

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

H.B. 512
Mar 28, 2023
HOUSE PRINCIPAL CLERK

H

D

HOUSE BILL DRH40213-STxf-36

Short Title: Forgivable Loans/HBCU Supplemental Funding. (Public)

Sponsors: Representative Warren.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH THE NORTH CAROLINA COMMUNITY COLLEGE
3 FORGIVABLE LOAN PROGRAM AND TO PROVIDE FOR RECURRING
4 SUPPLEMENTAL APPROPRIATIONS TO NORTH CAROLINA HISTORICALLY
5 BLACK UNIVERSITIES AND COLLEGES THROUGH THE REGULATION OF VIDEO
6 GAMING ENTERTAINMENT.

7 The General Assembly of North Carolina enacts:

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

10 "Article 9.

11 "Video Gaming Terminals.

12 "Part 1. General Provisions.

13 **"§ 18C-200. Definitions.**

14 In addition to the definitions in Article 1 of this Chapter, the following definitions apply in
15 this Article:

- 16 (1) Associated equipment. – Any hardware that is connected to the video gaming
17 terminal or to the central monitoring system for the purpose of
18 communication, validation, play, or other functions of the video gaming
19 terminal.
- 20 (2) Central monitoring system. – The system that maintains on a real-time basis
21 the financial, integrity, and security controls on video gaming terminals and
22 associated equipment and provides administrative services for its operation.
- 23 (3) Independent testing laboratory. – A nationally recognized testing laboratory
24 that is not otherwise subject to control by others and is approved by the
25 Commission for use in testing whether a video gaming game or video gaming
26 terminal complies with the standards set forth in this Article.
- 27 (4) Manufacturer. – A person licensed by the Commission who manufactures,
28 assembles, services, or produces video gaming terminals or associated
29 equipment.
- 30 (5) Net machine revenue. – Gross revenues less prizes actually paid per machine.
- 31 (6) Off-site ABC permit. – An off-premises malt beverage permit or off-premises
32 unfortified or fortified wine permit issued by the North Carolina Alcoholic
33 Beverage Control Commission under Chapter 18B of the General Statutes.
- 34 (7) On-site ABC permit. – An on-premises malt beverage permit, on-premises
35 unfortified or fortified wine permit, or mixed beverages permit issued by the



* D R H 4 0 2 1 3 - S T X F - 3 6 *

1 North Carolina Alcoholic Beverage Control Commission under Chapter 18B
2 of the General Statutes.

3 (8) Operator. – A person licensed by the Commission who owns, leases, or
4 otherwise controls a video gaming terminal for which a video gaming terminal
5 permit has been issued by the Commission and places those video gaming
6 terminals or associated equipment for public use in the State of North
7 Carolina.

8 (9) Video gaming games. – Electronically simulated games of chance that are
9 displayed and played on permitted video gaming terminals and approved by
10 the Commission.

11 (10) Video gaming merchant. – A person licensed by the Commission and with
12 whom an operator has contracted to allow placement of video gaming
13 terminals for public play and redemption of shares of video gaming games in
14 accordance with this Article.

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

22 (12) Video gaming terminal permit. – A permanently affixed tag or other device
23 issued to a licensed operator for each video gaming terminal approved by and
24 registered with the Commission.

25 **§§ 18C-201 through 18C-202.** Reserved for future codification purposes.

26 **§ 18C-203. Video gaming; allocation of revenues.**

27 (a) The Commission shall determine that video gaming games are a type of lottery game
28 in this State and shall contract with operators and video gaming merchants to operate video
29 gaming games for play by the public. Play of video gaming games shall be deemed a share for
30 purposes of this Chapter, shall be exempt from G.S. 18C-131(c), and shall be played only on
31 video gaming terminals with a valid video gaming terminal permit. Except as otherwise provided
32 in this Article, the provisions of this Chapter shall apply to operation and play of video gaming
33 games in this State.

34 (b) Notwithstanding G.S. 150B-1, the Commission shall adopt rules in accordance with
35 Article 2A of Chapter 150B of the General Statutes to determine play of video gaming games.
36 The rules adopted by the Commission shall address the procedures for the monitoring, collection,
37 and remittance of net machine revenue from the video gaming games under this Article, in
38 conformity with all of the following:

39 (1) Notwithstanding Article 7 of this Chapter, no less than thirty-two percent
40 (32%) of the total net machine revenues from video gaming games shall be
41 transferred to the North Carolina Video Gaming Fund pursuant to
42 G.S. 18C-204. The Commission shall adopt rules to establish a schedule of
43 remittance, calculation of net machine revenue, and calculation of net revenue
44 per operator. The Commission may adopt rules to set a minimum percentage
45 of annual revenue, per machine or per operator, to be returned to the public in
46 the form of prizes.

47 (2) Notwithstanding Article 7 of this Chapter, any monies unused by the
48 Commission after covering administrative expenses in accordance with this
49 subsection shall be transferred to the North Carolina Video Gaming Fund
50 pursuant to G.S. 18C-204. No more than eight percent (8%) of the total annual
51 net machine revenues from video gaming games shall be allocated for

1 administrative expenses of the Commission, which shall include all of the
2 following:

- 3 a. Costs associated with the central monitoring system.
4 b. Costs of the Department of Public Safety, Alcohol Law Enforcement
5 Division, associated with enforcement of this Article, which shall
6 include a transfer of at least three million dollars (\$3,000,000).
7 c. A transfer of one million dollars (\$1,000,000) annually to the
8 Department of Health and Human Services for gambling addiction
9 education and treatment programs.

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

12 (4) Video gaming terminals and associated equipment shall be connected to a
13 central monitoring system at all times during play and as otherwise determined
14 by the Commission.

15 (5) All video gaming terminals shall be placed with a video gaming merchant who
16 holds an active off-site ABC permit or an active on-site ABC permit. No video
17 gaming merchant shall be engaged primarily in the business of placing video
18 gaming terminals for play by the public in this State.

19 (6) The Commission shall allow each video gaming merchant to operate up to six
20 video gaming terminals per location and may allow up to an additional four
21 video gaming terminals per location.

22 (7) In contracting with operators, the Commission shall require that there shall be
23 no video gaming terminals placed within 500 feet of a church, public school,
24 or any nonpublic school as defined by Part 1 or 2 of Article 39 of Chapter
25 115C of the General Statutes.

26 (8) Prizes for play of video gaming terminals shall be issued by a share that is
27 redeemable in accordance with G.S. 18C-132 or may be inserted into video
28 gaming terminals to generate credits for the play of video gaming games.

29 (9) The Commission may contract only with manufacturers and operators
30 licensed under this Article.

31 (10) Operators placing video gaming terminals for play in this State may only do
32 the following:

- 33 a. Purchase, lease, or otherwise obtain video gaming terminals and
34 associated equipment from manufacturers licensed under this Article.
35 b. Contract with licensed video gaming merchants for placement of video
36 gaming terminals for play by the public.

37 (c) The Department of Public Safety, Alcohol Law Enforcement Division, shall have
38 enforcement authority under this Article.

39 **§ 18C-204. North Carolina Video Gaming Fund.**

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

44 (b) The General Assembly shall appropriate the monies in the North Carolina Video
45 Gaming Fund annually in the Current Operations Appropriations Act based upon estimates of
46 the net machine revenue from video gaming terminals to the North Carolina Video Gaming Fund.
47 The appropriation shall include all of the following:

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

- 51 a. Elizabeth City State University.

- b. Fayetteville State University.
- c. North Carolina Agricultural and Technical State University.
- d. North Carolina Central University.
- e. Winston-Salem State University.
- f. University of North Carolina at Pembroke.

(2) Ten million dollars (\$10,000,000) in each fiscal year to independent historically black colleges and universities in the State for grants of up to two million dollars (\$2,000,000) per institution. The grants shall be used for improving graduation rates and student success.

(3) An amount to the State Education Assistance Authority for each fiscal year in an amount sufficient to fund scholarship forgivable loans for eligible students under the Community College Scholarship Loan Program, and such funds are hereby appropriated to the Community College Scholarship Loan Trust Fund established under G.S. 116-209.93.

(4) One million dollars (\$1,000,000) in each fiscal year to the Department of Public Safety for grants to counties for sheriffs to combat illegal gaming, to be awarded upon recommendation by the Governor's Crime Commission.

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

(d) Each of the constituent institutions receiving appropriations or a grant under this section shall annually report to the Joint Legislative Education Oversight Committee as to how that institution has used the funds from the prior fiscal year, including the measures by which that institution is gauging success of the programs and other uses of the funds.

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

"Part 2. Licenses and Permits.

"§ 18C-210. Video gaming permit required on video gaming terminals.

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

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

(c) It shall be unlawful for a person other than authorized Commission personnel to affix or remove a video gaming permit. No video gaming terminal may be transported out of this State until the video gaming permit has been removed.

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

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

"§§ 18C-211 through 18C-213. Reserved for future codification purposes.

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

(a) Except as provided in subsection (b) of this section, an applicant whom the Commission determines is qualified to receive a license under this Article shall be issued a

1 license. A person shall not engage in the manufacture, operation or service, or placement for play
2 by the public of any video gaming terminal without a license issued by the Commission under
3 this Article.

4 (b) The Commission shall not approve an applicant for licensure if any of the following
5 apply at the time of license:

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

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

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

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

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

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

18 (3) The applicant has falsified the application.

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

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

26 (6) The Commission is not satisfied that the applicant is all of the following:

27 a. A person of good character, honesty, and integrity.

28 b. A person whose background, including criminal record, reputation,
29 and associations, does not pose a threat to the public interest of the
30 State or to the security and integrity of the Commission.

31 c. A person who, either individually or through employees, demonstrates
32 business ability and experience to establish, operate, and maintain the
33 business for the type of license for which the application is made.

34 d. A person who demonstrates adequate financing for the business
35 proposed under the type of license for which the application is made.

36 (7) The applicant resides in the same household as a member or employee of the
37 Commission.

38 (8) The applicant is an employee, director, officer, partner, or proprietor of a
39 manufacturer, operator, or video gaming merchant.

40 (c) In addition to subsection (b) of this section, the Commission shall not approve an
41 application for an operator's license unless at least one of the following applies:

42 (1) The applicant has been a resident of this State for at least three years
43 immediately preceding the application.

44 (2) The applicant has maintained a physical office location in the same
45 jurisdiction for at least three years immediately preceding the application
46 related to the lawful video gaming terminal industry.

47 (3) The applicant meets both of the following criteria:

48 a. The applicant has conducted business in this State in the amusement
49 game industry for at least three years immediately preceding the
50 application, as evidenced by its filings with the Secretary of State, the
51 Department of Revenue, or the Internal Revenue Service.

1 b. The applicant is incorporated, formed, or otherwise qualified to do
2 business in the State of North Carolina, as evidenced by its filings with
3 the Secretary of State.

4 (d) The applicant shall furnish all information, documents, certifications, consents,
5 waivers, individual history forms, and other materials required or requested by the Commission
6 for purposes of determining qualification for that type of license. If the applicant is a public
7 company, the applicant shall file with the Commission a copy of any disclosure statement
8 involving ownership of the public company required to be filed with the United States Securities
9 and Exchange Commission.

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

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

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

20 (h) An operator shall not give anything of value, including a loan or a financing
21 arrangement, to any video gaming merchant as an incentive or inducement to locate video gaming
22 terminals in a specific location. The Commission shall adopt additional rules governing the
23 exchange of gifts, loans and other financing arrangements, gratuities, special discounts, favors,
24 hospitality, or service between licensees.

25 (i) The Commission, for cause, may revoke any license issued under this Article.
26 Notwithstanding G.S. 150B-1, the Commission shall be subject to Article 3 of Chapter 150B of
27 the General Statutes with respect to revocation of licenses under this Article.

28 **"§§ 18C-215 through 18C-219.** Reserved for future codification purposes.

29 **"§ 18C-220. Fees.**

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

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

34 (c) A license issued by the Commission may be transferred or assigned, provided the new
35 license holder submits an application, pays the associated fees, and is approved for licensure by
36 the Commission.

37 **"§ 18C-221.** Reserved for future codification purposes.

38 **"§ 18C-222. Multiple types of licenses.**

39 (a) A manufacturer may be licensed as an operator. An operator may be licensed as a
40 manufacturer. A video gaming merchant may not be licensed as a manufacturer or operator. A
41 manufacturer or operator may not be licensed as a video gaming merchant.

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

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

50 **"§ 18C-223.** Reserved for future codification purposes.

51 **"§ 18C-224. General duties of licensees.**

1 All video gaming license holders under this Article shall do all of the following:

- 2 (1) Promptly report to the Commission any factors or circumstances related to
3 video gaming games operated under this Article that constitute a violation of
4 State or federal law.
- 5 (2) Conduct all video gaming activities and functions in a manner that does not
6 pose a threat to the public health, safety, or welfare of the citizens of this State
7 and that does not adversely affect the security and integrity of the lottery or
8 harm video gaming games.
- 9 (3) Hold the Commission and the State of North Carolina harmless from and
10 defend and pay for the defense of any and all claims that may be asserted
11 against a license holder, this State, or the Commission and its employees
12 arising from the license holder's participation in or operation of video gaming
13 games.
- 14 (4) Assist the Commission in maximizing video gaming games revenue to the
15 State.
- 16 (5) Maintain all records required by the Commission.
- 17 (6) Keep current in all payments and obligations to the Commission.

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

19 "Part 3. Video Gaming Terminals.

20 **§ 18C-230. Possession; permitting.**

21 (a) Every video gaming terminal shall have a video gaming terminal permit prior to play
22 in this State and shall be placed with a video gaming merchant for play.

23 (b) Operators shall file with the Commission the location of each permitted video gaming
24 terminal and the name and address of the video gaming merchant where each video gaming
25 terminal for public play is located.

26 (c) No video gaming terminal shall be issued a permit unless the game software is
27 certified by an independent testing laboratory. The game software, and any other component
28 required by the Commission, for all video gaming terminals shall be submitted by the
29 manufacturer to an independent testing laboratory to test for compliance with Commission rules
30 and regulations, which shall include compatibility with the central monitoring system.

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

33 **§ 18C-231.** Reserved for future codification purposes.

34 **§ 18C-232. Central monitoring system.**

35 The Commission shall contract for a central monitoring system from a supplier of central
36 monitoring systems. All of the following shall apply to the central monitoring system used by
37 the Commission for video gaming terminals:

- 38 (1) The central monitoring system shall be linked by a communications network
39 through which all video gaming terminals shall connect to a single point of
40 commerce.
- 41 (2) All video gaming terminals shall be linked by a communications network to
42 the central monitoring system for purposes of monitoring and reading device
43 activities as provided in this section.
- 44 (3) The Commission shall routinely assess and inspect the operation of the central
45 monitoring system and shall notify licensees and video gaming merchants of
46 any deficiencies.
- 47 (4) The video gaming terminal shall comply with the standards adopted by the
48 Commission with regard to the hardware and software requirements of the
49 central monitoring system.
- 50 (5) The central monitoring system shall be designed and operated to allow the
51 monitoring and reading of video gaming terminals for all of the following:

1 a. Compliance play.

2 b. Revenues to the State.

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

5 (7) The central monitoring system shall not provide for the monitoring or reading
6 of personal or financial information concerning patrons of video gaming
7 terminals.

8 "**§ 18C-233.** Reserved for future codification purposes.

9 "**§ 18C-234. Play and posting of odds.**

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

14 (b) Video gaming terminals shall not allow more than the amount established by the
15 Commission to be played on a single wager. The odds of winning each video gaming game shall
16 be posted on or near each video gaming terminal. The manner in which the odds are calculated
17 and how the odds are posted shall be established by the Commission. For purposes of this
18 subsection, "wager" shall mean a sum of money or thing of value risked on an uncertain
19 occurrence.

20 "**§ 18C-235.** Reserved for future codification purposes.

21 "**§ 18C-236. Transportation between licensed video gaming merchant's establishments in**
22 **the State.**

23 Any person transporting a video gaming terminal from one video gaming merchant's
24 establishment to another location, other than for servicing or repair, shall notify the Commission,
25 in the manner and form established by the Commission, in writing prior to the transportation of
26 the video gaming terminal.

27 "**§§ 18C-237 through 18C-239.** Reserved for future codification purposes.

28 "Part 4. Enforcement.

29 "**§ 18C-240. Enforcement.**

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

31 "**§ 18C-241.** Reserved for future codification purposes.

32 "**§ 18C-242. Inspection of premises, records, activities.**

33 (a) To procure evidence of violations of this Article, alcohol law enforcement agents,
34 employees of the Commission, and officers of local law enforcement agencies that have
35 contracted to provide ABC enforcement under G.S. 18B-501(f) shall have authority to
36 investigate the establishment of a video gaming merchant, operator, or a manufacturer to make
37 inspections that include viewing the entire premises and to examine the books and records of the
38 licensee. The inspection authorized by this section may be made at any time it reasonably appears
39 that someone is on the premises.

40 (b) Refusal by a licensee, or by any employee of a licensee, to permit officers to enter the
41 premises to make an inspection authorized by this section shall be cause for revocation,
42 suspension, or other action against the licensee. It shall be a Class 2 misdemeanor for any person
43 to resist or obstruct an officer attempting to make a lawful inspection under this section.

44 (c) The Department of Public Safety, Alcohol Law Enforcement Division, and local law
45 enforcement agencies authorized under this section shall report to the Commission the results of
46 such an inspection and any potential violations noted during the inspection.

47 "**§ 18C-243.** Reserved for future codification purposes.

48 "**§ 18C-244. Criminal offenses.**

49 (a) Any person who tampers with a video gaming terminal with the intent to interfere
50 with the proper operation of the video gaming terminal is guilty of a Class 1 misdemeanor for

1 the first offense, a Class H felony for a second offense, and a Class G felony for a third or
2 subsequent offense.

3 (b) Any person who, with the intent to manipulate the outcome, payoff, or operation of a
4 video gaming terminal, manipulates the outcome, payoff, or operation of a video gaming terminal
5 by physical tampering or any other means is guilty of a Class G felony for the first offense and a
6 Class F felony for any subsequent offense.

7 (c) A video gaming merchant or operator who falsely reports or fails to report the amount
8 due required by the Commission is guilty of a Class G felony and is subject to revocation of the
9 license by the Commission.

10 (d) Any video gaming merchant who pays a prize to any person in the amount less than
11 the specified prize won is guilty of a Class G felony and is subject to revocation of the license by
12 the Commission."

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

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

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

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

22 ...

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

27 ...

28 (11) To engage an independent firm experienced in security procedures, including
29 computer security and systems security, to conduct a comprehensive study
30 and evaluation of all aspects of security in the operation of the video gaming
31 terminals. At a minimum, such a security assessment is to include a review of
32 network vulnerability, application vulnerability, application code review,
33 wireless security, security policy and processes, security and privacy program
34 management, technology infrastructure and security controls, security
35 organization and governance, and operational effectiveness."

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

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

45 **SECTION 5.** G.S. 18C-161(3) reads as rewritten:

46 "(3) All other funds credited or appropriated to the Commission from any
47 ~~source.~~source, except as provided in Article 9 of this Chapter."

48 **SECTION 6.(a)** Article 2 of Chapter 105 of the General Statutes is amended by
49 adding a new section to read:

50 **§ 105-102.7. Video gaming terminals privilege tax.**

1 A privilege tax is imposed on manufacturers, operators, and video gaming merchants under
2 Article 9 of Chapter 18C of the General Statutes for the privilege of engaging in the activity
3 authorized by the license or contract. The amount of the tax is as follows:

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

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

7 (3) Video gaming merchants. – One thousand dollars (\$1,000) per retail location
8 plus one hundred fifty dollars (\$150.00) per video gaming terminal in each
9 retail location."

10 **SECTION 6.(b)** This section is effective for taxes imposed for taxable years
11 beginning on or after July 1, 2024.

12 **SECTION 7.** G.S. 14-306.1A is amended by adding a new subsection to read:

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

15 **SECTION 8.** G.S. 14-306.4 is amended by adding a new subsection to read:

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

18 **SECTION 9.** G.S. 105-259(b)(33) reads as rewritten:

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

21 **SECTION 10.(a)** G.S. 14-298 reads as rewritten:

22 "**§ 14-298. Seizure of illegal gaming items.**

23 Upon a determination that probable cause exists to believe that any gaming table prohibited
24 to be used by G.S. 14-289 through G.S. 14-300, any illegal punchboard or illegal slot machine,
25 any video game machine prohibited to be used by G.S. 14-306 or G.S. 14-306.1A, any game
26 terminal described in G.S. 14-306.3(b), or any electronic machine or device using an entertaining
27 display in violation of G.S. 14-306.4 is in the illegal possession or use of any person within the
28 limits of their jurisdiction, all sheriffs and law enforcement officers are authorized to seize the
29 items in accordance with applicable State law. Any law enforcement agency in possession of that
30 item shall retain the item pending a disposition order from a district or superior court judge. Upon
31 application by the law enforcement agency, district attorney, or owner, and after notice and
32 opportunity to be heard by all parties, if the court determines that the item is unlawful to possess,
33 it shall enter an order releasing the item to the law enforcement agency for destruction or for
34 training ~~purposes~~, purposes and shall order the owner to pay the reasonable costs of storage and
35 disposal incurred by the seizing law enforcement agency. If the item was seized for use as
36 evidence in a criminal action or proceeding against the owner of the item, upon any plea of guilty
37 or nolo contendere in that action or proceeding by the owner of the item, the court shall order the
38 owner to pay the reasonable costs of storage and disposal incurred by the seizing law enforcement
39 agency. If the court determines that the item is not unlawful to possess and will not be used in
40 violation of the law, the item shall be ordered released to its owner upon satisfactory proof of
41 ownership. The foregoing procedures for release shall not apply, however, with respect to an
42 item seized for use as evidence in any criminal action or proceeding until after entry of final
43 judgment."

44 **SECTION 10.(b)** G.S. 14-299 reads as rewritten:

45 "**§ 14-299. Property exhibited by gamblers to be seized; disposition of same.**

46 Except as provided in Chapter 18C of the General Statutes or in G.S. 14-292, all moneys or
47 other property or thing of value exhibited for the purpose of alluring persons to bet on any game,
48 or used in the conduct of any such game, including any motor vehicle (i) used in the conduct of
49 a lottery within the purview of ~~G.S. 14-291.1~~, G.S. 14-291.1 or (ii) used to transport any video
50 game machine prohibited by G.S. 14-306 or G.S. 14-306.1A, or any electronic machine or device
51 prohibited by G.S. 14-306.4, shall be liable to be seized by any court of competent jurisdiction

1 or by any person acting under its warrant. Moneys so seized shall be turned over to and paid to
2 the treasurer of the county wherein they are seized, and placed in the general fund of the county.
3 Any property seized which is used for and is suitable only for gambling shall be destroyed, and
4 all other property so seized shall be sold in the manner provided for the sale of personal property
5 by execution, and the proceeds derived from said sale shall (after deducting the expenses of
6 keeping the property and the costs of the sale and after paying, according to their priorities all
7 known prior, bona fide liens which were created without the lienor having knowledge or notice
8 that the motor vehicle or other property was being used or to be used in connection with the
9 conduct of such game or lottery) be turned over and paid to the treasurer of the county wherein
10 the property was seized, to be placed by said treasurer in the general fund of the county."

11 **SECTION 10.(c)** G.S. 14-306(a) reads as rewritten:

12 "(a) Any machine, apparatus or device is a slot machine or device within the provisions
13 of G.S. 14-296 through 14-309, if it is one that is adapted, or may be readily converted into one
14 that is adapted, for use in such a way that, as a result of the payment of any piece of money or
15 coin or token or any credit card, debit card, prepaid card, or any other method that requires
16 payment to activate play, whether directly into the slot machine or device or resulting in remote
17 activation, such machine or device is caused to operate or may be operated in such manner that
18 the user may receive or become entitled to receive any piece of money, credit, allowance or thing
19 of value, or any check, slug, token or memorandum, whether of value or otherwise, or which may
20 be exchanged for any money, credit, allowance or any thing of value, or which may be given in
21 trade, or the user may secure additional chances or rights to use such machine, apparatus or
22 device; or any other machine or device designed and manufactured primarily for use in
23 connection with gambling and which machine or device is classified by the United States as
24 requiring a federal gaming device tax stamp under applicable provisions of the Internal Revenue
25 Code. This definition is intended to embrace all slot machines and similar devices except slot
26 machines in which is kept any article to be purchased by depositing any coin or thing of value,
27 and for which may be had any article of merchandise which makes the same return or returns of
28 equal value each and every time it is operated, or any machine wherein may be seen any pictures
29 or heard any music by depositing therein any coin or thing of value, or any slot weighing machine
30 or any machine for making stencils by the use of contrivances operated by depositing in the
31 machine any coin or thing of value, or any lock operated by slot wherein money or thing of value
32 is to be deposited, where such slot machines make the same return or returns of equal value each
33 and every time the same is operated and does not at any time it is operated offer the user or
34 operator any additional money, credit, allowance, or thing of value, or check, slug, token or
35 memorandum, whether of value or otherwise, which may be exchanged for money, credit,
36 allowance or thing of value or which may be given in trade or by which the user may secure
37 additional chances or rights to use such machine, apparatus, or device, or in the playing of which
38 the operator does not have a chance to make varying scores or tallies. Each game console, play
39 station, or other access point allowing a person to operate a slot machine shall constitute a
40 separate machine or device."

41 **SECTION 10.(d)** This section becomes effective December 1, 2023, and applies to
42 offenses committed on or after that date.

43 **SECTION 11.(a)** Article 23 of Chapter 116 of the General Statutes is amended by
44 adding a new Part to read:

45 "Part 7. Community College Scholarship Loan Program.

46 "**§ 116-209.92. Community College Scholarship Loan Program.**

47 (a) Program Purpose. – There is established the Community College Scholarship Loan
48 Program to be administered by the Authority. The purpose of the Program shall be to provide
49 scholarship forgivable loans to North Carolina residents to attend community colleges in pursuit
50 of an associate degree, diploma, or certificate and for those students to be eligible for forgiveness

1 of the scholarship forgivable loans upon award of the associate degree, diploma, or certificate
2 within six years.

3 (b) Award of Scholarship Forgivable Loans. – Within the funds available in the Trust
4 Fund established pursuant to G.S. 116-209.93, the Authority shall award scholarship forgivable
5 loans to eligible students for up to six academic years for an individual student to attend a North
6 Carolina community college. Scholarship forgivable loans shall be used toward the cost of tuition
7 and fees to attend the community college. The community college shall inform the Authority if
8 an eligibility period is tolled for a student in a form and manner prescribed by the Authority. The
9 Authority shall require eligible students to complete a Free Application for Federal Student Aid
10 (FAFSA) to apply for a scholarship forgivable loan and shall reduce the amount of the
11 scholarship forgivable loan for any student by the amount of grants or scholarships received by
12 that student from other State or federal sources. The Authority may adopt a lottery process for
13 the award of scholarship forgivable loans if funds are insufficient in any fiscal year to provide
14 scholarship forgivable loans to every eligible applicant.

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

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

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

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

32 a. A military service obligation.

33 b. A serious medical debilitation.

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

35 d. Other extraordinary hardship.

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

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

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

44 (2) Trust Fund. – As established in G.S. 116-209.93.

45 **"§ 116-209.93. Community College Scholarship Loan Trust Fund.**

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

50 (1) Net revenues transferred from the North Carolina Video Gaming Fund
51 pursuant to G.S. 18C-204.

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

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

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

6 **"§ 116-209.94. Terms of scholarship forgivable loans; receipt and disbursement of funds.**

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

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

12 (1) The recipient is awarded an associate degree, diploma, or certificate at a North
13 Carolina community college within six years, with extensions for any tolling
14 of the eligibility period under G.S. 116-209.92(c)(3), after receipt of the initial
15 scholarship forgivable loan under the Program.

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

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

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

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

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

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

39 **"§ 116-209.95. Reporting requirements.**

40 The Authority shall report annually on or before November 1, beginning in 2024, to the Joint
41 Legislative Education Oversight Committee on the implementation of the Community College
42 Scholarship Loan Program. The report shall include at least the following information:

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

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

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

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

1 **SECTION 11.(b)** This section becomes effective January 1, 2024, and applies
2 beginning with the scholarship forgivable loans awarded for the 2024-2025 academic year.

3 **SECTION 12.(a)** G.S. 105-153.5(b) reads as rewritten:

4 "(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may
5 deduct from the taxpayer's adjusted gross income any of the following items that are included in
6 the taxpayer's adjusted gross income:

7 ...

8 (17) The amount forgiven under the Community College Scholarship Loan
9 Program pursuant to Part 6 of Article 23 of Chapter 116 of the General
10 Statutes."

11 **SECTION 12.(b)** This section is effective for taxable years beginning on or after
12 January 1, 2024.

13 **SECTION 13.** The North Carolina State Lottery Commission shall use sufficient
14 funds from the North Carolina State Lottery Fund to cover initial operating expenses of the
15 Commission to implement Article 9 of Chapter 18C of the General Statutes, as enacted by this
16 act, except that the total amount borrowed by the Commission shall not exceed fourteen million
17 dollars (\$14,000,000). Of the borrowed funds, four million dollars (\$4,000,000) shall be
18 transferred to the Department of Public Safety, Alcohol Law Enforcement Division, for
19 enforcement of this act, and the remainder shall be available for expenditure for the purposes set
20 forth in this act without further action by the General Assembly. The Commission shall repay
21 any funds used out of the North Carolina State Lottery Fund pursuant to this section within 24
22 months after the effective date of this act.

23 **SECTION 14.** Sections 1 through 5, Sections 7 through 9, and Section 11 of this act
24 become effective January 1, 2024, and, except as otherwise provided, the remainder of this act is
25 effective when it becomes law. In order to issue licenses and permits for play by the public in
26 this State on the effective date of this act, the Lottery Commission may begin rulemaking to
27 implement Article 9 of Chapter 18C of the General Statutes, as enacted by this act, prior to
28 January 1, 2024, but no temporary or permanent rule shall become effective prior to January 1,
29 2024. The Lottery Commission may initiate requests for proposals for the central monitoring
30 system, as required by G.S. 18C-230, as enacted by this act, prior to January 1, 2024, but may
31 not award any contract prior to that date. The Commission may accept and issue applications for
32 licensure in accordance with Article 9 of Chapter 18C of the General Statutes, as enacted by this
33 act. No license issued by the Commission shall become effective prior to January 1, 2024, or on
34 the date the Commission deems the central monitoring system active, whichever occurs later.
35 G.S. 18C-204(b)(3), as enacted by this act, expires June 30, 2027.