

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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SENATE BILL 1410

Short Title: State Lottery Referendum - 1996.

(Public)

Sponsors: Senators Sherron; and Ballance.

Referred to: Finance.

May 30, 1996

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR A BINDING REFERENDUM ON THE ESTABLISHMENT OF A NORTH CAROLINA STATE LOTTERY COMMISSION.

The General Assembly of North Carolina enacts:

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

"CHAPTER 143C.

"NORTH CAROLINA STATE LOTTERY.

"ARTICLE 1.

"GENERAL PROVISIONS AND DEFINITIONS.

"§ 143C-101. Citation.

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

"§ 143C-102. Purpose and intent.

The General Assembly declares that the purpose and intent of this Chapter is to provide additional monies to benefit the public purposes described in this Chapter through the implementation of a State-operated lottery without the imposition of additional or increased taxes. The lottery shall be initiated at the earliest practical time and it shall be operated to maximize new revenue to the State. That new revenue shall be

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

3 **"§ 143C-103. Laws not affected.**

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

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

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

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

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

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

18 As nearly as practical, at least eighty-four percent (84%) of the total annual revenues
19 from the sale of lottery tickets or shares, as described in this Chapter, shall be returned to
20 the public in the form of prizes and net revenues benefiting the public purposes set forth
21 in G.S. 143C-175. As nearly as practical, at least fifty percent (50%) of the total annual
22 revenues, as described in this Chapter, shall be returned to the public in the form of prizes
23 as described in this Chapter. Unclaimed prize money held by the Commission in the
24 Lottery Fund, as described in this Chapter, may be used by the Commission to enhance
25 prizes in other lottery games. As nearly as practical, no more than sixteen percent (16%)
26 of the total annual revenues as described in this Chapter shall be allocated for payment of
27 expenses of the Commission as described in this Chapter. To the extent that the expenses
28 of the Commission are less than sixteen percent (16%) of total annual revenues, any
29 surplus funds may be allocated to increase prize payments or may also be allocated to the
30 benefit of the public purposes as described in this Chapter.

31 **"§ 143C-107. Definitions.**

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

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

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

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

38 (4) 'Game' or 'Lottery game' means any procedure or game authorized by
39 the Commission whereby prizes are distributed among persons who
40 have paid, or unconditionally agreed to pay, for tickets or shares that
41 provide the opportunity to win these prizes.

- 1 (5) 'Lottery' or 'State lottery' means any lottery game or series of games
2 established and operated pursuant to this Chapter and authorized by the
3 Commission.
- 4 (6) 'Lottery contractor' means a person with whom the Commission has
5 contracted for the purpose of providing goods or services to the
6 Commission.
- 7 (7) 'Major procurement' means a procurement for a contract for (i) the
8 printing of recyclable paper instant tickets or the provision of shares for
9 use in any lottery game, (ii) any goods or services involving the
10 receiving or recording of selections in any lottery game, (iii) any goods
11 or services involving the determination or generation of winners in any
12 lottery game, or (iv) any goods and services involving warehousing,
13 telemarketing, and distribution of instant games.
- 14 (8) 'Person' means any natural person or corporation, limited liability
15 company, trust, association, partnership, joint venture, subsidiary, or
16 other business entity.
- 17 (9) 'Retailer', 'Lottery retailer', or 'Lottery game retailer' means a person (i)
18 who is licensed by the Commission to sell tickets or shares in lottery
19 games to the public and (ii) with whom the Commission has contracted.
- 20 (10) 'Share' means any method of participation in a lottery game, other than
21 by a ticket purchased on an equivalent basis with a ticket, whether
22 presently contemplated or developed in the future.
- 23 (11) 'Ticket' means any tangible evidence issued by the Commission to prove
24 participation in a lottery game.
- 25 (12) 'Vendor' or 'Lottery vendor' means any person who submits a bid,
26 proposal, or offer as part of a procurement for a contract for goods or
27 services for the Commission.

28 "§§ 143C-108 and 143C-109: Reserved for future codification purposes.

29 "ARTICLE 2.

30 "NORTH CAROLINA STATE LOTTERY COMMISSION.

31 "§ 143C-110. Creation of Commission.

32 There is created a North Carolina State Lottery Commission.

33 "§ 143C-111. Commission membership; appointment; vacancies; removal.

34 (a) The Commission shall consist of nine members, five of whom shall be
35 appointed by the Governor, two of whom shall be appointed by the General Assembly
36 upon the recommendation of the President Pro Tempore of the Senate, and two of whom
37 shall be appointed by the General Assembly upon the recommendation of the Speaker of
38 the House of Representatives.

39 (b) Of the initial appointees of the Governor, two members shall serve a term of
40 two years, two members shall serve a term of three years, and one shall serve a term of
41 five years. Of the initial appointees of the General Assembly upon the recommendation
42 of the President Pro Tempore of the Senate, one member shall serve a term of three years,
43 and one member shall serve a term of five years. Of the initial appointees of the General

1 Assembly upon the recommendation of the Speaker of the House of Representatives, one
2 member shall serve a term of three years, and one member shall serve a term of five
3 years. All succeeding appointments shall be for terms of five years.

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

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

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

10 **"§ 143C-112. Qualifications of Commissioners.**

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

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

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

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

21 **"§ 143C-113. Compensation and expenses.**

22 (a) Commissioners shall be compensated at the rate of one hundred dollars
23 (\$100.00) for each day engaged in Commission business.

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

26 **"§ 143C-114. Powers and duties of the Commission.**

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

30 **"§ 143C-115. Annual selection of chairman.**

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

32 **"§ 143C-116. Meetings; records.**

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

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

37 (c) The Commission shall meet with the Director at least quarterly to make
38 recommendations and set policy, to approve or reject reports of the Director, to adopt
39 rules in accordance with Chapter 150B of the General Statutes, and to transact any other
40 business that may properly be brought before it. Meetings shall be held no more often
41 than monthly, unless required by an emergency.

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

4 **"§ 143C-117. Quorum; voting.**

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

7 **"§ 143C-118. Reports.**

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

13 **"§ 143C-119: Reserved for future codification purposes.**

14 **"ARTICLE 3.**

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

16 **"§ 143C-120. Appointment and removal of Director.**

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

21 **"§ 143C-121. Qualifications of the Director.**

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

23 **"§ 143C-122. Salary.**

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

29 **"§ 143C-123. Duties and powers of the Director.**

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

35 **"§ 143C-124. Power to hire and procure services.**

36 (a) The Director shall hire, subject to the approval of the Commission, the
37 professional, clerical, technical, and administrative personnel needed to carry out the
38 provisions of this Chapter. No person shall be employed by the Commission who has
39 been convicted of a felony within the 10 years immediately preceding the start of
40 employment. Each person employed by the Commission shall execute an authorization to
41 allow an investigation of the person's background.

1 (b) The Director may, and is encouraged to, subject to the approval of the
2 Commission, outsource all feasible operational tasks to two or more vendors for the
3 purposes of limiting the number of State employees to essential policy-making positions.

4 **"§ 143C-125. Assistant directors.**

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

9 **"§ 143C-126. Assistant director for security.**

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

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

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

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

26 **"§ 143C-127. Criminal identification information available to Commission; law**
27 **enforcement officer status.**

28 (a) Upon the request of the Director or the assistant director for security, the
29 Attorney General and the Secretary of Crime Control and Public Safety shall furnish
30 information that they have in their possession, including computerized or other
31 information and data to the Director and the assistant director for security necessary to
32 assure the security, honesty, fairness, and integrity in the operation and administration of
33 the Commission and its licensees.

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

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

40 **"§ 143C-128. Coordination with Commission.**

41 The Director shall confer as frequently as necessary, but not less than quarterly, with
42 the Commission on the operation and administration of the Commission. The Director
43 shall make available for inspection by the Commission all books, records, files,

1 documents, and other information of the lottery and shall make recommendations for the
2 improved operation and administration of the Commission and lottery games.

3 **"§ 143C-129. Study of lottery systems; recommendations for improvement.**

4 The Director shall make an ongoing study of the operation and administration of other
5 lotteries and commissions and lottery games that are in operation in other states and
6 countries, of available literature on the subject of lotteries, of federal laws that may affect
7 the operation of the Commission and lottery games, and of the reaction of the citizens of
8 the State to existing or proposed features in lottery games. The Director shall conduct
9 this research in order to recommend improvements that will serve the purposes of this
10 Chapter. The Director may make recommendations to the Commission, to the Governor,
11 and to the General Assembly on any matters concerning the secure, profitable, and
12 efficient operation and administration of the Commission and of lottery games and the
13 convenience of the purchasers of tickets and shares.

14 **"§ 143C-130. Accountability; books and records.**

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

21 **"§ 143C-131. Monthly financial reports.**

22 The Director shall make a monthly financial report to the Commission, to the
23 Governor, to the State Controller, to the State Treasurer, and to the General Assembly.
24 The report shall include a statement of all lottery revenues, prize disbursements,
25 expenses, net revenues, and all other financial transactions involving lottery funds for the
26 preceding month.

27 **"§ 143C-132. Independent study of demographics of lottery players.**

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

34 **"§ 143C-133. Independent study of effectiveness of lottery communications.**

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

38 (b) After the first full year of sales of tickets or shares to the public, the Director
39 shall engage an independent firm experienced in the analysis of advertising, promotion,
40 public relations, and other aspects of communications to conduct a special study of the
41 effectiveness of the communications activities undertaken by the Commission and make
42 recommendations to the Commission on the future conduct and future rate of

1 expenditures for these activities. This report shall be presented to the Commission, to the
2 Governor, and to the General Assembly.

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

4 **"§ 143C-134. Independent audit of lottery security.**

5 (a) After the first full year of operation, the Director shall, in addition to all other
6 security measures, engage an independent firm experienced in security procedures,
7 including computer security and systems security, to conduct a continuing comprehensive
8 study and evaluation of all aspects of security in the operation of the Commission and of
9 lottery games. The study shall include:

10 (1) Personnel security;

11 (2) Lottery game retailer security;

12 (3) Lottery contractor security;

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

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

17 (6) Computer security;

18 (7) Data communications security;

19 (8) Database security;

20 (9) Systems security;

21 (10) Commission premises and warehouse security;

22 (11) Security in distribution;

23 (12) Security involving validation and payment procedures;

24 (13) Security involving unclaimed prizes;

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

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

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

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

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

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

37 **"§§ 143C-135 through 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 lottery games at the earliest feasible and
42 practical time but within 180 days of approval of the referendum. The lottery games shall
43 be initiated and shall continue to be operated so as to produce the maximum amount of

1 net revenues to benefit the public purposes described in this Chapter consistent with the
2 purposes stated in G.S. 143C-102. Other departments, boards, commissions, and
3 agencies of the State and their officers shall cooperate with the Commission to aid the
4 Commission in fulfilling these objectives.

5 **"§ 143C-141. Types of lottery games.**

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

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

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

- 23 (1) Any type of lottery game that has been conducted by any state
24 government-operated lottery in the United States that will achieve the
25 revenue objectives of the lottery consistent with the purposes stated in
26 G.S. 143C-102 including, but not limited to:
 - 27 a. The sale of recyclable instant tickets or shares by electronic
28 computer terminals or devices; or
 - 29 b. Any other type of lottery game; or
- 30 (2) Any gaming technology that has been used by any state government-
31 operated lottery in the United States that will achieve the revenue
32 objectives of the lottery consistent with the purposes stated in G.S.
33 143C-102 including, but not limited to:
 - 34 a. Printed tickets and shares;
 - 35 b. Vending machines; or
 - 36 c. Electronic computer terminals or other devices to play lottery
37 games that are connected by telephone lines or other electronic
38 means with a computer system operated by the Commission.

39 **"§ 143C-141.1. Lottery advertising.**

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

42 The guidelines shall require:

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

5 (2) The use of false, misleading, or deceptive information shall be
6 prohibited.

7 (b) The Commission shall provide, by rule, in the manner prescribed by Chapter
8 150B of the General Statutes, that:

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

11 (2) A detailed tabulation of the estimated number of prizes of each
12 particular prize denomination that are expected to be awarded in each
13 lottery game, or the estimated odds of winning these prizes, shall be
14 available at the offices of the Commission at the time that lottery game
15 is offered for sale to the public; and

16 (3) All printed or point of sale advertising promoting the sale of lottery
17 tickets for a particular game shall include the actual or estimated overall
18 odds of winning the game.

19 **"§ 143C-142. Number and value of prizes.**

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

25 **"§ 143C-143. Method of determining winners.**

26 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
27 as prescribed by Chapter 150B of the General Statutes, that specify the method for
28 determining winners in lottery games; provided, that if a lottery game uses a drawing of
29 winning numbers, a drawing among entries, or a drawing among finalists:

30 (1) The drawings shall always be open to the public;

31 (2) The drawings shall be witnessed by an independent certified public
32 accountant;

33 (3) Any equipment used in the drawings shall be inspected by the
34 independent certified public accountant and an employee of the
35 Commission both before and after the drawings; and

36 (4) The drawings and inspections shall be recorded on both video and audio
37 tape.

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

40 **"§ 143C-144. Sale price of tickets and shares.**

41 Upon the recommendation of the Director, the Commission shall adopt rules, as
42 prescribed by Chapter 150B of the General Statutes, specifying the retail sales price for
43 tickets or shares for lottery games, provided:

1 (1) No ticket or share shall be sold for more than the retail sales price
2 established by the Commission; and

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

7 **"§ 143C-145. Validation and payment of prizes.**

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

12 (1) For the convenience of the public, lottery retailers may be authorized by
13 the Commission to pay winners of up to an amount appropriate to the
14 lottery game involved, after performing validation procedures on their
15 premises, and with the approval of the Director;

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

17 (3) No prize shall be paid arising from claimed tickets or shares that are
18 stolen, counterfeit, altered, fraudulent, unissued, produced or issued in
19 error, unreadable, not received or recorded by the Commission by the
20 applicable deadlines, lacking in captions that conform and agree with
21 the play symbols as appropriate to the lottery game involved, or not in
22 compliance with any additional specific rules and public or confidential
23 validation and security tests appropriate to the particular game involved;

24 (4) No particular prize in any lottery game shall be paid more
25 than once, and in the event of a binding determination that more than
26 one claimant is entitled to a particular prize, the sole remedy for these
27 claimants is the award to each of them of a proportionate share in the
28 prize;

29 (5) The Commission may specify that winners of five hundred
30 ninety-nine dollars (\$599.00) or less may claim the prizes from either:

31 a. The same lottery game retailer who sold the winning ticket or
32 share;

33 b. From any other lottery retailer; or

34 c. Directly from the Commission;

35 (6) Holder of tickets or shares shall have the right to claim
36 prizes for 120 days after the drawing or the end of the lottery game or
37 play in which the prize was won. The Commission may define
38 shorter time periods for eligibility for entry into drawings involving
39 entries or finalists. If a valid claim is not made for a prize payable
40 directly by the Commission within the applicable period, the
41 unclaimed prize money may be used to increase prize payments for
42 future games, or may revert to the North Carolina State Lottery Fund;

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

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

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

15 **§ 143C-146. Lottery game-play rules and winner validation procedures.**

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

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

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

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

31 **§ 143C-147. Distribution of tickets and shares.**

32 (a) Upon the recommendation of the Director, the Commission shall adopt rules,
33 as prescribed by Chapter 150B of the General Statutes, specifying the manner of
34 distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or
35 directly to the public, and the incentives, if any, for any lottery employees, lottery
36 vendors, lottery contractors, electronic computer terminal operators, or lottery retailers
37 engaged in these activities. Notwithstanding any other provisions of this Chapter, no
38 lottery ticket or shares shall be sold or resold by any party except at the sales price or
39 value established by the Commission, except as specifically authorized by the
40 Commission.

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

1 "§§ 143C-148 and 143C-149: Reserved for future codification purposes.

2 "ARTICLE 5.

3 "LOTTERY GAME RETAILERS.

4 "§ 143C-150. Contracting with lottery game retailers.

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

11 "§ 143C-151. Selection of lottery game retailers.

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

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

18 (c) In the selection of a lottery game retailer, the Director or the Commission shall
19 consider:

20 (1) Financial responsibility;

21 (2) Accessibility of the place of business or activity to the public;

22 (3) Security of the premises;

23 (4) Integrity;

24 (5) Reputation;

25 (6) The sufficiency of existing lottery game retailers for any particular
26 lottery game to serve the public convenience; and

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

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

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

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

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

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

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

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

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

7 **"§ 143C-152. Nonassignability.**

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

9 **"§ 143C-153. Termination of a contract with a lottery game retailer.**

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

14 **"§ 143C-154. Compensation for lottery game retailers.**

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

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

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

29 **"§ 143C-155. Sales to persons under the age of 18.**

30 (a) No tickets or shares in lottery games shall be sold to persons under the age of
31 18 years. Selling tickets or shares to a person under the age of 18 years shall be a Class 1
32 misdemeanor.

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

36 (c) It shall be a defense to violation of subsection (a) of this section if the retailer:

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

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

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

4 **"§ 143C-156. Payment of prize won by person under the age of 18.**

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

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

14 **"§ 143C-157. Display of certificate of authority.**

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

18 **"§ 143C-158. Bonding.**

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

21 **"§ 143C-159. Lottery game retailer accounting; payments.**

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

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

29 **"ARTICLE 6.**

30 **"LOTTERY VENDORS AND LOTTERY CONTRACTORS.**

31 **"§ 143C-160. Procurements.**

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

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

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

42 **"§ 143C-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 and lottery games and shall consider the competence,
9 quality of product, experience, and timely performance of the vendors in order to
10 promote and ensure security, honesty, fairness, and integrity in the operation and
11 administration of the Commission and lottery games and the objective of maximizing net
12 revenues for the benefit of the public purposes described in this Chapter.

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

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

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

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

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

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

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

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

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

33 **"§ 143C-162. Lottery vendor disclosures for major procurements.**

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

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

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

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

4 **"§ 143C-164. Performance bond.**

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

9 (b) The Commission may issue a rule allowing the Director to decrease the bond
10 or letter of credit requirement for a major procurement if the Director determines that the
11 decrease will result in a cost savings to the Commission while still providing adequate
12 protection against nonperformance.

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

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

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

32 **"§§ 143C-165 through 143C-169: Reserved for future codification purposes.**

33 **"ARTICLE 7.**

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

35 **"§ 143C-170. North Carolina State Lottery Fund.**

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

40 **"§ 143C-171. Types of income to the North Carolina State Lottery Fund.**

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

- 42 (1) All proceeds from the sale of lottery tickets or shares;
- 43 (2) The funds for initial start-up costs provided by the State; and

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

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

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

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

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

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

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

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

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

21 (a) Expenses of the lottery may include:

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; and

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 **"§ 143C-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 North Carolina State Lottery Fund and after accrual of all obligations
41 of the Commission for prizes and expenses shall be deemed to be the net revenues of the
42 North Carolina State Lottery Fund.

1 **(b)** The State Treasurer shall transfer monthly the net revenues of the North
2 Carolina State Lottery Fund to the General Fund.

3 **(c)** It is the intent of the General Assembly that funds credited to the General Fund
4 pursuant to subsection (b) of this section shall be used, to the extent available and in the
5 following order:

6 **(1)** To offset the reduction of General Fund revenues resulting from the
7 reduction of the State sales tax on food;

8 **(2)** To pay any damages that the North Carolina Supreme Court determines
9 the State owes in the intangibles tax litigation, *Fulton Corp. v. Faulkner*;
10 and

11 **(3)** To enhance public and higher education in this State, funds may be
12 used, for example:

13 a. For raising teachers' and professors' salaries;

14 b. For instructional technology including hardware, software, or
15 networking;

16 c. For equipment necessary to provide safe educational
17 environments including:

18 1. Video surveillance equipment for school buildings, school
19 buses, and college campuses;

20 2. Radio communications equipment, emergency call-back
21 intercom systems in all public school classrooms; or

22 3. Exterior lighting, fencing, and metal detectors.

23 **"§ 143C-176. Intergovernmental reimbursements for services.**

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

28 **"§ 143C-177. Audits.**

29 The State Auditor shall conduct annual postaudits of all accounts and transactions of
30 the Commission and any other special postaudits the State Auditor deems to be
31 necessary. The State Auditor or the Auditor's agents conducting an audit may examine
32 any records of the Commission, its distributing agencies, lottery contractors, lottery game
33 retailers, and any other person licensed by the Commission.

34 **"§§ 143C-178 and 143C-179: Reserved for future codification purposes.**

35 **"ARTICLE 8.**

36 **"MISCELLANEOUS.**

37 **"§ 143C-180. Taxes.**

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

40 **"§ 143C-181. Preemption of local regulation.**

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

1 **"§ 143C-182. Lawful activity.**

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

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

8 "(17a) The North Carolina State Lottery Fund."

9 Sec. 3. G.S. 105-134.5(b) reads as rewritten:

10 "(b) Nonresidents. For nonresident individuals, the term 'North Carolina taxable
11 income' means taxable income as calculated under the Code, adjusted as provided in G.S.
12 105-134.6 and G.S. 105-134.7, multiplied by a fraction the denominator of which is the
13 taxpayer's gross income as calculated under the Code, adjusted as provided in G.S. 105-
14 134.6 and G.S. 105-134.7, and the numerator of which is the amount of that gross
15 income, as adjusted, that is derived from North Carolina sources and is attributable to the
16 ownership of any interest in real or tangible personal property in this ~~State or~~ State, is
17 derived from a business, trade, profession, or occupation carried on in this ~~State.~~ State, or
18 is derived from gambling activities carried on in this State."

19 Sec. 4. G.S. 105-163.1(15) reads as rewritten:

20 "(15) Wages. – The term has the same meaning as in section 3401 of the Code
21 except it does not include remuneration paid by a farmer for services
22 performed on the farmer's farm in producing or harvesting agricultural
23 products or in transporting the agricultural products to market. The
24 term also includes proceeds from gambling activities as defined in
25 section 3402 of the Code."

26 Sec. 5. (a) G.S. 14-289 reads as rewritten:

27 **"§ 14-289. Advertising lotteries.**

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

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

36 **"§ 14-290. Dealing in lotteries.**

37 Except as provided in Chapter 143C of the General Statutes or in connection with a
38 lawful raffle as provided in Part 2 of this Article, if any person shall open, set on foot,
39 carry on, promote, make or draw, publicly or privately, a lottery, by whatever name, style
40 or title the same may be denominated or known; or if any person shall, by such way and
41 means, expose or set to sale any house, real estate, goods, chattels, cash, written evidence
42 of debt, certificates of claims or any other thing of value whatsoever, every person so
43 offending shall be guilty of a Class 2 misdemeanor which may include a fine not to

1 exceed two thousand dollars (\$2,000). Any person who engages in disposing of any
2 species of property whatsoever, including money and evidences of debt, or in any manner
3 distributes gifts or prizes upon tickets, bottle crowns, bottle caps, seals on containers,
4 other devices or certificates sold for that purpose, shall be held liable to prosecution
5 under this section. Any person who shall have in his possession any tickets, certificates
6 or orders used in the operation of any lottery shall be held liable under this section, and
7 the mere possession of such tickets shall be **prima facie** evidence of the violation of this
8 section."

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

10 **"§ 14-291. Selling lottery tickets and acting as agent for lotteries.**

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

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

18 **"§ 14-291.1. Selling 'numbers' tickets; possession prima facie evidence of violation.**

19 Except as provided in Chapter 143C of the General Statutes or in connection with a
20 lawful raffle as provided in Part 2 of this Article, if any person shall sell, barter or cause
21 to be sold or bartered, any ticket, token, certificate or order for any number or shares in
22 any lottery, commonly known as the numbers or butter and egg lottery, or lotteries of
23 similar character, to be drawn or paid within or without the State, such person shall be
24 guilty of a Class 2 misdemeanor. Any person who shall have in his possession any
25 tickets, tokens, certificates or orders used in the operation of any such lottery shall be
26 guilty under this section, and the possession of such tickets shall be **prima facie** evidence
27 of the violation of this section."

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

29 **"§ 14-292. Gambling.**

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

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

36 **"§ 14-293. Allowing gambling in houses of public entertainment; penalty.**

37 ~~If~~ Except as provided in Chapter 143C of the General Statutes, if any keeper of an
38 ordinary or other house of entertainment, or of a house wherein alcoholic beverages are
39 retailed, shall knowingly suffer any game, at which money or property, or anything of
40 value, is bet, whether the same be in stake or not, to be played in any such house, or in
41 any part of the premises occupied therewith; or shall furnish persons so playing or betting
42 either on said premises or elsewhere with drink or other thing for their comfort or
43 subsistence during the time of play, he shall be guilty of a Class 2 misdemeanor. Any

1 person who shall be convicted under this section shall, upon such conviction, forfeit his
2 license to do any of the businesses mentioned in this section, and shall be forever
3 debarred from doing any of such businesses in this State. The court shall embody in its
4 judgment that such person has forfeited his license, and no board of county
5 commissioners, board of town commissioners or board of aldermen shall thereafter have
6 power or authority to grant to such convicted person or his agent a license to do any of
7 the businesses mentioned herein."

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

9 **"§ 14-299. Property exhibited by gamblers to be seized; disposition of same.**

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

26 Sec. 6. Chapter 14 of the General Statutes is amended by adding the following
27 new section to read:

28 **"§ 14-309.2. Part not apply to State Lottery.**

29 The provisions of this Part shall not apply to the State Lottery established in Chapter
30 143C of the General Statutes."

31 Sec. 7. G.S. 120-123 is amended by adding a new subdivision at the end to
32 read:

33 "(60) The North Carolina State Lottery Commission, as established by
34 Chapter 143C of the General Statutes."

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

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

38 Sec. 8.1. Article 5 of Chapter 105 of the General Statutes is amended by
39 adding a new section to read:

40 **"§ 105-164.13B. Food exempt from tax.**

41 The taxes imposed by this Article do not apply to food and other items that are not
42 otherwise exempt pursuant to G.S. 105-164.13 but would be exempt pursuant to G.S.

1 105-164.13 if purchased with coupons issued under the Food Stamp Program, 7 U.S.C. §
2 51."

3 Sec. 8.2. G.S. 105-465 reads as rewritten:

4 **"§ 105-465. County election as to adoption of local sales and use tax.**

5 The board of elections of any county, upon the written request of the board of county
6 ~~commissioners thereof, commissioners,~~ or upon receipt of a petition signed by qualified
7 voters of the county equal in number to at least fifteen percent (15%) of the total number
8 of votes cast in the county, at the last preceding election for the office of Governor, shall
9 call a special election for the purpose of submitting to the voters of the county the
10 question of whether a one percent (1%) sales and use tax ~~as hereinafter provided~~ will be
11 levied.

12 The special election shall be held under the same rules ~~and regulations~~ applicable to the
13 election of members of the General Assembly. No new registration of voters shall be
14 required. All qualified voters in the county who are properly registered not later than 21
15 days (excluding Saturdays and Sundays) prior to the election shall be entitled to vote at
16 ~~said the~~ election. The county board of elections shall give at least 20 days' public notice
17 prior to the closing of the registration books for the special election.

18 The county board of election shall prepare ballots for the special election ~~which shall~~
19 ~~contain the words, election.~~ The question presented on the ballot shall be 'FOR the one
20 percent (1%) local sales and use tax only on those items presently covered by the four percent
21 (4%) sales and use tax,' and the words, on items subject to State sales and use tax at the
22 general State rate and on food' or 'AGAINST the one percent (1%) local sales and use tax
23 only on those items presently covered by the four percent (4%) sales and use tax,' with
24 appropriate squares so that each voter may designate his vote by his cross (X) mark. on items
25 subject to State sales and use tax at the general State rate and on food'.

26 The county board of elections shall fix the date of the special election; ~~provided,~~
27 ~~however, election, except~~ that the special election shall not be held on the date or within
28 60 days of any biennial election for county officers, ~~nor within 60 days thereof, nor within~~
29 one year from the date of the last preceding special election under this section."

30 Sec. 8.3. G.S. 105-467 reads as rewritten:

31 **"§ 105-467. Scope of sales tax.**

32 The sales tax ~~which that~~ may be imposed under this Article is limited to a tax at the
33 rate of one percent (1%) ~~of~~ of the following:

- 34 (1) The sales price of ~~those articles of~~ tangible personal property ~~now~~ subject
35 to the general rate of sales tax imposed by the State under G.S. 105-
36 164.4(a)(1) and ~~(4b); (a)(4b).~~
- 37 (2) The gross receipts derived from the lease or rental of tangible personal
38 property when the lease or rental of the property is subject to the general
39 rate of sales tax imposed by the State under G.S. ~~105-164.4(a)(2); 105-~~
40 164.4(a)(2).
- 41 (3) The gross receipts derived from the rental of any room or ~~lodging~~
42 ~~furnished by any hotel, motel, inn, tourist camp or other similar~~

1 accommodations ~~now~~ subject to the general rate of sales tax imposed by
2 the State under G.S. ~~105-164.4(a)(3); and 105-164.4(a)(3).~~

3 (4) The gross receipts derived from services rendered by laundries, dry
4 cleaners, and other businesses ~~now~~ subject to the general rate of sales
5 tax imposed by the State under G.S. 105-164.4(a)(4).

6 (5) The sales price of food that is not otherwise exempt from tax pursuant to
7 G.S. 105-164.13 but would be exempt from the State sales and use tax
8 pursuant to G.S. 105-164.13 if it were purchased with coupons issued
9 under the Food Stamp Program, 7 U.S.C. § 51.

10 The sales tax authorized by this Article does not apply to sales that are taxable by the
11 State under G.S. 105-164.4 but are not specifically included in ~~subdivisions (1) through (4)~~
12 ~~of this section.~~

13 The State exemptions and exclusions contained in G.S. 105-164.13 and the State
14 refund provisions contained in G.S. 105-164.14 shall apply with equal force and in like
15 manner to the local sales and use tax authorized to be levied and imposed under this
16 Article. A taxing county shall have no authority, with respect to the local sales and use tax
17 imposed under this Article to change, alter, add to or delete any refund provisions contained in
18 G.S. 105-164.14, or any exemptions or exclusions contained in G.S. 105-164.13 or which are
19 elsewhere provided for. may not allow an exemption, exclusion, or refund that is not
20 allowed under the State sales and use tax.

21 The local sales tax authorized to be imposed and levied under ~~the provisions of this~~
22 ~~Article shall apply to such retail sales, leases, rentals, the rendering of services,~~
23 ~~furnishing of rooms, lodgings or accommodations and other~~ applies to taxable
24 transactions which are made, furnished or rendered by retailers whose place of business is
25 located within the taxing county. The tax imposed shall apply to the furnishing of rooms,
26 lodging or other accommodations within the county which are rented to transients. For
27 the purpose of this Article, the situs of a transaction is the location of the retailer's place
28 of business."

29 Sec. 8.4. G.S. 105-468 reads as rewritten:

30 "**§ 105-468. Scope of use tax.**

31 The use tax ~~which may be imposed under~~ authorized by this Article shall be ~~is a tax at~~
32 ~~the rate of one percent (1%) of the cost price of each item or article of tangible personal~~
33 ~~property when it that is not sold in the taxing county but is used, consumed-consumed, or~~
34 ~~stored for use or consumption in the taxing county, except that no tax shall be imposed upon~~
35 ~~tangible personal property when the property would be taxed by the State at a rate other than the~~
36 ~~general rate of tax set in G.S. 105-164.4 if it were taxable under G.S. 105-164.6. county. The~~
37 tax applies to the same items that are subject to tax under G.S. 105-467.

38 Every retailer who is engaged in business in this State and in the taxing county and is
39 required to collect the use tax levied by G.S. 105-164.6 shall also collect the one percent
40 (1%) use tax when such the property is to be used, consumed-consumed, or stored in the
41 taxing county, one percent (1%) use tax to be collected concurrently with the State's use tax; but
42 no retailer not required to collect the use tax levied by G.S. 105-164.6 shall be required to collect
43 the one percent (1%) use tax. county. The use tax contemplated by this section shall be

1 levied against the purchaser, and the purchaser's liability for the use tax shall be
2 extinguished only upon payment of the use tax to the retailer, where the retailer is
3 required to collect the tax, or to the ~~Secretary of Revenue, or to the taxing county,~~ as
4 ~~appropriate, Secretary,~~ where the retailer is not required to collect the tax.

5 Where a local sales or use tax has been paid with respect to tangible personal property
6 by the purchaser, either in another taxing county within the State, or in a taxing
7 jurisdiction outside the State where the purpose of the tax is similar in purpose and intent
8 to the tax which may be imposed pursuant to this Article, the tax paid may be credited
9 against the tax imposed under this section by a taxing county upon the same property. If
10 the amount of sales or use tax so paid is less than the amount of the use tax due the taxing
11 county under this section, the purchaser shall pay to the ~~Secretary of Revenue or to the~~
12 ~~taxing county, as appropriate,~~ an amount equal to the difference between the amount so
13 paid in the other taxing county or jurisdiction and the amount due in the taxing county.
14 The ~~Secretary of Revenue or the taxing county, as appropriate,~~ may require such proof of
15 payment in another taxing county or jurisdiction as is deemed to be necessary. The use
16 tax levied under this Article is not subject to credit for payment of any State sales or use
17 tax not imposed for the benefit and use of counties and municipalities. No credit shall be
18 given under this section for sales or use taxes paid in a taxing jurisdiction outside this
19 State if that taxing jurisdiction does not grant similar credit for sales taxes paid under this
20 Article."

21 Sec. 8.5. The first paragraph of Section 4 of Chapter 1096 of the 1967 Session
22 Laws, as amended, is amended as follows:

- 23 (1) By deleting the word "and" before subdivision (4).
- 24 (2) By changing the period at the end of subdivision (4) to a semicolon and
25 adding the word "and".
- 26 (3) By adding a new subdivision to read:
27 "(5) The sales price of food and other items that are not otherwise exempt
28 from tax pursuant to G.S. 105-164.13 but would be exempt from the
29 State sales and use tax pursuant to G.S. 105-164.13 if purchased with
30 coupons issued under the Food Stamp Program, 7 U.S.C. § 51."

31 Sec. 8.6. Section 5 of Chapter 1096 of the 1967 Session Laws is amended by
32 deleting the first sentence of that section and substituting the following sentences to read:

33 "The use tax that Mecklenburg County may impose under this division is a tax at the
34 rate of one percent (1%) of the cost price of each item or article of tangible personal
35 property that is not sold but is used, consumed, or stored for use or consumption in
36 Mecklenburg County. The tax applies to the same items that are subject to tax under
37 Section 4 of this act."

38 Sec. 8.7. Approval under Article 39, 40, or 42 of Chapter 105 of the General
39 Statutes or under the Mecklenburg County Sales and Use Tax Act, Chapter 1096 of the
40 1967 Session Laws, as amended, of local sales and use taxes on items subject to State
41 sales and use tax at the general State rate constitutes approval of local sales and use taxes
42 on food.

1 Sec. 8.8. Sections 8.1 through 8.9 of this act become effective January 1, 1997
2 and apply to sales made on or after that date.

3 Sec. 8.9. This act does not affect the rights or liabilities of the State, a
4 taxpayer, or another person arising under a statute amended or repealed by this act before
5 its amendment or repeal; nor does it affect the right to any refund or credit of a tax that
6 would otherwise have been available under the amended or repealed statute before its
7 amendment or repeal.

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

10 Sec. 10. The North Carolina State Lottery Commission shall determine an
11 estimate of the initial working capital and submit that estimate to the Office of State
12 Budget and Management for approval. After approval is granted by the Office of State
13 Budget and Management, and with the written approval of the State Treasurer, the State
14 Controller shall advance the approved funds by internal borrowing from other available
15 State funds. The terms and conditions of the temporary loan or loans shall be determined
16 by the Office of State Budget and Management.

17 Sec. 11. The question of whether North Carolina should have a State lottery
18 shall be submitted to the qualified voters of the State at a referendum on the question held
19 at the next statewide primary, general, or special election. The referendum shall be held
20 in accordance with Chapter 163 of the General Statutes. The form of the ballot for the
21 referendum is:

22 " FOR a State lottery.

23 AGAINST a State lottery".

24 Sec. 12. If a State lottery is approved by the qualified voters of this State in the
25 referendum held under Section 11 of this act, the costs to the State Board of Elections and
26 the county boards of elections for conducting the referendum are considered expenses of
27 the lottery; the State Lottery Commission shall reimburse the State Board of Elections
28 and the county boards of elections for these costs from the Lottery Fund.

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

33 Sec. 13. Sections 8.8, 11, 12, and 13 of this act are effective upon ratification.
34 If a State lottery is approved by the qualified voters of this State in the referendum held
35 under Section 11 of this act, then Sections 1 through 10 of this act become effective when
36 the results of the referendum are certified by the State Board of Elections. If a State
37 lottery is not approved, Sections 1 through 8 and Sections 9 and 10 do not become
38 effective.