

May 25, 2010

**S 1407. LOTTERY COMMISSION REGULATE VIDEO GAMING.** Filed 5/25/10. *TO ALLOW VIDEO GAMING FOR THE PURPOSE OF PROFIT SHARING WITH THE STATE OF NORTH CAROLINA.*

To be summarized in tomorrow's *Daily Bulletin*.

**Intro. by Boseman.**

GS 18D

May 26, 2010

**S 1407. LOTTERY COMMISSION REGULATE VIDEO GAMING.** Filed 5/25/10. *TO ALLOW VIDEO GAMING FOR THE PURPOSE OF PROFIT SHARING WITH THE STATE OF NORTH CAROLINA.*

Enacts new GS Chapter 18D, the *Video Gaming Entertainment Act*. Defines a *video gaming machine* as it is defined in GS 14-306.1A. Provides definitions for additional terms as they apply in the proposed Chapter.

Authorizes the North Carolina State Lottery Commission (Commission) to initiate games played using a video gaming machine, subject to the limitations in GS Chapter 18D. Directs the Commission to determine the allocation of net income from video gaming machines and procedures for the monitoring, collection, and distribution of income from the machines, provided that no less than 48% of the total annual revenues will be transferred to the North Carolina State Lottery Fund (Fund), and no more than 1.5% of the total annual revenues will be allocated for the Commission's administrative expenses. Prohibits a county or municipality from enacting any ordinance or regulation relating to video gaming machines. Provides that GS Chapter 18D preempts all existing county or municipal ordinances or regulations that would impose additional regulations, restrictions, or fees. Indicates that GS Chapter 18D prevails to the extent it conflicts with any local act, and any local act imposing a tax or fee on video gaming terminals is repealed.

Directs the Commission to make a video gaming permit available and requires the permit to be affixed to all approved video gaming machines in a location and in a manner prescribed by the Commission. Provides that the placement of the video gaming permit on the machine indicates that the machine has been registered, inspected, and approved for operation in North Carolina. Requires that the permit be issued annually. Prohibits anyone other than authorized Commission personnel and the licensed operator from affixing or removing the permit. Requires manufacturers and licensed operators to make video gaming machines and associated equipment available for inspection by the Commission. Requires that the machine's software be compatible with the Commission's central monitoring system and games initiated and approved by the Commission to receive a permit. Prohibits transporting a video gaming machine out of the state until the permit has been removed.

Directs the Commission to issue an operator's license to an individual, group of individuals, corporation, partnership, or association whom the Commission determines is qualified to receive a license under this Chapter. Prohibits the Commission from approving a license if the applicant: (1) has not been a resident of the state for at least three years immediately preceding the application, (2) has been convicted of a felony or gambling offense in federal or state court within 10 years of entering into the contract or employs officers and directors convicted of a felony or gambling offense, (3) is less than 21 years old, (4) has falsified the application, (5) is not current in filing all tax returns to the state and in payment of any tax liability owed to the state, and (6) is a permit holder or an employee of a licensed establishment. Requires the applicant to furnish all information and materials required or requested by the Commission prior to determining the applicant's qualification for an operator's license. Requires the applicant and any partner, director, officer, and all stockholders to submit to a background investigation that includes a criminal record check and to pay any required fees for the criminal record check. Prohibits a licensed operator from having a total of more than 500 video gaming machines in the state to be played or operated at any one time. Places the burden of proving qualification on the applicant.

Provides restrictions on the licensing of establishments for video gaming based on the applicant's meeting certain prescribed qualifications. Provides that the Commission may not license any establishment in which the applicant's establishment would be engaged exclusively in the business of housing video gaming machines. Prohibits there being more than one licensed

establishment per single roofline. Requires an establishment to meet the siting requirements of GS 18D-301.

Requires each applicant for an operator's license to pay a \$5,000 fee for an operator's license, valid for 10 years, and renewable in the ninth year. Directs the Commission to charge a licensed operator an annual fee of \$250 per video gaming machine. Provides that failure to pay the fee is grounds to revoke an operator's license. Entitles the Commission to an administrative expense reimbursement of 4% of the fees collected under this provision. Distributes any remaining funds from the video gaming machine fees to the county where the establishment is located, or to the city if the establishment is located within the corporate limits of a city.

Allows a maximum of 10 video gaming machines to be located in any licensed establishment. Only allows machines with a video gaming permit to be placed in a licensed establishment. Limits the placement of machines to the premises of an establishment with an on-premises malt beverage permit, on-premises unfortified or fortified wine permit, or mixed beverages permit issued by the North Carolina Alcoholic Beverage Control Commission. Prohibits the issuance of a license for any establishment located within 50 feet of a church, public school, or any nonpublic school. Prohibits persons less than 18 years of age from playing video gaming machines. Provides additional guidelines regarding temporary replacement of video gaming machines for servicing and repair and conducting of security assessments.

Restricts a single wager on a video gaming machine with a permit to no more than \$5.

Directs the Commission to develop a model contract to be used between licensed operators and licensed establishments and provides that the contracts are to address IRS report requirements. Provides additional guidelines regarding the transportation of video gaming machines between licensed establishments in the state. Provides that the Commission is to have sole enforcement authority of GS Chapter 18D. Authorizes the Commission to inspect a licensed establishment or licensed manufacturer at any time during normal business hours.

Makes conforming changes to GS 14-292, 14-293, 14-296, 14-299, 14-301, 14-302, 14-304, 14-305, 14-306, 14-306.1A, and 18C-161.

Amends GS 18C-164 to provide a distribution schedule for the Commission to allocate net revenue transferred to the Fund from video gaming terminals regulated under GS Chapter 18D as follows: (1) 40% to support a vocational training program for one high school in each local educational authority, (2) 40% to supplement existing funding for school nutrition programs, and (3) 20% to the Public School Building Capital Fund. Makes other conforming change.

Enacts new GS 114-19.26 authorizing the Department of Justice to provide any required information regarding the criminal history of any applicant for an operator's license or a licensed establishment. Provides for confidentiality of information and the charging of a background check fee.

Effective January 1, 2011.

**Intro. by Boseman.**

**GS 18D**