

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 38

Short Title: 1993 Lottery Bill.

(Public)

Sponsors: Representative Redwine; H. Hunter, McAllister, McLawhorn, Nichols, Richardson, Spears, Warner, and Wright.

Referred to: Finance.

February 3, 1993

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

The General Assembly of North Carolina enacts:

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

"CHAPTER 143C.
"NORTH CAROLINA STATE LOTTERY.

"ARTICLE 1.

"GENERAL PROVISIONS AND DEFINITIONS.

"§ 143C-101. Citation.

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

"§ 143C-102. Purpose and intent.

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

"§ 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 Commission established by this Chapter shall
7 be a self-supporting and 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 lottery established by this Chapter shall not supplant revenues already expended or
12 projected to be expended for the public purpose and that lottery net revenues shall
13 supplement rather than be used as substitute funds for the total amount of money
14 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' means the North Carolina State Lottery Commission, the
31 five-member body appointed by the Governor pursuant to this Chapter
32 to oversee the lottery and the Director.
- 33 (2) 'Commissioner' means one of the members of the Commission
34 appointed pursuant to this Chapter to oversee the lottery.
- 35 (3) 'Director' means the person appointed by the Governor pursuant to this
36 Chapter as the chief administrator of the Commission.
- 37 (4) 'Game' or 'Lottery game' means any procedure or game authorized by
38 the Commission whereby prizes are distributed among persons who
39 have paid, or unconditionally agreed to pay, for tickets or shares that
40 provide the opportunity to win these prizes.
- 41 (5) 'Lottery' or 'State lottery' means any lottery game, or series of games,
42 established and operated pursuant to this Chapter and authorized by
43 the Commission.

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

23 "§§ 143C-108 and 143C-109: Reserved for future codification purposes.

24 "ARTICLE 2.

25 "NORTH CAROLINA STATE LOTTERY COMMISSION.

26 "§ 143C-110. Creation of Commission.

27 There is created a North Carolina State Lottery Commission.

28 "§ 143C-111. Commission membership; appointment; vacancies; removal.

29 (a) Commission shall consist of five members appointed by the Governor who
30 shall serve at the pleasure of the Governor.

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

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

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

40 "§ 143C-112. Qualifications of Commissioners.

41 At least one of the Commissioners shall have a minimum of five years experience in
42 law enforcement, at least one of the other Commissioners shall be a certified public
43 accountant, and at least one of the other Commissioners shall have retail sales
44 experience. No person shall be appointed as a Commissioner who has been convicted

1 of a felony. No more than three members of the Commission shall be of the same
2 political party.

3 **"§ 143C-113. Compensation and expenses.**

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

7 **"§ 143C-114. Powers and duties of the Commission.**

8 The Commission shall exercise all powers necessary to effectuate the purposes of
9 this Chapter including the adoption of rules pursuant to Chapter 150B of the General
10 Statutes. Anyone satisfying those licensing requirements shall be licensed by the
11 Commission.

12 **"§ 143C-115. Annual selection of chairman.**

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

14 **"§ 143C-116. Meetings; records.**

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

25 **"§ 143C-117. Quorum; voting.**

26 A majority of the total membership of the Commission constitutes a quorum. All
27 decisions of the Commission shall be made by a majority 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 Commission. 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.**

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

44 **"§ 143C-122. Salary.**

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

6 **"§ 143C-123. Duties and powers of the Director.**

7 The Director shall perform all duties, exercise all powers, assume and discharge all
8 responsibilities, and carry out and effect all purposes provided by this Chapter. The
9 Director shall act as the Secretary and Executive Officer of the Commission. The
10 Director shall act in accordance with this Chapter, the rules adopted by the Commission,
11 and under the guidance of the Commission.

12 **"§ 143C-124. Power to hire.**

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

18 **"§ 143C-125. Assistant directors.**

19 The Director may appoint, and prescribe the duties for, up to four assistant directors.
20 The compensation of each assistant director shall be set by the Commission and shall
21 not exceed the Director's compensation. The Director may designate one of the
22 assistant directors as the deputy director. All employees of the Commission shall be
23 exempt from the State Personnel Act.

24 **"§ 143C-126. Assistant director for security.**

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

38 **"§ 143C-127. Criminal identification information available to Commission; peace**
39 **officer status.**

40 Upon the request of the assistant director for security, the Attorney General and the
41 Secretary of Crime Control and Public Safety shall furnish information to the Director
42 and the assistant director for security, necessary to assure the security, honesty, fairness,
43 and integrity in the operation and administration of the Commission and its licensees
44 which they have in their possession, including computerized or other information and

1 data. For the purpose of requesting and receiving this information, the Commission
2 shall be considered to be a 'criminal justice agency' and its enforcement agents to be
3 'peace officers'. Commission's enforcement agents shall have the same authority with
4 respect to service and execution of arrest warrants and search warrants as is conferred
5 on other peace officers of this State.

6 **"§ 143C-128. Coordination with Commission.**

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

12 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

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

23 **"§ 143C-130. Accountability; books and records.**

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

30 **"§ 143C-131. Monthly financial reports.**

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

35 **"§ 143C-132. Independent study of demographics of lottery players.**

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

42 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

43 After the first full year of sales of tickets or shares to the public, the Director shall
44 engage an independent firm experienced in the analysis of advertising, promotion,

1 public relations, and other aspects of communications to conduct a special study of the
2 effectiveness of the communications activities undertaken by the Commission and make
3 recommendations to the Commission on the future conduct and future rate of
4 expenditures for these activities. This report shall be presented to the Commission, to
5 the Governor, and to the General Assembly. Similar studies shall be conducted on a
6 continuing, periodic basis.

7 **"§ 143C-134. Independent audit of lottery security.**

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

- 13 (1) Personnel security;
- 14 (2) Lottery game retailer security;
 - 15 (3) Lottery contractor security;
 - 16 (4) Security of manufacturing operations of lottery contractors;
 - 17 (5) Security against ticket counterfeiting, alteration, and other
18 means of fraudulently winning; security of drawings among entries
19 or finalists;
 - 20 (6) Computer security;
 - 21 (7) Data communications security;
 - 22 (8) Database security;
 - 23 (9) Systems security;
 - 24 (10) Commission premises and warehouse security;
 - 25 (11) Security in distribution;
 - 26 (12) Security involving validation and payment procedures;
 - 27 (13) Security involving unclaimed prizes;
 - 28 (14) Security aspects applicable to each particular lottery game;
 - 29 (15) Security of drawings in games where winners are
30 determined by drawings of numbers; and
 - 31 (16) Any other aspects of security applicable to any particular
32 lottery game and to the Commission and its operations.

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

39 **"§§ 143C-135 through 143C-139: Reserved for future codification purposes.**

40 **"ARTICLE 4.**

41 **"OPERATION OF LOTTERY.**

42 **"§ 143C-140. Initiation and operation of lottery.**

43 The Commission shall initiate operation of lottery games on a continuous basis at
44 the earliest feasible and practical time. The lottery games shall be initiated and shall

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

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

7 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
8 in the manner prescribed by Chapter 150B of the General Statutes specifying the types
9 of lottery games to be conducted by the Commission, including but not limited to,
10 instant lotteries, on-line games, games played on electronic video game machines using
11 a video display and microprocessors, and other games traditional to the lottery,
12 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 machines using
23 a video display and microprocessors to play lottery games, no coins or
24 currency shall be dispensed to players from those electronic computer
25 terminals or devices.

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

27 (1) Any type of lottery game that has been conducted by any state
28 government-operated lottery in the United States including, but not
29 limited to:

30 a. The sale of instant tickets or shares by electronic computer
31 terminals or devices; or

32 b. Lottery games played on electronic video terminals that are
33 available to play, or simulate the play of, a video game
34 authorized by the Commission; or

35 c. Any other type of lottery game; or

36 (2) Any gaming technology that has been used by any state government-
37 operated lottery in the United States including, but not limited to:

38 a. Printed tickets and shares;

39 b. Computer terminals;

40 c. Vending machines; or

41 d. Electronic video game machines using a video display and
42 microprocessors to play a lottery game which is connected by
43 telephone line or other electronic means with a computer
44 system operated by the Commission;

1 that will achieve the revenue objectives of the lottery consistent with the purposes stated
2 in G.S. 143C-102.

3 **"§ 143C-142. Number and value of prizes.**

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

- 10 (1) In lottery games using tickets with preprinted winners, the overall
11 estimated odds of winning prizes shall be printed on each ticket;
12 (2) A detailed tabulation of the estimated number of prizes of each
13 particular prize denomination that are expected to be awarded in each
14 lottery game, or the estimated odds of winning these prizes, shall be
15 available at the offices of the Commission at the time that lottery game
16 is offered for sale to the public; and
17 (3) All printed or point of sale advertising promoting the sale of lottery
18 tickets for a particular game shall include the actual or estimated odds
19 of winning that game.

20 **"§ 143C-143. Method of determining winners.**

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

- 25 (1) The drawings shall always be open to the public;
26 (2) The drawings shall be witnessed by an independent certified public
27 accountant;
28 (3) Any equipment used in the drawings shall be inspected by the
29 independent certified public accountant and an employee of the
30 Commission both before and after the drawings; and
31 (4) The drawings and inspections shall be recorded on both video and
32 audio tape.

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

35 **"§ 143C-144. Sale price of tickets and shares.**

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

- 39 (1) No ticket or share shall be sold for more than the retail sales price
40 established by the Commission; and
41 (2) The minimum retail price of each ticket, share, or transaction in any
42 lottery game shall be fifty cents (50¢), except to the extent of any
43 discounts or promotions authorized by the Commission for a particular
44 lottery game.

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

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

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

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

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

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

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

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

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

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

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

6 **"§ 143C-146. Lottery game play rules and winner validation procedures.**

7 All prizes contemplated in each lottery game by its prize structure for a given level
8 of sales shall be paid to the players of the lottery game. Conversely, in order to preserve
9 the fiscal integrity of the lottery and to protect public funds, no prizes shall be paid
10 which are invalid and not contemplated by the prize structure of the lottery game
11 involved. By purchasing a ticket or share in a lottery game, a player agrees to abide by,
12 and be bound by, the game play rules developed by the Director, and approved by the
13 Commission, to apply to any particular lottery game involved. An abbreviated form of
14 the game play rules may appear on tickets in lottery games using tickets. In particular a
15 player acknowledges that the determination of whether the player is a winner is subject
16 to the game play rules and the winner validation procedures and confidential validation
17 tests established by the Commission for the particular lottery game involved. The game
18 play rules shall not be considered to be rules or regulations for the purpose of Chapter
19 150B of the General Statutes.

20 **"§ 143C-147. Distribution of tickets and shares.**

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

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

34 **"§§ 143C-148 and 143C-149: Reserved for future codification purposes.**

35 **"ARTICLE 5.**

36 **"LOTTERY GAME RETAILERS.**

37 **"§ 143C-150. Contracting with lottery game retailers.**

38 Upon the recommendation of the Director, the Commission shall adopt rules as
39 prescribed by Chapter 150B of the General Statutes, specifying the terms and conditions
40 for contracting with lottery game retailers to provide adequate and convenient
41 availability of tickets or shares to prospective buyers of each lottery game. The
42 Commission may sell tickets and shares directly to the public or to make these sales by
43 any other method authorized by the Commission.

44 **"§ 143C-151. Selection of lottery game retailers.**

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

7 (1) Financial responsibility;

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

9 (3) Security of the premises;

10 (4) Integrity;

11 (5) Reputation;

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

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

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

18 (b) No person shall be a lottery game retailer who is engaged exclusively in
19 the business of selling lottery tickets or shares or operating electronic video game
20 machines using a video display and microprocessors. A person lawfully engaged in
21 nongovernmental business on State property or an owner or lessee of premises on which
22 alcoholic beverages are sold may be selected as a lottery game retailer. A civic or
23 fraternal organization may be selected as a lottery game retailer. Political subdivisions
24 or their agencies or departments may be selected as lottery game retailers for sales from
25 their premises. The Director may contract with lottery retailers on a permanent,
26 seasonal, or temporary basis. The lottery may require payment by each lottery game
27 retailer to the lottery of an initial fee or an annual fee, or both, as established by the
28 Commission, to maintain the contract to be a lottery game retailer. Lottery retailers may
29 contract with any person licensed by the Commission who places electronic video
30 machines using video displays and microprocessors for public use in this State.

31 **"§ 143C-152. Nonassignability.**

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

33 **"§ 143C-153. Termination of a contract with a lottery game retailer.**

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

38 **"§ 143C-154. Compensation for lottery game retailers.**

39 Upon the recommendation of the Director, the Commission shall adopt rules as
40 prescribed by Chapter 150B of the General Statutes to determine the compensation to be
41 paid to lottery game retailers for their sales of lottery tickets or shares. Until the
42 Commission determines otherwise, the compensation paid to lottery game retailers shall
43 not exceed six percent (6%) of the retail price of the tickets or shares plus an incentive
44 bonus of one percent (1%) based on attainment of sales volume or other objectives

1 specified by the Director for each lottery game. In cases of a lottery game retailer
2 whose rental payments for premises are contractually computed on the basis of a
3 percentage of retail sales, and where the computation of retail sales is not explicitly
4 defined to include sales of tickets or shares in a lottery game, the compensation received
5 by the lottery game retailer from the Commission shall be deemed to be the amount of
6 the retail sale for the purposes of this contractual computation.

7 **"§ 143C-155. Sales to persons under the age of 18.**

8 No tickets or shares in lottery games shall be sold to persons under the age of 18
9 years. Selling tickets or shares to a person under the age of 18 years shall be a
10 misdemeanor. In the case of lottery tickets or shares sold by lottery game retailers or
11 their employees, those persons shall establish safeguards to help assure that sales are not
12 made to natural persons under the age of 18 years. In the case of sales of tickets or
13 shares sold by vending machines, electronic computer terminals, electronic video game
14 machines using video displays and microprocessors, or other devices, the Commission
15 shall establish safeguards to help assure that the vending machines or devices are not
16 operated by natural persons under the age of 18 years. Nothing in this Article shall be
17 construed to prevent any person 18 years or older from giving lottery tickets or shares to
18 another as a gift.

19 **"§ 143C-156. Payment of prize won by person under the age of 18.**

20 If the person entitled to a prize or any winning ticket is under the age of 18 years,
21 and the prize is less than five thousand dollars (\$5,000), the Director may direct
22 payment of the prize by delivery of a check or draft payable to the order of the person
23 under 18 years of age to an adult member of that person's family or to that person's legal
24 guardian. If the person entitled to a prize or any winning ticket is under the age of 18
25 years, and the prize is five thousand dollars (\$5,000) or more, the Director may direct
26 payment to that person by depositing the amount of the prize in any insured depository
27 institution to the credit of an adult member of that person's family, or the legal guardian
28 of the person, as custodian for that person.

29 **"§ 143C-157. Display of certificate of authority.**

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

33 **"§ 143C-158. Bonding.**

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

36 **"§ 143C-159. Lottery game retailer accounting; payments.**

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

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

44 **"ARTICLE 6.**

"LOTTERY VENDORS AND LOTTERY CONTRACTORS.**"§ 143C-160. Procurements.**

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

"§ 143C-161. Contracts.

The Director may directly solicit proposals or enter into contracts for the purchase or lease of goods or services to effectuate the purposes of this Chapter. In awarding contracts in response to solicitations for proposals, the Director shall award the contracts to the responsible vendor submitting the best proposal which he determines maximizes the benefits to the State. In all procurement decisions, the Director, or the Commission, if the Commission chooses to make the decision, shall take into account the particularly sensitive nature of the Commission and lottery games and shall consider the competence, quality of product, experience, and timely performance of the vendors in order to promote and ensure security, honesty, fairness, and integrity in the operation and administration of the Commission and lottery games and the objective of raising net revenues for the benefit of the public purpose described in this Chapter. The Director may engage an independent firm experienced in evaluating government procurement proposals to aid in the evaluation of proposals made to the Commission. Before a contract for a major procurement is awarded, the assistant director for security shall conduct a thorough background investigation of:

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

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

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

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

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

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

Upon the recommendation of the Director, the Commission shall adopt rules as prescribed by Chapter 150B of the General Statutes, to provide for disclosures by

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

7 **"§ 143C-163. Compliance with applicable laws.**

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

12 **"§ 143C-164. Performance bond.**

13 Each lottery contractor in a major procurement shall, at the time of executing the
14 contract with the Director, post an appropriate bond or letter of credit with the Director,
15 in an amount equal to the full amount estimated to be paid annually to the lottery
16 contractor under the contract. The Commission may issue a rule allowing the Director
17 to decrease the bond or letter of credit requirement for a major procurement if the
18 Director determines that the decrease will result in a cost savings to the Commission
19 while still providing adequate protection against nonperformance. In lieu of a bond or
20 letter of credit, a contractor may, to assure the faithful performance of its obligations,
21 deposit and maintain with the Director securities that are interest bearing or accruing
22 that, with the exception of those specified in subdivisions (1) or (2) of this section, are
23 rated in one of the four highest classifications by an established nationally recognized
24 investment rating service. Securities eligible under this section are limited to the
25 following:

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

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

39 **"§§ 143C-165 to 143C-169: Reserved for future codification purposes.**

40 **"ARTICLE 7.**

41 **"NORTH CAROLINA STATE LOTTERY FUND.**

42 **"§ 143C-170. North Carolina State Lottery Fund.**

43 A special account to be known as the 'North Carolina State Lottery Fund' is created
44 within the State treasury. The North Carolina State Lottery Fund is continuously

1 appropriated to the Commission for the purposes of operating the Commission and the
2 lottery games.

3 **"§ 143C-171. Types of income to the North Carolina State Lottery Fund.**

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

- 5 (1) All proceeds from the sale of lottery tickets or shares;
- 6 (2) The investments for initial start-up costs; and
- 7 (3) All other monies credited to the Commission from any
8 source.

9 **"§ 143C-172. Types of disbursements from the North Carolina State Lottery**
10 **Fund.**

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

- 13 (1) The payment of prizes to the holders of valid winning
14 lottery tickets or shares;
- 15 (2) Expenses of the Commission, including initial start-up costs;
16 and
- 17 (3) Transfer of funds from the North Carolina State Lottery
18 Fund pursuant to G. S. 143C-175.

19 **"§ 143C-173. Prize payments of the lottery.**

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

26 **"§ 143C-174. Expenses of the lottery.**

27 Expenses of the lottery shall include:

- 28 (1) The costs incurred in the operation and administration of the
29 Commission, including initial start-up costs;
- 30 (2) The costs resulting from any contracts entered into for the purchase or
31 lease of goods or services required by the Commission;
- 32 (3) The compensation paid to lottery game retailers;
- 33 (4) The cost of supplies, materials, tickets, independent studies, data
34 transmission, advertising, promotion, incentives, public relations,
35 communications, bonding for lottery game retailers, printing, and
36 distribution of tickets and shares;
- 37 (5) The costs of reimbursing other governmental entities for services
38 provided to the Commission; and
- 39 (6) The costs for any other goods and services needed to accomplish the
40 purposes of this Chapter.

41 As nearly as practical, no more than sixteen percent (16%) of the total annual revenues
42 accruing from the sale of all lottery tickets and shares from all lottery games shall be
43 expended for the payment of expenses of the Commission.

44 **"§ 143C-175. Transfer of net revenues.**

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

5 (b) The State Treasurer shall transfer monthly the net income of the Lottery Fund
6 as follows:

7 (1) One-fourth of the net income shall be transferred to the Savings
8 Reserve Account.

9 (2) One-fourth of the net income shall be transferred to the State
10 Infrastructure Fund.

11 (3) One-half of the net income shall be transferred to the Local
12 Infrastructure Fund.

13 **"§ 143C-175.1. Creation and uses of Savings Reserve Account and State**
14 **Infrastructure Fund.**

15 (a) Savings Reserve Account. – The Savings Reserve Account is established as a
16 special revenue fund within the State treasury. Revenue in the Savings Reserve
17 Account may be used by the State Treasurer as needed to meet the cash-flow needs of
18 the State and shall otherwise be accumulated. At the end of each fiscal year, the State
19 Treasurer shall transfer to the State Infrastructure Fund the amount in the Account that
20 exceeds eight percent (8%) of the State's operating budget for the fiscal year that is
21 ending. The State's operating budget includes amounts for local tax reimbursements
22 and local tax revenue sharing.

23 (b) State Infrastructure Fund. – The State Infrastructure Fund is established as a
24 special revenue fund within the State treasury. Revenue in the Fund may be used only
25 for one or more of the following purposes:

26 (1) To provide revenue, by an appropriation, to maintain a State building
27 or other State property.

28 (2) To provide revenue, by an appropriation, to acquire real property,
29 including land for State parks.

30 (3) To provide revenue, by an appropriation from the Fund, for one or
31 more of the following Funds:

32 a. The Clean Water Revolving Loan and Grant Fund, established
33 by G.S. 159G-5.

34 b. The Critical School Facility Needs Fund, established by G.S.
35 115C-489.1.

36 c. The Public School Building Capital Fund, established by G.S.
37 115C-546.1.

38 d. The Solid Waste Management Loan Fund, established by G.S.
39 159I-7.

40 (4) To provide revenue, by an appropriation, for a specific capital
41 construction project of the State, including the placement of natural
42 gas distribution lines in utility corridors along highway rights-of-way.

43 (5) To provide revenue, by an appropriation, for debt service retirement on
44 State general obligation bonds.

1 **"§ 143C-175.2. Creation and uses of Local Infrastructure Fund.**

2 (a) Creation. The Local Infrastructure Fund is established as a special revenue
3 fund in the State treasury. The Office of State Budget and Management shall administer
4 the Fund. The Fund consists of one-half (1/2) of the net income of the State lottery and
5 interest and income earned by the Fund.

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

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

10 (2) To make a loan to a unit of local government to retire indebtedness
11 incurred by the local unit for for a capital construction project of the
12 local unit.

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

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

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

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

21 (3) To make a grant to a unit of local government to retire indebtedness
22 incurred by the local unit for a capital construction project of the local
23 unit.

24 (d) Restrictions. The principal of the Local Infrastructure Fund may not be used
25 for a purpose that is not listed in subsection (b). The income earned by the Fund may
26 not be used for a purpose that is not listed in subsection (c). Neither the principal of nor
27 the interest earned by the Fund may be used to make a loan or grant for the maintenance
28 of real or personal property or to provide credit assistance for an obligation that was
29 incurred to provide funds for the maintenance of real or personal property.

30 **"§ 143C-175.3. Application procedure for a loan, grant, or credit assistance from**
31 **the Local Infrastructure Fund.**

32 (a) OSBM. – The Office of State Budget and Management shall make loans and
33 provide credit assistance to units of local government from the principal of the Local
34 Infrastructure Fund and shall make loans and grants and provide credit assistance to
35 units of local government from the interest and other investment income earned by the
36 Local Infrastructure Fund. The Office shall select the units of local government that are
37 to receive a loan, grant, or credit assistance from among the units that apply for a loan,
38 grant, or credit assistance. The Office, with the assistance of the Local Government
39 Commission, shall determine the following:

40 (1) Whether a selected unit shall receive a loan, a grant, or credit
41 assistance.

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

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

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

- 4 (1) A description of the capital project for which the application is
5 submitted.
6 (2) A detailed statement of the projected costs of the capital project,
7 including the cost to plan, design, and construct the project and acquire
8 any interest in real property needed for the project.
9 (3) An explanation of why the capital project is needed and the benefits
10 the unit expects to derive from the project.
11 (4) The unit's ability to pay for the capital project.
12 (5) For an application for credit assistance, a copy of a resolution adopted
13 by the governing body of the local unit in which the governing body
14 agrees to allow the State to withhold payments to the local unit in
15 accordance with G.S. 143C-175.7 to ensure payment of an obligation
16 for which credit assistance is provided.
17 (6) Any other information needed by the Office of State Budget and
18 Management to enable the Office to make a decision on the
19 application.

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

27 **§ 143C-175.4. Selection for loan, grant, or credit assistance from Local**
28 **Infrastructure Fund.**

29 (a) Priorities. – The Office of State Budget and Management shall select the
30 applications that are to receive loans, grants, or credit assistance from the Local
31 Infrastructure Fund based on the capital needs of the local units of government that
32 submitted the applications and their ability to finance these needs without a loan, grant,
33 or credit assistance from the State. The Office shall give first priority to capital projects
34 that both promote the economic development of the unit and enable the unit to take
35 better advantage of the improvements to the Intrastate System listed in G.S. 136-179.
36 The Office shall give second priority to capital projects that promote the economic
37 development of the unit but are not related to improvements in the Intrastate System.

38 (b) Ability to Pay. – The Office shall determine the ability of a unit of local
39 government to finance its capital needs on the basis of the per capita property tax value
40 in the unit and the property tax burden in the unit. The property tax burden is the
41 percentage of per capita income in the unit that is consumed by the payment of property
42 taxes. A unit with a high property tax burden is considered to have less ability to
43 finance its needs than a unit with a low property tax burden. Conversely, a unit with a

1 low per capita property tax value is considered to have less ability to finance its needs
2 than a unit with a high per capita property tax value.

3 (c) Ranking. – The Office of State Budget and Management shall rank each
4 application considered in a period and shall send each unit of local government a
5 statement of the ranking of the unit's application. The Office shall select applications
6 beginning with the application with the highest ranking and shall select as many
7 applications as can be funded for a period, taking into consideration the interest rate, if
8 any, set for loans for applications selected and whether the applications selected are to
9 receive grants rather than loans or credit assistance.

10 **"§ 143C-175.5. Decision on financial terms for selected applications.**

11 (a) Grant. – The Office of State Budget and Management shall make a grant
12 rather than provide credit assistance to or make a loan to a unit of local government
13 whose application is selected when, with the assistance of the Local Government
14 Commission, it determines that the unit of local government has no resources to repay a
15 loan. A unit is considered to have no resources to repay a loan only if a five percent
16 (5%) increase in the property tax rate of the unit of local government would not produce
17 the amount of the proposed loan.

18 (b) Loan and Credit Assistance. – The Office of State Budget and Management
19 shall provide credit assistance to or make a loan to a unit of local government rather
20 than make a grant when the unit does not qualify for a grant under subsection (a). The
21 Office, with the approval of the Local Government Commission, shall set the terms and
22 conditions for repayment of any loan and shall determine the type of any credit
23 assistance provided.

24 The Local Government Commission shall review and approve a proposed loan to a
25 unit of local government under this Article under the provisions of Articles 4 and 5 of
26 Chapter 159 of the General Statutes as if the unit proposed to issue bonds rather than
27 obtain a loan. The Office of State Budget and Management may make an interest-free
28 loan or set an interest rate at any amount that is not more than the prevailing national
29 market rate for general obligation bonds having the same maturity as the term of the
30 loan. With the approval of the Local Government Commission, the Office shall decide
31 the interest rate that applies to a particular loan based on the borrowing unit's resources
32 to repay the loan and the effect of repaying the loan with interest on the property tax
33 burden in the unit.

34 A unit of local government that receives a loan shall sign a debt instrument
35 evidencing the loan and the terms of the loan. The Office of State Budget and
36 Management and the State Treasurer, with the assistance of the Local Government
37 Commission, shall develop appropriate debt instruments for use under this Article. The
38 Local Government Commission shall establish procedures for the delivery of debt
39 instruments to the State without any public bidding.

40 (c) Payment of Loan or Grant. – When the Office of State Budget and
41 Management makes a grant or a loan, it shall determine whether to pay the grant or loan
42 in a lump sum or to make installment payments of the grant or loan as the capital project
43 funded by the grant or loan progresses.

44 **"§ 143C-175.6. Local government borrowing authority.**

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

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

11 **"§ 143C-175.7. State may withhold payments to a unit of local government to**
12 **ensure payment of an obligation for which credit assistance is provided.**

13 If, as credit assistance provided to a unit of local government from the Local
14 Infrastructure Fund, the State guarantees payment of an obligation incurred by the local
15 unit and the Secretary of the Local Government Commission determines, for any
16 reason, that the taxes and other revenues available to the local unit for payment of the
17 principal of or interest on the obligation are not or will not be adequate to make
18 payments on the obligation when due, the Secretary shall notify the State Controller of
19 the impending default or default and the amount needed to cover the impending default
20 or default. When notified, the Controller shall withhold the amount needed to make
21 timely payments on the obligation from payments or distributions to the local unit under
22 G.S. 105-113.82, 105-116, 105-120, 105-213, or 105-213.1, the Local Government Tax
23 Reimbursement Reserve, and local sales and use tax revenue, other than payments or
24 distributions that have have been specifically designated by the local unit as a source of
25 payment of special obligation bonds or, by order of the Local Government Commission,
26 have been excluded from the application of this section.

27 From the amounts withheld, the Controller shall pay the amounts due under the
28 obligation to the holders of the obligation, as reported by the Secretary of the Local
29 Government Commission. The Controller shall report each payment made under this
30 section to the local unit whose payments or distributions were withheld and to the Local
31 Government Commission.

32 This section does not require the State to pay an obligation of a unit of local
33 government except from payments and distributions withheld in accordance with this
34 section.

35 **"§ 143C-176. Intergovernmental reimbursements for services.**

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

40 **"§ 143C-177. Audits.**

41 The State Auditor shall conduct annual postaudits of all accounts and transactions of
42 the Commission and any other special postaudits the State Auditor deems to be
43 necessary. The Auditor or his agents conducting an audit may examine any records of

1 the Commission, its distributing agencies, lottery contractors, lottery game retailers, and
2 any other person licensed by the Commission.

3 "§§ 143C-178 and 143C-179: Reserved for future codification purposes.

4 "ARTICLE 8.

5 "MISCELLANEOUS.

6 "§ 143C-180. Taxes.

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

9 "§ 143C-181. Preemption of local laws.

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

14 "§ 143C-182. Lawful activity.

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

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

21 " (17.1) The North Carolina State Lottery Fund."

22 Sec. 3. If Sections 1 and 2 of this act are approved by the qualified voters in
23 the referendum called for in Section 4 of this act, then the reasonable costs to the State
24 Board of Elections and to the boards of elections of the various counties for the
25 referendum called for by Section 3 of this act and attributable specifically to the
26 question of establishing a North Carolina State Lottery Commission shall be expenses
27 of the North Carolina State Lottery Fund pursuant to G.S. 143C-174 and shall be
28 reimbursed to the State Board of Elections and to boards of elections of the various
29 counties from the North Carolina State Lottery Fund.

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

36 Sec. 4. If approved by the qualified voters of the State of North Carolina,
37 Sections 1 and 2 of this act become effective January 1, 1994. The question of the
38 approval of Sections 1 and 2 of this act shall be submitted to the qualified voters of the
39 State of North Carolina at an election on November 2, 1993.

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

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

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

3 If less than a majority of the votes are cast in favor of the approval of
4 Sections 1 and 2 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. The North Carolina State Lottery Commission shall determine an
8 estimate of the initial working capital and submit that estimate to the the Office of State
9 Budget and Management for approval. After approval is granted by the Office of State
10 Budget and Management, and with the written approval of the State Treasurer, the State
11 Controller shall advance the approved funds by internal borrowing from other available
12 State funds. The terms and conditions of the temporary loan or loans shall be
13 determined by the Office of State Budget and Management.

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