

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 11

Short Title: 1993 Lottery-With Referendum.

(Public)

Sponsors: Senators Daniel; Perdue, Martin of Guilford, and Jordan.

Referred to: Judiciary I.

January 28, 1993

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR A BINDING REFERENDUM ON THE
3 ESTABLISHMENT OF A NORTH CAROLINA STATE LOTTERY.

4 The General Assembly of North Carolina enacts:

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

7 **"CHAPTER 143C.**
8 **"NORTH CAROLINA STATE LOTTERY.**

9 **"ARTICLE 1.**

10 **"GENERAL PROVISIONS AND DEFINITIONS.**

11 **"§ 143C-101. Citation.**

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

14 **"§ 143C-102. Purpose and intent.**

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

22 **"§ 143C-103. Laws not affected.**

23 Nothing contained in this Chapter shall be construed to repeal or modify any
24 existing State law with respect to gambling. In the event of a conflict between the

1 provisions of this Chapter and any other laws of the State of North Carolina, the
2 provisions of this Chapter shall govern.

3 **"§ 143C-104. Prohibition on use of State funds.**

4 It is the intent of this Chapter that the State-operated lottery established by this
5 Chapter shall be a self-supporting revenue-raising agency of State government.

6 **"§ 143C-105. Public purpose to benefit from lottery.**

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

13 **"§ 143C-106. Allocation of revenues.**

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

26 **"§ 143C-107. Definitions.**

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

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

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

23 §§ 143C-108 and 143C-109: Reserved for future codification purposes.

24 "ARTICLE 2.

25 "NORTH CAROLINA STATE LOTTERY COMMISSION.

26 "§ 143C-110. Creation of Commission.

27 There is created a North Carolina State Lottery Commission.

28 "§ 143C-111. Commission membership; appointment; vacancies; removal.

29 (a) The North Carolina State Lottery Commission shall consist of five members
30 appointed by the Governor subject to confirmation by the General Assembly by joint
31 resolution. The names of the commissioners to be appointed by the Governor shall be
32 submitted by the Governor to the General Assembly on or before May 1 of the year in
33 which the terms for the appointments to be made are to expire. Upon failure of the
34 Governor to submit names as required by this subsection, the President Pro Tempore of
35 the Senate and the Speaker of the House of Representatives jointly shall submit the
36 names of a like number of commissioners to the General Assembly on or before May 15
37 of the same year for confirmation by the General Assembly. Regardless of the way in
38 which names of commissioners are submitted, confirmation of commissioners must be
39 accomplished prior to adjournment of the then current session of the General Assembly.
40 Commissioners shall serve at the pleasure of the Governor.

41 (b) The Commissioners shall be appointed for the following initial terms: one
42 member shall be appointed for a term of two years, one member shall be appointed for a
43 term of three years, one member shall be appointed for a term of four years, and two

1 members shall be appointed for terms of five years. All succeeding appointments shall
2 be for terms of five years.

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

5 (d) Vacancies shall be filled within 30 days of their occurrence by the
6 Governor for the unexpired portion of the term in which they occur.

7 (e) If a vacancy arises or exists when the General Assembly is not in session, the
8 Governor shall appoint a commissioner to serve on an interim basis pending
9 confirmation by the General Assembly at its next session.

10 **"§ 143C-112. Qualifications of Commissioners.**

11 At least one of the Commissioners shall have a minimum of five years experience in
12 law enforcement, and at least one of the other Commissioners shall be a certified public
13 accountant. No person shall be appointed as a Commissioner who has been convicted
14 of a felony.

15 **"§ 143C-113. Compensation and expenses.**

16 Commissioners shall be compensated at the rate of one hundred dollars (\$100.00)
17 for each day engaged in Commission business. Commissioners shall be reimbursed for
18 actual expenses incurred on Commission business, including necessary travel expenses.

19 **"§ 143C-114. Powers and duties of the Commission.**

20 The Commission shall exercise all powers necessary to effectuate the purposes of
21 this Chapter.

22 **"§ 143C-115. Annual selection of chairman.**

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

24 **"§ 143C-116. Meetings; records.**

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

35 **"§ 143C-117. Quorum; voting.**

36 A majority of the total membership of the North Carolina Lottery Commission
37 constitutes a quorum. All decisions of the Commission shall be made by a majority
38 vote.

39 **"§ 143C-118. Reports.**

40 The Commission shall make quarterly and annual reports on the operation of the
41 lottery to the Governor, Attorney General, State Treasurer, and to the General
42 Assembly. The reports shall include full and complete statements of lottery revenues,
43 prize disbursements, expenses, net revenues, and all other financial transactions
44 involving lottery funds.

1 "§ 143C-119: Reserved for future codification purposes.

2 "ARTICLE 3.

3 "NORTH CAROLINA STATE LOTTERY DIRECTOR.

4 "§ 143C-120. Appointment and removal of Director.

5 The Governor shall appoint a Director within 30 days of the effective date of this
6 Chapter. The Director shall direct the operations of the State lottery. The Governor
7 may remove the Director upon notification to the Commission. The Director shall be
8 exempt from the State Personnel Act.

9 "§ 143C-121. Qualifications of the Director.

10 The Director shall be qualified by training and experience to direct the operations of
11 a State-operated lottery. No person shall be appointed Director who has been convicted
12 of a felony.

13 "§ 143C-122. Salary.

14 During the first fiscal year of the operation of the lottery, the Director shall receive
15 compensation as set by the Commission and approved by the Governor. Thereafter the
16 compensation of the Director shall be set by the General Assembly in the Current
17 Operations Appropriations Act. The Director shall render full-time attention to the
18 duties of the office.

19 "§ 143C-123. Duties and powers of the Director.

20 The Director shall perform all duties, exercise all powers, assume and discharge all
21 responsibilities, and carry out and effect all purposes provided by this Chapter. The
22 Director shall act as the Secretary and Executive Officer of the North Carolina State
23 Lottery Commission. The Director shall act in accordance with this Chapter, the rules
24 adopted by the Commission, and under the guidance of the Commission.

25 "§ 143C-124. Power to hire.

26 The Director shall hire, subject to the approval of the Commission, the professional,
27 clerical, technical and administrative personnel needed to carry out the provisions of
28 this Chapter. No person shall be employed by the lottery who has been convicted of a
29 felony. Each person employed by the lottery shall execute an authorization to allow an
30 investigation of his background.

31 "§ 143C-125. Assistant directors.

32 The Director may appoint, and prescribe the duties for, up to four assistant directors.
33 The compensation of each assistant director shall be set by the Commission and shall
34 not exceed the Director's compensation. The Director may designate one of the
35 assistant directors as the deputy director. All employees of the North Carolina State
36 Lottery shall be exempt from the State Personnel Act.

37 "§ 143C-126. Assistant director for security.

38 One of the assistant directors shall be responsible for a security division to assure the
39 security, honesty, fairness, and integrity in the operation and administration of the
40 lottery, including an examination of the background of all prospective employees,
41 lottery vendors, and lottery contractors. The assistant director for security shall be
42 qualified by training and experience, including at least five years of law enforcement
43 experience and knowledge and experience in computer security. The assistant director
44 for security may, in conjunction with the Director, confer with the Attorney General or

1 his designee, to promote and ensure the security, honesty, fairness, and integrity of the
2 operation and administration of the lottery. The assistant director for security, in
3 conjunction with the Director, shall report any alleged violation of law to the
4 appropriate law enforcement authority for further investigation and action. The
5 assistant director for security shall have peace officer status in this State.

6 **"§ 143C-127. Criminal identification information available to lottery; peace officer**
7 **status.**

8 Upon the request of the assistant director for security, the Attorney General and the
9 Secretary of Crime Control and Public Safety shall furnish information to the Director
10 and the assistant director for security, necessary to assure the security, honesty, fairness,
11 and integrity in the operation and administration of the lottery which they have in their
12 possession, including computerized or other information and data. For the purpose of
13 requesting and receiving this information, the State lottery shall be considered to be a
14 'criminal justice agency' and its enforcement agents to be 'peace officers'. State lottery
15 enforcement agents shall have the same authority with respect to service and execution
16 of arrest warrants and search warrants as is conferred on other peace officers of this
17 State.

18 **"§ 143C-128. Coordination with Commission.**

19 The Director shall confer as frequently as necessary, but not less than monthly, with
20 the Commission on the operation and administration of the lottery. The Director shall
21 make available for inspection by the Commission all books, records, files, documents,
22 and other information of the lottery and shall make recommendations for the improved
23 operation and administration of the lottery.

24 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

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

34 **"§ 143C-130. Accountability; books and records.**

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

41 **"§ 143C-131. Monthly financial reports.**

42 The Director shall make a monthly financial report to the Commission, to the
43 Governor, to the State Treasurer, and to the General Assembly. The report shall include

1 a statement of all lottery revenues, prize disbursements, expenses, net revenues, and all
2 other financial transactions involving lottery funds for the preceding month.

3 **"§ 143C-132. Independent study of demographics of lottery players.**

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

10 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

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

19 **"§ 143C-134. Independent audit of lottery security.**

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

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

1 The portion of the security audit report containing the overall evaluation of the lottery in
2 terms of each aspect of security shall be presented to the Commission, to the Governor,
3 and to the General Assembly. The portion of the security audit report containing
4 specific recommendations shall be confidential and shall be presented only to the
5 Director, to the assistant director for security, and to the Commission. Similar audits of
6 security shall be conducted biennially thereafter.

7 §§ 143C-135 through 143C-139: **Reserved for future codification purposes.**

8 **"ARTICLE 4.**

9 **"OPERATION OF LOTTERY.**

10 **"§ 143C-140. Initiation and operation of lottery.**

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

18 **"§ 143C-141. Types of lottery games.**

19 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
20 in the manner prescribed by Chapter 150B of the General Statutes, specifying the types
21 of lottery games to be conducted by the lottery, including but not limited to, instant
22 lotteries, on-line games, and other games traditional to the lottery, provided, however:

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

35 (b) The Commission may authorize the use of any type of lottery game that
36 has been conducted by any state government-operated lottery in the United States
37 including, but not limited to, the sale of instant tickets or shares by electronic computer
38 terminals or devices, or any other type of lottery game that will achieve the revenue
39 objectives of the lottery consistent with the purposes stated in G.S. 143C-102.

40 **"§ 143C-142. Number and value of prizes.**

41 Upon the recommendation of the Director, the Commission shall adopt rules as
42 prescribed by Chapter 150B of the General Statutes that specify the number and value
43 of prizes for winning tickets or shares in each lottery game including cash prizes,
44 merchandise prizes, prizes consisting of deferred payments or annuities, and prizes of

1 tickets or shares in the same lottery game or other lottery games conducted by the
2 lottery, provided:

- 3 (1) In lottery games using tickets with preprinted winners, the overall
4 estimated odds of winning prizes shall be printed on each ticket;
- 5 (2) A detailed tabulation of the estimated number of prizes of each
6 particular prize denomination that are expected to be awarded in each
7 lottery game, or the estimated odds of winning these prizes, shall be
8 available at the offices of the lottery at the time that lottery game is
9 offered for sale to the public; and
- 10 (3) All printed or point of sale advertising promoting the sale of lottery
11 tickets for a particular game shall include the actual or estimated odds
12 of winning that game.

13 **"§ 143C-143. Method of determining winners.**

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

- 18 (1) The drawings shall always be open to the public;
- 19 (2) The drawings shall be witnessed by an independent certified public
20 accountant;
- 21 (3) Any equipment used in the drawings shall be inspected by the
22 independent certified public accountant and an employee of the lottery
23 both before and after the drawings; and
- 24 (4) The drawings and inspections shall be recorded on both video and
25 audio tape.

26 (b) It is the intent of this Chapter that the Commission may authorize the use
27 of any of a variety of existing or future methods or technologies in determining winners.

28 **"§ 143C-144. Sale price of tickets and shares.**

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

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

38 **"§ 143C-145. Validation and payment of prizes.**

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

- 43 (1) For the convenience of the public, lottery retailers may be authorized
44 by the Commission to pay winners of up to an amount appropriate to

1 the lottery game involved, after performing validation procedures on
2 their premises, and with the approval of the Director;

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

4 (3) No prize may be paid arising from claimed tickets or shares that are
5 stolen, counterfeit, altered, fraudulent, unissued, produced or issued in
6 error, unreadable, not received or recorded by the lottery by the
7 applicable deadlines, lacking in captions that conform and agree with
8 the lottery play symbols as appropriate to the lottery game involved, or
9 not in compliance with any additional specific rules and regulations
10 and public or confidential validation and security tests of the lottery
11 appropriate to the particular game involved;

12 (4) No particular prize in any lottery game may be paid more
13 than once, and in the event of a binding determination that more than
14 one claimant is entitled to a particular prize, the sole remedy for
15 these claimants is the award to each of them of a proportionate share
16 in the prize;

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

21 (6) Holders of tickets or shares shall have the right to claim
22 prizes for 120 days after the drawing or the end of the lottery game
23 in which the prize was won. The Commission may define shorter
24 time periods for eligibility for entry into drawings involving entries
25 or finalists. If a valid claim is not made for a prize payable directly
26 by the Commission within the applicable period, the unclaimed prize
27 money will revert to the North Carolina State Lottery Fund;

28 (7) After the expiration of the claim period for prizes for each
29 lottery game, the Commission shall make available a detailed
30 tabulation of the total number of prizes of each prize denomination
31 that were actually claimed and paid directly by the Commission;

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

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

42 **§ 143C-146. Lottery game play rules and winner validation procedures.**

43 All prizes contemplated in each lottery game by its prize structure for a given level
44 of sales shall be paid to the players of the lottery game. Conversely, in order to preserve

1 the fiscal integrity of the lottery and to protect public funds, no prizes shall be paid
2 which are invalid and not contemplated by the prize structure of the lottery game
3 involved. By purchasing a ticket or share in a lottery game, a player agrees to abide by,
4 and be bound by, the lottery's game play rules developed by the Director, and approved
5 by the Commission, to apply to any particular lottery game involved. An abbreviated
6 form of the game play rules may appear on tickets in lottery games using tickets. In
7 particular, a player acknowledges that the determination of whether the player is a
8 winner is subject to the game play rules and the winner validation procedures and
9 confidential validation tests established by the lottery for the particular lottery game
10 involved. The game play rules shall not be considered to be rules or regulations for the
11 purpose of Chapter 150B of the General Statutes.

12 **"§ 143C-147. Distribution of tickets and shares.**

13 (a) Upon the recommendation of the Director, the Commission shall adopt rules
14 as prescribed by Chapter 150B of the General Statutes, specifying the manner of
15 distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or
16 directly to the public, and the incentives, if any, for any lottery employees or lottery
17 retailers engaged in these activities. Notwithstanding any other provisions of this
18 Chapter, no lottery ticket or shares may be sold or resold by any party except at the sales
19 price or value established by the Commission, except as specifically authorized by the
20 Commission. In lottery games using electronic computer terminals or devices, the
21 lottery may employ or engage persons with experience in the repair, maintenance, or
22 operation of comparable equipment.

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

26 **"§§ 143C-148 and 143C-149: Reserved for future codification purposes.**

27 **"ARTICLE 5.**

28 **"LOTTERY GAME RETAILERS.**

29 **"§ 143C-150. Contracting with lottery game retailers.**

30 Upon the recommendation of the Director, the Commission shall adopt rules as
31 prescribed by Chapter 150B of the General Statutes, specifying the terms and conditions
32 for contracting with lottery game retailers to provide adequate and convenient
33 availability of tickets or shares to prospective buyers of each lottery game. The
34 Commission may permit the North Carolina State Lottery to sell tickets and shares
35 directly to the public or to make these sales by any other method authorized by the
36 Commission.

37 **"§ 143C-151. Selection of lottery game retailers.**

38 (a) The Director shall select as lottery game retailers those persons deemed best
39 able to serve the public convenience and to promote the sale of tickets or shares. No
40 natural person under 21 years of age shall be a lottery game retailer. This minimum age
41 does not prohibit employees of a retailer who are under 21 years of age from selling
42 lottery tickets or shares during their employment. In the selection of a lottery game
43 retailer the Director shall consider:

- 44 (1) Financial responsibility;

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

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

11 (b) No person shall be a lottery game retailer who is engaged exclusively in
12 the business of selling lottery tickets or shares. A person lawfully engaged in
13 nongovernmental business on State property or an owner or lessee of premises on which
14 alcoholic beverages are sold may be selected as a lottery game retailer. A civic or
15 fraternal organization may be selected as a lottery game retailer. Political subdivisions
16 or their agencies or departments may be selected as lottery game retailers for sales from
17 their premises. The Director may contract with lottery retailers on a permanent,
18 seasonal, or temporary basis. The lottery may require payment by each lottery game
19 retailer to the lottery of an initial fee or an annual fee, or both, as established by the
20 Commission, to maintain the contract to be a lottery game retailer.

21 **"§ 143C-152. Nonassignability.**

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

23 **"§ 143C-153. Termination of a contract with a lottery game retailer.**

24 The Director may terminate a contract with a lottery game retailer under the
25 provisions for termination included in the contract. These provisions for termination
26 shall include the knowing sale of tickets or shares to any person under the age of 18
27 years.

28 **"§ 143C-154. Compensation for lottery game retailers.**

29 Upon the recommendation of the Director, the Commission shall adopt rules as
30 prescribed by Chapter 150B of the General Statutes, to determine the compensation to
31 be paid to lottery game retailers for their sales of lottery tickets or shares. Until the
32 Commission determines otherwise, the compensation paid to lottery game retailers shall
33 be five percent (5%) of the retail price of the tickets or shares plus an incentive bonus of
34 one percent (1%) based on attainment of sales volume or other objectives specified by
35 the Director for each lottery game. In cases of a lottery game retailer whose rental
36 payments for premises are contractually computed on the basis of a percentage of retail
37 sales, and where the computation of retail sales is not explicitly defined to include sales
38 of tickets or shares in a State lottery, the compensation received by the lottery game
39 retailer from the lottery shall be deemed to be the amount of the retail sale for the
40 purposes of this contractual computation.

41 **"§ 143C-155. Sales to persons under the age of 18.**

42 No tickets or shares in lottery games shall be sold to persons under the age of 18
43 years. Selling tickets or shares to a person under the age of 18 years shall be a
44 misdemeanor. In the case of lottery tickets or shares sold by lottery game retailers or

1 their employees, those persons shall establish safeguards to help assure that sales are not
2 made to natural persons under the age of 18 years. In the case of sales of tickets or
3 shares sold by vending machines, electronic computer terminals, or other devices, the
4 Commission shall establish safeguards to help assure that the vending machines or
5 devices are not operated by natural persons under the age of 18 years. Nothing in this
6 Article shall be construed to prevent any person 18 years or older from giving lottery
7 tickets or shares to another as a gift.

8 **"§ 143C-156. Payment of prize won by person under the age of 18.**

9 If the person entitled to a prize or any winning ticket is under the age of 18 years,
10 and the prize is less than five thousand dollars (\$5,000), the Director may direct
11 payment of the prize by delivery of a check or draft payable to the order of the person
12 under 18 years of age to an adult member of that person's family or to that person's legal
13 guardian. If the person entitled to a prize or any winning ticket is under the age of 18
14 years, and the prize is five thousand dollars (\$5,000) or more, the Director may direct
15 payment to that person by depositing the amount of the prize in any insured depository
16 institution to the credit of an adult member of that person's family, or the legal guardian
17 of the person, as custodian for that person.

18 **"§ 143C-157. Display of certificate of authority.**

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

22 **"§ 143C-158. Bonding.**

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

25 **"§ 143C-159. Lottery game retailer accounting; payments.**

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

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

32 **"ARTICLE 6.**

33 **"LOTTERY VENDORS AND LOTTERY CONTRACTORS.**

34 **"§ 143C-160. Procurements.**

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

43 **"§ 143C-161. Contracts.**

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

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

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

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

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

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

30 **"§ 143C-162. Lottery vendor disclosures for major procurements.**

31 Upon the recommendation of the Director, the Commission shall adopt rules as
32 prescribed by Chapter 150B of the General Statutes, to provide for disclosures by
33 vendors submitting bids, proposals, or offers as part of a major procurement to ensure
34 that the vendors provide all the information necessary to allow for a full and complete
35 evaluation by the lottery of the competence, integrity, background, and character of the
36 lottery vendors. The rules shall require that all lottery vendors submit to the assistant
37 director for security any appropriate investigation authorizations needed to facilitate
38 these investigations.

39 **"§ 143C-163. Compliance with applicable laws.**

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

44 **"§ 143C-164. Performance bond.**

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

6 **"§ 143C-173. Prize payments of the lottery.**

7 As nearly as practical, at least fifty percent (50%) of the total projected revenue as
8 computed on a year-round basis for each lottery game, accruing from the sales of all
9 lottery tickets or shares from that lottery game shall be apportioned for payment of
10 prizes for that lottery game. The North Carolina State Lottery Commission may
11 allocate a larger percentage of the total projected revenue for a lottery game to prizes if
12 it concludes that the total annual net revenue from the lottery game will be enhanced by
13 that prize percentage.

14 **"§ 143C-174. Expenses of the lottery.**

15 Expenses of the lottery shall include:

- 16 (1) The costs incurred in the operation and administration of the
17 lottery, including initial start-up costs;
- 18 (2) The costs resulting from any contracts entered into for the purchase or
19 lease of goods or services required by the lottery;
- 20 (3) The compensation paid to lottery game retailers;
- 21 (4) The cost of supplies, materials, tickets, independent studies, data
22 transmission, advertising, promotion, incentives, public relations,
23 communications, bonding for lottery game retailers, printing, and
24 distribution of tickets and shares;
- 25 (5) The costs of reimbursing other governmental entities for services
26 provided to the lottery; and
- 27 (6) The costs for any other goods and services needed to accomplish the
28 purposes of this Chapter.

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

32 **"§ 143C-175. Transfer of net revenues.**

33 (a) The funds remaining in the North Carolina State Lottery Fund after receipt of
34 all revenues to the North Carolina State Lottery Fund and after accrual of all obligations
35 of the lottery for prizes and expenses shall be deemed to be the net revenues of the
36 lottery.

37 (b) The State Treasurer shall transfer monthly three-fourths of the net proceeds of
38 the North Carolina State Lottery Fund to the Health Access Trust Fund, a special
39 revenue account established within the State treasury.

40 (c) The State Treasurer shall transfer monthly the remaining one-fourth of the net
41 proceeds of the North Carolina State Lottery Fund to the Bonded Indebtedness
42 Retirement Account, a special revenue account established within the State treasury,
43 which shall be used for debt service retirement on general obligation bonds.

44 **"§ 143C-176. Intergovernmental reimbursements for services.**

1 It is the intent of this Chapter that the lottery shall be a self-supporting agency of
2 State government. The North Carolina State Lottery Commission shall reimburse, at a
3 reasonable rate, all other governmental entities for any and all services necessary to
4 effectuate the purposes of this Chapter provided by those governmental entities to the
5 Commission.

6 **"§ 143C-177. Audits.**

7 The State Auditor shall conduct annual postaudits of all accounts and transactions of
8 the Commission and any other special postaudits the State Auditor deems to be
9 necessary. The Auditor or his agents conducting an audit may examine any records of
10 the Commission, its distributing agencies, lottery contractors, and lottery game retailers.

11 **"§§ 143C-178 and 143C-179: Reserved for future codification purposes.**

12 **"ARTICLE 8.**

13 **"MISCELLANEOUS.**

14 **"§ 143C-180. Taxes.**

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

17 **"§ 143C-181. Preemption of local laws.**

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

21 **"§ 143C-182. Lawful activity.**

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

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

28 " (17.1) The North Carolina State Lottery Fund."

29 Sec. 3. If Sections 1 and 2 of this act are approved by the qualified voters in
30 the referendum called for in Section 4 of this act, then the reasonable costs to the State
31 Board of Elections and to the boards of elections of the various counties for the
32 referendum called for by Section 3 of this act and attributable specifically to the
33 question of establishing a North Carolina State Lottery shall be expenses of the lottery
34 pursuant to G.S. 143C-174 and shall be reimbursed to the State Board of Elections and
35 to boards of elections of the various counties from the Lottery Fund.

36 If Sections 1 and 2 of this act are not approved by the qualified voters in the
37 referendum called for in Section 4 of this act, then the State Board of Elections and the
38 boards of elections of the various counties may seek reimbursement from the General
39 Assembly for the reasonable costs of the referendum called for by Section 4 of this act
40 and attributable specifically to the question of establishing a North Carolina State
41 Lottery.

42 Sec. 4. If approved by the qualified voters of the State of North Carolina,
43 Sections 1 and 2 of this act become effective January 1, 1994. The question of the

1 approval of Sections 1 and 2 of this act shall be submitted to the qualified voters of the
2 State of North Carolina at an election on November 2, 1993.

3 The referendum shall be held in accordance with the provisions of Chapter
4 163 of the General Statutes, and the form of the ballot shall be:

5 FOR approval of an act establishing a North Carolina State Lottery.

6 AGAINST approval of an act establishing a North Carolina State
7 Lottery."

8 If less than a majority of the votes are cast in favor of the approval of Sections 1 and 2
9 of this act, they shall have no force or effect.

10 Sec. 5. Nothing in this act shall be construed to obligate the General
11 Assembly to make additional appropriations to implement the provisions of this act.

12 Sec. 6. The North Carolina State Lottery Commission shall determine an
13 estimate of the initial working capital and submit that estimate to the Office of State
14 Budget and Management for approval. After approval is granted by the Office of State
15 Budget and Management, and with the written approval of the State Treasurer, the State
16 Controller shall advance the approved funds by internal borrowing from other available
17 State funds. The terms and conditions of the temporary loan or loans shall be
18 determined by the Office of State Budget and Management.

19 Sec. 7. This act is effective upon ratification.