

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 918

Short Title: 1997 Lottery for Education.

(Public)

Sponsors: Representatives Fox; Adams, Alexander, Allred, Baddour, Bonner, Cole, Culp, Earle, Gamble, Hardaway, Hightower, H. Hunter, Hurley, Kinney, McAllister, McCrary, Michaux, Miller, Mosley, Oldham, Owens, Preston, Tolson, Wainwright, Warner, Wilkins, Womble, and Wright.

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

April 10, 1997

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

4 The General Assembly of North Carolina enacts:

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

6 **"Chapter 143C.**

7 **"North Carolina State Lottery.**

8 **"ARTICLE 1.**

9 **"General Provisions and Definitions.**

10 **"§ 143C-101. Citation.**

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

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

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

1 and it shall be operated to maximize new revenue to the State. That new revenue shall be
2 raised in a manner consistent with the dignity of the State and the general welfare of the
3 people, and in a manner consistent with effective business practices.

4 **"§ 143C-103. Laws not affected.**

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

8 **"§ 143C-104. Commission a self-supporting agency.**

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

11 **"§ 143C-105. Public purposes to benefit from lottery.**

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

18 **"§ 143C-106. Allocation of revenues.**

19 (a) As nearly as practical:

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

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

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

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

32 (c) To the extent that the expenses of the Commission are less than sixteen percent
33 (16%) of total annual revenues, any surplus funds may be allocated, in any proportion:

34 (1) To increase prize payments; or

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

36 **"§ 143C-107. Definitions.**

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

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

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

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

- 1 (4) 'Game' or 'lottery game' means any procedure or game authorized by the
2 Commission whereby prizes are distributed among persons who have
3 paid, or unconditionally agreed to pay, for tickets or shares that provide
4 the opportunity to win these prizes.
- 5 (5) 'Lottery' or 'State lottery' means any lottery game or series of games
6 established and operated pursuant to this Chapter and authorized by the
7 Commission.
- 8 (6) 'Lottery contractor' means a person with whom the Commission has
9 contracted for the purpose of providing goods or services to the
10 Commission.
- 11 (7) 'Major procurement' means a procurement for a contract for (i) the
12 printing of instant tickets or the provision of shares for use in any lottery
13 game, (ii) any goods or services involving the receiving or recording of
14 selections in any lottery game, (iii) any goods or services involving the
15 determination or generation of winners in any lottery game, or (iv) any
16 goods and services involving warehousing, telemarketing, and
17 distribution of instant games.
- 18 (8) 'Person' means any natural person or corporation, limited liability
19 company, trust, association, partnership, joint venture, subsidiary, or
20 other business entity.
- 21 (9) 'Retailer', 'lottery retailer', or 'lottery game retailer' means a person (i)
22 who is licensed by the Commission to sell tickets or shares in lottery
23 games to the public and (ii) with whom the Commission has contracted.
- 24 (10) 'Share' means any method of participation in a lottery game, other than
25 by a ticket purchased on an equivalent basis with a ticket, whether
26 presently contemplated or developed in the future.
- 27 (11) 'Ticket' means any tangible evidence issued by the Commission to prove
28 participation in a lottery game.
- 29 (12) 'Vendor' or 'lottery vendor' means any person who submits a bid,
30 proposal, or offer as part of a procurement for a contract for goods or
31 services for the Commission.

32 **"§§ 143C-108 and 143C-109: Reserved for future codification purposes.**

33 **"ARTICLE 2.**

34 **"North Carolina State Lottery Commission.**

35 **"§ 143C-110. Creation of Commission.**

36 There is created the North Carolina State Lottery Commission.

37 **"§ 143C-111. Commission membership; appointment; vacancies; removal.**

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

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

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

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

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

15 **"§ 143C-112. Qualifications of Commissioners.**

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

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

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

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

26 **"§ 143C-113. Compensation and expenses.**

27 (a) Commissioners shall be compensated at the rate of one hundred dollars
28 (\$100.00) for each day engaged in Commission business.

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

31 **"§ 143C-114. Powers and duties of the Commission.**

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

35 **"§ 143C-115. Annual selection of chairman.**

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

37 **"§ 143C-116. Meetings; records.**

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

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

42 (c) The Commission shall meet with the Director at least quarterly to make
43 recommendations and set policy, to approve or reject reports of the Director, to adopt

1 rules in accordance with Chapter 150B of the General Statutes, and to transact any other
2 business that may properly be brought before it. Regular meetings shall be held no more
3 often than monthly, unless required by an emergency.

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

7 **"§ 143C-117. Quorum; voting.**

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

10 **"§ 143C-118. Reports.**

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

16 **"§ 143C-119: Reserved for future codification purposes.**

17 "ARTICLE 3.

18 "North Carolina State Lottery Director.

19 **"§ 143C-120. Appointment and removal of Director.**

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

24 **"§ 143C-121. Qualifications of the Director.**

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

26 **"§ 143C-122. Salary.**

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

32 **"§ 143C-123. Duties and powers of the Director.**

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

38 **"§ 143C-124. Power to hire and procure services.**

39 (a) The Director shall hire, subject to the approval of the Commission, the
40 professional, clerical, technical, and administrative personnel needed to carry out the
41 provisions of this Chapter. No person shall be employed by the Commission who has
42 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 **"§ 143C-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 not
9 exceed the Director's compensation. The Director may designate one of the assistant
10 directors as the deputy director.

11 **"§ 143C-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 experience
19 including at least five years of law enforcement experience and knowledge and
20 experience in computer security.

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

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

28 **"§ 143C-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 of
35 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 'law
38 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 on
41 other law enforcement officers of this State.

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

1 The Director shall confer as frequently as necessary, but not less than quarterly, with
2 the Commission on the operation and administration of the Commission. The Director
3 shall make available for inspection by the Commission all books, records, files,
4 documents, and other information of the lottery and shall make recommendations for the
5 improved operation and administration of the Commission and lottery games.

6 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

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

17 **"§ 143C-130. Accountability; books and records.**

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

24 **"§ 143C-131. Monthly financial reports.**

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

30 **"§ 143C-132. Independent study of demographics of lottery players.**

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

37 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

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

41 (b) After the first full year of sales of tickets or shares to the public, the Director
42 shall engage an independent firm experienced in the analysis of advertising, promotion,
43 public relations, and other aspects of communications to conduct a special study of the

1 effectiveness of the communications activities undertaken by the Commission and make
2 recommendations to the Commission on the future conduct and future rate of
3 expenditures for these activities. This report shall be presented to the Commission, to the
4 Governor, and to the General Assembly.

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

6 **"§ 143C-134. Independent audit of lottery security.**

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

12 (1) Personnel security;

13 (2) Lottery game retailer security;

14 (3) Lottery contractor security;

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

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

18 (6) Computer security;

19 (7) Data communications security;

20 (8) Database security;

21 (9) Systems security;

22 (10) Commission premises and warehouse security;

23 (11) Security in distribution;

24 (12) Security involving validation and payment procedures;

25 (13) Security involving unclaimed prizes;

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

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

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

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

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

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

38 **"§§ 143C-135 through 143C-139: Reserved for future codification purposes.**

39 "ARTICLE 4.

40 "Operation of Lottery.

41 **"§ 143C-140. Initiation and operation of lottery.**

42 The Commission shall initiate operation of lottery games at the earliest feasible and
43 practical time but within 180 days of approval of the referendum. The lottery games shall

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

6 **"§ 143C-141. Types of lottery games.**

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

12 (1) No lottery game shall use the theme of dog racing or horse racing;

13 (2) No lottery game shall be based on the outcome of a particular sporting
14 event or on the results of a series of sporting events;

15 (3) In lottery games using tickets, each ticket in a particular game shall bear
16 a unique number distinguishing it from every other ticket in that lottery
17 game;

18 (4) No name or photograph of a current elected official shall appear on the
19 tickets of any lottery game; and

20 (5) In games using electronic computer terminals or other devices to play
21 lottery games, no coins or currency shall be dispensed to players from
22 those electronic computer terminals or devices.

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

24 (1) Any type of lottery game that has been conducted by any state
25 government-operated lottery in the United States that will achieve the
26 revenue objectives of the lottery consistent with the purposes stated in
27 G.S. 143C-102 including, but not limited to:

28 a. The sale of instant tickets or shares by electronic computer
29 terminals or devices; or

30 b. Any other type of lottery game; or

31 (2) Any gaming technology that has been used by any state government-
32 operated lottery in the United States that will achieve the revenue
33 objectives of the lottery consistent with the purposes stated in G.S.
34 143C-102 including, but not limited to:

35 a. Printed tickets and shares;

36 b. Vending machines; or

37 c. Electronic computer terminals or other devices to play lottery
38 games that are connected by telephone lines or other electronic
39 means with a central computer system operated by the
40 Commission.

41 **"§ 143C-141.1. Lottery advertising.**

1 (a) Upon the recommendation of the Director, the Commission shall adopt
2 guidelines regarding the nature of lottery advertising. Advertising shall be designed to be
3 informational rather than promotional.

4 The guidelines shall require:

5 (1) Minimizing the appeal of the lottery to minors. In developing the
6 guidelines, the Director and the Commission shall consider the possible
7 impact of using cartoon characters and other figures that would
8 particularly attract the attention of minors; and

9 (2) Prohibiting the use of false, misleading, or deceptive information.

10 (b) The Commission shall provide, by rule, in the manner prescribed by Chapter
11 150B of the General Statutes, that:

12 (1) In lottery games using tickets with preprinted winners, the overall
13 estimated odds of winning prizes shall be printed on each ticket;

14 (2) A detailed tabulation of the estimated number of prizes of each
15 particular prize denomination that are expected to be awarded in each
16 lottery game, or the estimated odds of winning these prizes, shall be
17 available at the offices of the Commission at the time that lottery game
18 is offered for sale to the public; and

19 (3) All printed or point-of-sale advertising promoting the sale of lottery
20 tickets for a particular game shall include the actual or estimated overall
21 odds of winning the game.

22 **"§ 143C-142. Number and value of prizes.**

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

28 **"§ 143C-143. Method of determining winners.**

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

33 (1) The drawings shall always be open to the public;

34 (2) The drawings shall be witnessed by an independent certified public
35 accountant;

36 (3) Any equipment used in the drawings shall be inspected by the
37 independent certified public accountant and an employee of the
38 Commission both before and after the drawings; and

39 (4) The drawings and inspections shall be recorded on both videotape and
40 audiotape.

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

43 **"§ 143C-144. Sale price of tickets or shares.**

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

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

10 **"§ 143C-145. Validation and payment of prizes.**

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

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

1 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 game,
4 the Commission shall make available a detailed tabulation of the total
5 number of prizes of each prize denomination that was actually claimed
6 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 judicial
10 order. The Director, Commission, and the State shall be discharged of
11 all liability upon payment of a prize; and

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 assistant
14 lottery director, or employee of the lottery, or to any spouse, parent, or
15 child living in the same household as a person disqualified by this
16 provision.

17 **"§ 143C-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 **"§ 143C-147. Distribution of tickets or 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.

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

4 **§§ 143C-148 and 143C-149: Reserved for future codification purposes.**

5 "ARTICLE 5.

6 "Lottery Game Retailers.

7 **§ 143C-150. Contracting with lottery game retailers.**

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

14 **§ 143C-151. Selection of lottery game retailers.**

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

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

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

23 (1) Financial responsibility;

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

25 (3) Security of the premises;

26 (4) Integrity;

27 (5) Reputation;

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

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

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

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

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

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

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

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

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

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

9 **"§ 143C-152. Nonassignability.**

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

11 **"§ 143C-153. Termination of a contract with a lottery game retailer.**

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

16 **"§ 143C-154. Compensation for lottery game retailers.**

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

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

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

31 **"§ 143C-155. Sales to persons under the age of 18.**

32 (a) No tickets or shares in lottery games shall be sold to persons under the age of
33 18 years. Selling tickets or shares to a person under the age of 18 years shall be a Class 1
34 misdemeanor.

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

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

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

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

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

6 **"§ 143C-156. Payment of prize won by person under the age of 18.**

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

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

16 **"§ 143C-157. Display of certificate of authority.**

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

20 **"§ 143C-158. Bonding.**

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

23 **"§ 143C-159. Lottery game retailer accounting; payments.**

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

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

30 "ARTICLE 6.

31 "Lottery Vendors and Lottery Contractors.

32 **"§ 143C-160. Procurements.**

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

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

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

43 **"§ 143C-161. Contracts.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 **"§ 143C-164. Performance bond.**

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

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

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

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

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

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

33 "ARTICLE 7.

34 "North Carolina State Lottery Fund.

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

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

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

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

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

1 (3) All other monies credited to the Commission from any source.
2 **"§ 143C-172. Types of disbursements from the North Carolina State Lottery 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; and
8 (3) Transfer of funds from the North Carolina State Lottery Fund pursuant
9 to G. S. 143C-175.

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

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

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

- 19 (a) Expenses of the lottery may include:
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; and
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 **"§ 143C-175. Transfer of net revenues.**

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

40 (b) As much of the net income of the North Carolina State Lottery Fund as needed
41 to fund the Education Improvement Scholarship Program, provided for in the legislation
42 to be enacted by the General Assembly pursuant to G.S. 143C-175.1, shall be transferred
43 annually to the Board of Governors of The University of North Carolina and to the

1 Department of Community Colleges to be used for Education Improvement Scholarships
2 at the constituent institutions of The University of North Carolina, private institutions of
3 higher education, and at the State's community colleges.

4 Of any funds remaining in the Lottery Fund after the Education Improvement
5 Scholarships have been funded:

6 (1) Seventy-five percent (75%) shall be transferred, annually, to the local
7 school administrative units for Capital Outlay projects and shall be
8 allocated, proportionally, in the same manner as used to allocate the
9 proceeds of the bonds issued pursuant to the Public School Building Act
10 of 1996; and

11 (2) Twenty-five percent (25%) shall be transferred, annually, to the Clean
12 Water Revolving Loan and Grant Fund, established pursuant to Chapter
13 159G of the General Statutes.

14 **"§ 143C-175.1. Education Improvement Scholarship Task Force.**

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

22 (b) The Education Improvement Scholarship Task Force shall study programs
23 using lottery proceeds to provide scholarships based solely on academic achievement in
24 other states and shall report the results of this study, along with the legislation necessary
25 to implement the program in North Carolina required by G.S. 143C-175.

26 The Education Improvement Scholarship Task Force shall consider scholarship
27 program options including, but not limited to:

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

32 (2) Grants of one thousand dollars (\$1,000) per year to all students who
33 have received a high school diploma or its equivalent in this State with
34 an 'A' or a 'B' average who attend any private university or college.

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

1 (\$150,000) may receive a scholarship of one thousand dollars (\$1,000)
2 per year.

3 (4) Developing a procedure for weighting high school grades to ensure the
4 fairness of the program and that there is no grade inflation and to
5 provide a process of assessing students who are home schooled.

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

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

11 (c) The Task Force shall also provide to the General Assembly a plan, should
12 sufficient funds become available, to expand the scholarship program to all students
13 receiving a diploma or its equivalent from a high school in North Carolina and to expand
14 the coverage of the program to supplement existing scholarship programs for needy
15 students.

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

19 (e) The Task Force's report, containing the legislation necessary to implement this
20 section, shall be submitted to the Speaker of the House of Representatives and the
21 President Pro Tempore of the Senate no later than the first day of the next regular session
22 of the General Assembly immediately following the effective date of this Chapter.

23 **"§ 143C-175.2. Funds for Capital Outlay projects.**

24 Funds for Capital Outlay projects for educational facilities may be used by the local
25 school administrative units for:

26 (1) Construction of school buildings or retirement of bonds previously
27 issued for the construction of school buildings;

28 (2) Elementary, middle, and high school instructional technology including
29 hardware, software, or networking;

30 (3) Technology centers for training teachers and administrators how to
31 incorporate technology into the curriculum; and

32 (4) Equipment necessary to provide safe schools including video
33 surveillance equipment for school buildings and school buses, radio
34 communications equipment, emergency callback intercom systems in all
35 classrooms, exterior lighting, fencing, and metal detectors.

36 **"§ 143C-176. Intergovernmental reimbursements for services.**

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

41 **"§ 143C-177. Audits.**

42 The State Auditor shall conduct annual audits of all accounts and transactions of the
43 Commission and any other special audits the State Auditor deems to be necessary. The

1 State Auditor or the Auditor's agents conducting an audit may examine any records of the
2 Commission, its distributing agencies, lottery contractors, lottery game retailers, and any
3 other person licensed by the Commission.

4 **§§ 143C-178 and 143C-179: Reserved for future codification purposes.**

5 "ARTICLE 8.

6 "Miscellaneous.

7 **§ 143C-180. Taxes.**

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

10 **§ 143C-181. Preemption of local regulation.**

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

14 **§ 143C-182. Lawful activity.**

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

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

21 "(17a) The North Carolina State Lottery Fund."

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

23 "(b) Nonresidents. For nonresident individuals, the term 'North Carolina taxable
24 income' means taxable income as calculated under the Code, adjusted as provided in G.S.
25 105-134.6 and G.S. 105-134.7, multiplied by a fraction the denominator of which is the
26 taxpayer's gross income as calculated under the Code, adjusted as provided in G.S. 105-
27 134.6 and G.S. 105-134.7, and the numerator of which is the amount of that gross
28 income, as adjusted, that is derived from North Carolina sources and is attributable to the
29 ownership of any interest in real or tangible personal property in this ~~State or~~ State, is
30 derived from a business, trade, profession, or occupation carried on in this ~~State.~~ State, or
31 is derived from gambling activities carried on in this State."

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

33 "(15) Wages. – The term has the same meaning as in section 3401 of the Code
34 except it does not include remuneration paid by a farmer for services
35 performed on the farmer's farm in producing or harvesting agricultural
36 products or in transporting the agricultural products to market. The
37 term also includes proceeds from gambling activities as defined in
38 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 143C 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

1 account of a lottery, whether within or without this State, stating how, when or where the
2 same is to be or has been drawn, or what are the prizes therein or any of them, or the
3 price of a ticket or any share or interest therein, or where or how it may be obtained, he
4 shall be guilty of a Class 2 misdemeanor."

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

6 **"§ 14-290. Dealing in lotteries.**

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

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

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

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

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

31 **"§ 14-291.1. Selling 'numbers' tickets; possession prima facie evidence of violation.**

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

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

42 **"§ 14-292. Gambling.**

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

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

7 **"§ 14-293. Allowing gambling in houses of public entertainment; penalty.**

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

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

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

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

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

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

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

3 Section 7. G.S. 120-123 is amended by adding a new subdivision to read:

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

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

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

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

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

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

24 " FOR a State lottery.

25 AGAINST a State lottery."

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

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

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