

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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SENATE BILL 4

Short Title: 1989 Lottery Bill-Referendum.

(Public)

Sponsors: Senators Royall; Marvin, Kaplan, and Martin of Guilford.

Referred to: Finance.

January 12, 1989

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH A STATE LOTTERY AFTER A BINDING
3 REFERENDUM.

4 The General Assembly of North Carolina enacts:

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

7 **“CHAPTER 143C.**
8 **"STATE LOTTERY.**
9 **"ARTICLE 1.**

10 **"GENERAL PROVISIONS AND DEFINITIONS.**

11 **"§ 143C-101. Citation.**

12 This Chapter shall be known and may be cited as the State Lottery 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 purpose described in this Chapter
16 without the imposition of additional or increased taxes through the implementation of a
17 State-operated lottery.

18 **"§ 143C-103. Laws not affected.**

19 Nothing contained in this Chapter shall be construed to repeal or modify any
20 existing State law with respect to gambling, except that the State-operated lottery
21 established by this Chapter shall not be subject to those laws.

22 **"§ 143C-104. Prohibition on use of State funds.**

23 It is the intent of this Chapter that the State-operated lottery established by this
24 Chapter shall be a self-supporting revenue-raising agency of State government. No

1 appropriations, loans, or other transfer of State funds shall be made to the Commission
2 except for the appropriation for initial start-up costs of the lottery as provided by this
3 act.

4 **"§ 143C-105. Public purpose to benefit from lottery.**

5 The net revenues of the lottery shall be used to benefit the public purposes set forth
6 in G.S. 143C-175. It is the intent of this Chapter that the net revenues generated by the
7 State-operated lottery established by this Chapter shall supplement rather than be used
8 as substitute funds for the total amount of money allocated for the public purpose.

9 **"§ 143C-106. Allocation of revenues.**

10 At least eighty-four percent (84%) of the total annual revenues from the sale of
11 lottery tickets or shares, as described in this Chapter, shall be returned to the public in
12 the form of prizes and net revenues benefiting the public purposes set forth in G.S.
13 143C-175. At least fifty percent (50%) of the total annual revenues, as described in this
14 Chapter, shall be returned to the public in the form of prizes as described in this
15 Chapter. Unclaimed prize money, as described in this Chapter, shall revert to the
16 benefit of the public purpose as described in this Chapter. No more than sixteen percent
17 (16%) of the total annual revenues as described in this Chapter shall be allocated for
18 payment of expenses of the lottery as described in this Chapter. To the extent that the
19 expenses of the lottery are less than sixteen percent (16%) of total annual revenues, any
20 surplus funds shall also be allocated to the benefit of the public purpose as described in
21 this Chapter.

22 **"§ 143C-107. Definitions.**

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

24 (1) 'Commission' or 'Lottery Commission' means the five-member body
25 appointed by the Governor pursuant to this Chapter to oversee the lottery and the
26 Director.

27 (2) 'Commissioner' means one of the members of the Lottery Commission
28 appointed by the Governor pursuant to this Chapter to oversee the State lottery.

29 (3) 'Director' means the Director of the State lottery appointed by the Governor
30 pursuant to this Chapter as the chief administrator of the State lottery.

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

35 (5) 'Lottery' or 'State lottery' means the State lottery established and operated
36 pursuant to this Chapter.

37 (6) 'Lottery contractor' means a person with whom the lottery has contracted for
38 the purpose of providing goods and services to the State lottery.

39 (7) 'Major procurement' means a procurement for a contract for the printing of
40 tickets for use in any lottery game, for any goods or services involving the receiving or
41 recording of number selections in any lottery game, or for any goods or services
42 involving the determination or generation of winners in any lottery game.

43 (8) 'Person' means any natural person or corporation, trust, association,
44 partnership, joint venture, subsidiary, or other business entity.

1 business that may properly be brought before it. The chairman or a majority of the
2 members of the Commission shall have the power to call special meetings of the
3 Commission upon advance written notice to all of the members of the Commission and
4 the Director.

5 **"§ 143C-117. Quorum; voting.**

6 A majority of the members of the Commission constitutes a quorum. All decisions
7 of the Commission shall be made by a majority vote.

8 **"§ 143C-118. Reports.**

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

14 **§ 143C-119. Reserved for future codification purposes.**

15 **"ARTICLE 3.**

16 **"STATE LOTTERY DIRECTOR.**

17 **"§ 143C-120. Appointment and removal of Director.**

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

22 **"§ 143C-121. Qualifications of the Director.**

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

26 **"§ 143C-122. Salary.**

27 The Director shall be compensated at a salary set by the Commission. The Director
28 shall render full-time attention to the duties of the office.

29 **"§ 143C-123. Duties and powers of the Director.**

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

36 **"§ 143C-124. Power to hire.**

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

42 **"§ 143C-125. Assistant directors.**

43 The Director may appoint, and prescribe the duties for, up to four assistant directors.
44 The assistant directors shall be exempt from the State Personnel Act. The compensation

1 of each assistant director shall be set by the Commission. The Director may designate
2 one of the assistant directors as the deputy director.

3 **"§ 143C-126. Assistant director for security.**

4 One of the assistant directors shall be responsible for a security division to assure the
5 security, honesty, fairness, and integrity in the operation and administration of the
6 lottery, including an examination of the background of all prospective employees,
7 lottery vendors, and lottery contractors. The assistant director for security shall be
8 qualified by training and experience including at least five years of law enforcement
9 experience and knowledge and experience in computer security. The assistant director
10 for security may, in conjunction with the Director, confer with the Attorney General or
11 his designee, to promote and ensure the security, honesty, fairness, and integrity of the
12 operation and administration of the lottery. The assistant director for security, in
13 conjunction with the Director, shall report any alleged violation of law to the
14 appropriate law enforcement authority for further investigation and action. The
15 assistant director for security shall have peace officer status in this State.

16 **"§ 143C-127. Criminal identification information available to lottery; peace officer**
17 **status.**

18 Upon the request of the assistant director for security the Attorney General and the
19 Secretary of Crime Control and Public Safety shall furnish to the Director and the
20 assistant director for security, information to assure the security, honesty, fairness, and
21 integrity in the operation and administration of the lottery which they have in their
22 possession, including computerized or other information and data. For the purpose of
23 requesting and receiving this information, the State lottery shall be considered to be a
24 'criminal justice agency' and its enforcement agents to be 'peace officers'. State lottery
25 enforcement agents shall have the same authority with respect to service and execution
26 of arrest warrants and search warrants as is conferred on other peace officers of this
27 State.

28 **"§ 143C-128. Coordination with commission.**

29 The Director shall confer as frequently as necessary, but not less than monthly, with
30 the Commission on the operation and administration of the lottery. The Director shall
31 make available for inspection by the Commission all books, records, files, documents,
32 and other information of the lottery and shall make recommendations for the improved
33 operation and administration of the lottery.

34 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

35 The Director shall make an ongoing study of the operation and administration of the
36 lotteries that are in operation in other states and countries, of available literature on the
37 subject of lotteries, of federal laws which may affect the operation of the lottery, and of
38 the reaction of the citizens of the State to existing or proposed features in lottery games.
39 The Director shall conduct this research in order to recommend improvements that will
40 serve the purposes of this Chapter. The Director may make recommendations to the
41 Commission, to the Governor, and to the General Assembly on any matters concerning
42 the secure and efficient operation and administration of the lottery and the convenience
43 of the purchasers of tickets and shares.

44 **"§ 143C-130. Accountability; books and records.**

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

7 **"§ 143C-131. Monthly financial reports.**

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

12 **"§ 143C-132. Independent study of demographics of lottery players.**

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

19 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

20 After the first full year of sales of tickets or shares to the public, the Director shall
21 engage an independent firm experienced in the analysis of advertising, promotion,
22 public relations, and other aspects of communications to conduct a special study of the
23 effectiveness of the communications activities undertaken by the lottery and make
24 recommendations to the Commission on the future conduct and future rate of
25 expenditure for these activities. This report shall be presented to the Commission, to the
26 Governor, and to the General Assembly. Until the presentation of the report and action
27 by the Commission, the lottery shall expend as close to four percent (4%) as practical of
28 the projected sales of all tickets and shares for advertising, promotion, public relations,
29 public disclosures of odds and numbers of winners in games, and other aspects of
30 communications. Similar studies shall be conducted on a continuing, periodic basis.

31 **"§ 143C-134. Independent audit of lottery security.**

32 The Commission shall, in addition to all other security measures, engage an
33 independent firm experienced in security procedures, including computer security and
34 systems security, to conduct a continuing comprehensive study and evaluation of all
35 aspects of security in the operation of the lottery. The study shall include:

- 36 (1) Personnel security;
- 37 (2) Lottery game retailer security;
- 38 (3) Lottery contractor security;
- 39 (4) Security of manufacturing operations of lottery contractors;
- 40 (5) Security against ticket counterfeiting, alteration, and other means of
41 fraudulently winning; security of drawings among entries or finalists;
- 42 (6) Computer security;
- 43 (7) Data communications security;
- 44 (8) Database security;

1 (b) It is the intent of this Chapter that the Commission may authorize the use
2 of any type of lottery game that has been conducted by any state government-operated
3 lottery in the United States or any other type of lottery game that will achieve the
4 revenue objectives of the lottery consistent with the public good.

5 **"§ 143C-142. Number and value of prizes.**

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

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

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

18 **"§ 143C-143. Method of determining winners.**

19 (a) Upon the recommendation of the Director, the Commission shall adopt rules
20 as prescribed by Chapter 150B of the General Statutes, which specify the method for
21 determining winners in each lottery game, provided:

22 (1) No lottery game shall be based on the results of a horse or dog race;
23 and

24 (2) If a lottery game uses a drawing of winning numbers, a drawing
25 among entries, or a drawing among finalists:

26 a. The drawings shall always be open to the public;

27 b. The drawings shall be witnessed by an independent certified
28 public accountant;

29 c. Any equipment used in the drawings shall be inspected by the
30 independent certified public accountant and an employee of the
31 lottery both before and after the drawings; and

32 d. The drawings and inspections shall be recorded on both video
33 and audio tape.

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

36 **"§ 143C-144. Sale price of tickets and shares.**

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

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

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

1 **"§ 143C-145. Validation and payment of prizes.**

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

6 (1) For the convenience of the public, lottery retailers may be authorized by the
7 Commission to pay winners of up to six hundred dollars (\$600.00) after performing
8 validation procedures on their premises appropriate to the lottery game involved;

9 (2) No prize shall be paid to any person under the age of 21 years;

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

17 (4) No particular prize in any lottery game may be paid more than once, and in
18 the event of a binding determination that more than one claimant is entitled to a
19 particular prize, the sole remedy for these claimants is the award to each of them of an
20 equal share in the prize;

21 (5) The Commission may specify that winners of twenty-five dollars (\$25.00) or
22 less shall claim the prizes from either the same lottery game retailer who sold the
23 winning ticket or share or from the lottery itself and that the lottery game retailer who
24 sold the winning ticket or share shall be responsible for paying that prize;

25 (6) Holders of tickets or shares shall have the right to claim prizes for 180 days
26 after the drawing or the end of the lottery game or play in which the prize was won.
27 The Commission may define shorter time periods for eligibility for entry into drawings
28 involving entries or finalists. If a valid claim is not made for a prize payable directly by
29 the Commission within the applicable period, the unclaimed prize money will revert to
30 the benefit of the public purpose as described by this Chapter;

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

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

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

43 **"§ 143C-146. Lottery game play rules and winner validation procedures.**

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

14 **"§ 143C-147. Distribution of tickets and shares.**

15 Upon the recommendation of the Director, the Commission shall adopt rules as
16 prescribed by Chapter 150B of the General Statutes, specifying the manner of
17 distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or
18 directly to the public, and the incentives, if any, for any lottery employees engaged in
19 these activities. In lottery games using electronic computer terminals or devices, the
20 lottery may employ or engage persons with experience in the repair, maintenance, or
21 operation of comparable equipment. The lottery shall assure security against locating
22 winners in lottery games with pre-printed winning tickets or shares by persons involved
23 in their production, storage, distribution, administration, or sale.

24 **§ 143C-148 and 143C-149. Reserved for future codification purposes.**

25 **"ARTICLE 5.**

26 **"LOTTERY GAME RETAILERS.**

27 **"§ 143C-150. Contracting with lottery game retailers.**

28 Upon the recommendation of the Director, the Commission shall adopt rules as
29 prescribed by Chapter 150B of the General Statutes, specifying the terms and conditions
30 for contracting with lottery game retailers to provide adequate and convenient
31 availability of tickets or shares to prospective buyers of each lottery game. The rules
32 shall not preclude the State lottery from selling tickets or shares directly to the public.

33 **"§ 143C-151. Selection of lottery game retailers.**

34 (a) The Director shall select as lottery game retailers those persons deemed best
35 able to serve the public convenience and to promote the sale of tickets or shares. No
36 natural person under 21 years shall be a lottery game retailer. In the selection of a
37 lottery game retailer the Director shall consider:

- 38 (1) Financial responsibility;
- 39 (2) Accessibility of the place of business or activity to the public;
- 40 (3) Security of the premises;
- 41 (4) Integrity;
- 42 (5) Reputation;
- 43 (6) The sufficiency of existing lottery game retailers for any particular
44 lottery game to serve the public convenience; and

1 (7) The projected volume of sales for the lottery game involved.
2 No contract with any lottery game retailer shall be entered into if the retailer has been
3 convicted of a felony or a gambling-related offense.

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

14 **"§ 143C-152. Non-assignability.**

15 The authority to act as a lottery game retailer is not assignable or transferable.

16 **"§ 143C-153. Termination of a contract with a lottery game retailer.**

17 The Director may terminate a contract with a lottery game retailer under the
18 provisions for termination included in the contract. These provisions for termination
19 shall include the knowing sale of tickets or shares to any person under the age of 21
20 years.

21 **"§ 143C-154. Compensation for lottery game retailers.**

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

34 **"§ 143C-155. Sales to persons under the age of 21.**

35 No tickets or shares in lottery games shall be sold to persons under the age of 21
36 years. Selling tickets or shares to a person under the age of 21 years shall be a
37 misdemeanor. In the case of lottery tickets or shares sold by lottery game retailers or
38 their employees, those persons shall establish safeguards to help assure that sales are not
39 made to natural persons under the age of 21 years. In the case of sales of tickets or
40 shares sold by vending machines or other devices, the Commission shall establish
41 safeguards to help assure that the vending machines or devices are not operated by
42 natural persons under the age of 21 years. Nothing in this Article shall be construed to
43 prevent any person 21 years or older from giving lottery tickets or shares to another as a
44 gift.

1 **"§ 143C-156. Payment of prize won by person under 21.**

2 If the person entitled to a prize or any winning ticket is under the age of 21 years,
3 and the prize is less than five thousand dollars (\$5,000), the Director may direct
4 payment of the prize by delivery of a check or draft payable to the order of the person
5 under 21 years of age to an adult member of that person's family or to that person's legal
6 guardian. If the person entitled to a prize or any winning ticket is under the age of 21
7 years, and the prize is five thousand dollars (\$5,000) or more, the Director may direct
8 payment to that person by depositing the amount of the prize in any insured depository
9 institution to the credit of an adult member of that person's family, or the legal guardian
10 of the person, as custodian for that person.

11 **"§ 143C-157. Display of certificate of authority.**

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

15 **"§ 143C-158. Bonding.**

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

18 **"§ 143C-159. Lottery game retailer accounting; payments.**

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

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

25 **"ARTICLE 6.**

26 **"LOTTERY VENDORS AND LOTTERY CONTRACTORS.**

27 **"§ 143C-160. Procurements.**

28 Notwithstanding other provisions of law, the Director may purchase or lease goods
29 or services or combinations of goods and services needed to effectuate the purposes of
30 this Chapter. The lottery may not contract with any private party or non-governmental
31 entity for the operation and administration of the State lottery established by this
32 Chapter; however, the foregoing shall not preclude procurements that integrate
33 functions such as lottery game design, supply of goods and services, and advertising. In
34 all procurements, the Director and Commission shall act to promote the objective of
35 raising net revenues for the benefit of the public purpose described in this Chapter.

36 **"§ 143C-161. Contracts.**

37 The Director may directly solicit proposals or enter into contracts for the purchase or
38 lease of goods or services to effectuate the purposes of this Chapter. In awarding
39 contracts in response to solicitations for proposals, the Director shall award the
40 contracts to the responsible vendor submitting the lowest and best proposal which he
41 determines maximizes the benefits to the State. He may consider the areas of security,
42 competence, quality of product, experience, timely performance, and maximization of
43 net revenues to benefit the public purpose described in this Chapter in reaching his
44 decision. The Director may engage an independent firm experienced in evaluating

1 government procurement proposals to aid in the evaluation of proposals to the lottery.
2 Before a contract for a major procurement is awarded, the assistant director for security
3 shall conduct a thorough background investigation of:

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

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

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

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

12 All contract awards made by the Director are made subject to the approval of the
13 Commission. The Commission may by rule designate classes of contracts other than
14 major procurements that do not require approval of the Commission.

15 **"§ 143C-162. Lottery vendor disclosures for major procurements.**

16 Upon the recommendation of the Director, the Commission shall adopt rules as
17 prescribed by Chapter 150B of the General Statutes, to provide for disclosures by
18 vendors submitting bids, proposals, or offers as part of a major procurement to ensure
19 that the vendors provide all the information necessary to allow for a full and complete
20 evaluation by the lottery of the competence, integrity, background, and character of the
21 lottery vendors. The rules shall require that all lottery vendors submit to the assistant
22 director for security any appropriate investigation authorizations needed to facilitate
23 these investigations.

24 **"§ 143C-163. Compliance with applicable laws.**

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

29 **"§ 143C-164. Performance bond.**

30 Each lottery contractor in a major procurement shall, at the time of executing the
31 contract with the Director, post a performance bond with the Director, using a surety
32 acceptable to the Director, in an amount equal to the full amount estimated to be paid
33 annually to the lottery contractor under the contract.

34 **§ 143C-165 to 143C-169. Reserved for future codification purposes.**

35 **"ARTICLE 7.**

36 **"STATE LOTTERY FUND.**

37 **"§ 143C-170. State lottery fund.**

38 A special account to be known as the 'State Lottery Fund' is created within the State
39 Treasury. The State Lottery Fund is continuously appropriated to the Commission for
40 the purposes of operating the Commission and the State lottery.

41 **"§ 143C-171. Types of income to the State lottery fund.**

42 The State Lottery Fund shall receive the following monies:

43 (1) All proceeds from the sale of lottery tickets or shares;

44 (2) The appropriation for initial start-up costs; and

1 (3) All other monies credited to the lottery from any lottery-related source.

2 **"§ 143C-172. Types of disbursements from the State lottery fund.**

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

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

7 (2) Expenses of the lottery;

8 (3) Repayment of the appropriation for initial start-up costs; and

9 (4) Transfer of funds from the State Lottery Fund to the General Fund for the
10 benefit of the public purpose described in this Chapter.

11 **"§ 143C-173. Prize payments of the lottery.**

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

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

19 Expenses of the lottery shall include:

20 (1) The costs incurred in the operation and administration of the lottery;

21 (2) The costs resulting from any contracts entered into for the purchase or lease
22 of goods or services required by the lottery;

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

24 (4) The cost of supplies, materials, tickets, independent studies, data
25 transmission, advertising, promotion, incentives, public relations, communications,
26 bonding for lottery game retailers, printing, and distribution of tickets and shares;

27 (5) The costs of reimbursing other governmental entities for services provided to
28 the lottery; and

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

31 No more than sixteen percent (16%) of the total annual revenues accruing from the sale
32 of all lottery tickets and shares from all lottery games shall be expended for the payment
33 of expenses of the lottery.

34 **"§ 143C-175. Transfer of net revenues.**

35 (a) The funds remaining in the State Lottery Fund after receipt of all revenues to
36 the State Lottery Fund and after accrual of all obligations of the lottery for prizes,
37 expenses, and the repayment of the appropriation for initial start-up costs shall be
38 deemed to be the net revenues of the lottery.

39 (b) The net revenues of the lottery shall be transferred from the State Lottery
40 Fund periodically to the Department of Public Education for use in furthering public
41 education in this State. These funds shall not be used to supplant funds appropriated
42 from the General Fund.

43 (c) All net revenues from the lottery shall be held by the State Treasurer and shall
44 be disbursed to the Department of Public Education, but no more frequently than

1 quarterly. The transfer of revenues to the agencies and funds specified in subsection (b)
2 of this section shall begin during the 1989-90 fiscal year.

3 **"§ 143C-176. Intergovernmental reimbursements for services.**

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

8 **"§ 143C-177. Audits.**

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

14 § 143C-178 and 143C-179. Reserved for future codification purposes.

15 **"ARTICLE 8.**

16 **"MISCELLANEOUS.**

17 **"§ 143C-180. Taxes.**

18 No State or local taxes shall be imposed on the sale of lottery tickets or shares of the
19 lottery established by this Chapter or any prize awarded by the lottery established by
20 this Chapter.

21 **"§ 143C-181. Preemption of local laws.**

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

25 **"§ 143C-182. Lawful activity.**

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

31 Sec. 2. There is appropriated from the General Fund to the State Lottery
32 Commission the sum of four million one hundred seventeen thousand two hundred
33 thirty-six dollars (\$4,117,236) for the fiscal year 1989-90 to provide initial start-up
34 funds for the State Lottery. This appropriation shall be repaid to the General Fund prior
35 to June 30, 1990.

36 Sec. 3. G.S. 147-69.2(a) is amended by adding new subdivisions to read:

37 "(18.1) The State Lottery Fund."

38 Sec. 4. If approved by the qualified voters of the State of North Carolina,
39 Section 1 of this act shall become effective on the first day of the second month
40 following the election. The question of the approval of Section 1 of this act shall be
41 submitted to the qualified voters of the State of North Carolina at an election on
42 November 7, 1989.

43 The referendum shall be held in accordance with the provisions of Chapter
44 163 of the General Statutes, and the form of the ballot shall be:

1 "[] FOR approval of an act establishing a State Lottery.

2 [] AGAINST approval of an act establishing a State Lottery."

3 If less than a majority of the votes are cast in favor of the approval of Section 1 of this
4 act, it shall have no force or effect.

5 Sec. 5. This act is effective upon ratification.