

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 867

Short Title: 1997 Lottery.

(Public)

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Sponsors: Senators Rand; Ballance, Carrington, Conder, Dannelly, Lee, Odom, Perdue, Plyler, and Weinstein.

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Referred to: Finance.

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April 15, 1997

1 A BILL TO BE ENTITLED  
2 AN ACT TO ESTABLISH A STATE LOTTERY TO PROVIDE FUNDS FOR  
3 EDUCATIONAL PURPOSES.

4 The General Assembly of North Carolina enacts:

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

6 **"CHAPTER 143C.**

7 **"NORTH CAROLINA STATE LOTTERY.**

8 **"ARTICLE 1.**

9 **"GENERAL PROVISIONS AND DEFINITIONS.**

10 **"§ 143C-101. Citation.**

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

13 **"§ 143C-102. Purpose and intent.**

14 The General Assembly declares that the purpose and intent of this Chapter is to  
15 provide additional monies to benefit the public purposes described in this Chapter  
16 through the implementation of a State-operated lottery without the imposition of  
17 additional or increased taxes. The lottery shall be initiated at the earliest practical time,  
18 and it shall be operated to maximize new revenue to the State. That new revenue shall be

1 raised in a manner consistent with the dignity of the State and the general welfare of the  
2 people and in a manner consistent with effective business practices.

3 **"§ 143C-103. Laws not affected.**

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

7 **"§ 143C-104. Commission a self-supporting agency.**

8 It is the intent of this Chapter that the Commission established by this Chapter shall  
9 be an independent, self-supporting, and revenue-raising agency of State government.

10 **"§ 143C-105. Public purposes to benefit from lottery.**

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

17 **"§ 143C-106. Allocation of revenues.**

18 (a) As nearly as practical:

19 (1) At least fifty percent (50%) of the total annual revenues, as described in  
20 this Chapter, shall be returned to the public in the form of prizes as  
21 described in this Chapter;

22 (2) At least thirty-four percent (34%) of the total annual revenues, as  
23 described in this Chapter, shall be used for the public purposes  
24 described in G.S. 143C-175; and

25 (3) No more than sixteen percent (16%) of the total annual revenues, as  
26 described in this Chapter, shall be allocated for payment of expenses of  
27 the Commission as described in this Chapter.

28 (b) Unclaimed prize money held by the Commission in the Lottery Fund, as  
29 described in this Chapter, may be used by the Commission to enhance prizes in other  
30 lottery games.

31 (c) To the extent that the expenses of the Commission are less than sixteen percent  
32 (16%) of total annual revenues, any surplus funds may be allocated in any proportion:

33 (1) To increase prize payments; or

34 (2) To the benefit of the public purposes as described in this Chapter.

35 **"§ 143C-107. Definitions.**

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

37 (1) 'Commission' means the North Carolina State Lottery Commission.

38 (2) 'Commissioner' means one of the members of the Commission  
39 appointed pursuant to this Chapter to oversee the lottery.

40 (3) 'Director' means the person appointed by the Governor pursuant to this  
41 Chapter as the chief administrator of the Commission.

42 (4) 'Game' or 'lottery game' means any procedure or game authorized by the  
43 Commission whereby prizes are distributed among persons who have

1 paid, or unconditionally agreed to pay, for tickets or shares that provide  
2 the opportunity to win these prizes.

3 (5) 'Lottery' or 'State lottery' means any lottery game or series of games  
4 established and operated pursuant to this Chapter and authorized by the  
5 Commission.

6 (6) 'Lottery contractor' means a person with whom the Commission has  
7 contracted for the purpose of providing goods or services to the  
8 Commission.

9 (7) 'Major procurement' means a procurement for a contract for (i) the  
10 printing of instant tickets or the provision of shares for use in any lottery  
11 game, (ii) any goods or services involving the receiving or recording of  
12 selections in any lottery game, (iii) any goods or services involving the  
13 determination or generation of winners in any lottery game, or (iv) any  
14 goods and services involving warehousing, telemarketing, and  
15 distribution of instant games.

16 (8) 'Person' means any natural person or corporation, limited liability  
17 company, trust, association, partnership, joint venture, subsidiary, or  
18 other business entity.

19 (9) 'Retailer', 'lottery retailer', or 'lottery game retailer' means a person (i)  
20 who is licensed by the Commission to sell tickets or shares in lottery  
21 games to the public and (ii) with whom the Commission has contracted.

22 (10) 'Share' means any method of participation in a lottery game, other than  
23 by a ticket purchased on an equivalent basis with a ticket, whether  
24 presently contemplated or developed in the future.

25 (11) 'Ticket' means any tangible evidence issued by the Commission to prove  
26 participation in a lottery game.

27 (12) 'Vendor' or 'lottery vendor' means any person who submits a bid,  
28 proposal, or offer as part of a procurement for a contract for goods or  
29 services for the Commission.

30 "§§ 143C-108 and 143C-109: Reserved for future codification purposes.

31 "ARTICLE 2.

32 "NORTH CAROLINA STATE LOTTERY COMMISSION.

33 "§ 143C-110. Creation of Commission.

34 There is created a North Carolina State Lottery Commission.

35 "§ 143C-111. Commission membership; appointment; vacancies; removal.

36 (a) The Commission shall consist of nine members, five of whom shall be  
37 appointed by the Governor, two of whom shall be appointed by the General Assembly  
38 upon the recommendation of the President Pro Tempore of the Senate, and two of whom  
39 shall be appointed by the General Assembly upon the recommendation of the Speaker of  
40 the House of Representatives.

41 (b) Of the initial appointees of the Governor, two members shall serve terms of  
42 two years, two members shall serve terms of three years, and one member shall serve a  
43 term of five years. Of the initial appointees of the General Assembly upon the

1 recommendation of the President Pro Tempore of the Senate, one member shall serve a  
2 term of three years, and one member shall serve a term of five years. Of the initial  
3 appointees of the General Assembly upon the recommendation of the Speaker of the  
4 House of Representatives, one member shall serve a term of three years, and one member  
5 shall serve a term of five years. All succeeding appointments shall be for terms of five  
6 years.

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

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

11 (e) All appointments made by the General Assembly shall be made in accordance  
12 with the applicable sections of Article 16 of Chapter 120 of the General Statutes.

13 **"§ 143C-112. Qualifications of Commissioners.**

14 (a) At least one of the Commissioners appointed by the Governor shall have a  
15 minimum of five years' experience in law enforcement.

16 (b) At least one of the Commissioners appointed by the General Assembly upon  
17 the recommendation of the President Pro Tempore of the Senate shall be a certified  
18 public accountant.

19 (c) At least one of the Commissioners appointed by the General Assembly upon  
20 the recommendation of the Speaker of the House of Representatives shall have retail  
21 sales experience.

22 (d) No person shall be appointed as a Commissioner who has been convicted of a  
23 felony.

24 **"§ 143C-113. Compensation and expenses.**

25 (a) Commissioners shall be compensated at the rate of one hundred dollars  
26 (\$100.00) for each day engaged in Commission business.

27 (b) Commissioners shall, in addition to daily compensation, be reimbursed for  
28 actual expenses incurred on Commission business, including necessary travel expenses.

29 **"§ 143C-114. Powers and duties of the Commission.**

30 The Commission shall exercise all powers necessary to effectuate the purposes of this  
31 Chapter, including the adoption of rules pursuant to Chapter 150B of the General Statutes  
32 and the establishment of licensing and contracting requirements and procedures.

33 **"§ 143C-115. Annual selection of chairman.**

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

35 **"§ 143C-116. Meetings; records.**

36 (a) Meetings of the Commission shall be open and public in accordance with  
37 Article 33C of Chapter 143 of the General Statutes.

38 (b) Records of the Commission shall be open and available to the public in  
39 accordance with the provisions of Chapter 132 of the General Statutes.

40 (c) The Commission shall meet with the Director at least quarterly to make  
41 recommendations and set policy, to approve or reject reports of the Director, to adopt  
42 rules in accordance with Chapter 150B of the General Statutes, and to transact any other

1 business that may properly be brought before it. Regular meetings shall be held no more  
2 often than monthly, unless required by an emergency.

3 (d) The chairman or a majority of the members of the Commission shall have the  
4 power to call special meetings of the Commission upon advance written notice to all of  
5 the members of the Commission and the Director.

6 **"§ 143C-117. Quorum; voting.**

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

9 **"§ 143C-118. Reports.**

10 The Commission shall make quarterly and annual reports on the operations of the  
11 Commission to the Governor, Attorney General, State Treasurer, and to the General  
12 Assembly. The reports shall include full and complete statements of lottery revenues,  
13 prize disbursements, expenses, net revenues, and all other financial transactions involving  
14 lottery funds.

15 **"§ 143C-119: Reserved for future codification purposes.**

16 **"ARTICLE 3.**

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

18 **"§ 143C-120. Appointment and removal of Director.**

19 The Governor shall appoint a Director within 30 days of the effective date of this  
20 Chapter. The Director shall direct the operations of the Commission. The Governor may  
21 remove the Director upon notification to the Commission. The Director shall be exempt  
22 from the State Personnel Act.

23 **"§ 143C-121. Qualifications of the Director.**

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

25 **"§ 143C-122. Salary.**

26 During the first fiscal year of the operation of the Commission, the Director shall  
27 receive compensation as set by the Commission and approved by the Governor.  
28 Thereafter the compensation of the Director shall be set by the General Assembly in the  
29 Current Operations Appropriations Act. The Director shall render full-time attention to  
30 the duties of the office.

31 **"§ 143C-123. Duties and powers of the Director.**

32 The Director shall perform all duties, exercise all powers, assume and discharge all  
33 responsibilities, and carry out and effect all purposes provided by this Chapter. The  
34 Director shall act as the Secretary and Executive Officer of the Commission. The  
35 Director shall act in accordance with this Chapter, the rules adopted by the Commission,  
36 and under the guidance of the Commission.

37 **"§ 143C-124. Power to hire and procure services.**

38 (a) The Director shall hire, subject to the approval of the Commission, the  
39 professional, clerical, technical, and administrative personnel needed to carry out the  
40 provisions of this Chapter. No person shall be employed by the Commission who has  
41 been convicted of a felony within the last 10 years. Each person employed by the  
42 Commission shall execute an authorization to allow an investigation of the person's  
43 background.

1       (b) The Director may, and is encouraged to, subject to the approval of the  
2 Commission, outsource all feasible operational tasks for the purposes of limiting the  
3 number of State employees to essential policy-making positions.

4 **"§ 143C-125. Assistant directors.**

5       The Director may appoint and prescribe the duties for up to four assistant directors.  
6 The compensation of each assistant director shall be set by the Commission and shall not  
7 exceed the Director's compensation. The Director may designate one of the assistant  
8 directors as the deputy director.

9 **"§ 143C-126. Assistant director for security.**

10       (a) One of the assistant directors, the assistant director for security, shall be  
11 responsible for a security division to assure the security, honesty, fairness, and integrity  
12 in the operation and administration of the Commission and lottery games, including an  
13 examination of the background of all prospective employees, lottery vendors, lottery  
14 contractors, and any other person required to be licensed by or who contracts with the  
15 Commission.

16       (b) The assistant director for security shall be qualified by training and experience  
17 including at least five years of law enforcement experience and knowledge and  
18 experience in computer security.

19       (c) The assistant director for security may, in conjunction with the Director, confer  
20 with the Attorney General or the Attorney General's designee, to promote and ensure the  
21 security, honesty, fairness, and integrity of the operation and administration of the  
22 Commission.

23       (d) The assistant director for security, in conjunction with the Director, shall report  
24 any alleged violation of law to the appropriate law enforcement authority for further  
25 investigation and action.

26 **"§ 143C-127. Criminal identification information available to Commission; law**  
27 **enforcement officer status.**

28       (a) Upon the request of the Director or the assistant director for security, the  
29 Attorney General and the Secretary of Crime Control and Public Safety shall furnish  
30 information that they have in their possession, including computerized or other  
31 information and data, to the Director and the assistant director for security necessary to  
32 assure the security, honesty, fairness, and integrity in the operation and administration of  
33 the Commission and its licensees.

34       (b) For the purpose of requesting and receiving this information, the Commission  
35 shall be considered to be a 'criminal justice agency' and its enforcement agents to be 'law  
36 enforcement officers'.

37       (c) The Commission's enforcement agents shall have the same authority with  
38 respect to service and execution of arrest warrants and search warrants as is conferred on  
39 other law enforcement officers of this State.

40 **"§ 143C-128. Coordination with Commission.**

41       The Director shall confer as frequently as necessary, but not less than quarterly, with  
42 the Commission on the operation and administration of the Commission. The Director  
43 shall make available for inspection by the Commission all books, records, files,

1 documents, and other information of the lottery and shall make recommendations for the  
2 improved operation and administration of the Commission and lottery games.

3 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

4 The Director shall make an ongoing study of the operation and administration of other  
5 lotteries and commissions and lottery games that are in operation in other states and  
6 countries, of available literature on the subject of lotteries, of federal laws that may affect  
7 the operation of the Commission and lottery games, and of the reaction of the citizens of  
8 the State to existing or proposed features in lottery games. The Director shall conduct  
9 this research in order to recommend improvements that will serve the purposes of this  
10 Chapter. The Director may make recommendations to the Commission, to the Governor,  
11 and to the General Assembly on any matters concerning the secure, profitable, and  
12 efficient operation and administration of the Commission and of lottery games and the  
13 convenience of the purchasers of tickets and shares.

14 **"§ 143C-130. Accountability; books and records.**

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

21 **"§ 143C-131. Monthly financial reports.**

22 The Director shall make a monthly financial report to the Commission, to the  
23 Governor, to the State Controller, to the State Treasurer, and to the General Assembly.  
24 The report shall include a statement of all lottery revenues, prize disbursements,  
25 expenses, net revenues, and all other financial transactions involving lottery funds for the  
26 preceding month.

27 **"§ 143C-132. Independent study of demographics of lottery players.**

28 Within the first six months of sales of tickets or shares to the public, the Director shall  
29 engage an independent firm experienced in demographic analysis to conduct a special  
30 study of the demographic characteristics of the players of each lottery game, including  
31 their income, age, sex, education, and frequency of participation. This report shall be  
32 presented to the Commission, to the Governor, and to the General Assembly. Similar  
33 studies shall be conducted on a continuing, periodic basis.

34 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

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

38 (b) After the first full year of sales of tickets or shares to the public, the Director  
39 shall engage an independent firm experienced in the analysis of advertising, promotion,  
40 public relations, and other aspects of communications to conduct a special study of the  
41 effectiveness of the communications activities undertaken by the Commission and make  
42 recommendations to the Commission on the future conduct and future rate of

1 expenditures for these activities. This report shall be presented to the Commission, to the  
2 Governor, and to the General Assembly.

3 (c) Similar studies shall be conducted on a continuing, periodic basis.

4 **"§ 143C-134. Independent audit of lottery security.**

5 (a) After the first full year of operation, the Director shall, in addition to all other  
6 security measures, engage an independent firm experienced in security procedures,  
7 including computer security and systems security, to conduct a continuing comprehensive  
8 study and evaluation of all aspects of security in the operation of the Commission and of  
9 lottery games. The study shall include:

10 (1) Personnel security;

11 (2) Lottery game retailer security;

12 (3) Lottery contractor security;

13 (4) Security of manufacturing operations of lottery contractors;

14 (5) Security against ticket counterfeiting, alteration, and other  
15 means of fraudulently winning; security of drawings among entries or  
16 finalists;

17 (6) Computer security;

18 (7) Data communications security;

19 (8) Database security;

20 (9) Systems security;

21 (10) Commission premises and warehouse security;

22 (11) Security in distribution;

23 (12) Security involving validation and payment procedures;

24 (13) Security involving unclaimed prizes;

25 (14) Security aspects applicable to each particular lottery game;

26 (15) Security of drawings in games where winners are determined  
27 by drawings of numbers; and

28 (16) Any other aspects of security applicable to any particular  
29 lottery game and to the Commission and its operations.

30 (b) The portion of the security audit report containing the overall evaluation of the  
31 Commission and of lottery games in terms of each aspect of security shall be presented to  
32 the Commission, to the Governor, and to the General Assembly.

33 (c) The portion of the security audit report containing specific recommendations  
34 shall be confidential and shall be presented only to the Director, to the assistant director  
35 for security, and to the Commission.

36 (d) Similar audits of security shall be conducted biennially thereafter.

37 **"§§ 143C-135 through 143C-139: Reserved for future codification purposes.**

38 **"ARTICLE 4.**

39 **"OPERATION OF LOTTERY.**

40 **"§ 143C-140. Initiation and operation of lottery.**

41 The Commission shall initiate operation of lottery games at the earliest feasible and  
42 practical time but within 180 days of approval of the referendum. The lottery games shall  
43 be initiated and shall continue to be operated so as to produce the maximum amount of



1 net revenues to benefit the public purposes described in this Chapter consistent with the  
2 purposes stated in G.S. 143C-102. Other departments, boards, commissions, and  
3 agencies of the State and their officers shall cooperate with the Commission to aid the  
4 Commission in fulfilling these objectives.

5 **"§ 143C-141. Types of lottery games.**

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

- 11 (1) No lottery game shall use the theme of dog racing or horse racing;
- 12 (2) No lottery game shall be based on the outcome of a particular sporting  
13 event or on the results of a series of sporting events;
- 14 (3) In lottery games using tickets, each ticket in a particular game shall bear  
15 a unique number distinguishing it from every other ticket in that lottery  
16 game;
- 17 (4) No name or photograph of a current elected official shall appear on the  
18 tickets of any lottery game; and
- 19 (5) In games using electronic computer terminals or other devices to play  
20 lottery games, no coins or currency shall be dispensed to players from  
21 those electronic computer terminals or devices.

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

- 23 (1) Any type of lottery game that has been conducted by any state  
24 government-operated lottery in the United States that will achieve the  
25 revenue objectives of the lottery consistent with the purposes stated in  
26 G.S. 143C-102 including, but not limited to:
  - 27 a. The sale of instant tickets or shares by electronic computer  
28 terminals or devices; or
  - 29 b. Any other type of lottery game; or
- 30 (2) Any gaming technology that has been used by any state government-  
31 operated lottery in the United States that will achieve the revenue  
32 objectives of the lottery consistent with the purposes stated in G.S.  
33 143C-102 including, but not limited to:
  - 34 a. Printed tickets and shares;
  - 35 b. Vending machines; or
  - 36 c. Electronic computer terminals or other devices to play lottery  
37 games that are connected by telephone lines or other electronic  
38 means with a central computer system operated by the  
39 Commission.

40 **"§ 143C-141.1. Lottery advertising.**

41 (a) Upon the recommendation of the Director, the Commission shall adopt  
42 guidelines regarding the nature of lottery advertising.

43 The guidelines shall require:

- 1           (1) Minimizing the appeal of the lottery to minors. In developing the  
2 guidelines, the Director and the Commission shall consider the possible  
3 impact of using cartoon characters and other figures that would  
4 particularly attract the attention of minors; and  
5           (2) Prohibiting the use of false, misleading, or deceptive information.  
6       (b) The Commission shall provide, by rule, in the manner prescribed by Chapter  
7 150B of the General Statutes, that:  
8           (1) In lottery games using tickets with preprinted winners, the overall  
9 estimated odds of winning prizes shall be printed on each ticket;  
10          (2) A detailed tabulation of the estimated number of prizes of each  
11 particular prize denomination that are expected to be awarded in each  
12 lottery game, or the estimated odds of winning these prizes, shall be  
13 available at the offices of the Commission at the time that the lottery  
14 game is offered for sale to the public; and  
15          (3) All printed or point of sale advertising promoting the sale of lottery  
16 tickets for a particular game shall include the actual or estimated overall  
17 odds of winning the game.

18 **"§ 143C-142. Number and value of prizes.**

19       Upon the recommendation of the Director, the Commission shall adopt rules as  
20 prescribed by Chapter 150B of the General Statutes that specify the number and value of  
21 prizes for winning tickets or shares in lottery games including cash prizes, merchandise  
22 prizes, prizes consisting of deferred payments or annuities, and prizes of tickets or shares  
23 in the same lottery game or other lottery games conducted by the Commission.

24 **"§ 143C-143. Method of determining winners.**

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

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

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

39 **"§ 143C-144. Sale price of tickets and shares.**

40       Upon the recommendation of the Director, the Commission shall adopt rules, as  
41 prescribed by Chapter 150B of the General Statutes, specifying the retail sales price for  
42 tickets or shares for lottery games, provided:

- 1           (1) No ticket or share shall be sold for more than the retail sales price  
2           established by the Commission; and  
3           (2) The minimum retail price of each ticket, share, or transaction in any  
4           lottery game shall be fifty cents (50¢), except to the extent of any  
5           discounts or promotions authorized by the Commission for a particular  
6           lottery game.

7 **"§ 143C-145. Validation and payment of prizes.**

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

- 12           (1) For the convenience of the public, lottery retailers may be authorized by  
13           the Commission to pay winners of up to an amount appropriate to the  
14           lottery game involved, after performing validation procedures on their  
15           premises, and with the approval of the Director;  
16           (2) No prize shall be paid to any person under the age of 18 years;  
17           (3) No prize shall be paid arising from claimed tickets or shares that are  
18           stolen, counterfeit, altered, fraudulent, unissued, produced or issued in  
19           error, unreadable, not received or recorded by the Commission by the  
20           applicable deadlines, lacking in captions that conform and agree with  
21           the play symbols as appropriate to the lottery game involved, or not in  
22           compliance with any additional specific rules and public or confidential  
23           validation and security tests appropriate to the particular game involved;  
24           (4) No particular prize in any lottery game shall be paid more  
25           than once, and in the event of a binding determination that more than  
26           one claimant is entitled to a particular prize, the sole remedy for these  
27           claimants is the award to each of them of a proportionate share in the  
28           prize;  
29           (5) The Commission may specify that winners of five hundred  
30           ninety-nine dollars (\$599.00) or less may claim the prizes from either:  
31           a. The same lottery game retailer who sold the winning  
32           ticket or share;  
33           b. From any other lottery retailer; or  
34           c. Directly from the Commission;  
35           (6) Holder of tickets or shares shall have the right to claim  
36           prizes for 120 days after the drawing or the end of the lottery game or  
37           play in which the prize was won. The Commission may define  
38           shorter time periods for eligibility for entry into drawings involving  
39           entries or finalists. If a valid claim is not made for a prize payable  
40           directly by the Commission within the applicable period, the  
41           unclaimed prize money may be used to increase prize payments for  
42           future games, or may revert to the North Carolina State Lottery Fund;

1           (7) After the expiration of the claim period for prizes for each  
2           lottery game, the Commission shall make available a detailed  
3           tabulation of the total number of prizes of each prize denomination  
4           that was actually claimed and paid directly by the Commission;

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

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

15 **§ 143C-146. Lottery game-play rules and winner validation procedures.**

16          (a) All prizes contemplated in each lottery game by its prize structure for a given  
17          level of sales shall be paid to the players of the lottery game. Conversely, in order to  
18          preserve the fiscal integrity of the lottery and to protect public funds, no prizes shall be  
19          paid that are invalid and not contemplated by the prize structure of the lottery game  
20          involved. By purchasing a ticket or share in a lottery game, a player agrees to abide by,  
21          and be bound by, the game-play rules developed by the Director, and approved by the  
22          Commission, that apply to any particular lottery game involved.

23          (b) An abbreviated form of the game-play rules may appear on tickets in lottery  
24          games using tickets.

25          (c) All players acknowledge that the determination of whether the player is a  
26          winner is subject to the game-play rules and the winner validation procedures and  
27          confidential validation tests established by the Commission for the particular lottery  
28          game involved.

29          (d) The game-play rules shall not be considered to be rules or regulations for the  
30          purpose of Chapter 150B of the General Statutes.

31 **§ 143C-147. Distribution of tickets and shares.**

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

41          (b) The Commission may enter into agreements with other states for the operation  
42          and promotion of multistate lotteries consistent with the purposes set forth in G.S. 143C-  
43          102. The claim period for prizes may vary if required by multistate agreements.

1 "§§ 143C-148 and 143C-149: Reserved for future codification purposes.

2 "ARTICLE 5.

3 "LOTTERY GAME RETAILERS.

4 "§ 143C-150. Contracting with lottery game retailers.

5 Upon the recommendation of the Director, the Commission shall adopt rules, as  
6 prescribed by Chapter 150B of the General Statutes, specifying the terms and conditions  
7 for contracting with lottery game retailers to provide adequate and convenient availability  
8 of tickets or shares to prospective buyers of each lottery game. The Commission may sell  
9 tickets and shares directly to the public or may distribute tickets or shares by any other  
10 method authorized by the Commission.

11 "§ 143C-151. Selection of lottery game retailers.

12 (a) The Director shall select as lottery game retailers those persons deemed by the  
13 Director best able to serve the public convenience and to promote the sale of tickets or  
14 shares.

15 (b) No natural person under 21 years of age shall be a lottery game retailer. This  
16 minimum age shall not prohibit employees of a retailer who are under 21 years of age  
17 from selling lottery tickets or shares during their employment.

18 (c) In the selection of a lottery game retailer, the Director or the Commission shall  
19 consider:

20 (1) Financial responsibility;

21 (2) Accessibility of the place of business or activity to the public;

22 (3) Security of the premises;

23 (4) Integrity;

24 (5) Reputation;

25 (6) The sufficiency of existing lottery game retailers for any particular  
26 lottery game to serve the public convenience; and

27 (7) The projected volume of sales for the lottery game involved.

28 (d) No contract with any lottery game retailer shall be entered into if the retailer  
29 has been convicted of a felony or a gambling-related offense in any state or federal court  
30 of the United States within 10 years of entering into the contract.

31 (e) No person shall be a lottery game retailer who is engaged exclusively in the  
32 business of selling lottery tickets or shares or operating electronic computer terminals or  
33 other devices solely for entertainment.

34 (f) A person lawfully engaged in nongovernmental business on State property or  
35 an owner or lessee of premises on which alcoholic beverages are sold may be selected as  
36 a lottery game retailer.

37 (g) A civic or fraternal organization may be selected as a lottery game retailer.

38 (h) Political subdivisions or their agencies or departments may be selected as  
39 lottery game retailers for sales from their premises.

40 (i) The Director may contract with lottery retailers on a permanent, seasonal, or  
41 temporary basis.

1       (j) The Commission may establish and require payment by each lottery game  
2 retailer of an initial fee or an annual fee, or both, to maintain the contract to be a lottery  
3 game retailer.

4       (k) Lottery retailers may contract with any person approved or authorized by the  
5 Commission who provides goods or services that facilitate the sale of lottery tickets or  
6 shares.

7 **"§ 143C-152. Nonassignability.**

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

9 **"§ 143C-153. Termination of a contract with a lottery game retailer.**

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

14 **"§ 143C-154. Compensation for lottery game retailers.**

15       (a) Upon the recommendation of the Director, the Commission shall adopt rules,  
16 as prescribed by Chapter 150B of the General Statutes, determining the payment of  
17 compensation to lottery game retailers for their sales of lottery tickets or shares.

18       (b) The amount of compensation paid to lottery game retailers for their sales of  
19 lottery tickets or shares shall be five percent (5%) of the retail price of the tickets or  
20 shares for each lottery game. The Commission may authorize an incentive bonus of up to  
21 two percent (2%) based on attainment of sales volume or other objectives specified by the  
22 Director for each lottery game.

23       (c) In cases of a lottery game retailer whose rental payments for premises are  
24 contractually computed on the basis of a percentage of retail sales, and where the  
25 computation of retail sales is not explicitly defined to include sales of tickets or shares in  
26 a lottery game, the compensation received by the lottery game retailer from the lottery  
27 shall be deemed to be the amount of the retail sale for the purposes of this contractual  
28 computation.

29 **"§ 143C-155. Sales to persons under the age of 18.**

30       (a) No tickets or shares in lottery games shall be sold to persons under the age of  
31 18 years. Selling tickets or shares to a person under the age of 18 years shall be a Class 1  
32 misdemeanor.

33       (b) To prevent the sale of lottery tickets or shares to persons under the required  
34 age, the Commission shall issue rules prescribing the procedures to be followed by lottery  
35 retailers in determining the age of potential lottery purchasers.

36       (c) It shall be a defense to violation of subsection (a) of this section if the retailer:

37       (1) Shows that the purchaser produced a drivers license, a special  
38 identification card issued under G.S. 20-37.7, a military identification  
39 card, or a passport, showing his age to be at least the required age for  
40 purchase and bearing a physical description of the person named on the  
41 card reasonably describing the purchaser; or

42       (2) Produces evidence of other facts that reasonably indicated at the time of  
43 sale that the purchaser was at least the required age.

1 (d) Nothing in this Article shall be construed to prevent any person 18 years or  
2 older from giving or assigning lawfully purchased lottery tickets or shares to another  
3 person of any age.

4 **"§ 143C-156. Payment of prize won by person under the age of 18.**

5 (a) If the person entitled to a prize for any winning ticket or share is a minor, and  
6 the prize is less than five thousand dollars (\$5,000), the Director may direct payment of  
7 the prize by delivery of a check or draft payable to the order of the minor to an adult  
8 member of that minor's family or to that minor's legal guardian.

9 (b) If the person entitled to a prize or any winning ticket is a minor, and the prize  
10 is five thousand dollars (\$5,000) or more, the Director may direct payment to that minor  
11 by depositing the amount of the prize in any insured depository institution to the credit of  
12 an adult member of that minor's family or the legal guardian of the minor, as custodian  
13 for that minor.

14 **"§ 143C-157. Display of certificate of authority.**

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

18 **"§ 143C-158. Bonding.**

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

21 **"§ 143C-159. Lottery game retailer accounting; payments.**

22 (a) The Director shall establish procedures that shall be used by lottery game  
23 retailers to account for all tickets or shares that they sell to the public and to account for  
24 all funds they receive from the public for the tickets or shares.

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

29 **"ARTICLE 6.**

30 **"LOTTERY VENDORS AND LOTTERY CONTRACTORS.**

31 **"§ 143C-160. Procurements.**

32 (a) Notwithstanding other provisions of law, the Director is encouraged to  
33 purchase or lease goods or services or combinations of goods and services needed to  
34 effectuate the purposes of this Chapter.

35 (b) The Director shall not contract with any single private party or  
36 nongovernmental entity for the administration of the Commission established by this  
37 Chapter; however, this subsection shall not preclude procurements that integrate such  
38 functions as lottery game design, supply of goods and services, and advertising.

39 (c) In all procurements, the Director and Commission shall act to promote the  
40 objective of maximizing net revenues for the benefit of the public purposes described in  
41 this Chapter.

42 **"§ 143C-161. Contracts.**

1       (a) The Director may directly solicit proposals or enter into contracts for the  
2 purchase or lease of goods or services to effectuate the purposes of this Chapter.

3       (b) In awarding contracts in response to solicitations for proposals, the Director  
4 shall award the contracts to the responsible vendor submitting the best proposal that the  
5 Director determines maximizes the benefits to the State.

6       (c) In all procurement decisions, the Director, or the Commission, if the  
7 Commission chooses to make the decision, shall take into account the particularly  
8 sensitive nature of the Commission and lottery games and shall consider the competence,  
9 quality of product, experience, and timely performance of the vendors in order to  
10 promote and ensure security, honesty, fairness, and integrity in the operation and  
11 administration of the Commission and lottery games and the objective of maximizing net  
12 revenues for the benefit of the public purposes described in this Chapter.

13       (d) The Director may engage an independent firm experienced in evaluating  
14 lottery procurement proposals to aid in the evaluation of proposals made to the  
15 Commission.

16       (e) Before a contract for a major procurement is awarded, the assistant director for  
17 security shall conduct an investigation of:

18               (1) The vendor to whom the contract is to be awarded;

19               (2) Any parent or subsidiary corporation of the vendor to whom  
20 the contract is to be awarded;

21               (3) All shareholders with a five percent (5%) or more interest in  
22 the vendor or parent or subsidiary corporation of the vendor to whom  
23 the contract is to be awarded; and

24               (4) All officers and directors of the vendor or parent or subsidiary  
25 corporation of the vendor to whom the contract is to be awarded.

26       (f) All contract awards made by the Director are made subject to the approval of  
27 the Commission.

28       (g) No contract shall be awarded to any person convicted of a felony or any  
29 gambling offense in any state or federal court of the United States within 10 years of  
30 entering into the contract.

31       (h) The Commission may by rule designate classes of contracts other than major  
32 procurements that do not require approval of the Commission.

33 **"§ 143C-162. Lottery vendor disclosures for major procurements.**

34       (a) Upon the recommendation of the Director, the Commission shall adopt rules,  
35 as prescribed by Chapter 150B of the General Statutes, to provide for disclosures by  
36 vendors submitting bids, proposals, or offers as part of a major procurement to ensure  
37 that the vendors provide all the information necessary to allow for a full and complete  
38 evaluation by the Director and Commission of the competence, integrity, background,  
39 and character of the lottery vendors.

40       (b) The rules shall require that all lottery vendors submit to the assistant director  
41 for security any appropriate investigation authorizations needed to facilitate these  
42 investigations.

43 **"§ 143C-163. Compliance with applicable laws.**



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

4 **"§ 143C-164. Performance bond.**

5 (a) Each lottery contractor in a major procurement shall, at the time of executing  
6 the contract with the Director, post an appropriate bond or letter of credit with the  
7 Director, in an amount as deemed necessary by the Commission for that particular bid or  
8 contract.

9 (b) The Commission may issue a rule allowing the Director to decrease the bond  
10 or letter of credit requirement for a major procurement, after the contract has been in  
11 force for one year, if the Director determines that the decrease will result in a cost savings  
12 to the Commission while still providing adequate protection against nonperformance.

13 (c) In lieu of a bond or letter of credit, a contractor may, to assure the faithful  
14 performance of its obligations, deposit and maintain with the Director securities that are  
15 interest-bearing or interest-accruing that, with the exception of those specified in  
16 subdivision (1) or (2) of this subsection, are rated in one of the four highest classifications  
17 by an established nationally recognized investment rating service. Securities eligible  
18 under this subsection are limited to the following:

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

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

32 **"§§ 143C-165 through 143C-169: Reserved for future codification purposes.**

33 **"ARTICLE 7.**

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

35 **"§ 143C-170. North Carolina State Lottery Fund.**

36 An enterprise fund to be known as the 'North Carolina State Lottery Fund' is created  
37 within the State treasury. The North Carolina State Lottery Fund is continuously  
38 appropriated to the Commission for the purposes of operating the Commission and the  
39 lottery games.

40 **"§ 143C-171. Types of income to the North Carolina State Lottery Fund.**

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

- 42 (1) All proceeds from the sale of lottery tickets or shares;
- 43 (2) The funds for initial start-up costs provided by the State; and

1                   (3) All other monies credited to the Commission from any  
2                   source.

3 **"§ 143C-172. Types of disbursements from the North Carolina State Lottery Fund.**

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

6                   (1) The payment of prizes to the holders of valid winning lottery  
7                   tickets or shares;

8                   (2) Expenses of the Commission, including initial start-up costs;  
9                   and

10                  (3) Transfer of funds from the North Carolina State Lottery Fund pursuant  
11 to G. S. 143C-175.

12 **"§ 143C-173. Prize payments of the lottery.**

13           (a) As nearly as practical, at least fifty percent (50%) of the total projected revenue  
14 as computed on a year-round basis for the total of all lottery games, accruing from the  
15 sales of all lottery tickets or shares from lottery games shall be allocated for payment of  
16 prizes for lottery games.

17           (b) The Commission may allocate a larger percentage of the total projected  
18 revenue for a lottery game to prizes if it concludes that the total annual net revenues from  
19 the lottery game will be enhanced by that prize percentage.

20 **"§ 143C-174. Expenses of the lottery.**

21           (a) Expenses of the lottery may include:

22                   (1) The costs incurred in the operation and administration of the  
23 Commission, including initial start-up costs;

24                   (2) The costs resulting from any contracts entered into for the purchase or  
25 lease of goods or services required by the Commission;

26                   (3) The compensation paid to lottery game retailers;

27                   (4) The costs of supplies, materials, tickets, independent studies, data  
28 transmission, advertising, promotion, incentives, public relations,  
29 communications, bonding for lottery game retailers, printing, and  
30 distribution of tickets and shares;

31                   (5) The costs of reimbursing other governmental entities for services  
32 provided to the Commission; and

33                   (6) The costs for any other goods and services needed to accomplish the  
34 purposes of this Chapter.

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

38 **"§ 143C-175. Transfer of net revenues.**

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

42           (b) The remaining net income of the North Carolina State Lottery Fund shall be  
43 transferred as follows:

- 1           (1) Twenty-five percent (25%) of the remaining net revenues of the Lottery  
2 Fund shall be transferred, annually, to the Clean Water Management  
3 Trust Fund, established pursuant to Article 13A of Chapter 113 of the  
4 General Statutes.
- 5           (2) As much of the net income from the State Lottery Fund, after the  
6 distribution required by subdivision (1) of this subsection, as is needed  
7 to fund the Education Improvement Scholarship Program, provided for  
8 in the legislation to be enacted by the General Assembly pursuant to  
9 G.S. 143C-175.1, shall be transferred annually to the Board of  
10 Governors of The University of North Carolina and to the Department  
11 of Community Colleges to be used for Education Improvement  
12 Scholarships at the constituent institutions of The University of North  
13 Carolina, private institutions of higher education, and at the State's  
14 community colleges.
- 15           (3) Of any funds remaining in the Lottery Fund after the distributions  
16 required by subdivisions (1) and (2) of this subsection:
- 17           a. Fifty percent (50%) of the remaining net revenues shall be  
18 transferred, annually, to the State School Technology Fund  
19 established pursuant to G.S. 115C-102.6D.
- 20           b. Fifty percent (50%) of the remaining net revenues shall be  
21 transferred to the Early Childhood Education and Development  
22 Initiatives Program to assist in expanding the program into all  
23 100 counties in the State and assist in fully funding the program.

24 **"§ 143C-175.1. Education Improvement Scholarship Task Force.**

25           (a) There is created an Education Improvement Scholarship Task Force which  
26 shall consist of the Governor, or his designated representative, the Lieutenant Governor,  
27 or his designated representative, the President of The University of North Carolina, the  
28 President of the North Carolina Community College System, the Chairman of the State  
29 Board of Education, the President of the North Carolina Association of Independent  
30 Colleges and Universities, three Senators appointed by the President Pro Tempore of the  
31 Senate, and three Representatives appointed by the Speaker of the House of  
32 Representatives.

33           (b) The Education Improvement Scholarship Task Force shall study programs  
34 providing scholarships based solely on academic achievement in other states and shall  
35 report the results of this study, along with the legislation necessary to implement the  
36 program required by G.S. 143C-175(b)(1) in North Carolina. The Education  
37 Improvement Scholarship Task Force shall consider scholarship program options  
38 including:

- 39           (1) Full tuition scholarships to all students who received a high school  
40 diploma or its equivalent from high schools in this State with an 'A' or a  
41 'B' average who attend any of the constituent institutions of The  
42 University of North Carolina or a community college.

- 1           (2)   Grants of one thousand dollars (\$1,000) per year to all students who  
2           have received a high school diploma or its equivalent in this State with  
3           an 'A' or a 'B' average who attend any private university or college.
- 4           (3)   Scholarships not based on need. The Task Force shall recommend a  
5           program providing for full scholarships for otherwise qualifying  
6           students whose family net income available for funding higher  
7           education based on current financial standards for scholarship is one  
8           hundred thousand dollars (\$100,000) or less. Scholarships could be  
9           reduced as qualifying family income increases above one hundred  
10           thousand dollars (\$100,000) so that otherwise qualifying students whose  
11           qualifying family income exceeds one hundred fifty thousand dollars  
12           (\$150,000) could receive a scholarship of one thousand dollars (\$1,000)  
13           per year.
- 14           (4)   Developing procedures for:
- 15           a.     Weighting high school grades to ensure the fairness;  
16           b.     Weighting high school grades to take into account any grade  
17           inflation; and  
18           c.     Assessing students who are home schooled.
- 19           (5)   Developing a procedure for the payment of the scholarships to the  
20           institutions of higher education and for monitoring recipients of the  
21           scholarships to ensure that they remain eligible for the support based on  
22           successful progress toward the receipt of a degree.
- 23           (6)   Any other procedures necessary to implement the program.
- 24       (c)   The Task Force shall also provide to the General Assembly:
- 25           (1)   A plan, should sufficient funds become available, to expand the  
26           scholarship program to supplement existing scholarship programs for  
27           needy students or to expand the coverage of the program to all students  
28           receiving a diploma or its equivalent from a high school in North  
29           Carolina; and
- 30           (2)   A plan for the prorating of funds should insufficient funds be available  
31           to fund scholarships for all eligible students.
- 32       (d)   The University of North Carolina shall provide the Task Force with  
33       administrative and expert assistance in accomplishing the study and in the preparation of  
34       implementing legislation required by this section.
- 35       (e)   The Task Force's report shall be submitted to the Speaker of the House of  
36       Representatives and the President Pro Tempore of the Senate no later than the first day of  
37       the next regular session of the General Assembly immediately following the effective  
38       date of this Chapter.

39       **"§ 143C-176. Intergovernmental reimbursements for services.**

40       It is the intent of this Chapter that the Commission shall be a self-supporting agency  
41       of State government. The Commission shall reimburse, at a reasonable rate, all other  
42       governmental entities for services necessary to effectuate the purposes of this Chapter  
43       provided by those governmental entities to the Commission.

1 **"§ 143C-177. Audits.**

2 The State Auditor shall conduct annual audits of all accounts and transactions of the  
3 Commission and any other special postaudits the State Auditor deems to be necessary.  
4 The State Auditor or the Auditor's agents conducting an audit may examine any records  
5 of the Commission, its distributing agencies, lottery contractors, lottery game retailers,  
6 and any other person licensed by the Commission.

7 **"§§ 143C-178 and 143C-179: Reserved for future codification purposes.**

8 **"ARTICLE 8.**

9 **"MISCELLANEOUS.**

10 **"§ 143C-180. Taxes.**

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

13 **"§ 143C-181. Preemption of local regulation.**

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

17 **"§ 143C-182. Lawful activity.**

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

23 Section 2. G.S. 147-69.2(a) is amended by adding a new subdivision to read:

24 "(17a) The North Carolina State Lottery Fund."

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

26 "(b) Nonresidents. For nonresident individuals, the term 'North Carolina taxable  
27 income' means taxable income as calculated under the Code, adjusted as provided in G.S.  
28 105-134.6 and G.S. 105-134.7, multiplied by a fraction the denominator of which is the  
29 taxpayer's gross income as calculated under the Code, adjusted as provided in G.S. 105-  
30 134.6 and G.S. 105-134.7, and the numerator of which is the amount of that gross  
31 income, as adjusted, that is derived from North Carolina sources and is attributable to the  
32 ownership of any interest in real or tangible personal property in this ~~State or~~ State, is  
33 derived from a business, trade, profession, or occupation carried on in this ~~State.~~ State, or  
34 is derived from gambling activities carried on in this State."

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

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

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

43 **"§ 14-289. Advertising lotteries.**

1 Except as provided in Chapter 143C of the General Statutes or in connection with a  
2 lawful raffle as provided in Part 2 of this Article, if anyone by writing or printing or by  
3 circular or letter or in any other way, ~~advertise or publish~~ advertises or publishes an  
4 account of a lottery, whether within or without this State, stating how, when or where the  
5 same is to be or has been drawn, or what are the prizes therein or any of them, or the  
6 price of a ticket or any share or interest therein, or where or how it may be obtained, he  
7 shall be guilty of a Class 2 misdemeanor."

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

9 **"§ 14-290. Dealing in lotteries.**

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

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

26 **"§ 14-291. Selling lottery tickets and acting as agent for lotteries.**

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

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

34 **"§ 14-291.1. Selling 'numbers' tickets; possession prima facie evidence of violation.**

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

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

2 **"§ 14-292. Gambling.**

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

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

9 **"§ 14-293. Allowing gambling in houses of public entertainment; penalty.**

10 ~~If~~ Except as provided in Chapter 143C of the General Statutes, if any keeper of an  
11 ordinary or other house of entertainment, or of a house wherein alcoholic beverages are  
12 retailed, shall knowingly suffer any game, at which money or property, or anything of  
13 value, is bet, whether the same be in stake or not, to be played in any such house, or in  
14 any part of the premises occupied therewith; or shall furnish persons so playing or betting  
15 either on said premises or elsewhere with drink or other thing for their comfort or  
16 subsistence during the time of play, he shall be guilty of a Class 2 misdemeanor. Any  
17 person who shall be convicted under this section shall, upon such conviction, forfeit his  
18 license to do any of the businesses mentioned in this section, and shall be forever  
19 debarred from doing any of such businesses in this State. The court shall embody in its  
20 judgment that such person has forfeited his license, and no board of county  
21 commissioners, board of town commissioners or board of aldermen shall thereafter have  
22 power or authority to grant to such convicted person or his agent a license to do any of  
23 the businesses mentioned herein."

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

25 **"§ 14-299. Property exhibited by gamblers to be seized; disposition of same.**

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

42 Section 6. Chapter 14 of the General Statutes is amended by adding the  
43 following new section to read:

1 **"§ 14-309.2. Part does not apply to State lottery.**

2 The provisions of this Part shall not apply to the State lottery established in Chapter  
3 143C of the General Statutes."

4 Section 7. G.S. 120-123 is amended by adding a new subdivision at the end to  
5 read:

6 "(68) The North Carolina State Lottery Commission, as established by  
7 Chapter 143C of the General Statutes."

8 Section 8. G.S. 150B-2(8a) is amended by adding a new sub-subdivision to  
9 read:

10 "k. Procedures, instructions, game-play rules, and validation  
11 procedures and tests for a specific lottery game."

12 Section 9. Nothing in this act shall be construed to obligate the General  
13 Assembly to make additional appropriations to implement the provisions of this act.

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

21 Section 11. The question of whether North Carolina should have a State  
22 lottery shall be submitted to the qualified voters of the State at a referendum on the  
23 question held at a special statewide election on the first Tuesday after the first Monday in  
24 November 1997. The referendum shall be held in accordance with Chapter 163 of the  
25 General Statutes. The form of the ballot for the referendum is:

26  FOR a State lottery.

27  AGAINST a State lottery."

28 Section 12. If a State lottery is approved by the qualified voters of this State in  
29 the referendum held under Section 11 of this act, the costs to the State Board of Elections  
30 and the county boards of elections for conducting the referendum are considered  
31 expenses of the lottery; the State Lottery Commission shall reimburse the State Board of  
32 Elections and the county boards of elections for these costs from the Lottery Fund.

33 If a State lottery is not approved by the qualified voters of this State in the  
34 referendum held under Section 11 of this act, the State Board of Elections and the county  
35 boards of elections may seek reimbursement from the General Assembly for their costs  
36 incurred in conducting the referendum.

37 Section 13. Sections 11, 12, and 13 of this act are effective when they become  
38 law. If a State lottery is approved by the qualified voters of this State in the referendum  
39 held under Section 11 of this act, then Sections 1 through 10 of this act become effective  
40 when the results of the referendum are certified by the State Board of Elections. If a  
41 State lottery is not approved, Sections 1 through 10 do not become effective.