

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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HOUSE BILL 1

Short Title: Lottery for Education/Infrastructure.

(Public)

Sponsors: Representatives Owens; and Tolson.

Referred to: Rules, Calendar, and Operations of the House.

January 25, 2001

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH A STATE LOTTERY TO PROVIDE FUNDS FOR
3 EDUCATION AND INFRASTRUCTURE IMPROVEMENTS.

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 143D.**

8 **"North Carolina State Lottery.**

9 **"Article 1.**

10 **"General Provisions and Definitions.**

11 **"§ 143D-101. Citation.**

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

14 **"§ 143D-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 through the implementation of a State-operated lottery without the imposition of
18 additional or increased taxes. The lottery shall be initiated at the earliest practical time,
19 and it shall be operated to maximize new revenue to the State. That new revenue shall
20 be raised in a manner consistent with the dignity of the State and the general welfare of
21 the people and in a manner consistent with effective business practices.

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

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

26 **"§ 143D-104. Commission a self-supporting agency.**

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

1 **"§ 143D-105. Public purposes to benefit from lottery.**

2 The net revenues of the lottery shall be used to benefit the public purposes set forth
3 in G.S. 143D-175. It is the intent of this Chapter that the net revenues generated by the
4 lottery established by this Chapter shall not supplant revenues already expended or
5 projected to be expended for those public purposes and that lottery net revenues shall
6 supplement rather than be used as substitute funds for the total amount of money
7 allocated for those public purposes.

8 **"§ 143D-106. Allocation of revenues.**

9 (a) As nearly as practical, revenues shall be allocated in the following manner:

10 (1) At least fifty percent (50%) of the total annual revenues, as described
11 in this Chapter, shall be returned to the public in the form of prizes as
12 described in this Chapter.

13 (2) At least thirty-four percent (34%) of the total annual revenues, as
14 described in this Chapter, shall be used for the public purposes
15 described in G.S. 143D-175.

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

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

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

25 (1) To increase prize payments; or

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

27 **"§ 143D-107. Definitions.**

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

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

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

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

34 (4) 'Game' or 'lottery game' means any procedure or game authorized by
35 the Commission whereby prizes are distributed among persons who
36 have paid, or unconditionally agreed to pay, for tickets or shares that
37 provide the opportunity to win these prizes.

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

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

- 1 (7) 'Major procurement' means a procurement for a contract for (i) the
2 printing of instant tickets or the provision of shares for use in any
3 lottery game, (ii) any goods or services involving the receiving or
4 recording of selections in any lottery game, (iii) any goods or services
5 involving the determination or generation of winners in any lottery
6 game, or (iv) any goods and services involving warehousing,
7 telemarketing, and distribution of instant games.
- 8 (8) 'Person' means any natural person or corporation, limited liability
9 company, trust, association, partnership, joint venture, subsidiary, or
10 other business entity.
- 11 (9) 'Retailer', 'lottery retailer', or 'lottery game retailer' means a person (i)
12 who is licensed by the Commission to sell tickets or shares in lottery
13 games to the public and (ii) with whom the Commission has
14 contracted.
- 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 Commission to
19 prove 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 Commission.

23 **"§§ 143D-108 and 143D-109:** Reserved for future codification purposes.

24 "Article 2.

25 "North Carolina State Lottery Commission.

26 **"§ 143D-110. Creation of Commission.**

27 There is created a North Carolina State Lottery Commission.

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

29 (a) The Commission shall consist of nine members, five of whom shall be
30 appointed by the Governor, two of whom shall be appointed by the General Assembly
31 upon the recommendation of the President Pro Tempore of the Senate, and two of
32 whom shall be appointed by the General Assembly upon the recommendation of the
33 Speaker of the House of Representatives.

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

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

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

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

5 **"§ 143D-112. Qualifications of Commissioners.**

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

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

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

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

16 **"§ 143D-113. Compensation and expenses.**

17 (a) Commissioners shall be compensated at the rate of one hundred dollars
18 (\$100.00) for each day engaged in Commission business.

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

21 **"§ 143D-114. Powers and duties of the Commission.**

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

26 **"§ 143D-115. Annual selection of chairman.**

27 The initial chairman shall be selected, and thereafter the Commission shall annually
28 select a chairman from its membership.

29 **"§ 143D-116. Meetings; records.**

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

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

34 (c) The Commission shall meet with the Director at least quarterly to make
35 recommendations and set policy, to approve or reject reports of the Director, to adopt
36 rules in accordance with Chapter 150B of the General Statutes, and to transact any other
37 business that may properly be brought before it. Regular meetings shall be held no more
38 often than monthly, unless required by an emergency.

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

42 **"§ 143D-117. Quorum; voting.**

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

1 **"§ 143D-118. Reports.**

2 The Commission shall make quarterly and annual reports on the operations of the
3 Commission to the Governor, Attorney General, State Treasurer, and to the General
4 Assembly. The reports shall include full and complete statements of lottery revenues,
5 prize disbursements, expenses, net revenues, and all other financial transactions
6 involving lottery funds.

7 **"§ 143D-119:** Reserved for future codification purposes.

8 "Article 3.

9 "North Carolina State Lottery Director.

10 **"§ 143D-120. Appointment and removal of Director.**

11 The Governor shall appoint a Director within 30 days of the effective date of this
12 Chapter. The Director shall direct the operations of the Commission. The Governor may
13 remove the Director upon notification to the Commission. The Director shall be exempt
14 from the State Personnel Act.

15 **"§ 143D-121. Qualifications of the Director.**

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

17 **"§ 143D-122. Salary.**

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

23 **"§ 143D-123. Duties and powers of the Director.**

24 The Director shall perform all duties, exercise all powers, assume and discharge all
25 responsibilities, and carry out and affect all purposes provided by this Chapter. The
26 Director shall act as the Secretary and Executive Officer of the Commission. The
27 Director shall act in accordance with this Chapter, the rules adopted by the Commission,
28 and under the guidance of the Commission.

29 **"§ 143D-123.1. Tax-related duties.**

30 The Director shall:

- 31 (1) Provide for federal income tax to be withheld from a lottery game
32 prize as required by section 3402 of the Internal Revenue Code.
33 (2) Provide for State income tax in the amount of seven percent (7%) of a
34 lottery game prize to be withheld from a prize from which federal
35 income tax is required to be withheld.
36 (3) Report to the Secretary of Revenue the payment of a lottery game
37 prize that must be reported to the Internal Revenue Service under
38 section 3402 of the Internal Revenue Code.

39 **"§ 143D-124. Power to hire and procure services.**

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

1 Commission shall execute an authorization to allow an investigation of the person's
2 background.

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

6 **"§ 143D-125. Assistant directors.**

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

11 **"§ 143D-126. Assistant director for security.**

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

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

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

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

28 **"§ 143D-127. Criminal identification information available to Commission; law**
29 **enforcement officer status.**

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

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

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

42 **"§ 143D-128. Coordination with Commission.**

43 The Director shall confer as frequently as necessary, but not less than quarterly, with
44 the Commission on the operation and administration of the Commission. The Director

1 shall make available for inspection by the Commission all books, records, files,
2 documents, and other information of the lottery and shall make recommendations for
3 the improved operation and administration of the Commission and lottery games.

4 **"§ 143D-129. Study of lottery systems; recommendations for improvement.**

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

15 **"§ 143D-130. Accountability; books and records.**

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

22 **"§ 143D-131. Monthly financial reports.**

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

28 **"§ 143D-132. Independent study of demographics of lottery players.**

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

35 **"§ 143D-133. Independent study of effectiveness of lottery communications.**

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

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

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

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

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

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

10 (1) Personnel security.

11 (2) Lottery game retailer security.

12 (3) Lottery contractor security.

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

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

16 (6) Computer security.

17 (7) Data communications security.

18 (8) Database security.

19 (9) Systems security.

20 (10) Commission premises and warehouse security.

21 (11) Security in distribution.

22 (12) Security involving validation and payment procedures.

23 (13) Security involving unclaimed prizes.

24 (14) Security aspects applicable to each particular lottery game.

25 (15) Security of drawings in games where winners are determined by
26 drawings of numbers.

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

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

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

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

36 **"§§ 143D-135 through 143D-139: Reserved for future codification purposes.**

37 "Article 4.

38 "Operation of Lottery.

39 **"§ 143D-140. Initiation and operation of lottery.**

40 The Commission shall initiate operation of lottery games at the earliest feasible and
41 practical time but within 180 days of approval of the referendum. The lottery games
42 shall be initiated and shall continue to be operated so as to produce the maximum
43 amount of net revenues to benefit the public purposes described in this Chapter
44 consistent with the purposes stated in G.S. 143D-102. Other departments, boards,

1 commissions, and agencies of the State and their officers shall cooperate with the
2 Commission to aid the Commission in fulfilling these objectives.

3 **"§ 143D-141. Types of lottery games.**

4 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
5 in the manner prescribed by Chapter 150B of the General Statutes, specifying the types
6 of lottery games to be conducted by the Commission including, but not limited to,
7 instant lotteries, on-line games, games played on computer terminals or other devices,
8 and other games traditional to the lottery. The rules adopted by the Commission,
9 pursuant to this section, shall provide for all of the following:

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

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

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

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

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

43 The guidelines shall require:

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

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

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

25 **"§ 143D-143. Method of determining winners.**

26 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
27 as prescribed by Chapter 150B of the General Statutes, that specify the method for
28 determining winners in a lottery game. If a lottery game uses a weekly drawing of
29 winning numbers, a drawing among entries, or a drawing among finalists, all of the
30 following conditions shall be met:

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

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

41 **"§ 143D-144. Sale price of tickets and shares.**

42 Upon the recommendation of the Director, the Commission shall adopt rules, as
43 prescribed by Chapter 150B of the General Statutes, specifying the retail sales price for

1 tickets or shares for lottery games. The rules adopted pursuant to this section shall
2 provide for all of the following:

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

9 **"§ 143D-145. Validation and payment of prizes.**

10 Upon the recommendation of the Director, the Commission shall adopt rules, as
11 prescribed by Chapter 150B of the General Statutes, to establish a system of verifying
12 the validity of tickets or shares claimed to win prizes and to effect payment of those
13 prizes. The rules adopted pursuant to this section shall provide for all of the following:

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

1 to increase prize payments for future games, or may revert to the North
2 Carolina State Lottery Fund.

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

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

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

17 **§ 143D-146. Lottery game-play rules and winner validation procedures.**

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

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

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

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

33 **§ 143D-147. Distribution of tickets and shares.**

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

43 (b) The Commission may enter into agreements with other states for the
44 operation and promotion of multistate lotteries consistent with the purposes set forth in

1 G.S. 143D-102. The claim period for prizes may vary if required by multistate
2 agreements.

3 "§§ 143D-148 and 143D-149: Reserved for future codification purposes.

4 "Article 5.

5 "Lottery Game Retailers.

6 "§ 143D-150. Contracting with lottery game retailers.

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

13 "§ 143D-151. Selection of lottery game retailers.

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

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

20 (c) In the selection of a lottery game retailer, the Director or the Commission
21 shall consider all of the following:

22 (1) Financial responsibility.

23 (2) Accessibility of the place of business or activity to the public.

24 (3) Security of the premises.

25 (4) Integrity.

26 (5) Reputation.

27 (6) The sufficiency of existing lottery game retailers for any particular
28 lottery game to serve the public convenience.

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

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

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

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

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

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

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

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

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

7 **"§ 143D-152. Nonassignability.**

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

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

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

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

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

18 (b) The amount of compensation paid to lottery game retailers for their sales of
19 lottery tickets or shares shall be six percent (6%) of the retail price of the tickets or
20 shares for each lottery game. The Commission may authorize an incentive bonus of up
21 to one percent (1%) based on attainment of sales volume or other objectives specified
22 by the Director for each lottery game.

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

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

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

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

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

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

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

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

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

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

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

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

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

18 **"§ 143D-158. Bonding.**

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

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

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

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

28 "Article 6.

29 "Lottery Vendors and Lottery Contractors.

30 **"§ 143D-160. Procurements.**

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

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

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

41 **"§ 143D-161. Contracts.**

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

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

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

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

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

17 **(1)** The vendor to whom the contract is to be awarded.

18 **(2)** Any parent or subsidiary corporation of the vendor to whom the
19 contract is to be awarded.

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

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

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

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

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

32 **"§ 143D-162. Lottery vendor disclosures for major procurements.**

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

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

42 **"§ 143D-163. Compliance with applicable laws.**

43 Each lottery contractor shall perform its contract consistent with the laws of this
44 State, federal law, and laws of the state or states in which the lottery contractor is

1 performing or producing, in whole or in part, any of the goods or services contracted
2 for.

3 **"§ 143D-164. Performance bond.**

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

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

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

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

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

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

33 "Article 7.

34 "North Carolina State Lottery Fund.

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

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

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

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

- 42 (1) All proceeds from the sale of lottery tickets or shares.
- 43 (2) The funds for initial start-up costs provided by the State.
- 44 (3) All other monies credited to the Commission from any source.

1 **"§ 143D-172. Types of disbursements from the North Carolina State Lottery**
2 **Fund.**

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

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

10 **"§ 143D-173. Prize payments of the lottery.**

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

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

18 **"§ 143D-174. Expenses of the lottery.**

19 (a) Expenses of the lottery may include any of the following:

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

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

36 **"§ 143D-175. Transfer of net revenues.**

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

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

- 42 (1) Twenty-five percent (25%) of the remaining net revenues of the
43 Lottery Fund shall be used to fund the Education Improvement
44 Scholarship Program, provided for in the legislation to be enacted by

1 the General Assembly pursuant to G.S. 143D-175.1, shall be
2 transferred annually to the Board of Governors of The University of
3 North Carolina and to the Department of Community Colleges to be
4 used for Education Improvement Scholarships at the constituent
5 institutions of The University of North Carolina, private institutions of
6 higher education, and at the State's community colleges.

7 (2) Twenty-five percent (25%) of the remaining net revenues of the
8 Lottery Fund shall be used for public education technology needs.

9 (3) Twenty-five percent (25%) of the remaining net revenues of the
10 Lottery Fund shall be distributed annually to the counties on an
11 equitable basis to fund water and sewer infrastructure improvements.

12 (4) Twenty-five percent (25%) of the remaining net revenues of the
13 Lottery Fund shall be used for prekindergarten programs for at risk
14 children.

15 **"§ 143D-175.1. Education Improvement Scholarship Task Force.**

16 (a) There is created an Education Improvement Scholarship Task Force which
17 shall consist of the Governor, or his designated representative, the Lieutenant Governor,
18 or his designated representative, the President of The University of North Carolina, the
19 President of the North Carolina Community College System, the Chair of the State
20 Board of Education, the President of the North Carolina Association of Independent
21 Colleges and Universities, three Senators appointed by the President Pro Tempore of the
22 Senate, and three Representatives appointed by the Speaker of the House of
23 Representatives.

24 (b) The Education Improvement Scholarship Task Force shall study programs
25 providing scholarships based solely on academic achievement in other states and shall
26 report the results of this study, along with the legislation necessary to implement the
27 program required by G.S. 143D-175(b)(1) in North Carolina. The Education
28 Improvement Scholarship Task Force shall consider scholarship program options
29 including:

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

34 (2) Grants of two thousand five hundred dollars (\$2,500) per year to all
35 students who have received a high school diploma or its equivalent in
36 this State with an 'A' or a 'B' average who attend any private university
37 or college.

38 (3) Scholarships not based on need. The Task Force shall recommend a
39 program providing for full scholarships for otherwise qualifying
40 students whose family net income available for funding higher
41 education based on current financial standards for scholarship is one
42 hundred thousand dollars (\$100,000) or less. Scholarships could be
43 reduced as qualifying family income increases above one hundred
44 thousand dollars (\$100,000) so that otherwise qualifying students

1 whose qualifying family income exceeds one hundred fifty thousand
2 dollars (\$150,000) could receive a scholarship of one thousand dollars
3 (\$1,000) per year.

4 (4) Developing procedures for all of the following:

5 a. Weighting high school grades to ensure the fairness.

6 b. Weighting high school grades to take into account any grade
7 inflation.

8 c. Assessing students who are home schooled.

9 (5) Developing a procedure for the payment of the scholarships to the
10 institutions of higher education and for monitoring recipients of the
11 scholarships to ensure that they remain eligible for the support based
12 on successful progress toward the receipt of a degree.

13 (6) Any other procedures necessary to implement the program.

14 (c) The Task Force shall also provide to the General Assembly:

15 (1) A plan, should sufficient funds become available, to expand the
16 scholarship program to supplement existing scholarship programs for
17 needy students or to expand the coverage of the program to all students
18 receiving a diploma or its equivalent from a high school in North
19 Carolina; and

20 (2) A plan for the prorating funds if insufficient funds are available to
21 fund scholarships for all eligible students.

22 (d) The University of North Carolina shall provide the Task Force with
23 administrative and expert assistance in accomplishing the study and in the preparation
24 of implementing legislation required by this section.

25 (e) The Task Force's report shall be submitted to the Speaker of the House of
26 Representatives and the President Pro Tempore of the Senate no later than the first day
27 of the next regular session of the General Assembly immediately following the effective
28 date of this Chapter.

29 **"§ 143D-176. Intergovernmental reimbursements for services.**

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

34 **"§ 143D-177. Audits.**

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

40 **"§§ 143D-178 and 143D-179: Reserved for future codification purposes.**

41 "Article 8.

42 "Miscellaneous.

43 **"§ 143D-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 **"§ 143D-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 **"§ 143D-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 **SECTION 2.** G.S. 147-69.2(a) is amended by adding a new subdivision to
15 read:

16 "(17d) The North Carolina State Lottery Fund."

17 **SECTION 3.** G.S. 105-134.5(b) reads as rewritten:

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

27 **SECTION 4.** G.S. 105-163.1(13) reads as rewritten:

28 "(13) Wages. -- The term has the same meaning as in section 3401 of the
29 Code except it does not include either of the following:

- 30 a. The amount of severance wages paid to an employee during the
31 taxable year that is exempt from State income tax for that
32 taxable year under G.S. 105-134.6(b)(11).
- 33 b. The amount an employer pays an employee as reimbursement
34 for ordinary and necessary expenses incurred by the employee
35 on behalf of the employer and in the furtherance of the business
36 of the employer.

37 Wages also includes the amount of proceeds from gambling activities
38 as defined in section 3402 of the Code."

39 **SECTION 5.(a)** G.S. 14-289 reads as rewritten:

40 **"§ 14-289. Advertising lotteries.**

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

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

4 **SECTION 5.(b)** G.S. 14-290 reads as rewritten:

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

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

21 **SECTION 5.(c)** G.S. 14-291 reads as rewritten:

22 **"§ 14-291. Selling lottery tickets and acting as agent for lotteries.**

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

29 **SECTION 5.(d)** G.S. 14-291.1 reads as rewritten:

30 **"§ 14-291.1. Selling 'numbers' tickets; possession prima facie evidence of violation.**

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

40 **SECTION 5.(e)** G.S. 14-292 reads as rewritten:

41 **"§ 14-292. Gambling.**

42 Except as provided in Chapter 143D of the General Statutes or in Part 2 of this
43 Article, any person or organization that operates any game of chance or any person who
44 plays at or bets on any game of chance at which any money, property or other thing of

1 value is bet, whether the same be in stake or not, shall be guilty of a Class 2
2 misdemeanor."

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

4 "**§ 14-293. Allowing gambling in houses of public entertainment; penalty.**

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

19 **SECTION 5.(g)** G.S. 14-299 reads as rewritten:

20 "**§ 14-299. Property exhibited by gamblers to be seized; disposition of same.**

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

37 **SECTION 6.** Chapter 14 of the General Statutes is amended by adding the
38 following new section to read:

39 "**§ 14-309.2. Part does not apply to State lottery.**

40 The provisions of this Part shall not apply to the State lottery established in Chapter
41 143D of the General Statutes."

42 **SECTION 7.** G.S. 120-123 is amended by adding a new subdivision at the
43 end to read:

1 "(75) The North Carolina State Lottery Commission, as established by
2 Chapter 143D of the General Statutes."

3 **SECTION 8.** G.S. 150B-2(8a) is amended by adding a new sub-subdivision
4 to read:

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

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

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

17 **SECTION 11.** The question of whether North Carolina should have a State
18 lottery shall be submitted to the qualified voters of the State at an election on the
19 question held at the next statewide primary, general, or special election which election
20 shall be conducted under the laws then governing elections in the State. Ballots, voting
21 systems, or both may be used in accordance with Chapter 163 of the General Statutes.
22 The question to be used in the voting systems and ballots shall be:

23 " FOR a State Lottery. AGAINST a State Lottery."

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

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

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