

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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HOUSE BILL 21

Short Title: 1991 State Lottery-Referendum.

(Public)

Sponsors: Representative Rhodes.

Referred to: Courts, Justice, Constitutional Amendments & Referenda.

February 6, 1991

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

4 The General Assembly of North Carolina enacts:

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

7 **"CHAPTER 143C.**  
8 **"NORTH CAROLINA STATE LOTTERY.**

9 **"ARTICLE 1.**

10 **"GENERAL PROVISIONS AND DEFINITIONS.**

11 **"§ 143C-101. Citation.**

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

14 **"§ 143C-102. Purpose and intent.**

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

22 **"§ 143C-103. Laws not affected.**

23 Nothing contained in this Chapter shall be construed to repeal or modify any  
24 existing State law with respect to gambling. In the event of a conflict between the

1 provisions of this Chapter and any other laws of the State of North Carolina, the  
2 provisions of this Chapter shall govern.

3 **"§ 143C-104. Prohibition on use of State funds.**

4 It is the intent of this Chapter that the State-operated lottery established by this  
5 Chapter shall be a self-supporting revenue-raising agency of State government.

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

7 The net revenues of the lottery shall be used to benefit the public purposes set forth  
8 in G.S. 143C-175. It is the intent of this Chapter that the net revenues generated by the  
9 State-operated lottery established by this Chapter shall not supplant revenues already  
10 expended or projected to be expended for the public purpose and that lottery net  
11 revenues shall supplement rather than be used as substitute funds for the total amount of  
12 money allocated for the public purpose.

13 **"§ 143C-106. Allocation of revenues.**

14 As nearly as practical, at least eighty-four percent (84%) of the total annual revenues  
15 from the sale of lottery tickets or shares, as described in this Chapter, shall be returned  
16 to the public in the form of prizes and net revenues benefiting the public purposes set  
17 forth in G.S. 143C-175. As nearly as practical, at least fifty percent (50%) of the total  
18 annual revenues, as described in this Chapter, shall be returned to the public in the form  
19 of prizes as described in this Chapter. Unclaimed prize money, as described in this  
20 Chapter, shall revert to the benefit of the public purpose as described in this Chapter.  
21 No more than sixteen percent (16%) of the total annual revenues as described in this  
22 Chapter shall be allocated for payment of expenses of the lottery as described in this  
23 Chapter. To the extent that the expenses of the lottery are less than sixteen percent  
24 (16%) of total annual revenues, any surplus funds shall also be allocated to the benefit  
25 of the public purpose as described in this Chapter.

26 **"§ 143C-107. Definitions.**

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

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

- 1           (6) 'Lottery contractor' means a person with whom the North Carolina  
2 State Lottery has contracted for the purpose of providing goods and  
3 services to the North Carolina State Lottery.
- 4           (7) 'Major procurement' means a procurement for a contract for the  
5 printing of tickets or the provision of shares for use in any lottery  
6 game, for any goods or services involving the receiving or recording of  
7 number selections in any lottery game, or for any goods or services  
8 involving the determination or generation of winners in any lottery  
9 game.
- 10          (8) 'Person' means any natural person or corporation, trust, association,  
11 partnership, joint venture, subsidiary, or other business entity.
- 12          (9) 'Retailer' or 'Lottery retailer' means a person with whom the North  
13 Carolina State Lottery Commission has contracted for the purpose of  
14 selling tickets or shares in lottery games to the public.
- 15          (10) 'Share' means any method of participation in a lottery game, other than  
16 by a ticket purchased on an equivalent basis with a ticket whether  
17 presently contemplated or developed in the future.
- 18          (11) 'Ticket' means any tangible evidence issued by the lottery to prove  
19 participation in a lottery game.
- 20          (12) 'Vendor' or 'Lottery vendor' means any person who submits a bid,  
21 proposal, or offer as part of a procurement for a contract for goods or  
22 services for the North Carolina State Lottery.

23 "§§ 143C-108 and 143C-109: Reserved for future codification purposes.

24 "ARTICLE 2.

25 "NORTH CAROLINA STATE LOTTERY COMMISSION.

26 "§ 143C-110. Creation of Commission.

27 There is created a North Carolina State Lottery Commission.

28 "§ 143C-111. Commission membership; appointment; vacancies; removal.

29       (a) The North Carolina State Lottery Commission shall consist of five members  
30 appointed by the Governor who shall serve at the pleasure of the Governor.

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

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

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

40 "§ 143C-112. Qualifications of Commissioners.

41 At least one of the Commissioners shall have a minimum of five years experience in  
42 law enforcement, and at least one of the other Commissioners shall be a certified public  
43 accountant. No person shall be appointed as a Commissioner who has been convicted

1 of a felony. No more than three members of the Commission shall be of the same  
2 political party.

3 **"§ 143C-113. Compensation and expenses.**

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

7 **"§ 143C-114. Powers and duties of the Commission.**

8 The Commission shall exercise all powers necessary to effectuate the purposes of  
9 this Chapter.

10 **"§ 143C-115. Annual selection of chairman.**

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

12 **"§ 143C-116. Meetings; records.**

13 Meetings of the Commission shall be open and public in accordance with Article  
14 33C of Chapter 143 of the General Statutes. Records of the Commission shall be open  
15 and available to the public in accordance with the provisions of Chapter 132 of the  
16 General Statutes. The Commission shall meet with the Director at least monthly to  
17 make recommendations and set policy, to approve or reject reports of the Director, to  
18 adopt rules in accordance with Chapter 150B of the General Statutes, and to transact  
19 any other business that may properly be brought before it. The chairman or a majority  
20 of the members of the Commission shall have the power to call special meetings of the  
21 Commission upon advance written notice to all of the members of the Commission and  
22 the Director.

23 **"§ 143C-117. Quorum; voting.**

24 A majority of the total membership of the North Carolina Lottery Commission  
25 constitutes a quorum. All decisions of the Commission shall be made by a majority  
26 vote.

27 **"§ 143C-118. Reports.**

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

33 **"§ 143C-119: Reserved for future codification purposes.**

34 **"ARTICLE 3.**

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

36 **"§ 143C-120. Appointment and removal of Director.**

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

41 **"§ 143C-121. Qualifications of the Director.**

42 The Director shall be qualified by training and experience to direct the operations of  
43 a State-operated lottery. No person shall be appointed Director who has been convicted  
44 of a felony.

1 **"§ 143C-122. Salary.**

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

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

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

13 **"§ 143C-124. Power to hire.**

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

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

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

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

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

38 **"§ 143C-127. Criminal identification information available to lottery; peace officer**  
39 **status.**

40 Upon the request of the assistant director for security, the Attorney General and the  
41 Secretary of Crime Control and Public Safety shall furnish information to the Director  
42 and the assistant director for security, necessary to assure the security, honesty, fairness,  
43 and integrity in the operation and administration of the lottery which they have in their  
44 possession, including computerized or other information and data. For the purpose of

1 requesting and receiving this information, the State lottery shall be considered to be a  
2 'criminal justice agency' and its enforcement agents to be 'peace officers'. State lottery  
3 enforcement agents shall have the same authority with respect to service and execution  
4 of arrest warrants and search warrants as is conferred on other peace officers of this  
5 State.

6 **"§ 143C-128. Coordination with Commission.**

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

12 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

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

22 **"§ 143C-130. Accountability; books and records.**

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

29 **"§ 143C-131. Monthly financial reports.**

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

34 **"§ 143C-132. Independent study of demographics of lottery players.**

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

41 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

42 After the first full year of sales of tickets or shares to the public, the Director shall  
43 engage an independent firm experienced in the analysis of advertising, promotion,  
44 public relations, and other aspects of communications to conduct a special study of the

1 effectiveness of the communications activities undertaken by the lottery and make  
2 recommendations to the Commission on the future conduct and future rate of  
3 expenditures for these activities. This report shall be presented to the Commission, to  
4 the Governor, and to the General Assembly. Similar studies shall be conducted on a  
5 continuing, periodic basis.

6 **"§ 143C-134. Independent audit of lottery security.**

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

11 (1) Personnel security;

12 (2) Lottery game retailer security;

13 (3) Lottery contractor security;

14 (4) Security of manufacturing operations of lottery contractors;

15 (5) Security against ticket counterfeiting, alteration, and other  
16 means of fraudulently winning; security of drawings among entries  
17 or finalists;

18 (6) Computer security;

19 (7) Data communications security;

20 (8) Database security;

21 (9) Systems security;

22 (10) Lottery premises and warehouse security;

23 (11) Security in distribution;

24 (12) Security involving validation and payment procedures;

25 (13) Security involving unclaimed prizes;

26 (14) Security aspects applicable to each particular lottery game;

27 (15) Security of drawings in games where winners are  
28 determined by drawings of numbers;

29 (16) Any other aspects of security applicable to any particular  
30 lottery game and to the lottery and its operations.

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

37 **"§§ 143C-135 to 143C-139: Reserved for future codification purposes.**

38 **"ARTICLE 4.**

39 **"OPERATION OF LOTTERY.**

40 **"§ 143C-140. Initiation and operation of lottery.**

41 The Commission shall initiate operation of the lottery on a continuous basis at the  
42 earliest feasible and practical time. The lottery shall be initiated and shall continue to be  
43 operated so as to produce the maximum amount of net revenues to benefit the public  
44 purpose described in this Chapter consistent with the purposes stated in G.S. 143C-102.

1 Other departments, boards, commissions, and agencies of the State and their officers  
2 shall cooperate with the Commission to aid the Commission in fulfilling these  
3 objectives.

4 **"§ 143C-141. Types of lottery games.**

5 (a) Upon the recommendation of the Director, the Commission shall adopt rules,  
6 in the manner prescribed by Chapter 150B of the General Statutes specifying the types  
7 of lottery games to be conducted by the lottery, including but not limited to, instant  
8 lotteries, on-line games, and other games traditional to the lottery, provided, however:

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

21 (b) The Commission may authorize the use of any type of lottery game that  
22 has been conducted by any state government-operated lottery in the United States  
23 including, but not limited to, the sale of instant tickets or shares by electronic computer  
24 terminals or devices, or any other type of lottery game that will achieve the revenue  
25 objectives of the lottery consistent with the purposes stated in G.S. 143C-102.

26 **"§ 143C-142. Number and value of prizes.**

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

- 33 (1) In lottery games using tickets with preprinted winners, the overall  
34 estimated odds of winning prizes shall be printed on each ticket; and  
35 (2) A detailed tabulation of the estimated number of prizes of each  
36 particular prize denomination that are expected to be awarded in each  
37 lottery game, or the estimated odds of winning these prizes, shall be  
38 available at the offices of the lottery at the time that lottery game is  
39 offered for sale to the public.

40 **"§ 143C-143. Method of determining winners.**

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

- 1           (1) The drawings shall always be open to the public;
- 2           (2) The drawings shall be witnessed by an independent certified public  
3           accountant;
- 4           (3) Any equipment used in the drawings shall be inspected by the  
5           independent certified public accountant and an employee of the lottery  
6           both before and after the drawings; and
- 7           (4) The drawings and inspections shall be recorded on both video and  
8           audio tape.

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

11 **"§ 143C-144. Sale price of tickets and shares.**

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

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

21 **"§ 143C-145. Validation and payment of prizes.**

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

- 26           (1) For the convenience of the public, lottery retailers may be authorized  
27           by the Commission to pay winners of up to an amount appropriate to  
28           the lottery game involved, after performing validation procedures on  
29           their premises, and with the approval of the Director;
- 30           (2) No prize shall be paid to any person under the age of 18 years;
- 31           (3) No prize may be paid arising from claimed tickets or shares that are  
32           stolen, counterfeit, altered, fraudulent, unissued, produced or issued in  
33           error, unreadable, not received or recorded by the lottery by the  
34           applicable deadlines, lacking in captions that conform and agree with  
35           the lottery play symbols as appropriate to the lottery game involved, or  
36           not in compliance with any additional specific rules and regulations  
37           and public or confidential validation and security tests of the lottery  
38           appropriate to the particular game involved;
- 39           (4) No particular prize in any lottery game may be paid more  
40           than once, and in the event of a binding determination that more than  
41           one claimant is entitled to a particular prize, the sole remedy for  
42           these claimants is the award to each of them of a proportionate share  
43           in the prize;

1           (5) The Commission may specify that winners of twenty-five  
2           dollars (\$25.00) or less may claim the prizes from either the same  
3           lottery game retailer who sold the winning ticket or share or from the  
4           lottery itself or from any other lottery retailer;

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

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

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

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

27           **§ 143C-146. Lottery game play rules and winner validation procedures.**

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

41           **§ 143C-147. Distribution of tickets and shares.**

42           (a) Upon the recommendation of the Director, the Commission shall adopt rules  
43           as prescribed by Chapter 150B of the General Statutes, specifying the manner of  
44           distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or

1 directly to the public, and the incentives, if any, for any lottery employees or lottery  
2 retailers engaged in these activities. Notwithstanding any other provisions of this  
3 Chapter, no lottery ticket or shares may be sold or resold by any party except at the sales  
4 price or value established by the Commission, except as specifically authorized by the  
5 Commission. In lottery games using electronic computer terminals or devices, the  
6 lottery may employ or engage persons with experience in the repair, maintenance, or  
7 operation of comparable equipment.

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

11 "§§ 143C-148 and 143C-149: Reserved for future codification purposes.

12 **"ARTICLE 5.**

13 **"LOTTERY GAME RETAILERS.**

14 **"§ 143C-150. Contracting with lottery game retailers.**

15 Upon the recommendation of the Director, the Commission shall adopt rules as  
16 prescribed by Chapter 150B of the General Statutes, specifying the terms and conditions  
17 for contracting with lottery game retailers to provide adequate and convenient  
18 availability of tickets or shares to prospective buyers of each lottery game. The  
19 Commission may permit the North Carolina State Lottery to sell tickets and shares  
20 directly to the public or to make these sales by any other method authorized by the  
21 Commission.

22 **"§ 143C-151. Selection of lottery game retailers.**

23 (a) The Director shall select as lottery game retailers those persons deemed best  
24 able to serve the public convenience and to promote the sale of tickets or shares. No  
25 natural person under 21 years of age shall be a lottery game retailer. This minimum age  
26 does not prohibit employees of a retailer who are under 21 years of age from selling  
27 lottery tickets or shares during their employment. In the selection of a lottery game  
28 retailer the Director shall consider:

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

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

40 (b) No person shall be a lottery game retailer who is engaged exclusively in  
41 the business of selling lottery tickets or shares. A person lawfully engaged in  
42 nongovernmental business on State property or an owner or lessee of premises on which  
43 alcoholic beverages are sold may be selected as a lottery game retailer. A civic or  
44 fraternal organization may be selected as a lottery game retailer. Political subdivisions

1 or their agencies or departments may be selected as lottery game retailers for sales from  
2 their premises. The Director may contract with lottery retailers on a permanent,  
3 seasonal, or temporary basis. The lottery may require payment by each lottery game  
4 retailer to the lottery of an initial fee or an annual fee, or both, as established by the  
5 Commission, to maintain the contract to be a lottery game retailer.

6 **"§ 143C-152. Nonassignability.**

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

8 **"§ 143C-153. Termination of a contract with a lottery game retailer.**

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

13 **"§ 143C-154. Compensation for lottery game retailers.**

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

26 **"§ 143C-155. Sales to persons under the age of 18.**

27 No tickets or shares in lottery games shall be sold to persons under the age of 18  
28 years. Selling tickets or shares to a person under the age of 18 years shall be a  
29 misdemeanor. In the case of lottery tickets or shares sold by lottery game retailers or  
30 their employees, those persons shall establish safeguards to help assure that sales are not  
31 made to natural persons under the age of 18 years. In the case of sales of tickets or  
32 shares sold by vending machines, electronic computer terminals, or other devices, the  
33 Commission shall establish safeguards to help assure that the vending machines or  
34 devices are not operated by natural persons under the age of 18 years. Nothing in this  
35 Article shall be construed to prevent any person 18 years or older from giving lottery  
36 tickets or shares to another as a gift.

37 **"§ 143C-156. Payment of prize won by person under 18.**

38 If the person entitled to a prize or any winning ticket is under the age of 18 years,  
39 and the prize is less than five thousand dollars (\$5,000), the Director may direct  
40 payment of the prize by delivery of a check or draft payable to the order of the person  
41 under 18 years of age to an adult member of that person's family or to that person's legal  
42 guardian. If the person entitled to a prize or any winning ticket is under the age of 18  
43 years, and the prize is five thousand dollars (\$5,000) or more, the Director may direct  
44 payment to that person by depositing the amount of the prize in any insured depository

1 institution to the credit of an adult member of that person's family, or the legal guardian  
2 of the person, as custodian for that person.

3 **"§ 143C-157. Display of certificate of authority.**

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

7 **"§ 143C-158. Bonding.**

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

10 **"§ 143C-159. Lottery game retailer accounting; payments.**

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

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

17 **"ARTICLE 6.**

18 **"LOTTERY VENDORS AND LOTTERY CONTRACTORS.**

19 **"§ 143C-160. Procurements.**

20 Notwithstanding other provisions of law, the Director may purchase or lease goods  
21 or services or combinations of goods and services needed to effectuate the purposes of  
22 this Chapter. The lottery may not contract with any private party or nongovernmental  
23 entity for the operation and administration of the State lottery established by this  
24 Chapter; however, the foregoing shall not preclude procurements that integrate  
25 functions such as lottery game design, supply of goods and services, and advertising. In  
26 all procurements, the Director and Commission shall act to promote the objective of  
27 raising net revenues for the benefit of the public purpose described in this Chapter.

28 **"§ 143C-161. Contracts.**

29 The Director may directly solicit proposals or enter into contracts for the purchase or  
30 lease of goods or services to effectuate the purposes of this Chapter. In awarding  
31 contracts in response to solicitations for proposals, the Director shall award the  
32 contracts to the responsible vendor submitting the best proposal which he determines  
33 maximizes the benefits to the State. In all procurement decisions, the Director, or the  
34 Commission, if the Commission chooses to make the decision, shall take into account  
35 the particularly sensitive nature of the lottery and shall consider the competence, quality  
36 of product, experience, and timely performance of the vendors in order to promote and  
37 ensure security, honesty, fairness, and integrity in the operation and administration of  
38 the lottery and objective of raising net revenues for the benefit of the public purpose  
39 described in this Chapter. The Director may engage an independent firm experienced in  
40 evaluating government procurement proposals to aid in the evaluation of proposals to  
41 the lottery. Before a contract for a major procurement is awarded, the assistant director  
42 for security shall conduct a thorough background investigation of:

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

- 1                   (2)     Any parent or subsidiary corporation of the vendor to whom  
2                   the contract is to be awarded;  
3                   (3)     All shareholders with a five percent (5%) or more interest in  
4                   the vendor or parent or subsidiary corporation of the vendor to  
5                   whom the contract is to be awarded; and  
6                   (4)     All officers and directors of the vendor or parent or  
7                   subsidiary corporation of the vendor to whom the contract is to be  
8                   awarded.

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

15    **"§ 143C-162. Lottery vendor disclosures for major procurements.**

16       Upon the recommendation of the Director, the Commission shall adopt rules as  
17    prescribed by Chapter 150B of the General Statutes, to provide for disclosures by  
18    vendors submitting bids, proposals, or offers as part of a major procurement to ensure  
19    that the vendors provide all the information necessary to allow for a full and complete  
20    evaluation by the lottery of the competence, integrity, background, and character of the  
21    lottery vendors. The rules shall require that all lottery vendors submit to the assistant  
22    director for security any appropriate investigation authorizations needed to facilitate  
23    these investigations.

24    **"§ 143C-163. Compliance with applicable laws.**

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

29    **"§ 143C-164. Performance bond.**

30       Each lottery contractor in a major procurement shall, at the time of executing the  
31    contract with the Director, post an appropriate bond or letter of credit with the Director,  
32    in an amount equal to the full amount estimated to be paid annually to the Lottery  
33    contractor under the contract. The Commission may issue a rule allowing the Director  
34    to decrease the bond or letter of credit requirement for a major procurement if the  
35    Director determines that the decrease will result in a cost savings to the lottery while  
36    still providing adequate protection against nonperformance. In lieu of a bond or letter  
37    of credit, a contractor may, to assure the faithful performance of its obligations, deposit  
38    and maintain with the Director securities that are interest bearing or accruing that, with  
39    the exception of those specified in subdivision (1)        or (2), are rated in one of the  
40    four highest classifications by an established nationally recognized investment rating  
41    service. Securities eligible under this section are limited to the following:

- 42                   (1)     Certificates of deposit issued by solvent banks and savings  
43                   associations organized and existing under North Carolina law or under



1 **"§ 143C-174. Expenses of the lottery.**

2 Expenses of the lottery shall include:

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

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

19 **"§ 143C-175. Transfer of net revenues.**

20 (a) The funds remaining in the North Carolina State Lottery Fund after receipt of  
21 all revenues to the North Carolina State Lottery Fund and after accrual of all obligations  
22 of the lottery for prizes and expenses shall be deemed to be the net revenues of the  
23 lottery.

24 (b) The net revenues of the lottery shall be transferred from the North Carolina  
25 State Lottery Fund periodically to the General Fund to be used as the General Assembly  
26 determines for capital improvements in the State and for a fund to be held in the State  
27 treasury to provide a source of funds to continue State services during periods when  
28 State revenues do not grow or recede.

29 (c) All net revenues from the lottery shall be held by the State Treasurer and shall  
30 be disbursed to the General Fund, but no more frequently than quarterly. The transfer  
31 of revenues for the purposes specified in subsection (b) of this section shall begin during  
32 the 1991-92 fiscal year.

33 **"§ 143C-176. Intergovernmental reimbursements for services.**

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

39 **"§ 143C-177. Audits.**

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

44 **"§§ 143C-178 and 143C-179: Reserved for future codification purposes.**

**"ARTICLE 8.**  
**"MISCELLANEOUS.**

**"§ 143C-180. Taxes.**

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

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

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

**"§ 143C-182. Lawful activity.**

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

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

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

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

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

Sec. 4. If approved by the qualified voters of the State of North Carolina, Sections 1 and 2 of this act shall become effective January 1, 1992. The question of the approval of Sections 1 and 2 of this act shall be submitted to the qualified voters of the State of North Carolina at an election on November 5, 1991.

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

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

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

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

Sec. 5. This act is effective upon ratification.