

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 11

Judiciary I Committee Substitute Adopted 5/25/93

Finance Committee Substitute Adopted 6/3/93

Short Title: 1993 Lottery-With Referendum.

(Public)

Sponsors:

Referred to:

January 28, 1993

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR A BINDING REFERENDUM ON THE
ESTABLISHMENT OF A NORTH CAROLINA STATE LOTTERY.

The General Assembly of North Carolina enacts:

Section 1. The General Statutes are amended by adding a new Chapter to
read:

"CHAPTER 143C.

"NORTH CAROLINA STATE LOTTERY.

"ARTICLE 1.

"GENERAL PROVISIONS AND DEFINITIONS.

"§ 143C-101. Citation.

This Chapter shall be known and may be cited as the North Carolina State Lottery Act.

"§ 143C-102. Purpose and intent.

The General Assembly declares that the purpose and intent of this Chapter is to provide additional monies to benefit the public purposes described in this Chapter without the imposition of additional or increased taxes through the implementation of a State-operated lottery. The lottery shall be initiated at the earliest practical time and it shall be operated to maximize new revenue to the State. That new revenue shall be raised in a manner consistent with the dignity of the State and the general welfare of the people, and in a manner consistent with effective business practices.

"§ 143C-103. Laws not affected.

1 In the event of a conflict between the provisions of this Chapter and any other laws,
2 including Article 37 of Chapter 14 of the General Statutes, the provisions of this
3 Chapter shall govern.

4 **"§ 143C-104. Commission a self-supporting agency.**

5 It is the intent of this Chapter that the Commission established by this Chapter shall
6 be a self-supporting and revenue-raising agency of State government.

7 **"§ 143C-105. Public purposes to benefit from lottery.**

8 The net revenues of the lottery shall be used to benefit the public purposes set forth
9 in G.S. 143C-175. It is the intent of this Chapter that the net revenues generated by the
10 lottery established by this Chapter shall not supplant revenues already expended or
11 projected to be expended for those public purposes and that lottery net revenues shall
12 supplement rather than be used as substitute funds for the total amount of money
13 allocated for those public purposes.

14 **"§ 143C-106. Allocation of revenues.**

15 As nearly as practical, at least eighty-four percent (84%) of the total annual revenues
16 from the sale of lottery tickets or shares, as described in this Chapter, shall be returned
17 to the public in the form of prizes and net revenues benefiting the public purposes set
18 forth in G.S. 143C-175. As nearly as practical, at least fifty percent (50%) of the total
19 annual revenues, as described in this Chapter, shall be returned to the public in the form
20 of prizes as described in this Chapter. Unclaimed prize money, as described in this
21 Chapter, shall revert to the benefit of the public purposes as described in this Chapter.
22 As nearly as practical, no more than sixteen percent (16%) of the total annual revenues
23 as described in this Chapter shall be allocated for payment of expenses of the lottery as
24 described in this Chapter. To the extent that the expenses of the lottery are less than
25 sixteen percent (16%) of total annual revenues, any surplus funds shall also be allocated
26 to the benefit of the public purposes as described in this Chapter.

27 **"§ 143C-107. Definitions.**

28 As used in this Chapter, unless the context requires otherwise:

- 29 (1) 'Commission' means the North Carolina State Lottery Commission.
- 30 (2) 'Commissioner' means one of the members of the Commission
31 appointed pursuant to this Chapter to oversee the lottery.
- 32 (3) 'Director' means the person appointed by the Governor pursuant to this
33 Chapter as the chief administrator of the Commission.
- 34 (4) 'Game' or 'Lottery game' means any procedure or game authorized by
35 the Commission whereby prizes are distributed among persons who
36 have paid, or unconditionally agreed to pay, for tickets or shares that
37 provide the opportunity to win these prizes.
- 38 (5) 'Lottery' or 'State lottery' means any lottery game or series of games,
39 established and operated pursuant to this Chapter and authorized by
40 the Commission.
- 41 (6) 'Lottery contractor' means a person with whom the Commission has
42 contracted for the purpose of providing goods or services to the
43 Commission.

- 1 (7) 'Major procurement' means a procurement for a contract for (i) the
2 printing of tickets or the provision of shares for use in any lottery
3 game, (ii) any goods or services involving the receiving or recording
4 of selections in any lottery game, or (iii) any goods or services
5 involving the determination or generation of winners in any lottery
6 game.
- 7 (8) 'Person' means any natural person or corporation, trust, association,
8 partnership, joint venture, subsidiary, or other business entity.
- 9 (9) 'Retailer', 'Lottery retailer' or 'Lottery game retailer' means a person (i)
10 who is licensed by the Commission to sell tickets or shares in lottery
11 games to the public and (ii) with whom the Commission has
12 contracted.
- 13 (10) 'Share' means any method of participation in a lottery game, other than
14 by a ticket purchased on an equivalent basis with a ticket, whether
15 presently contemplated or developed in the future.
- 16 (11) 'Ticket' means any tangible evidence issued by the lottery to prove
17 participation in a lottery game.
- 18 (12) 'Vendor' or 'Lottery vendor' means any person who submits a bid,
19 proposal, or offer as part of a procurement for a contract for goods or
20 services for the lottery.

21 "§§ 143C-108 and 143C-109: Reserved for future codification purposes.

22 "ARTICLE 2.

23 "NORTH CAROLINA STATE LOTTERY COMMISSION.

24 "§ 143C-110. Creation of Commission.

25 There is created a North Carolina State Lottery Commission.

26 "§ 143C-111. Commission membership; appointment; vacancies; removal.

27 (a) The Commission shall consist of seven members, three of whom shall be
28 appointed by the Governor, two of whom shall be appointed by the President Pro
29 Tempore of the Senate, and two of whom shall be appointed by the Speaker of the
30 House of Representatives.

31 (b) Of the initial appointees of the Governor, one member shall serve a term of
32 two years, one member shall serve a term of three years, and one shall serve a term of
33 five years. Of the initial appointees of the President Pro Tempore of the Senate, one
34 member shall serve a term of three years, and one member shall serve a term of five
35 years. Of the initial appointees of the Speaker of the House of Representatives, one
36 member shall serve a term of three years, and one member shall serve a term of five
37 years. All succeeding appointments shall be for terms of five years.

38 (c) All initial appointments shall be made within 30 days of the effective date
39 of this Chapter.

40 (d) Vacancies shall be filled within 30 days of their occurrence by the
41 appointing authority for the unexpired portion of the term in which they occur.

42 "§ 143C-112. Qualifications of Commissioners.

43 At least one of the Commissioners appointed by the Governor shall have a minimum
44 of five years' experience in law enforcement. At least one of the Commissioners

1 appointed by the President Pro Tempore of the Senate shall be a certified public
2 accountant. At least one of the Commissioners appointed by the Speaker of the House
3 of Representatives shall have retail sales experience. No person shall be appointed as a
4 Commissioner who has been convicted of a felony.

5 **"§ 143C-113. Compensation and expenses.**

6 The Commissioners shall be compensated at the rate of one hundred dollars
7 (\$100.00) for each day engaged in Commission business. Commissioners shall be
8 reimbursed for actual expenses incurred on Commission business, including necessary
9 travel expenses, in addition to daily compensation.

10 **"§ 143C-114. Powers and duties of the Commission.**

11 The Commission shall exercise all powers necessary to effectuate the purposes of
12 this Chapter, including the adoption of rules pursuant to Chapter 150B of the General
13 Statutes and the establishment of licensing requirements and procedures. Anyone
14 satisfying those licensing requirements shall be licensed by the Commission.

15 **"§ 143C-115. Annual selection of chairman.**

16 The Commission shall annually select a chairman from its membership.

17 **"§ 143C-116. Meetings; records.**

18 Meetings of the Commission shall be open and public in accordance with Article
19 33C of Chapter 143 of the General Statutes. Records of the Commission shall be open
20 and available to the public in accordance with the provisions of Chapter 132 of the
21 General Statutes. The Commission shall meet with the Director at least monthly to
22 make recommendations and set policy, to approve or reject reports of the Director, to
23 adopt rules in accordance with Chapter 150B of the General Statutes, and to transact
24 any other business that may properly be brought before it. The chairman or a majority
25 of the members of the Commission shall have the power to call special meetings of the
26 Commission upon advance written notice to all of the members of the Commission and
27 the Director.

28 **"§ 143C-117. Quorum; voting.**

29 A majority of the total membership of the Commission constitutes a quorum. All
30 decisions of the Commission shall be made by a majority vote.

31 **"§ 143C-118. Reports.**

32 The Commission shall make quarterly and annual reports on the operation of the
33 lottery to the Governor, Attorney General, State Treasurer, and to the General
34 Assembly. The reports shall include full and complete statements of lottery revenues,
35 prize disbursements, expenses, net revenues, and all other financial transactions
36 involving lottery funds.

37 **"§ 143C-119: Reserved for future codification purposes.**

38 **"ARTICLE 3.**

39 **"NORTH CAROLINA STATE LOTTERY DIRECTOR.**

40 **"§ 143C-120. Appointment and removal of Director.**

41 The Governor shall appoint a Director within 30 days of the effective date of this
42 Chapter. The Director shall direct the operations of the Commission. The Governor
43 may remove the Director upon notification to the Commission. The Director shall be
44 exempt from the State Personnel Act.

1 **"§ 143C-121. Qualifications of the Director.**

2 No person shall be appointed Director who has been convicted of a felony.

3 **"§ 143C-122. Salary.**

4 During the first fiscal year of the operation of the Commission, the Director shall
5 receive compensation as set by the Commission and approved by the Governor.
6 Thereafter the compensation of the Director shall be set by the General Assembly in the
7 Current Operations Appropriations Act. The Director shall render full-time attention to
8 the duties of the office.

9 **"§ 143C-123. Duties and powers of the Director.**

10 The Director shall perform all duties, exercise all powers, assume and discharge all
11 responsibilities, and carry out and effect all purposes provided by this Chapter. The
12 Director shall act as the Secretary and Executive Officer of the Commission. The
13 Director shall act in accordance with this Chapter, the rules adopted by the Commission,
14 and under the guidance of the Commission.

15 **"§ 143C-124. Power to hire.**

16 The Director shall hire, subject to the approval of the Commission, the professional,
17 clerical, technical, and administrative personnel needed to carry out the provisions of
18 this Chapter. No person shall be employed by the Commission who has been convicted
19 of a felony. Each person employed by the Commission shall execute an authorization to
20 allow an investigation of the person's background.

21 **"§ 143C-125. Assistant directors.**

22 The Director may appoint and prescribe the duties for up to four assistant directors.
23 The compensation of each assistant director shall be set by the Commission and shall
24 not exceed the Director's compensation. The Director may designate one of the
25 assistant directors as the deputy director. All employees of the Commission shall be
26 exempt from the State Personnel Act.

27 **"§ 143C-126. Assistant director for security.**

28 One of the assistant directors shall be responsible for a security division to assure the
29 security, honesty, fairness, and integrity in the operation and administration of the
30 Commission, including an examination of the background of all prospective employees,
31 lottery vendors, lottery contractors, and any other person required to be licensed by the
32 Commission. The assistant director for security shall be qualified by training and
33 experience including at least five years of law enforcement experience and knowledge
34 and experience in computer security. The assistant director for security may, in
35 conjunction with the Director, confer with the Attorney General or the Attorney
36 General's designee, to promote and ensure the security, honesty, fairness, and integrity
37 of the operation and administration of the Commission. The assistant director for
38 security, in conjunction with the Director, shall report any alleged violation of law to the
39 appropriate law enforcement authority for further investigation and action. The
40 assistant director for security shall be required to be a sworn law enforcement officer in
41 this State.

42 **"§ 143C-127. Criminal identification information available to Commission; law**
43 **enforcement officer status.**

1 Upon the request of the assistant director for security, the Attorney General and the
2 Secretary of Crime Control and Public Safety shall furnish information to the Director
3 and the assistant director for security necessary to assure the security, honesty, fairness,
4 and integrity in the operation and administration of the Commission and its licensees
5 that they have in their possession, including computerized or other information and data.
6 For the purpose of requesting and receiving this information, the Commission shall be
7 considered to be a 'criminal justice agency' and its enforcement agents to be 'law
8 enforcement officers'. Commission's enforcement agents shall have the same authority
9 with respect to service and execution of arrest warrants and search warrants as is
10 conferred on other law enforcement officers of this State.

11 **"§ 143C-128. Coordination with Commission.**

12 The Director shall confer as frequently as necessary, but not less than monthly, with
13 the Commission on the operation and administration of the Commission. The Director
14 shall make available for inspection by the Commission all books, records, files,
15 documents, and other information of the lottery and shall make recommendations for
16 the improved operation and administration of the Commission and lottery games.

17 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

18 The Director shall make an ongoing study of the operation and administration of
19 other lotteries and commissions and lottery games that are in operation in other states
20 and countries, of available literature on the subject of lotteries, of federal laws that may
21 affect the operation of the Commission and lottery games, and of the reaction of the
22 citizens of the State to existing or proposed features in lottery games. The Director shall
23 conduct this research in order to recommend improvements that will serve the purposes
24 of this Chapter. The Director may make recommendations to the Commission, to the
25 Governor, and to the General Assembly on any matters concerning the secure,
26 profitable, and efficient operation and administration of the Commission and of lottery
27 games and the convenience of the purchasers of tickets and shares.

28 **"§ 143C-130. Accountability; books and records.**

29 The Director shall make and keep books and records that accurately and fairly
30 reflect each day's transactions, including the distribution of tickets or shares to lottery
31 game retailers, receipt of funds, prize claims, prizes paid directly by the Commission,
32 expenses, and all other financial transactions involving lottery funds necessary to permit
33 preparation of daily financial statements in conformity with generally accepted
34 accounting principles, in order to maintain daily accountability.

35 **"§ 143C-131. Monthly financial reports.**

36 The Director shall make a monthly financial report to the Commission, to the
37 Governor, to the State Controller, to the State Treasurer, and to the General Assembly.
38 The report shall include a statement of all lottery revenues, prize disbursements,
39 expenses, net revenues, and all other financial transactions involving lottery funds for
40 the preceding month.

41 **"§ 143C-132. Independent study of demographics of lottery players.**

42 Within the first six months of sales of tickets or shares to the public, the Director
43 shall engage an independent firm experienced in demographic analysis to conduct a
44 special study to ascertain the demographic characteristics of the players of each lottery

1 game, including their income, age, sex, education, and frequency of participation. This
2 report shall be presented to the Commission, to the Governor, and to the General
3 Assembly. Similar studies shall be conducted on a continuing, periodic basis.

4 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

5 Until the study required by this section is conducted and the results have been
6 reviewed by the General Assembly, expenditures for advertising of the lottery shall not
7 exceed four percent (4%) of all proceeds from the sales of lottery tickets or shares.

8 After the first full year of sales of tickets or shares to the public, the Director shall
9 engage an independent firm experienced in the analysis of advertising, promotion,
10 public relations, and other aspects of communications to conduct a special study of the
11 effectiveness of the communications activities undertaken by the Commission and make
12 recommendations to the Commission on the future conduct and future rate of
13 expenditures for these activities. This report shall be presented to the Commission, to
14 the Governor, and to the General Assembly. Similar studies shall be conducted on a
15 continuing, periodic basis.

16 **"§ 143C-134. Independent audit of lottery security.**

17 The Director shall, in addition to all other security measures, engage an independent
18 firm experienced in security procedures, including computer security and systems
19 security, to conduct a continuing comprehensive study and evaluation of all aspects of
20 security in the operation of the Commission and of lottery games. The study shall
21 include:

- 22 (1) Personnel security;
- 23 (2) Lottery game retailer security;
 - 24 (3) Lottery contractor security;
 - 25 (4) Security of manufacturing operations of lottery contractors;
 - 26 (5) Security against ticket counterfeiting, alteration, and other
27 means of fraudulently winning; security of drawings among entries
28 or finalists;
 - 29 (6) Computer security;
 - 30 (7) Data communications security;
 - 31 (8) Database security;
 - 32 (9) Systems security;
 - 33 (10) Commission premises and warehouse security;
 - 34 (11) Security in distribution;
 - 35 (12) Security involving validation and payment procedures;
 - 36 (13) Security involving unclaimed prizes;
 - 37 (14) Security aspects applicable to each particular lottery game;
 - 38 (15) Security of drawings in games where winners are
39 determined by drawings of numbers; and
 - 40 (16) Any other aspects of security applicable to any particular
41 lottery game and to the Commission and its operations.

42 The portion of the security audit report containing the overall evaluation of the
43 Commission and of lottery games in terms of each aspect of security shall be presented
44 to the Commission, to the Governor, and to the General Assembly. The portion of the

1 security audit report containing specific recommendations shall be confidential and shall
2 be presented only to the Director, to the assistant director for security, and to the
3 Commission. Similar audits of security shall be conducted biennially thereafter.

4 "§§ 143C-135 through 143C-139: Reserved for future codification purposes.

5 **"ARTICLE 4.**

6 **"OPERATION OF LOTTERY.**

7 **"§ 143C-140. Initiation and operation of lottery.**

8 The Commission shall initiate operation of lottery games at the earliest feasible and
9 practical time. The lottery games shall be initiated and shall continue to be operated so
10 as to produce the maximum amount of net revenues to benefit the public purposes
11 described in this Chapter consistent with the purposes stated in G.S. 143C-102. Other
12 departments, boards, commissions, and agencies of the State and their officers shall
13 cooperate with the Commission to aid the Commission in fulfilling these objectives.

14 **"§ 143C-141. Types of lottery games.**

15 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
16 in the manner prescribed by Chapter 150B of the General Statutes, specifying the types
17 of lottery games to be conducted by the Commission, including, but not limited to,
18 instant lotteries, on-line games, games played on computer terminals or other devices,
19 and other games traditional to the lottery; provided, however:

- 20 (1) No lottery game shall use the theme of bingo, dog racing, or horse
21 racing;
22 (2) No lottery game shall be based on the outcome of a particular sporting
23 event or on the results of a series of sporting events;
24 (3) In lottery games using tickets, each ticket in a particular game shall
25 bear a unique number distinguishing it from every other ticket in that
26 lottery game;
27 (4) No name or photograph of an elected official shall appear on the
28 tickets of any lottery game; and
29 (5) In games using electronic computer terminals or other devices to play
30 lottery games, no coins or currency shall be dispensed to players from
31 those electronic computer terminals or devices.

32 (b) The Commission may authorize the use of:

- 33 (1) Any type of lottery game that has been conducted by any state
34 government-operated lottery in the United States including, but not
35 limited to:
36 a. The sale of instant tickets or shares by electronic computer
37 terminals or devices; or
38 b. Any other type of lottery game; or
39 (2) Any gaming technology that has been used by any state government-
40 operated lottery in the United States including, but not limited to:
41 a. Printed tickets and shares;
42 b. Vending machines; or

1 c. Electronic computer terminals or other devices to play lottery
2 games that are connected by telephone lines or other electronic
3 means with a computer system operated by the Commission;
4 that will achieve the revenue objectives of the lottery consistent with the purposes stated
5 in G.S. 143C-102.

6 **"§ 143C-142. Number and value of prizes.**

7 Upon the recommendation of the Director, the Commission shall adopt rules as
8 prescribed by Chapter 150B of the General Statutes that specify the number and value
9 of prizes for winning tickets or shares in each lottery game including cash prizes,
10 merchandise prizes, prizes consisting of deferred payments or annuities, and prizes of
11 tickets or shares in the same lottery game or other lottery games conducted by the
12 Commission, provided:

- 13 (1) In lottery games using tickets with preprinted winners, the overall
14 estimated odds of winning prizes shall be printed on each ticket;
15 (2) A detailed tabulation of the estimated number of prizes of each
16 particular prize denomination that are expected to be awarded in each
17 lottery game, or the estimated odds of winning these prizes, shall be
18 available at the offices of the Commission at the time that lottery game
19 is offered for sale to the public; and
20 (3) All printed or point of sale advertising promoting the sale of lottery
21 tickets for a particular game shall include the actual or estimated odds
22 of winning that game.

23 **"§ 143C-143. Method of determining winners.**

24 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
25 as prescribed by Chapter 150B of the General Statutes, that specify the method for
26 determining winners in each lottery game, provided that if a lottery game uses a
27 drawing of winning numbers, a drawing among entries, or a drawing among finalists:

- 28 (1) The drawings shall always be open to the public;
29 (2) The drawings shall be witnessed by an independent certified public
30 accountant;
31 (3) Any equipment used in the drawings shall be inspected by the
32 independent certified public accountant and an employee of the
33 Commission both before and after the drawings; and
34 (4) The drawings and inspections shall be recorded on both video and
35 audio tape.

36 (b) The Commission may authorize the use of any existing or future methods
37 or technologies for determining winners.

38 **"§ 143C-144. Sale price of tickets and shares.**

39 Upon the recommendation of the Director, the Commission shall adopt rules, as
40 prescribed by Chapter 150B of the General Statutes, specifying the retail sales price for
41 each ticket or share for each lottery game, provided:

- 42 (1) No ticket or share shall be sold for more than the retail sales price
43 established by the Commission; and

- 1 (2) The minimum retail price of each ticket, share, or transaction in any
2 lottery game shall be fifty cents (50¢), except to the extent of any
3 discounts or promotions authorized by the Commission for a particular
4 lottery game.

5 **"§ 143C-145. Validation and payment of prizes.**

6 Upon the recommendation of the Director, the Commission shall adopt rules, as
7 prescribed by Chapter 150B of the General Statutes, to establish a system of verifying
8 the validity of tickets or shares claimed to win prizes and to effect payment of those
9 prizes, provided:

- 10 (1) For the convenience of the public, lottery retailers may be authorized
11 by the Commission to pay winners of up to an amount appropriate to
12 the lottery game involved, after performing validation procedures on
13 their premises, and with the approval of the Director;

- 14 (2) No prize shall be paid to any person under the age of 18 years;

- 15 (3) No prize shall be paid arising from claimed tickets or shares that are
16 stolen, counterfeit, altered, fraudulent, unissued, produced or issued in
17 error, unreadable, not received or recorded by the Commission by the
18 applicable deadlines, lacking in captions that conform and agree with
19 the play symbols as appropriate to the lottery game involved, or not in
20 compliance with any additional specific rules and public or
21 confidential validation and security tests of the Commission
22 appropriate to the particular game involved;

- 23 (4) No particular prize in any lottery game shall be paid more
24 than once, and in the event of a binding determination that more than
25 one claimant is entitled to a particular prize, the sole remedy for
26 these claimants is the award to each of them of a proportionate share
27 in the prize;

- 28 (5) The Commission may specify that winners of twenty-five
29 dollars (\$25.00) or less may claim the prizes from either the same
30 lottery game retailer who sold the winning ticket or share or from the
31 Commission itself or from any other lottery retailer;

- 32 (6) Holder of tickets or shares shall have the right to claim
33 prizes for 120 days after the drawing or the end of the lottery game
34 or play in which the prize was won. The Commission may define
35 shorter time periods for eligibility for entry into drawings involving
36 entries or finalists. If a valid claim is not made for a prize payable
37 directly by the Commission within the applicable period, the
38 unclaimed prize money will revert to the North Carolina State
39 Lottery Fund;

- 40 (7) After the expiration of the claim period for prizes for each
41 lottery game, the Commission shall make available a detailed
42 tabulation of the total number of prizes of each prize denomination
43 that was actually claimed and paid directly by the Commission;

1 (8) The right of any person to a prize shall not be assignable, except that
2 payment of any prize may be paid to the estate of a deceased
3 prizewinner or to a person designated pursuant to an appropriate
4 judicial order. The Director, Commission, and the State shall be
5 discharged of all liability upon payment of a prize; and

6 (9) No ticket or share in a lottery game shall be purchased by, and no prize
7 shall be paid to, a member of the Commission, the Director, an
8 assistant lottery director, or employee of the lottery or to any spouse,
9 parent, or child living in the same household as a person disqualified
10 by this provision.

11 **"§ 143C-146. Lottery game-play rules and winner validation procedures.**

12 All prizes contemplated in each lottery game by its prize structure for a given level
13 of sales shall be paid to the players of the lottery game. Conversely, in order to preserve
14 the fiscal integrity of the lottery and to protect public funds, no prizes shall be paid that
15 are invalid and not contemplated by the prize structure of the lottery game involved. By
16 purchasing a ticket or share in a lottery game, a player agrees to abide by, and be bound
17 by, the game-play rules developed by the Director, and approved by the Commission, to
18 apply to any particular lottery game involved. An abbreviated form of the game-play
19 rules may appear on tickets in lottery games using tickets. In particular a player
20 acknowledges that the determination of whether the player is a winner is subject to the
21 game-play rules and the winner validation procedures and confidential validation tests
22 established by the Commission for the particular lottery game involved. The game-play
23 rules shall not be considered to be rules or regulations for the purpose of Chapter 150B
24 of the General Statutes.

25 **"§ 143C-147. Distribution of tickets and shares.**

26 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
27 as prescribed by Chapter 150B of the General Statutes, specifying the manner of
28 distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or
29 directly to the public, and the incentives, if any, for any lottery employees, lottery
30 vendors, lottery contractors, electronic computer terminal operators, or lottery retailers
31 engaged in these activities. Notwithstanding any other provisions of this Chapter, no
32 lottery ticket or shares shall be sold or resold by any party except at the sales price or
33 value established by the Commission, except as specifically authorized by the
34 Commission.

35 (b) The Commission may enter into agreements with other states for the
36 operation and promotion of multistate lotteries consistent with the purposes set forth in
37 G.S. 143C-102.

38 **"§§ 143C-148 and 143C-149: Reserved for future codification purposes.**

39 **"ARTICLE 5.**

40 **"LOTTERY GAME RETAILERS.**

41 **"§ 143C-150. Contracting with lottery game retailers.**

42 Upon the recommendation of the Director, the Commission shall adopt rules, as
43 prescribed by Chapter 150B of the General Statutes, specifying the terms and conditions
44 for contracting with lottery game retailers to provide adequate and convenient

1 availability of tickets or shares to prospective buyers of each lottery game. The
2 Commission may sell tickets and shares directly to the public or may make these sales
3 by any other method authorized by the Commission.

4 **"§ 143C-151. Selection of lottery game retailers.**

5 (a) The Director shall select as lottery game retailers those persons deemed best
6 able to serve the public convenience and to promote the sale of tickets or shares. No
7 natural person under 21 years of age shall be a lottery game retailer. This minimum age
8 shall not prohibit employees of a retailer who are under 21 years of age from selling
9 lottery tickets or shares during their employment. In the selection of a lottery game
10 retailer, the Director or the Commission shall consider:

- 11 (1) Financial responsibility;
- 12 (2) Accessibility of the place of business or activity to the public;
- 13 (3) Security of the premises;
- 14 (4) Integrity;
- 15 (5) Reputation;
- 16 (6) The sufficiency of existing lottery game retailers for any particular
17 lottery game to serve the public convenience; and
- 18 (7) The projected volume of sales for the lottery game involved.

19 No contract with any lottery game retailer shall be entered into if the retailer has been
20 convicted of a felony or a gambling-related offense in any state or federal court of the
21 United States within 10 years of entering into the contract.

22 (b) No person shall be a lottery game retailer who is engaged exclusively in
23 the business of selling lottery tickets or shares or operating electronic computer
24 terminals or other devices. A person lawfully engaged in nongovernmental business on
25 State property or an owner or lessee of premises on which alcoholic beverages are sold
26 may be selected as a lottery game retailer. A civic or fraternal organization may be
27 selected as a lottery game retailer. Political subdivisions or their agencies or
28 departments may be selected as lottery game retailers for sales from their premises. The
29 Director may contract with lottery retailers on a permanent, seasonal, or temporary
30 basis. The lottery may require payment by each lottery game retailer to the lottery of an
31 initial fee or an annual fee, or both, as established by the Commission, to maintain the
32 contract to be a lottery game retailer. Lottery retailers may contract with any person
33 licensed by the Commission who provides goods or services that facilitate the sale of
34 lottery tickets or shares.

35 **"§ 143C-152. Nonassignability.**

36 The contract to act as a lottery game retailer is not assignable or transferable.

37 **"§ 143C-153. Termination of a contract with a lottery game retailer.**

38 The Director or Commission may terminate a contract with a lottery game retailer
39 under the provisions for termination included in the contract. These provisions for
40 termination shall include the knowing sale of tickets or shares to any person under the
41 age of 18 years.

42 **"§ 143C-154. Compensation for lottery game retailers.**

43 Upon the recommendation of the Director, the Commission shall adopt rules, as
44 prescribed by Chapter 150B of the General Statutes, to determine the compensation to

1 be paid to lottery game retailers for their sales of lottery tickets or shares. The amount
2 of compensation paid to lottery game retailers for their sales of lottery tickets or shares
3 shall be eight percent (8%) of the retail price of the tickets or shares for each lottery
4 game or such amount as the Commission may determine. The Commission may
5 authorize an incentive bonus of one percent (1%) based on attainment of sales volume
6 or other objectives specified by the Director for each lottery game. In cases of a lottery
7 game retailer whose rental payments for premises are contractually computed on the
8 basis of a percentage of retail sales, and where the computation of retail sales is not
9 explicitly defined to include sales of tickets or shares in a lottery game, the
10 compensation received by the lottery game retailer from the lottery shall be deemed to
11 be the amount of the retail sale for the purposes of this contractual computation.

12 **"§ 143C-155. Sales to persons under the age of 18.**

13 No tickets or shares in lottery games shall be sold to persons under the age of 18
14 years. Selling tickets or shares to a person under the age of 18 years shall be a
15 misdemeanor. In the case of lottery tickets or shares sold by lottery game retailers or
16 their employees, those persons shall establish safeguards to help assure that sales are not
17 made to natural persons under the age of 18 years. Nothing in this Article shall be
18 construed to prevent any person 18 years or older from giving lottery tickets or shares to
19 another as a gift.

20 **"§ 143C-156. Payment of prize won by person under the age of 18.**

21 If the person entitled to a prize or any winning ticket is under the age of 18 years,
22 and the prize is less than five thousand dollars (\$5,000), the Director may direct
23 payment of the prize by delivery of a check or draft payable to the order of the person
24 under 18 years of age to an adult member of that person's family or to that person's legal
25 guardian. If the person entitled to a prize or any winning ticket is under the age of 18
26 years, and the prize is five thousand dollars (\$5,000) or more, the Director may direct
27 payment to that person by depositing the amount of the prize in any insured depository
28 institution to the credit of an adult member of that person's family or the legal guardian
29 of the person, as custodian for that person.

30 **"§ 143C-157. Display of certificate of authority.**

31 No lottery tickets or shares shall be sold by a lottery game retailer unless the retailer
32 conspicuously displays a certificate of authority, signed by the Director, to sell lottery
33 tickets or shares.

34 **"§ 143C-158. Bonding.**

35 The Director may require an appropriate bond from any lottery game retailer or may
36 purchase blanket bonds covering the activities of selected lottery game retailers.

37 **"§ 143C-159. Lottery game retailer accounting; payments.**

38 (a) The Director shall establish procedures that shall be used by lottery game
39 retailers to account for all tickets or shares that are sold by them to the public and to
40 account for all funds received by them from the public for the tickets or shares.

41 (b) No payment by lottery game retailers to the Commission for tickets or
42 shares shall be in cash. All payments shall be in the form of checks, bank drafts,
43 electronic fund transfers, or other recorded financial instruments as approved by the
44 Director.

"ARTICLE 6.**"LOTTERY VENDORS AND LOTTERY CONTRACTORS.****"§ 143C-160. Procurements.**

Notwithstanding other provisions of law, the Director may purchase or lease goods or services or combinations of goods and services needed to effectuate the purposes of this Chapter. The Director shall not contract with any private party or nongovernmental entity for the operation and administration of the Commission established by this Chapter; however, the foregoing shall not preclude procurements that integrate functions such as lottery game design, supply of goods and services, and advertising. In all procurements, the Director and Commission shall act to promote the objective of raising net revenues for the benefit of the public purposes described in this Chapter.

"§ 143C-161. Contracts.

The Director may directly solicit proposals or enter into contracts for the purchase or lease of goods or services to effectuate the purposes of this Chapter. In awarding contracts in response to solicitations for proposals, the Director shall award the contracts to the responsible vendor submitting the best proposal that the Director determines maximizes the benefits to the State. In all procurement decisions, the Director, or the Commission, if the Commission chooses to make the decision, shall take into account the particularly sensitive nature of the Commission and lottery games and shall consider the competence, quality of product, experience, and timely performance of the vendors in order to promote and ensure security, honesty, fairness, and integrity in the operation and administration of the Commission and lottery games and the objective of raising net revenues for the benefit of the public purposes described in this Chapter. The Director may engage an independent firm experienced in evaluating government procurement proposals to aid in the evaluation of proposals made to the Commission. Before a contract for a major procurement is awarded, the assistant director for security shall conduct a thorough background investigation of:

- (1) The vendor to whom the contract is to be awarded;
- (2) Any parent or subsidiary corporation of the vendor to whom the contract is to be awarded;
- (3) All shareholders with a five percent (5%) or more interest in the vendor or parent or subsidiary corporation of the vendor to whom the contract is to be awarded; and
- (4) All officers and directors of the vendor or parent or subsidiary corporation of the vendor to whom the contract is to be awarded.

All contract awards made by the Director are made subject to the approval of the Commission. No contract shall be awarded to any person convicted of a felony or any gambling offense in any state or federal court of the United States within 10 years of entering into the contract. The Commission may by rule designate classes of contracts other than major procurements that do not require approval of the Commission.

"§ 143C-162. Lottery vendor disclosures for major procurements.

Upon the recommendation of the Director, the Commission shall adopt rules, as prescribed by Chapter 150B of the General Statutes, to provide for disclosures by

1 vendors submitting bids, proposals, or offers as part of a major procurement to ensure
2 that the vendors provide all the information necessary to allow for a full and complete
3 evaluation by the Director and Commission of the competence, integrity, background,
4 and character of the lottery vendors. The rules shall require that all lottery vendors
5 submit to the assistant director for security any appropriate investigation authorizations
6 needed to facilitate these investigations.

7 **"§ 143C-163. Compliance with applicable laws.**

8 Each lottery contractor shall perform its contract consistent with the laws of this
9 State, federal law, and laws of the state or states in which the lottery contractor is
10 performing or producing, in whole or in part, any of the goods or services contracted
11 for.

12 **"§ 143C-164. Performance bond.**

13 Each lottery contractor in a major procurement shall, at the time of executing the
14 contract with the Director, post an appropriate bond or letter of credit with the Director,
15 in an amount as deemed necessary by the Commission for that particular bid or contract.
16 The Commission may issue a rule allowing the Director to decrease the bond or letter of
17 credit requirement for a major procurement if the Director determines that the decrease
18 will result in a cost savings to the Commission while still providing adequate protection
19 against nonperformance. In lieu of a bond or letter of credit, a contractor may, to assure
20 the faithful performance of its obligations, deposit and maintain with the Director
21 securities that are interest-bearing or accruing that, with the exception of those specified
22 in subdivision (1) or (2), are rated in one of the four highest classifications by an
23 established nationally recognized investment rating service. Securities eligible under
24 this section are limited to the following:

- 25 (1) Certificates of deposit issued by solvent banks and savings
26 associations organized and existing under North Carolina law or under
27 the laws of the United States and having their principal place of
28 business in North Carolina.
29 (2) United States bonds and bills for which the full faith and credit of the
30 government of the United States is pledged for the payment of
31 principal and interest.
32 (3) General obligation bonds and notes of any political subdivision of the
33 State.
34 (4) Corporate bonds of a corporation that is not an affiliate or subsidiary
35 of the depositor.

36 Securities shall be held in trust and shall have at all times a market value at least equal
37 to the full amount estimated to be paid annually to the contractor under contract.

38 **"§§ 143C-165 through 143C-169: Reserved for future codification purposes.**

39 **"ARTICLE 7.**

40 **"NORTH CAROLINA STATE LOTTERY FUND.**

41 **"§ 143C-170. North Carolina State Lottery Fund.**

42 An enterprise fund to be known as the 'North Carolina State Lottery Fund' is created
43 within the State treasury. The North Carolina State Lottery Fund is continuously

1 appropriated to the Commission for the purposes of operating the Commission and the
2 lottery games.

3 **"§ 143C-171. Types of income to the North Carolina State Lottery Fund.**

4 The North Carolina State Lottery Fund shall receive the following monies:

- 5 (1) All proceeds from the sale of lottery tickets or shares;
- 6 (2) The funds for initial start-up costs provided by the State; and
- 7 (3) All other monies credited to the Commission from any
8 source.

9 **"§ 143C-172. Types of disbursements from the North Carolina State Lottery**
10 **Fund.**

11 Disbursements shall be made from the North Carolina State Lottery Fund for any of
12 the following purposes:

- 13 (1) The payment of prizes to the holders of valid winning
14 lottery tickets or shares;
- 15 (2) Expenses of the Commission, including initial start-up costs;
16 and
- 17 (3) Transfer of funds from the North Carolina State Lottery Fund pursuant
18 to G. S. 143C-175.

19 **"§ 143C-173. Prize payments of the lottery.**

20 As nearly as practical, at least fifty percent (50%) of the total projected revenue as
21 computed on a year-round basis for the total of all lottery games, accruing from the
22 sales of all lottery tickets or shares from lottery games shall be allocated for payment of
23 prizes for lottery games. The Commission may allocate a larger percentage of the total
24 projected revenue for a lottery game to prizes if it concludes that the total annual net
25 revenues from the lottery game will be enhanced by that prize percentage.

26 **"§ 143C-174. Expenses of the lottery.**

27 Expenses of the lottery may include:

- 28 (1) The costs incurred in the operation and administration of the
29 Commission, including initial start-up costs;
- 30 (2) The costs resulting from any contracts entered into for the purchase or
31 lease of goods or services required by the Commission;
- 32 (3) The compensation paid to lottery game retailers;
- 33 (4) The cost of supplies, materials, tickets, independent studies, data
34 transmission, advertising, promotion, incentives, public relations,
35 communications, bonding for lottery game retailers, printing, and
36 distribution of tickets and shares;
- 37 (5) The costs of reimbursing other governmental entities for services
38 provided to the Commission; and
- 39 (6) The costs for any other goods and services needed to accomplish the
40 purposes of this Chapter.

41 As nearly as practical, no more than sixteen percent (16%) of the total annual revenues
42 accruing from the sale of all lottery tickets and shares from all lottery games shall be
43 expended for the payment of expenses of the Commission.

44 **"§ 143C-175. Transfer of net revenues.**

1 (a) The funds remaining in the North Carolina State Lottery Fund after receipt of
2 all revenues to the North Carolina State Lottery Fund and after accrual of all obligations
3 of the Commission for prizes and expenses shall be deemed to be the net revenues of the
4 North Carolina State Lottery Fund.

5 (b) The State Treasurer shall transfer monthly the net revenues of the North
6 Carolina State Lottery Fund as follows:

7 (1) Sixty percent (60%) of the net revenues shall be transferred to the
8 Public School Technology Endowment Fund until the principal of the
9 Fund equals twenty percent (20%) of the General Fund availability for
10 the fiscal year.

11 (2) Twenty percent (20%) of the net revenues shall be transferred to the
12 Community College Technology Endowment Fund until the principal
13 of the Fund equals five percent (5%) of the General Fund availability
14 for the fiscal year.

15 (3) Twenty percent (20%) of the net revenues shall be transferred to the
16 University Technology Endowment Fund until the principal of the
17 Fund equals five percent (5%) of the General Fund availability for the
18 fiscal year.

19 (c) It is the intent of the General Assembly that the net revenues of the North
20 Carolina State Lottery Fund shall be used only for the purposes set out in subsection (b)
21 of this section until the transfers required by subsection (b) have been completed. After
22 the transfers required by subsection (b) have been completed, no further transfers of
23 funds shall be made except as provided by the General Assembly.

24 (d) As used in this section 'the General Fund availability for the fiscal year'
25 means the amount of General Fund appropriations availability upon which the General
26 Fund budget is based for that fiscal year, as stated in the Current Operations
27 Appropriations Act in accordance with G.S. 143-15.1.

28 **"§ 143C-175.1. Creation and uses of the Public School Technology Endowment**
29 **Fund.**

30 (a) Public School Technology Endowment Fund. – The Public School
31 Technology Endowment Fund is established as a nonexpendable trust fund within the
32 State treasury. The Fund shall be held and managed by the State Treasurer. No part of
33 the principal of the Fund shall be expended, borrowed, lent, or otherwise used by the
34 General Assembly or any officer, employee, or agency of the State for any purpose
35 except investment and reinvestment for the purpose of its augmentation. The State
36 Treasurer shall invest the assets of the Fund in accordance with G.S. 147-69.2 and G.S.
37 147-69.3.

38 (b) The Learning Technology Account is created as an expendable trust fund
39 within the Public School Technology Endowment Fund. Interest and other investment
40 income earned by the Fund shall be credited to the Account and used to improve student
41 performance in the public schools through the use of learning technologies. The
42 General Assembly may appropriate revenue in the Account for learning technologies.
43 At the beginning of each fiscal year, the State Board of Education shall allocate to each
44 local school administrative unit that unit's share, as determined by this subsection, of the

1 revenue in the Account that has not been appropriated by the General Assembly. To
2 determine a unit's share, the State Board of Education shall do the following:

3 (1) Rank the counties from highest to lowest in accordance with the
4 'county adjusted property tax base per student', as defined in Section
5 201.2(d)(2) of Chapter 689 of the 1991 Session Laws, as amended.

6 (2) Assign each local school administrative unit its ADM multiplier. For a
7 unit located in a county ranked 1 through 20, the ADM multiplier is 1.
8 For a unit located in a county ranked 21 through 40, the ADM
9 multiplier is 1.125. For a unit located in a county ranked 41 through
10 60, the ADM multiplier is 1.25. For a unit located in a county ranked
11 61 through 80, the ADM multiplier is 1.375. For a unit located in a
12 county ranked 81 through 100, the ADM multiplier is 1.50. If a unit is
13 located in more than one county, the unit shall be considered to be
14 located in the county that has the lower rank.

15 (3) Add the ADM multipliers for all local school administrative units and
16 divide the sum by the number of local school administrative units.
17 Multiply this number by the amount of revenue in the Account
18 available for allocation by the State Board of Education to determine
19 the ADM amount.

20 (4) Multiply each local school administrative unit's ADM by the unit's
21 ADM multiplier and by the ADM amount to determine the unit's share.

22 Funds not expended or encumbered within five years of allocation to a local school
23 administrative unit shall revert to the Account and shall be reallocated by the State
24 Board of Education to local school administrative units in accordance with this
25 subsection.

26 If the Commission on School Technology is created by the 1993 General Assembly,
27 then the State Board of Education may not allocate funds under this section unless the
28 General Assembly has enacted directions and limitations after considering the
29 requirements analysis prepared and the plan developed for the General Assembly by
30 that Commission.

31 (c) The State Treasurer shall report annually to the Governor, the General
32 Assembly, and the State Controller on the experience of the Public School Technology
33 Endowment Fund for the previous year and on its year-end status.

34 The State Board of Education shall report annually to the Governor, the General
35 Assembly, and the State Controller on the grants it has made from the Public School
36 Technology Account for the previous year.

37 **"§ 143C-175.2. Creation of the Community College Technology Endowment Fund;**
38 **uses of the net earnings of the Fund.**

39 (a) Community College Technology Endowment Fund. – The Community
40 College Technology Endowment Fund is established as a nonexpendable trust fund
41 within the State treasury. The Fund shall be held and managed by the State Treasurer.
42 No part of the principal of the Fund shall be expended, borrowed, lent, or otherwise
43 used by the General Assembly or any officer, employee, or agency of the State for any
44 purpose except investment and reinvestment for the purpose of its augmentation. The

1 State Treasurer shall invest the assets of the Fund in accordance with G.S. 147-69.2 and
2 G.S. 147-69.3.

3 (b) The Community College Technology Account is created as an expendable
4 trust fund within the Community College Technology Endowment Fund. Interest and
5 other income earned by the Fund shall be credited to the Account and shall be used to
6 provide grants to community colleges to purchase educational technology and
7 instructional equipment. The State Treasurer shall notify the State Board of Community
8 Colleges on a quarterly basis of the revenue in the Account and and that revenue shall
9 be available for allocation by the State Board of Community Colleges. A community
10 college may submit an application to the State Board for a grant from the net earnings of
11 the Fund. Two or more community colleges may submit a joint application for
12 educational technology or instructional equipment to be used jointly by them in offering
13 a regional program. An application shall include all of the following:

14 (1) A description of the educational technology or instructional equipment
15 for which the application is submitted.

16 (2) An explanation of why the educational technology or instructional
17 equipment is needed to enable the community college to offer a
18 curriculum or literacy program approved by the State Board and the
19 benefits the community college expects to derive from the educational
20 technology or instructional equipment.

21 (3) The amount of the grant requested.

22 (4) Any other information requested by the State Board to enable it to
23 make a decision on the application.

24 The State Board shall select the applications that are to receive grants from the net
25 earnings of the Fund based on the estimated needs of the various community colleges
26 throughout the State. The State Board shall give priority to grants for educational
27 technology or instructional equipment to be used in a regional program and to
28 educational technology or instructional equipment to be used in programs with high or
29 critical occupational demands.

30 (c) The State Treasurer shall report annually to the Governor, the General
31 Assembly, and the State Controller on the experience of the Community College
32 Technology Endowment Fund for the previous year and on its year-end status.

33 The State Board of Community Colleges shall report annually to the Governor, the
34 General Assembly, and the State Controller on the grants it has made from the
35 Community College Technology Account for the previous year.

36 **"§ 143C-175.3. Creation and uses of the University Technology Endowment Fund.**

37 (a) University Technology Endowment Fund. – The University Technology
38 Endowment Fund is established as a nonexpendable trust fund within the State treasury.
39 The Fund shall be held and managed by the State Treasurer. No part of the principal of
40 the Fund shall be expended, borrowed, lent, or otherwise used by the General Assembly
41 or any officer, employee, or agency of the State for any purpose except investment and
42 reinvestment for the purpose of its augmentation. The State Treasurer shall invest the
43 assets of the Fund in accordance with G.S. 147-69.2 and G.S. 147-69.3.

1 (b) The University Technology Account is created as an expendable trust fund
2 within the University Technology Endowment Fund. Interest and other investment
3 income earned by the Fund shall be credited to the Account and shall be used to provide
4 grants to constituent institutions and other affiliated institutions of The University of
5 North Carolina to purchase educational technology and instructional equipment. The
6 State Treasurer shall notify the Board of Governors of The University of North Carolina
7 on a quarterly basis of the revenue in the Account and that revenue shall be available for
8 allocation by the Board of Governors of The University of North Carolina. A
9 constituent institution or other affiliated institution of The University of North Carolina
10 may submit an application to the Board of Governors for a grant from the net earnings
11 of the Fund. Two or more institutions may submit a joint application for educational
12 technology or instructional equipment to be used jointly by them in offering a program.
13 An application shall include all of the following:

- 14 (1) A description of the educational technology or instructional equipment
15 for which the application is submitted.
- 16 (2) An explanation of why the educational technology or instructional
17 equipment is needed to enable the institution to offer a program
18 approved by the Board of Governors and the benefits the institution
19 expects to derive from the educational technology or instructional
20 equipment.
- 21 (3) The amount of the grant requested.
- 22 (4) Any other information requested by the Board of Governors to enable
23 it to make a decision on the application.

24 The Board of Governors shall select the applications that are to receive grants from
25 the net earnings of the Fund based on the estimated needs of the various constituent
26 institutions and other affiliated institutions of The University of North Carolina.

27 (c) The State Treasurer shall report annually to the Governor, the General
28 Assembly, and the State Controller on the experience of the University Technology
29 Endowment Fund for the previous year and on its year-end status.

30 The Board of Governors of The University of North Carolina shall report annually to
31 the Governor, the General Assembly, and the State Controller on the grants it has made
32 from the University Technology Account for the previous year.

33 **"§ 143C-176. Intergovernmental reimbursements for services.**

34 It is the intent of this Chapter that the Commission shall be a self-supporting agency
35 of State government. The Commission shall reimburse, at a reasonable rate, all other
36 governmental entities for any and all services necessary to effectuate the purposes of
37 this Chapter provided by those governmental entities to the Commission.

38 **"§ 143C-177. Audits.**

39 The State Auditor shall conduct annual postaudits of all accounts and transactions of
40 the Commission and any other special postaudits the State Auditor deems to be
41 necessary. The State Auditor or the Auditor's agents conducting an audit may examine
42 any records of the Commission, its distributing agencies, lottery contractors, lottery
43 game retailers, and any other person licensed by the Commission.

44 **"§§ 143C-178 and 143C-179: Reserved for future codification purposes.**

"ARTICLE 8.
"MISCELLANEOUS.

"§ 143C-180. Taxes.

No sales taxes shall be imposed on the sale of lottery tickets or shares of lottery games established by this Chapter.

"§ 143C-181. Preemption of local regulation.

All matters relating to the operation of the Commission and lottery games established by this Chapter shall be governed solely by the provisions of this Chapter and shall be free from regulation or legislation by local governments, including cities and counties.

"§ 143C-182. Lawful activity.

Any other State or local law, ordinance, or regulation providing any penalty, disability, restriction, regulation, or prohibition for the manufacture, transportation, storage, distribution, advertising, possession, or sale of any lottery tickets or shares or for the operation of any lottery game shall not apply to the operation of the Commission or lottery games established by this Chapter."

Sec. 2. G.S. 147-69.2(a) is amended by adding four new subdivisions to read:

"(17a) The North Carolina State Lottery Fund.

(17b) The Public School Technology Endowment Fund.

(17c) The Community College Technology Endowment Fund.

(17d) The University Technology Endowment Fund."

Sec. 3. G.S. 105-134.5(b) reads as rewritten:

"(b) Nonresidents. For nonresident individuals, the term 'North Carolina taxable income' means taxable income as calculated under the Code, adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7, multiplied by a fraction the denominator of which is the taxpayer's gross income as calculated under the Code, adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7, and the numerator of which is the amount of that gross income, as adjusted, that is derived from North Carolina sources and is attributable to the ownership of any interest in real or tangible personal property in this State or State, is derived from a business, trade, profession, or occupation carried on in this State. State, or is derived from gambling activities carried on in this State."

Sec. 4. G.S. 105-163.1(15) reads as rewritten:

"(15) Wages. – The term has the same meaning as in section 3401 of the Code except it does not include remuneration paid by a farmer for services performed on the farmer's farm in producing or harvesting agricultural products or in transporting the agricultural products to market. The term also includes proceeds from gambling activities as defined in section 3402 of the Code."

Sec. 5. (a) G.S. 14-289 reads as rewritten:

"§ 14-289. Advertising lotteries.

Except as provided in Chapter 143C of the General Statutes or in connection with a lawful raffle as provided in Part 2 of this Article, if anyone by writing or printing or by circular or letter or in any other way, ~~advertise or publish~~ advertises or publishes an account of a lottery, whether within or without this State, stating how, when or where

1 the same is to be or has been drawn, or what are the prizes therein or any of them, or the
2 price of a ticket or any share or interest therein, or where or how it may be obtained, he
3 shall be guilty of a misdemeanor."

4 (b) G.S. 14-290 reads as rewritten:

5 **"§ 14-290. Dealing in lotteries.**

6 Except as provided in Chapter 143C of the General Statutes or in connection with a
7 lawful raffle as provided in Part 2 of this Article, if any person shall open, set on foot,
8 carry on, promote, make or draw, publicly or privately, a lottery, by whatever name,
9 style or title the same may be denominated or known; or if any person shall, by such
10 way and means, expose or set to sale any house, real estate, goods, chattels, cash,
11 written evidence of debt, certificates of claims or any other thing of value whatsoever,
12 every person so offending shall be guilty of a misdemeanor, and shall be fined not
13 exceeding two thousand dollars (\$2,000) or imprisoned not exceeding six months, or
14 both, in the discretion of the court. Any person who engages in disposing of any species
15 of property whatsoever, including money and evidences of debt, or in any manner
16 distributes gifts or prizes upon tickets, bottle crowns, bottle caps, seals on containers,
17 other devices or certificates sold for that purpose, shall be held liable to prosecution
18 under this section. Any person who shall have in his possession any tickets, certificates
19 or orders used in the operation of any lottery shall be held liable under this section, and
20 the mere possession of such tickets shall be **prima facie** evidence of the violation of this
21 section."

22 (c) G.S. 14-291 reads as rewritten:

23 **"§ 14-291. Selling lottery tickets and acting as agent for lotteries.**

24 Except as provided in Chapter 143C of the General Statutes or in connection with a
25 lawful raffle as provided in Part 2 of this Article, if any person shall sell, barter or
26 otherwise dispose of any lottery ticket or order for any number of shares in any lottery,
27 or shall in anywise be concerned in such lottery, by acting as agent in the State for or on
28 behalf of any such lottery, to be drawn or paid either out of or within the State, such
29 person shall be guilty of a misdemeanor, and shall be punished as provided for in G.S.
30 14-290."

31 (d) G.S. 14-291.1 reads as rewritten:

32 **"§ 14-291.1. Selling 'numbers' tickets; possession prima facie evidence of violation.**

33 Except as provided in Chapter 143C of the General Statutes or in connection with a
34 lawful raffle as provided in Part 2 of this Article, if any person shall sell, barter or cause
35 to be sold or bartered, any ticket, token, certificate or order for any number or shares in
36 any lottery, commonly known as the numbers or butter and egg lottery, or lotteries of
37 similar character, to be drawn or paid within or without the State, such person shall be
38 guilty of a misdemeanor and shall be punished by fine or imprisonment, or both, in the
39 discretion of the court. Any person who shall have in his possession any tickets, tokens,
40 certificates or orders used in the operation of any such lottery shall be guilty under this
41 section, and the possession of such tickets shall be **prima facie** evidence of the violation
42 of this section."

43 (e) G.S. 14-292 reads as rewritten:

44 **"§ 14-292. Gambling.**

1 Except as provided in Chapter 143C of the General Statutes or in Part 2 of this
2 Article, any person or organization that operates any game of chance or any person who
3 plays at or bets on any game of chance at which any money, property or other thing of
4 value is bet, whether the same be in stake or not, shall be guilty of a misdemeanor."

5 (f) G.S. 14-293 reads as rewritten:

6 **"§ 14-293. Allowing gambling in houses of public entertainment; penalty.**

7 ~~If~~ Except as provided in Chapter 143C of the General Statutes, if any keeper of an
8 ordinary or other house of entertainment, or of a house wherein alcoholic beverages are
9 retailed, shall knowingly suffer any game, at which money or property, or anything of
10 value, is bet, whether the same be in stake or not, to be played in any such house, or in
11 any part of the premises occupied therewith; or shall furnish persons so playing or
12 betting either on said premises or elsewhere with drink or other thing for their comfort
13 or subsistence during the time of play, he shall be guilty of a misdemeanor, and shall be
14 fined not less than five hundred dollars (\$500.00) and be imprisoned not less than six
15 months. Any person who shall be convicted under this section shall, upon such
16 conviction, forfeit his license to do any of the businesses mentioned in this section, and
17 shall be forever debarred from doing any of such businesses in this State. The court
18 shall embody in its judgment that such person has forfeited his license, and no board of
19 county commissioners, board of town commissioners or board of aldermen shall
20 thereafter have power or authority to grant to such convicted person or his agent a
21 license to do any of the businesses mentioned herein."

22 (g) G.S. 14-299 reads as rewritten:

23 **"§ 14-299. Property exhibited by gamblers to be seized; disposition of same.**

24 ~~All~~ Except as provided in Chapter 143C of the General Statutes, all moneys or other
25 property or thing of value exhibited for the purpose of alluring persons to bet on any
26 game, or used in the conduct of any such game, including any motor vehicle used in the
27 conduct of a lottery within the purview of G.S. 14-291.1, shall be liable to be seized by
28 any court of competent jurisdiction or by any person acting under its warrant. Moneys
29 so seized shall be turned over to and paid to the treasurer of the county wherein they are
30 seized, and placed in the general fund of the county. Any property seized which is used
31 for and is suitable only for gambling shall be destroyed, and all other property so seized
32 shall be sold in the manner provided for the sale of personal property by execution, and
33 the proceeds derived from said sale shall (after deducting the expenses of keeping the
34 property and the costs of the sale and after paying, according to their priorities all
35 known prior, bona fide liens which were created without the lienor having knowledge or
36 notice that the motor vehicle or other property was being used or to be used in
37 connection with the conduct of such game or lottery) be turned over and paid to the
38 treasurer of the county wherein the property was seized, to be placed by said treasurer in
39 the general fund of the county."

40 Sec. 6. Chapter 14 of the General Statutes is amended by adding the
41 following new section to read:

42 **"§ 14-309.2. Part not apply to State Lottery.**

43 The provisions of this Part shall not apply to the State Lottery established in Chapter
44 143C of the General Statutes."

1 Sec. 7. G.S. 120-123 is amended by adding a new subdivision at the end to
2 read:

3 "(60) The North Carolina State Lottery Commission, as established by
4 Chapter 143C of the General Statutes."

5 Sec. 8. G.S. 150B-2(8a) is amended by adding a new subpart to read:

6 "k. Procedures and instructions for playing a lottery game."

7 Sec. 9. Nothing in this act shall be construed to obligate the General
8 Assembly to make additional appropriations to implement the provisions of this act.

9 Sec. 10. The North Carolina State Lottery Commission shall determine an
10 estimate of the initial working capital and submit that estimate to the the Office of State
11 Budget and Management for approval. After approval is granted by the Office of State
12 Budget and Management, and with the written approval of the State Treasurer, the State
13 Controller shall advance the approved funds by internal borrowing from other available
14 State funds. The terms and conditions of the temporary loan or loans shall be
15 determined by the Office of State Budget and Management.

16 Sec. 11. The question of whether North Carolina should have a State lottery
17 shall be submitted to the qualified voters of the State at a referendum on the question
18 held on November 2, 1993. The referendum shall be held in accordance with Chapter
19 163 of the General Statutes. The form of the ballot for the referendum is:

20 " FOR a State lottery.

21 AGAINST a State lottery."

22 Sec. 12. If a State lottery is approved by the qualified voters of this State in
23 the referendum held under Section 11 of this act, the costs to the State Board of
24 Elections and the county boards of election for conducting the referendum are
25 considered expenses of the lottery; the State Lottery Commission shall reimburse the
26 State Board of Elections and the county boards of election for these costs from the
27 Lottery Fund.

28 If a State lottery is not approved by the qualified voters of this State in the
29 referendum held under Section 11 of this act, the State Board of Elections and the
30 county boards of election may seek reimbursement from the General Assembly for their
31 costs incurred in conducting the referendum.

32 Sec. 13. Sections 11, 12, and 13 of this act are effective upon ratification. If
33 a State lottery is approved by the qualified voters of this State in the referendum held
34 under Section 11 of this act, then Sections 1 through 10 of this act become effective
35 January 1, 1994. If a State lottery is not approved, Sections 1 through 10 do not become
36 effective.