

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2021

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HOUSE BILL 954  
PROPOSED COMMITTEE SUBSTITUTE H954-PCS30469-STxf-27

Short Title: Video Lottery Entertainment.

(Public)

Sponsors:

Referred to:

May 12, 2021

1 A BILL TO BE ENTITLED  
2 AN ACT TO AUTHORIZE THE REGULATION OF VIDEO LOTTERY ENTERTAINMENT.  
3 The General Assembly of North Carolina enacts:

4 **SECTION 1.** Chapter 18C of the General Statutes is amended by adding a new  
5 Article to read:

6 "Article 9.

7 "Video Lottery Entertainment.

8 "Part 1. General Provisions.

9 "**§ 18C-200. Definitions.**

10 In addition to the definitions in Article 1 of this Chapter, the following definitions apply in  
11 this Article:

- 12 (1) Associated equipment. – Any hardware that is connected to the video lottery  
13 terminal or to the central monitoring system for the purpose of  
14 communication, validation, play, or other functions of the video lottery  
15 terminal.
- 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) Independent testing laboratory. – An independent, nationally recognized  
20 testing laboratory approved by the Commission for use in testing whether a  
21 video lottery game or video lottery terminal complies with the standards set  
22 forth in this Article.
- 23 (4) Manufacturer. – A person licensed by the Commission who manufactures,  
24 assembles, services, or produces video lottery terminals or associated  
25 equipment in this State.
- 26 (5) Net machine revenue. – Gross revenues less prizes actually paid per machine.
- 27 (6) Off-site ABC permit. – An off-premises malt beverage permit or off-premises  
28 unfortified or fortified wine permit issued by the North Carolina Alcoholic  
29 Beverage Control Commission under Chapter 18B of the General Statutes.
- 30 (7) On-site ABC permit. – An on-premises malt beverage permit, on-premises  
31 unfortified or fortified wine permit, or mixed beverages permit issued by the  
32 North Carolina Alcoholic Beverage Control Commission under Chapter 18B  
33 of the General Statutes.
- 34 (8) Operator. – A person licensed by the Commission who owns, leases, or  
35 otherwise controls a video lottery terminal for which a video lottery terminal  
36 permit has been issued by the Commission and places those video lottery



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1 terminals or associated equipment for public use in the State of North  
2 Carolina.

3 (9) Video lottery games. – Electronically simulated games of chance approved by  
4 the Commission that are displayed and played on permitted video lottery  
5 terminals.

6 (10) Video lottery merchant. – A person licensed by the Commission and with  
7 whom an operator has contracted to allow placement of video lottery terminals  
8 for public play and redemption of shares of video lottery games in accordance  
9 with this Article.

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

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

20 **§§ 18C-201 through 18C-202.** Reserved for future codification purposes.

21 **§ 18C-203. Video lottery; allocation of revenues.**

22 (a) The Commission shall determine that video lottery games are a type of lottery game  
23 in this State. Play of video lottery games shall be deemed a share for purposes of this Chapter,  
24 shall be exempt from G.S. 18C-131(c), and shall be played only on video lottery terminals with  
25 a valid video lottery terminal permit. Except as otherwise provided in this Article, the provisions  
26 of this Chapter shall apply to conduct of video lottery games.

27 (b) Notwithstanding G.S. 150B-1, the Commission shall adopt rules in accordance with  
28 Article 2 of Chapter 150B of the General Statutes to determine play of video lottery games. The  
29 rules adopted by the Commission shall address the procedures for the monitoring, collection, and  
30 remittance of net machine revenue from the video lottery games under this Article, in conformity  
31 with all of the following:

32 (1) No less than thirty-two percent (32%) of the total net machine revenues from  
33 video lottery games shall be transferred to the North Carolina Video Lottery  
34 Fund pursuant to G.S. 18C-204. The Commission shall adopt rules to establish  
35 a schedule of remittance, calculation of net machine revenue, and calculation  
36 of net revenue per operator. The Commission may adopt rules to set a  
37 minimum percentage of annual revenue, per machine or per operator, to be  
38 returned to the public in the form of prizes.

39 (2) No more than eight percent (8%) of the total annual net machine revenues  
40 from video lottery games shall be allocated for administrative expenses of the  
41 Commission, which shall include all costs associated with the central  
42 monitoring system and the costs of the Department of Public Safety, Alcohol  
43 Law Enforcement Division, associated with enforcement of this Article. Any  
44 monies unused by the Commission shall be transferred to the North Carolina  
45 Video Lottery Fund pursuant to G.S. 18C-204.

46 (3) Of the net machine revenues, thirty-five percent (35%) shall be allocated to  
47 operators and twenty-five percent (25%) to video lottery merchants.

48 (4) Video lottery terminals and associated equipment shall be connected to a  
49 central monitoring system at all times during play and as otherwise determined  
50 by the Commission.

- 1           (5)    All video lottery terminals shall be placed with a video lottery merchant who  
2           holds an active off-site ABC permit or an active on-site ABC permit. No video  
3           lottery merchant shall be engaged solely in the business of placing video  
4           lottery terminals for play by the public in this State.
- 5           (6)    The Commission shall allow each video lottery merchant to operate up to six  
6           video lottery terminals per location and may allow up to an additional four  
7           video lottery terminals per location.
- 8           (7)    In contracting with operators, the Commission shall require that there shall be  
9           no video lottery terminals placed within 500 feet of a church, public school,  
10          or any nonpublic school as defined by Part 1 or 2 of Article 39 of Chapter  
11          115C of the General Statutes.
- 12          (8)    Prizes for play of video lottery terminals shall be issued by a share that is  
13          redeemable in accordance with G.S. 18C-132 or may be inserted into video  
14          lottery terminals for redemption or to generate credits for the play of video  
15          lottery games.
- 16          (9)    The Commission may contract only with manufacturers and operators  
17          licensed under this Article.
- 18          (10)   Operators placing video lottery terminals for play in this State may only:  
19                a.    Purchase, lease, or otherwise obtain video lottery terminals and  
20                associated equipment from manufacturers licensed under this Article.  
21                b.    Contract with licensed video lottery merchants for placement of video  
22                lottery terminals for play by the public.
- 23          (c)    The Department of Public Safety, Alcohol Law Enforcement Division, shall have  
24          enforcement authority under this Article.

25    **"§ 18C-204. North Carolina Video Lottery Fund.**

26          (a)    An enterprise fund, to be known as the North Carolina Video Lottery Fund, is created  
27          within the State treasury consisting of the transfer of net machine revenues pursuant to  
28          G.S. 18C-203(b)(1), any monies remaining from the administrative expenses of the Commission  
29          under G.S. 18C-203(b)(2), and any interest earned on those funds.

30          (b)    The General Assembly shall appropriate the monies in the North Carolina Video  
31          Lottery Fund annually in the Current Operations Appropriations Act based upon estimates of the  
32          net machine revenue from video lottery games to the North Carolina Video Lottery Fund. The  
33          appropriation shall include all of the following:

34                (1)    Two million dollars (\$2,000,000) in each fiscal year to each of the following  
35                institutions for the purpose of improving graduation rates and student success  
36                or sustainability of the institution:

- 37                    a.    Elizabeth City State University.  
38                    b.    Fayetteville State University.  
39                    c.    North Carolina Agricultural and Technical State University.  
40                    d.    North Carolina Central University.  
41                    e.    Winston-Salem State University.

42                (2)    An amount to the State Education Assistance Authority for each fiscal year in  
43                an amount sufficient to fund scholarship forgivable loans for eligible students  
44                under the Community College Scholarship Loan Program, and such funds are  
45                hereby appropriated to the Community College Scholarship Loan Trust Fund  
46                established under G.S. 116-209.81A.

47          (c)    A security interest shall not be granted in any funds appropriated pursuant to this  
48          section.

49    **"§§ 18C-205 through 18C-209.** Reserved for future codification purposes.

50                    "Part 2. Licenses and Permits.

51    **"§ 18C-210. Video lottery permit required on video lottery terminals.**

1       (a) Every video lottery terminal shall have affixed to it a video lottery terminal permit  
2 prior to play in the manner set forth by the Commission. The placement of the video lottery  
3 terminal permit represents that the machine has been registered, inspected, and approved for  
4 operation in the State.

5       (b) The Commission shall issue the video lottery terminal permit annually based on the  
6 number of approved video lottery terminals registered with the Commission per licensed  
7 operator. The Commission shall adopt rules establishing the schedule for issuance and affixation  
8 of video lottery terminal permits. The Commission shall include an option for a licensed operator  
9 or licensed video lottery merchant to request to add video lottery terminals into play by the public  
10 during the license year.

11       (c) No person other than authorized Commission personnel may affix or remove a video  
12 lottery permit. No video lottery terminal may be transported out of this State until the video  
13 lottery permit has been removed.

14       (d) Manufacturers, licensed operators, and video lottery merchants must make video  
15 lottery terminals and associated equipment available for inspection by the Commission. No video  
16 lottery terminal shall be issued a video lottery permit unless the software and hardware of the  
17 video lottery terminal and associated equipment are compatible with the Commission's central  
18 monitoring system and all games installed on the video lottery terminal are approved by the  
19 Commission.

20       (e) Any terminal or machine that does not display the video lottery permit as required by  
21 this section is illegal and subject to confiscation by any law enforcement officer.

22 "§ 18C-211. Reserved for future codification purposes.

23 "§ 18C-212. Reserved for future codification purposes.

24 "§ 18C-213. Reserved for future codification purposes.

25 "§ 18C-214. Minimum qualifications for all licensees.

26       (a) Except as provided in subsection (b) of this section, a person whom the Commission  
27 determines is qualified to receive a license under this Article shall be issued a license. A person  
28 shall not engage in the manufacture, operation or service, or placement for play by the public of  
29 any video lottery terminal without a license issued by the Commission under this Article.

30       (b) The Commission may not approve an applicant for licensure if any of the following  
31 apply:

32       (1) The applicant meets one or more of the following:

33           a. Has been convicted of a felony in any state or federal court of the  
34 United States within 10 years of issuance of the license.

35           b. Employs officers or directors who have been convicted of a felony in  
36 any state or federal court of the United States within 10 years of  
37 issuance of the license.

38           c. Has completed a sentence for a felony in any state or federal court of  
39 the United States within 10 years of issuance of the license.

40           d. Employs officers or directors who have completed a sentence for a  
41 felony in any state or federal court of the United States within 10 years  
42 of issuance of the license.

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

44       (3) The applicant has falsified the application.

45       (4) The applicant is not current in filing all applicable tax returns to the State and  
46 in payment of all taxes, interest, and penalties owed to the State, excluding  
47 items under formal appeal under applicable statutes. Upon request of the  
48 Director, the Department of Revenue shall provide this information about a  
49 specific person to the Commission.

50       (5) The applicant fails to provide all information and documentation requested by  
51 the Commission.

- 1           (6) The Commission is not satisfied that the applicant is all of the following:  
2           a. A person of good character, honesty, and integrity.  
3           b. A person whose background, including criminal record, reputation,  
4           and associations, does not pose a threat to the public interest of the  
5           State or to the security and integrity of the Commission.  
6           c. A person who, either individually or through employees, demonstrates  
7           business ability and experience to establish, operate, and maintain the  
8           business for the type of license for which the application is made.  
9           d. A person who demonstrates adequate financing for the business  
10           proposed under the type of license for which the application is made.  
11           (7) The applicant resides in the same household as a member or employee of the  
12           Commission.  
13           (8) The applicant is an employee, director, officer, partner, or proprietor of a  
14           manufacturer, operator, or video lottery merchant.  
15           (c) In addition to subsection (b) of this section, the Commission may not approve an  
16           application for an operator's license unless at least one of the following applies:  
17           (1) The applicant has been a resident of this State for at least three years  
18           immediately preceding the application.  
19           (2) The applicant has maintained a physical office location in the same  
20           jurisdiction for at least three years immediately preceding the application  
21           related to the lawful video lottery terminal industry.  
22           (3) The applicant meets all of the following criteria:  
23           a. The applicant has conducted business in this State in the amusement  
24           game industry for at least three years immediately preceding the  
25           application, as evidenced by its filings with the Secretary of State, the  
26           Department of Revenue, or the Internal Revenue Service.  
27           b. The applicant is incorporated, formed, or otherwise qualified to do  
28           business in the State of North Carolina, as evidenced by its filings with  
29           the Secretary of State.  
30           (d) The applicant must furnish all information, documents, certifications, consents,  
31           waivers, individual history forms, and other materials required or requested by the Commission  
32           for purposes of determining qualification for that type of license. If the applicant is a public  
33           company, the applicant must file with the Commission a copy of any disclosure statement  
34           involving ownership of the public company required to be filed with the United States Securities  
35           and Exchange Commission.  
36           (e) The applicant must submit to a background investigation, including each partner,  
37           director, officer, and all stockholders of five percent (5%) or more of any business entity, except  
38           for institutional investors. The application shall be accompanied by the fee to cover the cost of  
39           the criminal and financial record check conducted by the Commission.  
40           (f) The burden of proof for establishing qualification under this section shall be on the  
41           applicant.  
42           (g) No licensee or applicant to be a licensee shall pay, give, or make any economic  
43           opportunity, gift, loan, gratuity, special discount, favor, hospitality, or service, including food  
44           and beverages, to the Director, to any member or employee of the Commission, or to any member  
45           of the immediate family residing in the same household as one of these individuals.  
46           (h) A licensed operator shall not give anything of value, including a loan or a financing  
47           arrangement, to any video lottery merchant as an incentive or inducement to locate video lottery  
48           terminals in a specific location. The Commission shall adopt additional rules governing the  
49           exchange of gifts, loans and other financing arrangements, gratuities, special discounts, favors,  
50           hospitality, or service between licensees.  
51           (i) The Commission, for cause, may revoke any license issued under this Article.

1 "§§ 18C-215 through 18C-219. Reserved for future codification purposes.

2 "§ 18C-220. Fees.

3 (a) The Commission may charge a license application and renewal fee not to exceed two  
4 hundred fifty dollars (\$250.00) and the cost of the criminal and financial record check.

5 (b) All licenses issued by the Commission are renewable annually unless sooner  
6 cancelled or terminated.

7 (c) A license issued by the Commission may be transferred or assigned, provided the new  
8 license holder submits an application and associated fee and is approved for licensure by the  
9 Commission.

10 "§ 18C-221. Reserved for future codification purposes.

11 "§ 18C-222. Multiple types of licenses prohibited.

12 (a) A manufacturer may be licensed as an operator. An operator may be licensed as a  
13 manufacturer. A video lottery merchant may not be licensed as a manufacturer or operator. A  
14 manufacturer or operator may not be licensed as a video lottery merchant.

15 (b) When contracting for a central monitoring system under Part 3 of this Article, the  
16 Commission may contract with a manufacturer if the Commission is satisfied that manufacturer  
17 shall not use any knowledge or control of the central monitoring system to advantage that  
18 manufacturer, an operator associated with that manufacturer, or a video lottery merchant with  
19 whom that manufacturer's video lottery terminals are placed.

20 (c) The Commission shall strive to have no less than five manufacturers licensed in this  
21 State at all times. The Commission shall strive to have no less than 12 operators licensed in this  
22 State at all times.

23 "§ 18C-223. Reserved for future codification purposes.

24 "§ 18C-224. General duties of licensees.

25 All video lottery license holders under this Article shall do all of the following:

26 (1) Promptly report to the Commission any factors or circumstances related to  
27 video lottery games operated under this Article that constitute a violation of  
28 State or federal law.

29 (2) Conduct all video lottery activities and functions in a manner that does not  
30 pose a threat to the public health, safety, or welfare of the citizens of this State  
31 and that does not adversely affect the security and integrity of the lottery or  
32 harm video lottery games.

33 (3) Hold the Commission and the State of North Carolina harmless from and  
34 defend and pay for the defense of any and all claims that may be asserted  
35 against a license holder, this State, or the Commission and its employees  
36 arising from the license holder's participation in or operation of video lottery  
37 games.

38 (4) Assist the Commission in maximizing video lottery games revenue to the  
39 State.

40 (5) Maintain all records required by the Commission.

41 (6) Keep current in all payments and obligations to the Commission.

42 "§§ 18C-225 through 18C-229. Reserved for future codification purposes.

43 "Part 3. Video Lottery Terminals.

44 "§ 18C-330. Possession; permitting.

45 (a) Every video lottery terminal shall have a video lottery terminal permit prior to play  
46 in this State and shall be placed with a video lottery merchant for play.

47 (b) Operators shall file with the Commission the location of each permitted video lottery  
48 terminal and the name and address of the video lottery merchant where each video lottery  
49 terminal for public play is located.

50 (c) No video lottery terminal shall be issued a permit unless the game software is certified  
51 by an independent testing laboratory. The game software, and any other component required by

1 the Commission, for all video lottery terminals must be submitted by the manufacturer to an  
2 independent testing laboratory to test for compliance with Commission rules and regulations,  
3 which shall include compatibility with the central monitoring system.

4 (d) The Commission shall not limit licensure or connection to the central monitoring  
5 system to one type of video lottery terminal, one manufacturer, or one operator.

6 "**§ 18C-331.** Reserved for future codification purposes.

7 "**§ 18C-332. Central monitoring system.**

8 The Commission shall contract for a central monitoring system from a supplier of central  
9 monitoring systems. All of the following shall apply to the central monitoring system used by  
10 the Commission for video lottery terminals:

11 (1) The central monitoring system shall be linked by a communications network  
12 through which all video lottery terminals shall connect to a single point of  
13 commerce.

14 (2) All video lottery terminals shall be linked by a communications network to  
15 the central monitoring system for purposes of monitoring and reading device  
16 activities as provided for in this section.

17 (3) The Commission shall routinely assess and inspect the operation of the central  
18 monitoring system and shall notify licensees and video lottery merchants of  
19 any deficiencies.

20 (4) The video lottery terminal must adhere to the standards adopted by the  
21 Commission with regard to the hardware and software requirements of the  
22 central monitoring system.

23 (5) The central monitoring system shall be designed and operated to allow the  
24 monitoring and reading of all video lottery terminals for compliance play and  
25 revenues to the State.

26 (6) The Commission may contract for the administration of the central monitoring  
27 system but shall be responsible for oversight of that administration.

28 (7) The central monitoring system shall not provide for the monitoring or reading  
29 of personal or financial information concerning patrons of video lottery  
30 terminals.

31 "**§ 18C-333.** Reserved for future codification purposes.

32 "**§ 18C-334. Play and posting of odds.**

33 (a) Notwithstanding G.S. 18C-131(d), no person shall sell a share for play of a video  
34 lottery terminal to a person under the age of 21 years. No person under the age of 21 years shall  
35 purchase a share for play of a video lottery terminal or otherwise play a video lottery terminal. A  
36 person who violates this subsection shall be guilty of a Class 1 misdemeanor.

37 (b) Video lottery terminals may not allow more than the amount established by the  
38 Commission to be played on a single wager. The odds of winning each video lottery game shall  
39 be posted on or near each video lottery terminal. The manner in which the odds are calculated  
40 and how the odds are posted shall be established by the Commission. For purposes of this section,  
41 "wager" shall mean a sum of money or thing of value risked on an uncertain occurrence.

42 "**§ 18C-335.** Reserved for future codification purposes.

43 "**§ 18C-336. Transportation between licensed video lottery merchant's establishments in**  
44 **the State.**

45 Any person transporting a video lottery terminal from one video lottery merchant's  
46 establishment to another in the State, other than for servicing or repair, shall notify the  
47 Commission, in the manner and form established by the Commission, in writing prior to the  
48 transportation of the video lottery terminal.

49 "**§§ 18C-337 through 18C-339.** Reserved for future codification purposes.

50 "Part 4. Enforcement.

51 "**§ 18C-400. Enforcement.**

1 The Commission shall have sole administrative enforcement authority of this Article.

2 "§ 18C-401. Reserved for future codification purposes.

3 "§ 18C-402. Inspection of premises, records, activities.

4 (a) At any time during normal business hours, the Commission or the Department of  
5 Public Safety, Alcohol Law Enforcement Division, may inspect an establishment of a licensed  
6 video lottery merchant, licensed operator, or a licensed manufacturer. The inspection may include  
7 the examination of records, equipment, and proceeds related to the operation of video lottery  
8 games.

9 (b) The Department of Public Safety, Alcohol Law Enforcement Division, shall report to  
10 the Commission the results of such an inspection and any potential violations noted during the  
11 inspection.

12 "§ 18C-403. Reserved for future codification purposes.

13 "§ 18C-404. Criminal offenses.

14 (a) Any person who tampers with a video lottery terminal with intent to interfere with the  
15 proper operation of the video lottery terminal is guilty of a Class 1 misdemeanor for the first  
16 offense, a Class H felony for a second offense, and a Class G felony for a third or subsequent  
17 offense.

18 (b) Any person who, with intent to manipulate the outcome, payoff, or operation of a  
19 video lottery terminal, manipulates the outcome, payoff, or operation of a video lottery terminal  
20 by physical tampering or any other means is guilty of a Class G felony for the first offense and a  
21 Class F felony for any subsequent offense.

22 (c) A video lottery merchant or operator who falsely reports or fails to report the amount  
23 due required by the Commission is guilty of a Class G felony and is subject to termination by the  
24 Commission.

25 (d) Any video lottery merchant who pays a prize to any person in the amount less than  
26 the specified prize won is guilty of a Class G felony and is subject to termination by the  
27 Commission."

28 **SECTION 2.** G.S. 18C-103(4) reads as rewritten:

29 "(4) "Game" or "lottery game" means any procedure or amusement authorized by  
30 the Commission where prizes are distributed among persons who have paid,  
31 or unconditionally agreed to pay, for tickets or shares that provide the  
32 opportunity to win those prizes and ~~does not utilize a video gaming machine~~  
33 ~~as defined in G.S. 14-306.1(e)-prizes."~~

34 **SECTION 3.** G.S. 18C-120(b) reads as rewritten:

35 "(b) The Director shall have the following powers and duties, under the supervision of the  
36 Commission:

37 ...

38 (7) To confer with the Commission on the operation and administration of ~~the~~  
39 ~~Lottery this Chapter~~ and make available for inspection by the Commission all  
40 books, records, files, documents, and other information ~~of the~~  
41 ~~Lottery maintained under this Chapter.~~

42 ...

43 (11) To engage an independent firm experienced in security procedures, including  
44 computer security and systems security, to conduct a comprehensive study  
45 and evaluation of all aspects of security in the operation of the video lottery  
46 terminals. At a minimum, such a security assessment is to include a review of  
47 network vulnerability, application vulnerability, application code review,  
48 wireless security, security policy and processes, security and privacy program  
49 management, technology infrastructure and security controls, security  
50 organization and governance, and operational effectiveness."

51 **SECTION 4.** G.S. 18C-122(c) reads as rewritten:



1 "(c) The portion of the security audit report containing specific recommendations shall be  
2 confidential, shall be presented only to the Director and to the Commission, and shall be exempt  
3 from Chapter 132 of the General Statutes. The Commission may hear the report of such an audit,  
4 discuss, and take action on any recommendations to address that audit under  
5 G.S. 143-318.11(a)(1). The Commission may hear any report of information regarding any  
6 vulnerabilities listed in subsection (a) of this section or that could be used to provide an unfair  
7 advantage to a player or jeopardize the integrity of any lottery game under G.S. 143-318.11(a)(1),  
8 and all reports of that nature shall be exempt from Chapter 132 of the General Statutes."

9 **SECTION 5.** Article 2 of Chapter 105 of the General Statutes is amended by adding  
10 a new section to read:

11 **"§ 105-102.7. Video lottery terminals privilege tax.**

12 A privilege tax is imposed on licensed manufacturers, licensed operators, and licensed video  
13 lottery merchants under Article 9 of Chapter 18C of the General Statutes for the privilege of  
14 engaging in the activity authorized by the license or contract. The tax is due by July 1 of each  
15 year. The amount of the tax is as follows:

16 (1) Manufacturers. – Fifty thousand dollars (\$50,000).

17 (2) Operators. – Twenty-five thousand dollars (\$25,000) plus one hundred fifty  
18 dollars (\$150.00) per video lottery terminal licensed to that operator.

19 (3) Video lottery merchants. – One thousand dollars (\$1,000) per retail location  
20 plus one hundred fifty dollars (\$150.00) per video lottery terminal in each  
21 retail location."

22 **SECTION 6.** G.S. 14-306.1A is amended by adding a new subsection to read:

23 "(g) Nothing in this section shall be construed to make illegal any activity conducted  
24 pursuant to Article 9 of Chapter 18C of the General Statutes."

25 **SECTION 7.** G.S. 14-306.4 is amended by adding a new subsection to read:

26 "(d1) Nothing in this section shall be construed to make illegal any activity conducted  
27 pursuant to Article 9 of Chapter 18C of the General Statutes."

28 **SECTION 8.** G.S. 105-259(b)(33) reads as rewritten:

29 "(33) To provide to the North Carolina State Lottery Commission the information  
30 required under ~~G.S. 18C-141~~.G.S. 18C-141 and G.S. 18C-214."

31 **SECTION 9.(a)** Article 23 of Chapter 116 of the General Statutes is amended by  
32 adding a new Part to read:

33 "Part 5. Community College Scholarship Loan Program.

34 **"§ 116-209.80. Community College Scholarship Loan Program.**

35 (a) Program Purpose. – There is established the Community College Scholarship Loan  
36 Program to be administered by the Authority. The purpose of the Program shall be to provide  
37 scholarship forgivable loans to North Carolina residents to attend community colleges in pursuit  
38 of an associate degree, diploma, or certificate and for those students to be eligible for forgiveness  
39 of the scholarship forgivable loans upon award of the associate degree, diploma, or certificate  
40 within six years.

41 (b) Award of Scholarship Forgivable Loans. – Within the funds available in the Trust  
42 Fund established pursuant to G.S. 116-209.82, the Authority shall award scholarship forgivable  
43 loans to eligible students for up to six academic years for an individual student to attend a North  
44 Carolina community college. Scholarship forgivable loans may be used towards the cost of  
45 tuition and fees to attend the community college. The community college shall inform the  
46 Authority if an eligibility period is tolled for a student in a form and manner prescribed by the  
47 Authority. The Authority shall require eligible students to complete a Free Application for  
48 Federal Student Aid (FAFSA) to apply for a scholarship forgivable loan and shall reduce the  
49 amount of the scholarship forgivable loan for any student by the amount of grants or scholarships  
50 received by that student from other State or federal sources. The Authority may adopt a lottery

1 process for the award of scholarship forgivable loans if funds are insufficient in any fiscal year  
2 to provide scholarship forgivable loans to every eligible applicant.

3 (c) Student Eligibility. – A student shall be considered an eligible student in order to  
4 receive a scholarship forgivable loan under the Program if the student meets all of the following  
5 requirements:

6 (1) Qualifies as a resident for tuition purposes under the criteria set forth in  
7 G.S. 116-143.1 and in accordance with the coordinated and centralized  
8 residency determination process administered by the Authority.

9 (2) The student gains admission as a student at a North Carolina community  
10 college in a curriculum program awarding an associate degree, diploma, or  
11 certificate.

12 (3) Be enrolled full-time or part-time, but shall not be required to be continuously  
13 enrolled over the six-year eligibility period if the student experiences  
14 extenuating circumstances in which the student cannot enroll in courses for  
15 one academic semester as long as the student maintains the intent to continue  
16 in the program of study. The six-year eligibility period may be tolled if the  
17 student is able to demonstrate to the community college that any of the  
18 following have substantially disrupted or interrupted the student's pursuit of a  
19 degree, diploma, or certificate:

20 a. A military service obligation.

21 b. A serious medical debilitation.

22 c. A short-term or long-term disability.

23 d. Other extraordinary hardship.

24 (d) Administration. – The Authority shall adopt rules for administration of the Program  
25 in accordance with the requirements of this Part. The Authority may use up to five percent (5%)  
26 of the funds appropriated each fiscal year for the Program for administrative costs associated  
27 with the Program and may also use funds received as repayment of scholarship forgivable loans  
28 for recovery of funds advanced under the Program.

29 (e) The following definitions shall apply in this Part:

30 (1) Program. – The Community College Scholarship Loan Program, as  
31 established by this Part.

32 (2) Trust Fund. – As established in G.S. 116-209.81.

33 **"§ 116-209.81. Community College Scholarship Loan Trust Fund.**

34 (a) There is established the Community College Scholarship Loan Trust Fund to be  
35 administered by the Authority. The purpose of the Trust Fund is to provide financial assistance  
36 to eligible students for completion of an associate degree, diploma, or certificate at community  
37 colleges in this State. The Trust Fund shall consist of all of the following:

38 (1) Net revenues transferred from the North Carolina Video Lottery Fund  
39 pursuant to G.S. 18C-204.

40 (2) Funds received as repayment of scholarship forgivable loans.

41 (3) Monies earned as interest on these funds.

42 (b) Uses of Monies in the Trust Fund. – The monies in the Trust Fund may be used only  
43 for scholarship forgivable loans granted under the Program and administrative costs associated  
44 with the Program, including recovery of funds advanced under the Program.

45 **"§ 116-209.82. Terms of scholarship forgivable loans; receipt and disbursement of funds.**

46 (a) Notes. – All scholarship forgivable loans shall be evidenced by notes made payable  
47 to the Authority that bear interest at a rate not to exceed ten percent (10%) per year as set by the  
48 Authority.

49 (b) Forgiveness. – The Authority shall forgive the scholarship forgivable loan and any  
50 interest accrued on the loan if any of the following apply:

1           (1)    The recipient is awarded an associate degree, diploma, or certificate at a North  
2           Carolina community college within six years, with extensions for any tolling  
3           of the eligibility period under G.S. 116C-209.80(c)(3), after receipt of the  
4           initial scholarship forgivable loan under the Program.

5           (2)    The Authority finds that it is impossible for the recipient to complete the  
6           associate degree, diploma, or certificate within six years of the receipt of the  
7           initial scholarship forgivable loan under the Program because of death or  
8           permanent disability of the recipient.

9           (c)    Cash Repayment. – A recipient of a scholarship forgivable loan shall enter cash  
10          repayment of the loan if any of the following conditions occur:

11          (1)    The recipient withdraws from enrollment in any courses at a community  
12          college for more than one academic semester during the six-year eligibility  
13          period after receipt of the initial scholarship forgivable loan, unless the  
14          six-year eligibility period has been tolled for that recipient.

15          (2)    The recipient notifies the Authority that the recipient is voluntarily  
16          withdrawing from the program in which the recipient was seeking an associate  
17          degree, diploma, or certificate and does not intend to reenroll after one  
18          academic semester.

19          (3)    The recipient fails to receive an associate degree, diploma, or certificate within  
20          the six-year eligibility period and any extension for tolling of that six-year  
21          eligibility period.

22          (d)    Time Period to Repay. – A recipient who repays the scholarship forgivable loan by  
23          cash payments shall repay all indebtedness within five years after the occurrence of the event set  
24          forth in subsection (c) of this section. After the date of the occurrence of the event in subsection  
25          (c) of this section, the payment of principal and interest shall begin no later than the 90 days after  
26          that date. Should a recipient present extenuating circumstances, the Authority may extend the  
27          period to repay the scholarship forgivable loan in cash to no more than a total of seven years.

28          **"§ 116-209.83. Reporting requirements.**

29          The Authority shall report annually on or before November 1, beginning in 2023, to the Joint  
30          Legislative Education Oversight Committee on the implementation of the Community College  
31          Scholarship Loan Program. The report shall include at least the following information:

32          (1)    Number of students applying for the scholarship forgivable loan, including  
33          information about student demographics, type of curriculum program, and  
34          geographic location.

35          (2)    Number of students receiving scholarship forgivable loans and the amount of  
36          funds expended for scholarships.

37          (3)    Number of students completing the associate degree, diploma, or certificate  
38          within three years and receiving loan forgiveness.

39          (4)    Other relevant information as determined by the Authority."

40          **SECTION 9.(b)** This section becomes effective January 1, 2022, and applies  
41          beginning with the scholarship forgivable loans awarded for the 2023-2024 academic year.

42          **SECTION 10.** The North Carolina State Lottery Commission shall use sufficient  
43          funds from the North Carolina State Lottery Fund to cover initial operating expenses of the  
44          Commission to implement Article 9 of Chapter 18C of the General Statutes, as enacted by this  
45          act, except that the total amount borrowed by the Commission shall not exceed ten million dollars  
46          (\$10,000,000). The borrowed funds shall be available for expenditure for the purposes set forth  
47          in this act without further action by the General Assembly. The Commission shall repay any  
48          funds used out of the North Carolina State Lottery Fund pursuant to this section within 24 months  
49          after the effective date of this act.

50          **SECTION 11.** Sections 1 through 9 of this act become effective January 1, 2022,  
51          and the remainder of this act is effective when it becomes law. In order to issue licenses and

1 permits for play by the public in this State on the effective date of this act, the Lottery  
2 Commission may begin rulemaking to implement Article 9 of Chapter 18C of the General  
3 Statutes, as enacted by this act, prior to January 1, 2022, but no temporary or permanent rule shall  
4 become effective prior to January 1, 2022. The Lottery Commission may initiate requests for  
5 proposals for the central monitoring system, as required by G.S. 18C-330, as enacted by this act,  
6 prior to January 1, 2022, but may not award any contract prior to that date. The Commission may  
7 accept and issue applications for licensure in accordance with Article 9 of Chapter 18C of the  
8 General Statutes, as enacted by this act. No license issued by the Commission shall become  
9 effective prior to January 1, 2022, or on the date the Commission deems the central monitoring  
10 system active, whichever occurs later.