

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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SENATE BILL 4
Finance Committee Substitute Adopted 7/27/89
Third Edition Engrossed 8/7/89

Short Title: 1989 Lottery Bill-Referendum.

(Public)

Sponsors:

Referred to:

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.**

1 It is the intent of this Chapter that the State-operated lottery established by this
2 Chapter shall be a self-supporting revenue-raising agency of State government. No
3 appropriations, loans, or other transfer of State funds shall be made to the Commission
4 except for the appropriation for initial start-up costs of the lottery as provided by this
5 act.

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

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

11 **"§ 143C-106. Allocation of revenues.**

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

24 **"§ 143C-107. Definitions.**

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

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

- 1 (7) 'Major procurement' means a procurement for a contract for the
2 printing of tickets for use in any lottery game, for any goods or
3 services involving the receiving or recording of number selections in
4 any lottery game, or for any goods or services involving the
5 determination or generation of winners in any lottery game.
6 (8) 'Person' means any natural person or corporation, trust, association,
7 partnership, joint venture, subsidiary, or other business entity.
8 (9) 'Retailer' or 'Lottery retailer' means a person with whom the Lottery
9 Commission has contracted for the purpose of selling tickets or shares
10 in lottery games to the public.
11 (10) 'Vendor' or 'Lottery vendor' means any person who submits a bid,
12 proposal, or offer as part of a procurement for a contract for goods or
13 services for the State lottery.

14 "§ 143C-108 and 143C-109. Reserved for future codification purposes.

15 "ARTICLE 2.

16 "STATE LOTTERY COMMISSION.

17 "§ 143C-110. Creation of Commission.

18 There is created a State Lottery Commission.

19 "§ 143C-111. Commission membership; appointment; vacancies; removal.

20 (a) The Commission shall consist of five members appointed by the Governor
21 who shall serve at the pleasure of the Governor.

22 (b) The Commissioners shall be appointed for the following initial terms: one
23 member shall be appointed for a term of two years, one member shall be appointed for a
24 term of three years, one member shall be appointed for a term of four years, and two
25 members shall be appointed for terms of five years. All succeeding appointments shall
26 be for terms of five years.

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

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

31 "§ 143C-112. Qualifications of Commissioners.

32 At least one of the Commissioners shall have a minimum of five years experience in
33 law enforcement, and at least one of the other Commissioners shall be a certified public
34 accountant. No person shall be appointed as a Commissioner who has been convicted
35 of a felony. No more than three members of the Commission shall be of the same
36 political party.

37 "§ 143C-113. Compensation and expenses.

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

41 "§ 143C-114. Powers and duties of the Commission.

42 The Commission shall exercise all powers necessary to effectuate the purposes of
43 this Chapter.

44 "§ 143C-115. Annual selection of chairman.

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

2 **"§ 143C-116. Meetings; records.**

3 Meetings of the Commission shall be open and public in accordance with Article 3C
4 of Chapter 143 of the General Statutes. Records of the Commission shall be open and
5 available to the public in accordance with the provisions of Chapter 132 of the General
6 Statutes. The Commission shall meet with the Director at least monthly to make
7 recommendations and set policy, to approve or reject reports of the Director, to adopt
8 rules in accordance with Chapter 150B of the General Statutes, and to transact any other
9 business that may properly be brought before it. The chairman or a majority of the
10 members of the Commission shall have the power to call special meetings of the
11 Commission upon advance written notice to all of the members of the Commission and
12 the Director.

13 **"§ 143C-117. Quorum; voting.**

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

16 **"§ 143C-118. Reports.**

17 The Commission shall make quarterly and annual reports on the operation of the
18 lottery to the Governor, Attorney General, State Treasurer, and to the General
19 Assembly. The reports shall include full and complete statements of lottery revenues,
20 prize disbursements, expenses, net revenues, and all other financial transactions
21 involving lottery funds.

22 **"§ 143C-119. Reserved for future codification purposes.**

23 **"ARTICLE 3.**

24 **"STATE LOTTERY DIRECTOR.**

25 **"§ 143C-120. Appointment and removal of Director.**

26 The Governor shall appoint a Director within 30 days of the effective date of this
27 Chapter. The Director shall direct the operations of the State lottery. The Governor
28 may remove the Director upon notification to the Commission. The Director shall be
29 exempt from the State Personnel Act.

30 **"§ 143C-121. Qualifications of the Director.**

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

34 **"§ 143C-122. Salary.**

35 During the first fiscal year of the operation of the lottery, the Director shall receive
36 compensation not greater than the salary and fringe benefits paid to members of the
37 Council of State other than the Governor. Thereafter the compensation of the Director
38 shall be set by the General Assembly in the Current Operations Appropriations Act.
39 The Director shall render full-time attention to the duties of the office.

40 **"§ 143C-123. Duties and powers of the Director.**

41 The Director shall, subject to the approval of the Commission, perform all duties,
42 exercise all powers, assume and discharge all responsibilities, and carry out and effect
43 all purposes provided by this Chapter. The Director shall act as the Secretary and
44 Executive Officer of the Commission. The Director shall act in accordance with this

1 Chapter, the rules adopted by the Commission, and under the guidance of the
2 Commission.

3 **"§ 143C-124. Power to hire.**

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

9 **"§ 143C-125. Assistant directors.**

10 The Director may appoint, and prescribe the duties for, up to four assistant directors.
11 The assistant directors shall be exempt from the State Personnel Act. The compensation
12 of each assistant director shall be set by the Commission. The Director may designate
13 one of the assistant directors as the deputy director.

14 **"§ 143C-126. Assistant director for security.**

15 One of the assistant directors shall be responsible for a security division to assure the
16 security, honesty, fairness, and integrity in the operation and administration of the
17 lottery, including an examination of the background of all prospective employees,
18 lottery vendors, and lottery contractors. The assistant director for security shall be
19 qualified by training and experience including at least five years of law enforcement
20 experience and knowledge and experience in computer security. The assistant director
21 for security may, in conjunction with the Director, confer with the Attorney General or
22 his designee, to promote and ensure the security, honesty, fairness, and integrity of the
23 operation and administration of the lottery. The assistant director for security, in
24 conjunction with the Director, shall report any alleged violation of law to the
25 appropriate law enforcement authority for further investigation and action. The
26 assistant director for security shall have peace officer status in this State.

27 **"§ 143C-127. Criminal identification information available to lottery; peace officer**
28 **status.**

29 Upon the request of the assistant director for security, the Attorney General and the
30 Secretary of Crime Control and Public Safety shall furnish to the Director and the
31 assistant director for security, information to assure the security, honesty, fairness, and
32 integrity in the operation and administration of the lottery which they have in their
33 possession, including computerized or other information and data. For the purpose of
34 requesting and receiving this information, the State lottery shall be considered to be a
35 'criminal justice agency' and its enforcement agents to be 'peace officers'. State lottery
36 enforcement agents shall have the same authority with respect to service and execution
37 of arrest warrants and search warrants as is conferred on other peace officers of this
38 State.

39 **"§ 143C-128. Coordination with Commission.**

40 The Director shall confer as frequently as necessary, but not less than monthly, with
41 the Commission on the operation and administration of the lottery. The Director shall
42 make available for inspection by the Commission all books, records, files, documents,
43 and other information of the lottery and shall make recommendations for the improved
44 operation and administration of the lottery.

1 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

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

11 **"§ 143C-130. Accountability; books and records.**

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

18 **"§ 143C-131. Monthly financial reports.**

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

23 **"§ 143C-132. Independent study of demographics of lottery players.**

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

30 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

31 After the first full year of sales of tickets or shares to the public, the Director shall
32 engage an independent firm experienced in the analysis of advertising, promotion,
33 public relations, and other aspects of communications to conduct a special study of the
34 effectiveness of the communications activities undertaken by the lottery and make
35 recommendations to the Commission on the future conduct and future rate of
36 expenditures for these activities. This report shall be presented to the Commission, to
37 the Governor, and to the General Assembly. Until the presentation of the report and
38 action by the Commission, the lottery shall expend as close to four percent (4%) as
39 practical of the projected sales of all tickets and shares for advertising, promotion,
40 public relations, public disclosures of odds and numbers of winners in games, and other
41 aspects of communications. Similar studies shall be conducted on a continuing,
42 periodic basis.

43 **"§ 143C-134. Independent audit of lottery security.**

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

5 (1) Personnel security;

6 (2) Lottery game retailer security;

7 (3) Lottery contractor security;

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

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

12 (6) Computer security;

13 (7) Data communications security;

14 (8) Database security;

15 (9) Systems security;

16 (10) Lottery premises and warehouse security;

17 (11) Security in distribution;

18 (12) Security involving validation and payment procedures;

19 (13) Security involving unclaimed prizes;

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

21 (15) Security of drawings in games where winners are
 22 determined by drawings of numbers;

23 (16) Security against locating winners in lottery games with pre-
 24 printed winning tickets by persons involved in their production,
 25 storage, distribution, administration, or sales; and

26 (17) Any other aspects of security applicable to any particular
 27 lottery game and to the lottery and its operations.

28 The portion of the security audit report containing the overall evaluation of the lottery in
 29 terms of each aspect of security shall be presented to the Commission, to the Governor,
 30 and to the General Assembly. The portion of the security audit report containing
 31 specific recommendations shall be confidential and shall be presented only to the
 32 Director, to the assistant director for security, and to the Commission. Similar audits of
 33 security shall be conducted biennially thereafter.

34 **"§ 143C-135 to 143C-139. Reserved for future codification purposes.**

35 **"ARTICLE 4.**

36 **"OPERATION OF LOTTERY.**

37 **"§ 143C-140. Initiation and operation of lottery.**

38 The Commission shall initiate operation of the lottery on a continuous basis at the
 39 earliest feasible and practical time. The lottery shall be initiated and shall continue to be
 40 operated so as to produce the maximum amount of net revenues to benefit the public
 41 purpose described in this Chapter consistent with the public good. Other departments,
 42 boards, commissions, and agencies of the State and their officers shall cooperate with
 43 the Commission to aid the Commission in fulfilling these objectives.

44 **"§ 143C-141. Types of lottery games.**

1 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
2 in the manner prescribed by Chapter 150B of the General Statutes specifying the types
3 of lottery games to be conducted by the lottery, provided:

4 (1) No lottery game may use the theme of bingo, dog racing, or horse
5 racing;

6 (2) No lottery game may be based on the outcome of a particular sporting
7 event or on the results of a series of sporting events;

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

11 (4) No name or photograph of an elected official shall appear on the
12 tickets of any lottery game; and

13 (5) In games using electronic computer terminals or other devices, no
14 coins or currency shall be dispensed to players from those electronic
15 computer terminals or devices.

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

20 **"§ 143C-142. Number and value of prizes.**

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

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

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

34 **"§ 143C-143. Method of determining winners.**

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

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

39 (2) No lottery game may be based on the outcome of a particular sporting
40 event or on the results of a series of sporting events; and

41 (3) If a lottery game uses a drawing of winning numbers, a drawing
42 among entries, or a drawing among finalists:

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

- 1 b. The drawings shall be witnessed by an independent certified
2 public accountant;
3 c. Any equipment used in the drawings shall be inspected by the
4 independent certified public accountant and an employee of the
5 lottery both before and after the drawings; and
6 d. The drawings and inspections shall be recorded on both video
7 and audio tape.

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

10 **"§ 143C-144. Sale price of tickets and shares.**

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

- 14 (1) No ticket or share shall be sold for more than the retail sales price
15 established by the Commission; and
16 (2) The minimum retail price of each ticket, share, or transaction in any
17 lottery game shall be fifty cents (50¢), except to the extent of any
18 discounts authorized by the Commission for a particular lottery game.

19 **"§ 143C-145. Validation and payment of prizes.**

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

- 24 (1) For the convenience of the public, lottery retailers may be authorized
25 by the Commission to pay winners of up to six hundred dollars
26 (\$600.00) after performing validation procedures on their premises
27 appropriate to the lottery game involved;
28 (2) No prize shall be paid to any person under the age of 18 years;
29 (3) No prize may be paid arising from claimed tickets or shares that are
30 stolen, counterfeit, altered, fraudulent, unissued, produced or issued in
31 error, unreadable, not received or recorded by the lottery by the
32 applicable deadlines, lacking in captions that conform and agree with
33 the lottery play symbols as appropriate to the lottery game involved, or
34 not in compliance with any additional specific rules and regulations
35 and public or confidential validation and security tests of the lottery
36 appropriate to the particular game involved;
37 (4) No particular prize in any lottery game may be paid more
38 than once, and in the event of a binding determination that more than
39 one claimant is entitled to a particular prize, the sole remedy for
40 these claimants is the award to each of them of an equal share in the
41 prize;
42 (5) The Commission may specify that winners of twenty-five
43 dollars (\$25.00) or less shall claim the prizes from either the same
44 lottery game retailer who sold the winning ticket or share or from the

lottery itself and that the lottery game retailer who sold the winning ticket or share shall be responsible for paying that prize;

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

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

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

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

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

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

§ 143C-147. Distribution of tickets and shares.

Upon the recommendation of the Director, the Commission shall adopt rules as prescribed by Chapter 150B of the General Statutes, specifying the manner of distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or directly to the public, and the incentives, if any, for any lottery employees engaged in these activities. Notwithstanding any other provisions of this Chapter, no lottery ticket

1 or shares may be sold or resold by any party except at the sales price or value
2 established by the Commission; and no lottery ticket or shares may be given as
3 premiums or enticements to promote the purchase or sale of any item or product. In
4 lottery games using electronic computer terminals or devices, the lottery may employ or
5 engage persons with experience in the repair, maintenance, or operation of comparable
6 equipment. The lottery shall assure security against locating winners in lottery games
7 with pre-printed winning tickets or shares by persons involved in their production,
8 storage, distribution, administration, or sale.

9 "§ 143C-148 and 143C-149. Reserved for future codification purposes.

10 "ARTICLE 5.

11 "LOTTERY GAME RETAILERS.

12 "§ 143C-150. Contracting with lottery game retailers.

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

18 "§ 143C-151. Selection of lottery game retailers.

19 (a) The Director shall select as lottery game retailers those persons deemed best
20 able to serve the public convenience and to promote the sale of tickets or shares. No
21 natural person under 21 years of age shall be a lottery game retailer. In the selection of
22 a lottery game retailer the Director shall 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 No contract with any lottery game retailer shall be entered into if the retailer has been
32 convicted of a felony or a gambling-related offense.

33 (b) No person shall be a lottery game retailer who is engaged exclusively in
34 the business of selling lottery tickets or shares. A person lawfully engaged in non-
35 governmental business on State property or an owner or lessee of premises on which
36 alcoholic beverages are sold may be selected as a lottery game retailer. A civic or
37 fraternal organization may be selected as a lottery game retailer. Political subdivisions
38 or their agencies or departments may be selected as lottery game retailers for sales from
39 their premises. The Director may contract with lottery retailers on a permanent,
40 seasonal, or temporary basis. The lottery may require payment by each lottery game
41 retailer to the lottery of an initial fee or an annual fee, or both, as established by the
42 Commission, to maintain the contract to be a lottery game retailer.

43 "§ 143C-152. Nonassignability.

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

1 **"§ 143C-153. Termination of a contract with a lottery game retailer.**

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

6 **"§ 143C-154. Compensation for lottery game retailers.**

7 Upon the recommendation of the Director, the Commission shall adopt rules as
8 prescribed by Chapter 150B of the General Statutes, to determine the compensation to
9 be paid to lottery game retailers for their sales of lottery tickets or shares. Until the
10 Commission determines otherwise, the compensation paid to lottery game retailers shall
11 be five percent (5%) of the retail price of the tickets or shares plus an incentive bonus of
12 one percent (1%) based on attainment of sales volume or other objectives specified by
13 the Director for each lottery game. In cases of a lottery game retailer whose rental
14 payments for premises are contractually computed on the basis of a percentage of retail
15 sales, and where the computation of retail sales is not explicitly defined to include sales
16 of tickets or shares in a State lottery, the compensation received by the lottery game
17 retailer from the lottery shall be deemed to be the amount of the retail sale for the
18 purposes of this contractual computation.

19 **"§ 143C-155. Sales to persons under the age of 18.**

20 No tickets or shares in lottery games shall be sold to persons under the age of 18
21 years. Selling tickets or shares to a person under the age of 18 years shall be a
22 misdemeanor. In the case of lottery tickets or shares sold by lottery game retailers or
23 their employees, those persons shall establish safeguards to help assure that sales are not
24 made to natural persons under the age of 18 years. In the case of sales of tickets or
25 shares sold by vending machines or other devices, the Commission shall establish
26 safeguards to help assure that the vending machines or devices are not operated by
27 natural persons under the age of 18 years. Nothing in this Article shall be construed to
28 prevent any person 18 years or older from giving lottery tickets or shares to another as a
29 gift.

30 **"§ 143C-156. Payment of prize won by person under 18.**

31 If the person entitled to a prize or any winning ticket is under the age of 18 years,
32 and the prize is less than five thousand dollars (\$5,000), the Director may direct
33 payment of the prize by delivery of a check or draft payable to the order of the person
34 under 18 years of age to an adult member of that person's family or to that person's legal
35 guardian. If the person entitled to a prize or any winning ticket is under the age of 18
36 years, and the prize is five thousand dollars (\$5,000) or more, the Director may direct
37 payment to that person by depositing the amount of the prize in any insured depository
38 institution to the credit of an adult member of that person's family, or the legal guardian
39 of the person, as custodian for that person.

40 **"§ 143C-157. Display of certificate of authority.**

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

44 **"§ 143C-158. Bonding.**

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

3 **"§ 143C-159. Lottery game retailer accounting; payments.**

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

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

10 **"ARTICLE 6.**

11 **"LOTTERY VENDORS AND LOTTERY CONTRACTORS.**

12 **"§ 143C-160. Procurements.**

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

21 **"§ 143C-161. Contracts.**

22 The Director may directly solicit proposals or enter into contracts for the purchase or
23 lease of goods or services to effectuate the purposes of this Chapter. In awarding
24 contracts in response to solicitations for proposals, the Director shall award the
25 contracts to the responsible vendor submitting the lowest and best proposal which he
26 determines maximizes the benefits to the State. He may consider the areas of security,
27 competence, quality of product, experience, timely performance, and maximization of
28 net revenues to benefit the public purpose described in this Chapter in reaching his
29 decision. The Director may engage an independent firm experienced in evaluating
30 government procurement proposals to aid in the evaluation of proposals to the lottery.
31 Before a contract for a major procurement is awarded, the assistant director for security
32 shall conduct a thorough background investigation of:

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

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

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

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

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

1 **"§ 143C-162. Lottery vendor disclosures for major procurements.**

2 Upon the recommendation of the Director, the Commission shall adopt rules as
3 prescribed by Chapter 150B of the General Statutes, to provide for disclosures by
4 vendors submitting bids, proposals, or offers as part of a major procurement to ensure
5 that the vendors provide all the information necessary to allow for a full and complete
6 evaluation by the lottery of the competence, integrity, background, and character of the
7 lottery vendors. The rules shall require that all lottery vendors submit to the assistant
8 director for security any appropriate investigation authorizations needed to facilitate
9 these investigations.

10 **"§ 143C-163. Compliance with applicable laws.**

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

15 **"§ 143C-164. Performance bond.**

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

20 **"§ 143C-165 to 143C-169. Reserved for future codification purposes.**

21 **"ARTICLE 7.**

22 **"STATE LOTTERY FUND.**

23 **"§ 143C-170. State Lottery Fund.**

24 A special account to be known as the 'State Lottery Fund' is created within the State
25 treasury. The State Lottery Fund is continuously appropriated to the Commission for
26 the purposes of operating the Commission and the State lottery.

27 **"§ 143C-171. Types of income to the State Lottery Fund.**

28 The State Lottery Fund shall receive the following monies:

- 29 (1) All proceeds from the sale of lottery tickets or shares;
30 (2) The appropriation for initial start-up costs; and
31 (3) All other monies credited to the lottery from any lottery-
32 related source.

33 **"§ 143C-172. Types of disbursements from the State Lottery Fund.**

34 Disbursements shall be made from the State Lottery Fund for any of the following
35 purposes:

- 36 (1) The payment of prizes to the holders of valid winning
37 lottery tickets or shares;
38 (2) Expenses of the lottery;
39 (3) Repayment of the appropriation for initial start-up costs; and
40 (4) Transfer of funds from the State Lottery Fund to the General
41 Fund for the benefit of the public purpose described in this Chapter.

42 **"§ 143C-173. Prize payments of the lottery.**

43 As nearly as practical, at least fifty percent (50%) of the total projected revenue as
44 computed on a year-round basis for each lottery game, accruing from the sales of all

1 lottery tickets or shares from that lottery game shall be apportioned for payment of
2 prizes for that lottery game. The Commission may allocate a larger percentage of the
3 total projected revenue for a lottery game to prizes if it concludes that the total annual
4 net revenue from the lottery game will be enhanced by that prize percentage.

5 **"§ 143C-174. Expenses of the lottery.**

6 Expenses of the lottery shall include:

- 7 (1) The costs incurred in the operation and administration of the
8 lottery;
9 (2) The costs resulting from any contracts entered into for the purchase or
10 lease of goods or services required by the lottery;
11 (3) The compensation paid to lottery game retailers;
12 (4) The cost of supplies, materials, tickets, independent studies, data
13 transmission, advertising, promotion, incentives, public relations,
14 communications, bonding for lottery game retailers, printing, and
15 distribution of tickets and shares;
16 (5) The costs of reimbursing other governmental entities for services
17 provided to the lottery; and
18 (6) The costs for any other goods and services needed to accomplish the
19 purposes of this Chapter.

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

23 **"§ 143C-175. Transfer of net revenues.**

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

28 (b) The net revenues of the lottery shall be transferred from the State Lottery
29 Fund periodically to the General Fund to be used as the General Assembly determines.

30 (c) All net revenues from the lottery shall be held by the State Treasurer and shall
31 be disbursed to the General Fund, but no more frequently than quarterly. The transfer
32 of revenues to the agencies and funds specified in subsection (b) of this section shall
33 begin during the 1989-90 fiscal year.

34 **"§ 143C-176. Intergovernmental reimbursements for services.**

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

39 **"§ 143C-177. Audits.**

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

1 "§ 143C-178 and 143C-179. Reserved for future codification purposes.

2 "ARTICLE 8.

3 "MISCELLANEOUS.

4 "§ 143C-180. Taxes.

5 No local taxes shall be imposed on the sale of lottery tickets or shares of the lottery
6 established by this Chapter.

7 "§ 143C-181. Preemption of local laws.

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

11 "§ 143C-182. Lawful activity.

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

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

18 " (18.1) The State Lottery Fund."

19 Sec. 2.1. If Sections 1 and 2 of this act are approved by the qualified voters
20 in the referendum called for in Section 3 of this act, then the reasonable costs to the
21 State Board of Elections and to the boards of elections of the various counties for the
22 referendum called for by Section 3 of this act and attributable specifically to the
23 question of establishing a State Lottery shall be expenses of the lottery pursuant to G.S.
24 143C-174 and shall be reimbursed to the State Board of Elections and to boards of
25 elections of the various counties from the Lottery Fund.

26 If Sections 1 and 2 of this act are not approved by the qualified voters in the
27 referendum called for in Section 3 of this act, then the State Board of Elections and the
28 boards of elections of the various counties may seek reimbursement from the General
29 Assembly for the reasonable costs of the referendum called for by Section 3 of this act
30 and attributable specifically to the question of establishing a State Lottery.

31 Sec. 3. If approved by the qualified voters of the State of North Carolina,
32 Sections 1 and 2 of this act shall become effective July 1, 1990. The question of the
33 approval of Sections 1 and 2 of this act shall be submitted to the qualified voters of the
34 State of North Carolina at an election on November 7, 1989.

35 The referendum shall be held in accordance with the provisions of Chapter
36 163 of the General Statutes, and the form of the ballot shall be:

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

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

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

41 Sec. 4. This act is effective upon ratification.