

North Carolina Legalizes Online Sports Betting and Advance Deposit Wagering on Horse Racing

By: Frank Bruno, Zachery Roth and Simone Charles

House Rules

6.20.23

On June 14, 2023, Governor Roy Cooper signed House Bill 347 legalizing online sports wagering and advance deposit horse race wagering. The bill has moved through the legislative process in a little over three months.

Licensing Framework: Online Sports Betting

Under the law, the North Carolina Lottery Commission (the Commission) is authorized to issue up to 12 online sports wagering operator licenses. In the event that more than 12 applications are received, the Commission is empowered to establish selection criteria that will best serve the public interest while maximizing revenue to the state in making its final licensing decisions. Unlike the online betting operator licenses in most other U.S. jurisdictions, these licenses are not tethered to any retail gambling site (*i.e.*, casino, horse racetrack, stadium, etc.). That said, the law does allow licensed online sports wagering operators to enter into partnerships with "sports facilities" (*i.e.*, stadiums, baseball fields) to create a single designated place at said facility where patrons may place online bets at terminals, kiosks, or the like. The law also allows operators to enter into agreements with "sports governing bodies" (*i.e.*, NFL, NHL, NBA, etc.) allowing those governing bodies to share in the revenue from bets placed on their sporting events.

The sports wagering operator licenses are renewable every five years. The licensing and renewal fee for those operators has been set at \$1M per license. While there are no other application administration fees, the Commission will retain \$50,000 from the \$1M licensing fee to offset expenses incurred for a denied application.

The law further imposes two types of vendor license requirements: (1) a Sports Wagering Service Provider License requirement, and (2) a Sports Wagering Supplier License requirement. Both requirements apply to providers offering services necessary to the operation of the sports wagering market and the determination of sports wagering outcomes. We anticipate the forthcoming rules will provide further clarification regarding the types of services subject to the two categories of licensure.

Advance Deposit Wagering on Horse Racing

Notably, the law also explicitly authorizes advance deposit (*i.e.*, online/mobile) wagering on horse racing, to be governed by the Commission. The law provides that no operator shall offer/accept an online horse race wager from a North Carolina resident without first obtaining an ADW License from the Commission. The ADW licensing fee has been set at \$1M. Further, each ADW licensee must pay an annual fee representing 1% of the total pari-mutuel wagers made by North Carolina residents to maintain its license.

Timeline to "Launch"

Online sports betting and ADW horse race wagering cannot officially launch until **January 8th, 2024**. However, the North Carolina Lottery Commission may adopt rules and begin accepting applications for sports wagering and advance deposit wagering licenses ahead of the "launch" date. More than likely, the licensing process will unfold in the coming months to allow operators, service providers, and suppliers the time to prepare for an early-to-mid 2024 launch.

White and Williams continues to monitor developments in North Carolina and will provide further updates as the licensing scheme unfolds.

This correspondence should not be construed as legal advice or legal opinion on any specific facts or circumstances. The contents are intended for general informational purposes only and you are urged to consult a lawyer concerning your own situation and legal questions.