The numbers chosen by the player;

613.03L(4) The ticket serial number;

613.03L(5) The dollar amount and conditioning of the wager;

613.03L(6) When a location has multiple stations, the station number where the outside ticket was generated; or the operator's digital-on-premises purchasing application or operator's tablet used to purchase the ticket;

613.03L(7) A reference to the applicable pay tables where multiple pay tables are offered;

613.03L(8) For a quick pick ticket, a designation that it is a quick pick ticket, for example, QP;

613.03L(9) The game number. For a multirace ticket, the first game number and last game number; and

613.03L(10) For a replay ticket, the serial number of the ticket replayed.

613.03L(11) An outside ticket may contain additional information regarding game rules or instructions which a county, city, or village and the lottery operator have agreed upon. This information cannot contradict any provision of the Act or any regulation adopted pursuant to the Act.

613.03M Draw Ticket. If the number selection is made by a manual ball draw method using an electrically-operated blower device, a draw ticket must be prepared for each game by a licensed lottery worker who is not the licensed lottery worker calling the game numbers. Regardless of the method of selecting the winning numbers, the keno system must be capable of printing a draw ticket.

613.03N Winnings of \$1,500 or More. Any ticket, whether a single race or a multirace ticket, with net winnings of \$1,500 or more must be paid by check and not in cash. Wins of less than \$1,500 or wins of any amount from a digital-on-premises ticket may be paid electronically.

613.03N(1) If multiple players are involved on the same winning ticket and the net winnings are \$1,500 or more, net winnings must be issued to a single payee by check and not in cash.

613.03N(2) If the player requests, a portion not exceeding 10% of the winnings may be paid in cash.

**613.04 Manual Ball Draw Procedures.** When numbers are selected by a manual ball draw method using an electrically-operated blower device, selecting and verifying the winning numbers must:

613.04A The keno balls must be randomly selected by a licensed lottery worker, designated as the "caller," who operates the keno ball blower and rabbit ears. The caller, or another licensed lottery worker, must enter the numbers of the keno balls randomly selected into the keno system which simultaneously displays the corresponding numbers on the keno display boards and video display monitors and, if applicable, through the

digital-on-premises purchasing application or operator's tablet as the game results. The keno system must document and record the following on the transaction log: the date; the game number; the time the game was opened and closed; the numbers which were drawn in chronological sequence; and the method of selecting the winning numbers.

613.04B In addition to the licensed lottery worker who calls the keno ball numbers, a different licensed lottery worker designated as the "marker" must manually record the keno ball numbers, as they are drawn, on a draw ticket.

613.04B(1) The number of the game being drawn must be recorded on the draw ticket and given to the keno manager. The keno manager must compare the winning numbers selected by the electrically-operated blower device with the numbers entered into the keno system and initial or sign the draw ticket as evidence of his or her review.

613.04B(2) After the keno manager confirms that the winning numbers were entered correctly into the keno system, the keno manager must enter the appropriate command into the system to confirm the validity of the winning numbers selected and compute the game results.

613.04B(2)(a) Game results must then be displayed as "official" or "results" on all keno display boards and video display monitors, as well as through the digital-on-premises purchasing application or operator's tablet, if applicable.

613.04B(2)(b) If the keno manager determines an error occurred in entering the winning numbers into the keno system after the game results have been displayed as "official" or "results," the keno manager must edit the ball draw as described below:

613.04B(2)(b)(i) Each winning number entered in error must be crossed out on the keno display boards or video display monitors and, if applicable, through the digital-on-premises purchasing application or operator's tablet;

613.04B(2)(b)(ii) The corrected winning numbers must then be highlighted on the keno display boards or video display monitors and, if applicable, through the digital-on-premises purchasing application or operator's tablet; and

613.04B(2)(b)(iii) All edited ball draws must be recorded on an exception log of the keno system, identifying the keno manager who edited the ball draw and made the corresponding changes.

613.04B(3) A minimum of three licensed lottery workers, one of whom is the keno manager, are required to perform the manual ball draw procedures.



613.04B(4) The Department may authorize alternative procedures for verifying a manual ball draw provided that a minimum of three licensed lottery workers perform the procedures. A county, city, village, or lottery operator desiring to deviate from the prescribed procedures must submit a written request to the Department seeking authorization to deviate from the prescribed procedures. The request must include a description of the alternative procedures proposed. The Department will review the request and issue its written determination to the county, city, village, or lottery operator.

613.04B(5) Each lottery operator is required to establish a written policy regarding the procedures to be followed when a keno ball breaks or cracks during the ball draw, or when a keno ball is inadvertently left in the throat or rabbit ears from the previous game.

613.04B(5)(a) The policy must be approved by the sponsoring county, city, or village and be posted conspicuously for the players or printed on the schedule of prize payouts.

613.04B(5)(b) The policy must include a requirement that when a ball draw irregularity is detected, it must be verbally announced at the main location and refunds must be offered to any player for amounts wagered on the game.

613.04B(5)(c) A copy of the approved policy must be filed with the Department prior to its use.

613.04C Video Recording Requirements. A camera must be used to videotape or digitally record (recording) all of the following prior to, during, and subsequent to the calling of a game, respectively:

613.04C(1) Empty rabbit ears or receptacle;

613.04C(2) Date, time, and game number;

613.04C(3) Throat of the rabbit ears and receptacle; and

613.04C(4) Full rabbit ears or receptacle holding the keno balls selected with the date, time, and game number. The picture of the rabbit ears or receptacle on the recording must provide a legible identification of the numbers on the keno balls drawn. If a split image screen is used in order to accomplish the required views, each track must be capable of being independently played in a full-screen format.

613.04D The game number referred to in Reg-35-613.04(C)(2) is not required to be recorded if it can be determined by comparing the date and time display on the recording to the date and time of the game recorded on the keno system transaction log.

613.04E Recordings must be retained for three months or until the time the keno compliance procedure relating to the review of the recordings is completed, whichever is later. Recording media may be reused once the keno compliance procedure has been completed.

613.04F The keno manager is required to inspect new and used keno balls prior to use at the beginning of each day. The keno balls must be cleaned regularly to insure proper operation of the ball draw equipment.

613.04F(1) Back-up keno ball inventories must be maintained in a locked storage cabinet to prevent unauthorized access.

613.04F(2) A county, city, village, or lottery operator must establish written procedures for changing keno ball sets and replacing damaged keno balls to ensure that all 80 numbered keno balls are in the receptacle and available for random selection. If games are conducted with less than the required 80 numbered keno balls or with duplicate keno balls in the receptacle, players must be offered a refund of the amount wagered for each affected game played upon presentation of the outside ticket.

**613.05 Random Number Generator Selection Device Procedures.** All random number generators must reside on a PROM or EPROM secured in the logic board of the computer, or otherwise digitally stored in a verifiable manner in the keno system. The numbers selected by the random number generator for each game must be stored in the keno system's memory and be capable of being printed on a draw ticket with no manual input of the numbers required.

613.05A The use of a "black box" random number generator as a peripheral device to the keno system is permissible. A black box random number generator is subject to all regulatory requirements for a random number generator which resides in the keno system.

613.05B A camera system is not required if a random number generator approved by the Department is used for selecting winning numbers.

**613.06 Verifying Winning Tickets.** Winning outside tickets must be verified prior to the payout and paid in the following manner:

613.06A Procedures must be established to preclude paying outside tickets previously paid, unclaimed winning tickets after a specified period of time, voided tickets, and tickets which have not been issued.

613.06B The serial number, or a number indexed to the serial number, of an outside ticket presented for payment must be entered into the keno system by the keno writer and the payment amount generated by the system given to the player. Using an electronic bar code scanner to scan a bar code printed on an outside ticket which includes the serial number of the ticket is a permissible method of entering the ticket serial number into the keno system. A digital-on-premises ticket may be automatically verified by the system and paid electronically provided all other requirements of this section are met.

613.06C All payments must be supported by the outside ticket and a pay ticket generated by the keno system or an electronic record of the same, ~~unless the Department has authorized the county, city, village, or sales outlet location to eliminate pay tickets.~~

613.06C(1) The Department may authorize the payment of winnings without an outside ticket when circumstances exist to warrant payment. A request for payment without an outside ticket must be submitted by the keno lottery operator in writing to the Department for approval. No payment will be authorized without the approval of the sponsoring county, city, or village.

613.06D Unless the Department has authorized the county, city, village, lottery operator, or sales outlet location to eliminate pay tickets, a manual report or exception log must be maintained to document any winnings paid on outside tickets which were not authorized by the keno system and are not supported by a pay ticket generated by the system.

613.06E Winning outside tickets of \$1,500 to \$2,999.99 require the approval of the lottery operator or keno manager. Evidence of this approval includes the keno manager's signature on the pay ticket, or an alternative method approved by the Department. Nothing in this regulation precludes a county, city, village, lottery operator, or sales outlet location from requiring lottery operator or keno manager approval of winning tickets of less than \$1,500.

613.06F Net winnings of \$1,500 or more on a single keno game require that the player provide proper identification. Identification from a player account registration is considered proper identification for winnings on a digital-on-premises ticket and additional identity verification is not required if all information required to issue the player a Federal Form W-2G was collected at the time of registration.

613.06G Winning tickets of \$3,000 or more require the approval of the lottery operator or a keno manager. This approval may be evidenced by the keno manager's signature on the pay ticket or in another manner approved by the Department to document that:

613.06G(1) In the case of a manual ball draw method of selecting winning numbers, a review of the recording of rabbit ears or receptacle to verify the legitimacy of the draw and the accuracy of the draw ticket was performed;

613.06G(2) The winning outside ticket was compared to the transaction log or proof of win generated by the keno system; and

613.06G(3) The outside ticket was regraded using the payout schedule and draw information.

613.06H Winning tickets of \$10,000 or more are subject to all of the requirements found in Reg-35-613.06G and notification of the win to a county, city, or village official or county, city, or village employee serving as the governing official designee. The notification must

be made no later than the next business day following the day the outside ticket was verified as a winner by the keno system.

613.06I A county, city, village, or lottery operator cannot deviate from the winning ticket verification procedures prescribed in this regulation unless otherwise approved in writing by the Department.

**613.07 Security Standards and Controls.** Access to the area where the keno lottery equipment operates must be restricted to the lottery operator, its employees or agents, sales outlet location employees or agents, authorized equipment service personnel, and employees or agents of the sponsoring county, city, or village. Law enforcement officers or agents or representatives of the Department must be allowed access to any restricted keno areas upon showing official identification.

13.07A Access to the keno system must be adequately restricted.

613.07B The keno system processor and "black box" random number generator must be secured and accessible only to authorized personnel. Keno ball sets must be stored in a secure area. Any keys needed to access this area must be maintained only by management personnel of the lottery operator or sales outlet.

613.07C Keno number display boards and video display monitors and, if applicable, the digital-on-premises purchasing application or operator's tablet must be inspected periodically throughout the day by keno personnel to ensure that game information is being displayed correctly.

613.07D The lottery operator or sales outlet location must:

617.07D(1) Assign the keno manager, authorized licensed lottery workers, and the manufacturer-distributor personnel computer system access codes or passwords which allow them to approve and perform specific functions on the keno system; and

617.07D(2) Assign each keno writer a personal identification number (PIN), to be used only by that keno writer to perform his or her duties.

613.07E Access to the pay tables and system configuration options is limited to keno managers, representatives of the lottery operator, or representatives of the manufacturer-distributor. An exception log must be produced by the keno system to document all access to the pay tables and system configuration options, as well as all occurrences of unauthorized attempts to access restricted functions on the system.

613.07E(1) Access codes or passwords must be changed periodically to prevent unauthorized personnel from performing restricted functions.

613.07E(2) Any revisions or modifications of the keno system software must be performed by an authorized representative of the licensed manufacturer-

distributor. Changes to prize pay tables can only be made in the manner prescribed in Reg-35-614.05.

613.07E(3) All ticket processing, game results, pay information, or any other information required by these regulations to be entered on the transaction log may be kept on paper or on digital, electronic, magnetic, optical, or any other recording medium approved by the county, city, or village and the Department, so long as the transaction log remains capable of review and printing.

613.07E(3)(a) A procedure for making the transaction log available for keno compliance procedures must be submitted by the lottery operator, in writing, to the Department. The transaction log must be retained for a minimum of three years and be secured in an area other than the area where the keno game is conducted.

613.07E(3)(b) A copy of the transaction log must be forwarded to management personnel of the lottery operator and the sponsoring county, city, or village for use in the keno compliance procedures.

613.07E(4) A keno system which allows for copying game information to a medium other than paper must be designed so that copying is a required system function when running end-of-day reports. The system must notify the user if the copying function is not completed satisfactorily and require the user to continue performing the copy function until it is completed properly.

613.07F The power to access an operator's digital-on-premises purchasing application or operator tablet's internal administrative settings and controls must be limited to representatives of the lottery operator or representatives of the manufacturer-distributor.

**613.08 Keno Tournaments and Leagues Prohibited.** Keno tournaments, where multiple players pay an entry fee to play multiple keno games and where cash prizes are awarded from the pool of entry fees based on the player's total score are prohibited. Keno leagues played in a similar fashion as keno tournaments are also prohibited.

**613.09 Progressive Keno Games.** Progressive keno games are keno games with a jackpot prize that increases if the jackpot has not been won in the previous game. The jackpot may increase by a predetermined percentage or amount as each game is played, each wager is made, or otherwise, in a manner approved by the Department. Progressive keno games are permitted if the information describing how the game will be conducted and any jackpot limitations have been previously filed by the lottery operator with, and approved in writing by, the Department.

613.09A Unless otherwise authorized in writing by the Department, the jackpot prize at the beginning of the day, any prize limits, and the amount the progressive jackpot is advanced must be visibly posted and made known to the players prior to the start of each game, including through any digital-on-premises purchasing application or operator's tablet.

613.09B If two or more outside tickets are verified as jackpot winners, the full jackpot prize amount will be divided equally among the winning outside tickets.

613.09C The jackpot amount must be available to winning players by the end of the business day following the date that the winning transaction is verified. Verification must be completed no later than the third business day following the day the outside ticket is declared as a winner by the keno system.

613.09D The jackpot in a progressive keno game cannot be paid by annuity or any installment method. The jackpot may be insured by a county, city, village, or lottery operator if the Department has previously approved the arrangement in writing. Any premium expense incurred by the county, city, village, or lottery operator in insuring the jackpot is considered an expense of operating the lottery and is subject to the 14% expense limitation if paid for by the county, city, or village.

613.09E The progressive jackpot cannot be reduced to a lesser amount unless:

613.09E(1) A player wins the posted amount;

613.09E(2) An adjustment is necessary to prevent the posted amount from exceeding the published maximum amount of the progressive jackpot;

613.09E(3) There was a system malfunction. When this occurs, an explanation must be entered as part of the system record; or

613.09E(4) There is a player dispute as governed in Reg-35-613.09H.

613.09F Once a progressive jackpot amount is posted, that amount may not be decreased except as allowed by Reg-35-613.09E, and must remain until won or discontinued as provided in Reg-35-613.09G. The progressive jackpot amount is the responsibility of the county, city, or village if the operation of the progressive keno game ceases for any reason, including a change of lottery operator.

613.09G The Department may authorize a county, city, or village to discontinue a progressive keno game upon written request from the county, city, or village subject to the following requirements:

613.09G(1) The county, city, or village must conduct a public hearing on discontinuing its progressive keno game and discuss its intentions for using any accumulated progressive jackpot funds. If it is a joint lottery conducted pursuant to an interlocal cooperation agreement, the joint entity created pursuant to the agreement may conduct the public hearing in lieu of each county, city, or village which is a party to the agreement;

613.09G(1)(a) A copy of the public hearing notice must be posted in a visible location at each keno site; and

613.09G(1)(b) Once the public hearing has been held and the governing board of the county, city, village, or joint entity has reached a decision, a copy of the resolution that was adopted must be filed with the Department.

613.09G(2) The procedures specified in Reg-35-613.09G(1) do not apply to discontinuing a progressive jackpot which is not paid from a specific set-aside of lottery funds, and instead is paid from the overall prize fund.

613.09H If there is a player dispute over paying a progressive jackpot, the county, city, village, lottery operator, or sales outlet location (whoever is conducting the game) must:

613.09H(1) Reduce the progressive jackpot to its base amount and continue operating the game; and

613.09H(2) Deposit the disputed progressive jackpot amount into an escrow account until an investigation into the dispute by the Department has been completed and a decision is issued by the Department.

613.09I If a player dispute is resolved by the Department in favor of the county, city, village, lottery operator, or sales outlet location, the progressive jackpot must be returned to the accumulated amount at the time of the dispute, less the base figure amount.

**613.10 Standards for Conduct at a Satellite Location.** When keno is conducted at a satellite location, the following requirements apply:

613.10A A keno writer at a satellite location must enter each number selected by the player, the amount wagered, and the total numbers played into the writer station of the keno system, unless this process is completed through the operator's digital-on-premises purchasing application or operator's tablet. An outside ticket must be generated by the system and given back to the player, except in the case of a digital-on-premises ticket. Evidence of a valid digital-on-premises ticket that identifies the ticket's unique serial number must be provided to the player through the operator's digital-on-premises purchasing application or operator's tablet.

613.10B Any inside ticket presented by the player must be kept by the keno writer at the satellite location for the period of time required by the county, city, village, or lottery operator, unless the operator can substitute similar digital records maintained for the same period of time.

613.10C When the game at the main location is closed, the game at the satellite location must simultaneously close.

613.10D At a satellite location, winning outside tickets for amounts up to \$1,499.99 may be verified and paid by the keno writer, or where applicable verified and paid electronically. Nothing in this regulation precludes a county, city, village, lottery operator, or sales outlet location from requiring lottery operator or keno manager approval of winning tickets of less than \$1,500.

613.10D(1) Wins of \$1,500 or more must be presented for payment at the main location of the keno game or the office of the lottery operator, unless the ticket is verified and paid electronically, or unless an alternative method of verification is approved by the Department. The same verification procedures must be applied to outside tickets purchased at both the satellite location and the main location.

613.10D(2) The Department may authorize a larger amount to be paid at a satellite location based upon a written request from the county, city, village, or lottery operator if all of the winning ticket verification procedures required by these regulations are followed. The request must include the exact procedures to be followed by the satellite location to insure compliance with the verification requirements in these regulations. If the request is made by a lottery operator, the approval of the county, city, or village is also required.

613.10E If reports are printed and produced from the keno system at the satellite location, they must be limited to the activity at that satellite location and cannot include information for the entire satellite configuration.

613.10F At a satellite location, the standards for game play, maintenance, checkout, and shift statistics must be the same as for the main location.

**613.11 Prize Fund Requirements.** Every county, city, village, or lottery operator conducting a lottery must have sufficient funds available to pay every winning ticket by the end of the business day following the date that the winning tickets are verified. Verification must be completed no later than the third business day following the day the outside ticket is declared a winner by the keno system. Prizes must be paid in full to the winning player and cannot be paid over a period of time or through an annuity. The prize funds must be insured or guaranteed by monies deposited into an insured account maintained by a financial institution, an irrevocable letter of credit issued by a financial institution, or other security approved in writing by the Department.

613.11A If an irrevocable letter of credit is used to secure the prize funds, a copy must be provided to the Department and is subject to the Department's approval. An irrevocable letter of credit issued by the financial institution must name the county, city, or village as the beneficiary.

613.11B Prizes may be insured by a county, city, village, or lottery operator if the Department has previously approved the arrangement in writing. Any premium expense incurred by the county, city, village, or lottery operator is considered an expense of operating the lottery and is subject to the 14% expense limitation if paid for by the county, city, or village.

613.11C The county, city, or village must be able to draw on the insured deposit, irrevocable letter of credit, or insurance as needed. If the account, letter of credit, or insurance is drawn on and the remaining amount is less than the top prize offered, keno cannot resume play until the account, letter of credit, or insurance is replenished to an amount at least equal to the top prize offered.



613.11D If two or more outside tickets are verified as winning the jackpot prize on the same game, the full jackpot prize amount is divided equally among the winning tickets subject to the aggregate prize payout limit per game. The aggregate prize payout limit must be legibly posted at each keno location and printed on the schedule of prize payouts.

613.11E If two or more outside tickets are verified as winning the jackpot prizes in different games associated through an interlocal agreement or different games within the same county, city, or village, the full jackpot amount as well as other prizes may be apportioned among all the winning tickets. The amount apportioned among the winning tickets is subject to the aggregate prize payout limit applicable to all participating games for a given day. The aggregate prize payout limit must be legibly posted at each keno location and printed on the schedule of prize payouts.

613.11F All unclaimed prizes are the property of the county, city, or village. The total value of unclaimed prizes must be taken into account in computing the overall prize payout percentage of the keno activity.

**613.12 Player Account.** A lottery operator may allow participants to establish a player account to be used for lottery play. Such accounts must only be funded with cash, a debit card, the cash balance of a payment application, or a transfer from a deposit account at a financial institution. The player must apply for this account in person with a lottery worker who will confirm their identity. A participant must not deposit funds into any such account from a debit card transaction if the total amount of funds from all such debit card transactions in that calendar day would exceed \$200. Players purchasing tickets through the operator's digital-on-premises application or operator's tablet must use a player account.

613.12A Funds must not be transferred between player accounts.

613.12B The operator must take reasonable steps to ensure that a player has only one account.

613.12C The operator must not profit from fees associated with opening, maintaining, or closing the account, nor are they permitted to profit from fees charged to the player to deposit or withdraw funds. Operators should take reasonable steps to provide a no-fee option for deposit and withdrawal of funds.

613.12D Operators must not limit the size of the withdrawal from a player account. The operator must take reasonable steps to ensure the identity of the player prior to completing the withdrawal of funds and set reasonable limits regarding hours in which deposits and withdrawals are available and regarding the timing in which fund transactions are considered settled and available for withdrawal.

613.12E Records pertaining to a player's accounts, including deposits, withdrawals, wagers, and wins must be made available to the verified player upon request within a reasonable time frame at no charge. The operator may specify the manner in which this request is to be made.

613.12F Operators must take reasonable steps to ensure the security of players' personal information and financial information associated with the account.

613.12G An account which has been inactive for more than five years is considered abandoned. Inactive means that the account holder has not made any deposits, withdrawn any money, nor placed any wager via the account. Accounts which are abandoned are not the property of the operator nor the community and all funds associated with the abandoned account must be referred to the Nebraska State Treasurer Unclaimed Property Division.

613.12H The operator will notify the player if their deposits will be comingled in a single bank account as described in Reg-35-613.12J, as well as providing the insurance limitations of said bank account.

613.12I The limitations contained in Reg-35-613.12 must be made known to the player when creating their player account.

613.12J The operator will establish a separate non-interest bearing bank account at a financial institution which will receive the deposits for the player accounts. No funds from any other source are permitted in this account. This account will only be used for the following purposes: accepting deposits from players, placing wagers, receiving winnings to be credited to the player accounts, and be used to fund player account withdrawals. With the permission of each sponsoring community, an operator who is licensed in more than one community may comingle the player account funds from multiple communities into a single bank account. The financial institution must insure deposits up to the standard limit required by the Federal Deposit Insurance Corporation (FDIC), and the operator will make clear to the community and those who have player accounts what the insurance limits are.

**613.13 Digital-On-Premises Purchasing Application or Operator's Tablet.** A lottery operator may use digital-on-premises tickets sold via mobile device or operator's tablet after completing construction and testing of a mobile application or operator's tablet through an independent third-party laboratory approved by the Department, as well as obtaining the consent of the community. The operator must obtain the consent via resolution from the community's governing authority or in the lottery operator agreement.

613.13A The lottery operator must file with the Department the address of each location where digital-on-premises tickets are sold.

613.13B A location will not be permitted to use a digital-on-premises purchasing application until a representative of the Department has inspected and tested the application at the location.

613.13C The lottery operator must use reasonable safeguards approved by the Department to ensure that digital-on-premises tickets are only accessible to individuals 19 years of age or older.

613.13D The lottery operator must submit controls, for approval by the Department, that include the following at the location of the lottery operator or the locations of its associated authorized sales outlets at which digital-on-premises tickets are sold:

613.13D(1) Any specific procedure and any technology partner used to fulfill the requirements set forth by the Department;

613.13D(2) Any location monitoring procedure to reasonably detect and dynamically monitor the location of a player attempting to purchase a digital-on-premises ticket for a keno game. The location procedures must be designed so that a player attempting to place a wager or void a ticket outside the permitted boundary is rejected and the player is notified. The permitted boundary must be established in such a manner that access is not regularly available away from the property on which the licensed premises is situated and such boundary is as closely matching to the actual or legal boundaries of the licensed premises as reasonably possible. Further controls may include but are not limited to: source of location data, how often the location is verified, events which trigger a check, listing of all data collected and length of time held, location fraud detection capabilities and response to such activity, and frequency of boundary checks;

613.13D(3) A process to prominently display and easily impose any limitation parameters relating to the purchase of a digital-on-premises ticket for a keno game;

613.13D(4) An easy and obvious method for a player to make a complaint and to enable the player to notify the Department if such complaint has not been or cannot be addressed by the lottery operator; and

613.13D(5) Any other specific controls as designated by the Department including but not limited to: preventing keno writers from playing on duty, length of time tickets are stored on the application, ensure purchases made are completed before the game closes, age verification, ticket identification (where the ticket was played), payment processes for the player, accounting processes for the location including how the end of day reconciliation of business will operate, fraudulent activity monitoring, and security of player information.

613.13E The Department must approve or deny the controls within thirty (30) days after submission. If denied, the Department must provide the reasons for denial and allow the lottery operator to resubmit revised controls.

613.13F The Department must be notified when updates to the application are made by the lottery operator. Changes made to the application regarding monitoring of player accounts, interactions with the premises' location monitoring system, and other significant processes must be approved prior to implementation. Changes to the application which will fix issues, provide updates that do not impact functionality in a significant manner, or which are otherwise minor do not need approval prior to implementation.

## **REG-35-615 Keno Checkout Standards**

### **615.01 Keno Writer Banks.**

615.01A Every lottery operator is accountable for the starting amount located in each keno writer's bank. Each keno writer bank must contain a starting amount established in writing by the lottery operator and maintained under lock and key.

615.01B As keno writers are assigned banks, they must count and verify that the bank contains the starting amount prior to beginning their shift. The amount must be verified by the keno writer coming on duty at the beginning of the next shift and by the keno manager. The arriving and departing keno writers or management personnel must verify the starting amount in the bank and prepare a checkout sheet containing the following information:

615.01B(1) Day and shift;

615.01B(2) Count of cash;

615.01B(3) Bank over/short;

615.01B(4) Bank starting amount; and

615.01B(5) The signature of the departing and arriving keno writers and management personnel.

615.01C When a keno writer is unable to pay a player's winnings from his or her bank, he or she may obtain cash from the keno manager's bank. The keno manager must enter the amount of fill and the keno writer's personal identification number (PIN) into the keno system. The keno system must generate a fill ticket which is verified and signed by both the keno writer and the keno manager. The fill is then credited to that particular keno writer who retains the completed fill ticket until the close of the shift or day when it is turned in with the keno writer's cash.

615.01C(1) If keno writer fills are not recorded on the keno system, the following procedure is required:

615.01C(1)(a) The keno writer notifies the keno manager that additional cash is needed in the keno writer's bank;

615.01C(1)(b) The keno manager completes a two-part "fill slip" with the date and total fill completed on the form;

615.01C(1)(c) The keno manager obtains the required cash and verifies the amount with the keno writer. Both the keno manager and keno writer sign the "fill slip"; and

615.01C(1)(d) The cash and one copy of the "fill slip" are given to the keno writer. The other copy is retained by the keno manager. At the end of the shift or day, the keno writer turns in the "fill slip" with the remaining cash in the keno writer's bank.

615.01D When a keno writer accumulates excess cash in his or her bank, he or she may turn in cash to the keno manager's bank. A cash turn-in slip must be prepared and signed by the keno writer and the keno manager. The cash turn-in is credited to that particular keno writer who retains the completed cash turn-in slip until the close of his or her shift when it is turned in with the keno writer's cash.

615.01E Each keno writer must segregate his or her starting amount bank from cash taken in during his or her shift. The excess cash, paid (if applicable), void, and fill tickets, and cash turn-in slips must be turned over to the keno manager at the end of the shift. The cash turn-in must be verified by the keno manager who must record the amount on the keno turn-in summary. In addition, each keno writer must sign in ink next to the corresponding entry on the keno daily summary.

615.01F The cash turn-in is listed on a cash turn-in slip. The keno manager places the cash and the cash turn-in slip in the keno manager's bank or transports the cash and cash turn-in slip along with the various keno reports and tickets to a secured area. The cash turn-in must be recorded.

615.01G As an alternative for sales outlet locations or satellite locations, the management personnel at the sales outlet location or satellite location may perform the keno writer checks required by this regulation.

615.01H During the hours that keno is conducted at a lottery operator location or sales outlet location, cash constituting the starting bank, cash receipts from the sale of keno tickets, and any fills must be segregated from all other revenue of the lottery operator location or sales outlet location.

## 615.02 **Keno Manager's Bank.**

615.02A If the lottery operator chooses to use a keno manager bank in addition to the keno writer's bank, the lottery operator is also responsible for the starting amount of the keno manager's bank. If a keno manager's bank is used, a checkout sheet must be prepared at the beginning of the day with the following information:

615.02A(1) Date and shift;

615.02A(2) Bank starting amount;

615.02A(3) Count of cash; and

615.02A(4) The signature of the keno manager.

615.02B The keno manager may need to order additional cash from the lottery operator to pay a large winning ticket. When this occurs, the keno manager enters the amount of the fill and his or her PIN into the keno system. A fill ticket must be generated which is verified and signed by both the keno manager and the lottery operator. The fill is then credited to the keno manager's bank and the completed fill ticket retained until it is turned in with the keno manager's cash at the end of the shift or the end of the day.

615.02B(1) If keno manager fills are not recorded on the keno system, the following procedure is required:

615.02B(1)(a) The keno manager notifies the lottery operator that additional cash is needed in the keno manager's bank;

615.02B(1)(b) The lottery operator completes a two-part "fill slip" with the date and total fill completed on the form;

615.02B(1)(c) The lottery operator obtains the required cash and verifies the amount with the keno manager. Both the lottery operator and keno manager sign the "fill slip"; and

615.02B(1)(d) The cash and one copy of the "fill slip" are given to the keno manager. The other copy is retained by the lottery operator. At the end of the shift or day, the keno manager turns in the "fill slip" with the remaining cash in the keno manager's bank.

615.02C If the keno manager changes during the day, the arriving and departing keno managers must verify the starting amount in the keno manager's bank and record the following information on the checkout sheet:

615.02C(1) Date and time;

615.02C(2) Bank starting amount;

615.02C(3) Count of cash;

615.02C(4) Total keno writer fills by the departing keno manager;

615.02C(5) Total cash turn-ins received by the departing keno manager;

615.02C(6) Total keno manager pays on winning tickets;

615.02C(7) Total keno manager fills by the lottery operator;

615.02C(8) Bank over and short; and

615.02C(9) The signatures of the departing and arriving keno managers.

**615.03 End of Shift or End of Day Checkout.**

615.03A Once the last game has been completed for a shift or for the day, the keno manager or the keno manager's designee, must perform the close of shift or day procedures on the keno system. The completed shift or day report must be recorded on the transaction log and show for each keno station or keno writer the following information:

615.03A(1) Date and time;

615.03A(2) Beginning cash balance;

615.03A(3) Total dollars wagered on tickets written;

615.03A(4) Total keno writer fills;

615.03A(5) Total keno writer pays on winning tickets;

615.03A(6) Total number and value of voided tickets;

615.03A(7) Total number and value of coupons redeemed;

615.03A(8) Total cash turn-in;

615.03A(9) Ending cash balance; and

615.03A(10) Net per station or keno writer.

615.03B If a keno manager's bank is used, a similar report must be recorded on the transaction log for the keno manager's bank showing the following information:

615.03B(1) Date and time;

615.03B(2) Beginning cash balance;

615.03B(3) Total keno writer fills;

615.03B(4) Total cash turn-in from keno writers;

615.03B(5) Total keno manager pays on winning tickets;

615.03B(6) Total keno manager bank fills;

615.03B(7) Ending cash balance; and

615.03B(8) Net per keno manager.

615.03C The information required in Reg-35-615.03B must be recorded on the transaction log.

615.03D A cash summary report (count sheet) must be prepared at the conclusion of the shift or the day on a form approved by the Department and must include the following information:

615.03D(1) Total value of voided tickets;

615.03D(2) Net write (total dollars wagered less the value of voided tickets);

615.03D(3) Total value of wins paid;

615.03D(4) Total hold (net write less wins paid);

615.03D(5) Total value of wins paid by check and the value of coupons redeemed;

615.03D(6) The calculated deposit amount and the actual amount deposited;

615.03D(7) The date of the deposit;

615.03D(8) The difference between the calculated deposit and the actual deposit, and an explanation of any overage or shortage;

615.03D(9) The value of unclaimed wins; and

615.03D(10) The signatures of all individuals who prepared the cash summary report.

615.03E The cash turn-in for the shift or day must be deposited into a bank account of the county, city, village, or the lottery operator ~~and be made within a commercially reasonable time frame, but in no event later than four~~ five (5) business days following the day the cash was collected. Keno funds must be separately stated on a deposit slip or otherwise documented for each separate day of gaming and must be clearly identified as keno funds. Days where winnings paid exceed wagers placed will not be subtracted from deposits. At the option of the lottery operator, a sales outlet location or satellite location may directly deposit the cash into the bank account of the county, city, village, or the lottery operator. This rule may be referred to as the "5-Day Rule."

615.03E(1) For purposes of this regulation, cash collected from midnight until such time as keno must no longer be conducted as established in Reg-35-613.02D will be considered collected on the most previous calendar day.

#### **615.04 Duty to Report Late Deposits.**

615.04A It is the operator's duty to report to the Department and the sponsoring county, city, or village each deposit that violates the 5-Day Rule within one week of violation.



615.04B The report must contain the following information:

615.04B(1) Operator's name;

615.04B(2) Name of sponsoring community;

615.04B(3) Name of sales outlet location whose deposit violated the 5-Day Rule;

615.04B(4) Dates associated with the violation, including the date of gaming for the late deposit, the date the deposit was due under the regulations, and the actual date the funds were deposited;

615.04B(5) Amount of expected deposit for each violation, if known; and

615.04B(6) An explanation for each violation, if known.

615.04C This report must be e-mailed to keno.deposits@nebraska.gov. The report must also be emailed to the lottery worker or an otherwise agreed to individual for the sponsoring county, city, or village.

615.05 An operator must not deviate from the procedures prescribed in this regulation unless otherwise approved in writing by the Department.

615.06 **Player Account Deposits.** If a lottery operator chooses to use player accounts and the location will allow the player to deposit money, in a form allowed by statute and regulation, via the keno writer, the lottery operator will first provide specific controls to be approved by the Department on how it will ensure the money is deposited in the correct bank account, credited to the correct player, how it will do so securely, and how the transaction will be documented clearly to allow for auditing by the community and/or Department. Upon approval of controls, training must be done in accordance with Reg-35-605.03.

## **REG-35-622 RECORD KEEPING AND REPORTING REQUIREMENTS - KENO LOTTERY**

622.01 In the case of a keno lottery, unless otherwise stated in these regulations, records shall be retained and disposed of by the county, city, or village as provided for in Schedule 59 - County/City Lottery Records approved by the Records Management Division of the Secretary of State's office.

622.02 In the case of a keno lottery conducted by a county, city, or village, the following information shall be reported to the Department on a quarterly basis:

622.02A The gross proceeds of the keno lottery for the reporting quarter;

622.02B The value of prizes paid for the reporting quarter;

622.02C Lottery operator commission(s) paid or incurred by the county, city, or village for the reporting quarter;

622.02D State lottery taxes paid or incurred by the county, city, or village for the reporting quarter;

622.02E State license fees paid or incurred by the county, city, or village for the reporting quarter;

622.02F Audit and legal expenses as defined in Neb. Rev. Stat. § 9-629(4) paid or incurred by the county, city, or village for the reporting quarter;

622.02G An itemized listing of all other expenses paid or incurred by the county, city, or village in the operation of the keno lottery for the reporting quarter (not the lottery operator's expenses); and

622.02H An itemized listing of disbursements made by the county, city, or village for community betterment purposes for the reporting quarter.

622.02I The report shall be prepared on a form prescribed by the Department and accompany the quarterly tax return prescribed in Neb. Rev. Stat. § 9-648 of the Nebraska County and City Lottery Act.

622.02I(1) A county, city, or village may submit a written request to the Department to obtain authorization to deviate from the quarterly report format prescribed in this regulation. Such request shall include a description of the alternative format proposed.

622.03 In the case of a keno lottery, the county, city, or village shall:

622.03A Ensure that adequate documentation of all pertinent keno information is generated by the keno system and that such documentation is restricted to authorized personnel. This documentation shall include, but not be limited to:

622.03A(1) Ticket information including date, ticket serial number, conditioning of the ticket, writer station number, game number, and amount of wager;

622.03A(2) Prize payout information including date, time, ticket serial number, amount, etc.;

622.03A(3) Game information including game number, ball draw, date and time, etc.;

622.03A(4) Daily summary information including write (handle), wins, wins paid, voids, net handle;

622.03A(5) System exception information including manual voids, late pays, pays not authorized by the keno system, and appropriate system parameter information (changes in pay tables, ball draw edits, unauthorized access, etc.); and

622.03A(6) Employee duty list which includes employee name, employee user identification number or personal identification number, and authorized system functions.

622.03B Ensure that records are maintained which include write (handle), wins, wins paid, voids, and net handle by individual writer and writer station for each shift;

622.03C Ensure that records are maintained which include at a minimum write (handle), wins, wins paid, voids, and net handle for:

622.03C(1) Each shift (if applicable);

622.03C(2) Each day;

622.03C(3) Month-to-date; and

622.03C(4) Year-to-date;

622.03D Ensure that management from both the county, city, or village and the lottery operator review on a monthly basis cash overages or shortages in excess of \$25.00 per keno writer per shift/day and investigate and notify the Department immediately of any such overages or shortages which are not attributable to accounting or system errors and warrant further investigation by the Department. Such investigations shall be documented and maintained for inspection by the Department; and

622.03E Ensure that the gross proceeds of the lottery less prizes paid in cash are deposited into a separate bank account of the county, city, village, or lottery operator ~~or sales outlet location~~ within five business days following the day the cash was collected a ~~commercially reasonable time frame~~. The county, city, or village must notify the Department immediately of any instances of noncompliance with this requirement.

~~622.03E(1) In determining whether a deposit is made within a commercially reasonable time frame, consideration shall be given to the proximity of the financial institution where such bank account is maintained. If the financial institution is located in the same community where the lottery is conducted, a commercially reasonable time frame for a deposit to be made is within three business days of the date such amount was realized. If the financial institution is not located in the same community, a commercially reasonable time frame for a deposit to be made is within five business days of the date such amount was realized.~~

622.03E(1) Subject to Reg-35-623 the transfer of funds from the lottery operator location's or sales outlet location's segregated bank account to the bank account of the lottery operator, county, city, or village may be done by an electronic transfer of funds.

622.03E(2) A transfer made pursuant to Reg-35-622.03E(1) must be made no later than five business days following the day the funds were collected.

622.03E(3) For purposes of this regulation, cash collected from midnight until such time as keno must no longer be conducted as established in Reg.35-613.02D will be considered collected on the most previous calendar day.

622.03F Ensure that a player does not purchase more than \$200 of keno wagers by debit card in a single business day. The County, city, or village must notify the Department immediately of any instances of noncompliance.

622.04 In the case of a keno lottery, each county, city, or village shall file with the Department an annual report of its keno lottery activity. The annual report shall be on a form prescribed by the Department unless otherwise authorized by the Department. A county, city, or village may submit a written request to the Department to obtain authorization to deviate from the annual report format prescribed in this regulation. Such request shall include a description of the alternative format proposed.

622.04A The annual report shall cover the fiscal year of the county, city, or village and be filed with the Department within 90 days of the end of the period covered by the report. In the event a county, city, or village cancels its license or allows such license to expire prior to the end of the reporting period, a final report shall be filed with the Department within 90 days of the date the license was canceled or expired. The annual report shall include at a minimum the following information:

622.04A(1) The gross proceeds of the keno lottery ~~including receipts from any required admission costs~~ and the retail value of any free play coupons accepted or redeemed. If the lottery operator uses digital-on-premises tickets the report must identify the value of the gross proceeds of such wagers;

622.04A(2) The total value of prizes paid. If the lottery operator pays wins electronically, the report must identify the value of the prizes paid electronically;

622.04A(5) A summary of each keno operations bank account maintained by the lottery operator for lottery proceeds including the name and complete address of the financial institution where such account is maintained, the account number, the beginning and ending account balances for the reporting period, total deposits to the account and disbursements made from the account during the reporting period, and total interest earned during the reporting period.

622.04A(5)(a) The keno operations bank account information shall also include:

622.04A(5)(a)(i) The amount of cash on hand or deposits in transit as of the beginning of the reporting period;

622.04A(5)(a)(ii) The amount of cash on hand or deposits in transit as of the end of the reporting period;

622.04A(5)(a)(iii) Prizes paid by check and withdrawals from the keno operations bank account for keno manager or keno writer bank fills made during the reporting period;

622.04A(5)(a)(iv) The balance in the prize reserve account as of the end of the reporting period;

622.04A(5)(a)(v) The balance in the community betterment account as of the end of the reporting period; and

622.04A(5)(a)(vi) Deposits made to the keno operations bank account other than daily lottery proceeds (i.e., transfers from the prize reserve account, community betterment account, or any other account).

622.04A(5)(a)(vii) Any electronic transfer requests authorized under Reg-35-622.03E(1) and Reg-35-623.05C that are not fulfilled due to non-sufficient funds;

622.04A(5)(a)(viii) If the operator uses a digital-on-premises purchasing application or operator's tablet and has established a bank account in only the community's name to hold player account funds, the balance in said bank account as of the end of the reporting period. If the operator uses a joint account with multiple communities to hold these funds, this information need not be supplied.

622.04A(6) The annual report shall be signed by the preparer and a governing official of the county, city, or village and made available for public inspection by the residents of the county, city, or village.

622.05 In the case of a keno lottery conducted by a county, city, or village, the results of the performance of the annual compliance procedures shall be submitted to the Department as prescribed in Reg-35-616.

622.06 Each licensed manufacturer-distributor shall maintain complete and detailed records relating to the quantity and types of lottery equipment or supplies sold to any county, city, village, licensed lottery operator, or licensed manufacturer-distributor including, but not limited to:

622.06A The name and address of any county, city, village, licensed lottery operator, licensed manufacturer-distributor, or any other purchaser located in Nebraska purchasing lottery equipment or supplies;

622.06B Relative to each sale, the quantity and type of lottery equipment or supplies sold; and

622.06C Any other information concerning lottery equipment or supplies sold which the Department deems necessary.

### **REG-35-623 COMINGLING OF KENO FUNDS IN NON-SEGREGATED BANK ACCOUNT**

623.01 Unless specifically modified by the regulations in this section, all regulations of Reg-35-600 to 35-622 remain in effect. This section will only apply to lottery operators seeking authorization to comingle keno funds in a non-segregated bank account of the lottery operator location or sales outlet location.

623.02 If a lottery operator intends to have the lottery operator location or sales outlet location deposit keno funds into a non-segregated bank account of the location at the close of business each day, the operator and participating lottery operator location or sales outlet location must follow one of the two methods outlined in Reg-35-623.03 and 35-623.04, unless other sufficient controls are agreed to in writing by the Department. The operator must inform the Department in writing which method they intend to use for each lottery operator location or sales outlet location for compliance with Reg-35-623.02.

623.03 An operator may comply with Reg-35-623.02 by instituting the following audit procedures:

623.03A The operator must perform at least one monthly random audit of every keno drawer at each lottery operator location and sales outlet location.

623.03B The operator must maintain documentation relating to all audits performed pursuant to. Documentation must include all of the following:

623.03B(1) The reason for audit;

623.03B(2) The person who performed audit;

623.03B(3) The date and time of audit;

623.03B(4) All keno writers on duty;

623.03B(5) All keno managers on duty;

623.03B(6) The results of the audit;

623.03B(7) Any action taken as a result of the audit; and

623.03B(8) Any other information and documentation the auditor deems necessary.

623.03C Documentation of all audits must be maintained by the operator for a period of three years and be provided to the Department upon request within a reasonable time.

623.03D A copy of audit documentation relating to the lottery operator location or sales outlet location must be kept on the premises of the location for a period of three months and be provided to the Department upon request.

623.04 An operator may comply with Reg-35-623.02 by installing video cameras with recording equipment and adhering to the following procedures:

623.04A At each lottery operator location or sales outlet location, at least one camera must be installed to monitor each keno writer station. The camera(s) must be positioned to provide a full view of the keno drawer, terminal, scanner, printer, and area where the customer transactions take place.

623.04A(1) The Department reserves the right to request any camera be adjusted and/or moved to provide an adequate line of sight.

623.04A(2) A single camera may be positioned to record multiple stations only if the Department after reviewing the position determines that the items referenced in Reg-35-623.04A can be adequately monitored.

623.04B The operator must notify the Department of the date they intend to install the camera(s) to allow the Department, if they choose, to be present for the installation and inspect the cameras and recording equipment.

623.04C Cameras installed in accordance with Reg-35-623.04 must meet the following technical requirements:

623.04C(1) Have a minimum resolution of 704 x 480;

623.04C(2) Record at a minimum of 30 frames per second;

623.04C(3) Must display the date and time for all recordings; and

623.04C(4) Be equipped with an uninterruptable power supply.

623.04D Recording equipment may record in any format of media. Recording equipment must be housed in secured location under lock and key. Physically stored recordings must be stored in secured location under lock and key. If recordings are stored electronically, password protection must be used.

623.04D(1) Recording equipment must be equipped with an uninterruptable power supply.

623.04D(2) All recordings, regardless of format, must be retained for at least three months.

623.04D(3) Regardless of the format of recording, the stored recordings must be accessible by the Department upon demand within a reasonable time.

623.04E All cameras and recording equipment must be inspected daily prior to beginning the first game. All cameras and recording equipment must also be monitored throughout the day.623.04E(1) All camera and recording equipment failures must be reported to the Department immediately upon discovery and repaired as soon as is practical.

623.04E(1)(a) The game may continue upon noticing the failure only if the Department has been notified.

623.04E(1)(b) If the camera or recording issue has not been resolved after five days, then the lottery operator location or sales outlet location where the issue is occurring is not permitted to comingle keno funds until the repair is completed, unless the location utilizes the audit procedures outlined in Reg-35-623.03.

623.05 An operator who follows the provisions of Reg-35-623.01 to 35-623.04 at a lottery operator location or sales outlet location is permitted to have lottery proceeds from the location deposited into a non-segregated bank account of the lottery operator location or sales outlet location. Such bank account must be designated by the lottery operator, county, city, or village. Keno funds must remain segregated from all other revenue of the lottery operator location or sales outlet location until the deposit is made into the non-segregated bank account.

623.05A If the deposit is made with non-lottery funds from the lottery operator location or sales outlet location, the deposit slip must clearly indicate the amount of keno funds being deposited.

623.05B The deposit must be made within five business days following the day such gross proceeds were collected. 623.05C Transfer of funds from the lottery operator location or sales outlet location non-segregated bank account to the bank account of the lottery operator, county, city, or village may be done by an electronic transfer of funds.

623.05C(1) A transfer pursuant to Reg-35-623.05C must be made no later than five business days following the day the funds were collected.