

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 11  
Judiciary I Committee Substitute Adopted 5/25/93

Short Title: 1993 Lottery-With Referendum.

(Public)

Sponsors:

Referred to: Finance.

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 purposes 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. That new revenue shall be  
20 raised in a manner consistent with the dignity of the State and the general welfare of the  
21 people, and in a manner consistent with effective business practices.

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

1 Except as provided in this Chapter, nothing contained in this Chapter shall be  
2 construed to repeal or modify any existing State law with respect to gambling. In the  
3 event of a conflict between the provisions of this Chapter and any other laws, including  
4 Article 37 of Chapter 14 of the General Statutes, the provisions of this Chapter shall  
5 govern.

6 **"§ 143C-104. Commission a self-supporting agency.**

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

9 **"§ 143C-105. Public purposes to benefit from lottery.**

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

16 **"§ 143C-106. Allocation of revenues.**

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

29 **"§ 143C-107. Definitions.**

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

- 31 (1) 'Commission' means the North Carolina State Lottery Commission, the  
32 five-member body appointed by the Governor pursuant to this Chapter  
33 to oversee the lottery and the Director.
- 34 (2) 'Commissioner' means one of the members of the Commission  
35 appointed pursuant to this Chapter to oversee the lottery.
- 36 (3) 'Director' means the person appointed by the Governor pursuant to this  
37 Chapter as the chief administrator of the Commission.
- 38 (4) 'Game' or 'Lottery game' means any procedure or game authorized by  
39 the Commission whereby prizes are distributed among persons who  
40 have 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 any lottery game or series of games,  
43 established and operated pursuant to this Chapter and authorized by  
44 the Commission.

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

24 "§§ 143C-108 and 143C-109: Reserved for future codification purposes.

25 "ARTICLE 2.

26 "NORTH CAROLINA STATE LOTTERY COMMISSION.

27 "§ 143C-110. Creation of Commission.

28 There is created a North Carolina State Lottery Commission.

29 "§ 143C-111. Commission membership; appointment; vacancies; removal.

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

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

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

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

1 **"§ 143C-112. Qualifications of Commissioners.**

2 At least one of the Commissioners appointed by the Governor shall have a minimum  
3 of five years' experience in law enforcement. At least one of the Commissioners  
4 appointed by the President Pro Tempore of the Senate shall be a certified public  
5 accountant. At least one of the Commissioners appointed by the Speaker of the House  
6 of Representatives shall have retail sales experience. No person shall be appointed as a  
7 Commissioner who has been convicted of a felony.

8 **"§ 143C-113. Compensation and expenses.**

9 The Commissioners shall be compensated at the rate of one hundred dollars  
10 (\$100.00) for each day engaged in Commission business. Commissioners shall be  
11 reimbursed for actual expenses incurred on Commission business, including necessary  
12 travel expenses, in addition to daily compensation.

13 **"§ 143C-114. Powers and duties of the Commission.**

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

18 **"§ 143C-115. Annual selection of chairman.**

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

20 **"§ 143C-116. Meetings; records.**

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

31 **"§ 143C-117. Quorum; voting.**

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

34 **"§ 143C-118. Reports.**

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

40 **"§ 143C-119: Reserved for future codification purposes.**

41 **"ARTICLE 3.**

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

43 **"§ 143C-120. Appointment and removal of Director.**

1       The Governor shall appoint a Director within 30 days of the effective date of this  
2 Chapter. The Director shall direct the operations of the Commission. The Governor  
3 may remove the Director upon notification to the Commission. The Director shall be  
4 exempt from the State Personnel Act.

5 **"§ 143C-121. Qualifications of the Director.**

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

7 **"§ 143C-122. Salary.**

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

13 **"§ 143C-123. Duties and powers of the Director.**

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

19 **"§ 143C-124. Power to hire.**

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

25 **"§ 143C-125. Assistant directors.**

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

31 **"§ 143C-126. Assistant director for security.**

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

1 assistant director for security shall be required to be a sworn law enforcement officer in  
2 this State.

3 **"§ 143C-127. Criminal identification information available to Commission; law**  
4 **enforcement officer status.**

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

15 **"§ 143C-128. Coordination with Commission.**

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

21 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

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

32 **"§ 143C-130. Accountability; books and records.**

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

39 **"§ 143C-131. Monthly financial reports.**

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

44 **"§ 143C-132. Independent study of demographics of lottery players.**

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

7 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

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

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

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

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

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

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

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

5 **"ARTICLE 4.**

6 **"OPERATION OF LOTTERY.**

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

39 **"ARTICLE 5.**

40 **"LOTTERY GAME RETAILERS.**

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

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

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

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

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

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

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

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

35 **"§ 143C-152. Nonassignability.**

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

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

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

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

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

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

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

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

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

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

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

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

34 **"§ 143C-158. Bonding.**

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

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

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

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

1 "ARTICLE 6.

2 "LOTTERY VENDORS AND LOTTERY CONTRACTORS.

3 "§ 143C-160. Procurements.

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

12 "§ 143C-161. Contracts.

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

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

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

42 "§ 143C-162. Lottery vendor disclosures for major procurements.

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

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

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

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

12 **"§ 143C-164. Performance bond.**

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

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

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

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

39 **"ARTICLE 7.**

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

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

42 A special account to be known as the 'North Carolina State Lottery Fund' is created  
43 within the State treasury. The North Carolina State Lottery Fund is continuously

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

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

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

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

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

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

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

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

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

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

27 Expenses of the lottery may include:

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

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

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



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

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

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

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

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

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

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

27 **"§ 143C-175.1. Creation and uses of the Public School Technology Endowment**  
28 **Fund.**

29       (a) Public School Technology Endowment Fund. – The Public School  
30 Technology Endowment Fund is established as a special revenue fund within the State  
31 treasury. The Fund shall be held and managed by the State Treasurer. The State  
32 Treasurer shall invest the assets of the Fund in accordance with G.S. 147-69.2 and G.S.  
33 147-69.3.

34       The State Treasurer shall notify the State Board of Education on an annual basis of  
35 the net earnings of the Fund and those net earnings shall be available for allocation by  
36 the State Board of Education. No part of the principal of the Fund shall be expended,  
37 borrowed, lent, or otherwise used by the General Assembly or any officer, employee, or  
38 agency of the State for any purpose except investment and reinvestment for the purpose  
39 of its augmentation.

40       (b) The net earnings of the Public School Technology Endowment Fund shall be  
41 used to improve student performance in the public schools through the use of learning  
42 technologies. The net earnings of the Fund shall be allocated by the State Board of  
43 Education to local school administrative units on an average daily membership basis.

1 Local school administrative units shall be required to match these funds in  
2 accordance with their ability to pay. In determining ability to pay, the State Board of  
3 Education shall rank the counties from highest to lowest in accordance with the 'county  
4 adjusted property tax base per student' as that term is defined in Section 201.2(d)(2) of  
5 Chapter 689 of the 1991 Session Laws, as amended by Section 47.3 of Chapter 761 of  
6 the 1991 Session Laws and by Section 67 of Chapter 900 of the 1991 Session Laws and  
7 as further amended. Local school administrative units located in counties ranked 1  
8 through 25, from highest to lowest county adjusted property tax base per student, shall  
9 match these funds on the basis of one non-State dollar for every one State dollar. Local  
10 school administrative units located in counties ranked 26 through 50 shall match these  
11 funds on the basis of one non-State dollar for every two State dollars. Local school  
12 administrative units located in counties ranked 51 through 75 shall match these funds on  
13 the basis of one non-State dollar for every three State dollars. Local school  
14 administrative units located in counties ranked 76 through 100 shall match these funds  
15 on the basis of one non-State dollar for every four State dollars. If a local school  
16 administrative unit is located in more than one county, the unit shall match the State  
17 funds at the rate for the county with the lowest ability to pay in which it is located in  
18 part.

19 Funds not expended or encumbered within five years of allocation to a local school  
20 administrative unit shall be reallocated by the State Board of Education to local school  
21 administrative units on an average daily membership basis.

22 These funds shall be not be allocated by the State Board of Education until the  
23 General Assembly enacts directions and limitations, after consideration of the  
24 requirements analysis prepared and the plan developed for the General Assembly by the  
25 Commission on School Technology, if the Commission on School Technology is  
26 created by the General Assembly.

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

30 The State Board of Education shall report annually to the Governor and the General  
31 Assembly on the grants it has made from the net earnings of the Public School  
32 Technology Endowment Fund for the previous year.

33 **"§ 143C-175.2. Creation of the Community College Technology Endowment Fund;**  
34 **uses of the net earnings of the Fund.**

35 (a) Community College Technology Endowment Fund. – The Community  
36 College Technology Endowment Fund is established as a special revenue fund within  
37 the State treasury. The Fund shall be held and managed by the State Treasurer. The  
38 State Treasurer shall invest the assets of the Fund in accordance with G.S. 147-69.2 and  
39 G.S. 147-69.3.

40 The State Treasurer shall notify the State Board of Community Colleges on a  
41 quarterly basis of the net earnings of the Fund and those net earnings shall be available  
42 for allocation by the State Board of Community Colleges. No part of the principal of  
43 the Fund shall be expended, borrowed, lent, or otherwise used by the General Assembly

1 or any officer, employee, or agency of the State for any purpose except investment and  
2 reinvestment for the purpose of its augmentation.

3 (b) The net earnings of the Community College Technology Endowment Fund  
4 shall be used to provide grants to community colleges to purchase educational  
5 technology and instructional equipment. The net earnings of the Fund shall be allocated  
6 by the State Board of Community Colleges. A community college may submit an  
7 application to the State Board for a grant from the net earnings of the Fund. Two or  
8 more community colleges may submit a joint application for educational technology or  
9 instructional equipment to be used jointly by them in offering a regional program. An  
10 application shall include all of the following:

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

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

18 (3) The amount of the grant requested.

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

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

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

30 The State Board of Community Colleges shall report annually to the Governor and  
31 the General Assembly on the grants it has made from the net earnings of the  
32 Community College Technology Endowment Fund for the previous year.

33 **"§ 143C-175.3. Creation and uses of the University Technology Endowment Fund.**

34 (a) University Technology Endowment Fund. – The University Technology  
35 Endowment Fund is established as a special revenue fund within the State treasury. The  
36 Fund shall be held and managed by the State Treasurer. The State Treasurer shall invest  
37 the assets of the Fund in accordance with G.S. 147-69.2 and G.S. 147-69.3.

38 The State Treasurer shall notify the Board of Governors of The University of North  
39 Carolina on a quarterly basis of the net earnings of the Fund and those net earnings shall  
40 be available for allocation by the Board of Governors. No part of the principal of the  
41 Fund shall be expended, borrowed, lent, or otherwise used by the General Assembly or  
42 any officer, employee, or agency of the State for any purpose except investment and  
43 reinvestment for the purpose of its augmentation.

1       (b) The net earnings of the University Technology Endowment Fund shall be  
2 used to provide grants to constituent institutions and other affiliated institutions of The  
3 University of North Carolina to purchase educational technology and instructional  
4 equipment. The net earnings of the Fund shall be allocated by the Board of Governors  
5 of The University of North Carolina. A constituent institution or other affiliated  
6 institution of The University of North Carolina may submit an application to the Board  
7 of Governors for a grant from the net earnings of the Fund. Two or more institutions  
8 may submit a joint application for educational technology or instructional equipment to  
9 be used jointly by them in offering a program. An application shall include all of the  
10 following:

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

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

24       (c) The State Treasurer shall report annually to the Governor and the General  
25 Assembly on the experience of the University Technology Endowment Fund for the  
26 previous year and on its year-end status.

27       The Board of Governors of The University of North Carolina shall report annually to  
28 the Governor and the General Assembly on the grants it has made from the net earnings  
29 of the University Technology Endowment Fund for the previous year.

30 **"§ 143C-176. Intergovernmental reimbursements for services.**

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

35 **"§ 143C-177. Audits.**

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

41 **"§§ 143C-178 and 143C-179: Reserved for future codification purposes.**

42 **"ARTICLE 8.**

43 **"MISCELLANEOUS.**

44 **"§ 143C-180. Taxes.**

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

3 **"§ 143C-181. Preemption of local regulation.**

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

8 **"§ 143C-182. Lawful activity.**

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

14 Sec. 2. G.S. 147-69(a) is amended by adding four new subdivisions to read:

15 "(17a) The North Carolina State Lottery Fund.

16 (17b) The Public School Technology Endowment Fund.

17 (17c) The Community College Technology Endowment Fund.

18 (17d) The University Technology Endowment Fund."

19 Sec. 3. If Sections 1 and 2 of this act are approved by the qualified voters in  
20 the referendum called for in Section 4 of this act, then the reasonable costs to the State  
21 Board of Elections and to the boards of elections of the various counties for the  
22 referendum called for by Section 3 of this act and attributable specifically to the  
23 question of establishing a North Carolina State Lottery Commission, other than  
24 expenses that would have been incurred for an election held on that date, shall be  
25 expenses of the North Carolina State Lottery Fund pursuant to G.S. 143C-174 and shall  
26 be reimbursed to the State Board of Elections and to boards of elections of the various  
27 counties from the North Carolina State Lottery Fund.

28 If Sections 1 and 2 of this act are not approved by the qualified voters in the  
29 referendum called for in Section 4 of this act, then the State Board of Elections and the  
30 boards of elections of the various counties may seek reimbursement from the General  
31 Assembly for the reasonable costs of the referendum called for by Section 4 of this act  
32 and attributable specifically to the question of establishing a North Carolina State  
33 Lottery Commission.

34 Sec. 4. If approved by the qualified voters of the State of North Carolina,  
35 Sections 1 and 2 of this act become effective January 1, 1994. The question of the  
36 approval of Sections 1 and 2 of this act shall be submitted to the qualified voters of the  
37 State of North Carolina at an election on November 2, 1993.

38 The referendum shall be held in accordance with the provisions of Chapter  
39 163 of the General Statutes, and the form of the ballot shall be:

40  FOR approval of an act authorizing the establishment of a North  
41 Carolina State Lottery.

42  AGAINST approval of an act authorizing the establishment of a North  
43 Carolina State Lottery."

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

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

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

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