



HOUSE BILL 929: Gaming Commission.

**This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.**

2019-2020 General Assembly

Committee:	House Judiciary. If favorable, re-refer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	June 5, 2019
Introduced by:	Reps. Warren, Hardister, Saine, Hunter	Prepared by:	Susan Sitze* Staff Attorney
Analysis of:	Second Edition		

OVERVIEW: House Bill 929 would establish the North Carolina Gaming Commission (Commission) and authorize the regulation of fantasy sports leagues including the following:

- *Requiring registration of fantasy contest operations with the North Carolina Gaming Commission.*
- *Requiring registration renewal every five years after issuance or renewal.*
- *Imposing fees for registration and subsequent renewals.*
- *Providing the Commission with authority to deny, revoke, or suspend registrations for certain violations.*
- *Requiring audits and reports to be submitted to the Commission.*
- *Authorizing Alcohol Law Enforcement (ALE) agents to enforce registration requirements.*

CURRENT LAW: Currently, various General Statutes regulate bingo, raffles, boxing, and the North Carolina State Lottery. Except as permitted under laws regulating bingo, raffles, and the State Lottery, G.S. 14-292 makes it a Class 2 misdemeanor for any person or organization to operate any game of chance or for any person to play at or bet on any game of chance at which any money, property, or other thing of value is bet.

BILL ANALYSIS:

Section 1 would do the following:

- Recodify the statutes governing Bingo and Raffles, the Regulation of Boxing, and the North Carolina State Lottery into a new Chapter 18E entitled "Gaming."
- Authorize the Revisor of Statutes to change all old statute references and make additional organization, clarifying, and technical changes.

Section 2 would create a new Chapter 18E, Gaming, in the General Statutes. The new Chapter would do the following:

- Create a 9 member Gaming Commission (Commission), located within the Department of Commerce, to establish and oversee the operation of gaming in the State, and comprising:

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- 5 members appointed by the Governor, 2 appointed by the President Pro Tempore of the Senate, and 2 appointed by the Speaker of the House of Representatives.
- Members would serve terms four-year terms, the initial terms of the Governor's appointees would be staggered, and appointees would be prohibited from serving more than 2 successive terms and must meet at least quarterly.
- Set out qualifications for the Commission members.
- Require Commission records to be open and available to the public.
- Set out powers and duties of the Commission which would include:
 - Regulating and overseeing gambling.
 - Prescribing the nature of gaming advertising, which must meet specific requirements.
 - Charging licensees and contractors fees for criminal record checks.
 - Specifying the number and value of prizes for winning tickets or share in lottery games.
- Require the Commission to send quarterly and annual reports on their operations to the Governor, State Treasurer, and to the General Assembly.
- Require the State Auditor to conduct annual audits of all accounts and transactions of the Commission.
- Require a biennial comprehensive study and evaluation of all aspects of security in the operation of the Commission by an independent security firm, with a portion of the report being presented to the Commission, Governor, and General Assembly.
- Require a biennial audit of the lottery by an independent auditing firm, with results submitted to the Commission, Governor, and General Assembly.
- Allow the Commission to apply to superior court for an injunction to restrain any person from violating the Gaming Chapter.
- Allow the Commission to investigate, if it has reasonable cause to believe a violation of the Gaming Chapter has occurred.
- Allow the Commission or ALE to inspect an establishment of a licensee during normal business hours.
- Require the Commission to select a Director to operate and administer its functions and serve as Secretary of the Commission.
- Sets out the Director's power and duties, including setting salaries of Commission employees, entering into contracts upon Commission approval, and providing monthly financial reports to the Commission.
- Set out requirements for the Director and Commission employees, including that they not have any financial interest in any licensee or contractor and prohibiting them from representing any licensee or contractor before the Commission for 1 year following termination of employment with the Commission.
- Prohibit any Commissioner, the Director, any employee of the Commission, or any member of the immediate family residing in the same household from accepting any type of gift or service from any person regulated by the Gaming Chapter, excluding food and beverages having an aggregate value not exceeding \$100 in any calendar year.

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- Set out and define terms used in the Chapter.
- Regulate fantasy contests in the State by:
 - Requiring operators of fantasy contests to register with the Commission.
 - Setting out application requirements.
 - Requiring an initial registration fee equal to 10% of the operator's gross fantasy contest revenues from the previous calendar year; to be no less than \$2,500 or more than \$10,000.
 - Making registrations valid for 5 years, with a renewal fee equal to the lesser of \$5,000 or 10% of the operator's net revenue from the previous calendar year.
 - Allowing operators applying for registration, who have been in continuous operation in the State for at least 180 days as of the effective date of this bill, to offer fantasy contests until 60 days after applications for registration are published by the Commission and allowing operators who have applied for registration during that 60 day period to continue operating while the registration is pending.
 - Allowing operators applying for registration or renewal of a registration to operate during the application.
 - Requiring the Commission to issue a registration within 60 days of receipt of the application.
- Allow the Commission to deny, revoke, or suspend a registration based upon 5 specified actions, including defaulting on a payment of any obligation or debt due to the State.
- Allow the suspension or revocation of an operator's registration after a hearing with 30 days' notice where a violation has been found by a preponderance of the evidence and allow civil penalties.
- Allow the suspension of a registration for not more than 7 business days if the Commission determines a violation has occurred and emergency action is required to protect public health, safety, and welfare.
- Set out operator reporting and audit requirements.
- Provide provisions governing a change in ownership or acquisition of interest in an operator.
- Make reports, data, or documents, containing information about the character or financial responsibility of the operation or its principal stockholders, submitted to the Commission under the audit requirements and records submitted as part of a registration application or renewal confidential.
- Specify that fantasy contests under Article 26 – Regulation of Fantasy Sports, do not constitute gambling, lotteries, gaming, or any activity or enterprise prohibited by law.

Sections 3(a) – 3(h) would do the following:

- Provide that nothing in the Article limits the ability of an operator to control or conduct its contests or to provide a uniform gameplay platform for players in multiple jurisdictions.
- Repeal statutes establishing the North Carolina State Lottery Commission and setting out its requirements. Repeal statutes concerning the selection of the State Lottery Director and setting out auditing requirements.

Section 4 would amend 18B-500(b) to make alcohol law enforcement agents responsible for enforcing gaming laws.

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Sections 5(a) - 5(b) would require the North Carolina Gaming Commission to study the feasibility of authorizing sports betting, steeplechases, and video lottery terminals to operate in the State and report those findings to the 2020 Regular Session of the General Assembly on or before January 31, 2020.

Section 6 would specify that each commission, board, or other function of State government transferred to the Commission is a continuation of the former entity for purposes of succession to all rights, powers, duties, and obligations of the former.

Section 7 would provide that no action or proceeding pending on May 1, 2019, brought by or against the North Carolina Lottery Commission, the SBI, the ALE, or the Boxing Advisory Commission is affected by any provision of this act, but may be prosecuted or defended in the name of the North Carolina Gaming Commission. Any business or contract transferred by this act to the Commission, which is pending on May 1, 2019, may be conducted and completed by the Commission in the same manner and under the same terms and conditions.

Section 8 would provide that consolidation provide for under this act will not affect any ongoing investigation or audit and prosecutions for offenses or violations committed on or before May 1, 2019, are not abated or affected by this act.

Section 9 would provide that any rules, forms, policies, procedures, and guidance adopted by the North Carolina Lottery Commission, the SBI, ALE, or the Boxing Advisory Commission shall remain in effect until amended or repealed by the Commission.

Section 10 would transfer authority, power, duties and functions, records, personnel, property, and unexpended balances of appropriations, allocation, or other funds of the North Carolina Lottery Commission, of the bingo and raffle functions of the SBI, of the boxing regulatory functions of the ALE, and of the Boxing Advisory Commission to the North Carolina Gaming Commission, as created by this act.

Sections 11 – 13 would transfer the appropriations and resources of the North Carolina Lottery Commission, the bingo and raffle functions of the SBI, the boxing regulatory functions of the ALE, and the Boxing Advisory Commission to the North Carolina Gaming Commission.

Section 14 would require the North Carolina Gaming Commission to report to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Lottery Oversight Committee on or before April 1, 2020, and again on or before March 1, 2021, as to recommendations for statutory changes necessary to further implement the consolidation.

EFFECTIVE DATE: This act would become effective January 1, 2020.

**Amy Darden, Staff Attorney, substantially contributed to this summary.*