

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005

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HOUSE BILL 3

Short Title: Local Option Education Lottery. (Public)

Sponsors: Representatives Owens; Howard, Hunter, Glazier, and LaRoque.

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

January 27, 2005

1 A BILL TO BE ENTITLED  
2 AN ACT GIVING COUNTIES THE AUTHORITY TO ALLOW THE OPERATION  
3 OF A LOTTERY IN THAT COUNTY, TO PROVIDE FOR STATE  
4 REGULATION OF LOCALLY APPROVED LOTTERY OPERATIONS, AND TO  
5 DISTRIBUTE TO EACH COUNTY AND THE CITIES LOCATED IN THE  
6 COUNTY TWENTY-FIVE PERCENT OF THE NET PROCEEDS OF LOTTERY  
7 OPERATIONS TO THE COUNTIES FOR SCHOOL CONSTRUCTION AND TO  
8 USE ADDITIONAL FUNDS TO IMPLEMENT AND ENHANCE  
9 EDUCATIONAL PROGRAMS.

10 The General Assembly of North Carolina enacts:

11 **SECTION 1.** The General Statutes are amended by adding a new Chapter to  
12 read:

**"Chapter 143D.**

**"Local Option Lottery.**

**"Article 1.**

**"General Provisions.**

17 **"§ 143D-1. Purpose.**

18 This Chapter allows the voters of each county to decide whether a Local Option  
19 Education Lottery can be operated in that county for the purposes contained in this  
20 Chapter. It also provides for State regulation of lottery operations in counties that have  
21 approved these operations.

22 **"§ 143D-2. Definitions.**

23 The following definitions apply in this Chapter:

24 (1) Commission. – The State Lottery Commission.

25 (2) Commissioner. – A member of the State Lottery Commission.

26 (3) Director. – The Director of the State lottery.

27 (4) Lottery contractor. – A person who has entered a contract to provide  
28 goods or services to the Commission.



1 (a) Election. – A county that has approved the operation of a lottery in the county  
2 may repeal the approval. To repeal the approval, the county shall hold a special election  
3 on the question of repealing the approval; and a majority of those who vote in the  
4 election shall vote to repeal the approval. The board of elections of a county shall call a  
5 special election on the question of repealing approval of the operation of a lottery in the  
6 county in the same circumstances in which it is required to call a special election on the  
7 question of approving the operation of a lottery in the county. The special election shall  
8 be held in accordance with Chapter 163 of the General Statutes.

9 (b) Ballot. – The county board of elections shall prepare a ballot for a special  
10 election held under this section. The ballot shall be in the following form:

11 "[ ] FOR [ ] AGAINST

12 Repeal of operations of the Local Option Education Lottery in the county."

13 (c) Effect. – If a majority of those voting in an election under this section  
14 approve the repeal of lottery operations in the county, the board of county  
15 commissioners shall notify the Commission. The Commission shall end lottery  
16 operations in the county within three months of the date of the election.

17 If a majority of those voting in an election under this section do not approve the  
18 repeal of lottery operations in the county, the county lottery operations remain in effect.  
19 An election to repeal approval of the operation of a lottery in a county may not be held  
20 more than once every three years and may not be held within three years of the date of  
21 the election in which operation of the lottery was approved.

22 **"§ 143D-5. Lottery is a lawful activity in counties that vote for the lottery.**

23 A State law or a local ordinance that prohibits the operation of a lottery or the sale or  
24 possession of a lottery game ticket or share does not apply to a lottery operated under  
25 this Chapter or a lottery game ticket or share issued under this Chapter.

26 **"§ 143D-6. Local governments may not regulate or tax the State lottery.**

27 A local government in a county that has approved the operation of a lottery in the  
28 county may not adopt an ordinance that does any of the following:

29 (1) Regulates the operation of the lottery.

30 (2) Imposes a tax on the sale of lottery game tickets or shares.

31 (3) Imposes a tax on the gross receipts of a lottery game retailer from sales  
32 of lottery game tickets or shares.

33 **"§ 143D-7. Misdemeanor violations of lottery laws.**

34 Violation of each of the following lottery laws is a Class 1 misdemeanor and is  
35 punishable as provided in G.S. 15A-1340.23:

36 (1) Knowingly selling a lottery game ticket or share to a person who is  
37 less than 18 years old, in violation of G.S. 143D-32.

38 (2) Selling a lottery game ticket or share for a price other than the retail  
39 price set by the Commission, in violation of G.S. 143D-32.

40 (3) Selling a lottery game ticket or share without a lottery game retailer  
41 permit or authorization, in violation of G.S. 143D-45.

42 (4) Knowingly giving false information on an application for a lottery  
43 game retailer permit, in violation of G.S. 143D-47.

44 **"§ 143D-8. Lottery law enforcement agents.**



1 term ends. A Commissioner continues to serve until the Commissioner's successor takes  
2 office as a Commissioner, but the continuation does not change the date when the term  
3 of the Commissioner's successor ends.

4 (d) Vacancies. – When a vacancy occurs on the Commission and the General  
5 Assembly is in session, the Governor shall submit to the General Assembly the name of  
6 an appointee to fill the vacancy. The Governor shall submit a name as soon as possible  
7 but no later than three weeks after the vacancy occurs.

8 When a vacancy occurs on the Commission and the General Assembly is not in  
9 session, the vacated position remains vacant until the General Assembly convenes  
10 unless the Governor considers filling the vacancy urgent. If the Governor finds it urgent  
11 to fill the vacancy, the Governor may appoint a person to serve as a Commissioner on  
12 an interim basis pending confirmation by the General Assembly. When the General  
13 Assembly convenes, it shall consider the confirmation of an interim appointment.

14 A Commissioner appointed to fill a vacancy serves for the unexpired portion of the  
15 term vacated.

16 (e) Chair. – When the initial Commissioners are confirmed by the General  
17 Assembly, the Governor shall designate one of the Commissioners as Chair of the  
18 Commission. All Chairs serve three-year terms as Chair that end on June 30. If a Chair  
19 leaves the Commission before completing a three-year term as Chair, the Governor shall  
20 designate another Commissioner as Chair to serve for the remainder of the unexpired  
21 term as Chair.

22 (f) Compensation. – Each Commissioner receives a per diem allowance for each  
23 day the Commissioner attends a meeting of the Commission, attends a meeting of  
24 another body as a representative of the Commission, is traveling as a representative of  
25 the Commission, or is otherwise acting in the service of the Commission. The amount of  
26 the allowance is the amount a member of the General Assembly receives as a  
27 subsistence allowance under G.S. 120-3.1(a)(3). This allowance is in lieu of amounts  
28 allowed under G.S. 138-5.

29 (g) Organization. – The Commission shall meet at the call of the Chair or at the  
30 call of a majority of the Commissioners. A majority of the Commissioners is a quorum.  
31 The Commission shall make all its decisions by a majority vote.

32 (h) Oath. – As an officer of the State, each Commissioner shall take the oath  
33 required by Article VI, § 7 of the North Carolina Constitution.

34 (i) Regions. – To obtain statewide representation among the membership of the  
35 Commission, the State is divided into the following five regions:

<u>Region</u>	<u>Counties in Region</u>
<u>1</u>	<u>Avery, Buncombe, Cherokee, Clay, Cleveland, Gaston, Graham,</u> <u>Haywood, Henderson, Jackson, Lincoln, Macon, Madison,</u> <u>McDowell, Mecklenburg, Mitchell, Polk, Rutherford, Swain,</u> <u>Transylvania, and Yancey.</u>
<u>2</u>	<u>Alexander, Alleghany, Ashe, Burke, Cabarrus, Caldwell, Catawba,</u> <u>Davidson, Davie, Forsyth, Guilford, Iredell, Randolph,</u> <u>Rockingham, Rowan, Stanly, Stokes, Surry, Yadkin, Watauga, and</u> <u>Wilkes.</u>



1 officer of the State, the Director shall take the oath required by Article VI, § 7 of the  
2 North Carolina Constitution.

3 (b) Compensation. – The Director receives the salary set by the Commission. The  
4 Director is reimbursed for travel expenses in accordance with G.S. 136-8. The Director  
5 is not subject to Chapter 126 of the General Statutes, the State Personnel Act.

6 **"§ 143D-14. Duties and powers of Director.**

7 (a) General. – The Director is the secretary and executive officer of the  
8 Commission. The Director's position is a full-time position; the Director may not  
9 engage in any other occupation or profession while serving as Director.

10 (b) Specific. – The Director shall:

11 (1) Supervise and administer the operation of the lottery in accordance  
12 with this Chapter.

13 (2) Study the following:

14 a. Lotteries operated by another state or a foreign country.

15 b. Available literature on the subject of lotteries.

16 c. Existing or proposed federal laws that may affect the operation  
17 of the lottery.

18 d. The reaction of the citizens of the counties that have approved  
19 the operation of a lottery to existing or proposed features in a  
20 lottery game.

21 e. The demographic characteristics of the players of lottery games.

22 f. The effectiveness of the marketing used on sales of lottery  
23 game tickets and shares.

24 (3) Recommend to the Commission improvements in the lottery based on  
25 studies made.

26 (4) Make and keep books and records that accurately and fairly reflect  
27 each day's lottery transactions, including the distribution of lottery  
28 game tickets or shares to lottery game retailers, the receipt of funds  
29 and prize claims, the amount of prizes paid directly by the  
30 Commission, and all other financial transactions involving lottery  
31 funds necessary to maintain daily accountability of lottery funds.

32 (5) Report monthly to the Commission on the amount of revenue  
33 generated by the lottery during the preceding month and the amount of  
34 expenses incurred by the lottery during the preceding month.

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

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

40 (8) Report to the Secretary of Revenue the payment of a lottery game  
41 prize that shall be reported to the Internal Revenue Service under  
42 section 3402 of the Internal Revenue Code.

43 (9) Perform other duties assigned by the Commission.

44 **"§ 143D-15. Staff.**





1 the lottery and maximize the objective of raising revenues. The Commission may  
2 engage an independent firm experienced in evaluating government procurement  
3 proposals to aid in evaluating proposals for a major procurement.

4 Before a contract for a major procurement is awarded, the assistant director for  
5 security shall conduct a thorough background investigation of all of the following:

- 6 (1) Each lottery vendor who submitted a bid, proposal, or offer.
- 7 (2) Any parent or subsidiary corporation, if any, of each lottery vendor  
8 who submitted a bid, proposal, or offer.
- 9 (3) All shareholders who own at least a five percent (5%) interest in each  
10 lottery vendor, or parent or subsidiary corporation of each lottery  
11 vendor, who submitted a bid, proposal, or offer.
- 12 (4) All officers and directors of each lottery vendor or parent or subsidiary  
13 corporation of each lottery vendor who submitted a bid, proposal, or  
14 offer.

15 **§ 143D-22. Lottery vendor disclosures for major procurements.**

16 A lottery vendor who submits a bid, proposal, or offer for a major procurement shall  
17 disclose the information required by the State to enable the State to evaluate the  
18 vendor's competence, integrity, background, and character. A lottery vendor shall  
19 submit to the assistant director for security any appropriate investigation authorizations  
20 needed to facilitate these evaluations.

21 **§ 143D-23. Performance bond for major procurements.**

22 Each lottery contractor for a major procurement shall, at the time of executing the  
23 contract with the Commission, post an appropriate bond or letter of credit with the  
24 Commission, in an amount equal to the full amount estimated to be paid annually to the  
25 lottery contractor under the contract. The Commission may decrease the bond or letter  
26 of credit requirement for a major procurement if it determines that the decrease will  
27 result in a cost savings to the lottery while still providing adequate protection against  
28 nonperformance.

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

- 35 (1) Certificates of deposit issued by a bank or savings institution whose  
36 principal place of business is located in this State.
- 37 (2) United States bonds and bills for which the full faith and credit of the  
38 government of the United States is pledged for the payment of  
39 principal and interest.
- 40 (3) General obligation bonds and notes of any political subdivision of the  
41 State.
- 42 (4) Corporate bonds of a corporation that is not an affiliate or subsidiary  
43 of the depositor.



1           c.     A lottery game contractor or an officer or employee of a lottery  
2                 game contractor whose contract concerns a major procurement.

3           d.     A spouse, parent, or child living in the same household as a  
4                 person disqualified by subparts b. or c. of this subdivision.

5           (2)    It may not be sold for a price that is higher than the retail price set by  
6                 the Commission.

7           (3)    It may not be given as a premium or an enticement to promote the sale  
8                 of an item or a product.

9    **"§ 143D-33. Number and value of prizes.**

10          (a)    Type. – Upon the recommendation of the Director, the Commission shall  
11                 determine the number and value of prizes for winning tickets or shares in each lottery  
12                 game. A prize may be a cash prize paid in a lump sum, in deferred payments, or by an  
13                 annuity, a merchandise prize, or a prize of a ticket or share in the same lottery game or  
14                 another lottery game.

15          (b)    Prize Percentage. – As nearly as practical, the Commission shall allocate at  
16                 least fifty percent (50%) of the total projected annual revenue from the sale of lottery  
17                 tickets or shares for each particular lottery game for the payment of prizes for that  
18                 lottery game. The Commission may allocate a larger percentage of the total projected  
19                 annual revenue from a lottery game to prizes if it concludes that the total annual net  
20                 revenue from the lottery game will be enhanced by that higher prize percentage.

21          (c)    Odds. – The following requirements apply:

22                 (1)    In lottery games using tickets with preprinted winners, the overall  
23                         estimated odds of winning prizes shall be printed on each ticket.

24                 (2)    A detailed tabulation of the estimated number of prizes of each  
25                         particular prize denomination that are expected to be awarded in each  
26                         lottery game, or the estimated odds of winning these prizes, shall be  
27                         available from the Commission when the lottery game is offered for  
28                         sale to the public.

29                 (3)    All printed or point-of-sale advertising promoting the sale of lottery  
30                         tickets for a particular game shall include the actual or estimated odds  
31                         of winning that game.

32    **"§ 143D-34. Method of determining winners.**

33          (a)    Method. – Upon the recommendation of the Director, the Commission shall  
34                 specify the method for determining winners in each lottery game. If more than one  
35                 person is entitled to the same prize, each person shall receive a proportional share of the  
36                 prize.

37          (b)    Drawings. – If a lottery game uses a drawing of winning numbers, a drawing  
38                 among entries, or a drawing among finalists to determine the winner, the drawing shall  
39                 comply with all of the following requirements:

40                 (1)    It shall be open to the public.

41                 (2)    It shall be witnessed by an independent certified public accountant.

42                 (3)    Any equipment used in the drawing shall be inspected, both before and  
43                         after the drawing, by an independent certified public accountant and an  
44                         employee of the Commission.

1           (4) It and any inspection of equipment used in it shall be recorded on both  
2           video and audio tape.

3 **"§ 143D-35. Payment of prizes.**

4           (a) Procedures. – Upon the recommendation of the Director, the Commission  
5 shall establish procedures for verifying the validity of a lottery game ticket or share  
6 presented as the winner of a prize and for paying prizes won in a lottery game. The  
7 Commission may authorize lottery game retailers to pay some prizes at their premises  
8 and may require prizes to be paid only by the Commission.

9           (b) Restrictions. – The right of a person to a prize is not assignable. A prize may  
10 be paid to the estate of a deceased prize winner, however, or to a person designated  
11 pursuant to a judicial order. A lottery game prize may not be paid to a person:

12           (1) To whom a lottery game ticket or share cannot be sold or given, as  
13 listed in G.S. 143D-32.

14           (2) Who presents a lottery game ticket or share that is stolen, counterfeit,  
15 altered, fraudulent, unissued, produced or issued in error, unreadable,  
16 not presented by the applicable deadline, or lacking in captions that  
17 conform with the lottery play symbols for the lottery game involved,  
18 or does not otherwise comply with any applicable requirements.

19           (c) Time. – The holder of a lottery game ticket or share may claim a prize won  
20 by the ticket or share for 180 days after the drawing or the end of the lottery game in  
21 which the prize was won. The Commission may set a shorter time period for eligibility  
22 for entry into a drawing for entries or finalists. The Commission may set a different time  
23 period for a lottery game that involves a lottery in another state.

24           (d) Unclaimed Prizes. – A prize that is not claimed within the time limit may not  
25 be claimed after the time limit expires. The value of all unclaimed prizes shall be  
26 credited to the Lottery Fund established in Article 6 of this Chapter.

27           (e) Information. – At the end of the time period for claiming prizes for each  
28 lottery game, the Commission shall prepare a detailed statement of the total number of  
29 prizes of each prize denomination, claimed and paid directly by the Commission. The  
30 Commission shall make this statement available at its office and from lottery game  
31 retailers.

32 **"§ 143D-36. Player agreement.**

33           By purchasing a ticket or share in a lottery game, a player agrees to be bound by the  
34 lottery game's play rules. In particular, the purchaser of a ticket or share acknowledges  
35 that the determination of whether the purchaser is a winner is subject to the game play  
36 rules and the winner validation procedures for the lottery game.

37 **"§ 143D-37. Audits.**

38           (a) State Auditor. – The State Auditor shall conduct semiannual and annual  
39 audits of all accounts and transactions of the Commission and shall conduct any other  
40 special audits considered necessary. The State Auditor may examine any records of the  
41 Commission. The State Auditor may examine the records of the following that are  
42 relevant to the State lottery:

43           (1) A lottery game retailer.

44           (2) A lottery game contractor who has a contract for a major procurement.



- 1           (2) Be engaged in a retail business at an established location in this State  
2 from which the person intends to sell lottery game tickets or shares in  
3 addition to conducting the existing retail business.
- 4           (3) Be a resident of North Carolina unless either of the following applies:  
5           a. The person is an officer, a director, or a stockholder of a  
6 corporate applicant and is not a manager or is not otherwise  
7 responsible for the day-to-day operation of the business.  
8           b. The person has executed a power of attorney designating a  
9 qualified resident of this State to serve as attorney-in-fact for  
10 the purposes of receiving service of process and managing the  
11 business for which the permit is sought.
- 12           (4) Not have been convicted of a felony or a misdemeanor gambling  
13 offense within the last 10 years.
- 14           (5) Not have had a permit issued under this section revoked within the last  
15 10 years.

16           (c) Conviction Defined. – For purposes of this section, a 'conviction' is a  
17 judgment against a person that includes a finding of guilt or an entry of a plea of guilty  
18 or nolo contendere. A felony conviction in another jurisdiction disqualifies a person  
19 from being eligible to receive or hold a lottery game retailer permit if the person's  
20 conduct would also constitute a felony in North Carolina. A conviction of a  
21 misdemeanor gambling offense in another jurisdiction disqualifies a person from being  
22 eligible to receive or hold a lottery game retailer permit if the person's conduct would  
23 constitute an offense in North Carolina, unless the Commission determines that under  
24 North Carolina procedure judgment would not have been entered under the same  
25 circumstances. Revocation of a similar permit or authority to sell lottery tickets in  
26 another jurisdiction disqualifies a person if the person's conduct would be grounds for  
27 revocation in North Carolina.

28           (d) Who Shall Qualify. – For a lottery game retailer permit to be issued to and  
29 held by a business, each of the following persons associated with that business shall  
30 qualify under subsection (b) of this section:

- 31           (1) The owner of a sole proprietorship.  
32           (2) Each member of a firm, an association, or a general partnership.  
33           (3) Each general partner in a limited partnership.  
34           (4) Each officer, director, and owner of more than ten percent (10%) of  
35 the stock of a corporation, except that the age requirement of  
36 subdivision (b)(1) of this section does not apply to a stockholder who  
37 is not a manager of or is not otherwise responsible for the day-to-day  
38 operation of the applicant's retail business.  
39           (5) The manager of a retail business operated by a corporation.  
40           (6) Any manager who has been empowered as attorney-in-fact for a  
41 nonresident individual or partnership.

42 **"§ 143D-46. Issuance of lottery game retailer permit.**

43           (a) Factors. – Before issuing a lottery game retailer permit, the Commission shall  
44 be satisfied that the applicant is a suitable person to hold the permit and that the

1 applicant's retail business is a suitable place to sell lottery game tickets and shares. The  
2 Commission may consider any of the following factors in making its decision:

- 3 (1) The reputation, character, and criminal record of the applicant.
- 4 (2) The number of places already holding lottery game retailer permits in  
5 the neighborhood.
- 6 (3) The convenience of the applicant's retail business to the public,  
7 including available parking and the traffic conditions in the  
8 neighborhood.
- 9 (4) The financial responsibility of the applicant.
- 10 (5) The volume of lottery game tickets and shares the applicant expects to  
11 sell.
- 12 (6) Any other information that would tend to show whether the applicant  
13 would comply with the lottery laws.

14 (b) Commission's Authority. – The Commission has the sole power, in its  
15 discretion, to determine the suitability and qualifications of an applicant for a lottery  
16 game retailer permit.

17 **"§ 143D-47. Application for permit; fees.**

18 (a) Form. – An application for a lottery game retailer permit shall be on a form  
19 prescribed by the Commission and shall be notarized. The application shall be signed  
20 and sworn to by each person required to qualify under G.S. 143D-45(d).

21 (b) Investigation. – Before issuing a new permit, the Commission shall  
22 investigate the applicant and the applicant's retail business. An applicant shall cooperate  
23 fully with the investigation.

24 (c) Fees. – An application for a lottery game retailer permit shall be accompanied  
25 by the application fee, if any, set by the Commission. An application fee is not  
26 refundable.

27 **"§ 143D-48. Compensation for lottery game retailers.**

28 (a) Amount. – Upon the recommendation of the Director, the Commission shall  
29 determine the compensation to be paid to lottery game retailers for their sales of lottery  
30 game tickets or shares. Until the Commission establishes a different amount of  
31 compensation, the Commission shall pay each lottery game retailer six percent (6%) of  
32 the retail price of the tickets or shares sold by the retailer plus an incentive bonus of one  
33 percent (1%) of the amount sold above a specified sales volume or the attainment of  
34 another objective specified by the Commission.

35 (b) Effect on Lease or Rental Agreement. – If a lease or rental agreement made  
36 by a lottery game retailer is based on a percentage of the retailer's retail sales, the  
37 retailer's sales of lottery game tickets or shares may not be counted in computing the  
38 amount payable under the agreement unless the agreement explicitly includes these  
39 sales. Conversely, a lease or rental agreement based on a percentage of sales includes  
40 the amount of compensation paid to a lottery game retailer under subsection (a) of this  
41 section unless the agreement specifically excludes these payments.

42 **"§ 143D-49. Duration and transfer of permit.**

43 (a) Duration. – A lottery game retailer permit is valid until it is surrendered,  
44 suspended, or revoked.

1        (b) Change in Ownership. – A lottery game retailer permit for a retail business  
2 automatically expires and shall be surrendered to the Commission if any of the  
3 following occurs:

4            (1) Ownership of the retail business changes.

5            (2) There is a change in the membership of the firm, association, or  
6 partnership owning the retail business, and the change involves the  
7 acquisition of a ten percent (10%) or greater share in the firm,  
8 association, or partnership by someone who did not previously own a  
9 ten percent (10%) or greater share.

10           (3) Ten percent (10%) or more of the stock of the corporate permit holder  
11 owning the retail business is acquired by someone who did not  
12 previously own ten percent (10%) or more of the stock.

13        (c) Change in Management. – A corporation holding a lottery game retailer  
14 permit for a retail business for which the manager is required to qualify as an applicant  
15 under G.S. 143D-45(d) shall, within 30 days after employing a new manager, submit to  
16 the Commission an application for substitution of a manager. The application shall be  
17 signed by the new manager, shall be on a form provided by the Commission, and shall  
18 be accompanied by a fee of ten dollars (\$10.00). The fee is not refundable.

19        (d) Transfer. – A lottery game retailer permit may not be transferred from one  
20 person to another or from one location to another.

21        (e) Lost Permit. – The Commission may issue a duplicate lottery game retailer  
22 permit for a retail business when the permit issued has been lost or damaged. A request  
23 for a duplicate permit shall be on a form provided by the Commission, certified by the  
24 lottery game retailer whose permit is lost or damaged, and accompanied by a fee of ten  
25 dollars (\$10.00).

26        (f) Name Change. – The Commission may issue a new lottery game retailer  
27 permit for a retail business when the name of the retail business changes. A request for a  
28 new permit shall be on a form provided by the Commission, certified by the lottery  
29 game retailer whose business name has changed, and accompanied by a fee of ten  
30 dollars (\$10.00).

31 **"§ 143D-50. Denial, suspension, or revocation of a lottery game retailer permit.**

32        (a) The Commission may deny, suspend, or revoke a lottery game retailer permit  
33 for any of the following reasons:

34            (1) Knowingly making a false statement on an application for a lottery  
35 game retailer permit.

36            (2) Failing to keep records as required by the Commission.

37            (3) Failing to account for lottery game tickets or shares received or the  
38 proceeds from the sale of the tickets or shares.

39            (4) Failing to file a bond required by the Commission.

40            (5) Failing to comply with the rules of the Commission concerning the  
41 payment of prizes or other matters.

42            (6) Conviction of an offense that would make an applicant ineligible to  
43 receive a permit.



1           (7) Making misrepresentations concerning a lottery game or doing other  
2           acts that create a lack of public confidence in the lottery.

3           (8) Failing to sell enough lottery game tickets or shares to meet the  
4           Commission's projected sales volume.

5           (9) A change in circumstances that makes the retail business for which a  
6           permit has been issued no longer suitable to hold a permit.

7 **"§ 143D-51. Records, payments, and bonds of lottery game retailers.**

8           (a) Records. – A lottery game retailer shall keep books and records of lottery  
9           game tickets and shares received, lottery game tickets or shares sold, and lottery game  
10           prizewinners and prize payments as required by the Commission. The books and  
11           records of a lottery game retailer are subject to inspection by the Commission during  
12           business hours of the retail business.

13           (b) Bonds. – The Commission may require a lottery game retailer to give a bond  
14           in an amount set by the Commission. The bond shall be in the form specified by the  
15           Commission, shall be conditioned on the lottery game retailer's compliance with the  
16           lottery laws, and shall be payable to the State.

17           (c) Remittance. – A lottery game retailer shall periodically report and send to the  
18           Commission the amount of revenue received by the retailer from sales of lottery game  
19           tickets or shares, less the amount of prizes paid by the retailer and the retailer's  
20           compensation for making the sales. The Commission shall establish the periods and  
21           methods for reporting revenue under this section.

22 **"§ 143D-52. Miscellaneous provisions concerning lottery game retailer permits.**

23           (a) Posting Permit. – The holder of a lottery game retailer permit shall post the  
24           permit in a prominent place at the retail business named in the permit.

25           (b) Notice of Issuance. – When the Commission issues a lottery game retailer  
26           permit, it shall notify the following people of the issuance and give the name and  
27           address of the retail business for which the permit was issued:

28                   (1) The governing body and sheriff of the county in which the retail  
29                   business is located.

30                   (2) If the retail business is located inside a city, the governing body and  
31                   the chief of police of the city.

32                                   "Article 6.

33                                   "Use of Lottery Proceeds.

34 **"§ 143D-55. Lottery Fund.**

35           The Lottery Fund is established as a proprietary fund within the State treasury. The  
36           Lottery Fund accounts for all revenues and expenses of the lottery. Interest and other  
37           investment income earned by the Lottery Fund accrue to the Lottery Fund. The Lottery  
38           Fund is continuously appropriated to the Commission to provide funds for the  
39           Commission and the operation of the lottery.

40 **"§ 143D-56. Distribution of lottery proceeds.**

41           The Commission shall distribute the net proceeds of the lottery on a quarterly basis.  
42           The proceeds shall be distributed in the following manner:

43                   (1) Twenty-five percent (25%) of the net proceeds shall be distributed to  
44                   the counties in which the lottery is operated on the basis of the ratio of

1           the sales of lottery tickets in that county to the total sales of lottery  
2           tickets in all counties in which the lottery is operated.

3           (2) The remaining net proceeds shall be appropriated by the General  
4           Assembly to establish or enhance education programs, including, but  
5           not limited to, a voluntary statewide prekindergarten program to  
6           prepare at-risk four-year-olds for school in order to close the  
7           achievement gap that now exists; enhanced technology programs and  
8           infrastructure; programs to reduce class sizes in the public schools; and  
9           programs to provide more one-on-one instruction to allow teachers to  
10           teach and children to learn so that more children will stay in school,  
11           graduate, and go on to college.

12           Revenue distributed to a county under subdivision (1) of this section shall be used  
13           for school construction.

14           Revenue distributed pursuant to this section shall be used to supplement and not  
15           supplant funds regularly appropriated by the General Assembly for these purposes."

16           **SECTION 2.** Studies. (a) Demographics. – After the first 12 months of  
17 sales in at least 25 counties of both instant winner and online lottery game tickets or  
18 shares to the public, the Commission shall engage an independent firm experienced in  
19 demographic analysis to conduct a special study to determine the demographic  
20 characteristics of the players of each lottery game, including their income, age, sex,  
21 education, and frequency of participation. When completed, the study shall be presented  
22 to the Governor, the Lieutenant Governor, the President Pro Tempore of the Senate, and  
23 the Speaker of the House of Representatives.

24           (b) Effectiveness. – After the first 12 months of sales in at least 25 counties of  
25 both instant winner and online lottery game tickets or shares to the public, the  
26 Commission shall engage an independent firm experienced in the analysis of  
27 advertising, promotion, public relations, and other aspects of communications to  
28 conduct a special study of the effectiveness of the communications activities undertaken  
29 by the Commission and to make recommendations to the Commission on the future  
30 conduct of and the future rate of expenditures for these activities. When completed, the  
31 study shall be presented to the Governor, the Lieutenant Governor, the President Pro  
32 Tempore of the Senate, and the Speaker of the House of Representatives.

33           **SECTION 3.** To provide for the start-up costs of the State lottery, the State  
34 Lottery Commission shall estimate the initial working capital needed and submit the  
35 estimate to the Office of State Budget and Management for approval. If the Office of  
36 State Budget and Management and the State Treasurer approve the amount, the State  
37 Controller shall advance the approved amount by internal borrowing from other  
38 available State funds. The terms and conditions of the temporary loan or loans shall be  
39 determined by the State Treasurer.

40           **SECTION 4.** G.S. 120-123 is amended by adding a new subdivision to read:  
41           "(78) The State Lottery Commission, established by G.S. 143D-2."

42           **SECTION 5.** G.S. 150B-2(8a) is amended by adding a new sub-subdivision  
43 to read:

44           "1. Procedures and instructions for playing a lottery game."

1           **SECTION 6.** The limitation in G.S. 143D-38, as enacted by this act, on the  
2 amount of revenue that may be spent on expenses of the State lottery does not apply to  
3 the first 12 months in which the lottery is operated. The State Lottery Commission,  
4 however, shall keep the expenses of the State lottery as low as practical.

5           **SECTION 7.** When the voters of 25 counties approve the operation of a  
6 lottery in those counties, the Governor shall appoint five State Lottery Commissioners  
7 within 30 days after the results of the twenty-fifth election are certified. Appointments  
8 shall be made in accordance with G.S. 143D-10(i), as enacted by this act. The  
9 appointees are subject to confirmation by the General Assembly when it convenes. The  
10 interim appointees shall begin operation of lottery games as soon as practical.

11           **SECTION 8.** This act is effective when it becomes law.