

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 59

Short Title: State Lottery - 1993.

(Public)

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Sponsors: Representatives Redwine; and Spears.

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Referred to: Constitutional Amendments and Referenda.

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February 8, 1993

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

5 The General Assembly of North Carolina enacts:

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

8 **"CHAPTER 143C.**  
9 **"NORTH CAROLINA STATE LOTTERY.**  
10 **"ARTICLE 1.**  
11 **"GENERAL PROVISIONS AND DEFINITIONS.**

12 **"§ 143C-101. Citation.**

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

15 **"§ 143C-102. Purpose and intent.**

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

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

22 "§§ 143C-108 and 143C-109: Reserved for future codification purposes.

23 "ARTICLE 2.

24 "NORTH CAROLINA STATE LOTTERY COMMISSION.

25 "§ 143C-110. Creation of Commission.

26 There is created a North Carolina State Lottery Commission.

27 "§ 143C-111. Commission membership; appointment; vacancies; removal.

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

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

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

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

39 "§ 143C-112. Qualifications of Commissioners.

40 At least one of the Commissioners shall have a minimum of five years experience in  
41 law enforcement, at least one of the other Commissioners shall be a certified public  
42 accountant, and at least one of the other Commissioners shall have retail sales  
43 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 The Commissioners shall be compensated at the rate of one hundred dollars  
5 (\$100.00) for each day engaged in Commission business. Commissioners shall be  
6 reimbursed for actual expenses incurred on Commission business, including, necessary  
7 travel expenses.

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

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

13 **"§ 143C-115. Annual selection of chairman.**

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

15 **"§ 143C-116. Meetings; records.**

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

26 **"§ 143C-117. Quorum; voting.**

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

29 **"§ 143C-118. Reports.**

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

35 **"§ 143C-119: Reserved for future codification purposes.**

36 **"ARTICLE 3.**

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

38 **"§ 143C-120. Appointment and removal of Director.**

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

43 **"§ 143C-121. Qualifications of the Director.**

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

1 **"§ 143C-122. Salary.**

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

7 **"§ 143C-123. Duties and powers of the Director.**

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

13 **"§ 143C-124. Power to hire.**

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

19 **"§ 143C-125. Assistant directors.**

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

25 **"§ 143C-126. Assistant director for security.**

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

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

41 Upon the request of the assistant director for security, the Attorney General and the  
42 Secretary of Crime Control and Public Safety shall furnish information to the Director  
43 and the assistant director for security necessary to assure the security, honesty, fairness,  
44 and integrity in the operation and administration of the Commission and its licensees

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

7 **"§ 143C-128. Coordination with Commission.**

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

13 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

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

24 **"§ 143C-130. Accountability; books and records.**

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

31 **"§ 143C-131. Monthly financial reports.**

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

36 **"§ 143C-132. Independent study of demographics of lottery players.**

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

43 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

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

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

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

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

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

41 **"§§ 143C-135 through 143C-139: Reserved for future codification purposes.**

42 **"ARTICLE 4.**

43 **"OPERATION OF LOTTERY.**

44 **"§ 143C-140. Initiation and operation of lottery.**

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

7 **"§ 143C-141. Types of lottery games.**

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

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

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

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

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

22           (5) In games using electronic computer terminals or other devices to play  
23 lottery games, no coins or currency shall be dispensed to players from  
24 those electronic computer terminals or devices.

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

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

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

31           b. Any other type of lottery game; or

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

34           a. Printed tickets and shares;

35           b. Vending machines; or

36           c. Electronic computer terminals or other devices to play lottery  
37 games which are connected by telephone lines or other  
38 electronic means with a computer system operated by the  
39 Commission;

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

42 **"§ 143C-142. Number and value of prizes.**

43       Upon the recommendation of the Director, the Commission shall adopt rules as  
44 prescribed by Chapter 150B of the General Statutes that specify the number and value



1 of prizes for winning tickets or shares in each lottery game including cash prizes,  
2 merchandise prizes, prizes consisting of deferred payments or annuities, and prizes of  
3 tickets or shares in the same lottery game or other lottery games conducted by the  
4 Commission, provided:

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

15 **"§ 143C-143. Method of determining winners.**

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

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

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

30 **"§ 143C-144. Sale price of tickets and shares.**

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

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

40 **"§ 143C-145. Validation and payment of prizes.**

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

- 1           (1) For the convenience of the public, lottery retailers may be authorized  
2 by the Commission to pay winners of up to an amount appropriate to  
3 the lottery game involved, after performing validation procedures on  
4 their premises, and with the approval of the Director;
- 5           (2) No prize shall be paid to any person under the age of 18 years;
- 6           (3) No prize may be paid arising from claimed tickets or shares that are  
7 stolen, counterfeit, altered, fraudulent, unissued, produced or issued in  
8 error, unreadable, not received or recorded by the Commission by the  
9 applicable deadlines, lacking in captions that conform and agree with  
10 the play symbols as appropriate to the lottery game involved, or not in  
11 compliance with any additional specific rules and regulations and  
12 public or confidential validation and security tests of the Commission  
13 appropriate to the particular game involved;
- 14           (4) No particular prize in any lottery game may be paid more  
15 than once, and in the event of a binding determination that more than  
16 one claimant is entitled to a particular prize, the sole remedy for  
17 these claimants is the award to each of them of a proportionate share  
18 in the prize;
- 19           (5) The Commission may specify that winners of twenty-five  
20 dollars (\$25.00) or less may claim the prizes from either the same  
21 lottery game retailer who sold the winning ticket or share or from the  
22 Commission itself or from any other lottery retailer;
- 23           (6) Holder of tickets or shares shall have the right to claim  
24 prizes for 120 days after the drawing or the end of the lottery game  
25 or play in which the prize was won. The Commission may define  
26 shorter time periods for eligibility for entry into drawings involving  
27 entries or finalists. If a valid claim is not made for a prize payable  
28 directly by the Commission within the applicable period, the  
29 unclaimed prize money will revert to the North Carolina State  
30 Lottery Fund;
- 31           (7) After the expiration of the claim period for prizes for each  
32 lottery game, the Commission shall make available a detailed  
33 tabulation of the total number of prizes of each prize denomination  
34 that was actually claimed and paid directly by the Commission;
- 35           (8) The right of any person to a prize shall not be assignable, except that  
36 payment of any prize may be paid to the estate of a deceased  
37 prizewinner or to a person designated pursuant to an appropriate  
38 judicial order. The Director, Commission, and the State shall be  
39 discharged of all liability upon payment of a prize; and
- 40           (9) No ticket or share in a lottery game shall be purchased by, and no prize  
41 shall be paid, to a member of the Commission, the Director, an  
42 assistant lottery director, or employee of the lottery or to any spouse,  
43 parent, or child living in the same household as a person disqualified  
44 by this provision.

1 **"§ 143C-146. Lottery game-play rules and winner validation procedures.**

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

15 **"§ 143C-147. Distribution of tickets and shares.**

16 (a) Upon the recommendation of the Director, the Commission shall adopt rules  
17 as prescribed by Chapter 150B of the General Statutes, specifying the manner of  
18 distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or  
19 directly to the public, and the incentives, if any, for any lottery employees, lottery  
20 vendors, lottery contractors, electronic computer terminal operators, or lottery retailers  
21 engaged in these activities. Notwithstanding any other provisions of this Chapter, no  
22 lottery ticket or shares may be sold or resold by any party except at the sales price or  
23 value established by the Commission, except as specifically authorized by the  
24 Commission.

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

28 **"§§ 143C-148 and 143C-149: Reserved for future codification purposes.**

29 **"ARTICLE 5,**

30 **"LOTTERY GAME RETAILERS.**

31 **"§ 143C-150. Contracting with lottery game retailers.**

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

38 **"§ 143C-151. Selection of lottery game retailers.**

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

- 1 (1) Financial responsibility;
- 2 (2) Accessibility of the place of business or activity to the public;
- 3 (3) Security of the premises;
- 4 (4) Integrity;
- 5 (5) Reputation;
- 6 (6) The sufficiency of existing lottery game retailers for any particular
- 7 lottery game to serve the public convenience; and
- 8 (7) The projected volume of sales for the lottery game involved.

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

12 (b) No person shall be a lottery game retailer who is engaged exclusively in  
13 the business of selling lottery tickets or shares or operating electronic computer  
14 terminals or other devices. A person lawfully engaged in nongovernmental business on  
15 State property or an owner or lessee of premises on which alcoholic beverages are sold  
16 may be selected as a lottery game retailer. A civic or fraternal organization may be  
17 selected as a lottery game retailer. Political subdivisions or their agencies or  
18 departments may be selected as lottery game retailers for sales from their premises. The  
19 Director may contract with lottery retailers on a permanent, seasonal, or temporary  
20 basis. The lottery may require payment by each lottery game retailer to the lottery of an  
21 initial fee or an annual fee, or both, as established by the Commission, to maintain the  
22 contract to be a lottery game retailer. Lottery retailers may contract with any person  
23 licensed by the Commission who provides goods and/or services which facilitate the  
24 sale of lottery tickets or shares.

25 **"§ 143C-152. Nonassignability.**

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

27 **"§ 143C-153. Termination of a contract with a lottery game retailer.**

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

32 **"§ 143C-154. Compensation for lottery game retailers.**

33 Upon the recommendation of the Director, the Commission shall adopt rules as  
34 prescribed by Chapter 150B of the General Statutes, to determine the compensation to  
35 be paid to lottery game retailers for their sales of lottery tickets or shares. The amount  
36 of compensation paid to lottery game retailers for their sales of lottery tickets or shares  
37 shall be six percent (6%) of the retail price of the tickets or shares for each lottery game  
38 or such greater amount as the Commission may determine. The Commission may  
39 authorize an incentive bonus of one percent (1%) based on attainment of sales volume  
40 or other objectives specified by the Director for each lottery game. Where a lottery  
41 game retailer whose rental payments for premises are contractually computed on the  
42 basis of a percentage of retail sales, and where the computation of retail sales is not  
43 explicitly defined to include sales of tickets or shares in a lottery game, the  
44 compensation received by the lottery game retailer from the Commission shall be

1 deemed to be the amount of the retail sale for the purposes of this contractual  
2 computation.

3 **"§ 143C-155. Sales to persons under the age of 18.**

4 No tickets or shares in lottery games shall be sold to persons under the age of 18  
5 years. Selling tickets or shares to a person under the age of 18 years shall be a  
6 misdemeanor. In the case of lottery tickets or shares sold by lottery game retailers or  
7 their employees, those persons shall establish safeguards to help assure that sales are not  
8 made to natural persons under the age of 18 years. Nothing in this Article shall be  
9 construed to prevent any person 18 years or older from giving lottery tickets or shares to  
10 another as a gift.

11 **"§ 143C-156. Payment of prize won by person under the age of 18.**

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

21 **"§ 143C-157. Display of certificate of authority.**

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

25 **"§ 143C-158. Bonding.**

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

28 **"§ 143C-159. Lottery game retailer accounting; payments.**

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

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

36 **"ARTICLE 6.**

37 **"LOTTERY VENDORS AND LOTTERY CONTRACTORS.**

38 **"§ 143C-160. Procurements.**

39 Notwithstanding other provisions of law, the Director may purchase or lease goods  
40 or services or combinations of goods and services needed to effectuate the purposes of  
41 this Chapter. The Director may not contract with any private party or non-governmental  
42 entity for the operation and administration of the Commission established by this  
43 Chapter; however, the foregoing shall not preclude procurements that integrate  
44 functions such as lottery game design, supply of goods and services, and advertising. In

1 all procurements, the Director and Commission shall act to promote the objective of  
2 raising net revenues for the benefit of the public purpose described in this Chapter.

3 **"§ 143C-161. Contracts.**

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

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

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

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

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

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

34 **"§ 143C-162. Lottery vendor disclosures for major procurements.**

35 Upon the recommendation of the Director, the Commission shall adopt rules as  
36 prescribed by Chapter 150B of the General Statutes, to provide for disclosures by  
37 vendors submitting bids, proposals, or offers as part of a major procurement to ensure  
38 that the vendors provide all the information necessary to allow for a full and complete  
39 evaluation by the Director and Commission of the competence, integrity, background,  
40 and character of the lottery vendors. The rules shall require that all lottery vendors  
41 submit to the assistant director for security any appropriate investigation authorizations  
42 needed to facilitate these investigations.

43 **"§ 143C-163. Compliance with applicable laws.**

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

5 **"§ 143C-164. Performance bond.**

6 Each lottery contractor in a major procurement shall, at the time of executing the  
7 contract with the Director, post an appropriate bond or letter of credit with the Director,  
8 in an amount as deemed necessary by the Commission for that particular bid or contract.  
9 The Commission may issue a rule allowing the Director to decrease the bond or letter of  
10 credit requirement for a major procurement if the Director determines that the decrease  
11 will result in a cost savings to the Commission while still providing adequate protection  
12 against nonperformance. In lieu of a bond or letter of credit, a contractor may, to assure  
13 the faithful performance of its obligations, deposit and maintain with the Director  
14 securities that are interest bearing or accruing that, with the exception of those specified  
15 in subdivision (1) or (2), are rated in one of the four highest classifications by an  
16 established nationally recognized investment rating service. Securities eligible under  
17 this section are limited to the following:

- 18 (1) Certificates of deposit issued by solvent banks and savings  
19 associations organized and existing under North Carolina law or under  
20 the laws of the United States and having their principle place of  
21 business in North Carolina.
- 22 (2) United States bonds and bills for which the full faith and credit of the  
23 government of the United States is pledged for the payment of  
24 principal and interest.
- 25 (3) General obligation bonds and notes of any political subdivision of the  
26 State.
- 27 (4) Corporate bonds of a corporation that is not an affiliate or subsidiary  
28 of the depositor.

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

31 **"§§ 143C-165 through 143C-169: Reserved for future codification purposes.**

32 **"ARTICLE 7.**

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

34 **"§ 143C-170. North Carolina State Lottery Fund.**

35 A special account to be known as the 'North Carolina State Lottery Fund' is created  
36 within the State treasury. The North Carolina State Lottery Fund is continuously  
37 appropriated to the Commission for the purposes of operating the Commission and the  
38 lottery games.

39 **"§ 143C-171. Types of income to the North Carolina State Lottery Fund.**

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

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

1 **"§ 143C-172. Types of disbursements from the North Carolina State Lottery**  
2 **Fund.**

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

5 (1) The payment of prizes to the holders of valid winning  
6 lottery tickets or shares;

7 (2) Expenses of the Commission, including initial start-up costs;  
8 and

9 (3) Transfer of funds from the North Carolina State Lottery  
10 Fund pursuant to G. S. 143C-175.

11 **"§ 143C-173. Prize payments of the lottery.**

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

18 **"§ 143C-174. Expenses of the lottery.**

19 Expenses of the lottery may include:

20 (1) The costs incurred in the operation and administration of the  
21 Commission, including initial start-up costs;

22 (2) The costs resulting from any contracts entered into for the purchase or  
23 lease of goods or services required by the Commission;

24 (3) The compensation paid to lottery game retailers;

25 (4) The cost of supplies, materials, tickets, independent studies, data  
26 transmission, advertising, promotion, incentives, public relations,  
27 communications, bonding for lottery game retailers, printing, and  
28 distribution of tickets and shares;

29 (5) The costs of reimbursing other governmental entities for services  
30 provided to the Commission; and

31 (6) The costs for any other goods and services needed to accomplish the  
32 purposes of this Chapter.

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

36 **"§ 143C-175. Transfer of net revenues.**

37 (a) The funds remaining in the North Carolina State Lottery Fund after receipt of  
38 all revenues to the North Carolina State Lottery Fund and after accrual of all obligations  
39 of the Commission for prizes and expenses shall be deemed to be the net revenues of the  
40 North Carolina State Lottery Fund.

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

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



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

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

5 **"§ 143C-175.1. Creation and uses of Savings Reserve Account and State**  
6 **Infrastructure Fund.**

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

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

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

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

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

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

26           b. The Critical School Facility Needs Fund, established by G.S.  
27 115C-489.1.

28           c. The Public School Building Capital Fund, established by G.S.  
29 115C-546.1.

30           d. The Solid Waste Management Loan Fund, established by G.S.  
31 159I-7.

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

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

37 **"§ 143C-175.2. Creation and uses of Local Infrastructure Fund.**

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

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

- 1           (1) To make a loan to a unit of local government for a capital construction  
2 project of the local unit.
- 3           (2) To make a loan to a unit of local government to retire indebtedness  
4 incurred by the local unit for for a capital construction project of the  
5 local unit.
- 6           (3) To provide credit assistance to a unit of local government when the  
7 obligation for which the assistance is provided was incurred to fund a  
8 capital construction project of the local unit.

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

- 11           (1) Any purpose for which the principal in the Fund may be used.
- 12           (2) To make a grant to a unit of local government for a capital  
13 construction project of the local unit.
- 14           (3) To make a grant to a unit of local government to retire indebtedness  
15 incurred by the local unit for a capital construction project of the local  
16 unit.

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

23 **"§ 143C-175.3. Application procedure for a loan, grant, or credit assistance from**  
24 **the Local Infrastructure Fund.**

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

- 33           (1) Whether a selected unit shall receive a loan, a grant, or credit  
34 assistance.
- 35           (2) The interest rate that applies to any loan made.
- 36           (3) The type of any credit assistance provided.

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

- 40           (1) A description of the capital project for which the application is  
41 submitted.
- 42           (2) A detailed statement of the projected costs of the capital project,  
43 including the cost to plan, design, and construct the project and acquire  
44 any interest in real property needed for the project.

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

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

4           (5) For an application for credit assistance, a copy of a resolution adopted  
5 by the governing body of the local unit in which the governing body  
6 agrees to allow the State to withhold payments to the local unit in  
7 accordance with G.S. 143C-175.7 to ensure payment of an obligation  
8 for which credit assistance is provided.

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

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

19 **§ 143C-175.4. Selection for loan, grant, or credit assistance from Local**  
20 **Infrastructure Fund.**

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

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

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

1 **"§ 143C-175.5. Decision on financial terms for selected applications.**

2 (a) Grant. – The Office of State Budget and Management shall make a grant  
3 rather than provide credit assistance to or make a loan to a unit of local government  
4 whose application is selected when, with the assistance of the Local Government  
5 Commission, it determines that the unit of local government has no resources to repay a  
6 loan. A unit is considered to have no resources to repay a loan only if a five percent  
7 (5%) increase in the property tax rate of the unit of local government would not produce  
8 the amount of the proposed loan.

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

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

25 A unit of local government that receives a loan shall sign a debt instrument  
26 evidencing the loan and the terms of the loan. The Office of State Budget and  
27 Management and the State Treasurer, with the assistance of the Local Government  
28 Commission, shall develop appropriate debt instruments for use under this Article. The  
29 Local Government Commission shall establish procedures for the delivery of debt  
30 instruments to the State without any public bidding.

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

35 **"§ 143C-175.6. Local government borrowing authority.**

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

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

3 **"§ 143C-175.7. State may withhold payments to a unit of local government to**  
4 **ensure payment of an obligation for which credit assistance is provided.**

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

19 From the amounts withheld, the Controller shall pay the amounts due under the  
20 obligation to the holders of the obligation, as reported by the Secretary of the Local  
21 Government Commission. The Controller shall report each payment made under this  
22 section to the local unit whose payments or distributions were withheld and to the Local  
23 Government Commission.

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

27 **"§ 143C-176. Intergovernmental reimbursements for services.**

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

32 **"§ 143C-177. Audits.**

33 The State Auditor shall conduct annual postaudits of all accounts and transactions of  
34 the Commission and any other special postaudits the State Auditor deems to be  
35 necessary. The Auditor or his agents conducting an audit may examine any records of  
36 the Commission, its distributing agencies, lottery contractors, lottery game retailers, and  
37 any other person licensed by the Commission.

38 **"§§ 143C-178 and 143C-179: Reserved for future codification purposes.**

39 **"ARTICLE 8.**

40 **"MISCELLANEOUS.**

41 **"§ 143C-180. Taxes.**

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

44 **"§ 143C-181. Preemption of local laws.**

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

5 **"§ 143C-182. Lawful activity.**

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

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

12 " (17.1) The North Carolina State Lottery Fund."

13 Sec. 3. If Sections 1 and 2 of this act are approved by the qualified voters in  
14 the referendum called for in Section 4 of this act, then the reasonable costs to the State  
15 Board of Elections and to the boards of elections of the various counties for the  
16 referendum called for by Section 3 of this act and attributable specifically to the  
17 question of establishing a North Carolina State Lottery Commission shall be expenses  
18 of the North Carolina State Lottery Fund pursuant to G.S. 143C-174 and shall be  
19 reimbursed to the State Board of Elections and to boards of elections of the various  
20 counties from the North Carolina State Lottery Fund.

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

27 Sec. 4. If approved by the qualified voters of the State of North Carolina,  
28 Sections 1 and 2 of this act become effective July 1, 1993. The question of the approval  
29 of Sections 1 and 2 of this act shall be submitted to the qualified voters of the State of  
30 North Carolina at an election on May 4, 1993.

31 The referendum shall be held in accordance with the provisions of Chapter  
32 163 of the General Statutes, and the form of the ballot shall be:

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

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

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

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

41 Sec. 6. The North Carolina State Lottery Commission shall determine an  
42 estimate of the initial working capital and submit that estimate to the the Office of State  
43 Budget and Management for approval. After approval is granted by the Office of State  
44 Budget and Management, and with the written approval of the State Treasurer, the State

1 Controller shall advance the approved funds by internal borrowing from other available  
2 State funds. The terms and conditions of the temporary loan or loans shall be  
3 determined by the Office of State Budget and Management.

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