GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

HOUSE BILL 1023


Short Title: North Carolina State Lottery Act. (Public)

Sponsors:

Referred to:

March 31, 2005

A BILL TO BE ENTITLED
AN ACT TO ESTABLISH A STATE LOTTERY TO GENERATE FUNDS TO FURTHER THE GOAL OF PROVIDING ENHANCED EDUCATIONAL OPPORTUNITIES SO THAT ALL STUDENTS IN THE PUBLIC SCHOOLS CAN ACHIEVE THEIR FULL POTENTIAL, TO SUPPORT SCHOOL CONSTRUCTION, TO FUND COLLEGE AND UNIVERSITY SCHOLARSHIPS, AND TO MAKE CONFORMING CHANGES TO THE GENERAL STATUTES.

The General Assembly of North Carolina enacts:

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

"Chapter 18C.
"North Carolina State Lottery.
"Article 1.
"General Provisions and Definitions.

"§ 18C-101. Citation.
This Chapter shall be known and may be cited as the North Carolina State Lottery Act.

"§ 18C-102. Purpose and intent.
The General Assembly declares that the purpose of this Chapter is to establish a State-operated lottery to generate funds for the public purposes described in this Chapter.

"§ 18C-103. Definitions.
As used in this Chapter, unless the context requires otherwise:

(1) 'Commission' means the North Carolina State Lottery Commission.
(2) 'Commissioner' means a member of the Commission.
(3) 'Director' means the person selected by the Commission to be the chief administrator of the North Carolina State Lottery.
(4) 'Game' or 'lottery game' means any procedure or amusement authorized by the Commission where prizes are distributed among persons who have paid, or unconditionally agreed to pay, for tickets or shares that provide the opportunity to win those prizes and does not utilize a video gaming machine as defined in G.S. 14-306.1(c).
(5) 'Lottery' means any lottery game or series of games established and operated pursuant to this Chapter.
(6) 'Lottery contractor' means a person other than a lottery retailer with whom the Commission has contracted for the purpose of providing goods or services to the Commission.
(7) 'Person' means any natural person or corporation, limited liability company, trust, association, partnership, joint venture, subsidiary, or other business entity.
(8) 'Retailer', 'lottery retailer', or 'lottery game retailer' means a person with whom the Commission has contracted to sell tickets or shares in lottery games.
(9) 'Share' means any method of participation in a lottery game, other than by a ticket purchased on an equivalent basis with a ticket.
(10) 'Ticket' means any tangible evidence authorized by the Commission to demonstrate participation in a lottery game.
(11) 'Vendor' or 'lottery vendor' means any person other than a lottery retailer who submits a bid, proposal, or offer to procure a contract for goods or services for the Commission.

"§§ 18C-104 through 18C-109: Reserved for future codification purposes."

"Article 2.
"North Carolina State Lottery Commission.

"§ 18C-110. Establishment of the North Carolina State Lottery Commission to be a self-supporting agency of the State.
There is created the North Carolina State Lottery Commission to establish and oversee the operation of a Lottery. The Commission shall be located in the Department of Commerce for budgetary purposes only; otherwise, the Commission shall be an independent, self-supporting, and revenue-raising agency of the State. The Commission shall reimburse other governmental entities that provide services to the Commission.

"§ 18C-111. Commission membership; appointment; selection of chair; vacancies; removal; meetings; compensation."
(a) The Commission shall consist of nine members, five of whom shall be appointed by the Governor, two of whom shall be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, and two of whom shall be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives. The Governor shall select the chair of the Commission from among its membership, who shall serve at the pleasure of the Governor.

(b) Of the initial appointees of the Governor, three members shall serve a term of one year, one member shall serve a term of two years, and one member shall serve a term of three years. Of the initial appointees of the General Assembly upon the recommendation of the President Pro Tempore of the Senate, one member shall serve a term of two years, and one member shall serve a term of three years. Of the initial appointees of the General Assembly upon the recommendation of the Speaker of the House of Representatives, one member shall serve a term of two years, and one member shall serve a term of three years. All succeeding appointments shall be for terms of five years. Members shall not serve for more than two successive terms.

(c) Vacancies shall be filled by the appointing authority for the unexpired portion of the term in which they occur.

(d) The Commission shall meet at least quarterly upon the call of the chair. A majority of the total membership of the Commission shall constitute a quorum.

Members of the Commission shall receive per diem, subsistence, and travel as provided in G.S. 138-5 and G.S. 138-6.

§ 18C-112. Qualifications of Commissioners.

(a) Of the members of the Commission appointed by the Governor, at least one member shall have a minimum of five years' experience in law enforcement.

(b) Of the members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, one member shall be a certified public accountant.

(c) Of the members of the Commission appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, one member shall have retail sales experience as an owner or manager.

(d) In making appointments to the Commission, the appointing authorities shall consider the composition of the State with regard to geographic representation and gender, ethnic, racial, and age composition.

§ 18C-113. Meetings; records.

(a) Meetings of the Commission shall be subject to Article 33C of Chapter 143 of the General Statutes.

(b) Except as provided in this Article, records of the Commission shall be open and available to the public in accordance with Chapter 132 of the General Statutes.

(c) Personnel records of the Commission are subject to Article 7 of Chapter 126 of the General Statutes.

§ 18C-114. Powers and duties of the Commission.

(a) The Commission shall have the following powers and duties:
(1) To specify the types of lottery games and gaming technology to be used in the Lottery.

(2) To prescribe the nature of lottery advertising which shall comply with the following:
   a. All advertising shall include resources for responsible gaming information.
   b. No advertising may intentionally target specific groups or economic classes.
   c. No advertising may be misleading, deceptive, or present any lottery game as a means of relieving any person's financial or personal difficulties.
   d. No advertising may have the primary purpose of inducing persons to participate in the Lottery.

(3) To specify the number and value of prizes for winning tickets or shares in lottery games, including cash prizes, merchandise prizes, prizes consisting of deferred payments or annuities, and prizes of tickets or shares in the same lottery game or other lottery games.

(4) To specify the rules of lottery games and the method for determining winners of lottery games.

(5) To specify the retail sales price for tickets or shares for lottery games.

(6) To establish a system to claim prizes, including determining the time periods within which prizes must be claimed, to verify the validity of tickets or shares claimed to win prizes, and to effect payment of those prizes.

(7) To conduct a background investigation, including a criminal history record check, of applicants for the position of Director, which may include a search of the State and National Repositories of Criminal Histories based on the fingerprints of applicants.

(8) To charge a fee of lottery vendors not to exceed the cost of the criminal record check of the lottery vendor.

(9) To specify the manner of distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or directly to the public.

(10) To determine the incentives, if any, for any lottery employees, lottery vendors, lottery contractors, or electronic computer terminal operators.

(11) To specify the authority, compensation, and role of the Director, and to specify the authority, selection, and role of the other employees of the Commission. All of the following apply to all employees of the Commission:
   a. No employee of the Commission may have a financial interest in any lottery vendor or lottery contractor, other than an interest as part of a mutual fund.
   b. No employee of the Commission with decision-making authority shall participate in any decision involving the retailer or vendor with whom the employee has a financial interest.
c. No employee of the Commission who leaves the employment of the Commission may represent any vendor or retailer before the Commission for a period of one year following termination of employment with the Commission.

d. A background investigation shall be conducted on each applicant for employment with the Commission.

e. The Commission shall bond all employees with access to lottery funds or revenue or security.

(12) To approve and authorize the Director to enter into agreements with other states to operate and promote multistate lotteries consistent with the purposes set forth in this Chapter.

(13) Any other powers necessary for the Commission to carry out its responsibilities under this Chapter.

(b) Article 3D of Chapter 147 of the General Statutes shall not apply to the Commission.

§ 18C-115. Reports.

The Commission shall send quarterly and annual reports on the operations of the Commission to the Governor, State Treasurer, and to the General Assembly. The reports shall include complete statements of lottery revenues, prize disbursements, expenses, net revenues, and all other financial transactions involving lottery funds, including the occurrence of any audit.

§ 18C-116. Audits.

The State Auditor shall conduct annual audits of all accounts and transactions of the Commission and any other special postaudits the State Auditor considers to be necessary.

§§ 18C-117 through 18C-119: Reserved for future codification purposes.

"Article 3.

"North Carolina State Lottery Director.

§ 18C-120. Selection of the Director; powers and duties.

(a) The Commission shall select a Director to operate and administer the Lottery and to serve as the Secretary of the Commission. Except as to the provisions of Articles 6 and 7 of Chapter 126 of the General Statutes, the Director shall be exempt from the State Personnel Act.

(b) The Director shall have the following powers and duties, under the supervision of the Commission:

(1) To provide for the reporting of payment of lottery game prizes to State and federal tax authorities and for the withholding of State and federal income taxes from lottery game prizes as provided in State and federal law.

(2) To conduct a background investigation, including a criminal history record check, of applicants for employment with the Commission, lottery retailers, and lottery contractors, which may include a search of the State and National Repositories of Criminal Histories based on the fingerprints of applicants.
(3) To set the salaries of all Commission employees, subject to the approval of the Commission. Except for the provisions of Articles 6 and 7 of Chapter 126 of the General Statutes, all employees of the Commission shall be exempt from the State Personnel Act.

(4) To enter into contracts with lottery retailers and lottery contractors upon approval by the Commission.

(5) To provide for the security and accuracy in the operation and administration of the Commission and the Lottery, including examining the background of all prospective employees, lottery vendors, lottery contractors, and lottery retailers.

(6) To coordinate and collaborate with the appropriate law enforcement authorities regarding investigations of violations of the laws relating to the operation of the Lottery and make reports to the Commission regarding those investigations.

(7) To confer with the Commission on the operation and administration of the Lottery and make available for inspection by the Commission all books, records, files, documents, and other information of the Lottery.

(8) To study the operation and administration of other lotteries and to collect demographic and other information concerning the Lottery and make recommendations to improve the operation and administration of the Lottery to the Commission, to the Governor, and to the General Assembly.

(9) To provide monthly financial reports to the Commission of all lottery revenues, prize disbursements, expenses, net revenues, and all other financial transactions involving lottery funds.

(10) To enter into agreements with other states to operate and promote multistate lotteries consistent with the purposes set forth in this Chapter and upon the approval of the Commission.

§ 18C-121. Accountability; books and records.

The Director shall have made and kept books and records that accurately and completely reflect each day's transactions, including the distribution of tickets or shares to lottery game retailers, receipt of funds, prize claims, prizes paid directly by the Commission, expenses, and all other financial transactions involving lottery funds necessary to permit preparation of financial statements that conform with generally accepted accounting principles.

§ 18C-122. Independent audits.

(a) At the beginning of each calendar year, the Commission shall engage an independent firm experienced in security procedures, including computer security and systems security, to conduct a comprehensive study and evaluation of all aspects of security in the operation of the Commission and of the Lottery. At a minimum, such a security assessment should include a review of network vulnerability, application vulnerability, application code review, wireless security, security policy and processes, security/privacy program management, technology infrastructure and security controls, security organization and governance, and operational effectiveness.
(b) The portion of the security audit report containing the overall evaluation of
the Commission and of lottery games in terms of each aspect of security shall be
presented to the Commission, to the Governor, and to the General Assembly.

(c) The portion of the security audit report containing specific recommendations
shall be confidential, shall be presented only to the Director and to the Commission, and
shall be exempt from Chapter 132 of the General Statutes. The Commission may hear
the report of such an audit, discuss, and take action on any recommendations to address
that audit under G.S. 143-318.11(a)(1).

(d) Biennially at the end of the fiscal year, the Commission shall engage an
independent auditing firm that has experience in evaluating the operation of lotteries to
perform an audit of the Lottery. The results of this audit shall be presented to the
Commission, to the Governor, and to the General Assembly.

§§ 18C-123 through 18C-129: Reserved for future codification purposes.

"Article 4."

"Operation of Lottery."

§ 18C-130. Types of lottery games; lottery games and lottery advertising; certain
disclosures and information to be provided.

(a) The Commission shall determine the type of lottery games that may be used
in the Lottery. Games may include instant lotteries, online games, games played on
computer terminals or other devices, and other games traditional to a lottery or that have
been conducted by any other state government-operated lottery.

(b) In lottery games using tickets, each ticket in a particular game shall have
printed on it a unique number distinguishing it from every other ticket in that lottery
game and an abbreviated form of the game-play rules, including resources for
responsible gaming information. In lottery games using tickets, each ticket may have
printed on it a depiction of one or more cartoon characters, whose primary appeal is not
to minors. In lottery games using tickets with preprinted winners, the overall estimated
odds of winning prizes shall be printed on each ticket. No name or photograph of a
current or former elected official shall appear on the tickets of any lottery game.

(c) In games using electronic computer terminals or other devices to play lottery
games, no coins or currency shall be dispensed to players from those electronic
computer terminals or devices.

(d) No games shall be based on the outcome of a particular sporting event or on
the results of a series of sporting events.

(e) Lottery advertising shall be tastefully designed and presented in a manner to
minimize the appeal of lottery games to minors. The use of cartoon characters or of
false, misleading, or deceptive information in lottery advertising is prohibited. All
advertising promoting the sale of lottery tickets or shares for a particular game shall
include the actual or estimated overall odds of winning the game.

(f) The Commission shall make available a detailed tabulation of the estimated
number of prizes of each particular prize denomination that are expected to be awarded
in each lottery game or the estimated odds of winning these prizes at the time that
lottery game is offered for sale to the public.
(g) The Commission shall, in consultation with the Department of Health and Human Services, develop and provide information to the public about gambling addiction and treatment.

§ 18C-131. Sales and sale price of tickets and shares; sales to minors prohibited.

(a) The Commission may sell tickets and shares directly to the public, contract with lottery game retailers to sell tickets and shares, or distribute tickets or shares through any other method authorized by the Commission.

(b) No ticket or share in a lottery game shall be sold or resold for more than the retail sales price established by the Commission.

(e) The minimum retail price of each ticket or share in any lottery game shall be fifty cents (50¢). The minimum retail price shall not apply to any discounts or promotions authorized by the Commission for a particular lottery game.

(d) It shall be unlawful for a person to sell a lottery ticket or share to a person under the age of 18 years. No person under the age of 18 years shall purchase a lottery ticket or share. A person who violates this subsection shall be guilty of a Class 1 misdemeanor.

(e) It shall be a defense for the person who sold a ticket or share in violation of subsection (d) of this section if the person does either of the following:

1. Shows that the purchaser produced a drivers license, a special identification card issued under G.S. 20-37.7, a military identification card, or a passport, showing the purchaser to be at least 18 years old and bearing a physical description of the person named on the card that reasonably describes the purchaser.

2. Produces evidence of other facts that reasonably indicated at the time of sale that the purchaser was at least 18 years old.

§ 18C-132. Procedures for drawings and claiming prizes; payment of prizes; protection of information concerning certain prize winners.

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

1. The drawings shall be open to the public.

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

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

4. Audio and visual records of the drawings and inspections shall be made.

(b) Prizes that remain unclaimed after the period set by the Commission for claiming the prizes shall not be considered abandoned property. If a valid claim is not made for a prize within the applicable period, the unclaimed prize money shall be handled in accordance with Article 35A of Chapter 115C of the General Statutes.

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

(d) No prize shall be paid for a lottery ticket or share that is stolen, counterfeit, altered, fraudulent, unissued, produced or issued in error, unreadable, not received or recorded by the Commission by the applicable deadlines, lacking in captions that conform and agree with the play symbols as appropriate to the lottery game involved, or not in compliance with any additional specific rules and public or confidential validation and security tests appropriate to the particular game involved.

(e) No valid claim for a prize in any lottery game shall be paid more than once. The Director, Commission, and the State shall be discharged of all liability upon payment of a prize.

(f) Winners of less than six hundred dollars ($600.00) shall be permitted to claim prizes from any of the following:

(1) The same lottery game retailer who sold the winning ticket or share.
(2) Any other lottery retailer.
(3) The Commission.

(g) Winners of six hundred dollars ($600.00) or more shall claim prizes directly from the Commission.

(h) The right of any person to a prize shall not be assignable. Payment of any prize may be paid to the estate of a deceased prizewinner or to a person designated pursuant to a court order.

(i) No ticket or share in a lottery game shall be purchased by, and no prize shall be paid to, a member of the Commission, the Director, or employee of the Commission, or to any spouse, parent, or child living in the same household as a person disqualified by this subsection.

(j) No prize shall be paid to a person under the age of 18.

(k) If a prize winner submits to the Commission a copy of a protective order without attachments, if any, issued to that person under G.S. 50B-3 or a lawful order of any court of competent jurisdiction restricting the access or contact of one or more persons with that prize winner or a current and valid Address Confidentiality Program authorization card issued pursuant to the provisions of Chapter 15C of the General Statutes, that prize winner's identifying information shall be treated as confidential information under G.S. 132-1.2 as long as the protective order remains in effect or the prize winner remains a certified program participant in the Address Confidentiality Program. That prize winner's identifying information shall be available for inspection by a law enforcement agency or by a person identified in a court order if inspection of the address by that person is directed by that court order.

(l) All prizes are subject to the State income tax.

"§ 18C-133. Lottery game-play rules and winner validation procedures.

(a) By purchasing a ticket or share in a lottery game, a player agrees to abide by, and be bound by, the game-play rules adopted by the Commission that apply to any particular lottery game involved.

(b) All players acknowledge that the determination of whether the player is a winner is subject to the game-play rules and the winner validation procedures and
§ 18C-134. Setoff for debt collection against lottery prizes.

(a) Purpose. – The Commission must establish a debt set-off program by which lottery prize payments may be used to satisfy a debt owed or collected by a claimant agency that is at least fifty dollars ($50.00). The collection remedy under this section is in addition to and not in substitution for any other remedy available by law.

(b) Notification. – A claimant agency seeking to attempt collection of a debt through setoff must notify the Commission in writing and supply information necessary to identify the debtor. The claimant agency may include with the notification the date, if any, that the debt is expected to expire. The agency must notify the Commission in writing when a debt has been paid or is no longer owed the agency. A local agency may not submit a debt for collection under this section until it has met the requirements of G.S. 105A-5, and it must submit the debt to the Commission through one of the entities listed in G.S. 105A-3(b1).

(c) Setoff. – The Commission must match the information submitted by the claimant agency with persons who are entitled to a State lottery prize payment in an amount of six hundred dollars ($600.00) or more. If there is a match, the Commission must set off the debt against the lottery winnings to which the debtor would otherwise be entitled. When there are multiple claims to be set off, the priority in claims to set off is the same as provided in G.S. 105A-12. The winnings that exceed the amount of the debt, if any, must be paid to that person. The Commission must mail the debtor written notice that the setoff has occurred and must transfer the net proceeds collected to the claimant agency. If the claimant agency is a State agency, that agency must credit the amount received to a nonreverting trust account and must follow the procedure set in G.S. 105A-8.

(d) Collection Assistance Fee. – To recover the costs incurred by the Commission in collecting debts under this section, a collection assistance fee of five dollars ($5.00) may be imposed on each debt collected through setoff. The Commission must collect this fee as part of the debt and retain it. To recover the costs incurred by local agencies in submitting debts for collection under this section, a collection assistance fee of fifteen dollars ($15.00) may be imposed on each local agency debt collected through setoff. The Commission must collect this fee as part of the debt and remit it to the clearinghouse that submitted the debt. The collection assistance fees do not apply to child support debts. If the Commission is able to collect only part of a debt through setoff, the Commission's collection assistance fee has priority over the local collection assistance fee and over the remainder of the debt. The local collection assistance fee has priority over the remainder of the debt.

(e) Confidentiality. – Notwithstanding any confidentiality statute of a claimant agency, the exchange of information among the Commission, the claimant agency, the organization submitting debts on behalf of a local agency, and the debtor necessary to implement this section is lawful. The information an agency or organization obtains from the Commission in accordance with the exemption in this subsection may be used
by the agency or organization only in the pursuit of its debt collection duties and practices.

(f) Definitions. — The definitions in G.S. 105A-2 apply in this section.

"§§ 18C-135 through 18C-139: Reserved for future codification purposes.

"Article 5.

"Lottery Game Retailers.

"§ 18C-140. Contracting with lottery game retailers.

The Commission may contract with lottery game retailers to sell tickets or shares for lottery games upon such terms and conditions as it considers appropriate. The contract entered into between the Commission and the lottery game retailer shall be considered a permit for purposes of Chapter 18B of the General Statutes. No contract to act as a lottery game retailer is assignable or transferable. All contracts with lottery game retailers shall provide that the Director may terminate the contract if the lottery game retailer violates a provision of this Chapter.

"§ 18C-141. Selection of lottery game retailers.

(a) The Director shall recommend to the Commission those persons with whom to contract as lottery game retailers. To the extent practicable, the Director shall meet the minority participation goals under Article 8 of Chapter 143 of the General Statutes.

(b) The Director may not recommend contracting with any of the following:

(1) A natural person under 21 years of age. This minimum age shall not prohibit employees of a lottery game retailer who are under 21 years of age from selling lottery tickets or shares during their employment.

(2) A person who would be engaged exclusively in the business of selling lottery tickets or shares or operating electronic computer terminals or other devices solely for entertainment.

(3) A person who is not current in filing all applicable tax returns to the State and in payment of all taxes, interest, and penalties owed to the State, excluding items under formal appeal under applicable statutes. Upon request of the Director, the Department of Revenue shall provide this information about a specific person to the Commission.

(4) A person who resides in the same household as a member of the Commission, the Director, or any other employee of the Commission.

(c) Upon approval of the Commission, the Director shall enter into a contract with the person to sell tickets or shares upon such terms and conditions as the Commission directs.

"§ 18C-142. Compensation for lottery game retailers.

The amount of compensation paid to lottery game retailers for their sales of lottery tickets or shares shall be seven percent (7%) of the retail price of the tickets or shares sold for each lottery game. The Commission shall require submission of reports and remission of lottery revenues to the Commission on a timely basis.

"§ 18C-143. Responsibilities of lottery game retailers.

(a) A lottery game retailer shall comply with all provisions of this Article and the contract with the Commission.
(b) A lottery game retailer shall sell no lottery tickets or shares unless the retailer conspicuously displays a certificate of authority, signed by the Director, to sell lottery tickets or shares. The Commission shall issue a certificate of authority to each lottery game retailer for purposes of display for each retail outlet owned or operated by the lottery game retailer. No certificate is assignable or transferable.

(c) A lottery game retailer shall furnish an appropriate bond or letter of credit, if so requested by the Director. The Commission may authorize the Director to purchase blanket bonds covering the activities of any or all lottery game retailers.

(d) The Commission shall adopt rules to establish procedures governing how the lottery game retailers:

1. Account for all tickets or shares in their custody, including tickets and shares sold.
2. Account for the money collected from the sale of tickets and shares.
3. Remit funds to the Commission, provided that all payments shall be in the form of electronic fund transfers or other recorded financial instruments as authorized by the Commission and approved by the Director.

(e) No lottery retailer or applicant to be a lottery retailer shall pay, give, or make any economic opportunity, gift, loan, gratuity, special discount, favor, hospitality, or service, excluding food and beverages having an aggregate value not exceeding one hundred dollars ($100.00) in any calendar year, to the Director, to any member or employee of the Commission, or to any member of the immediate family residing in the same household as one of these individuals.

§§ 18C-144 through 18C-149: Reserved for future codification purposes.

"Article 6.

"Lottery Vendors and Lottery Contractors.

§ 18C-150. Procurements.

The Commission shall be exempt from Article 3 of Chapter 143 of the General Statutes but may use the services of the Department of Administration in procuring goods and services for the Commission.

§ 18C-151. Contracts.

(a) Except as otherwise specifically provided in this subsection for contracts for the purchase of services, apparatus, supplies, materials, or equipment, Article 8 of Chapter 143 of the General Statutes, including the provisions relating to minority participation goals, shall apply to contracts entered into by the Commission. If this subsection and Article 8 of Chapter 143 are in conflict, the provisions of this subsection shall control. In recognition of the particularly sensitive nature of the Lottery and the competence, quality of product, experience, and timeliness, fairness, and integrity in the operation and administration of the Lottery and maximization of the objective of raising revenues, a contract for the purchase of services, apparatus, supplies, materials, or equipment requiring an estimated aggregate expenditure of ninety thousand dollars ($90,000) or more may be awarded by the Commission only after the following have occurred:
The Commission has invited proposals to be submitted by advertisement by electronic means or advertisement in a newspaper having general circulation in the State of North Carolina and containing the following information:

a. The time and place where a complete description of the services, apparatus, supplies, materials, or equipment may be had.

b. The time and place for opening of the proposals.

c. A statement reserving to the Commission the right to reject any or all proposals.

Proposals may be rejected for any reason determined by the Commission to be in the best interest of the Lottery.

All proposals shall be accompanied by a bond or letter of credit in an amount equal to not less than five percent (5%) of the proposal and the fee to cover the cost of the criminal record check conducted under G.S. 114-19.6.

The Commission has complied with the minority participation goals of G.S. 143-128.2 and G.S. 143-128.3.

The Commission may not award a contract to a lottery vendor who has been convicted of a felony or any gambling offense in any state or federal court of the United States within 10 years of entering into the contract, or employs officers and directors who have been convicted of a felony or any gambling offense in any state or federal court of the United States within 10 years of entering into the contract.

The Commission shall investigate and compare the overall business practices, ethical reputation, criminal record, civil litigation, competence, integrity, background, and regulatory compliance record of lottery vendors.

The Commission may engage an independent firm experienced in evaluating government procurement proposals to aid in evaluating proposals for a major procurement.

The Commission shall award the contract to the responsible lottery vendor who submits the best proposal that maximizes the benefits to the State.

(b) Upon the completion of the bidding process, a contract may be awarded to a lottery contractor with whom the Commission has previously contracted for the same purposes.

(c) Before a contract is awarded, the Director shall conduct a thorough background investigation of all of the following:

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

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

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

The Commission may terminate the contract, without penalty, of a lottery contractor that fails to comply with the Commission's instruction to implement the recommendations of the State Auditor or an independent auditor in an audit conducted of Lottery security or operations.

After entering into a contract with a lottery contractor, the Commission shall require the lottery contractor to periodically update the information required to be disclosed under G.S. 18C-149. Any contract with a lottery contractor who does not periodically update the required disclosures may be terminated by the Commission.

No lottery system vendor nor any applicant for a contract may pay, give, or make any economic opportunity, gift, loan, gratuity, special discount, favor, hospitality, or service, excluding food and beverages having an aggregate value not exceeding one hundred dollars ($100.00) in any calendar year, to the Director, any member or employee of the corporation, or a member of the immediate family residing in the same household as any of these individuals.

§ 18C-152. Investigation of lottery vendors.

Lottery vendors shall cooperate with the Director in completing any investigation required under G.S. 18C-151(c), including any appropriate investigation authorizations needed to facilitate these investigations.

The Commission shall adopt rules that provide for disclosures of information required to be disclosed under subsection (c) of this section by lottery vendors to ensure that the vendors provide all the information necessary to allow for a full and complete evaluation by the Director and Commission of the competence, integrity, background, and character of the lottery vendors. Information shall be disclosed for the following:

1. If the vendor is a corporation, the officers, directors, and each stockholder in that corporation; however, in the case of owners of equity securities of a publicly traded corporation, only the names and addresses of those known to the corporation to own beneficially five percent (5%) or more of the securities need be disclosed.

2. If the vendor is a trust, the trustee and all persons entitled to receive income or benefits from the trust.

3. If the vendor is an association, the members, officers, and directors.

4. If the vendor is a partnership or joint venture, all of the general partners, limited partners, or joint venturers.

5. For any vendor, any person who can exercise control or authority, or both, on behalf of the vendor.

For purposes of this subsection, the term "vendor" shall include the vendor and each of the persons applicable under subsection (b) of this section. At a minimum, the vendor required to disclose information for a thorough background investigation under G.S. 18C-151 shall do all of the following:
(1) Disclose the vendor's name, phone number, and address.

(2) Disclose all the states and jurisdictions in which the vendor does business and the nature of the business for each state or jurisdiction.

(3) Disclose all the states and jurisdictions in which the vendor has contracts to supply gaming goods or services, including lottery goods and services, and the nature of the goods or services involved for each state or jurisdiction.

(4) Disclose all the states and jurisdictions in which the vendor has applied for, has sought renewal of, has received, has been denied, has pending, or has had revoked a lottery or gaming license or permit of any kind or had fines or penalties assessed on a license, permit, contract, or operation and the disposition of such in each such state or jurisdiction. If any lottery or gaming license, permit, or contract has been revoked or has not been renewed or any lottery or gaming license, permit, or application has been either denied or is pending and has remained pending for more than six months, all of the facts and circumstances underlying the failure to receive that license shall be disclosed.

(5) Disclose the details of any finding or plea, conviction, or adjudication of guilt in a state or federal court of the vendor for any felony or any other criminal offense other than a minor traffic violation.

(6) Disclose the details of any bankruptcy, insolvency, reorganization, or corporate or individual purchase or takeover of another corporation, including bonded indebtedness, or any pending litigation of the vendor.

(7) If at least twenty-five percent (25%) of the cost of a vendor's contract is subcontracted, the vendor shall disclose all of the information required by this section for the subcontractor as if the subcontractor were itself a vendor.

(8) Make any additional disclosures and information the Commission determines to be appropriate for the contract involved.

(d) All documents compiled by the Director in conducting the investigation of the lottery vendors shall be held as confidential information under Chapter 132 of the General Statutes.

§§ 18C-153 through 18C-159: Reserved for future codification purposes.

"Article 7.

"North Carolina State Lottery Fund.

An enterprise fund, to be known as the North Carolina State Lottery Fund, is created within the State treasury. The North Carolina State Lottery Fund is appropriated to the Commission and may be expended without further action of the General Assembly for the purposes of operating the Commission and the lottery games.

"§ 18C-161. Types of income to the North Carolina State Lottery Fund.
The following revenues shall be deposited in the North Carolina State Lottery Fund:

(1) All proceeds from the sale of lottery tickets or shares.
(2) The funds for initial start-up costs provided by the State.
(3) All other funds credited or appropriated to the Commission from any source.
(4) Interest earned by the North Carolina State Lottery Fund.

§ 18C-162. Allocation of revenues.
(a) To the extent practicable, the Commission shall allocate revenues to the North Carolina State Lottery Fund in the following manner:
(1) At least fifty percent (50%) of the total annual revenues, as described in this Chapter, shall be returned to the public in the form of prizes.
(2) At least thirty-five percent (35%) of the total annual revenues, as described in this Chapter, shall be transferred as provided in G.S. 18C-164.
(3) No more than eight percent (8%) of the total annual revenues, as described in this Chapter, shall be allocated for payment of expenses of the Lottery. Advertising expenses shall not exceed one percent (1%) of the total annual revenues.
(4) No more than seven percent (7%) of the total annual revenues, as described in this Chapter, shall be allocated for compensation paid to lottery game retailers.

(b) To the extent that the expenses of the Commission are less than eight percent (8%) of total annual revenues, the Commission may allocate any surplus funds:
(1) To increase prize payments; or
(2) To the benefit of the public purposes as described in this Chapter.

(c) Unclaimed prize money shall be held separate and apart from the other revenues and allocated as follows:
(1) Fifty percent (50%) to enhance prizes under subdivision (a)(1) of this section.
(2) Fifty percent (50%) to the Education Lottery Fund to be allocated in accordance with G.S. 18C-164(c).

§ 18C-163. Expenses of the Lottery.
Expenses of the Lottery may include any of the following:
(1) The costs incurred in operating and administering the Commission, including initial start-up costs.
(2) The costs resulting from any contracts entered into for the purchase or lease of goods or services required by the Commission.
(3) A transfer of one million dollars ($1,000,000) annually to the Department of Health and Human Services for gambling addiction education and treatment programs.
(4) The costs of supplies, materials, tickets, independent studies and audits, data transmission, advertising, promotion, incentives, public relations, communications, bonding for lottery game retailers, printing, and distribution of tickets and shares.
(5) The costs of reimbursing other governmental entities for services provided to the Commission.
The costs for any other goods and services needed to accomplish the purposes of this Chapter.

§ 18C-164. Transfer of net revenues.

(a) The funds remaining in the North Carolina State Lottery Fund after receipt of all revenues to the Lottery Fund and after accrual of all obligations of the Commission for prizes and expenses shall be considered to be the net revenues of the North Carolina State Lottery Fund. The net revenues of the North Carolina State Lottery Fund shall be transferred periodically to the Education Lottery Fund, which shall be created in the State treasury.

(b) From the Education Lottery Fund, the Commission shall transfer a sum equal to five percent (5%) of the net revenue of the prior year to the Education Lottery Reserve Fund. A special revenue fund for this purpose shall be established in the State treasury to be known as the Education Lottery Reserve Fund, and that fund shall be capped at fifty million dollars ($50,000,000). Monies in the Education Lottery Reserve Fund may be appropriated only as provided in subsection (e) of this section.

(c) The Commission shall distribute the remaining net revenue of the Education Lottery Fund, as follows, in the following manner:

(1) A sum equal to fifty percent (50%) to support reduction of class size in early grades to class size allotments not exceeding 1:18 in order to eliminate achievement gaps and to support academic prekindergarten programs for at-risk four-year-olds who would otherwise not be served in a high-quality education program in order to help those four-year-olds be prepared developmentally to succeed in school.

(2) A sum equal to forty percent (40%) to the Public School Building Capital Fund in accordance with G.S. 115C-546.2.

(3) A sum equal to ten percent (10%) to the State Educational Assistance Authority to fund college and university scholarships in accordance with Article 35A of Chapter 115C of the General Statutes.

(d) Of the sums transferred under subsection (c) of this section, the General Assembly shall appropriate the funds annually based upon estimates of lottery net revenue to the Education Lottery Fund provided by the Office of State Budget and Management and the Fiscal Research Division of the North Carolina General Assembly.

(e) If the actual net revenues are less than the appropriation for that given year, then the Governor may transfer from the Education Lottery Reserve Fund an amount sufficient to equal the appropriation by the General Assembly. If the monies available in the Education Lottery Reserve Fund are insufficient to reach a full appropriation, the Governor shall transfer monies in order of priority, to the following:

(1) To support academic prekindergarten programs for at-risk four-year-olds who would otherwise not be served in a high-quality education program in order to help those four-year-olds be prepared developmentally to succeed in school.

(2) To reduce class size.

(3) To provide financial aid for needy students to attend college.
(4) To the Public School Building Capital Fund to be spent in accordance with this section.

(f) If the actual net revenues exceed the amounts appropriated in that fiscal year, the excess net revenues shall remain in the Education Lottery Fund, and then be transferred as follows:

(1) Fifty percent (50%) to the Public School Building Capital Fund to be spent in accordance with this section.

(2) Fifty percent (50%) to the State Educational Assistance Authority to be spent in accordance with this section.

§§ 18C-165 through 18C-169: Reserved for future codification purposes.

"Article 8.

"Miscellaneous.

§ 18C-170. Preemption of local regulation.

A county or municipality shall not enact any ordinance or regulation relating to the Lottery, and this Chapter preempts all existing county or ordinances or regulations that would impose additional restrictions or requirements in the operation of the Lottery. To the extent that this Chapter conflicts with any local act, this Chapter prevails to the extent of the conflict.

§ 18C-171. Lawful activity.

Other than this Chapter, any other public or local law, ordinance, or regulation providing any penalty, 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 shall not apply to the operation of the Commission or lottery games established by this Chapter where the penalty, restriction, regulation, or prohibition applies only to the Lottery as operated by the North Carolina State Lottery Commission.

§§ 18C-172 through 18C-179: Reserved for future codification purposes.

SECTION 2. Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 35A.

"College Scholarships.

§ 115C-499.1. Definitions.

The following definitions apply to this Article:

(1) Academic year. – A period of time in which a student is expected to complete the equivalent of at least two semesters' or three quarters' academic work.

(2) Authority. – The State Education Assistance Authority created by Article 23 of Chapter 116 of the General Statutes.

(3) Eligible postsecondary institution. – A school that is:

a. A constituent institution of The University of North Carolina as defined in G.S. 116-2(4);

b. A community college as defined in G.S. 115D-2(2); or

c. A nonpublic postsecondary institution as defined in G.S. 116-22(1) or 116-43.5(a)(1).
§ 115C-499.2. Eligibility requirements for a scholarship.

In order to be eligible to receive a scholarship under this Article, a student seeking a degree, diploma, or certificate at an eligible postsecondary institution must meet all of the following requirements:

1. Only needy North Carolina students are eligible to receive scholarships. For purposes of this subsection, "needy North Carolina students" are those eligible students whose expected family contribution under the federal methodology does not exceed five thousand dollars ($5,000).

2. The student must meet all other eligibility requirements for the federal Pell Grant, with the exception of the expected family contribution.

3. The student must qualify as a legal resident of North Carolina and as a resident for tuition purposes in accordance with definitions of residency that may from time to time be adopted by the Board of Governors and published in the residency manual of the Board of Governors.

4. The student must meet enrollment standards by being admitted, enrolled, and classified as an undergraduate student in a matriculated status at an eligible postsecondary institution.

5. In order to continue to be eligible for a scholarship for the student's second and subsequent academic years, the student must meet achievement standards by maintaining satisfactory academic progress in a course of study in accordance with the standards and practices used for federal Title IV programs by the eligible postsecondary institution in which the student is enrolled.

6. A student may not receive a scholarship under this Article for more than four full academic years.

§ 115C-499.3. Scholarship amounts; amounts dependent on net income available.

(a) Subject to the amount of net income available under Chapter 18C of the General Statutes, a scholarship awarded under this Article to a student at an eligible postsecondary institution shall be based upon the enrollment status and expected family contribution of the student and shall not exceed four thousand dollars ($4,000) per academic year, including any federal Pell Grant, to be used for the costs of attendance as defined for federal Title IV programs.

(b) Subject to the maximum amounts provided in this section, the Authority shall have the power to determine the actual scholarship amounts disbursed to students in any given year based on the amount of net income available under Chapter 18C of the General Statutes. If the net income available is not sufficient to fully fund the
scholarships to the maximum amount, all scholarships shall be reduced equally, to the extent practicable, so that every eligible applicant shall receive the same scholarship amount.

(c) The minimum award of a scholarship under this Article shall be one hundred dollars ($100.00).

"§ 115C-499.4. Scholarship administration; reporting requirements."

(a) The scholarships provided for in this Article shall be administered by the Authority under rules adopted by the Authority in accordance with the provisions of this Article.

(b) The Authority shall report no later than June 1, 2008, and annually thereafter to the Joint Legislative Education Oversight Committee. The report shall contain, for the previous academic year, the amount of scholarship and grant money disbursed, the number of students eligible for the funds, the number of eligible students receiving the funds, and a breakdown of the eligible postsecondary institutions that received the funds.

(c) The Authority may use up to one and one-half percent (1.5%) of the funds transferred in accordance with Chapter 18C of the General Statutes for administrative purposes.

(d) Scholarship funds unexpended shall remain available for future scholarships to be awarded under this Article."

SECTION 3.(a) G.S. 14-289 reads as rewritten:

"§ 14-289. Advertising lotteries."

Except as provided in Chapter 18C of the General Statutes or in connection with a lawful raffle as provided in Part 2 of this Article, if anyone by writing or printing or by circular or letter or in any other way, advertise or publish advertises or publishes an account of a lottery, whether within or without this State, stating how, when or where the same is to be or has been drawn, or what are the prizes therein or any of them, or the price of a ticket or any share or interest therein, or where or how it may be obtained, he shall be guilty of a Class 2 misdemeanor. News medium as defined in G.S. 8-53.11 shall be exempt from this section provided the publishing is in connection with a lawful activity of the news medium."

SECTION 3.(b) G.S. 14-290 reads as rewritten:

"§ 14-290. Dealing in lotteries."

Except as provided in Chapter 18C of the General Statutes or in connection with a lawful raffle as provided in Part 2 of this Article, if any person shall open, set on foot, carry on, promote, make or draw, publicly or privately, a lottery, by whatever name, style or title the same may be denominated or known; or if any person shall, by such way and means, expose or set to sale any house, real estate, goods, chattels, cash, written evidence of debt, certificates of claims or any other thing of value whatsoever, every person so offending shall be guilty of a Class 2 misdemeanor which may include a fine not to exceed two thousand dollars ($2,000). Any person who engages in disposing of any species of property whatsoever, including money and evidences of debt, or in any manner distributes gifts or prizes upon tickets, bottle crowns, bottle caps, seals on containers, other devices or certificates sold for that purpose, shall be held
liable to prosecution under this section. Any person who shall have in his possession
any tickets, certificates or orders used in the operation of any lottery shall be held liable
under this section, and the mere possession of such tickets shall be prima facie evidence
of the violation of this section. This section shall not apply to the possession of a lottery
ticket or share for a lottery game being lawfully conducted in another state."

SECTION 3.(c) G.S. 14-291 reads as rewritten:
§ 14-291. Selling lottery tickets and acting as agent for lotteries.
Except as provided in Chapter 18C of the General Statutes or in connection with a
lawful raffle as provided in Part 2 of this Article, if any person shall sell, barter or
otherwise dispose of any lottery ticket or order for any number of shares in any lottery,
or shall in anywise be concerned in such lottery, by acting as agent in the State for or on
behalf of any such lottery, to be drawn or paid either out of or within the State, such
person shall be guilty of a Class 2 misdemeanor."

SECTION 3.(d) G.S. 14-291.1 reads as rewritten:
§ 14-291.1. Selling 'numbers' tickets; possession prima facie evidence of violation.
Except as provided in Chapter 18C of the General Statutes, in connection with a
lawful lottery conducted in another state, or in connection with a lawful raffle as
provided in Part 2 of this Article, if any person shall sell, barter or cause to be sold or
bartered, any ticket, token, certificate or order for any number or shares in any lottery,
commonly known as the numbers or butter and egg lottery, or lotteries of similar
character, to be drawn or paid within or without the State, such person shall be guilty of
a Class 2 misdemeanor. Any person who shall have in his possession any tickets,
tokens, certificates or orders used in the operation of any such lottery shall be guilty
under this section, and the possession of such tickets shall be prima facie evidence of
the violation of this section."

SECTION 3.(e) G.S. 14-292 reads as rewritten:
§ 14-292. Gambling.
Except as provided in Chapter 18C of the General Statutes or in Part 2 of this
Article, any person or organization that operates any game of chance or any person who
plays at or bets on any game of chance at which any money, property or other thing of
value is bet, whether the same be in stake or not, shall be guilty of a Class 2
misdemeanor. This section shall not apply to a person who plays at or bets on any
lottery game being lawfully conducted in any state."

SECTION 3.(f) G.S. 14-293 reads as rewritten:
§ 14-293. Allowing gambling in houses of public entertainment; penalty.
Except as provided in Chapter 18C of the General Statutes, if any keeper of an
ordinary or other house of entertainment, or of a house wherein alcoholic beverages are
retailed, shall knowingly suffer any game, at which money or property, or anything of
value, is bet, whether the same be in stake or not, to be played in any such house, or in
any part of the premises occupied therewith; or shall furnish persons so playing or
betting either on said premises or elsewhere with drink or other thing for their comfort
or subsistence during the time of play, he shall be guilty of a Class 2 misdemeanor. Any
person who shall be convicted under this section shall, upon such conviction, forfeit his
license to do any of the businesses mentioned in this section, and shall be forever
debarred from doing any of such businesses in this State. The court shall embody in its  
judgment that such person has forfeited his license, and no board of county  
commissioners, board of town commissioners or board of aldermen shall thereafter have  
power or authority to grant to such convicted person or his agent a license to do any of  
the businesses mentioned herein."

SECTION 3.(g) G.S. 14-299 reads as rewritten:

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

Except as provided in Chapter 18C of the General Statutes or in G.S. 14-292, all  
moneys or other property or thing of value exhibited for the purpose of alluring persons  
to bet on any game, or used in the conduct of any such game, including any motor  
vehicle used in the conduct of a lottery within the purview of G.S. 14-291.1, shall be  
liable to be seized by any court of competent jurisdiction or by any person acting under  
its warrant. Moneys so seized shall be turned over to and paid to the treasurer of the  
county wherein they are seized, and placed in the general fund of the county. Any  
property seized which is used for and is suitable only for gambling shall be destroyed,  
and all other property so seized shall be sold in the manner provided for the sale of  
personal property by execution, and the proceeds derived from said sale shall (after  
deducting the expenses of keeping the property and the costs of the sale and after  
paying, according to their priorities all known prior, bona fide liens which were created  
without the lienor having knowledge or notice that the motor vehicle or other property  
was being used or to be used in connection with the conduct of such game or lottery) be  
turned over and paid to the treasurer of the county wherein the property was seized, to  
be placed by said treasurer in the general fund of the county."

SECTION 5. G.S. 66-58(b) reads as rewritten:

"(b) The provisions of subsection (a) of this section shall not apply to:

(23) The North Carolina State Lottery Commission."

SECTION 6. Part 2 of Article 4 of Chapter 114 is amended by adding a new  
section to read:

"§ 114-19.16. Criminal record checks for the North Carolina State Lottery  
Commission and its Director.

The Department of Justice may provide to the North Carolina State Lottery  
Commission and to its Director from the State and National Repositories of Criminal  
Histories the criminal history of any prospective employee of the Commission and any  
prospective lottery vendor. The North Carolina State Lottery Commission or its Director  
shall provide to the Department of Justice, along with the request, the fingerprints of the  
prospective employee of the Commission, or of the prospective lottery vendor, a form  
signed by the prospective employee of the Commission, or of the prospective vendor  
consenting to the criminal record check and use of fingerprints and other identifying  
information required by the State and National Repositories, and any additional  
information required by the Department of Justice. The fingerprints of the prospective  
employee of the Commission, or prospective lottery vendor, shall be forwarded to the  
State Bureau of Investigation for a search of the State's criminal history record file, and  
the State Bureau of Investigation shall forward a set of fingerprints to the Federal
General Assembly of North Carolina

1 Bureau of Investigation for a national criminal history record check. The North Carolina
2 State Lottery Commission and its Director shall remit any fingerprint information
3 retained by the Commission to alcohol law enforcement agents appointed under Article
4 5 of Chapter 18B of the General Statutes and shall keep all information obtained
5 pursuant to this section confidential. The Department of Justice shall charge a
6 reasonable fee only for conducting the checks of the national criminal history records
7 authorized by this section.
8
9 SECTION 7. G.S. 116B-54 is amended by adding a new subsection to read:
10 "(f) A lottery prize that remains unclaimed after the period set by the North
11 Carolina State Lottery Commission for claiming those prizes shall not constitute
12 abandoned property."
13
14 SECTION 8. G.S. 120-123 is amended by adding a new subdivision at the
15 end to read:
16 "(78) The North Carolina State Lottery Commission, as established in
17 Chapter 18C of the General Statutes."
18
19 SECTION 9. G.S. 126-5(c1) reads as rewritten:
20 "(c1) Except as to the provisions of Articles 6 and 7 of this Chapter, the provisions
21 of this Chapter shall not apply to:
22 (1) Constitutional officers of the State.
23 (2) Officers and employees of the Judicial Department.
24 (3) Officers and employees of the General Assembly.
25 (4) Members of boards, committees, commissions, councils, and advisory
26 councils compensated on a per diem basis.
27 (5) Officials or employees whose salaries are fixed by the General
28 Assembly, or by the Governor, or by the Governor and Council of
29 State, or by the Governor subject to the approval of the Council of
30 State.
31 (6) Employees of the Office of the Governor that the Governor, at any
32 time, in the Governor's discretion, exempts from the application of the
33 provisions of this Chapter by means of a letter to the State Personnel
34 Director designating these employees.
35 (7) Employees of the Office of the Lieutenant Governor, that the
36 Lieutenant Governor, at any time, in the Lieutenant Governor's
37 discretion, exempts from the application of the provisions of this
38 Chapter by means of a letter to the State Personnel Director
39 designating these employees.
40 (8) Instructional and research staff, physicians, and dentists of The
41 University of North Carolina.
42 (9) Employees whose salaries are fixed under the authority vested in the
43 Board of Governors of The University of North Carolina by the
45 (10) Repealed by Session Laws 1991, c. 84, s. 1.
(11) North Carolina School of Science and Mathematics' employees whose salaries are fixed in accordance with the provisions of G.S. 116-235(c)(1) and G.S. 116-235(c)(2).


(14) Employees of the North Carolina State Ports Authority.

(15) Employees of the North Carolina Global TransPark Authority.

(16) The executive director and one associate director of the North Carolina Center for Nursing established under Article 9F of Chapter 90 of the General Statutes.


(18) Employees of the Tobacco Trust Fund Commission established in Article 75 of Chapter 143 of the General Statutes.


(20) Employees of the North Carolina Rural Redevelopment Authority created in Part 2D of Article 10 of Chapter 143B of the General Statutes.

(21) Employees of the Clean Water Management Trust Fund.

(22) Employees of the North Carolina Turnpike Authority.

(23) The Executive Administrator and the Deputy Executive Administrator of the Teachers' and State Employees' Comprehensive Major Medical Plan.

(24) The North Carolina State Lottery Director and employees of the North Carolina State Lottery.

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

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

(1) The Teachers' and State Employees' Retirement System,

(2) The Consolidated Judicial Retirement System,

(3) The Teachers' and State Employees' Hospital and Medical Insurance Plan,

(4) The General Assembly Medical and Hospital Care Plan,

(5) The Disability Salary Continuation Plan,

(6) The Firemen's and Rescue Workers' Pension Fund,

(7) The Local Governmental Employees' Retirement System,

(8) The Legislative Retirement System,

(9) The Escheat Fund,

(10) The Legislative Retirement Fund,

(11) The State Education Assistance Authority,

(12) The State Property Fire Insurance Fund,

(13) The Stock Workers' Compensation Fund,

(14) The Mutual Workers' Compensation Fund,

(15) The Public School Insurance Fund,

(16) The Liability Insurance Trust Fund,"
(17) Trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1,
(17a) North Carolina Veterans Home Trust Fund,
(17b) North Carolina National Guard Pension Fund,
(17c) Retiree Health Premium Reserve Account, and
(17d) The Election Fund Fund,
(17e) The North Carolina State Lottery Fund, and
(18) Any other special fund created by or pursuant to law for purposes other than meeting appropriations made pursuant to the Executive Budget Act."

SECTION 10.1(a) G.S. 18B-101 is amended by adding a new subdivision to read:
"(8a) 'Lottery law' or 'lottery laws' means any provision of Chapter 18C of the General Statutes and the rules issued by the Lottery Commission under the authority of Chapter 18C of the General Statutes."

SECTION 10.1(b) G.S. 18B-500(b) reads as rewritten:
"(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an alcohol law-enforcement agent shall have authority to arrest and take other investigatory and enforcement actions for any criminal offense. The primary responsibility of an agent shall be enforcement of the ABC laws, lottery laws, and Article 5 of Chapter 90 (The Controlled Substances Act); however, an agent may perform any law-enforcement duty assigned by the Secretary of Crime Control and Public Safety or the Governor."

SECTION 10.1(c) G.S. 18B-500(d) reads as rewritten:
"(d) Service of Commission Orders. – Alcohol law-enforcement agents may serve and execute notices, orders, or demands issued by the Alcoholic Beverage Control Commission or the North Carolina State Lottery Commission for the surrender of permits or relating to any administrative proceeding. While serving and executing such notices, orders, or demands, alcohol law-enforcement agents shall have all the power and authority possessed by law-enforcement officers when executing an arrest warrant."

SECTION 10.2(a) Effective for taxable years beginning on or after January 1, 2005, Article 4A of Chapter 105 of the General Statutes is amended by adding a new section to read:
"§ 105-163.2B. North Carolina State Lottery Commission must withhold taxes.

The North Carolina State Lottery Commission, established by Chapter 18C of the General Statutes, must deduct and withhold State income taxes from the payment of winnings that are reportable to the Internal Revenue Service under section 3406 of the Code. The amount of taxes to be withheld is seven percent (7%) of the winnings. The Commission must file a return and pay the withheld taxes in the time and manner required under G.S. 105-163.6 as if the winnings were wages. The taxes the Commission withholds are held in trust for the Secretary."

SECTION 10.2(b) G.S. 105-259(b) is amended by adding a new subdivision to read:
"(b) Disclosure Prohibited. – An officer, an employee, or an agent of the State who has access to tax information in the course of service to or employment by the State may not disclose the information to any other person unless the disclosure is made for one of the following purposes:

...  
(33) To provide to the North Carolina State Lottery Commission the information required under G.S. 18C-141."

SECTION 10.3. G.S. 105-134 reads as rewritten:

"§ 105-134. Purpose.  
The general purpose of this Part is to impose a tax for the use of the State government upon the taxable income collectible annually:  
(1) Of every resident of this State.  
(2) Of every nonresident individual deriving income from North Carolina sources attributable to the ownership of any interest in real or tangible personal property in this State or deriving income from a business, trade, profession, or occupation carried on in this State, or deriving income from gambling activities in this State."

SECTION 10.4 Effective for taxable years beginning on or after January 1, 2005, G.S. 105-134.5(b) reads as rewritten:

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

SECTION 11.1. G.S. 150B-1(c) reads as rewritten:

"(c) Full Exemptions. – This Chapter applies to every agency except:

(1) The North Carolina National Guard in exercising its court-martial jurisdiction.

(2) The Department of Health and Human Services in exercising its authority over the Camp Butner reservation granted in Article 6 of Chapter 122C of the General Statutes.

(3) The Utilities Commission.

(4) The Industrial Commission.


(6) The State Board of Elections in administering the HAVA Administrative Complaint Procedure of Article 8A of Chapter 163 of the General Statutes.

(7) The North Carolina State Lottery."
SECTION 12. The first security audit required under G.S. 18C-123(a) shall be conducted at the beginning of the first calendar year after the effective date of this act. The first audit required under G.S. 18C-123(d) shall be conducted at the end of the first fiscal year after the effective date of this act.

SECTION 13. The Department of Health and Human Services shall study the effects of the establishment and operation of the North Carolina State Lottery on the incidence of gambling addiction in this State. The Department shall report the results of its study, including any proposed legislation, to the Joint Legislative Health Care Oversight Committee, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than January 1, 2007.

SECTION 14. Nothing in this act shall be construed to obligate the General Assembly to appropriate funds to implement this act.

SECTION 15. The State Treasurer shall lend to the North Carolina State Lottery Commission, at a rate of interest comparable to short-term rates in the private capital market and with repayment terms satisfactory to both parties, sufficient funds to cover initial operating expenses of the Commission, except that the total amount borrowed by the Commission shall not exceed ten million dollars ($10,000,000). The borrowed funds shall be deposited in the North Carolina State Lottery Fund and shall be available for expenditure for the purposes set forth in this act without further action by the General Assembly. The Commission shall repay any funds lent to it pursuant to this section within twenty-four months after the effective date of this act.

SECTION 15.1. Notwithstanding G.S. 18C-164, as enacted by Section 1 of this act, all net revenues for fiscal year 2005-2006 shall be transferred to the Education Lottery Reserve Fund.

SECTION 15.2. G.S. 115C-546.2 is amended by adding a new subsection to read:

"(d) Monies transferred into the Fund in accordance with Chapter 18C of the General Statutes shall be allocated for capital projects for school construction projects as follows:

(1) A sum equal to sixty-five percent (65%) of those monies transferred in accordance with G.S. 18C-164 shall be allocated on a per average daily membership basis according to the average daily membership for the budget year as determined and certified by the State Board of Education.

(2) A sum equal to thirty-five percent (35%) of those monies transferred in accordance with G.S. 18C-164 shall be allocated to those local school administrative units located in whole or part in counties in which the effective county tax rate as a percentage of the effective State average tax rate is greater than one hundred percent (100%), with the following definitions applying to this subdivision:

a. "Effective county tax rate" means the actual county tax rate multiplied by a three-year weighted average of the most recent annual sales assessment ratio studies."
b. “State average effective tax rate” means the average effective county tax rates for all counties.

c. “Sales assessment ratio studies” means sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).

(3) No county shall have to provide matching funds required under subsection (c) of this section.

(4) A county may use monies in this Fund to pay for school construction projects in local school administrative units and to retire indebtedness incurred for school construction projects incurred on or after January 1, 2003.

(5) A county may not use monies in this Fund to pay for school technology needs.

SECTION 15.3. Notwithstanding G.S. 18C-162(c), the General Assembly shall transfer the unclaimed prize money from the North Carolina State Lottery Fund to the Escheat Fund in an amount equal to the principal transferred from the Escheat Fund for scholarships in fiscal years 2003-2004, 2004-2005, 2005-2006, and 2006-2007 until the Escheat Fund is repaid for any amounts of principal appropriated in those fiscal years, if any.

SECTION 16. Except as otherwise provided in this act, it is effective when it becomes law.