

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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SENATE BILL 1095

Short Title: 2005 State Lottery For Education/Seniors. (Public)

Sponsors: Senators Boseman; and Berger of Franklin.

Referred to: Ways and Means.

March 24, 2005

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH A STATE LOTTERY TO PROVIDE FUNDS TO
3 SUPPORT EDUCATION CAPITAL PROGRAMS AND TO PROVIDE FUNDS
4 FOR PRESCRIPTION DRUGS FOR SENIORS.

5 The General Assembly of North Carolina enacts:

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

8 **"Chapter 143D.**

9 **"North Carolina State Lottery.**

10 **"Article 1.**

11 **"General Provisions and Definitions.**

12 **"§ 143D-101. Citation.**

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

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

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

23 **"§ 143D-103. Laws not affected.**

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

27 **"§ 143D-104. Definitions.**

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

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

- 1 (2) 'Commissioner' means one of the members of the Commission
2 appointed pursuant to this Chapter to oversee the lottery.
- 3 (3) 'Director' means the person appointed by the Governor pursuant to this
4 Chapter as the chief administrator of the Commission.
- 5 (4) 'Game' or 'lottery game' means any procedure or game authorized by
6 the Commission whereby prizes are distributed among persons who
7 have paid, or unconditionally agreed to pay, for tickets or shares that
8 provide the opportunity to win these prizes.
- 9 (5) 'Lottery' or 'State lottery' means any lottery game or series of games
10 established and operated pursuant to this Chapter and authorized by
11 the Commission.
- 12 (6) 'Lottery contractor' means a person with whom the Commission has
13 contracted for the purpose of providing goods or services to the
14 Commission.
- 15 (7) 'Major procurement' means a procurement for a contract for goods or
16 services costing in excess of seventy-five thousand dollars (\$75,000),
17 including but not limited to contracts for (i) the printing of instant
18 tickets or the provision of shares for use in any lottery game, (ii) any
19 goods or services involving the receiving or recording of selections in
20 any lottery game, (iii) any goods or services involving the
21 determination or generation of winners in any lottery game, or (iv) any
22 goods and services involving warehousing, telemarketing, and
23 distribution of instant games.
- 24 (8) 'Person' means any natural person or corporation, limited liability
25 company, trust, association, partnership, joint venture, subsidiary, or
26 other business entity.
- 27 (9) 'Retailer', 'lottery retailer', or 'lottery game retailer' means a person (i)
28 who is licensed by the Commission to sell tickets or shares in lottery
29 games to the public and (ii) with whom the Commission has
30 contracted.
- 31 (10) 'Share' means any method of participation in a lottery game, other than
32 by a ticket purchased on an equivalent basis with a ticket, whether
33 presently contemplated or developed in the future.
- 34 (11) 'Ticket' means any tangible evidence issued by the Commission to
35 prove participation in a lottery game.
- 36 (12) 'Vendor' or 'lottery vendor' means any person who submits a bid,
37 proposal, or offer as part of a procurement for a contract for goods or
38 services for the Commission.

39 **"§ 143D-105. Commission a self-supporting agency.**

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

42 **"§ 143D-106. Public purposes to benefit from lottery.**

43 The net revenues of the lottery shall be used to benefit the public purposes set forth
44 in G.S. 143D-175. It is the intent of this Chapter that the net revenues generated by the

1 lottery established by this Chapter shall not supplant revenues already expended or
2 projected to be expended for those public purposes and that lottery net revenues shall
3 supplement rather than be used as substitute funds for the total amount of money
4 allocated for those public purposes.

5 **"§ 143D-107. Allocation of revenues.**

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

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

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

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

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

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

22 (1) To increase prize payments; or

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

24 **"§§ 143D-108 and 143D-109: Reserved for future codification purposes.**

25 "Article 2.

26 "North Carolina State Lottery Commission.

27 **"§ 143D-110. Creation of Commission.**

28 There is created a North Carolina State Lottery Commission.

29 **"§ 143D-111. Commission membership; appointment; vacancies; removal.**

30 (a) The Commission shall consist of seven members, three of whom shall be
31 appointed by the Governor, two of whom shall be appointed by the General Assembly
32 upon the recommendation of the President Pro Tempore of the Senate, and two of
33 whom shall be appointed by the General Assembly upon the recommendation of the
34 Speaker of the House of Representatives.

35 (b) Of the initial appointees of the Governor, one member shall serve a term of
36 one year, one member shall serve a term of two years, and one member shall serve a
37 term of three years. Of the initial appointees of the General Assembly upon the
38 recommendation of the President Pro Tempore of the Senate, one member shall serve a
39 term of one year and one member shall serve a term of two years. Of the initial
40 appointees of the General Assembly upon the recommendation of the Speaker of the
41 House of Representatives, one member shall serve a term of two years and one member
42 shall serve a term of three years. All succeeding appointments shall be for terms of three
43 years.

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

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

5 (e) All appointments made by the General Assembly and filling of vacancies in
6 those appointments shall be made in accordance with the applicable sections of Article
7 16 of Chapter 120 of the General Statutes.

8 **"§ 143D-112. Qualifications of Commissioners.**

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

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

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

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

19 **"§ 143D-113. Compensation and expenses.**

20 (a) Commissioners shall be compensated at the rate of one hundred dollars
21 (\$100.00) for each day engaged in Commission business.

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

24 **"§ 143D-114. Powers and duties of the Commission.**

25 The Commission shall exercise all powers necessary to effectuate the purposes of
26 this Chapter, including issuing rules pursuant to Chapter 150B of the General Statutes
27 and establishing the requirements and procedures for licensing and contracting.

28 **"§ 143D-115. Annual selection of chairman.**

29 The initial chairman shall be selected by the Governor, and thereafter the
30 Commission shall select a chairman from its membership annually.

31 **"§ 143D-116. Meetings; records.**

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

34 (b) Except as provided in this subsection or Chapter 132 of the General Statutes,
35 records of the Commission shall be open and available to the public in accordance with
36 the provisions of Chapter 132 of the General Statutes.

37 Background and other investigations required by this Chapter, including the
38 investigation required by G.S. 143D-161(e), shall be considered criminal investigations
39 and intelligence information records as defined in G.S. 132-1.4.

40 Records of the Commission, including but not limited to information received
41 pursuant to G.S. 143D-127, specific security recommendations and comments in the
42 audit of lottery security made pursuant to G.S. 143D-134, and vendor disclosures made
43 pursuant to G.S. 143D-162 shall be confidential and shall not be subject to inspection or
44 examination pursuant to G.S. 132-6.

1 (c) The Commission shall meet with the Director at least quarterly to make
2 recommendations and set policy, to approve or reject reports of the Director, to adopt
3 rules in accordance with Chapter 150B of the General Statutes, and to transact any other
4 business that may properly be brought before it. Regular meetings shall be held no more
5 often than monthly.

6 (d) The chairman or a majority of the members of the Commission may call
7 special or emergency meetings of the Commission upon advance written notice to all of
8 the members of the Commission and the Director.

9 **"§ 143D-117. Quorum; voting.**

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

12 **"§ 143D-118. Reports.**

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

18 **"§ 143D-119: Reserved for future codification purposes.**

19 "Article 3.

20 "North Carolina State Lottery Director.

21 **"§ 143D-120. Appointment and removal of Director.**

22 The Governor shall appoint a Director within 30 days of the effective date of this
23 Chapter. The Director shall direct the operations of the Commission. The Governor may
24 remove the Director upon notification to the Commission. Except as to the provisions of
25 Articles 6 and 7 of Chapter 126 of the General Statutes, the Director shall be exempt
26 from the State Personnel Act.

27 **"§ 143D-121. Qualifications of the Director.**

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

29 **"§ 143D-122. Salary.**

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

35 **"§ 143D-123. Duties and powers of the Director.**

36 The Director shall perform all duties, exercise all powers, assume and discharge all
37 responsibilities, and carry out and affect all purposes provided by this Chapter. The
38 Director shall act as the Secretary and Executive Officer of the Commission. The
39 Director shall act in accordance with this Chapter, the rules adopted by the Commission,
40 and under the guidance of the Commission.

41 **"§ 143D-123.1. Tax-related duties.**

42 The Director shall:

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

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

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

7 **"§ 143D-124. Power to hire and procure services.**

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

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

17 **"§ 143D-125. Assistant directors.**

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

22 **"§ 143D-126. Assistant director for security.**

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

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

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

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

39 **"§ 143D-127. Criminal identification information available to Commission; law**
40 **enforcement officer status.**

41 (a) Upon the request of the Director or the assistant director for security, the
42 Attorney General and the Secretary of Crime Control and Public Safety shall furnish
43 information that they have in their possession, including computerized or other
44 information and data, to the Director and the assistant director for security necessary to

1 assure the security, honesty, fairness, and integrity in the operation and administration
2 of the Commission and its licensees.

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

6 (c) The Commission's enforcement agents shall have the same authority with
7 respect to service and execution of arrest warrants and search warrants as is conferred
8 on other law enforcement officers of this State.

9 **"§ 143D-128. Coordination with Commission.**

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

15 **"§ 143D-129. Study of lottery systems; recommendations for improvement.**

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

26 **"§ 143D-130. Accountability; books and records.**

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

33 **"§ 143D-131. Monthly financial reports.**

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

39 **"§ 143D-132. Independent study of demographics of lottery players.**

40 Within the first six months of sales of tickets or shares to the public, the Director
41 shall engage an independent firm experienced in demographic analysis to conduct a
42 special study of the demographic characteristics of the players of each lottery game,
43 including income, age, sex, education, and frequency of participation. This report shall

1 be presented to the Commission, to the Governor, and to the General Assembly. Similar
2 studies shall be conducted on a continuing, periodic basis.

3 **"§ 143D-133. Independent study of effectiveness of lottery communications.**

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

10 **"§ 143D-134. Independent audit of lottery security.**

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

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

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

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

41 (d) Similar audits of security shall be conducted biennially thereafter.

42 **"§§ 143D-135 through 143D-139: Reserved for future codification purposes.**

43 "Article 4.

44 "Operation of Lottery.

1 **"§ 143D-140. Initiation and operation of lottery.**

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

8 **"§ 143D-141. Types of lottery games.**

9 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
10 in the manner prescribed by Chapter 150B of the General Statutes, specifying the types
11 of lottery games to be conducted by the Commission including, but not limited to,
12 instant lotteries, online games, games played on computer terminals or other devices,
13 and other games traditional to the lottery. The rules adopted by the Commission,
14 pursuant to this section, shall provide for all of the following:

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

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

- 28 (1) Any type of lottery game that has been conducted by any state
29 government-operated lottery in the United States that will achieve the
30 revenue objectives of the lottery consistent with the purposes stated in
31 G.S. 143D-102 including, but not limited to, either of the following:
32 a. The sale of instant tickets or shares by electronic computer
33 terminals or devices.
34 b. Any other type of lottery game.
35 (2) Any gaming technology that has been used 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, any of the following:
39 a. Printed tickets and shares.
40 b. Vending machines.
41 c. Electronic computer terminals or other devices to play lottery
42 games that are connected by telephone lines, the Internet, or
43 other electronic means with a central computer system operated
44 by the Commission.

1 **"§ 143D-141.1. Lottery advertising.**

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

4 The guidelines shall require:

5 (1) Advertising shall be limited to point-of-sale advertising and
6 advertising on retailer premises only. No other advertising shall be
7 permitted.

8 (2) Minimizing the appeal of the lottery to minors. In developing the
9 guidelines, the Director and the Commission shall consider the
10 possible impact of using cartoon characters and other figures that
11 would particularly attract the attention of minors.

12 (3) Prohibiting the use of false, misleading, or deceptive information.

13 (b) The Commission shall provide, by rule, in the manner prescribed by Chapter
14 150B of the General Statutes, all of the following:

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

17 (2) A detailed tabulation of the estimated number of prizes of each
18 particular prize denomination that are expected to be awarded in each
19 lottery game, or the estimated odds of winning these prizes, shall be
20 available at the offices of the Commission at the time that lottery game
21 is offered for sale to the public.

22 (3) All printed or point-of-sale advertising promoting the sale of lottery
23 tickets for a particular game shall include the actual or estimated
24 overall odds of winning the game.

25 **"§ 143D-142. Number and value of prizes.**

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

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

33 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
34 as prescribed by Chapter 150B of the General Statutes, that specify the method for
35 determining winners in a lottery game.

36 If a lottery game uses a daily or less frequent drawing of winning numbers, a drawing
37 among entries, or a drawing among finalists, all of the following conditions shall be
38 met:

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

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

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

1 (4) The drawings and inspections shall be recorded on both videotape and
2 audiotape.

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

5 **"§ 143D-144. Sale price of tickets and shares.**

6 Upon the recommendation of the Director, the Commission shall adopt rules, as
7 prescribed by Chapter 150B of the General Statutes, specifying the retail sales price for
8 tickets or shares for lottery games. The rules adopted pursuant to this section shall
9 provide for all of the following:

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

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

16 **"§ 143D-145. Validation and payment of prizes.**

17 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
18 as prescribed by Chapter 150B of the General Statutes, to establish a system of
19 verifying the validity of tickets or shares claimed to win prizes and to effect payment of
20 those prizes. The rules adopted pursuant to this section shall provide for all of the
21 following:

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

26 (2) Except pursuant to G.S. 143D-155(d) and G.S. 143D-156, no prize
27 shall be paid to any person under the age of 18 years.

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

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

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

- 1 a. The same lottery game retailer who sold the winning ticket or
2 share.
3 b. From any other lottery retailer.
4 c. Directly from the Commission.
5 (6) Holders of tickets or shares shall have the right to claim prizes for 120
6 days after the drawing or the end of the lottery game or play in which
7 the prize was won. The Commission may define shorter time periods
8 for eligibility for entry into drawings involving entries or finalists. If a
9 valid claim is not made for a prize payable directly by the Commission
10 within the applicable period, the unclaimed prize money may be used
11 to increase prize payments for future games, or may revert to the North
12 Carolina State Lottery Fund. Prizes that remain unclaimed after the
13 period set by the Commission for claiming the prizes shall not be
14 considered abandoned property.
15 (7) After the expiration of the claim period for prizes for each lottery
16 game, the Commission shall make available a detailed tabulation of the
17 total number of prizes of each prize denomination that was actually
18 claimed and paid directly by the Commission.
19 (8) The right of any person to a prize shall not be assignable, except that
20 payment of any prize may be paid to the estate of a deceased
21 prizewinner or to a person designated pursuant to an appropriate
22 judicial order. The Director, Commission, and the State shall be
23 discharged of all liability upon payment of a prize.
24 (9) No ticket or share in a lottery game shall be purchased by, and no prize
25 shall be paid to, a member of the Commission, the Director, an
26 assistant lottery director, or employee of the lottery, or to any spouse,
27 parent, or child living in the same household as a person disqualified
28 by this subdivision.

29 (b) Upon the recommendation of the Director, the Commission shall adopt rules,
30 as prescribed by Chapter 150B of the General Statutes, to provide for the release of
31 limited personal information to the public about winners of lottery prizes greater than
32 ten thousand dollars (\$10,000) in order to prevent potential identity theft, while still
33 providing sufficient information to assure the public that the lottery prizes that have
34 been won are received by the winners. These rules shall not limit the transfer of
35 personal information to other agencies of the State or federal government for purposes
36 mandated by law.

37 **"§ 143D-146. Lottery game-play rules and winner validation procedures.**

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

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

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

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

9 **"§ 143D-147. Distribution of tickets and shares.**

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

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

23 **"§ 143D-148. Prize winners with outstanding debts to State agencies, delinquent**
24 **taxes, or past due child support; offset.**

25 (a) The Department of Revenue, Administrative Office of the Courts, a child
26 support enforcement agency, or any other State agency shall identify a person to the
27 Commission, in the form and format prescribed by the Commission, who:

28 (1) Owes an outstanding debt to a State agency.

29 (2) Owes delinquent State taxes.

30 (3) Owes child support collected and paid to a recipient through a court.

31 (b) Before making payment of a prize of more than five hundred ninety-nine
32 dollars (\$599.00) to a winner claimant identified pursuant to subsection (a) of this
33 section, the Commission shall transmit the prize money or a portion of the prize money
34 sufficient to pay the obligations to the Department of Revenue for processing pursuant
35 to the Setoff Debt Collection Act, Chapter 105A of the General Statutes. If a
36 prizewinner owes multiple obligations subject to setoff under this section and the prize
37 is insufficient to cover all obligations, the amount of the prize shall be applied as
38 follows:

39 (1) First, to the child support obligations owed by the prizewinner that are
40 collected and paid to a recipient through a court.

41 (2) Second, to judgments owed by the prizewinner.

42 (3) Third, to tax liens owed by the prizewinner.

43 (4) Fourth, to unsecured debts owed by the prizewinner.

1 (c) The Commission shall pay to the Department of Revenue the collection
2 assistance fees required by G.S. 105A-13.

3 (d) As used in this section, 'debt' means an obligation that is evidenced by an
4 assessment or lien issued by a State agency, a judgment, or a final order of an
5 administrative agency or court.

6 **"§ 143D-149: Reserved for future codification purposes.**

7 "Article 5.

8 "Lottery Game Retailers.

9 **"§ 143D-150. Contracting with lottery game retailers.**

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

16 **"§ 143D-151. Selection of lottery game retailers.**

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

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

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

25 (1) Financial responsibility.

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

27 (3) Security of the premises.

28 (4) Integrity.

29 (5) Reputation.

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

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

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

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

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

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

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

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

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

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

9 **"§ 143D-152. Nonassignability.**

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

11 **"§ 143D-153. Termination of a contract with a lottery game retailer.**

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

16 **"§ 143D-154. Compensation for lottery game retailers.**

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

20 (b) The amount of compensation paid to lottery game retailers for their sales of
21 lottery tickets or shares shall be six percent (6%) of the retail price of the tickets or
22 shares for each lottery game. The Commission may authorize an incentive bonus of up
23 to one percent (1%) based on attainment of sales volume or other objectives specified
24 by the Director for each lottery game.

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

31 **"§ 143D-155. Sales to persons under the age of 18.**

32 (a) No tickets or shares in lottery games shall be sold to persons under the age of
33 18 years. Selling tickets or shares to a person under the age of 18 years shall be a Class
34 1 misdemeanor.

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

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

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

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

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

6 **"§ 143D-156. Payment of prize won by person under the age of 18.**

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

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

16 **"§ 143D-157. Display of certificate of authority.**

17 A lottery game retailer shall sell no lottery tickets or shares unless the retailer
18 conspicuously displays a certificate of authority, signed by the Director, to sell lottery
19 tickets or shares.

20 **"§ 143D-158. Bonding.**

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

23 **"§ 143D-159. Lottery game retailer accounting; payments.**

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

27 (b) No payment by lottery game retailers to the Commission for tickets or shares
28 shall be in cash. All payments shall be in the form of electronic fund transfers or other
29 recorded financial instruments as approved by the Director.

30 "Article 6.

31 "Lottery Vendors and Lottery Contractors.

32 **"§ 143D-160. Procurements.**

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

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

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

43 **"§ 143D-161. Contracts.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44 **"§ 143D-163. Compliance with applicable laws.**

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

5 **"§ 143D-164. Performance bond.**

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

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

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

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

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

34 **"§§ 143D-165 through 143D-169: Reserved for future codification purposes.**

35 "Article 7.

36 "North Carolina State Lottery Fund.

37 **"§ 143D-170. North Carolina State Lottery Fund.**

38 An enterprise fund, to be known as the 'North Carolina State Lottery Fund', is
39 created within the State treasury. The North Carolina State Lottery Fund is continuously
40 appropriated to the Commission for the purposes of operating the Commission and the
41 lottery games.

42 **"§ 143D-171. Types of income to the North Carolina State Lottery Fund.**

43 The North Carolina State Lottery Fund shall receive all of the following monies:

- 44 (1) All proceeds from the sale of lottery tickets or shares.

1 (2) The funds for initial start-up costs provided by the State.

2 (3) All other monies credited to the Commission from any source.

3 **"§ 143D-172. Types of disbursements from the North Carolina State Lottery**
4 **Fund.**

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

7 (1) The payment of prizes to the holders of valid winning lottery tickets or
8 shares.

9 (2) Expenses of the Commission, including initial start-up costs.

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

12 **"§ 143D-173. Prize payments of the lottery.**

13 (a) As nearly as practical, at least fifty percent (50%) of the total projected
14 revenue as computed on a year-round basis for the total of all lottery games accruing
15 from the sales of all lottery tickets or shares from lottery games shall be allocated for
16 payment of prizes for lottery games.

17 (b) The Commission may allocate a larger percentage of the total projected
18 revenue for a lottery game to prizes if it concludes that the total annual net revenues
19 from the lottery game will be enhanced by that prize percentage.

20 **"§ 143D-174. Expenses of the lottery.**

21 (a) Expenses of the lottery may include any of the following:

22 (1) The costs incurred in the operation and administration of the
23 Commission, including initial start-up costs.

24 (2) The costs resulting from any contracts entered into for the purchase or
25 lease of goods or services required by the Commission.

26 (3) The compensation paid to lottery game retailers.

27 (4) The costs of supplies, materials, tickets, independent studies, data
28 transmission, advertising, promotion, incentives, public relations,
29 communications, bonding for lottery game retailers, printing, and
30 distribution of tickets and shares.

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

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

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

38 **"§ 143D-175. Transfer of net revenues.**

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

42 (b) The net revenue of the North Carolina State Lottery Fund shall be used for
43 the following purposes:

1 (1) Seventy-five percent (75%) of the net revenues of the lottery shall be
2 distributed to the local school administrative units on the basis of the
3 ratio that the averaged daily membership in the local school
4 administrative unit bears to the total average daily membership of all
5 school administrative units in the State. These funds shall be used for
6 construction and maintenance of school buildings and for information
7 technology investments.

8 (2) Twenty-five percent (25%) of the net revenues shall be transferred to
9 the Department of Health and Human Services to provide a
10 prescription drug benefit for the State's senior citizens.

11 These funds shall supplement and not supplant funds already being expended for
12 these programs.

13 **"§ 143D-176. Intergovernmental reimbursements for services.**

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

18 **"§ 143D-177. Audits.**

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

24 **"§§ 143D-178 and 143D-179: Reserved for future codification purposes.**

25 "Article 8.

26 "Miscellaneous.

27 **"§ 143D-180. Taxes.**

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

30 **"§ 143D-180.1. Use of alternative competitive bidding methods.**

31 In recognition of the complex and innovative nature of the State Lottery and the
32 technology and goods that are required to operate a lottery, the Commission may use the
33 procurement procedures in G.S. 143-129.8 and G.S. 143-129.9 in seeking bids on
34 contracts for goods and services.

35 **"§ 143D-181. Preemption of local regulation.**

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

40 **"§ 143D-182. Lawful activity.**

41 Other than this Chapter, any other State or local law, ordinance, or regulation
42 providing any penalty, disability, restriction, regulation, or prohibition for the
43 manufacture, transportation, storage, distribution, advertising, possession, or sale of any

1 lottery tickets or shares or for the operation of any lottery game shall not apply to the
2 operation of the Commission or lottery games established by this Chapter."

3 **SECTION 2.** G.S. 126-5(c1) reads as rewritten:

4 "(c1) Except as to the provisions of Articles 6 and 7 of this Chapter, the provisions
5 of this Chapter shall not apply to:

- 6 (1) Constitutional officers of the State.
- 7 (2) Officers and employees of the Judicial Department.
- 8 (3) Officers and employees of the General Assembly.
- 9 (4) Members of boards, committees, commissions, councils, and advisory
10 councils compensated on a per diem basis.
- 11 (5) Officials or employees whose salaries are fixed by the General
12 Assembly, or by the Governor, or by the Governor and Council of
13 State, or by the Governor subject to the approval of the Council of
14 State.
- 15 (6) Employees of the Office of the Governor that the Governor, at any
16 time, in the Governor's discretion, exempts from the application of the
17 provisions of this Chapter by means of a letter to the State Personnel
18 Director designating these employees.
- 19 (7) Employees of the Office of the Lieutenant Governor, that the
20 Lieutenant Governor, at any time, in the Lieutenant Governor's
21 discretion, exempts from the application of the provisions of this
22 Chapter by means of a letter to the State Personnel Director
23 designating these employees.
- 24 (8) Instructional and research staff, physicians, and dentists of The
25 University of North Carolina.
- 26 (9) Employees whose salaries are fixed under the authority vested in the
27 Board of Governors of The University of North Carolina by the
28 provisions of G.S. 116-11(4), 116-11(5), and 116-14.
- 29 (10) Repealed by Session Laws 1991, c. 84, s. 1.
- 30 (11) North Carolina School of Science and Mathematics' employees whose
31 salaries are fixed in accordance with the provisions of
32 G.S. 116-235(c)(1) and G.S. 116-235(c)(2).
- 33 (12), (13) Repealed by Session Laws 2001-474, s. 15, effective November 29,
34 2001.
- 35 (14) Employees of the North Carolina State Ports Authority.
- 36 (15) Employees of the North Carolina Global TransPark Authority.
- 37 (16) The executive director and one associate director of the North Carolina
38 Center for Nursing established under Article 9F of Chapter 90 of the
39 General Statutes.
- 40 (17) Repealed by Session Laws 2004-129, s. 37, effective July 1, 2004.
- 41 (18) Employees of the Tobacco Trust Fund Commission established in
42 Article 75 of Chapter 143 of the General Statutes.
- 43 (19) Employees of the Health and Wellness Trust Fund Commission
44 established in Article 21 of Chapter 130A of the General Statutes.

- 1 (20) Employees of the North Carolina Rural Redevelopment Authority
2 created in Part 2D of Article 10 of Chapter 143B of the General
3 Statutes.
4 (21) Employees of the Clean Water Management Trust Fund.
5 (22) Employees of the North Carolina Turnpike Authority.
6 (23) The Executive Administrator and the Deputy Executive Administrator
7 of the Teachers' and State Employees' Comprehensive Major Medical
8 Plan.
9 (24) North Carolina State Lottery Director.

10 **SECTION 3.** G.S. 147-69.2(a) reads as rewritten:

11 "(a) This section applies to funds held by the State Treasurer to the credit of:

- 12 (1) The Teachers' and State Employees' Retirement System,
13 (2) The Consolidated Judicial Retirement System,
14 (3) The Teachers' and State Employees' Hospital and Medical Insurance
15 Plan,
16 (4) The General Assembly Medical and Hospital Care Plan,
17 (5) The Disability Salary Continuation Plan,
18 (6) The Firemen's and Rescue Workers' Pension Fund,
19 (7) The Local Governmental Employees' Retirement System,
20 (8) The Legislative Retirement System,
21 (9) The Escheat Fund,
22 (10) The Legislative Retirement Fund,
23 (11) The State Education Assistance Authority,
24 (12) The State Property Fire Insurance Fund,
25 (13) The Stock Workers' Compensation Fund,
26 (14) The Mutual Workers' Compensation Fund,
27 (15) The Public School Insurance Fund,
28 (16) The Liability Insurance Trust Fund,
29 (17) Trust funds of The University of North Carolina and its constituent
30 institutions deposited with the State Treasurer pursuant to
31 G.S. 116-36.1,
32 (17a) North Carolina Veterans Home Trust Fund,
33 (17b) North Carolina National Guard Pension Fund,
34 (17c) Retiree Health Premium Reserve Account, ~~and~~
35 (17d) ~~The Election Fund Fund,~~
36 (17e) The North Carolina State Lottery Fund, and
37 (18) Any other special fund created by or pursuant to law for purposes
38 other than meeting appropriations made pursuant to the Executive
39 Budget Act."

40 **SECTION 4.** G.S. 105-134.5(b) reads as rewritten:

41 "(b) Nonresidents. For nonresident individuals, the term 'North Carolina taxable
42 income' means taxable income as calculated under the Code, adjusted as provided in
43 G.S. 105-134.6 and G.S. 105-134.7, multiplied by a fraction the denominator of which
44 is the taxpayer's gross income as calculated under the Code, adjusted as provided in

1 G.S. 105-134.6 and G.S. 105-134.7, and the numerator of which is the amount of that
2 gross income, as adjusted, that is derived from North Carolina sources and is
3 attributable to the ownership of any interest in real or tangible personal property in this
4 ~~State or State~~, is derived from a business, trade, profession, or occupation carried on in
5 ~~this State. State~~, or is derived from gambling activities carried on in this State."

6 **SECTION 5.** G.S. 105-163.1(13) reads as rewritten:

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

- 9 a. The amount of severance wages paid to an employee during the
10 taxable year that is exempt from State income tax for that
11 taxable year under G.S. 105-134.6(b)(11).
12 b. The amount an employer pays an employee as reimbursement
13 for ordinary and necessary expenses incurred by the employee
14 on behalf of the employer and in the furtherance of the business
15 of the employer.

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

18 **SECTION 6.(a)** G.S. 14-289 reads as rewritten:

19 "**§ 14-289. Advertising lotteries.**

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

27 **SECTION 6.(b)** G.S. 14-290 reads as rewritten:

28 "**§ 14-290. Dealing in lotteries.**

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

44 **SECTION 6.(c)** G.S. 14-291 reads as rewritten:

1 **"§ 14-291. Selling lottery tickets and acting as agent for lotteries.**

2 Except as provided in Chapter 143D of the General Statutes or in connection with a
3 lawful raffle as provided in Part 2 of this Article, if any person shall sell, barter or
4 otherwise dispose of any lottery ticket or order for any number of shares in any lottery,
5 or shall in anywise be concerned in such lottery, by acting as agent in the State for or on
6 behalf of any such lottery, to be drawn or paid either out of or within the State, such
7 person shall be guilty of a Class 2 misdemeanor."

8 **SECTION 6.(d)** G.S. 14-291.1 reads as rewritten:

9 **"§ 14-291.1. Selling 'numbers' tickets; possession prima facie evidence of violation.**

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

19 **SECTION 6.(e)** G.S. 14-292 reads as rewritten:

20 **"§ 14-292. Gambling.**

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

26 **SECTION 6.(f)** G.S. 14-293 reads as rewritten:

27 **"§ 14-293. Allowing gambling in houses of public entertainment; penalty.**

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

42 **SECTION 6.(g)** G.S. 14-299 reads as rewritten:

43 **"§ 14-299. Property exhibited by gamblers to be seized; disposition of same.**

1 ~~All~~ Except as provided in Chapter 143D of the General Statutes, all moneys or other
2 property or thing of value exhibited for the purpose of alluring persons to bet on any
3 game, or used in the conduct of any such game, including any motor vehicle used in the
4 conduct of a lottery within the purview of G.S. 14-291.1, shall be liable to be seized by
5 any court of competent jurisdiction or by any person acting under its warrant. Moneys
6 so seized shall be turned over to and paid to the treasurer of the county wherein they are
7 seized, and placed in the general fund of the county. Any property seized which is used
8 for and is suitable only for gambling shall be destroyed, and all other property so seized
9 shall be sold in the manner provided for the sale of personal property by execution, and
10 the proceeds derived from said sale shall (after deducting the expenses of keeping the
11 property and the costs of the sale and after paying, according to their priorities all
12 known prior, bona fide liens which were created without the lienor having knowledge or
13 notice that the motor vehicle or other property was being used or to be used in
14 connection with the conduct of such game or lottery) be turned over and paid to the
15 treasurer of the county wherein the property was seized, to be placed by said treasurer in
16 the general fund of the county."

17 **SECTION 7.** Chapter 14 of the General Statutes is amended by adding the
18 following new section to read:

19 "**§ 14-309.2. Part does not apply to State lottery.**

20 The provisions of this Part shall not apply to the State lottery established in Chapter
21 143D of the General Statutes."

22 **SECTION 8.** G.S. 120-123 is amended by adding a new subdivision at the
23 end to read:

24 "(78) The North Carolina State Lottery Commission, as established by
25 Chapter 143D of the General Statutes."

26 **SECTION 9.** G.S. 150B-2(8a) is amended by adding a new sub-subdivision
27 to read:

28 "l. Procedures, instructions, game-play rules, and validation
29 procedures and tests for a specific lottery game."

30 **SECTION 10.** In order to provide the maximum amount of critically needed
31 funds for the public purpose stated in G.S. 143D-105, all rules required to be adopted by
32 the Commission for the operation of the lottery pursuant to this act may be adopted as
33 emergency rules in accordance with G.S. 150B-21.1A with a reference to this section as
34 the basis for the adoption of those rules as emergency rules.

35 **SECTION 11.** G.S. 116B-54 is amended by adding a new subsection to
36 read:

37 "(f) Prizes that remain unclaimed after the period set by the Commission for
38 claiming those prizes, as provided in G.S. 143D-145(a)(6), are not abandoned property."

39 **SECTION 12.** The enactment of the North Carolina State Lottery is
40 game-specific and shall not be construed to allow the operation of any Class III gaming
41 as defined by the Indian Gaming Regulatory Act, 25 U.S.C. § 2703, other than the
42 specific lottery games approved by the Commission, or unless specifically permitted by
43 other North Carolina law.

1 **SECTION 13.** Nothing in this act shall be construed to obligate the General
2 Assembly to make additional appropriations to implement the provisions of this act.

3 **SECTION 14.** The North Carolina State Lottery Commission shall
4 determine an estimate of the initial working capital and submit that estimate to the
5 Office of State Budget, Planning, and Management for approval. After approval is
6 granted by the Office of State Budget, Planning, and Management, and with the written
7 approval of the State Treasurer, the State Controller shall advance the approved funds
8 by internal borrowing from other available State funds. The Office of State Budget,
9 Planning, and Management shall determine the terms and conditions of the temporary
10 loan or loans.

11 **SECTION 15.** This act is effective when it becomes law.