

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 178

Short Title: 1993 Referendum-State Lottery.

(Public)

Sponsors: Representative Mavretic.

Referred to: Constitutional Amendments and Referenda.

February 17, 1993

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR A BINDING REFERENDUM ON THE
3 ESTABLISHMENT OF A NORTH CAROLINA STATE LOTTERY.

4 The General Assembly of North Carolina enacts:

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

7 **"CHAPTER 105C.**
8 **"STATE LOTTERY.**
9 **"ARTICLE 1.**
10 **"GENERAL PROVISIONS.**

11 **"§ 105C-1. Purpose.**

12 This Chapter establishes a lottery to be operated by the State for the benefit of
13 various public purposes. The lottery proceeds are to be used for local capital projects in
14 accordance with Article 6 of this Chapter and to provide revenue for the State, thereby
15 enabling local governments to provide for infrastructure needs that they might not
16 otherwise be able to address and to meet other State needs.

17 **"§ 105C-2. Definitions.**

18 The following definitions apply in this Chapter:

- 19 (1) Commission. – The State Lottery Commission.
20 (2) Commissioner. – A member of the State Lottery Commission.
21 (3) Credit assistance. – Any type or program of credit enhancement,
22 including a letter of credit, a credit facility, bond insurance, and a
23 guaranty, provided to a unit of local government that is obligated, by a

- 1 bond, a note, a contract, a financing agreement, or other obligation, to
2 repay a debt.
- 3 (4) Credit facility. – An agreement by the State or a unit of local
4 government with a banking institution, an insurance institution, an
5 investment institution, or other financial institution located inside or
6 outside the United States that provides for prompt payment, whether at
7 maturity, presentment, or tender for purchase, redemption, or
8 acceleration, of part or all of the principal or purchase price,
9 redemption premium, if any, and interest on a bond or note issued by
10 the State or unit of local government and for repayment of the
11 institution by the State or unit of local government.
- 12 (5) Director. – The Director of the State lottery.
- 13 (6) Lottery contractor. – A person who has entered a contract to provide
14 goods or services to the Commission.
- 15 (7) Lottery game. – A procedure authorized by the Commission whereby
16 prizes are distributed among persons who have bought tickets or shares
17 that provide the opportunity to win these prizes.
- 18 (8) Lottery game retailer. – The holder of a lottery game retailer permit
19 issued by the Commission.
- 20 (9) Lottery vendor. – A person who submits a bid, proposal, or offer for
21 the purpose of becoming a lottery contractor.
- 22 (10) Major procurement. – Any of the following:
- 23 a. Printing tickets or shares for use in a lottery game.
- 24 b. Providing goods or services in connection with the receipt or
25 recordation of number selections in a lottery game.
- 26 c. Providing goods or services in connection with the
27 determination or generation of winners in a lottery game.
- 28 (11) Person. – An individual, a firm, a partnership, an association, a
29 corporation, or another organization or combination of individuals
30 acting as a unit.
- 31 (12) Share. – A method of participating in a lottery game, other than by
32 purchasing a ticket, on an equivalent basis with participation by
33 purchasing a ticket.

34 **§ 105C-3. Lottery is a lawful activity.**

35 A State law or a local ordinance that prohibits the sale, possession, or operation of a
36 lottery does not apply to the lottery established by this Chapter.

37 **§ 105C-4. Local governments may not regulate or tax the State lottery.**

38 A local government may not adopt an ordinance that does any of the following:

- 39 (1) Regulates the operation of the lottery conducted under this Chapter.
- 40 (2) Imposes a tax on the sale of lottery game tickets or shares.
- 41 (3) Imposes a tax on the gross receipts of a lottery game retailer from sales
42 of lottery game tickets or shares.

43 **§ 105C-5. Misdemeanor violations of lottery laws.**

1 Violation of each of the following lottery laws is a misdemeanor and is punishable
2 as provided in G.S. 14-3:

- 3 (1) Knowingly selling a lottery game ticket or share to a person who is
4 less than 18 years old, in violation of G.S. 105C-32.
- 5 (2) Selling a lottery game ticket or share for a price other than the retail
6 price set by the Commission, in violation of G.S. 105C-32.
- 7 (3) Selling a lottery game ticket or share without a lottery game retailer
8 permit or authorization, in violation of G.S. 105C-45.
- 9 (4) Knowingly giving false information on an application for a lottery
10 game retailer permit, in violation of G.S. 105C-47.

11 "ARTICLE 2.

12 "COMMISSION, DIRECTOR, AND STAFF.

13 "§ 105C-10. Creation, membership, and organization of Commission.

14 (a) Creation. – The State Lottery Commission is established. The Commission is
15 located for administrative purposes in the Department of Commerce but exercises its
16 powers independently of that Department.

17 (b) Membership. – The Commission consists of five members appointed by the
18 Governor, subject to confirmation by the General Assembly by joint resolution. Each
19 Commissioner must be a resident of a different State region, as set out in subsection (i).
20 A person who has been convicted of a felony may not serve as a Commissioner and no
21 more than three members of the same political party may serve as Commissioners at the
22 same time.

23 The Governor must submit the name of an appointee to the General Assembly by
24 May 1 of the year in which the term of the appointee is to begin. If the Governor does
25 not submit a name by May 1, then the Lieutenant Governor and the Speaker of the
26 House must submit a name jointly to the General Assembly by May 15.

27 (c) Terms. – Except for the terms of the initial Commissioners, the term of a
28 Commissioner is for five years and begins on July 1. The term of one of the initial
29 Commissioners confirmed by the General Assembly ends June 30, 1995; the term of
30 another ends June 30, 1996; the term of another ends June 30, 1997; the term of another
31 ends June 30, 1998; and the term of another ends June 30, 1999. When submitting the
32 names of the initial appointees to be confirmed by the General Assembly, the Governor
33 must state when each appointee's term ends. A Commissioner continues to serve until
34 the Commissioner's successor takes office as a Commissioner, but the continuation does
35 not change the date when the term of the Commissioner's successor ends.

36 (d) Vacancies. – When a vacancy occurs on the Commission and the General
37 Assembly is in session, the Governor must submit to the General Assembly the name of
38 an appointee to fill the vacancy. The Governor must submit a name as soon as possible
39 but no later than three weeks after the vacancy occurs. If the Governor does not submit
40 a name within three weeks, then the Lieutenant Governor and the Speaker of the House
41 must submit a name jointly to the General Assembly.

42 When a vacancy occurs on the Commission and the General Assembly is not in
43 session, the vacated position remains vacant until the General Assembly convenes
44 unless the Governor considers filling the vacancy urgent. If the Governor finds it urgent

1 to fill the vacancy, the Governor may appoint a person to serve as a Commissioner on
 2 an interim basis pending confirmation by the General Assembly. When the General
 3 Assembly convenes, it must consider the confirmation of an interim appointment.

4 A Commissioner appointed to fill a vacancy serves for the unexpired portion of the
 5 term vacated.

6 (e) Chair. – When the initial Commissioners are confirmed by the General
 7 Assembly, the Governor must designate one of the Commissioners as Chair of the
 8 Commission. The initial Chair serves as Chair until June 30, 1996. Succeeding Chairs
 9 serve three-year terms as Chair that end on June 30. If a Chair leaves the Commission
 10 before completing a three-year term as Chair, the Governor must designate another
 11 Commissioner as Chair to serve for the remainder of the unexpired term as Chair.

12 (f) Compensation. – Each Commissioner, other than the Chair, receives the
 13 same salary as a member of the Utilities Commission. The Chair of the Commission
 14 receives the same salary as the Chair of the Utilities Commission. Each Commissioner
 15 is reimbursed for travel expenses in accordance with G.S. 138-6.

16 (g) Organization. – The Commission must meet at the call of the Chair or at the
 17 call of a majority of the Commissioners. A majority of the Commissioners is a quorum.
 18 The Commission must make all its decisions by a majority vote.

19 (h) Oath. – As an officer of the State, each Commissioner must take the oath
 20 required by Article VI, § 7 of the North Carolina Constitution.

21 (i) Regions. – To obtain statewide representation among the membership of the
 22 Commission, the State is divided into the following five regions:

<u>Region</u>	<u>Counties in Region</u>
<u>1</u>	<u>Avery, Buncombe, Cherokee, Clay, Cleveland, Gaston,</u> <u>Graham, Haywood, Henderson, Jackson, Lincoln, Macon,</u> <u>Madison, McDowell, Mecklenburg, Mitchell, Polk,</u> <u>Rutherford, Swain, Transylvania, and Yancey</u>
<u>2</u>	<u>Alexander, Alleghany, Ashe, Burke, Cabarrus, Caldwell,</u> <u>Catawba, Davidson, Davie, Forsyth, Guilford, Iredell,</u> <u>Randolph, Rockingham, Rowan, Stanly, Stokes, Surry,</u> <u>Yadkin, Watauga, and Wilkes</u>
<u>3</u>	<u>Alamance, Anson, Caswell, Chatham, Durham, Hoke, Lee,</u> <u>Montgomery, Moore, Orange, Person, Richmond, Scotland,</u> <u>and Union</u>
<u>4</u>	<u>Beaufort, Bertie, Camden, Chowan, Currituck, Dare,</u> <u>Edgecombe, Franklin, Gates, Granville, Halifax, Harnett,</u> <u>Hertford, Hyde, Martin, Nash, Northampton, Pasquotank,</u> <u>Perquimans, Pitt, Tyrrell, Vance, Wake, Warren, Washington,</u> <u>and Wilson</u>
<u>5</u>	<u>Bladen, Brunswick, Carteret, Columbus, Craven,</u> <u>Cumberland, Duplin, Greene, Johnston, Jones, Lenoir, New</u> <u>Hanover, Onslow, Pamlico, Pender, Robeson, Sampson, and</u> <u>Wayne.</u>

44 **"§ 105C-11. General laws apply to Commission.**

1 As a State agency, the general laws that apply to State agencies apply to the
2 Commission. These laws include the following:

- 3 (1) Chapter 126 of the General Statutes, the State Personnel Act.
- 4 (2) Chapter 132 of the General Statutes, which governs public access to
5 records of a State agency.
- 6 (3) Articles 3 and 3C of Chapter 143 of the General Statutes, which
7 govern the purchase of goods and services by a State agency.
- 8 (4) Article 33C of Chapter 143 of the General Statutes, which governs
9 meetings of a State agency.
- 10 (5) Chapter 150B of the General Statutes, which governs the adoption of
11 rules by a State agency and the review of certain decisions of a State
12 agency.

13 **"§ 105C-12. Powers and duties of Commission.**

14 (a) Powers. – The Commission has all powers necessary to perform its duties
15 under this Chapter. The Commission may adopt rules to implement this Chapter.

16 (b) Duties. – The Commission must:

- 17 (1) Establish and operate a lottery.
- 18 (2) Ensure that the lottery is operated efficiently and honestly.
- 19 (3) Meet with the Director at least monthly to set policy, approve or reject
20 reports of the Director, and transact any other business of the
21 Commission.
- 22 (4) Make quarterly and annual reports to the Governor, the Attorney
23 General, the State Treasurer, and the General Assembly on the
24 operation of the lottery, including full and complete statements of
25 lottery revenues, prize disbursements, expenses, net income, and all
26 other financial transactions involving lottery funds.

27 **"§ 105C-13. Selection and compensation of Director.**

28 (a) Selection. – The office of Director of the Commission is established. The
29 Director is selected by the Commission and serves at the pleasure of the Commission.
30 The Director must be qualified by training and experience to direct the operations of a
31 State lottery. A person who has been convicted of a felony may not serve as Director.
32 As an officer of the State, the Director must take the oath required by Article VI, § 7 of
33 the North Carolina Constitution.

34 (b) Compensation. – The Director receives the same salary as a member of the
35 Commission. The Director is reimbursed for travel expenses in accordance with G.S.
36 136-8.

37 **"§ 105C-14. Duties and powers of Director.**

38 (a) General. – The Director is the secretary and executive officer of the
39 Commission. The Director's position is a full-time position; the Director may not
40 engage in any other occupation or profession while serving as Director.

41 (b) Specific. – The Director must:

- 42 (1) Supervise and administer the operation of the lottery in accordance
43 with this Chapter.
- 44 (2) Study the following:

- a. Lotteries operated by another state or a foreign country.
 - b. Available literature on the subject of lotteries.
 - c. Existing or proposed federal laws that may affect the operation of the lottery.
 - d. The reaction of the citizens of the State to existing or proposed features in a lottery game.
 - e. The demographic characteristics of the players of lottery games.
 - f. The effectiveness of the marketing used on sales of lottery game tickets and shares.
- (3) Recommend to the Commission improvements in the lottery based on studies made.
 - (4) Make and keep books and records that accurately and fairly reflect each day's lottery transactions, including the distribution of lottery game tickets or shares to lottery game retailers, the receipt of funds and prize claims, the amount of prizes paid directly by the Commission, and all other financial transactions involving lottery funds necessary to maintain daily accountability of lottery funds.
 - (5) Report monthly to the Commission on the amount of revenue generated by the lottery during the preceding month and the amount of expenses incurred by the lottery during the preceding month.
 - (6) Provide for federal income tax to be withheld from a lottery game prize as required by section 3402 of the Internal Revenue Code.
 - (7) Provide for State income tax in the amount of seven percent (7%) of a lottery game prize to be withheld from a prize from which federal income tax is required to be withheld.
 - (8) Report to the Secretary of Revenue the payment of a lottery game prize that must be reported to the Internal Revenue Service under section 3402 of the Internal Revenue Code.
 - (9) Perform other duties assigned by the Commission.

"§ 105C-15. Staff.

The Director may hire professional, clerical, technical, and administrative personnel needed to operate a lottery. The Director may not hire a person who has been convicted of a felony. Before hiring a person, the Director, with the assistance of the State Bureau of Investigation, must investigate the person's background. As a condition of employment, each applicant for employment with the Commission must sign an authorization allowing the Director to investigate the applicant's background.

"§ 105C-16. Assistant directors.

The Director must appoint an assistant director for security and may appoint and establish the duties for up to three additional assistant directors. The Commission determines the compensation of the assistant directors. The Director may designate one of the assistant directors as the deputy director.

"§ 105C-17. Assistant director for security.

(a) Selection. – The assistant director for security is responsible for a security division. The assistant director for security must have at least five years' experience in

1 law enforcement, must have knowledge and experience in computer security, and must
2 otherwise be qualified by training and experience for the position.

3 (b) Duties. – The assistant director for security must:

4 (1) With the assistance of the State Bureau of Investigation, investigate the
5 background of all prospective employees, lottery game retailers, and
6 lottery vendors for major procurements.

7 (2) Recommend procedures to the Director that ensure the security,
8 honesty, fairness, and integrity of the lottery.

9 (3) Report any alleged violation of law to the appropriate law enforcement
10 authority for further investigation and action.

11 (4) Perform other duties assigned by the Director.

12 "ARTICLE 3.

13 "LOTTERY VENDORS AND LOTTERY CONTRACTORS.

14 "§ 105C-20. Obtaining goods and services.

15 The Commission must follow the procedures in Articles 3 and 3A of Chapter 143 of
16 the General Statutes when it purchases or leases goods or services needed to conduct the
17 lottery. The Commission may not contract with any private party or other
18 nongovernmental entity for the operation and administration of the lottery, but may
19 enter into a contract with a private party for a major procurement or other procurement
20 that integrates functions such as lottery game design, supply of goods and services, and
21 advertising.

22 "§ 105C-21. Contracts for major procurements.

23 A contract for a major procurement must be awarded to the responsible lottery
24 vendor who submits the best proposal that maximizes the benefits to the State. A
25 contract for a major procurement may not be awarded to a person who has been
26 convicted of a felony or any gambling offense in any state or federal court of the United
27 States within 10 years of entering into the contract.

28 In choosing among lottery vendors, the State must take into account the particularly
29 sensitive nature of the lottery and must consider the competence, quality of product,
30 experience, and timely performance of the lottery vendors in order to promote and
31 ensure security, honesty, fairness, and integrity in the operation and administration of
32 the lottery and maximize the objective of raising revenues. The Commission may
33 engage an independent firm experienced in evaluating government procurement
34 proposals to aid in evaluating proposals for a major procurement.

35 Before a contract for a major procurement is awarded, the assistant director for
36 security must conduct a thorough background investigation of all of the following:

37 (1) Each lottery vendor who submitted a bid, proposal, or offer.

38 (2) Any parent or subsidiary corporation, if any, of each lottery
39 vendor who submitted a bid, proposal, or offer.

40 (3) All shareholders who own at least a five percent (5%)
41 interest in each lottery vendor, or parent or subsidiary corporation of
42 each lottery vendor, who submitted a bid, proposal, or offer.

1 (4) All officers and directors of each lottery vendor or parent or
2 subsidiary corporation of each lottery vendor who submitted a bid,
3 proposal, or offer.

4 **"§ 105C-22. Lottery vendor disclosures for major procurements.**

5 A lottery vendor who submits a bid, proposal, or offer for a major procurement must
6 disclose the information required by the State to enable the State to evaluate the
7 vendor's competence, integrity, background, and character. A lottery vendor must
8 submit to the assistant director for security any appropriate investigation authorizations
9 needed to facilitate these evaluations.

10 **"§ 105C-23. Performance bond for major procurements.**

11 Each lottery contractor for a major procurement must, at the time of executing the
12 contract with the Commission, post an appropriate bond or letter of credit with the
13 Commission, in an amount equal to the full amount estimated to be paid annually to the
14 lottery contractor under the contract. The Commission may decrease the bond or letter
15 of credit requirement for a major procurement if it determines that the decrease will
16 result in a cost savings to the lottery while still providing adequate protection against
17 nonperformance.

18 In lieu of a bond or letter of credit, a contractor may, to ensure the faithful
19 performance of its obligations, deposit and maintain with the Commission securities that
20 accrue interest and that, with the exception of those specified in subdivisions (1) or
21 (2), are rated in one of the four highest classifications by an established nationally
22 recognized investment rating service. Securities eligible under this section are limited
23 to the following:

- 24 (1) Certificates of deposit issued by a bank or savings institution whose
25 principal place of business is located in this State.
26 (2) United States bonds and bills for which the full faith and credit of the
27 government of the United States is pledged for the payment of
28 principal and interest.
29 (3) General obligation bonds and notes of any political subdivision of the
30 State.
31 (4) Corporate bonds of a corporation that is not an affiliate or subsidiary
32 of the depositor.

33 Securities accepted under this section are held in trust and must have at all times a
34 market value at least equal to the full amount estimated to be paid annually to the
35 contractor under the contract.

36 **"ARTICLE 4.**

37 **"OPERATION OF THE LOTTERY.**

38 **"§ 105C-30. Guiding principles.**

39 The Commission must operate the lottery so as to maximize revenue to the State.
40 The lottery must be operated in a manner consistent with the dignity of the State, the
41 general welfare of the people, and effective business practices.

42 **"§ 105C-31. Types of lottery games.**

1 Upon the recommendation of the Director, the Commission must determine the
2 types of lottery games offered by the lottery. A lottery game, however, may not do any
3 of the following:

- 4 (1) Use the theme of bingo, dog racing, or horse racing.
- 5 (2) Be based on the outcome of a particular sporting event, including a
6 dog race or a horse race.
- 7 (3) Use tickets or shares that do not have unique numbers distinguishing
8 them from every other ticket or share in that lottery game.
- 9 (4) Use tickets or shares that include the name or photograph of an elected
10 official.
- 11 (5) If the game uses a computer terminal or other electronic device,
12 dispense coins or currency from the device.

13 **"§ 105C-32. Sales price and distribution of tickets and shares.**

14 (a) Price. – Upon the recommendation of the Director, the Commission must set
15 the retail sales price for each ticket or share for each lottery game. The Commission
16 may not set the retail sales price of a lottery game ticket or share at less than fifty cents
17 (50¢). The Commission may, however, authorize a discount for purchases of multiple
18 tickets or shares.

19 (b) Distribution. – Upon the recommendation of the Director, the Commission
20 must specify the manner of distributing lottery game tickets. The Commission may
21 distribute the tickets or shares directly to the public or to lottery game retailers for
22 distribution to the public.

23 (c) Restrictions. – Distribution of a lottery game ticket or share is subject to all of
24 the following restrictions:

- 25 (1) It may not be sold or given to any of the following:
 - 26 a. A person who is less than 18 years old.
 - 27 b. A Commissioner, the Director, or an employee of the
28 Commission.
 - 29 c. A lottery game contractor or an officer or employee of a lottery
30 game contractor whose contract concerns a major procurement.
 - 31 d. A spouse, parent, or child living in the same household as a
32 person disqualified by subparts b. or c. of this subdivision.
- 33 (2) It may not be sold for a price that is higher than the retail price set by
34 the Commission.
- 35 (3) It may not be given as a premium or an enticement to promote the sale
36 of an item or a product.

37 **"§ 105C-33. Number and value of prizes.**

38 (a) Type. – Upon the recommendation of the Director, the Commission must
39 determine the number and value of prizes for winning tickets or shares in each lottery
40 game. A prize may be a cash prize paid in a lump sum, in deferred payments, or by an
41 annuity, a merchandise prize, or a prize of a ticket or share in the same lottery game or
42 another lottery game.

43 (b) Prize Percentage. – As nearly as practical, the Commission must allocate at
44 least fifty percent (50%) of the total projected annual revenue from the sale of lottery

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

5 (c) Odds. – The following requirements apply:

6 (1) In lottery games using tickets with preprinted winners, the overall
7 estimated odds of winning prizes must be printed on each ticket.

8 (2) A detailed tabulation of the estimated number of prizes of each
9 particular prize denomination that are expected to be awarded in each
10 lottery game, or the estimated odds of winning these prizes, must be
11 available from the Commission when the lottery game is offered for
12 sale to the public.

13 (3) All printed or point of sale advertising promoting the sale of lottery
14 tickets for a particular game must include the actual or estimated odds
15 of winning that game.

16 **§ 105C-34. Method of determining winners.**

17 (a) Method. – Upon the recommendation of the Director, the Commission must
18 specify the method for determining winners in each lottery game. If more than one
19 person is entitled to the same prize, each person must receive a proportional share of the
20 prize.

21 (b) Drawings. – If a lottery game uses a drawing of winning numbers, a drawing
22 among entries, or a drawing among finalists to determine the winner, the drawing must
23 comply with all of the following requirements:

24 (1) It must be open to the public.

25 (2) It must be witnessed by an independent certified public accountant.

26 (3) Any equipment used in the drawing must be inspected, both before and
27 after the drawing, by an independent certified public accountant and an
28 employee of the Commission.

29 (4) It and any inspection of equipment used in it must be recorded on both
30 video and audio tape.

31 **§ 105C-35. Payment of prizes.**

32 (a) Procedures. – Upon the recommendation of the Director, the Commission
33 must establish procedures for verifying the validity of a lottery game ticket or share
34 presented as the winner of a prize and for paying prizes won in a lottery game. The
35 Commission may authorize lottery game retailers to pay some prizes at their premises
36 and may require prizes to be paid only by the Commission.

37 (b) Restrictions. – The right of a person to a prize is not assignable. A prize may
38 be paid to the estate of a deceased prize winner, however, or to a person designated
39 pursuant to a judicial order. A lottery game prize may not be paid to a person:

40 (1) To whom a lottery game ticket or share cannot be sold or given, as
41 listed in G.S. 105C-32.

42 (2) Who presents a lottery game ticket or share that is stolen, counterfeit,
43 altered, fraudulent, unissued, produced or issued in error, unreadable,
44 not presented by the applicable deadline, or lacking in captions that

1 conform with the lottery play symbols for the lottery game involved,
2 or does not otherwise comply with any applicable requirements.

3 (c) Time. – The holder of a lottery game ticket or share may claim a prize won
4 by the ticket or share for 180 days after the drawing or the end of the lottery game in
5 which the prize was won. The Commission may set a shorter time period for eligibility
6 for entry into a drawing for entries or finalists. The Commission may set a different
7 time period for a lottery game that involves a lottery in another state.

8 (d) Unclaimed Prizes. – A prize that is not claimed within the time limit may not
9 be claimed after the time limit expires. The value of all unclaimed prizes must be
10 credited in equal amounts to the General Fund and to the Local Infrastructure Fund
11 established in Article 6 of this Chapter.

12 (e) Information. – At the end of the time period for claiming prizes for each
13 lottery game, the Commission must prepare a detailed statement of the total number of
14 prizes, of each prize denomination, claimed and paid directly by the Commission. The
15 Commission must make this statement available at its office and from lottery game
16 retailers.

17 **"§ 105C-36. Player agreement.**

18 By purchasing a ticket or share in a lottery game, a player agrees to be bound by the
19 lottery game's play rules. In particular, the purchaser of a ticket or share acknowledges
20 that the determination of whether the purchaser is a winner is subject to the game play
21 rules and the winner validation procedures for the lottery game.

22 **"§ 105C-37. Audits.**

23 (a) State Auditor. – The State Auditor must conduct quarterly and annual audits
24 of all accounts and transactions of the Commission and must conduct any other special
25 audits considered necessary. The State Auditor may examine any records of the
26 Commission. The State Auditor may examine the records of the following that are
27 relevant to the State lottery:

28 (1) A lottery game retailer.

29 (2) A lottery game contractor who has a contract for a major procurement.

30 (b) Independent. – Every two years, the Commission must engage an
31 independent firm experienced in security procedures to study all aspects of security in
32 the operation of the lottery. As part of the study, the independent firm must identify any
33 practices that could be improved and describe how a practice identified as needing
34 improvement should be changed. The portion of the security audit report containing the
35 overall evaluation of each aspect of security in the operation of the lottery must be
36 presented to the Commission, to the Governor, and to the General Assembly. The
37 portion of the security audit report identifying specific practices that need to be changed
38 and describing how they should be changed is confidential and may be presented only to
39 the assistant director for security, the Director, and the Commission.

40 **"§ 105C-38. Expenses and expense restriction.**

41 All expenses incurred by a State agency in performing duties related to the State
42 lottery are expenses of the lottery and must be charged to the lottery. The Commission
43 may not spend more than sixteen percent (16%) of the total annual revenues accruing

1 from the sale of all lottery game tickets and shares from all lottery games for expenses
2 of the lottery.

3 **"§ 105C-39. No financial interest in certain persons allowed and no bribes or gifts**
4 **from certain persons allowed.**

5 (a) Prohibition. – A Commissioner, the Director, or an employee of the
6 Commission may not:

7 (1) Have a financial interest in a lottery contractor.

8 (2) Solicit, accept, or agree to accept anything from any of the following:

9 a. A lottery contractor.

10 b. A lottery vendor.

11 c. A person who could reasonably be expected to submit a bid to
12 provide goods or services to the Commission.

13 (b) Punishment. – Violation of this section is a Class J felony. A person
14 convicted of violating this section must be removed from office or employment with the
15 State.

16 **"ARTICLE 5.**

17 **"LOTTERY GAME RETAILERS.**

18 **"§ 105C-45. Permit required; qualifications for permit.**

19 (a) Requirement. – To sell lottery game tickets or shares to the public, a person
20 other than a unit of State or local government must obtain a permit from the
21 Commission. A lottery game retailer permit authorizes the holder to sell lottery game
22 tickets or shares to the public, on behalf of the State, at the retail business named in the
23 permit. The Commission may authorize units of State or local government to sell
24 lottery game tickets or shares to the public at designated locations. The Commission
25 may not, however, allow an ABC store to sell lottery game tickets or shares.

26 (b) Qualifications. – To be eligible for a lottery game retailer permit, a person
27 must meet all of the following requirements:

28 (1) Be at least 21 years old.

29 (2) Be engaged in a retail business at an established location in this State
30 from which the person intends to sell lottery game tickets or shares in
31 addition to conducting the existing retail business.

32 (3) Be a resident of North Carolina unless either of the following applies:

33 a. The person is an officer, a director, or a stockholder of a
34 corporate applicant and is not a manager or is not otherwise
35 responsible for the day-to-day operation of the business.

36 b. The person has executed a power of attorney designating a
37 qualified resident of this State to serve as attorney-in-fact for
38 the purposes of receiving service of process and managing the
39 business for which the permit is sought.

40 (4) Not have been convicted of a felony or a misdemeanor gambling
41 offense within the last 10 years.

42 (5) Not have had a permit issued under this section revoked within the last
43 10 years.

1 (c) Conviction Defined. – For purposes of this section, a 'conviction' is a
2 judgment against a person that includes a finding of guilt or an entry of a plea of guilty
3 or **nolo contendere**. A felony conviction in another jurisdiction disqualifies a person
4 from being eligible to receive or hold a lottery game retailer permit if the person's
5 conduct would also constitute a felony in North Carolina. A conviction of a
6 misdemeanor gambling offense in another jurisdiction disqualifies a person from being
7 eligible to receive or hold a lottery game retailer permit if the person's conduct would
8 constitute an offense in North Carolina, unless the Commission determines that under
9 North Carolina procedure judgment would not have been entered under the same
10 circumstances. Revocation of a similar permit or authority to sell lottery tickets in
11 another jurisdiction disqualifies a person if the person's conduct would be grounds for
12 revocation in North Carolina.

13 (d) Who Must Qualify. – For a lottery game retailer permit to be issued to and
14 held by a business, each of the following persons associated with that business must
15 qualify under subsection (b) of this section:

- 16 (1) The owner of a sole proprietorship.
- 17 (2) Each member of a firm, an association, or a general partnership.
- 18 (3) Each general partner in a limited partnership.
- 19 (4) Each officer, director, and owner of more than ten percent (10%) of
20 the stock of a corporation, except that the age requirement of
21 subdivision (b)(1) does not apply to a stockholder who is not a
22 manager of or is not otherwise responsible for the day-to-day operation
23 of the applicant's retail business.
- 24 (5) The manager of a retail business operated by a corporation.
- 25 (6) Any manager who has been empowered as attorney-in-fact for a
26 nonresident individual or partnership.

27 **"§ 105C-46. Issuance of lottery game retailer permit.**

28 (a) Factors. – Before issuing a lottery game retailer permit, the Commission must
29 be satisfied that the applicant is a suitable person to hold the permit and that the
30 applicant's retail business is a suitable place to sell lottery game tickets and shares. The
31 Commission may consider any of the following factors in making its decision:

- 32 (1) The reputation, character, and criminal record of the applicant.
- 33 (2) The number of places already holding lottery game retailer permits in
34 the neighborhood.
- 35 (3) The convenience of the applicant's retail business to the public,
36 including available parking and the traffic conditions in the
37 neighborhood.
- 38 (4) The financial responsibility of the applicant.
- 39 (5) The volume of lottery game tickets and shares the applicant expects to
40 sell.
- 41 (6) Any other information that would tend to show whether the applicant
42 would comply with the lottery laws.

1 (b) Commission's Authority. – The Commission has the sole power, in its
2 discretion, to determine the suitability and qualifications of an applicant for a lottery
3 game retailer permit.

4 **"§ 105C-47. Application for permit; fees.**

5 (a) Form. – An application for a lottery game retailer permit must be on a form
6 prescribed by the Commission and must be notarized. The application must be signed
7 and sworn to by each person required to qualify under G.S. 105C-45(d).

8 (b) Investigation. – Before issuing a new permit, the Commission, with the
9 assistance of the State Bureau of Investigation, must investigate the applicant and the
10 applicant's retail business. An applicant must cooperate fully with the investigation.

11 (c) Fees. – An application for a lottery game retailer permit must be accompanied
12 by the application fee, if any, set by the Commission. An application fee is not
13 refundable.

14 **"§ 105C-48. Compensation for lottery game retailers.**

15 (a) Amount. – Upon the recommendation of the Director, the Commission must
16 determine the compensation to be paid to lottery game retailers for their sales of lottery
17 game tickets or shares. Until the Commission establishes a different amount of
18 compensation, the Commission must pay each lottery game retailer five percent (5%) of
19 the retail price of the tickets or shares sold by the retailer plus an incentive bonus of one
20 percent (1%) of the amount sold above a specified sales volume or the attainment of
21 another objective specified by the Commission.

22 (b) Effect on Lease or Rental Agreement. – If a lease or rental agreement made
23 by a lottery game retailer is based on a percentage of the retailer's retail sales, the
24 retailer's sales of lottery game tickets or shares may not be counted in computing the
25 amount payable under the agreement unless the agreement explicitly includes these
26 sales. Conversely, a lease or rental agreement based on a percentage of sales includes
27 the amount of compensation paid to a lottery game retailer under subsection (a) of this
28 section unless the agreement specifically excludes these payments.

29 **"§ 105C-49. Duration and transfer of permit.**

30 (a) Duration. – A lottery game retailer permit is valid until it is surrendered,
31 suspended, or revoked.

32 (b) Change in Ownership. – A lottery game retailer permit for a retail business
33 automatically expires and must be surrendered to the Commission if any of the
34 following occurs:

35 (1) Ownership of the retail business changes.

36 (2) There is a change in the membership of the firm, association, or
37 partnership owning the retail business and the change involves the
38 acquisition of a ten percent (10%) or greater share in the firm,
39 association, or partnership by someone who did not previously own a
40 ten percent (10%) or greater share.

41 (3) Ten percent (10%) or more of the stock of the corporate permit holder
42 owning the retail business is acquired by someone who did not
43 previously own ten percent (10%) or more of the stock.

1 (c) Change in Management. – A corporation holding a lottery game retailer
2 permit for a retail business for which the manager is required to qualify as an applicant
3 under G.S. 105C-45(d) must, within 30 days after employing a new manager, submit to
4 the Commission an application for substitution of a manager. The application must be
5 signed by the new manager, must be on a form provided by the Commission, and must
6 be accompanied by a fee of ten dollars (\$10.00). The fee is not refundable.

7 (d) Transfer. – A lottery game retailer permit may not be transferred from one
8 person to another or from one location to another.

9 (e) Lost Permit. – The Commission may issue a duplicate lottery game retailer
10 permit for a retail business when the permit issued has been lost or damaged. A request
11 for a duplicate permit must be on a form provided by the Commission, certified by the
12 lottery game retailer whose permit is lost or damaged, and accompanied by a fee of ten
13 dollars (\$10.00).

14 (f) Name Change. – The Commission may issue a new lottery game retailer
15 permit for a retail business when the name of the retail business changes. A request for
16 a new permit must be on a form provided by the Commission, certified by the lottery
17 game retailer whose business name has changed, and accompanied by a fee of ten
18 dollars (\$10.00).

19 **"§ 105C-50. Denial, suspension, or revocation of a lottery game retailer permit.**

20 (a) The Commission may deny, suspend, or revoke a lottery game retailer permit
21 for any of the following reasons:

22 (1) Knowingly making a false statement on an application for a lottery
23 game retailer permit.

24 (2) Failing to keep records as required by the Commission.

25 (3) Failing to account for lottery game tickets or shares received or the
26 proceeds from the sale of the tickets or shares.

27 (4) Failing to file a bond required by the Commission.

28 (5) Failing to comply with the rules of the Commission concerning the
29 payment of prizes or other matters.

30 (6) Conviction of an offense that would make an applicant ineligible to
31 receive a permit.

32 (7) Making misrepresentations concerning a lottery game or doing other
33 acts that create a lack of public confidence in the lottery.

34 (8) Failing to sell enough lottery game tickets or shares to meet the
35 Commission's projected sales volume.

36 (9) A change in circumstances that makes the retail business for which a
37 permit has been issued no longer suitable to hold a permit.

38 **"§ 105C-51. Records, payments, and bonds of lottery game retailers.**

39 (a) Records. – A lottery game retailer must keep books and records of lottery
40 game tickets and shares received, lottery game sales, and lottery game prize winners and
41 prize payments as required by the Commission. The books and records of a lottery
42 game retailer are subject to inspection by the Commission during business hours of the
43 retail business.

1 (b) Bonds. – The Commission may require a lottery game retailer to give a bond
2 in an amount set by the Commission. The bond must be in the form specified by the
3 Commission, must be conditioned on the lottery game retailer's compliance with the
4 lottery laws, and must be payable to the State.

5 (c) Remittance. – A lottery game retailer must periodically report and send to the
6 Commission the amount of revenue received by the retailer from sales of lottery game
7 tickets or shares, less the amount of prizes paid by the retailer and the retailer's
8 compensation for making the sales. The Commission must establish the periods and
9 methods for reporting revenue under this subsection.

10 **"§ 105C-52. Miscellaneous provisions concerning lottery game retailer permits.**

11 (a) Posting Permit. – The holder of a lottery game retailer permit must post the
12 permit in a prominent place at the retail business named in the permit.

13 (b) Notice of Issuance. – When the Commission issues a lottery game retailer
14 permit, it must notify the following people of the issuance and give the name and
15 address of the retail business for which the permit was issued:

16 (1) The State Bureau of Investigation.

17 (2) The governing body and sheriff of the county in which the retail
18 business is located.

19 (3) If the retail business is located inside a city, the governing body and
20 the chief of police of the city.

21 **"ARTICLE 6.**

22 **"USE OF LOTTERY PROCEEDS.**

23 **"§ 105C-55. Lottery Fund.**

24 The Lottery Fund is established as a proprietary fund within the State treasury. The
25 Lottery Fund accounts for all revenues and expenses of the lottery. Interest and other
26 investment income earned by the Lottery Fund accrue to the Lottery Fund. The Lottery
27 Fund is continuously appropriated to the Commission to provide funds for the
28 Commission and the operation of the lottery. Each month the State Treasurer must
29 transfer one-half of the net income of the Lottery Fund to the General Fund and the
30 remaining one-half of the net income to the Local Infrastructure Fund.

31 **"§ 105C-56. Creation and uses of Local Infrastructure Fund.**

32 (a) Creation. – The Local Infrastructure Fund is established as a special revenue
33 fund in the State treasury. The Office of State Budget and Management administers the
34 Fund. The Fund consists of one-half of the net income of the State lottery and interest
35 and income earned by the Fund.

36 (b) Principal. – The principal in the Local Infrastructure Fund may be used only
37 for one or more of the following purposes:

38 (1) To make a loan to a unit of local government for a capital construction
39 project of the local unit.

40 (2) To make a loan to a unit of local government to retire indebtedness
41 incurred by the local unit for a capital construction project of the local
42 unit.

1 (3) To provide credit assistance to a unit of local government when the
2 obligation for which the assistance is provided was incurred to fund a
3 capital construction project of the local unit.

4 (c) Income. – Interest and other income earned by the Local Infrastructure Fund
5 may be used only for one or more of the following purposes:

6 (1) Any purpose for which the principal in the Fund may be used.

7 (2) To make a grant to a unit of local government for a capital
8 construction project of the local unit.

9 (3) To make a grant to a unit of local government to retire indebtedness
10 incurred by the local unit for a capital construction project of the local
11 unit.

12 (d) Restrictions. – The principal of the Local Infrastructure Fund may not be used
13 for a purpose that is not listed in subsection (b) of this section. The income earned by
14 the Fund may not be used for a purpose that is not listed in subsection (c) of this section.
15 Neither the principal of nor the interest earned by the Fund may be used to make a loan
16 or grant for the maintenance of real or personal property or to provide credit assistance
17 for an obligation that was incurred to provide funds for the maintenance of real or
18 personal property.

19 **§ 105C-57. Application procedure for a loan, grant, or credit assistance from the**
20 **Local Infrastructure Fund.**

21 (a) OSBM. – The Office of State Budget and Management must make loans and
22 provide credit assistance to units of local government from the principal of the Local
23 Infrastructure Fund and must make loans and grants and provide credit assistance to
24 units of local government from the interest and other investment income earned by the
25 Local Infrastructure Fund. The Office must select the units of local government that are
26 to receive a loan, grant, or credit assistance from among the units that apply for a loan,
27 grant, or credit assistance. The Office, with the assistance of the Local Government
28 Commission, must determine the following:

29 (1) Whether a selected unit receives a loan, a grant, or credit assistance.

30 (2) The interest rate that applies to any loan made.

31 (3) The type of any credit assistance provided.

32 (b) Application. – A unit of local government may apply to the Office of State
33 Budget and Management for a capital project loan, grant, or credit assistance from the
34 Local Infrastructure Fund. An application must include all of the following:

35 (1) A description of the capital project for which the application is
36 submitted.

37 (2) A detailed statement of the projected costs of the capital project,
38 including the cost to plan, design, and construct the project and acquire
39 any interest in real property needed for the project.

40 (3) An explanation of why the capital project is needed and the benefits
41 the unit expects to derive from the project.

42 (4) The unit's ability to pay for the capital project.

43 (5) For an application for credit assistance, a copy of a resolution adopted
44 by the governing body of the local unit in which the governing body

1 agrees to allow the State to withhold payments to the local unit in
2 accordance with G.S. 105C-61 to ensure payment of an obligation for
3 which credit assistance is provided.

4 (6) Any other information needed by the Office of State Budget and
5 Management to enable the Office to make a decision on the
6 application.

7 (c) Procedure. – To process the applications received from units of local
8 government for a loan, grant, or credit assistance from the Local Infrastructure Fund,
9 the Office of State Budget and Management must divide the year into two periods. The
10 Office must consider together all complete applications first received in a period and all
11 applications first considered in the previous period but not selected. A unit of local
12 government whose application is not selected after it is considered for two successive
13 periods must submit a new application to receive further consideration.

14 **"§ 105C-58. Selection for loan, grant, or credit assistance from Local**
15 **Infrastructure Fund.**

16 (a) Priorities. – The Office of State Budget and Management must select the
17 applications that are to receive loans, grants, or credit assistance from the Local
18 Infrastructure Fund based on the capital needs of the local units of government that
19 submitted the applications and their ability to finance these needs without a loan, grant,
20 or credit assistance from the State. The Office must give first priority to capital projects
21 that both promote the economic development of the unit and enable the unit to take
22 better advantage of the improvements to the Intrastate System listed in G.S. 136-179.
23 The Office must give second priority to capital projects that promote the economic
24 development of the unit but are not related to improvements in the Intrastate System.

25 (b) Ability To Pay. – The Office must determine the ability of a unit of local
26 government to finance its capital needs on the basis of the per capita property tax value
27 in the unit and the property tax burden in the unit. The property tax burden is the
28 percentage of per capita income in the unit that is consumed by the payment of property
29 taxes. A unit with a high property tax burden is considered to have less ability to
30 finance its needs than a unit with a low property tax burden. Conversely, a unit with a
31 low per capita property tax value is considered to have less ability to finance its needs
32 than a unit with a high per capita property tax value.

33 (c) Ranking. – The Office of State Budget and Management must rank each
34 application considered in a period and must send each unit of local government a
35 statement of the ranking of the unit's application. The Office must select applications
36 beginning with the application with the highest ranking and must select as many
37 applications as can be funded for a period, taking into consideration the interest rate, if
38 any, set for loans for applications selected and whether the applications selected are to
39 receive grants rather than loans or credit assistance.

40 **"§ 105C-59. Decision on financial terms for selected applications.**

41 (a) Grant. – The Office of State Budget and Management must make a grant
42 rather than provide credit assistance to or make a loan to a unit of local government
43 whose application is selected when, with the assistance of the Local Government
44 Commission, it determines that the unit of local government has no resources to repay a

1 loan. A unit is considered to have no resources to repay a loan only if a five percent
2 (5%) increase in the property tax rate of the unit of local government would not produce
3 the amount of the proposed loan.

4 (b) Loan and Credit Assistance. – The Office of State Budget and Management
5 must provide credit assistance to or make a loan to a unit of local government rather
6 than make a grant when the unit does not qualify for a grant under subsection (a) of this
7 section. The Office, with the approval of the Local Government Commission, sets the
8 terms and conditions for repayment of any loan and determines the type of any credit
9 assistance provided.

10 The Local Government Commission must review and approve a proposed loan to a
11 unit of local government under this Article under the provisions of Articles 4 and 5 of
12 Chapter 159 of the General Statutes as if the unit proposed to issue bonds rather than
13 obtain a loan. The Office of State Budget and Management may make an interest-free
14 loan or set an interest rate at any amount that is not more than the prevailing national
15 market rate for general obligation bonds having the same maturity as the term of the
16 loan. With the approval of the Local Government Commission, the Office determines
17 the interest rate that applies to a particular loan based on the borrowing unit's resources
18 to repay the loan and the effect of repaying the loan with interest on the property tax
19 burden in the unit.

20 A unit of local government that receives a loan must sign a debt instrument
21 evidencing the loan and the terms of the loan. The Office of State Budget and
22 Management and the State Treasurer, with the assistance of the Local Government
23 Commission, must develop appropriate debt instruments for use under this Article. The
24 Local Government Commission must establish procedures for the delivery of debt
25 instruments to the State without any public bidding.

26 (c) Payment of Loan or Grant. – When the Office of State Budget and
27 Management makes a grant or a loan, it must determine whether to pay the grant or loan
28 in a lump sum or to make installment payments of the grant or loan as the capital project
29 funded by the grant or loan progresses.

30 **"§ 105C-60. Local government borrowing authority.**

31 (a) Authority. – A unit of local government may execute a debt instrument
32 payable to the State in order to obtain a revolving loan under this Article. The security
33 for payment of the loan must be set forth in the debt instrument. A unit of local
34 government may pledge as security for payment of the loan any available source of
35 revenue or combination of sources of revenue of the unit, including the unit's faith and
36 credit. The faith and credit of a unit of local government shall not be pledged or be
37 considered to be pledged unless the requirements of Article 4 of Chapter 159 of the
38 General Statutes have been met.

39 (b) Nature. – A revolving loan under this Article is considered outstanding debt
40 under Article 10 of Chapter 159 of the General Statutes.

41 **"§ 105C-61. State may withhold payments to a unit of local government to ensure**
42 **payment of an obligation for which credit assistance is provided.**

43 If, as credit assistance provided to a unit of local government from the Local
44 Infrastructure Fund, the State guarantees payment of an obligation incurred by the local

1 unit and the Secretary of the Local Government Commission determines, for any
2 reason, that the taxes and other revenues available to the local unit for payment of the
3 principal of or interest on the obligation are not or will not be adequate to make
4 payments on the obligation when due, the Secretary must notify the State Controller of
5 the impending default or default and the amount needed to cover the impending default
6 or default. When notified, the Controller must withhold the amount needed to make
7 timely payments on the obligation from payments or distributions to the local unit under
8 G.S. 105-113.82, 105-116, 105-120, 105-213, or 105-213.1, the Local Government Tax
9 Reimbursement Reserve, and local sales and use tax revenue, other than payments or
10 distributions that have been specifically designated by the local unit as a source of
11 payment of special obligation bonds or, by order of the Local Government Commission,
12 have been excluded from the application of this section.

13 From the amounts withheld, the Controller must pay the amounts due under the
14 obligation to the holders of the obligation, as reported by the Secretary of the Local
15 Government Commission. The Controller must report each payment made under this
16 section to the local unit whose payments or distributions were withheld and to the Local
17 Government Commission.

18 This section does not require the State to pay an obligation of a unit of local
19 government except from payments and distributions withheld in accordance with this
20 section."

21 Sec. 2. Studies. (a) Demographics. – After the first 12 months of sales of both
22 instant winner and on-line lottery game tickets or shares to the public, the Commission
23 must engage an independent firm experienced in demographic analysis to conduct a
24 special study to determine the demographic characteristics of the players of each lottery
25 game, including their income, age, sex, education, and frequency of participation.
26 When completed, the study must be presented to the Governor, the Lieutenant
27 Governor, the President Pro Tempore of the Senate, and the Speaker of the House of
28 Representatives.

29 (b) Effectiveness. – After the first 12 months of sales of both instant winner and
30 on-line lottery game tickets or shares to the public, the Commission must engage an
31 independent firm experienced in the analysis of advertising, promotion, public relations,
32 and other aspects of communications to conduct a special study of the effectiveness of
33 the communications activities undertaken by the Commission and to make
34 recommendations to the Commission on the future conduct of and the future rate of
35 expenditures for these activities. When completed, the study must be presented to the
36 Governor, the Lieutenant Governor, the President Pro Tempore of the Senate, and the
37 Speaker of the House of Representatives.

38 Sec. 3. To provide for the start-up costs of the State lottery, the State Lottery
39 Commission must estimate the initial working capital needed and submit the estimate to
40 the Office of State Budget and Management for approval. If the Office of State Budget
41 and Management and the State Treasurer approve the amount, the State Controller must
42 advance the approved amount by internal borrowing from other available State funds.
43 The terms and conditions of the temporary loan or loans must be determined by the
44 State Treasurer.

1 Sec. 4. G.S. 105-213(a) reads as rewritten:

2 "(a) There is annually appropriated from the General Fund to counties and
3 municipalities the amount of revenue collected under this Article during the 1989-90
4 fiscal year, less an amount equal to the costs during the preceding fiscal year of:

5 (1) Refunds made during the fiscal year of taxes levied under this Article.

6 (2) The Department of Revenue to collect and administer the taxes levied
7 under this Article.

8 (3) The Department of Revenue in performing the duties imposed by
9 Article 15 of this Chapter.

10 (4) The Property Tax Commission.

11 (5) The Institute of Government in operating a training program in
12 property tax appraisal and assessment.

13 (6) The personnel and operations provided by the Department of State
14 Treasurer for the Local Government Commission.

15 The appropriation shall be distributed by August 30 of each year. The appropriation
16 shall be included in the Current Operations Appropriations Act.

17 The appropriation shall be allocated among the counties in proportion to the amount
18 of taxes collected under this Article in each county during the preceding fiscal year. The
19 Secretary of Revenue shall keep a separate record by counties of the taxes collected
20 under this Article. The Secretary shall allocate the amount appropriated under this
21 section to the counties according to the county in which the taxes were collected. The
22 amounts so allocated to each county shall in turn be allocated between the county and
23 the municipalities in the county in proportion to the total amount of ad valorem taxes
24 levied by each during the fiscal year preceding the distribution. In dividing these
25 amounts between each county and its municipalities, the Secretary shall treat taxes
26 levied by a merged school administrative unit described in G.S. 115C-513 in a part of
27 the unit located in a county as taxes levied by the county in which that part is located.
28 After making these allocations, the Secretary of Revenue shall certify to the State
29 Controller and to the State Treasurer the amount to be distributed to each county and
30 municipality in the State. The State Controller shall then issue a warrant on the State
31 Treasurer to each county and municipality in the amount certified. The funds shall be
32 drawn from the Local Government Tax Sharing Reserve.

33 For the purpose of computing the distribution of the intangibles tax to any county
34 and the municipalities located in the county for any year with respect to which the
35 property valuation of a public service company is the subject of an appeal pursuant to
36 the provisions of the Machinery Act, or to applicable provisions of federal law, and the
37 Department of Revenue is restrained by operation of law or by a court of competent
38 jurisdiction from certifying such valuation to the county and municipalities therein, the
39 Department shall use the last property valuation of such public service company which
40 has been so certified in order to determine the ad valorem tax levies applicable to such
41 public service company in the county and the municipalities therein.

42 The chair of each board of county commissioners and the mayor of each
43 municipality shall report to the Secretary of Revenue information requested by the
44 Secretary to enable the Secretary to allocate the amount appropriated by this section. If

1 a county or municipality fails to make a requested report within the time allowed, the
2 Secretary may disregard the county or municipality in allocating the amount
3 appropriated by this section. The amount distributed to each county and municipality
4 shall be used by the county or municipality in proportion to property tax levies made by
5 it for the various funds and activities of the county or municipality, unless the county or
6 municipality has pledged the amount to be distributed to it under this section in payment
7 of a loan agreement with the North Carolina Solid Waste Management Capital Projects
8 Financing Agency. Agency or in payment of a loan from the Local Infrastructure Fund.
9 A county or municipality that has pledged amounts distributed under this section in
10 payment of a loan agreement with the Agency may apply the amount the loan agreement
11 requires. one of these loans may apply the amounts to the payment of the loan."

12 Sec. 5. G.S. 114-15(a) reads as rewritten:

13 "(a) The Bureau shall, through its Director and upon request of the Governor,
14 investigate and prepare evidence in the event of any lynching or mob violence in the
15 ~~State;~~ State. With the approval of the Governor, the Bureau shall investigate all cases
16 arising from frauds in connection with elections when requested to do so by the Board
17 of Elections, and ~~when so directed by the Governor.~~ shall investigate all cases arising from
18 violations of the lottery laws when requested to do so by the Lottery Commission. Such
19 investigation, however, shall in nowise interfere with the power of the Attorney General
20 to make such investigation as he is authorized to make under the laws of the State. The
21 Bureau is authorized further, at the request of the Governor, to investigate cases of
22 frauds arising under the Social Security Laws of the State, of violations of the gaming
23 laws, and lottery laws, and matters of similar kind when called upon by the Governor so
24 to do. In all such cases it shall be the duty of the Department to keep such records as
25 may be necessary and to prepare evidence in the cases investigated, for the use of
26 enforcement officers and for the trial of causes. The services of the Director of the
27 Bureau, and of his assistants, may be required by the Governor in connection with the
28 investigation of any crime committed anywhere in the State when called upon by the
29 enforcement officers of the State, and when, in the judgment of the Governor, such
30 services may be rendered with advantage to the enforcement of the criminal law. The
31 State Bureau of Investigation is hereby authorized to investigate without request the
32 attempted arson of, ~~or~~ arson of, damage of, theft from, ~~or~~ theft of, or misuse of, any
33 State-owned personal property, buildings, or other real property or any assault upon or
34 threats against any legislative officer named in G.S. 147-2(1), (2), or (3) or any
35 executive officer named in G.S. 147-3(c).

36 Upon the request of the Lottery Commission and the approval of the Governor, the
37 State Bureau of Investigation is authorized to investigate the background of an applicant
38 for employment with the Lottery Commission, the background of an applicant for a
39 lottery game retailer permit, and the background of a prospective contractor with the
40 Lottery Commission for goods or services concerning the printing of tickets or shares
41 for use in a lottery game, the receipt or recording of number selections in a lottery game,
42 or the determination or generation of winners in a lottery game. The Bureau also is
43 authorized at the request of the Governor to conduct a background investigation on a
44 person that the Governor plans to nominate for a position that must be confirmed by the

1 General Assembly, the Senate, or the House of Representatives. The background
2 investigation of the proposed nominee shall be limited to an investigation of the person's
3 criminal record, educational background, employment record, records concerning the
4 listing and payment of taxes, and credit record, and to a requirement that the person
5 provide the information contained in the statements of Executive Order Number 1, filed
6 on January 31, 1985, as contained on pages 1405 through 1419 of the 1985 Session
7 Laws (First Session, 1985). The Governor must give the person being investigated
8 written notice that he intends to request a background investigation at least 10 days prior
9 to the date that he requests the State Bureau of Investigation to conduct the background
10 investigation. The written notice shall be sent by regular mail, and there is created a
11 rebuttable presumption that the person received the notice if the Governor has a copy of
12 the notice."

13 Sec. 6. G.S. 120-123 is amended by adding a new subdivision to read:

14 "(60) The State Lottery Commission, established by G.S. 105C-2."

15 Sec. 7. G.S. 150B-2(8a) is amended by adding a new subpart to read:

16 "k. Procedures and instructions for playing a lottery game."

17 Sec. 8. The limitation in G.S. 105C-38, as enacted by this act, on the amount
18 of revenue that may be spent on expenses of the State lottery does not apply to the first
19 12 months in which the lottery is operated. The State Lottery Commission, however,
20 shall keep the expenses of the State lottery as low as practical.

21 Sec. 9. The question of whether North Carolina should have a State lottery
22 shall be submitted to the qualified voters of the State at a referendum on the question
23 held on November 2, 1993. The referendum shall be held in accordance with Chapter
24 163 of the General Statutes. The form of the ballot for the referendum is:

25 "[] FOR a State lottery.

26 [] AGAINST a State lottery."

27 If the voters approve a State lottery in the referendum, the Governor must
28 appoint five State Lottery Commissioners within 30 days after the results of the
29 referendum are certified. Appointments must be made in accordance with G.S. 105C-
30 10(i), as enacted by this act. The appointees are subject to confirmation by the General
31 Assembly when it convenes. The interim appointees must begin operation of lottery
32 games as soon as practical.

33 Sec. 10. If a State lottery is approved by the qualified voters of this State in
34 the referendum held under Section 9 of this act, the costs to the State Board of Elections
35 and the county boards of election for conducting the referendum are considered
36 expenses of the lottery; the State Lottery Commission must reimburse the State Board
37 of Elections and the county boards of election for these costs from the Lottery Fund.

38 If a State lottery is not approved by the qualified voters of this State in the
39 referendum held under Section 9 of this act, the State Board of Elections and the county
40 boards of election may seek reimbursement from the General Assembly for their costs
41 incurred in conducting the referendum.

42 Sec. 11. Sections 9, 10, and 11 of this act are effective upon ratification. If a
43 State lottery is approved by the qualified voters of this State in the referendum held
44 under Section 9 of this act, then Sections 1 through 8 of this act become effective

- 1 January 1, 1994. If a State lottery is not approved, Sections 1 through 8 do not become
- 2 effective.