

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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SENATE BILL 2\*  
Finance Committee Substitute Adopted 6/11/91

Short Title: 1991 Referendum-State Lottery.

(Public)

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Sponsors:

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Referred to:

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January 30, 1991

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 143C.**  
8 **“NORTH CAROLINA 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 North Carolina State Lottery  
13 Act.

14 **“§ 143C-102. Purpose and intent.**

15 The General Assembly declares that the purpose and intent of this Chapter is to  
16 provide additional monies to benefit the public purpose described in this Chapter  
17 without the imposition of additional or increased taxes through the implementation of a  
18 State-operated lottery. The lottery shall be initiated at the earliest practical time and it  
19 shall be operated to maximize new revenue to the State which shall be raised in a  
20 manner consistent with the dignity of the State, the general welfare of the people, and in  
21 a manner consistent with effective business practices.

22 **“§ 143C-103. Laws not affected.**

1 Nothing contained in this Chapter shall be construed to repeal or modify any  
2 existing State law with respect to gambling. In the event of a conflict between the  
3 provisions of this Chapter and any other laws of the State of North Carolina, the  
4 provisions of this Chapter shall govern.

5 **"§ 143C-104. Prohibition on use of State funds.**

6 It is the intent of this Chapter that the State-operated lottery established by this  
7 Chapter shall be a self-supporting revenue-raising agency of State government.

8 **"§ 143C-105. Public purpose to benefit from lottery.**

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

15 **"§ 143C-106. Allocation of revenues.**

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

28 **"§ 143C-107. Definitions.**

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

- 30 (1) 'Commission' or 'Lottery Commission' means the North Carolina State  
31 Lottery Commission, the five-member body appointed by the  
32 Governor pursuant to this Chapter to oversee the lottery and the  
33 Director.
- 34 (2) 'Commissioner' means one of the members of the North Carolina State  
35 Lottery Commission appointed by the Governor pursuant to this  
36 Chapter to oversee the State lottery.
- 37 (3) 'Director' means the Director of the North Carolina State Lottery  
38 appointed by the Governor pursuant to this Chapter as the chief  
39 administrator of the State lottery.
- 40 (4) 'Game' or 'Lottery game' means any procedure authorized by the  
41 Commission whereby prizes are distributed among persons who have  
42 paid, or unconditionally agreed to pay, for tickets or shares that  
43 provide the opportunity to win these prizes.

- 1           (5) 'Lottery' or 'State lottery' means the North Carolina State Lottery  
2 established and operated pursuant to this Chapter.
- 3           (6) 'Lottery contractor' means a person with whom the North Carolina  
4 State Lottery has contracted for the purpose of providing goods and  
5 services to the North Carolina State Lottery.
- 6           (7) 'Major procurement' means a procurement for a contract for the  
7 printing of tickets or the provision of shares for use in any lottery  
8 game, for any goods or services involving the receiving or recording of  
9 number selections in any lottery game, or for any goods or services  
10 involving the determination or generation of winners in any lottery  
11 game.
- 12           (8) 'Person' means any natural person or corporation, trust, association,  
13 partnership, joint venture, subsidiary, or other business entity.
- 14           (9) 'Retailer' or 'Lottery retailer' means a person with whom the North  
15 Carolina State Lottery Commission has contracted for the purpose of  
16 selling tickets or shares in lottery games to the public.
- 17           (10) 'Share' means any method of participation in a lottery game, other than  
18 by a ticket purchased on an equivalent basis with a ticket whether  
19 presently contemplated or developed in the future.
- 20           (11) 'Ticket' means any tangible evidence issued by the lottery to prove  
21 participation in a lottery game.
- 22           (12) 'Vendor' or 'Lottery vendor' means any person who submits a bid,  
23 proposal, or offer as part of a procurement for a contract for goods or  
24 services for the North Carolina State Lottery.

25 "§§ 143C-108 and 143C-109: Reserved for future codification purposes.

26 "ARTICLE 2.

27 "NORTH CAROLINA STATE LOTTERY COMMISSION.

28 "§ 143C-110. Creation of Commission.

29 There is created a North Carolina State Lottery Commission.

30 "§ 143C-111. Commission membership; appointment; vacancies; removal.

31 (a) The North Carolina State Lottery Commission shall consist of five members  
32 appointed by the Governor who shall serve at the pleasure of the Governor.

33 (b) The Commissioners shall be appointed for the following initial terms: one  
34 member shall be appointed for a term of two years, one member shall be appointed for a  
35 term of three years, one member shall be appointed for a term of four years, and two  
36 members shall be appointed for terms of five years. All succeeding appointments shall  
37 be for terms of five years.

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

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

42 "§ 143C-112. Qualifications of Commissioners.

43 At least one of the Commissioners shall have a minimum of five years experience in  
44 law enforcement, and at least one of the other Commissioners shall be a certified public

1 accountant. No person shall be appointed as a Commissioner who has been convicted  
2 of a felony. No more than three members of the Commission shall be of the same  
3 political party.

4 **"§ 143C-113. Compensation and expenses.**

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

8 **"§ 143C-114. Powers and duties of the Commission.**

9 The Commission shall exercise all powers necessary to effectuate the purposes of  
10 this Chapter.

11 **"§ 143C-115. Annual selection of chairman.**

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

13 **"§ 143C-116. Meetings; records.**

14 Meetings of the Commission shall be open and public in accordance with Article  
15 33C of Chapter 143 of the General Statutes. Records of the Commission shall be open  
16 and available to the public in accordance with the provisions of Chapter 132 of the  
17 General Statutes. The Commission shall meet with the Director at least monthly to  
18 make recommendations and set policy, to approve or reject reports of the Director, to  
19 adopt rules in accordance with Chapter 150B of the General Statutes, and to transact  
20 any other business that may properly be brought before it. The chairman or a majority  
21 of the members of the Commission shall have the power to call special meetings of the  
22 Commission upon advance written notice to all of the members of the Commission and  
23 the Director.

24 **"§ 143C-117. Quorum; voting.**

25 A majority of the total membership of the North Carolina Lottery Commission  
26 constitutes a quorum. All decisions of the Commission shall be made by a majority  
27 vote.

28 **"§ 143C-118. Reports.**

29 The Commission shall make quarterly and annual reports on the operation of the  
30 lottery to the Governor, Attorney General, State Treasurer, and to the General  
31 Assembly. The reports shall include full and complete statements of lottery revenues,  
32 prize disbursements, expenses, net revenues, and all other financial transactions  
33 involving lottery funds.

34 **"§ 143C-119: Reserved for future codification purposes.**

35 **"ARTICLE 3.**

36 **"NORTH CAROLINA STATE LOTTERY DIRECTOR.**

37 **"§ 143C-120. Appointment and removal of Director.**

38 The Governor shall appoint a Director within 30 days of the effective date of this  
39 Chapter. The Director shall direct the operations of the State lottery. The Governor  
40 may remove the Director upon notification to the Commission. The Director shall be  
41 exempt from the State Personnel Act.

42 **"§ 143C-121. Qualifications of the Director.**

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

4 **"§ 143C-122. Salary.**

5        During the first fiscal year of the operation of the lottery, the Director shall receive  
6 compensation as set by the Commission and approved by the Governor. Thereafter the  
7 compensation of the Director shall be set by the General Assembly in the Current  
8 Operations Appropriations Act. The Director shall render full-time attention to the  
9 duties of the office.

10 **"§ 143C-123. Duties and powers of the Director.**

11        The Director shall perform all duties, exercise all powers, assume and discharge all  
12 responsibilities, and carry out and effect all purposes provided by this Chapter. The  
13 Director shall act as the Secretary and Executive Officer of the North Carolina State  
14 Lottery Commission. The Director shall act in accordance with this Chapter, the rules  
15 adopted by the Commission, and under the guidance of the Commission.

16 **"§ 143C-124. Power to hire.**

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

22 **"§ 143C-125. Assistant directors.**

23        The Director may appoint, and prescribe the duties for, up to four assistant directors.  
24 The compensation of each assistant director shall be set by the Commission and shall  
25 not exceed the Director's compensation. The Director may designate one of the  
26 assistant directors as the deputy director. All employees of the North Carolina State  
27 Lottery shall be exempt from the State Personnel Act.

28 **"§ 143C-126. Assistant director for security.**

29        One of the assistant directors shall be responsible for a security division to assure the  
30 security, honesty, fairness, and integrity in the operation and administration of the  
31 lottery, including an examination of the background of all prospective employees,  
32 lottery vendors, and lottery contractors. The assistant director for security shall be  
33 qualified by training and experience including at least five years of law enforcement  
34 experience and knowledge and experience in computer security. The assistant director  
35 for security may, in conjunction with the Director, confer with the Attorney General or  
36 his designee, to promote and ensure the security, honesty, fairness, and integrity of the  
37 operation and administration of the lottery. The assistant director for security, in  
38 conjunction with the Director, shall report any alleged violation of law to the  
39 appropriate law enforcement authority for further investigation and action. The  
40 assistant director for security shall have peace officer status in this State.

41 **"§ 143C-127. Criminal identification information available to lottery; peace officer**  
42 **status.**

43        Upon the request of the assistant director for security, the Attorney General and the  
44 Secretary of Crime Control and Public Safety shall furnish information to the Director

1 and the assistant director for security, necessary to assure the security, honesty, fairness,  
2 and integrity in the operation and administration of the lottery which they have in their  
3 possession, including computerized or other information and data. For the purpose of  
4 requesting and receiving this information, the State lottery shall be considered to be a  
5 'criminal justice agency' and its enforcement agents to be 'peace officers'. State lottery  
6 enforcement agents shall have the same authority with respect to service and execution  
7 of arrest warrants and search warrants as is conferred on other peace officers of this  
8 State.

9 **"§ 143C-128. Coordination with Commission.**

10 The Director shall confer as frequently as necessary, but not less than monthly, with  
11 the Commission on the operation and administration of the lottery. The Director shall  
12 make available for inspection by the Commission all books, records, files, documents,  
13 and other information of the lottery and shall make recommendations for the improved  
14 operation and administration of the lottery.

15 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

16 The Director shall make an ongoing study of the operation and administration of the  
17 lotteries that are in operation in other states and countries, of available literature on the  
18 subject of lotteries, of federal laws which may affect the operation of the lottery, and of  
19 the reaction of the citizens of the State to existing or proposed features in lottery games.  
20 The Director shall conduct this research in order to recommend improvements that will  
21 serve the purposes of this Chapter. The Director may make recommendations to the  
22 Commission, to the Governor, and to the General Assembly on any matters concerning  
23 the secure, profitable, and efficient operation and administration of the lottery and the  
24 convenience of the purchasers of tickets and shares.

25 **"§ 143C-130. Accountability; books and records.**

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

32 **"§ 143C-131. Monthly financial reports.**

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

37 **"§ 143C-132. Independent study of demographics of lottery players.**

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

44 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

1 After the first full year of sales of tickets or shares to the public, the Director shall  
2 engage an independent firm experienced in the analysis of advertising, promotion,  
3 public relations, and other aspects of communications to conduct a special study of the  
4 effectiveness of the communications activities undertaken by the lottery and make  
5 recommendations to the Commission on the future conduct and future rate of  
6 expenditures for these activities. This report shall be presented to the Commission, to  
7 the Governor, and to the General Assembly. Similar studies shall be conducted on a  
8 continuing, periodic basis.

9 **"§ 143C-134. Independent audit of lottery security.**

10 The Director shall, in addition to all other security measures, engage an independent  
11 firm experienced in security procedures, including computer security and systems  
12 security, to conduct a continuing comprehensive study and evaluation of all aspects of  
13 security in the operation of the lottery. The study shall include:

14 (1) Personnel security;

15 (2) Lottery game retailer security;

16 (3) Lottery contractor security;

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

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

21 (6) Computer security;

22 (7) Data communications security;

23 (8) Database security;

24 (9) Systems security;

25 (10) Lottery premises and warehouse security;

26 (11) Security in distribution;

27 (12) Security involving validation and payment procedures;

28 (13) Security involving unclaimed prizes;

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

30 (15) Security of drawings in games where winners are  
31 determined by drawings of numbers;

32 (16) Any other aspects of security applicable to any particular  
33 lottery game and to the lottery and its operations.

34 The portion of the security audit report containing the overall evaluation of the lottery in  
35 terms of each aspect of security shall be presented to the Commission, to the Governor,  
36 and to the General Assembly. The portion of the security audit report containing  
37 specific recommendations shall be confidential and shall be presented only to the  
38 Director, to the assistant director for security, and to the Commission. Similar audits of  
39 security shall be conducted biennially thereafter.

40 **"§§ 143C-135 to 143C-139: Reserved for future codification purposes.**

41 **"ARTICLE 4.**

42 **"OPERATION OF LOTTERY.**

43 **"§ 143C-140. Initiation and operation of lottery.**

1        The Commission shall initiate operation of the lottery on a continuous basis at the  
2 earliest feasible and practical time. The lottery shall be initiated and shall continue to be  
3 operated so as to produce the maximum amount of net revenues to benefit the public  
4 purpose described in this Chapter consistent with the purposes stated in G.S. 143C-102.  
5 Other departments, boards, commissions, and agencies of the State and their officers  
6 shall cooperate with the Commission to aid the Commission in fulfilling these  
7 objectives.

8 **"§ 143C-141. Types of lottery games.**

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

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

25        (b) The Commission may authorize the use of any type of lottery game that  
26 has been conducted by any state government-operated lottery in the United States  
27 including, but not limited to, the sale of instant tickets or shares by electronic computer  
28 terminals or devices, or any other type of lottery game that will achieve the revenue  
29 objectives of the lottery consistent with the purposes stated in G.S. 143C-102.

30 **"§ 143C-142. Number and value of prizes.**

31        Upon the recommendation of the Director, the Commission shall adopt rules as  
32 prescribed by Chapter 150B of the General Statutes that specify the number and value  
33 of prizes for winning tickets or shares in each lottery game including cash prizes,  
34 merchandise prizes, prizes consisting of deferred payments or annuities, and prizes of  
35 tickets or shares in the same lottery game or other lottery games conducted by the  
36 lottery, provided:

- 37            (1) In lottery games using tickets with preprinted winners, the overall  
38 estimated odds of winning prizes shall be printed on each ticket; and  
39            (2) A detailed tabulation of the estimated number of prizes of each  
40 particular prize denomination that are expected to be awarded in each  
41 lottery game, or the estimated odds of winning these prizes, shall be  
42 available at the offices of the lottery at the time that lottery game is  
43 offered for sale to the public.

44 **"§ 143C-143. Method of determining winners.**



1 (a) Upon the recommendation of the Director, the Commission shall adopt rules  
2 as prescribed by Chapter 150B of the General Statutes, which specify the method for  
3 determining winners in each lottery game, provided that if a lottery game uses a  
4 drawing of winning numbers, a drawing among entries, or a drawing among finalists:

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

6 (2) The drawings shall be witnessed by an independent certified public  
7 accountant;

8 (3) Any equipment used in the drawings shall be inspected by the  
9 independent certified public accountant and an employee of the lottery  
10 both before and after the drawings; and

11 (4) The drawings and inspections shall be recorded on both video and  
12 audio tape.

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

15 **"§ 143C-144. Sale price of tickets and shares.**

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

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

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

25 **"§ 143C-145. Validation and payment of prizes.**

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

30 (1) For the convenience of the public, lottery retailers may be authorized  
31 by the Commission to pay winners of up to an amount appropriate to  
32 the lottery game involved, after performing validation procedures on  
33 their premises, and with the approval of the Director;

34 (2) No prize shall be paid to any person under the age of 18 years;

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

43 (4) No particular prize in any lottery game may be paid more  
44 than once, and in the event of a binding determination that more than

1           one claimant is entitled to a particular prize, the sole remedy for  
2           these claimants is the award to each of them of a proportionate share  
3           in the prize;

4           (5)     The Commission may specify that winners of twenty-five  
5           dollars (\$25.00) or less may claim the prizes from either the same  
6           lottery game retailer who sold the winning ticket or share or from the  
7           lottery itself or from any other lottery retailer;

8           (6)      Holders of tickets or shares shall have the right to claim  
9           prizes for 120 days after the drawing or the end of the lottery game  
10          or play in which the prize was won. The Commission may define  
11          shorter time periods for eligibility for entry into drawings involving  
12          entries or finalists. If a valid claim is not made for a prize payable  
13          directly by the Commission within the applicable period, the  
14          unclaimed prize money will revert to the North Carolina State  
15          Lottery Fund;

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

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

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

30     **"§ 143C-146. Lottery game play rules and winner validation procedures.**

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

44     **"§ 143C-147. Distribution of tickets and shares.**

1 (a) Upon the recommendation of the Director, the Commission shall adopt rules  
2 as prescribed by Chapter 150B of the General Statutes, specifying the manner of  
3 distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or  
4 directly to the public, and the incentives, if any, for any lottery employees or lottery  
5 retailers engaged in these activities. Notwithstanding any other provisions of this  
6 Chapter, no lottery ticket or shares may be sold or resold by any party except at the sales  
7 price or value established by the Commission, except as specifically authorized by the  
8 Commission. In lottery games using electronic computer terminals or devices, the  
9 lottery may employ or engage persons with experience in the repair, maintenance, or  
10 operation of comparable equipment.

11 (b) The Commission may enter into agreements with other states for the  
12 operation and promotion of multistate lotteries consistent with the purposes set forth in  
13 G.S. 143C-102.

14 "§§ 143C-148 and 143C-149: Reserved for future codification purposes.

15 "ARTICLE 5.

16 "LOTTERY GAME RETAILERS.

17 "§ 143C-150. Contracting with lottery game retailers.

18 Upon the recommendation of the Director, the Commission shall adopt rules as  
19 prescribed by Chapter 150B of the General Statutes, specifying the terms and conditions  
20 for contracting with lottery game retailers to provide adequate and convenient  
21 availability of tickets or shares to prospective buyers of each lottery game. The  
22 Commission may permit the North Carolina State Lottery to sell tickets and shares  
23 directly to the public or to make these sales by any other method authorized by the  
24 Commission.

25 "§ 143C-151. Selection of lottery game retailers.

26 (a) The Director shall select as lottery game retailers those persons deemed best  
27 able to serve the public convenience and to promote the sale of tickets or shares. No  
28 natural person under 21 years of age shall be a lottery game retailer. This minimum age  
29 does not prohibit employees of a retailer who are under 21 years of age from selling  
30 lottery tickets or shares during their employment. In the selection of a lottery game  
31 retailer the Director shall consider:

32 (1) Financial responsibility;

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

34 (3) Security of the premises;

35 (4) Integrity;

36 (5) Reputation;

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

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

40 No contract with any lottery game retailer shall be entered into if the retailer has been  
41 convicted of a felony or a gambling-related offense in any state or federal court of the  
42 United States of America within 10 years of entering into the contract.

43 (b) No person shall be a lottery game retailer who is engaged exclusively in  
44 the business of selling lottery tickets or shares. A person lawfully engaged in

1 nongovernmental business on State property or an owner or lessee of premises on which  
2 alcoholic beverages are sold may be selected as a lottery game retailer. A civic or  
3 fraternal organization may be selected as a lottery game retailer. Political subdivisions  
4 or their agencies or departments may be selected as lottery game retailers for sales from  
5 their premises. The Director may contract with lottery retailers on a permanent,  
6 seasonal, or temporary basis. The lottery may require payment by each lottery game  
7 retailer to the lottery of an initial fee or an annual fee, or both, as established by the  
8 Commission, to maintain the contract to be a lottery game retailer.

9 **"§ 143C-152. Nonassignability.**

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

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

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

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

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

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

30 No tickets or shares in lottery games shall be sold to persons under the age of 18  
31 years. Selling tickets or shares to a person under the age of 18 years shall be a  
32  misdemeanor. In the case of lottery tickets or shares sold by lottery game retailers or  
33 their employees, those persons shall establish safeguards to help assure that sales are not  
34 made to natural persons under the age of 18 years. In the case of sales of tickets or  
35 shares sold by vending machines, electronic computer terminals, or other devices, the  
36 Commission shall establish safeguards to help assure that the vending machines or  
37 devices are not operated by natural persons under the age of 18 years. Nothing in this  
38 Article shall be construed to prevent any person 18 years or older from giving lottery  
39 tickets or shares to another as a gift.

40 **"§ 143C-156. Payment of prize won by person under 18.**

41 If the person entitled to a prize or any winning ticket is under the age of 18 years,  
42 and the prize is less than five thousand dollars (\$5,000), the Director may direct  
43 payment of the prize by delivery of a check or draft payable to the order of the person  
44 under 18 years of age to an adult member of that person's family or to that person's legal

1 guardian. If the person entitled to a prize or any winning ticket is under the age of 18  
2 years, and the prize is five thousand dollars (\$5,000) or more, the Director may direct  
3 payment to that person by depositing the amount of the prize in any insured depository  
4 institution to the credit of an adult member of that person's family, or the legal guardian  
5 of the person, as custodian for that person.

6 **"§ 143C-157. Display of certificate of authority.**

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

10 **"§ 143C-158. Bonding.**

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

13 **"§ 143C-159. Lottery game retailer accounting; payments.**

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

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

20 **"ARTICLE 6.**

21 **"LOTTERY VENDORS AND LOTTERY CONTRACTORS.**

22 **"§ 143C-160. Procurements.**

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

31 **"§ 143C-161. Contracts.**

32 The Director may directly solicit proposals or enter into contracts for the purchase or  
33 lease of goods or services to effectuate the purposes of this Chapter. In awarding  
34 contracts in response to solicitations for proposals, the Director shall award the  
35 contracts to the responsible vendor submitting the best proposal which he determines  
36 maximizes the benefits to the State. In all procurement decisions, the Director, or the  
37 Commission, if the Commission chooses to make the decision, shall take into account  
38 the particularly sensitive nature of the lottery and shall consider the competence, quality  
39 of product, experience, and timely performance of the vendors in order to promote and  
40 ensure security, honesty, fairness, and integrity in the operation and administration of  
41 the lottery and objective of raising net revenues for the benefit of the public purpose  
42 described in this Chapter. The Director may engage an independent firm experienced in  
43 evaluating government procurement proposals to aid in the evaluation of proposals to

1 the lottery. Before a contract for a major procurement is awarded, the assistant director  
2 for security shall conduct a thorough background investigation of:

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

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

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

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

12 All contract awards made by the Director are made subject to the approval of the  
13 Commission. No contract may be awarded to any person convicted of a felony or any  
14 gambling offense in any state or federal court of the United States of America within 10  
15 years of entering into the contract. The Commission may by rule designate classes of  
16 contracts other than major procurements that do not require approval of the  
17 Commission.

18 **"§ 143C-162. Lottery vendor disclosures for major procurements.**

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

27 **"§ 143C-163. Compliance with applicable laws.**

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

32 **"§ 143C-164. Performance bond.**

33 Each lottery contractor in a major procurement shall, at the time of executing the  
34 contract with the Director, post an appropriate bond or letter of credit with the Director,  
35 in an amount equal to the full amount estimated to be paid annually to the lottery  
36 contractor under the contract. The Commission may issue a rule allowing the Director  
37 to decrease the bond or letter of credit requirement for a major procurement if the  
38 Director determines that the decrease will result in a cost savings to the lottery while  
39 still providing adequate protection against nonperformance. In lieu of a bond or letter  
40 of credit, a contractor may, to assure the faithful performance of its obligations, deposit  
41 and maintain with the Director securities that are interest bearing or accruing that, with  
42 the exception of those specified in subdivision (1) or (2), are rated in one of the  
43 four highest classifications by an established nationally recognized investment rating  
44 service. Securities eligible under this section are limited to the following:

- 1           (1) Certificates of deposit issued by solvent banks and savings  
2 associations organized and existing under North Carolina law or under  
3 the laws of the United States and having their principle place of  
4 business in North Carolina.
- 5           (2) United States bonds and bills for which the full faith and credit of the  
6 government of the United States is pledged for the payment of  
7 principal and interest.
- 8           (3) General obligation bonds and notes of any political subdivision of the  
9 State.
- 10          (4) Corporate bonds of a corporation that is not an affiliate or subsidiary  
11 of the depositor.

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

14 "§§ 143C-165 to 143C-169: Reserved for future codification purposes.

15 "ARTICLE 7.

16 "NORTH CAROLINA STATE LOTTERY FUND.

17 "§ 143C-170. North Carolina State Lottery Fund.

18 A special account to be known as the 'North Carolina State Lottery Fund' is created  
19 within the State treasury. The North Carolina State Lottery Fund is continuously  
20 appropriated to the Commission for the purposes of operating the Commission and the  
21 State lottery.

22 "§ 143C-171. Types of income to the North Carolina State Lottery Fund.

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

- 24           (1) All proceeds from the sale of lottery tickets or shares;  
25           (2) The investments for initial start-up costs; and  
26           (3) All other monies credited to the lottery from any lottery-  
27 related source.

28 "§ 143C-172. Types of disbursements from the North Carolina State Lottery  
29 Fund.

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

- 32           (1) The payment of prizes to the holders of valid winning  
33 lottery tickets or shares;  
34           (2) Expenses of the lottery, including initial start-up costs; and  
35           (3) Transfer of funds from the North Carolina State Lottery  
36 Fund to the Savings Reserve Account and the Capital-Maintenance  
37 Account established under G. S. 143C-175.

38 "§ 143C-173. Prize payments of the lottery.

39 As nearly as practical, at least fifty percent (50%) of the total projected revenue as  
40 computed on a year-round basis for each lottery game, accruing from the sales of all  
41 lottery tickets or shares from that lottery game shall be apportioned for payment of  
42 prizes for that lottery game. The North Carolina State Lottery Commission may  
43 allocate a larger percentage of the total projected revenue for a lottery game to prizes if

1 it concludes that the total annual net revenue from the lottery game will be enhanced by  
2 that prize percentage.

3 **"§ 143C-174. Expenses of the lottery.**

4 Expenses of the lottery shall include:

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

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

21 **"§ 143C-175. Transfer of net revenues.**

22 (a) The funds remaining in the North Carolina State Lottery Fund after receipt of  
23 all revenues to the North Carolina State Lottery Fund and after accrual of all obligations  
24 of the lottery for prizes and expenses shall be deemed to be the net revenues of the  
25 lottery.

26 (b) The State Treasurer shall transfer monthly one-half of the net proceeds of the  
27 North Carolina State Lottery Fund to the Savings Reserve Account, a special revenue  
28 account established within the State treasury. At the end of each fiscal year, the State  
29 Treasurer shall transfer the amount of revenue in the Account that exceeds eight percent  
30 (8%) of the General Fund operating budget for the fiscal year ending that June 30,  
31 including local government tax reimbursements and local government tax sharing funds,  
32 to the General Fund.

33 (c) The State Treasurer shall transfer monthly the remaining one-half of the net  
34 proceeds of the North Carolina State Lottery Fund to the Capital-Maintenance Account,  
35 a special revenue account established within the State treasury. Eighty percent (80%) of  
36 the revenue in the Account shall be used, as determined by the General Assembly, for  
37 capital improvements and debt service retirement on General Obligation bonds. The  
38 remaining twenty percent (20%) shall be used to maintain capital improvements.

39 **"§ 143C-176. Intergovernmental reimbursements for services.**

40 It is the intent of this Chapter that the lottery shall be a self-supporting agency of  
41 State government. The North Carolina State Lottery Commission shall reimburse, at a  
42 reasonable rate, all other governmental entities for any and all services necessary to  
43 effectuate the purposes of this Chapter provided by those governmental entities to the  
44 Commission.



1 **"§ 143C-177. Audits.**

2 The State Auditor shall conduct annual postaudits of all accounts and transactions of  
3 the Commission and any other special postaudits the State Auditor deems to be  
4 necessary. The Auditor or his agents conducting an audit may examine any records of  
5 the Commission, its distributing agencies, lottery contractors, and lottery game retailers.

6 **"§§ 143C-178 and 143C-179: Reserved for future codification purposes.**

7 **"ARTICLE 8.**

8 **"MISCELLANEOUS.**

9 **"§ 143C-180. Taxes.**

10 No taxes shall be imposed on the sale of lottery tickets or shares of the lottery  
11 established by this Chapter.

12 **"§ 143C-181. Preemption of local laws.**

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

16 **"§ 143C-182. Lawful activity.**

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

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

23 " (17.1) The North Carolina State Lottery Fund."

24 Sec. 3. If Sections 1 and 2 of this act are approved by the qualified voters in  
25 the referendum called for in Section 5 of this act, then the reasonable costs to the State  
26 Board of Elections and to the boards of elections of the various counties for the  
27 referendum called for by Section 3 of this act and attributable specifically to the  
28 question of establishing a North Carolina State Lottery shall be expenses of the lottery  
29 pursuant to G.S. 143C-174 and shall be reimbursed to the State Board of Elections and  
30 to boards of elections of the various counties from the Lottery Fund.

31 If Sections 1 and 2 of this act are not approved by the qualified voters in the  
32 referendum called for in Section 4 of this act, then the State Board of Elections and the  
33 boards of elections of the various counties may seek reimbursement from the General  
34 Assembly for the reasonable costs of the referendum called for by Section 3 of this act  
35 and attributable specifically to the question of establishing a North Carolina State  
36 Lottery.

37 Sec. 4. If approved by the qualified voters of the State of North Carolina,  
38 Sections 1 and 2 of this act become effective January 1, 1992. The question of the  
39 approval of Sections 1 and 2 of this act shall be submitted to the qualified voters of the  
40 State of North Carolina at an election on November 5, 1991.

41 The referendum shall be held in accordance with the provisions of Chapter  
42 163 of the General Statutes, and the form of the ballot shall be:

43 "[ ] FOR approval of an act establishing a North Carolina State Lottery.

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

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

5           Sec. 5. Nothing in this act shall be construed to obligate the General  
6 Assembly to make additional appropriations to implement the provisions of this act.

7           Sec. 6. This act is effective upon ratification.