

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE BILL 42*

Short Title: 1999 N.C. Lottery.

(Public)

Sponsors: Representatives Kinney; Alexander, Baddour, Barefoot, Church, Cunningham, Dedmon, Fox, Hill, McAllister, McCrary, Mosley, Oldham, Owens, Redwine, Sutton, Tolson, and Womble.

Referred to: Rules, Calendar and Operations of the House.

February 8, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH A STATE LOTTERY TO PROVIDE FUNDS FOR
3 EDUCATIONAL PURPOSES.

4 The General Assembly of North Carolina enacts:

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

6 **"CHAPTER 143D.**

7 **"NORTH CAROLINA STATE LOTTERY.**

8 **"ARTICLE 1.**

9 **"GENERAL PROVISIONS AND DEFINITIONS.**

10 **"§ 143D-101. Citation.**

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

13 **"§ 143D-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 purposes described in this Chapter
16 through the implementation of a State-operated lottery without the imposition of
17 additional or increased taxes. The lottery shall be initiated at the earliest practical time,
18 and it shall be operated to maximize new revenue to the State. That new revenue shall be

1 raised in a manner consistent with the dignity of the State and the general welfare of the
2 people and in a manner consistent with effective business practices.

3 **"§ 143D-103. Laws not affected.**

4 In the event of a conflict between the provisions of this Chapter and any other laws,
5 including Article 37 of Chapter 14 of the General Statutes, the provisions of this Chapter
6 shall govern.

7 **"§ 143D-104. Commission a self-supporting agency.**

8 It is the intent of this Chapter that the Commission established by this Chapter shall
9 be an independent, self-supporting, and revenue-raising agency of State government.

10 **"§ 143D-105. Public purposes to benefit from lottery.**

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

17 **"§ 143D-106. Allocation of revenues.**

18 (a) As nearly as practical, revenues shall be allocated in the following manner:

19 (1) At least fifty percent (50%) of the total annual revenues, as described in
20 this Chapter, shall be returned to the public in the form of prizes as
21 described in this Chapter.

22 (2) At least thirty-four percent (34%) of the total annual revenues, as
23 described in this Chapter, shall be used for the public purposes
24 described in G.S. 143D-175.

25 (3) No more than sixteen percent (16%) of the total annual revenues, as
26 described in this Chapter, shall be allocated for payment of expenses of
27 the Commission as described in this Chapter.

28 (b) Unclaimed prize money held by the Commission in the Lottery Fund, as
29 described in this Chapter, may be used by the Commission to enhance prizes in other
30 lottery games.

31 (c) To the extent that the expenses of the Commission are less than sixteen percent
32 (16%) of total annual revenues, any surplus funds may be allocated, in any proportion:

33 (1) To increase prize payments; or

34 (2) To the benefit of the public purposes as described in this Chapter.

35 **"§ 143D-107. Definitions.**

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

37 (1) 'Commission' means the North Carolina State Lottery Commission.

38 (2) 'Commissioner' means one of the members of the Commission
39 appointed pursuant to this Chapter to oversee the lottery.

40 (3) 'Director' means the person appointed by the Governor pursuant to this
41 Chapter as the chief administrator of the Commission.

42 (4) 'Game' or 'lottery game' means any procedure or game authorized by the
43 Commission whereby prizes are distributed among persons who have

1 of the President Pro Tempore of the Senate, one member shall serve a term of three years,
2 and one member shall serve a term of five years. Of the initial appointees of the General
3 Assembly upon the recommendation of the Speaker of the House of Representatives, one
4 member shall serve a term of three years, and one member shall serve a term of five
5 years. All succeeding appointments shall be for terms of five years.

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

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

10 (e) All appointments made by the General Assembly shall be made in accordance
11 with the applicable sections of Article 16 of Chapter 120 of the General Statutes.

12 **"§ 143D-112. Qualifications of Commissioners.**

13 (a) At least one of the Commissioners appointed by the Governor shall have a
14 minimum of five years' experience in law enforcement.

15 (b) At least one of the Commissioners appointed by the General Assembly upon
16 the recommendation of the President Pro Tempore of the Senate shall be a certified
17 public accountant.

18 (c) At least one of the Commissioners appointed by the General Assembly upon
19 the recommendation of the Speaker of the House of Representatives shall have retail
20 sales experience.

21 (d) No person shall be appointed as a Commissioner who has been convicted of a
22 felony.

23 **"§ 143D-113. Compensation and expenses.**

24 (a) Commissioners shall be compensated at the rate of one hundred dollars
25 (\$100.00) for each day engaged in Commission business.

26 (b) Commissioners shall, in addition to daily compensation, be reimbursed for
27 actual expenses incurred on Commission business, including necessary travel expenses.

28 **"§ 143D-114. Powers and duties of the Commission.**

29 The Commission shall exercise all powers necessary to effectuate the purposes of this
30 Chapter, including the adoption of rules pursuant to Chapter 150B of the General Statutes
31 and the establishment of licensing and contracting requirements and procedures.

32 **"§ 143D-115. Annual selection of chairman.**

33 The initial chairman shall be selected, and thereafter the Commission shall annually
34 select a chairman from its membership.

35 **"§ 143D-116. Meetings; records.**

36 (a) Meetings of the Commission shall be open and public in accordance with
37 Article 33C of Chapter 143 of the General Statutes.

38 (b) Records of the Commission shall be open and available to the public in
39 accordance with the provisions of Chapter 132 of the General Statutes.

40 (c) The Commission shall meet with the Director at least quarterly to make
41 recommendations and set policy, to approve or reject reports of the Director, to adopt
42 rules in accordance with Chapter 150B of the General Statutes, and to transact any other

1 business that may properly be brought before it. Regular meetings shall be held no more
2 often than monthly, unless required by an emergency.

3 (d) The chairman or a majority of the members of the Commission shall have the
4 power to call special meetings of the Commission upon advance written notice to all of
5 the members of the Commission and the Director.

6 **"§ 143D-117. Quorum; voting.**

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

9 **"§ 143D-118. Reports.**

10 The Commission shall make quarterly and annual reports on the operations of the
11 Commission to the Governor, Attorney General, State Treasurer, and to the General
12 Assembly. The reports shall include full and complete statements of lottery revenues,
13 prize disbursements, expenses, net revenues, and all other financial transactions involving
14 lottery funds.

15 **"§ 143D-119: preserved for future codification purposes.**

16 **"ARTICLE 3.**

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

18 **"§ 143D-120. Appointment and removal of Director.**

19 The Governor shall appoint a Director within 30 days of the effective date of this
20 Chapter. The Director shall direct the operations of the Commission. The Governor may
21 remove the Director upon notification to the Commission. The Director shall be exempt
22 from the State Personnel Act.

23 **"§ 143D-121. Qualifications of the Director.**

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

25 **"§ 143D-122. Salary.**

26 During the first fiscal year of the operation of the Commission, the Director shall
27 receive compensation as set by the Commission and approved by the Governor.
28 Thereafter the compensation of the Director shall be set by the General Assembly in the
29 Current Operations Appropriations Act. The Director shall render full-time attention to
30 the duties of the office.

31 **"§ 143D-123. Duties and powers of the Director.**

32 The Director shall perform all duties, exercise all powers, assume and discharge all
33 responsibilities, and carry out and effect all purposes provided by this Chapter. The
34 Director shall act as the Secretary and Executive Officer of the Commission. The
35 Director shall act in accordance with this Chapter, the rules adopted by the Commission,
36 and under the guidance of the Commission.

37 **"§ 143D-123.1. Tax-related duties.**

38 The Director shall:

39 (1) Provide for federal income tax to be withheld from a lottery game prize
40 as required by section 3402 of the Internal Revenue Code.

41 (2) Provide for State income tax in the amount of seven percent (7%) of a
42 lottery game prize to be withheld from a prize from which federal
43 income tax is required to be withheld.

1 (3) Report to the Secretary of Revenue the payment of a lottery game prize
2 that must be reported to the Internal Revenue Service under section
3 3402 of the Internal Revenue Code.

4 **"§ 143D-124. Power to hire and procure services.**

5 (a) The Director shall hire, subject to the approval of the Commission, the
6 professional, clerical, technical, and administrative personnel needed to carry out the
7 provisions of this Chapter. No person shall be employed by the Commission who has
8 been convicted of a felony within the last 10 years. Each person employed by the
9 Commission shall execute an authorization to allow an investigation of the person's
10 background.

11 (b) The Director may, and is encouraged to, subject to the approval of the
12 Commission, outsource all feasible operational tasks for the purposes of limiting the
13 number of State employees to essential policy-making positions.

14 **"§ 143D-125. Assistant directors.**

15 The Director may appoint and prescribe the duties for up to four assistant directors.
16 The compensation of each assistant director shall be set by the Commission and shall not
17 exceed the Director's compensation. The Director may designate one of the assistant
18 directors as the deputy director.

19 **"§ 143D-126. Assistant director for security.**

20 (a) One of the assistant directors, the assistant director for security, shall be
21 responsible for a security division to assure the security, honesty, fairness, and integrity
22 in the operation and administration of the Commission and lottery games, including an
23 examination of the background of all prospective employees, lottery vendors, lottery
24 contractors, and any other person required to be licensed by or who contracts with the
25 Commission.

26 (b) The assistant director for security shall be qualified by training and experience
27 including at least five years of law enforcement experience and knowledge and
28 experience in computer security.

29 (c) The assistant director for security may, in conjunction with the Director, confer
30 with the Attorney General or the Attorney General's designee, to promote and ensure the
31 security, honesty, fairness, and integrity of the operation and administration of the
32 Commission.

33 (d) The assistant director for security, in conjunction with the Director, shall report
34 any alleged violation of law to the appropriate law enforcement authority for further
35 investigation and action.

36 **"§ 143D-127. Criminal identification information available to Commission; law**
37 **enforcement officer status.**

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

1 (b) For the purpose of requesting and receiving this information, the Commission
2 shall be considered to be a 'criminal justice agency' and its enforcement agents to be 'law
3 enforcement officers'.

4 (c) The 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 on
6 other law enforcement officers of this State.

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

8 The Director shall confer as frequently as necessary, but not less than quarterly, 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 the
12 improved operation and administration of the Commission and lottery games.

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

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

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

25 The Director shall make and keep books and records that accurately and fairly reflect
26 each day's transactions, including the distribution of tickets or shares to lottery game
27 retailers, receipt of funds, prize claims, prizes paid directly by the Commission, expenses,
28 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 **"§ 143D-131. Monthly financial reports.**

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

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

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

1 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

2 (a) Until the study required by this section is conducted and the results have been
3 reviewed by the General Assembly, expenditures for advertising of the lottery shall not
4 exceed four percent (4%) of all proceeds from the sales of lottery tickets or shares.

5 (b) After the first full year of sales of tickets or shares to the public, the Director
6 shall engage an independent firm experienced in the analysis of advertising, promotion,
7 public relations, and other aspects of communications to conduct a special study of the
8 effectiveness of the communications activities undertaken by the Commission and make
9 recommendations to the Commission on the future conduct and future rate of
10 expenditures for these activities. This report shall be presented to the Commission, to the
11 Governor, and to the General Assembly.

12 (c) Similar studies shall be conducted on a continuing, periodic basis.

13 **"§ 143D-134. Independent audit of lottery security.**

14 (a) After the first full year of operation, the Director shall, in addition to all other
15 security measures, engage an independent firm experienced in security procedures,
16 including computer security and systems security, to conduct a continuing comprehensive
17 study and evaluation of all aspects of security in the operation of the Commission and of
18 lottery games. The study shall include all of the following:

19 (1) Personnel security.

20 (2) Lottery game retailer security.

21 (3) Lottery contractor security.

22 (4) Security of manufacturing operations of lottery contractors.

23 (5) Security against ticket counterfeiting, alteration, and other
24 means of fraudulently winning; security of drawings among entries or
25 finalists.

26 (6) Computer security.

27 (7) Data communications security.

28 (8) Database security.

29 (9) Systems security.

30 (10) Commission premises and warehouse security.

31 (11) Security in distribution.

32 (12) Security involving validation and payment procedures.

33 (13) Security involving unclaimed prizes.

34 (14) Security aspects applicable to each particular lottery game.

35 (15) Security of drawings in games where winners are determined
36 by drawings of numbers.

37 (16) Any other aspects of security applicable to any particular
38 lottery game and to the Commission and its operations.

39 (b) The portion of the security audit report containing the overall evaluation of the
40 Commission and of lottery games in terms of each aspect of security shall be presented to
41 the Commission, to the Governor, and to the General Assembly.

1 (c) The portion of the security audit report containing specific recommendations
2 shall be confidential and shall be presented only to the Director, to the assistant director
3 for security, and to the Commission.

4 (d) Similar audits of security shall be conducted biennially thereafter.
5 "§§ 143D-135 through 143D-139: Reserved for future codification purposes.

6 **"ARTICLE 4.**

7 **"OPERATION OF LOTTERY.**

8 **"§ 143D-140. Initiation and operation of lottery.**

9 The Commission shall initiate operation of lottery games at the earliest feasible and
10 practical time but within 180 days of approval of the referendum. The lottery games shall
11 be initiated and shall continue to be operated so as to produce the maximum amount of
12 net revenues to benefit the public purposes described in this Chapter consistent with the
13 purposes stated in G.S. 143D-102. Other departments, boards, commissions, and
14 agencies of the State and their officers shall cooperate with the Commission to aid the
15 Commission in fulfilling these objectives.

16 **"§ 143D-141. Types of lottery games.**

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

- 22 (1) No lottery game shall use the theme of dog racing or horse racing;
23 (2) No lottery game shall be based on the outcome of a particular sporting
24 event or on the results of a series of sporting events;
25 (3) In lottery games using tickets, each ticket in a particular game shall bear
26 a unique number distinguishing it from every other ticket in that lottery
27 game;
28 (4) No name or photograph of a current elected official shall appear on the
29 tickets of any lottery game; and
30 (5) In games using electronic computer terminals or other devices to play
31 lottery games, no coins or currency shall be dispensed to players from
32 those electronic computer terminals or devices and no games shall be
33 based on video poker.

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

- 35 (1) Any type of lottery game that has been conducted by any state
36 government-operated lottery in the United States that will achieve the
37 revenue objectives of the lottery consistent with the purposes stated in
38 G.S. 143D-102 including, but not limited to, either of the following:

39 a. The sale of instant tickets or shares by electronic computer
40 terminals or devices.

41 b. Any other type of lottery game.

- 42 (2) Any gaming technology that has been used by any state government-
43 operated lottery in the United States that will achieve the revenue

1 objectives of the lottery consistent with the purposes stated in G.S.
2 143D-102 including, but not limited to, any of the following:

- 3 a. Printed tickets and shares.
- 4 b. Vending machines.
- 5 c. Electronic computer terminals or other devices to play lottery
6 games that are connected by telephone lines or other electronic
7 means with a central computer system operated by the
8 Commission.

9 **"§ 143D-141.1. Lottery advertising.**

10 (a) Upon the recommendation of the Director, the Commission shall adopt
11 guidelines regarding the nature of lottery advertising.

12 The guidelines shall require:

- 13 (1) Minimizing the appeal of the lottery to minors. In developing the
14 guidelines, the Director and the Commission shall consider the possible
15 impact of using cartoon characters and other figures that would
16 particularly attract the attention of minors.
- 17 (2) Prohibiting the use of false, misleading, or deceptive information.

18 (b) The Commission shall provide, by rule, in the manner prescribed by Chapter
19 150B of the General Statutes, all of the following:

- 20 (1) In lottery games using tickets with preprinted winners, the overall
21 estimated odds of winning prizes shall be printed on each ticket.
- 22 (2) A detailed tabulation of the estimated number of prizes of each
23 particular prize denomination that are expected to be awarded in each
24 lottery game, or the estimated odds of winning these prizes, shall be
25 available at the offices of the Commission at the time that lottery game
26 is offered for sale to the public.
- 27 (3) All printed or point-of-sale advertising promoting the sale of lottery
28 tickets for a particular game shall include the actual or estimated overall
29 odds of winning the game.

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

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

36 **"§ 143D-143. Method of determining winners.**

37 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
38 as prescribed by Chapter 150B of the General Statutes, that specify the method for
39 determining winners in a lottery game; provided, that if a lottery game uses a weekly
40 drawing of winning numbers, a drawing among entries, or a drawing among finalists, all
41 of the following conditions shall be met:

- 42 (1) The drawings shall always be open to the public.

1 (2) The drawings shall be witnessed by an independent certified public
2 accountant.

3 (3) Any equipment used in the drawings shall be inspected by the
4 independent certified public accountant and an employee of the
5 Commission both before and after the drawings.

6 (4) The drawings and inspections shall be recorded on both videotape and
7 audiotape.

8 (b) The Commission may authorize the use of any existing or future methods
9 or technologies for determining winners.

10 **"§ 143D-144. Sale price of tickets and shares.**

11 Upon the recommendation of the Director, the Commission shall adopt rules, as
12 prescribed by Chapter 150B of the General Statutes, specifying the retail sales price for
13 tickets or shares for lottery games, with the following provisos:

14 (1) No ticket or share shall be sold for more than the retail sales price
15 established by the Commission.

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

20 **"§ 143D-145. Validation and payment of prizes.**

21 Upon the recommendation of the Director, the Commission shall adopt rules, as
22 prescribed by Chapter 150B of the General Statutes, to establish a system of verifying the
23 validity of tickets or shares claimed to win prizes and to effect payment of those prizes,
24 with the following provisos:

25 (1) For the convenience of the public, lottery retailers may be authorized by
26 the Commission to pay winners of up to an amount appropriate to the
27 lottery game involved, after performing validation procedures on their
28 premises, and with the approval of the Director.

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

30 (3) No prize shall be paid arising from claimed tickets or shares that are
31 stolen, counterfeit, altered, fraudulent, unissued, produced or issued in
32 error, unreadable, not received or recorded by the Commission by the
33 applicable deadlines, lacking in captions that conform and agree with
34 the play symbols as appropriate to the lottery game involved, or not in
35 compliance with any additional specific rules and public or confidential
36 validation and security tests appropriate to the particular game involved.

37 (4) No particular prize in any lottery game shall be paid more
38 than once, and in the event of a binding determination that more than
39 one claimant is entitled to a particular prize, the sole remedy for these
40 claimants is the award to each of them of a proportionate share in the
41 prize.

1 (5) The Commission may specify that winners of five hundred
2 ninety-nine dollars (\$599.00) or less may claim the prizes from any of
3 the following:

- 4 a. The same lottery game retailer who sold the winning ticket or
5 share.
6 b. From any other lottery retailer.
7 c. Directly from the Commission.

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

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

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

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

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

31 (a) All prizes contemplated in each lottery game by its prize structure for a given
32 level of sales shall be paid to the players of the lottery game. Conversely, in order to
33 preserve the fiscal integrity of the lottery and to protect public funds, no prizes shall be
34 paid that are invalid and not contemplated by the prize structure of the lottery game
35 involved. By purchasing a ticket or share in a lottery game, a player agrees to abide by,
36 and be bound by, the game-play rules developed by the Director, and approved by the
37 Commission, that apply to any particular lottery game involved.

38 (b) An abbreviated form of the game-play rules may appear on tickets in lottery
39 games using tickets.

40 (c) All players acknowledge that the determination of whether the player is a
41 winner is subject to the game-play rules and the winner validation procedures and
42 confidential validation tests established by the Commission for the particular lottery
43 game involved.

1 (d) The game-play rules shall not be considered to be rules or regulations for the
2 purpose of Chapter 150B of the General Statutes.

3 **"§ 143D-147. Distribution of tickets and shares.**

4 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
5 as prescribed by Chapter 150B of the General Statutes, specifying the manner of
6 distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or
7 directly to the public, and the incentives, if any, for any lottery employees, lottery
8 vendors, lottery contractors, electronic computer terminal operators, or lottery retailers
9 engaged in these activities. Notwithstanding any other provisions of this Chapter, no
10 lottery ticket or shares shall be sold or resold by any party except at the sales price or
11 value established by the Commission, except as specifically authorized by the
12 Commission.

13 (b) The Commission may enter into agreements with other states for the operation
14 and promotion of multistate lotteries consistent with the purposes set forth in G.S. 143D-
15 102. The claim period for prizes may vary if required by multistate agreements.

16 **"§§ 143D-148 and 143D-149: Reserved for future codification purposes.**

17 **"ARTICLE 5.**

18 **"LOTTERY GAME RETAILERS.**

19 **"§ 143D-150. Contracting with lottery game retailers.**

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

26 **"§ 143D-151. Selection of lottery game retailers.**

27 (a) The Director shall select as lottery game retailers those persons deemed by the
28 Director best able to serve the public convenience and to promote the sale of tickets or
29 shares.

30 (b) No natural person under 21 years of age shall be a lottery game retailer. This
31 minimum age shall not prohibit employees of a retailer who are under 21 years of age
32 from selling lottery tickets or shares during their employment.

33 (c) In the selection of a lottery game retailer, the Director or the Commission shall
34 consider all of the following:

35 (1) Financial responsibility.

36 (2) Accessibility of the place of business or activity to the public.

37 (3) Security of the premises.

38 (4) Integrity.

39 (5) Reputation.

40 (6) The sufficiency of existing lottery game retailers for any particular
41 lottery game to serve the public convenience.

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

1 (d) No contract with any lottery game retailer shall be entered into if the retailer
2 has been convicted of a felony or a gambling-related offense in any state or federal court
3 of the United States within 10 years of entering into the contract.

4 (e) No person shall be a lottery game retailer who is engaged exclusively in the
5 business of selling lottery tickets or shares or operating electronic computer terminals or
6 other devices solely for entertainment.

7 (f) A person lawfully engaged in nongovernmental business on State property or
8 an owner or lessee of premises on which alcoholic beverages are sold may be selected as
9 a lottery game retailer.

10 (g) A civic or fraternal organization may be selected as a lottery game retailer.

11 (h) Political subdivisions or their agencies or departments may be selected as
12 lottery game retailers for sales from their premises.

13 (i) The Director may contract with lottery retailers on a permanent, seasonal, or
14 temporary basis.

15 (j) The Commission may establish and require payment by each lottery game
16 retailer of an initial fee or an annual fee, or both, to maintain the contract to be a lottery
17 game retailer.

18 (k) Lottery retailers may contract with any person approved or authorized by the
19 Commission who provides goods or services that facilitate the sale of lottery tickets or
20 shares.

21 **"§ 143D-152. Nonassignability.**

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

23 **"§ 143D-153. Termination of a contract with a lottery game retailer.**

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

28 **"§ 143D-154. Compensation for lottery game retailers.**

29 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
30 as prescribed by Chapter 150B of the General Statutes, determining the payment of
31 compensation to lottery game retailers for their sales of lottery tickets or shares.

32 (b) The amount of compensation paid to lottery game retailers for their sales of
33 lottery tickets or shares shall be five percent (5%) of the retail price of the tickets or
34 shares for each lottery game. The Commission may authorize an incentive bonus of up to
35 two percent (2%) based on attainment of sales volume or other objectives specified by the
36 Director for each lottery game.

37 (c) In cases of a lottery game retailer whose rental payments for premises are
38 contractually computed on the basis of a percentage of retail sales, and where the
39 computation of retail sales is not explicitly defined to include sales of tickets or shares in
40 a lottery game, the compensation received by the lottery game retailer from the lottery
41 shall be deemed to be the amount of the retail sale for the purposes of this contractual
42 computation.

43 **"§ 143D-155. Sales to persons under the age of 18.**

1 (a) No tickets or shares in lottery games shall be sold to persons under the age of
2 18 years. Selling tickets or shares to a person under the age of 18 years shall be a Class 1
3 misdemeanor.

4 (b) To prevent the sale of lottery tickets or shares to persons under the required
5 age, the Commission shall issue rules prescribing the procedures to be followed by lottery
6 retailers in determining the age of potential lottery purchasers.

7 (c) It shall be a defense to violation of subsection (a) of this section if the retailer
8 does either of the following:

9 (1) Shows that the purchaser produced a drivers license, a special
10 identification card issued under G.S. 20-37.7, a military identification
11 card, or a passport, showing his age to be at least the required age for
12 purchase and bearing a physical description of the person named on the
13 card reasonably describing the purchaser.

14 (2) Produces evidence of other facts that reasonably indicated at the time of
15 sale that the purchaser was at least the required age.

16 (d) Nothing in this Article shall be construed to prevent any person 18 years or
17 older from giving or assigning lawfully purchased lottery tickets or shares to another
18 person of any age.

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

20 (a) If the person entitled to a prize for any winning ticket or share is a minor, and
21 the prize is less than five thousand dollars (\$5,000), the Director may direct payment of
22 the prize by delivery of a check or draft payable to the order of the minor to an adult
23 member of that minor's family or to that minor's legal guardian.

24 (b) If the person entitled to a prize or any winning ticket is a minor, and the prize
25 is five thousand dollars (\$5,000) or more, the Director may direct payment to that minor
26 by depositing the amount of the prize in any insured depository institution to the credit of
27 an adult member of that minor's family or the legal guardian of the minor, as custodian
28 for that minor.

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

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

33 **"§ 143D-158. Bonding.**

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

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

37 (a) The Director shall establish procedures that shall be used by lottery game
38 retailers to account for all tickets or shares that they sell to the public and to account for
39 all funds they receive from the public for the tickets or shares.

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

"ARTICLE 6."LOTTERY VENDORS AND LOTTERY CONTRACTORS."§ 143D-160. Procurements.

(a) Notwithstanding other provisions of law, the Director is encouraged to purchase or lease goods or services or combinations of goods and services needed to effectuate the purposes of this Chapter.

(b) The Director shall not contract with any single private party or nongovernmental entity for the administration of the Commission established by this Chapter; however, this subsection shall not preclude procurements that integrate such functions as lottery game design, supply of goods and services, and advertising.

(c) In all procurements, the Director and Commission shall act to promote the objective of maximizing net revenues for the benefit of the public purposes described in this Chapter.

"§ 143D-161. Contracts.

(a) The Director may directly solicit proposals or enter into contracts for the purchase or lease of goods or services to effectuate the purposes of this Chapter.

(b) In awarding contracts in response to solicitations for proposals, the Director shall award the contracts to the responsible vendor submitting the best proposal that the Director determines maximizes the benefits to the State.

(c) In all procurement decisions, the Director, or the Commission, if the Commission chooses to make the decision, shall take into account the particularly sensitive nature of the Commission and lottery games and shall consider the competence, quality of product, experience, and timely performance of the vendors in order to promote and ensure security, honesty, fairness, and integrity in the operation and administration of the Commission and lottery games and the objective of maximizing net revenues for the benefit of the public purposes described in this Chapter.

(d) The Director may engage an independent firm experienced in evaluating lottery procurement proposals to aid in the evaluation of proposals made to the Commission.

(e) Before a contract for a major procurement is awarded, the assistant director for security shall conduct an investigation of all of the following:

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

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

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

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

(f) All contract awards made by the Director are made subject to the approval of the Commission.

1 (g) No contract shall be awarded to any person convicted of a felony or any
2 gambling offense in any state or federal court of the United States within 10 years of
3 entering into the contract.

4 (h) The Commission may by rule designate classes of contracts other than major
5 procurements that do not require approval of the Commission.

6 **"§ 143D-162. Lottery vendor disclosures for major procurements.**

7 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
8 as prescribed by Chapter 150B of the General Statutes, to provide for disclosures by
9 vendors submitting bids, proposals, or offers as part of a major procurement to ensure
10 that the vendors provide all the information necessary to allow for a full and complete
11 evaluation by the Director and Commission of the competence, integrity, background,
12 and character of the lottery vendors.

13 (b) The rules shall require that all lottery vendors submit to the assistant director
14 for security any appropriate investigation authorizations needed to facilitate these
15 investigations.

16 **"§ 143D-163. Compliance with applicable laws.**

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

20 **"§ 143D-164. Performance bond.**

21 (a) Each lottery contractor in a major procurement shall, at the time of executing
22 the contract with the Director, post an appropriate bond or letter of credit with the
23 Director, in an amount as deemed necessary by the Commission for that particular bid or
24 contract.

25 (b) The Commission may issue a rule allowing the Director to decrease the bond
26 or letter of credit requirement for a major procurement, after the contract has been in
27 force for one year, if the Director determines that the decrease will result in a cost savings
28 to the Commission while still providing adequate protection against nonperformance.

29 (c) In lieu of a bond or letter of credit, a contractor may, to assure the faithful
30 performance of its obligations, deposit and maintain with the Director securities that are
31 interest-bearing or interest-accruing that, with the exception of those specified in
32 subdivision (1) or (2) of this subsection, are rated in one of the four highest classifications
33 by an established nationally recognized investment rating service. Securities eligible
34 under this subsection are limited to any of the following:

35 (1) Certificates of deposit issued by solvent banks and savings associations
36 organized and existing under North Carolina law or under the laws of
37 the United States and having their principal place of business in North
38 Carolina.

39 (2) United States bonds and bills for which the full faith and credit of the
40 government of the United States is pledged for the payment of principal
41 and interest.

42 (3) General obligation bonds and notes of any political subdivision of the
43 State.

1 communications, bonding for lottery game retailers, printing, and
2 distribution of tickets and shares.

3 (5) The costs of reimbursing other governmental entities for services
4 provided to the Commission.

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

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

10 **"§ 143D-175. Transfer of net revenues.**

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

14 (b) The remaining net income of the North Carolina State Lottery Fund shall be
15 transferred as follows:

16 (1) Twenty percent (20%) of the remaining net revenues of the Lottery
17 Fund shall be transferred, annually, to the Clean Water Revolving Loan
18 and Grant Fund, established pursuant to Chapter 159G of the General
19 Statutes.

20 (2) As much of the net income from the State Lottery Fund, after the
21 distribution required by subdivision (1) of this subsection, as is needed
22 to fund the Education Improvement Scholarship Program, provided for
23 in the legislation to be enacted by the General Assembly pursuant to
24 G.S. 143D-175.1, shall be transferred annually to the Board of
25 Governors of The University of North Carolina and to the Department
26 of Community Colleges to be used for Education Improvement
27 Scholarships at the constituent institutions of The University of North
28 Carolina, private institutions of higher education, and at the State's
29 community colleges.

30 (3) The remaining funds shall be used for public education technology,
31 facility, and capital needs.

32 **"§ 143D-175.1. Education Improvement Scholarship Task Force.**

33 (a) There is created an Education Improvement Scholarship Task Force which
34 shall consist of the Governor, or his designated representative, the Lieutenant Governor,
35 or his designated representative, the President of The University of North Carolina, the
36 President of the North Carolina Community College System, the Chair of the State Board
37 of Education, the President of the North Carolina Association of Independent Colleges
38 and Universities, three Senators appointed by the President Pro Tempore of the Senate,
39 and three Representatives appointed by the Speaker of the House of Representatives.

40 (b) The Education Improvement Scholarship Task Force shall study programs
41 providing scholarships based solely on academic achievement in other states and shall
42 report the results of this study, along with the legislation necessary to implement the
43 program required by G.S. 143D-175(b)(1) in North Carolina. The Education

1 Improvement Scholarship Task Force shall consider scholarship program options
2 including:

3 (1) Full tuition scholarships to all students who received a high school
4 diploma or its equivalent from high schools in this State with an 'A' or a
5 'B' average who attend any of the constituent institutions of The
6 University of North Carolina or a community college.

7 (2) Grants of two thousand five hundred dollars (\$2,500) per year to all
8 students who have received a high school diploma or its equivalent in
9 this State with an 'A' or a 'B' average who attend any private university
10 or college.

11 (3) Scholarships not based on need. The Task Force shall recommend a
12 program providing for full scholarships for otherwise qualifying
13 students whose family net income available for funding higher
14 education based on current financial standards for scholarship is one
15 hundred thousand dollars (\$100,000) or less. Scholarships could be
16 reduced as qualifying family income increases above one hundred
17 thousand dollars (\$100,000) so that otherwise qualifying students whose
18 qualifying family income exceeds one hundred fifty thousand dollars
19 (\$150,000) could receive a scholarship of one thousand dollars (\$1,000)
20 per year.

21 (4) Developing procedures for all of the following:
22 a. Weighting high school grades to ensure the fairness.
23 b. Weighting high school grades to take into account any grade
24 inflation.
25 c. Assessing students who are home schooled.

26 (5) Developing a procedure for the payment of the scholarships to the
27 institutions of higher education and for monitoring recipients of the
28 scholarships to ensure that they remain eligible for the support based on
29 successful progress toward the receipt of a degree.

30 (6) Any other procedures necessary to implement the program.

31 (c) The Task Force shall also provide to the General Assembly:

32 (1) A plan, should sufficient funds become available, to expand the
33 scholarship program to supplement existing scholarship programs for
34 needy students or to expand the coverage of the program to all students
35 receiving a diploma or its equivalent from a high school in North
36 Carolina; and

37 (2) A plan for the prorating of funds should insufficient funds be available
38 to fund scholarships for all eligible students.

39 (d) The University of North Carolina shall provide the Task Force with
40 administrative and expert assistance in accomplishing the study and in the preparation of
41 implementing legislation required by this section.

42 (e) The Task Force's report shall be submitted to the Speaker of the House of
43 Representatives and the President Pro Tempore of the Senate no later than the first day of

1 the next regular session of the General Assembly immediately following the effective
2 date of this Chapter.

3 **"§ 143D-176. Intergovernmental reimbursements for services.**

4 It is the intent of this Chapter that the Commission shall be a self-supporting agency
5 of State government. The Commission shall reimburse, at a reasonable rate, all other
6 governmental entities for services necessary to effectuate the purposes of this Chapter
7 provided by those governmental entities to the Commission.

8 **"§ 143D-177. Audits.**

9 The State Auditor shall conduct annual audits of all accounts and transactions of the
10 Commission and any other special postaudits the State Auditor deems to be necessary.
11 The State Auditor or the Auditor's agents conducting an audit may examine any records
12 of the Commission, its distributing agencies, lottery contractors, lottery game retailers,
13 and any other person licensed by the Commission.

14 **"§§ 143D-178 and 143D-179: Reserved for future codification purposes.**

15 **"ARTICLE 8.**

16 **"MISCELLANEOUS.**

17 **"§ 143D-180. Taxes.**

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

20 **"§ 143D-181. Preemption of local regulation.**

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

24 **"§ 143D-182. Lawful activity.**

25 Any other State or local law, ordinance, or regulation providing any penalty,
26 disability, restriction, regulation, or prohibition for the manufacture, transportation,
27 storage, distribution, advertising, possession, or sale of any lottery tickets or shares or for
28 the operation of any lottery game shall not apply to the operation of the Commission or
29 lottery games established by this Chapter."

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

31 "(17b) The North Carolina State Lottery Fund."

32 Section 3. G.S. 105-134.5(b) reads as rewritten:

33 "(b) Nonresidents. For nonresident individuals, the term 'North Carolina taxable
34 income' means taxable income as calculated under the Code, adjusted as provided in G.S.
35 105-134.6 and G.S. 105-134.7, multiplied by a fraction the denominator of which is the
36 taxpayer's gross income as calculated under the Code, adjusted as provided in G.S. 105-
37 134.6 and G.S. 105-134.7, and the numerator of which is the amount of that gross
38 income, as adjusted, that is derived from North Carolina sources and is attributable to the
39 ownership of any interest in real or tangible personal property in this ~~State or State~~, is
40 derived from a business, trade, profession, or occupation carried on in this ~~State~~. ~~State~~, or
41 is derived from gambling activities carried on in this State."

42 Section 4. G.S. 105-163.1(13) reads as rewritten:

1 "(13) Wages. – The term has the same meaning as in section 3401 of the Code
2 except it does not include either of the following:

3 a. The amount of severance wages paid to an employee during the
4 taxable year that is exempt from State income tax for that taxable
5 year under G.S. 105-134.6(b)(11).

6 b. The amount an employer pays an employee as reimbursement for
7 ordinary and necessary expenses incurred by the employee on
8 behalf of the employer and in the furtherance of the business of
9 the employer.

10 Wages also includes the amount of proceeds from gambling activities as
11 defined in section 3402 of the Code."

12 Section 5. (a) G.S. 14-289 reads as rewritten:

13 **"§ 14-289. Advertising lotteries.**

14 Except as provided in Chapter 143D of the General Statutes or in connection with a
15 lawful raffle as provided in Part 2 of this Article, if anyone by writing or printing or by
16 circular or letter or in any other way, ~~advertise or publish~~ advertises or publishes an
17 account of a lottery, whether within or without this State, stating how, when or where the
18 same is to be or has been drawn, or what are the prizes therein or any of them, or the
19 price of a ticket or any share or interest therein, or where or how it may be obtained, he
20 shall be guilty of a Class 2 misdemeanor."

21 (b) G.S. 14-290 reads as rewritten:

22 **"§ 14-290. Dealing in lotteries.**

23 Except as provided in Chapter 143D of the General Statutes or in connection with a
24 lawful raffle as provided in Part 2 of this Article, if any person shall open, set on foot,
25 carry on, promote, make or draw, publicly or privately, a lottery, by whatever name, style
26 or title the same may be denominated or known; or if any person shall, by such way and
27 means, expose or set to sale any house, real estate, goods, chattels, cash, written evidence
28 of debt, certificates of claims or any other thing of value whatsoever, every person so
29 offending shall be guilty of a Class 2 misdemeanor which may include a fine not to
30 exceed two thousand dollars (\$2,000). Any person who engages in disposing of any
31 species of property whatsoever, including money and evidences of debt, or in any manner
32 distributes gifts or prizes upon tickets, bottle crowns, bottle caps, seals on containers,
33 other devices or certificates sold for that purpose, shall be held liable to prosecution
34 under this section. Any person who shall have in his possession any tickets, certificates
35 or orders used in the operation of any lottery shall be held liable under this section, and
36 the mere possession of such tickets shall be prima facie evidence of the violation of this
37 section."

38 (c) G.S. 14-291 reads as rewritten:

39 **"§ 14-291. Selling lottery tickets and acting as agent for lotteries.**

40 Except as provided in Chapter 143D of the General Statutes or in connection with a
41 lawful raffle as provided in Part 2 of this Article, if any person shall sell, barter or
42 otherwise dispose of any lottery ticket or order for any number of shares in any lottery, or
43 shall in anywise be concerned in such lottery, by acting as agent in the State for or on

1 behalf of any such lottery, to be drawn or paid either out of or within the State, such
2 person shall be guilty of a Class 2 misdemeanor."

3 (d) G.S. 14-291.1 reads as rewritten:

4 **"§ 14-291.1. Selling 'numbers' tickets; possession prima facie evidence of violation.**

5 Except as provided in Chapter 143D of the General Statutes or in connection with a
6 lawful raffle as provided in Part 2 of this Article, if any person shall sell, barter or cause
7 to be sold or bartered, any ticket, token, certificate or order for any number or shares in
8 any lottery, commonly known as the numbers or butter and egg lottery, or lotteries of
9 similar character, to be drawn or paid within or without the State, such person shall be
10 guilty of a Class 2 misdemeanor. Any person who shall have in his possession any
11 tickets, tokens, certificates or orders used in the operation of any such lottery shall be
12 guilty under this section, and the possession of such tickets shall be prima facie evidence
13 of the violation of this section."

14 (e) G.S. 14-292 reads as rewritten:

15 **"§ 14-292. Gambling.**

16 Except as provided in Chapter 143D of the General Statutes or in Part 2 of this
17 Article, any person or organization that operates any game of chance or any person who
18 plays at or bets on any game of chance at which any money, property or other thing of
19 value is bet, whether the same be in stake or not, shall be guilty of a Class 2
20 misdemeanor."

21 (f) G.S. 14-293 reads as rewritten:

22 **"§ 14-293. Allowing gambling in houses of public entertainment; penalty.**

23 ~~If~~ Except as provided in Chapter 143D of the General Statutes, if any keeper of an
24 ordinary or other house of entertainment, or of a house wherein alcoholic beverages are
25 retailed, shall knowingly suffer any game, at which money or property, or anything of
26 value, is bet, whether the same be in stake or not, to be played in any such house, or in
27 any part of the premises occupied therewith; or shall furnish persons so playing or betting
28 either on said premises or elsewhere with drink or other thing for their comfort or
29 subsistence during the time of play, he shall be guilty of a Class 2 misdemeanor. Any
30 person who shall be convicted under this section shall, upon such conviction, forfeit his
31 license to do any of the businesses mentioned in this section, and shall be forever
32 debarred from doing any of such businesses in this State. The court shall embody in its
33 judgment that such person has forfeited his license, and no board of county
34 commissioners, board of town commissioners or board of aldermen shall thereafter have
35 power or authority to grant to such convicted person or his agent a license to do any of
36 the businesses mentioned herein."

37 (g) G.S. 14-299 reads as rewritten:

38 **"§ 14-299. Property exhibited by gamblers to be seized; disposition of same.**

39 ~~All~~ Except as provided in Chapter 143D of the General Statutes, all moneys or other
40 property or thing of value exhibited for the purpose of alluring persons to bet on any
41 game, or used in the conduct of any such game, including any motor vehicle used in the
42 conduct of a lottery within the purview of G.S. 14-291.1, shall be liable to be seized by
43 any court of competent jurisdiction or by any person acting under its warrant. Moneys so

1 seized shall be turned over to and paid to the treasurer of the county wherein they are
2 seized, and placed in the general fund of the county. Any property seized which is used
3 for and is suitable only for gambling shall be destroyed, and all other property so seized
4 shall be sold in the manner provided for the sale of personal property by execution, and
5 the proceeds derived from said sale shall (after deducting the expenses of keeping the
6 property and the costs of the sale and after paying, according to their priorities all known
7 prior, bona fide liens which were created without the lienor having knowledge or notice
8 that the motor vehicle or other property was being used or to be used in connection with
9 the conduct of such game or lottery) be turned over and paid to the treasurer of the county
10 wherein the property was seized, to be placed by said treasurer in the general fund of the
11 county."

12 Section 6. Chapter 14 of the General Statutes is amended by adding the
13 following new section to read:

14 **"§ 14-309.2. Part does not apply to State lottery.**

15 The provisions of this Part shall not apply to the State lottery established in Chapter
16 143D of the General Statutes."

17 Section 7. G.S. 120-123 is amended by adding a new subdivision at the end to
18 read:

19 "(63) The North Carolina State Lottery Commission, as established by
20 Chapter 143D of the General Statutes."

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

22 "k. Procedures, instructions, game-play rules, and validation
23 procedures and tests for a specific lottery game."

24 Section 9. Nothing in this act shall be construed to obligate the General
25 Assembly to make additional appropriations to implement the provisions of this act.

26 Section 10. The North Carolina State Lottery Commission shall determine an
27 estimate of the initial working capital and submit that estimate to the Office of State
28 Budget and Management for approval. After approval is granted by the Office of State
29 Budget and Management, and with the written approval of the State Treasurer, the State
30 Controller shall advance the approved funds by internal borrowing from other available
31 State funds. The terms and conditions of the temporary loan or loans shall be determined
32 by the Office of State Budget and Management.

33 Section 11. The question of whether North Carolina should have a State
34 lottery shall be submitted to the qualified voters of the State at a referendum on the
35 question held at a special statewide election on the first Tuesday after the first Monday in
36 November, 2000. The referendum shall be held in accordance with Chapter 163 of the
37 General Statutes. The form of the ballot for the referendum is:

38 FOR a State lottery.

39 AGAINST a State lottery."

40 Section 12. If a State lottery is approved by the qualified voters of this State in
41 the referendum held under Section 11 of this act, the costs to the State Board of Elections
42 and the county boards of elections for conducting the referendum are considered

1 expenses of the lottery; the State Lottery Commission shall reimburse the State Board of
2 Elections and the county boards of elections for these costs from the Lottery Fund.

3 If a State lottery is not approved by the qualified voters of this State in the
4 referendum held under Section 11 of this act, the State Board of Elections and the county
5 boards of elections may seek reimbursement from the General Assembly for their costs
6 incurred in conducting the referendum.

7 Section 13. Sections 11, 12, and 13 of this act are effective when they become
8 law. If a State lottery is approved by the qualified voters of this State in the referendum
9 held under Section 11 of this act, then Sections 1 through 10 of this act become effective
10 when the results of the referendum are certified by the State Board of Elections. If a
11 State lottery is not approved, Sections 1 through 10 do not become effective.