

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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SENATE BILL 4
Finance Committee Substitute Adopted 7/27/89

Short Title: 1989 Lottery Bill-Referendum.

(Public)

Sponsors:

Referred to:

January 12, 1989

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

4 The General Assembly of North Carolina enacts:

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

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

10 **"GENERAL PROVISIONS AND DEFINITIONS.**

11 **"§ 143C-101. Citation.**

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

13 **"§ 143C-102. Purpose and intent.**

14 The General Assembly declares that the purpose and intent of this Chapter is to
15 provide additional monies to benefit the public purpose described in this Chapter
16 without the imposition of additional or increased taxes through the implementation of a
17 State-operated lottery.

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

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

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

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

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

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

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

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

24 **"§ 143C-107. Definitions.**

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

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

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

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

15 "ARTICLE 2.

16 "STATE LOTTERY COMMISSION.

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

18 There is created a State Lottery Commission.

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

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

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

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

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

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

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

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

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

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

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

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

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

6 **"§ 143C-125. Assistant directors.**

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

11 **"§ 143C-126. Assistant director for security.**

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

24 **"§ 143C-127. Criminal identification information available to lottery; peace officer**
25 **status.**

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

36 **"§ 143C-128. Coordination with Commission.**

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

42 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

43 The Director shall make an ongoing study of the operation and administration of the
44 lotteries that are in operation in other states and countries, of available literature on the

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

8 **"§ 143C-130. Accountability; books and records.**

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

15 **"§ 143C-131. Monthly financial reports.**

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

20 **"§ 143C-132. Independent study of demographics of lottery players.**

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

27 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

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

40 **"§ 143C-134. Independent audit of lottery security.**

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

- 1 (1) Personnel security;
- 2 (2) Lottery game retailer security;
- 3 (3) Lottery contractor security;
- 4 (4) Security of manufacturing operations of lottery contractors;
- 5 (5) Security against ticket counterfeiting, alteration, and other
6 means of fraudulently winning; security of drawings among entries
7 or finalists;
- 8 (6) Computer security;
- 9 (7) Data communications security;
- 10 (8) Database security;
- 11 (9) Systems security;
- 12 (10) Lottery premises and warehouse security;
- 13 (11) Security in distribution;
- 14 (12) Security involving validation and payment procedures;
- 15 (13) Security involving unclaimed prizes;
- 16 (14) Security aspects applicable to each particular lottery game;
- 17 (15) Security of drawings in games where winners are
18 determined by drawings of numbers;
- 19 (16) Security against locating winners in lottery games with pre-
20 printed winning tickets by persons involved in their production,
21 storage, distribution, administration, or sales; and
- 22 (17) Any other aspects of security applicable to any particular
23 lottery game and to the lottery and its operations.

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

30 **"§ 143C-135 to 143C-139. Reserved for future codification purposes.**

31 **"ARTICLE 4.**

32 **"OPERATION OF LOTTERY.**

33 **"§ 143C-140. Initiation and operation of lottery.**

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

40 **"§ 143C-141. Types of lottery games.**

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

- 1 (1) No lottery game may use the theme of bingo, dog racing, or horse
2 racing;
3 (2) No lottery game may be based on the outcome of a particular sporting
4 event or on the results of a series of sporting events;
5 (3) In lottery games using tickets, each ticket in a particular game shall
6 bear a unique number distinguishing it from every other ticket in that
7 lottery game;
8 (4) No name or photograph of an elected official shall appear on the
9 tickets of any lottery game; and
10 (5) In games using electronic computer terminals or other devices, no
11 coins or currency shall be dispensed to players from those electronic
12 computer terminals or devices.

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

17 **"§ 143C-142. Number and value of prizes.**

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

- 24 (1) In lottery games using tickets with pre-printed winners, the overall
25 estimated odds of winning prizes shall be printed on each ticket; and
26 (2) A detailed tabulation of the estimated number of prizes of each
27 particular prize denomination that are expected to be awarded in each
28 lottery game, or the estimated odds of winning these prizes, shall be
29 available at the offices of the lottery at the time that lottery game is
30 offered for sale to the public.

31 **"§ 143C-143. Method of determining winners.**

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

- 35 (1) No lottery game shall be based on the results of a horse or dog race;
36 (2) No lottery game may be based on the outcome of a particular sporting
37 event or on the results of a series of sporting events; and
38 (3) If a lottery game uses a drawing of winning numbers, a drawing
39 among entries, or a drawing among finalists:
40 a. The drawings shall always be open to the public;
41 b. The drawings shall be witnessed by an independent certified
42 public accountant;

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

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

8 **"§ 143C-144. Sale price of tickets and shares.**

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

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

17 **"§ 143C-145. Validation and payment of prizes.**

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

- 22 (1) For the convenience of the public, lottery retailers may be authorized
23 by the Commission to pay winners of up to six hundred dollars
24 (\$600.00) after performing validation procedures on their premises
25 appropriate to the lottery game involved;
26 (2) No prize shall be paid to any person under the age of 21 years;
27 (3) No prize may be paid arising from claimed tickets or shares that are
28 stolen, counterfeit, altered, fraudulent, unissued, produced or issued in
29 error, unreadable, not received or recorded by the lottery by the
30 applicable deadlines, lacking in captions that conform and agree with
31 the lottery play symbols as appropriate to the lottery game involved, or
32 not in compliance with any additional specific rules and regulations
33 and public or confidential validation and security tests of the lottery
34 appropriate to the particular game involved;
35 (4) No particular prize in any lottery game may be paid more
36 than once, and in the event of a binding determination that more than
37 one claimant is entitled to a particular prize, the sole remedy for
38 these claimants is the award to each of them of an equal share in the
39 prize;
40 (5) The Commission may specify that winners of twenty-five
41 dollars (\$25.00) or less shall claim the prizes from either the same
42 lottery game retailer who sold the winning ticket or share or from the
43 lottery itself and that the lottery game retailer who sold the winning
44 ticket or share shall be responsible for paying that prize;

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

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

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

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

23 **§ 143C-146. Lottery game play rules and winner validation procedures.**

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

37 **§ 143C-147. Distribution of tickets and shares.**

38 Upon the recommendation of the Director, the Commission shall adopt rules as
39 prescribed by Chapter 150B of the General Statutes, specifying the manner of
40 distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or
41 directly to the public, and the incentives, if any, for any lottery employees engaged in
42 these activities. In lottery games using electronic computer terminals or devices, the
43 lottery may employ or engage persons with experience in the repair, maintenance, or
44 operation of comparable equipment. The lottery shall assure security against locating

1 winners in lottery games with pre-printed winning tickets or shares by persons involved
2 in their production, storage, distribution, administration, or sale.

3 "§ 143C-148 and 143C-149. Reserved for future codification purposes.

4 "ARTICLE 5.

5 "LOTTERY GAME RETAILERS.

6 "§ 143C-150. Contracting with lottery game retailers.

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

12 "§ 143C-151. Selection of lottery game retailers.

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

17 (1) Financial responsibility;

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

19 (3) Security of the premises;

20 (4) Integrity;

21 (5) Reputation;

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

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

25 No contract with any lottery game retailer shall be entered into if the retailer has been
26 convicted of a felony or a gambling-related offense.

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

37 "§ 143C-152. Nonassignability.

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

39 "§ 143C-153. Termination of a contract with a lottery game retailer.

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

44 "§ 143C-154. Compensation for lottery game retailers.

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

13 **"§ 143C-155. Sales to persons under the age of 21.**

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

24 **"§ 143C-156. Payment of prize won by person under 21.**

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

34 **"§ 143C-157. Display of certificate of authority.**

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

38 **"§ 143C-158. Bonding.**

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

41 **"§ 143C-159. Lottery game retailer accounting; payments.**

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

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

4 **"ARTICLE 6.**

5 **"LOTTERY VENDORS AND LOTTERY CONTRACTORS.**

6 **"§ 143C-160. Procurements.**

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

15 **"§ 143C-161. Contracts.**

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

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

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

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

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

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

39 **"§ 143C-162. Lottery vendor disclosures for major procurements.**

40 Upon the recommendation of the Director, the Commission shall adopt rules as
41 prescribed by Chapter 150B of the General Statutes, to provide for disclosures by
42 vendors submitting bids, proposals, or offers as part of a major procurement to ensure
43 that the vendors provide all the information necessary to allow for a full and complete
44 evaluation by the lottery of the competence, integrity, background, and character of the

1 lottery vendors. The rules shall require that all lottery vendors submit to the assistant
2 director for security any appropriate investigation authorizations needed to facilitate
3 these investigations.

4 **"§ 143C-163. Compliance with applicable laws.**

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

9 **"§ 143C-164. Performance bond.**

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

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

15 **"ARTICLE 7.**

16 **"STATE LOTTERY FUND.**

17 **"§ 143C-170. State Lottery Fund.**

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

21 **"§ 143C-171. Types of income to the State Lottery Fund.**

22 The State Lottery Fund shall receive the following monies:

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

27 **"§ 143C-172. Types of disbursements from the State Lottery Fund.**

28 Disbursements shall be made from the State Lottery Fund for any of the following
29 purposes:

- 30 (1) The payment of prizes to the holders of valid winning
31 lottery tickets or shares;
- 32 (2) Expenses of the lottery;
- 33 (3) Repayment of the appropriation for initial start-up costs; and
- 34 (4) Transfer of funds from the State Lottery Fund to the General
35 Fund for the benefit of the public purpose described in this Chapter.

36 **"§ 143C-173. Prize payments of the lottery.**

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

43 **"§ 143C-174. Expenses of the lottery.**

44 Expenses of the lottery shall include:

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

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

17 **"§ 143C-175. Transfer of net revenues.**

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

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

26 (c) All net revenues from the lottery shall be held by the State Treasurer and shall
27 be disbursed to the Department of Public Education, but no more frequently than
28 quarterly. The transfer of revenues to the agencies and funds specified in subsection (b)
29 of this section shall begin during the 1989-90 fiscal year.

30 **"§ 143C-176. Intergovernmental reimbursements for services.**

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

35 **"§ 143C-177. Audits.**

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

41 **"§ 143C-178 and 143C-179. Reserved for future codification purposes.**

42 **"ARTICLE 8.**

43 **"MISCELLANEOUS.**

44 **"§ 143C-180. Taxes.**

1 No State or local taxes shall be imposed on the sale of lottery tickets or shares of the
2 lottery established by this Chapter or on any prize awarded by the lottery established by
3 this Chapter.

4 **"§ 143C-181. Preemption of local laws.**

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

8 **"§ 143C-182. Lawful activity.**

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

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

15 "(18.1) The State Lottery Fund."

16 Sec. 3. If approved by the qualified voters of the State of North Carolina,
17 Section 1 of this act shall become effective July 1, 1990. The question of the approval
18 of Section 1 of this act shall be submitted to the qualified voters of the State of North
19 Carolina at an election on November 7, 1989.

20 The referendum shall be held in accordance with the provisions of Chapter
21 163 of the General Statutes, and the form of the ballot shall be:

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

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

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

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