

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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SENATE DRS75040-MAf-100* (02/02)

Short Title: Video Lottery Entertainment. (Public)

Sponsors: Senator Jenkins.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW VIDEO LOTTERY FOR THE PURPOSE OF PROFIT SHARING
3 WITH THE STATE OF NORTH CAROLINA.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. The General Statutes are amended by adding a new Chapter to read:

6 "**Chapter 18D.**

7 "**Video Lottery Entertainment.**

8 "Article 1.

9 "General Provisions.

10 "**§ 18D-100. Citation.**

11 This Chapter shall be known as, and may be cited as, the Video Lottery Entertainment Act.

12 "**§ 18D-101. Definitions.**

13 The following definitions apply in this Chapter:

- 14 (1) ALE Division. – The Alcohol Law Enforcement Division of the Department
15 of Crime Control and Public Safety.
- 16 (2) Central monitoring system. – The system that maintains on a real-time basis
17 the financial, integrity, and security controls on video lottery terminals and
18 associated equipment, and provides administrative services for its operation.
- 19 (3) Commission. – The North Carolina State Lottery Commission established
20 under G.S. 18C-110.
- 21 (4) Director. – The person selected by the Commission to be the chief
22 administrator of the North Carolina State Lottery as defined in
23 G.S. 18C-103(3).
- 24 (5) Gross income. – Wagers inserted into a video lottery terminal minus any
25 credits.
- 26 (6) License. – Authorization granted by the Commission permitting an applicant
27 to engage in the defined activities of video lottery.
- 28 (7) Manufacturer. – An individual, partnership, corporation, trust, association,
29 joint venture, limited liability company, or other business entity that
30 manufactures, assembles, services, or produces video lottery terminals or
31 associated equipment in this State.
- 32 (8) Operator. – An individual, partnership, corporation, trust, association, joint
33 venture, limited liability company, or other business entity that owns or
34 services a video lottery terminal for which a video lottery terminal permit



1 has been issued by the Commission and that places video lottery terminals or
2 associated equipment for public use in the State of North Carolina.

3 (9) Service technician. – Any person who performs service, maintenance, and
4 repair operations on video lottery terminals.

5 (10) Video lottery games. – Electronically simulated games of chance approved
6 by the Commission that are displayed and played on licensed video lottery
7 terminals.

8 (11) Video lottery retailer. – An establishment under contract with the
9 Commission to place video lottery terminals on premises authorized by the
10 contract.

11 (12) Video lottery terminal. – A device operated under the authority of the
12 Commission, is exempt under G.S. 14-306.1A, and is any electronic
13 computerized video game machine that, upon the insertion of cash, player's
14 club card, or other form of lottery prize or promotional credit, is available to
15 play a video lottery game authorized by the Commission, and which uses a
16 video display and microprocessors in which, by chance, the player may
17 receive free games or credits that can be redeemed for cash. The term does
18 not include a machine that directly dispenses coins, cash, or tokens.

19 (13) Video lottery terminal permit. – A permanently affixed tag or other device
20 issued to a licensed operator for each video lottery terminal approved by and
21 registered with the Commission.

22 (14) Wager. – A sum of money or thing of value which is bet or risked on an
23 uncertain occurrence or outcome.

24 **"§ 18D-102. Powers and duties.**

25 The Commission shall have the following powers and duties:

26 (1) To promulgate rules relating to the operation of video lottery terminals and
27 games, which shall include, but is not limited to the following:

28 a. The licensure of manufacturers with terminals capable of interfacing
29 with a central monitoring system controlled by the Commission. An
30 outside independent testing laboratory may be utilized by the
31 Commission at the expense of the individual manufacturer.

32 b. The type and number of video lottery terminals to be approved for
33 each permit.

34 c. The number of video lottery terminals to be allocated per operator
35 and video lottery retailer and the placement of the terminals.

36 d. The type of video lottery games to be conducted, the limit amount for
37 each wager, and the prize claim process.

38 e. Accounting procedures for determining the net terminal income from
39 video lottery terminals and unclaimed prizes and credits.

40 f. Financial reporting procedures for licensed video lottery retailers and
41 operators, and control procedures in the event that any of these video
42 lottery retailers and/or operators should become insolvent.

43 g. Insurance and bonding of the following:

44 1. Licensed video lottery retailers.

45 2. Licensed operators.

46 3. Licensed manufacturers.

47 h. The application of licensing requirements and qualifications of video
48 lottery retailers, operators, manufacturers, service technicians, and
49 any individuals associated with these entities, shall apply, but not be
50 limited to the following:

1. Each person who is issued an ABC permit by the North Carolina Alcoholic Beverage Control Commission.
 2. Each person associated with a corporate applicant, including any corporate holding, parent, or subsidiary company of the applicant, who, in the opinion of the Commission, has the ability to control the activities of the corporate applicant or elect a majority of the board of directors of that corporation, other than a bank or other licensed lending institution which holds a mortgage or other lien acquired in the ordinary course of business.
 3. Each of the following persons associated with a noncorporate applicant:
 - I. Any person who directly or indirectly holds any beneficial interest or ownership in the applicant.
 - II. Any person who, in the opinion of the Commission, has the ability to control the applicant.
 4. Any executive, employee, or agent having the power to exercise a significant influence over decisions concerning any part of the applicant's business operation.
 5. Employees of a video lottery retailer establishment who are permitted access to cash and a key for entry into a video lottery terminal.
 - i. Requirements for linking all video lottery terminals under a central monitoring system to provide auditing program information as approved by the Commission.
 - j. Establishment of information systems, operating procedures, reporting, and accounting criteria.
 - k. The temporary replacement of a video lottery terminal for servicing and repair. The Commission may not charge an additional fee for the temporary replacement video gaming machine.
 - l. Any other matters necessary for video lottery terminals or games or for the convenience of the public.
 - m. The fines or penalties associated with any violation of Commission rules.
- (2) To engage an independent firm experienced in security procedures, including computer security and systems security, to conduct a comprehensive study and evaluation of all aspects of security in the operation of the video lottery terminals. At a minimum, such a security assessment should include a review of network vulnerability, application vulnerability, application code review, wireless security, security policy and processes, security and privacy program management, technology infrastructure and security controls, security organization and governance, and operational effectiveness.
- (3) To enter into an agreement with the ALE Division to conduct an in-depth background investigation of applicants and licensees to ensure compliance with this Chapter.

"§ 18D-103. Video lottery; allocation of revenues.

Subject to the limitations set forth in this Chapter, the Commission may initiate games played using a video lottery terminal. The Commission shall determine the allocation of net income from video lottery terminals and the procedures for the monitoring, collection, and distribution of income from the video lottery terminals, provided that no less than forty-six

1 percent (46%) of the total annual revenues shall be transferred to the North Carolina State
2 Lottery Fund pursuant to Article 7 of Chapter 18C of the General Statutes, and no more than
3 eight percent (8%) of the total annual revenues shall be allocated for administrative expenses of
4 the Commission, which shall include all costs associated with the central monitoring system.
5 To the extent that the expenses of the Commission are less than eight percent (8%) of total
6 annual revenues, the Commission shall allocate any surplus funds to the North Carolina State
7 Lottery Fund.

8 **"§ 18D-104. Local ordinances regulating video lottery prohibited.**

9 No local government shall enact any ordinance regulating video lottery terminals. Any local
10 act regulating or imposing a tax or fee on video lottery terminals is hereby repealed.

11 **"§§ 18D-105 through 18D-199. Reserved for future codification purposes.**

12 "Article 2.

13 "Permits.

14 **"§ 18D-200. Video lottery permit required; posting on video lottery terminals.**

15 (a) The Commission shall issue a video lottery permit for video lottery terminals. Every
16 approved video lottery terminal shall have affixed to it, in a location and in a manner set forth
17 by the Commission, a valid video lottery permit. A valid and properly affixed video lottery
18 permit indicates that the machine has been registered, inspected, and approved for operation in
19 the State.

20 (b) The Commission shall issue the video lottery permit annually. The permits to be
21 issued shall be based on the number of approved terminals registered with the Commission per
22 licensed operator.

23 (c) No person other than authorized Commission personnel or a member of the ALE
24 Division shall affix or remove a lottery terminal permit.

25 (d) Manufacturers, licensed operators, and video lottery retailers must make video
26 lottery terminals and associated equipment available for inspection by the Commission or the
27 ALE Division. No video lottery terminal shall be issued a permit unless the machine's software
28 is compatible with the Commission's central monitoring system and approved by the
29 Commission.

30 (e) Any terminal or machine which does not display the video lottery permit as required
31 by this section is contraband and shall be a public nuisance subject to seizure and summary
32 forfeiture by any law enforcement officer.

33 (f) No video lottery terminal may be transported out of the State until the video lottery
34 permit has been removed.

35 **"§ 18D-201. Minimum qualifications for manufacturer.**

36 (a) Except as provided in subsection (b) of this section, any individual, group of
37 individuals, corporation, partnership, or association the Commission determines is qualified to
38 receive a license under this Article shall be issued a manufacturer's license.

39 (b) The Commission shall not approve a licensed manufacturer applicant if any of the
40 following apply:

41 (1) The applicant has been convicted of a felony or any gambling offense in any
42 state or federal court of the United States within 10 years of making
43 application for a permit, or employs officers and directors who have been
44 convicted of a felony or any gambling offense in any state or federal court of
45 the United States within 10 years of making application for a permit.

46 (2) The applicant is less than 21 years of age.

47 (3) The applicant has falsified the application.

48 (4) The applicant is not current in filing all applicable tax returns to the State
49 and in payment of all taxes, interest, and penalties owed to the State,
50 excluding items under formal appeal under applicable statutes. Upon request
51 of the Director, the Department of Revenue shall provide only information

1 about a specific person or entity's tax payment status or arrearages to the
2 Commission.

3 (c) The applicant must furnish all information, documents, certifications, consents,
4 waivers, individual history forms, and other materials required or requested by the Commission
5 for purposes of determining qualification for manufacturer's license. If the applicant is a public
6 company, the applicant must file with the Commission a copy of any disclosure statement
7 involving ownership of the public company required to be filed with the United States
8 Securities and Exchange Commission. The Commission shall not approve a licensed
9 manufacturer applicant if the applicant fails to provide information and documentation
10 requested by the Commission.

11 (d) The applicant shall submit to a background investigation, including each partner,
12 director, officer, and all stockholders of five percent (5%) or more of any business entity,
13 except for institutional investors. The application shall be accompanied by a fee set by the
14 Commission to cover the cost of the criminal history and financial record check conducted by
15 the Commission.

16 (e) The burden of proof for establishing qualification under this section shall be on the
17 applicant.

18 (f) No manufacturer or applicant to be a manufacturer shall pay, give, or make any
19 economic opportunity, gift, loan, gratuity, special discount, favor, hospitality, or service,
20 including food and beverages, to the Director, to any member or employee of the Commission,
21 to any member or employee of the ALE Division, or to any member of the immediate family
22 residing in the same household as one of these individuals.

23 **"§ 18D-202. Minimum qualifications for operators.**

24 (a) Except as provided in subsection (b) of this section, an individual, group of
25 individuals, corporation, partnership, or association whom the Commission determines is
26 qualified to receive a license under this Article shall be issued an operator's license.

27 (b) The Commission shall not approve an operator license applicant if any of the
28 following apply:

29 (1) The applicant has not been a resident of the State of North Carolina for at
30 least three years immediately preceding the application.

31 (2) The applicant has been convicted of a felony or any gambling offense in any
32 state or federal court of the United States within 10 years of making
33 application for a license, or employs officers and directors who have been
34 convicted of a felony or any gambling offense in any state or federal court of
35 the United States within 10 years of making application for a license.

36 (3) The applicant is less than 21 years of age.

37 (4) The applicant has falsified the application.

38 (5) The applicant is not current in filing all applicable tax returns to the State
39 and in payment of all taxes, interest, and penalties owed to the State,
40 excluding items under formal appeal under applicable statutes. Upon request
41 of the Director, the Department of Revenue shall provide only information
42 about a specific person or entity's tax payment status or arrearages to the
43 Commission.

44 (c) The applicant must submit to a background investigation, including each partner,
45 director, officer, and all stockholders of five percent (5%) or more of any business entity. The
46 application shall be accompanied by a fee set by the Commission to cover the cost of the
47 criminal history and financial record check conducted by the Commission.

48 (d) The applicant must furnish all information, documents, certifications, consents,
49 waivers, individual history forms, and other materials required or requested by the Commission
50 for purposes of determining qualification for an operator's license. If the applicant is a public
51 company, the applicant must file with the Commission a copy of any disclosure statement

1 involving ownership of the public company required to be filed with the United States
2 Securities and Exchange Commission. The Commission shall not approve a licensed operator
3 applicant if the applicant fails to provide information and documentation requested by the
4 Commission.

5 (e) A licensed operator may not make available more than the maximum number of
6 video lottery terminals, as established by the Commission, in the State to be played or operated
7 at any one time.

8 (f) The burden of proof for establishing qualification under this section shall be on the
9 applicant.

10 (h) No operator or applicant to be an operator shall pay, give, or make any economic
11 opportunity, gift, loan, gratuity, special discount, favor, hospitality, or service, including food
12 and beverages, to the Director, to any member or employee of the Commission, to any member
13 or employee of the ALE Division or to any member of the immediate family residing in the
14 same household as one of these individuals.

15 **"§ 18D-203. Minimum qualification for video lottery retailers.**

16 (a) The Commission shall not license any establishment for which the applicant is any
17 of the following:

18 (1) A natural person under 21 years of age.

19 (2) A person whose establishment would be engaged exclusively in the business
20 of housing video lottery gaming machines.

21 (3) A person who is not current in filing all applicable tax returns to the State
22 and in payment of all taxes, interest, and penalties owed to the State,
23 excluding items under formal appeal under applicable statutes. Upon request
24 of the Director, the Department of Revenue shall provide only information
25 about a specific person or entity's tax payment status or arrearages to the
26 Commission.

27 (4) A person who resides in the same household as a member of the
28 Commission, the Director, an employee of the Commission, or a member or
29 employee of the ALE Division.

30 (b) The applicant for a video lottery retailer must possess an on-premises malt beverage
31 permit, on-premises unfortified or fortified wine permit, or mixed beverages permit issued by
32 the North Carolina Alcoholic Beverage Control Commission pursuant to Chapter 18B of the
33 General Statutes. Any applicant who holds more than one premises permitted or licensed by the
34 North Carolina Alcoholic Beverage Control Commission must submit a separate application,
35 qualification, and fees for each premises to be permitted by the Commission.

36 (c) The applicant for a licensed video lottery retailer's status shall provide all of the
37 following information to the Commission:

38 (1) Name of the establishment to be licensed.

39 (2) Address of the establishment to be licensed.

40 (3) Phone number of the establishment to be licensed.

41 (4) Name, address, and phone number of each owner of the establishment to be
42 licensed.

43 (d) The applicant shall furnish all information, documents, certifications, consents,
44 waivers, individual history forms, and other materials required or requested by the Commission
45 for purposes of determining qualification for a video lottery retailer's license. If the applicant is
46 a public company, the applicant must file with the Commission a copy of any disclosure
47 statement involving ownership of the public company required to be filed with the United
48 States Securities and Exchange Commission. The Commission shall not approve a licensed
49 video lottery retailer applicant if the applicant fails to provide information and documentation
50 requested by the Commission.

1 (e) The applicant shall submit to a background investigation, including each partner,
2 director, officer, and all stockholders of five percent (5%) or more of any business entity. The
3 application shall be accompanied by a fee set by the Commission to cover the cost of the
4 criminal history and financial record check conducted by the Commission.

5 (f) There shall be no more than one licensed establishment per single roofline.

6 (g) No video lottery retailer or applicant to be a video lottery retailer shall pay, give, or
7 make any economic opportunity, gift, loan, gratuity, special discount, favor, hospitality, or
8 service, excluding food and beverages having an aggregate value not exceeding one hundred
9 dollars (\$100.00) in any calendar year, to the Director, to any member or employee of the
10 Commission, to any member or employee of the ALE Division, or to any member of the
11 immediate family residing in the same household as one of these individuals.

12 (h) The establishment shall meet all siting requirements set forth by G.S. 18D-301.

13 **"§ 18D-204. Additional qualification requirements.**

14 The Commission shall not grant a video lottery license until the Commission is satisfied the
15 applicant is all of the following:

16 (1) A person of good character, honesty, and integrity.

17 (2) A person whose background, including criminal history record, reputation,
18 and associations do not pose a threat to the public interest or safety of the
19 State or to the security and integrity of the Commission.

20 (3) A person who, either individually or through employees, demonstrates
21 business ability and experience to establish, operate, and maintain the
22 business for the type of license for which the application is made.

23 (4) A person who demonstrates adequate financing for the business proposed
24 under the type of license for which the application is made.

25 **"§ 18D-205. Fees.**

26 (a) The Commission shall charge each person applying for or renewing a
27 manufacturer's license an annual fee of ten thousand dollars (\$10,000).

28 (b) The Commission shall charge each person applying for or renewing an operator's
29 license an annual fee of five thousand dollars (\$5,000) and an annual terminal fee of one
30 hundred four dollars (\$104.00) per terminal.

31 (c) The Commission shall charge each person applying for or renewing a video
32 retailer's license an annual fee of five hundred dollars (\$500.00), plus a weekly
33 telecommunication fee as established by the Commission.

34 (d) The Commission shall charge each person applying for or renewing a service
35 technician's license an annual fee of fifty dollars (\$50.00).

36 (e) In addition to the annual license fees, the Commission may charge a one-time
37 license application fee not to exceed fifty dollars (\$50.00), and the cost of the criminal history
38 and financial record background check.

39 (f) A license issued pursuant to this Chapter and for which a renewal fee has not been
40 paid, or permit for any terminal for which any required fee has not been paid, shall be revoked.

41 (g) All licenses issued by the Commission are renewable annually unless sooner
42 cancelled or terminated. No license issued by the Commission is transferable or assignable.

43 (h) The Commission shall be entitled to an administrative expense reimbursement
44 withholding of four percent (4%) of the funds collected under this section and the actual cost of
45 conducting the background investigation on any applicants. The remainder of funds collected
46 under this section shall be distributed by the Commission to the county where the establishment
47 is located, except that if the establishment is located within the corporate limits of a
48 municipality, the State shall distribute the funds to the municipality.

49 **"§ 18D-206. Multiple types of licenses prohibited.**

50 (a) A video lottery terminal manufacturer may not be licensed as a video lottery
51 terminal operator or own, manage, or control a licensed establishment.

1 (b) A video lottery terminal operator may not be licensed as a video lottery terminal
2 manufacturer.

3 (c) An owner or manager of a licensed establishment may not be licensed as a video
4 lottery terminal manufacturer.

5 (d) Nothing in this section restricts an owner or manager of a single licensed
6 establishment from owning licensed video lottery terminals and placing such machines on the
7 premises, provided they meet the same requirements of video lottery terminal operators,
8 including the payment of all required operator licensing and terminal fees. However, nothing in
9 this section prohibits the Commission, after prior notice to all licensed video lottery terminal
10 operators, from authorizing the placement of video lottery terminals by a manufacturer in an
11 establishment that satisfactorily demonstrates that it is otherwise unable to obtain appropriate
12 machine placement of service.

13 **"§ 18D-207. General duties of all licensees.**

14 All video lottery license holders shall do the following:

- 15 (1) Promptly report to the Commission any factors or circumstances related to
16 video lottery operations that constitute a violation of State or federal law.
- 17 (2) Conduct all video lottery activities and functions in a manner that does not
18 pose a threat to the public health, safety, or welfare of the citizens of this
19 State and which does not adversely affect the security and integrity of the
20 lottery or harm the video lottery industry.
- 21 (3) Hold the Commission and the State of North Carolina harmless from and
22 defend and pay for the defense of any and all claims that may be asserted
23 against a license holder, the State, the ALE Division, or the Commission and
24 its employees arising from the license holder's participation in or operation
25 of the video lottery.
- 26 (4) Assist the Commission in maximizing video lottery revenues to the State.
- 27 (5) Maintain all records required by the Commission.
- 28 (6) Keep current in all payments and obligations to the Commission.

29 **"§§ 18D-208 through 18D-299. Reserved for future codification purposes.**

30 "Article 3.

31 "Video Gaming Machines.

32 **"§ 18D-300. Possession.**

33 (a) Only video lottery terminals with a video lottery permit may be placed in a licensed
34 establishment. No more than the maximum number of video lottery terminals with a video
35 lottery permit, as established by the Commission, may be located in any licensed establishment.

36 (b) In order to control access to video lottery terminals by minors, video lottery
37 terminals may be placed only on the premises of an establishment issued an on-premises malt
38 beverage permit, on-premises unfortified or fortified wine permit, or mixed beverages permit
39 by the North Carolina Alcoholic Beverage Control Commission under Chapter 18B of the
40 General Statutes.

41 (c) Video lottery terminals with a video lottery permit may not be played by persons
42 less than 21 years of age.

43 (d) All video lottery terminals in licensed establishments must be physically located as
44 follows:

- 45 (1) In the sight and control of the owner, manager, or an employee of the
46 licensed establishment from the location at which alcoholic beverages are
47 dispensed.
- 48 (2) In an area that ensures public access to the terminals is restricted to persons
49 legally entitled by age to be on the premises.

1 (3) In an area which is at all times monitored by the owner, manager, or
2 employee of the licensed establishment to prevent access or play of video
3 lottery terminals by persons under the age of 21.

4 (e) Licensed operators shall file with the Commission the location of any establishment
5 in which permitted video lottery terminals are located. The Commission shall not issue any
6 license for an establishment located within 50 feet of a church, public school, or any nonpublic
7 school as defined by Parts 1 or 2 of Article 39 of Chapter 115C of the General Statutes, at the
8 time of licensure.

9 **"§ 18D-301. Play and posting of odds.**

10 Video lottery terminals with a video lottery permit may not allow more than the amount
11 established by the Commission to be played on a single wager. The odds of winning each video
12 lottery game shall be posted on or near each video lottery terminal. The manner in which the
13 odds are calculated and how they are posted shall be established by the Commission by rule
14 promulgated pursuant to G.S. 18D-103.

15 **"§ 18D-302. Video lottery contract.**

16 (a) The Commission shall develop a model contract to be used between licensed
17 operators and licensed video lottery retailers. The Commission may seek input into the
18 development of the model contract.

19 (b) All contracts between licensed operators and licensed video lottery retailers shall
20 address the need to report to the Internal Revenue Service and the Commission any credits paid
21 out in cash to individuals playing the video lottery terminal.

22 (c) Other than the share of net income authorized by the Commission under this
23 Chapter, a licensed operator shall not offer any item of value to a licensed video lottery retailer
24 or an employee of a licensed video lottery retailer in exchange for allowing the licensed
25 operator to place video lottery terminals in the licensed video lottery retailer's establishment.

26 **"§ 18D-303. Transportation between licensed video lottery retailer's establishments in the**
27 **State.**

28 Any person transporting a video lottery terminal from one licensed video lottery retailer's
29 establishment to another in the State, other than for servicing or repair, shall notify the
30 Commission in writing prior to the transportation of the video lottery terminal. The written
31 notification shall contain at least all of the following:

32 (1) The full name and address of the person or entity transporting the video
33 lottery terminal.

34 (2) The reason for the transportation of the video lottery terminal.

35 (3) The full name, address, and license number of the licensed video lottery
36 retailer's establishment where the video gaming machine is currently located.

37 (4) The full name and address of the person or entity to whom the video lottery
38 terminal is being delivered and the destination of the video lottery terminal if
39 it is different from the address.

40 (5) The serial number and model number of the video lottery terminal.

41 (6) The video lottery terminal permit number.

42 (7) The expected date and time of the transportation.

43 **"§§ 18D-304 through 18D-399. Reserved for future codification purposes.**

44 "Article 4.

45 "Enforcement.

46 **"§ 18D-400. Inspection of premises, records, activities.**

47 (a) Authority. – To procure evidence of violations of the lottery laws, alcohol law
48 enforcement agents and employees of the Commission shall have authority to investigate the
49 operation of each licensed premises for which a lottery license or permit has been issued
50 pursuant to Chapters 18C or 18D of the General Statutes, to make inspections that include
51 viewing the entire premises, and to examine the books and records of the licensee. The

1 inspection authorized by this section may be made at any time it reasonably appears that
2 someone is on the premises.

3 (b) Interference With Inspection. – Refusal by a licensee or by any employee of a
4 licensee to permit officers to enter the premises to make an inspection authorized by subsection
5 (a) of this section shall be cause for revocation, suspension, or other action against the license
6 or permit of the or the licensee or permittee. It shall be a Class 2 misdemeanor for any person
7 to resist or obstruct an officer attempting to make a lawful inspection under this section.

8 **"§ 18D-401. Unlawful acts affecting video lottery.**

9 (a) Any person who tampers with a video lottery terminal with intent to interfere with
10 the proper operation of such terminal is guilty of a Class 1 misdemeanor. A person convicted
11 under this subsection shall be fined not less than five hundred dollars (\$500.00).

12 (b) Any person who, with intent to manipulate the outcome, payoff, or operation of a
13 video lottery terminal, manipulates the outcome, payoff, or operation of a video lottery terminal
14 by physical tampering or any other means is guilty of a Class H felony. A person convicted
15 under this subsection shall have any permit or license issued to them pursuant to this Chapter
16 revoked for a period not less than 10 years and shall be fined not less than five thousand dollars
17 (\$5,000).

18 (c) A machine owner who falsely reports or fails to report the amount of monies due to
19 the Commission as required is guilty of a Class I felony. A person convicted under this
20 subsection shall have any permit or license issued to them pursuant to this Chapter revoked for
21 a period not less than 10 years and shall be fined not less than five thousand dollars (\$5,000).

22 (d) Any video lottery retailer or operator who intentionally pays a prize to any person in
23 the amount less than the specified prize won is guilty of a Class I felony.

24 **"§§ 18D-402 through 18D-499. Reserved for future codification purposes."**

25 **SECTION 2.** G.S. 14-292 reads as rewritten:

26 **"§ 14-292. Gambling.**

27 Except as provided in Chapter 18C or Chapter 18D of the General Statutes or in Part 2 of
28 this Article, any person or organization that operates any game of chance or any person who
29 plays at or bets on any game of chance at which any money, property or other thing of value is
30 bet, whether the same be in stake or not, shall be guilty of a Class 2 misdemeanor. This section
31 shall not apply to a person who plays at or bets on any lottery game being lawfully conducted
32 in any state."

33 **SECTION 3.** G.S. 14-293 reads as rewritten:

34 **"§ 14-293. Allowing gambling in houses of public entertainment; penalty.**

35 Except as provided in Chapter 18C or Chapter 18D of the General Statutes, if any keeper of
36 an ordinary or other house of entertainment, or of a house wherein alcoholic beverages are
37 retailed, shall knowingly suffer any game, at which money or property, or anything of value, is
38 bet, whether the same be in stake or not, to be played in any such house, or in any part of the
39 premises occupied therewith; or shall furnish persons so playing or betting either on said
40 premises or elsewhere with drink or other thing for their comfort or subsistence during the time
41 of play, he shall be guilty of a Class 2 misdemeanor. Any person who shall be convicted under
42 this section shall, upon such conviction, forfeit his license to do any of the businesses
43 mentioned in this section, and shall be forever debarred from doing any of such businesses in
44 this State. The court shall embody in its judgment that such person has forfeited his license, and
45 no board of county commissioners, board of town commissioners or board of aldermen shall
46 thereafter have power or authority to grant to such convicted person or his agent a license to do
47 any of the businesses mentioned herein."

48 **SECTION 4.** G.S. 14-296 reads as rewritten:

49 **"§ 14-296. Illegal slot machines and punchboards defined.**

50 Except as provided in Chapter 18D of the General Statutes, ~~An~~an illegal slot machine or
51 punchboard within the contemplation of G.S. 14-295 through 14-298 is defined as a device

1 where the user may become entitled to receive any money, credit, allowance, or anything of
2 value, as defined in G.S. 14-306."

3 **SECTION 5.** G.S. 14-299 reads as rewritten:

4 **"§ 14-299. Property exhibited by gamblers to be seized; disposition of same.**

5 Except as provided in Chapter 18C or Chapter 18D of the General Statutes or in
6 G.S. 14-292, all moneys or other property or thing of value exhibited for the purpose of alluring
7 persons to bet on any game, or used in the conduct of any such game, including any motor
8 vehicle used in the conduct of a lottery within the purview of G.S. 14-291.1, shall be liable to
9 be seized by any court of competent jurisdiction or by any person acting under its warrant.
10 Moneys so seized shall be turned over to and paid to the treasurer of the county wherein they
11 are seized, and placed in the general fund of the county. Any property seized which is used for
12 and is suitable only for gambling shall be destroyed, and all other property so seized shall be
13 sold in the manner provided for the sale of personal property by execution, and the proceeds
14 derived from said sale shall (after deducting the expenses of keeping the property and the costs
15 of the sale and after paying, according to their priorities all known prior, bona fide liens which
16 were created without the lienor having knowledge or notice that the motor vehicle or other
17 property was being used or to be used in connection with the conduct of such game or lottery)
18 be turned over and paid to the treasurer of the county wherein the property was seized, to be
19 placed by said treasurer in the general fund of the county."

20 **SECTION 6.** G.S. 14-301 reads as rewritten:

21 **"§ 14-301. Operation or possession of slot machine; separate offenses.**

22 Except as provided in Chapter 18D of the General Statutes, ~~It~~ shall be unlawful for any
23 person, firm or corporation to operate, keep in his possession or in the possession of any other
24 person, firm or corporation, for the purpose of being operated, any slot machine or device
25 where the user may become entitled to receive any money, credit, allowance, or anything of
26 value, as defined in G.S. 14-306. Each time said machine is operated as aforesaid shall
27 constitute a separate offense."

28 **SECTION 7.** G.S. 14-302 reads as rewritten:

29 **"§ 14-302. Punchboards, vending machines, and other gambling devices; separate
30 offenses.**

31 Except as provided in Chapter 18D of the General Statutes, ~~It~~ shall be unlawful for any
32 person, firm or corporation to operate or keep in his possession, or the possession of any other
33 person, firm or corporation, for the purpose of being operated, any punchboard, slot machine or
34 device where the user may become entitled to receive any money, credit, allowance, or
35 anything of value, as defined in G.S. 14-306. Each time said punchboard, slot machine or
36 device where the user may become entitled to receive any money, credit, allowance, or
37 anything of value, as defined in G.S. 14-306 is operated, played, or patronized by the paying of
38 money or other thing of value therefor, shall constitute a separate violation of this section as to
39 operation thereunder."

40 **SECTION 8.** G.S. 14-304 reads as rewritten:

41 **"§ 14-304. Manufacture, sale, etc., of slot machines and devices.**

42 Except as provided in Chapter 18D of the General Statutes, ~~It~~ shall be unlawful to
43 manufacture, own, store, keep, possess, sell, rent, lease, let on shares, lend or give away,
44 transport, or expose for sale or lease, or to offer to sell, rent, lease, let on shares, lend or give
45 away, or to permit the operation of, or for any person to permit to be placed, maintained, used
46 or kept in any room, space or building owned, leased or occupied by him or under his
47 management or control, any slot machine or device where the user may become entitled to
48 receive any money, credit, allowance, or anything of value, as defined in G.S. 14-306."

49 **SECTION 9.** G.S. 14-305 reads as rewritten:

50 **"§ 14-305. Agreements with reference to slot machines or devices made unlawful.**

1 Except as provided in Chapter 18D of the General Statutes, it shall be unlawful to make or
2 permit to be made with any person any agreement with reference to any slot machines or device
3 where the user may become entitled to receive any money, credit, allowance, or anything of
4 value, as defined in G.S. 14-306 pursuant to which the user thereof may become entitled to
5 receive any money, credit, allowance, or anything of value or additional chance or right to use
6 such machines or devices, or to receive any check, slug, token or memorandum entitling the
7 holder to receive any money, credit, allowance or thing of value."

8 **SECTION 10.** G.S. 14-306 is amended by adding a new subsection to read:

9 "(e) This section shall not apply to any video lottery terminal permitted under Chapter
10 18D of the General Statutes."

11 **SECTION 11.** G.S. 14-306.1A is amended by adding a new subsection to read:

12 "(g) This section shall not apply to any video lottery terminal permitted under Chapter
13 18D of the General Statutes."

14 **SECTION 12.** G.S. 18C-161 reads as rewritten:

15 **"§ 18C-161. Types of income to the North Carolina State Lottery Fund.**

16 The following revenues shall be deposited in the North Carolina State Lottery Fund:

17 ...

18 (1a) All net proceeds from video lottery terminals licensed by the Commission
19 under Chapter 18D of the General Statutes.

20 "

21 **SECTION 13.** G.S. 18C-164 reads as rewritten:

22 **"§ 18C-164. Transfer of net revenues.**

23 ...

24 (c) The Commission shall distribute the remaining net revenue of the Education Lottery
25 Fund, except for net revenue transferred to the Fund from video gaming terminals regulated
26 under Chapter 18D of the General Statutes as follows, in the following manner:

27 (1) A sum equal to fifty percent (50%) to support reduction of class size in early
28 grades to class size allotments not exceeding 1:18 in order to eliminate
29 achievement gaps and to support academic prekindergarten programs for
30 at-risk four-year-olds who would otherwise not be served in a high-quality
31 education program in order to help those four-year-olds be prepared
32 developmentally to succeed in school.

33 (2) A sum equal to ~~forty percent (40%)~~ fifty percent (50%) to the Public School
34 Building Capital Fund in accordance with G.S. 115C-546.2.

35 (3) ~~A sum equal to ten percent (10%) to the State Educational Assistance~~
36 ~~Authority to fund college and university scholarships in accordance with~~
37 ~~Article 35A of Chapter 115C of the General Statutes.~~

38 (c1) The Commission shall distribute net revenue transferred to the Fund from video
39 gaming terminals regulated under Chapter 18D of the General Statutes as follows, in the
40 following manner:

41 (1) A sum equal to fifty percent (50%) to the State Educational Assistance
42 Authority to fund university scholarships in accordance with Article 35A of
43 Chapter 115C of the General Statutes.

44 (2) A sum equal to twelve and one-half percent (12.5%) to the Repair and
45 Renovations Reserve Account and shall be transferred annually by the State
46 Controller to the Board of Governors of The University of North Carolina.
47 The funds transferred pursuant to this subdivision shall be used only for the
48 repair and renovation of university facilities and related infrastructure at the
49 16 constituent institutions and the North Carolina School of Math and
50 Science that are supported from the General Fund. No funds transferred

1 pursuant to this subdivision shall be expended except upon an act of
2 appropriation by the General Assembly.

3 (3) A sum equal to twelve and one-half percent (12.5%) to the Board of
4 Governors of The University of North Carolina. The funds transferred
5 pursuant to this subdivision shall be used only for the new construction of
6 university facilities and related infrastructure at the 16 constituent
7 institutions and the North Carolina School of Math and Science that are
8 supported from the General Fund. No funds transferred pursuant to this
9 subdivision shall be expended except upon an act of appropriation by the
10 General Assembly.

11 (4) A sum equal to twenty-five percent (25%) to the State Board of Community
12 Colleges. The funds transferred pursuant to this subdivision shall be used
13 only for the new construction of community college facilities and related
14 infrastructure. No funds transferred pursuant to this subdivision shall be
15 expended except upon an act of appropriation by the General Assembly.

16 "

17 **SECTION 14.** The Joint Legislative Program Evaluation Oversight Committee
18 shall include in the 2011-2012 Work Plan for the Program Evaluation Division of the General
19 Assembly a study to evaluate the State's video lottery entertainment system to determine if any
20 cost savings can be effected by changing the operator of the system from the State Lottery
21 Commission to a private vendor.

22 **SECTION 15.** The Program Evaluation Division shall submit its findings and
23 recommendations for Section 14 of this act to the Joint Legislative Program Evaluation
24 Oversight Committee, the Joint Legislative Lottery Oversight Committee, and the Fiscal
25 Research Division at a date to be determined by the Joint Legislative Program Evaluation
26 Oversight Committee but not later than the convening of the 2013 Regular Session of the
27 General Assembly.

28 **SECTION 16.** This act becomes effective January 1, 2012, and applies to offenses
29 committed on or after that date.