

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE BILL 1023

**Full text of the North Carolina State Lottery Act, House Bill 1023 (S.L. 2005-344),
as amended by Section 31.1 of Senate Bill 622 (S.L. 2005-276)**

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:

THIS VERSION SHOWS HOUSE BILL 1023 AS ENACTED (S.L. 2005-344), ALONG WITH THE CHANGES MADE BY PART XXXI (SECTION 31.1) OF SENATE BILL 622, S.L.. 2005-276 (THE BUDGET). IT IS AN ENGROSSMENT, TO SHOW WHAT THE NORTH CAROLINA STATE LOTTERY ACT LOOKS LIKE WITH THE TWO ACTS COMPILED TOGETHER.

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.

1 The General Assembly declares that the purpose of this Chapter is to establish a
2 State-operated lottery to generate funds for the public purposes described in this
3 Chapter.

4 **"§ 18C-103. Definitions.**

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

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

33 **"§§ 18C-104 through 18C-109: Reserved for future codification purposes.**

34 "Article 2.

35 "North Carolina State Lottery Commission.

36 **"§ 18C-110. Establishment of the North Carolina State Lottery Commission to be**
37 **a self-supporting agency of the State.**

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

43 **"§ 18C-111. Commission membership; appointment; selection of chair; vacancies;**
44 **removal; meetings; compensation.**

1 (a) The Commission shall consist of nine members, five of whom shall be
2 appointed by the Governor, two of whom shall be appointed by the General Assembly
3 upon the recommendation of the President Pro Tempore of the Senate, and two of
4 whom shall be appointed by the General Assembly upon the recommendation of the
5 Speaker of the House of Representatives. The Governor shall select the chair of the
6 Commission from among its membership, who shall serve at the pleasure of the
7 Governor.

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

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

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

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

23 **"§ 18C-112. Qualifications of Commissioners.**

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

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

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

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

35 **"§ 18C-113. Meetings; records.**

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

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

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

42 **"§ 18C-114. Powers and duties of the Commission.**

43 (a) The Commission shall have the following powers and duties:

- 1 (1) To specify the types of lottery games and gaming technology to be
2 used in the Lottery.
- 3 (2) To prescribe the nature of lottery advertising which shall comply with
4 the following:
- 5 a. All advertising shall include resources for responsible gaming
6 information.
- 7 b. No advertising may intentionally target specific groups or
8 economic classes.
- 9 c. No advertising may be misleading, deceptive, or present any
10 lottery game as a means of relieving any person's financial or
11 personal difficulties.
- 12 d. No advertising may have the primary purpose of inducing
13 persons to participate in the Lottery.
- 14 (3) To specify the number and value of prizes for winning tickets or shares
15 in lottery games, including cash prizes, merchandise prizes, prizes
16 consisting of deferred payments or annuities, and prizes of tickets or
17 shares in the same lottery game or other lottery games.
- 18 (4) To specify the rules of lottery games and the method for determining
19 winners of lottery games.
- 20 (5) To specify the retail sales price for tickets or shares for lottery games.
- 21 (6) To establish a system to claim prizes, including determining the time
22 periods within which prizes must be claimed, to verify the validity of
23 tickets or shares claimed to win prizes, and to effect payment of those
24 prizes.
- 25 (7) To conduct a background investigation, including a criminal history
26 record check, of applicants for the position of Director, which may
27 include a search of the State and National Repositories of Criminal
28 Histories based on the fingerprints of applicants.
- 29 (8) To charge a fee of lottery vendors not to exceed the cost of the
30 criminal record check of the lottery vendor.
- 31 (9) To specify the manner of distribution, dissemination, or sale of lottery
32 tickets or shares to lottery game retailers or directly to the public.
- 33 (10) To determine the incentives, if any, for any lottery employees, lottery
34 vendors, lottery contractors, or electronic computer terminal operators.
- 35 (11) To specify the authority, compensation, and role of the Director, and
36 to specify the authority, selection, and role of the other employees of
37 the Commission. All of the following apply to all employees of the
38 Commission:
- 39 a. No employee of the Commission may have a financial interest
40 in any lottery vendor or lottery contractor, other than an interest
41 as part of a mutual fund.
- 42 b. No employee of the Commission with decision-making
43 authority shall participate in any decision involving the retailer
44 or vendor with whom the employee has a financial interest.

1 c. No employee of the Commission who leaves the employment of
2 the Commission may represent any vendor or retailer before the
3 Commission for a period of one year following termination of
4 employment with the Commission.

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

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

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

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

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

16 **"§ 18C-115. Reports.**

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

22 **"§ 18C-116. Audits.**

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

26 **"§§ 18C-117 through 18C-119: Reserved for future codification purposes.**

27 "Article 3.

28 "North Carolina State Lottery Director.

29 **"§ 18C-120. Selection of the Director; powers and duties.**

30 (a) The Commission shall select a Director to operate and administer the Lottery
31 and to serve as the Secretary of the Commission. Except as to the provisions of Articles
32 6 and 7 of Chapter 126 of the General Statutes, the Director shall be exempt from the
33 State Personnel Act.

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

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

40 (2) To conduct a background investigation, including a criminal history
41 record check, of applicants for employment with the Commission,
42 lottery retailers, and lottery contractors, which may include a search of
43 the State and National Repositories of Criminal Histories based on the
44 fingerprints of applicants.

- 1 (3) To set the salaries of all Commission employees, subject to the
2 approval of the Commission. Except for the provisions of Articles 6
3 and 7 of Chapter 126 of the General Statutes, all employees of the
4 Commission shall be exempt from the State Personnel Act.
- 5 (4) To enter into contracts with lottery retailers and lottery contractors
6 upon approval by the Commission.
- 7 (5) To provide for the security and accuracy in the operation and
8 administration of the Commission and the Lottery, including
9 examining the background of all prospective employees, lottery
10 vendors, lottery contractors, and lottery retailers.
- 11 (6) To coordinate and collaborate with the appropriate law enforcement
12 authorities regarding investigations of violations of the laws relating to
13 the operation of the Lottery and make reports to the Commission
14 regarding those investigations.
- 15 (7) To confer with the Commission on the operation and administration of
16 the Lottery and make available for inspection by the Commission all
17 books, records, files, documents, and other information of the Lottery.
- 18 (8) To study the operation and administration of other lotteries and to
19 collect demographic and other information concerning the Lottery and
20 make recommendations to improve the operation and administration of
21 the Lottery to the Commission, to the Governor, and to the General
22 Assembly.
- 23 (9) To provide monthly financial reports to the Commission of all lottery
24 revenues, prize disbursements, expenses, net revenues, and all other
25 financial transactions involving lottery funds.
- 26 (10) To enter into agreements with other states to operate and promote
27 multistate lotteries consistent with the purposes set forth in this
28 Chapter and upon the approval of the Commission.

29 **§ 18C-121. Accountability; books and records.**

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

36 **§ 18C-122. Independent audits.**

37 (a) At the beginning of each calendar year, the Commission shall engage an
38 independent firm experienced in security procedures, including computer security and
39 systems security, to conduct a comprehensive study and evaluation of all aspects of
40 security in the operation of the Commission and of the Lottery. At a minimum, such a
41 security assessment should include a review of network vulnerability, application
42 vulnerability, application code review, wireless security, security policy and processes,
43 security/privacy program management, technology infrastructure and security controls,
44 security organization and governance, and operational effectiveness.

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

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

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

13 **"§§ 18C-123 through 18C-129: Reserved for future codification purposes.**

14 "Article 4.

15 "Operation of Lottery.

16 **"§ 18C-130. Types of lottery games; lottery games and lottery advertising; certain**
17 **disclosures and information to be provided.**

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

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

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

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

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

40 (f) The Commission shall make available a detailed tabulation of the estimated
41 number of prizes of each particular prize denomination that are expected to be awarded
42 in each lottery game or the estimated odds of winning these prizes at the time that
43 lottery game is offered for sale to the public.

1 (g) The Commission shall, in consultation with the Department of Health and
2 Human Services, develop and provide information to the public about gambling
3 addiction and treatment.

4 **"§ 18C-131. Sales and sale price of tickets and shares; sales to minors prohibited.**

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

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

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

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

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

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

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

26 **"§ 18C-132. Procedures for drawings and claiming prizes; payment of prizes;**
27 **protection of information concerning certain prize winners.**

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

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

32 (2) The drawings shall be witnessed by an independent certified public
33 accountant.

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

37 (4) Audio and visual records of the drawings and inspections shall be
38 made.

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

43 (c) After the expiration of the claim period for prizes for each lottery game, the
44 Commission shall make available a detailed tabulation of the total number of prizes of

1 each prize denomination that was actually claimed and paid directly by the
2 Commission.

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

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

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

14 (1) The same lottery game retailer who sold the winning ticket or share.

15 (2) Any other lottery retailer.

16 (3) The Commission.

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

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

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

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

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

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

39 **"§ 18C-133. Lottery game-play rules and winner validation procedures.**

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

43 (b) All players acknowledge that the determination of whether the player is a
44 winner is subject to the game-play rules and the winner validation procedures and

1 confidential validation tests established by the Commission for the particular lottery
2 game involved.

3 **"§ 18C-134. Setoff for debt collection against lottery prizes.**

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

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

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

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

39 (e) Confidentiality. – Notwithstanding any confidentiality statute of a claimant
40 agency, the exchange of information among the Commission, the claimant agency, the
41 organization submitting debts on behalf of a local agency, and the debtor necessary to
42 implement this section is lawful. The information an agency or organization obtains
43 from the Commission in accordance with the exemption in this subsection may be used

1 by the agency or organization only in the pursuit of its debt collection duties and
2 practices.

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

4 **"§§ 18C-135 through 18C-139: Reserved for future codification purposes.**

5 "Article 5.

6 "Lottery Game Retailers.

7 **"§ 18C-140. Contracting with lottery game retailers.**

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

15 **"§ 18C-141. Selection of lottery game retailers.**

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

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

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

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

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

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

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

36 **"§ 18C-142. Compensation for lottery game retailers.**

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

41 **"§ 18C-143. Responsibilities of lottery game retailers.**

42 (a) A lottery game retailer shall comply with all provisions of this Article and the
43 contract with the Commission.

1 **(b)** A lottery game retailer shall sell no lottery tickets or shares unless the retailer
2 conspicuously displays a certificate of authority, signed by the Director, to sell lottery
3 tickets or shares. The Commission shall issue a certificate of authority to each lottery
4 game retailer for purposes of display for each retail outlet owned or operated by the
5 lottery game retailer. No certificate is assignable or transferable.

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

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

11 **(1)** Account for all tickets or shares in their custody, including tickets and
12 shares sold.

13 **(2)** Account for the money collected from the sale of tickets and shares.

14 **(3)** Remit funds to the Commission, provided that all payments shall be in
15 the form of electronic fund transfers or other recorded financial
16 instruments as authorized by the Commission and approved by the
17 Director.

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

24 **"§§ 18C-144 through 18C-149: Reserved for future codification purposes.**

25 "Article 6.

26 "Lottery Vendors and Lottery Contractors.

27 **"§ 18C-150. Procurements.**

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

31 **"§ 18C-151. Contracts.**

32 **(a)** Except as otherwise specifically provided in this subsection for contracts for
33 the purchase of services, apparatus, supplies, materials, or equipment, Article 8 of
34 Chapter 143 of the General Statutes, including the provisions relating to minority
35 participation goals, shall apply to contracts entered into by the Commission. If this
36 subsection and Article 8 of Chapter 143 are in conflict, the provisions of this subsection
37 shall control. In recognition of the particularly sensitive nature of the Lottery and the
38 competence, quality of product, experience, and timeliness, fairness, and integrity in the
39 operation and administration of the Lottery and maximization of the objective of raising
40 revenues, a contract for the purchase of services, apparatus, supplies, materials, or
41 equipment requiring an estimated aggregate expenditure of ninety thousand dollars
42 (\$90,000) or more may be awarded by the Commission only after the following have
43 occurred:

- 1 (1) The Commission has invited proposals to be submitted by
2 advertisement by electronic means or advertisement in a newspaper
3 having general circulation in the State of North Carolina and
4 containing the following information:
5 a. The time and place where a complete description of the
6 services, apparatus, supplies, materials, or equipment may be
7 had.
8 b. The time and place for opening of the proposals.
9 c. A statement reserving to the Commission the right to reject any
10 or all proposals.
11 (2) Proposals may be rejected for any reason determined by the
12 Commission to be in the best interest of the Lottery.
13 (3) All proposals shall be accompanied by a bond or letter of credit in an
14 amount equal to not less than five percent (5%) of the proposal and the
15 fee to cover the cost of the criminal record check conducted under
16 G.S. 114-19.6.
17 (4) The Commission has complied with the minority participation goals of
18 G.S. 143-128.2 and G.S. 143-128.3.
19 (5) The Commission may not award a contract to a lottery vendor who has
20 been convicted of a felony or any gambling offense in any state or
21 federal court of the United States within 10 years of entering into the
22 contract, or employs officers and directors who have been convicted of
23 a felony or any gambling offense in any state or federal court of the
24 United States within 10 years of entering into the contract.
25 (6) The Commission shall investigate and compare the overall business
26 practices, ethical reputation, criminal record, civil litigation,
27 competence, integrity, background, and regulatory compliance record
28 of lottery vendors.
29 (7) The Commission may engage an independent firm experienced in
30 evaluating government procurement proposals to aid in evaluating
31 proposals for a major procurement.
32 (8) The Commission shall award the contract to the responsible lottery
33 vendor who submits the best proposal that maximizes the benefits to
34 the State.
35 (b) Upon the completion of the bidding process, a contract may be awarded to a
36 lottery contractor with whom the Commission has previously contracted for the same
37 purposes.
38 (c) Before a contract is awarded, the Director shall conduct a thorough
39 background investigation of all of the following:
40 (1) The vendor to whom the contract is to be awarded.
41 (2) Any parent or subsidiary corporation of the vendor to whom the
42 contract is to be awarded.

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

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

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

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

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

20 **"§ 18C-152. Investigation of lottery vendors.**

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

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

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

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

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

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

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

41 (c) For purposes of this subsection, the term "vendor" shall include the vendor
42 and each of the persons applicable under subsection (b) of this section. At a minimum,
43 the vendor required to disclose information for a thorough background investigation
44 under G.S. 18C-151 shall do all of the following:

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

2 (3) All other funds credited or appropriated to the Commission from any
3 source.

4 (4) Interest earned by the North Carolina State Lottery Fund.

5 **"§ 18C-162. Allocation of revenues.**

6 (a) To the extent practicable, the Commission shall allocate revenues to the
7 North Carolina State Lottery Fund in the following manner:

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

10 (2) At least thirty-five percent (35%) of the total annual revenues, as
11 described in this Chapter, shall be transferred as provided in
12 G.S. 18C-164.

13 (3) No more than eight percent (8%) of the total annual revenues, as
14 described in this Chapter, shall be allocated for payment of expenses
15 of the Lottery. Advertising expenses shall not exceed one percent (1%)
16 of the total annual revenues.

17 (4) No more than seven percent (7%) of the total annual revenues, as
18 described in this Chapter, shall be allocated for compensation paid to
19 lottery game retailers.

20 (b) To the extent that the expenses of the Commission are less than eight percent
21 (8%) of total annual revenues, the Commission may allocate any surplus funds:

22 (1) To increase prize payments; or

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

24 (c) Unclaimed prize money shall be held separate and apart from the other
25 revenues and allocated as follows:

26 (1) Fifty percent (50%) to enhance prizes under subdivision (a)(1) of this
27 section.

28 (2) Fifty percent (50%) to the Education Lottery Fund to be allocated in
29 accordance with G.S. 18C-164(c).

30 **"§ 18C-163. Expenses of the Lottery.**

31 Expenses of the Lottery may include any of the following:

32 (1) The costs incurred in operating and administering the Commission,
33 including initial start-up costs.

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

36 (3) A transfer of one million dollars (\$1,000,000) annually to the
37 Department of Health and Human Services for gambling addiction
38 education and treatment programs.

39 (4) The costs of supplies, materials, tickets, independent studies and
40 audits, data transmission, advertising, promotion, incentives, public
41 relations, communications, bonding for lottery game retailers, printing,
42 and distribution of tickets and shares.

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

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

3 **"§ 18C-164. Transfer of net revenues.**

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

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

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

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

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

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

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

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

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

42 (2) To reduce class size.

43 (3) To provide financial aid for needy students to attend college.

1 (4) To the Public School Building Capital Fund to be spent in accordance
2 with this section.

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

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

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

10 **"§§ 18C-165 through 18C-169: Reserved for future codification purposes.**

11 "Article 8.

12 "Miscellaneous.

13 **"§ 18C-170. Preemption of local regulation.**

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

19 **"§ 18C-171. Lawful activity.**

20 Other than this Chapter, any other public or local law, ordinance, or regulation
21 providing any penalty, restriction, regulation, or prohibition for the manufacture,
22 transportation, storage, distribution, advertising, possession, or sale of any lottery tickets
23 or shares, or for the operation of any lottery game shall not apply to the operation of the
24 Commission or lottery games established by this Chapter where the penalty, restriction,
25 regulation, or prohibition applies only to the Lottery as operated by the North Carolina
26 State Lottery Commission.

27 **"§§ 18C-172 through 18C-179: Reserved for future codification purposes.**

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

30 "Article 35A.

31 "College Scholarships.

32 **"§ 115C-499.1. Definitions.**

33 The following definitions apply to this Article:

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

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

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

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

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

43 c. A nonpublic postsecondary institution as defined in
44 G.S. 116-22(1) or 116-43.5(a)(1).

- 1 (4) Matriculated status. – Being recognized as a student in a defined
2 program of study leading to a degree, diploma, or certificate at an
3 eligible postsecondary institution.
4 (5) Scholarship. – A scholarship for education awarded under this Article.
5 (6) Title IV. – Title IV of the Higher Education Act of 1965, as amended,
6 20 U.S.C. § 1070, et seq.

7 **"§ 115C-499.2. Eligibility requirements for a scholarship.**

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

- 11 (1) Only needy North Carolina students are eligible to receive
12 scholarships. For purposes of this subsection, "needy North Carolina
13 students" are those eligible students whose expected family
14 contribution under the federal methodology does not exceed five
15 thousand dollars (\$5,000).
16 (2) The student must meet all other eligibility requirements for the federal
17 Pell Grant, with the exception of the expected family contribution.
18 (3) The student must qualify as a legal resident of North Carolina and as a
19 resident for tuition purposes in accordance with definitions of
20 residency that may from time to time be adopted by the Board of
21 Governors and published in the residency manual of the Board of
22 Governors.
23 (4) The student must meet enrollment standards by being admitted,
24 enrolled, and classified as an undergraduate student in a matriculated
25 status at an eligible postsecondary institution.
26 (5) In order to continue to be eligible for a scholarship for the student's
27 second and subsequent academic years, the student must meet
28 achievement standards by maintaining satisfactory academic progress
29 in a course of study in accordance with the standards and practices
30 used for federal Title IV programs by the eligible postsecondary
31 institution in which the student is enrolled.
32 (6) A student may not receive a scholarship under this Article for more
33 than four full academic years.

34 **"§ 115C-499.3. Scholarship amounts; amounts dependent on net income available.**

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

41 (b) Subject to the maximum amounts provided in this section, the Authority shall
42 have the power to determine the actual scholarship amounts disbursed to students in any
43 given year based on the amount of net income available under Chapter 18C of the
44 General Statutes. If the net income available is not sufficient to fully fund the

1 scholarships to the maximum amount, all scholarships shall be reduced equally, to the
2 extent practicable, so that every eligible applicant shall receive the same scholarship
3 amount.

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

6 **"§ 115C-499.4. Scholarship administration; reporting requirements.**

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

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

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

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

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

22 **"§ 14-289. Advertising lotteries.**

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

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

33 **"§ 14-290. Dealing in lotteries.**

34 Except as provided in Chapter 18C of the General Statutes or in connection with a
35 lawful raffle as provided in Part 2 of this Article, if any person shall open, set on foot,
36 carry on, promote, make or draw, publicly or privately, a lottery, by whatever name,
37 style or title the same may be denominated or known; or if any person shall, by such
38 way and means, expose or set to sale any house, real estate, goods, chattels, cash,
39 written evidence of debt, certificates of claims or any other thing of value whatsoever,
40 every person so offending shall be guilty of a Class 2 misdemeanor which may include
41 a fine not to exceed two thousand dollars (\$2,000). Any person who engages in
42 disposing of any species of property whatsoever, including money and evidences of
43 debt, or in any manner distributes gifts or prizes upon tickets, bottle crowns, bottle caps,
44 seals on containers, other devices or certificates sold for that purpose, shall be held

1 liable to prosecution under this section. Any person who shall have in his possession
2 any tickets, certificates or orders used in the operation of any lottery shall be held liable
3 under this section, and the mere possession of such tickets shall be prima facie evidence
4 of the violation of this section. This section shall not apply to the possession of a lottery
5 ticket or share for a lottery game being lawfully conducted in another state."

6 **SECTION 3.(c)** G.S. 14-291 reads as rewritten:

7 **"§ 14-291. Selling lottery tickets and acting as agent for lotteries.**

8 Except as provided in Chapter 18C of the General Statutes or in connection with a
9 lawful raffle as provided in Part 2 of this Article, if any person shall sell, barter or
10 otherwise dispose of any lottery ticket or order for any number of shares in any lottery,
11 or shall in anywise be concerned in such lottery, by acting as agent in the State for or on
12 behalf of any such lottery, to be drawn or paid either out of or within the State, such
13 person shall be guilty of a Class 2 misdemeanor."

14 **SECTION 3.(d)** G.S. 14-291.1 reads as rewritten:

15 **"§ 14-291.1. Selling 'numbers' tickets; possession prima facie evidence of violation.**

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

26 **SECTION 3.(e)** G.S. 14-292 reads as rewritten:

27 **"§ 14-292. Gambling.**

28 Except as provided in Chapter 18C of the General Statutes or in Part 2 of this
29 Article, any person or organization that operates any game of chance or any person who
30 plays at or bets on any game of chance at which any money, property or other thing of
31 value is bet, whether the same be in stake or not, shall be guilty of a Class 2
32 misdemeanor. This section shall not apply to a person who plays at or bets on any
33 lottery game being lawfully conducted in any state."

34 **SECTION 3.(f)** G.S. 14-293 reads as rewritten:

35 **"§ 14-293. Allowing gambling in houses of public entertainment; penalty.**

36 ~~If~~ Except as provided in Chapter 18C of the General Statutes, if any keeper of an
37 ordinary or other house of entertainment, or of a house wherein alcoholic beverages are
38 retailed, shall knowingly suffer any game, at which money or property, or anything of
39 value, is bet, whether the same be in stake or not, to be played in any such house, or in
40 any part of the premises occupied therewith; or shall furnish persons so playing or
41 betting either on said premises or elsewhere with drink or other thing for their comfort
42 or subsistence during the time of play, he shall be guilty of a Class 2 misdemeanor. Any
43 person who shall be convicted under this section shall, upon such conviction, forfeit his
44 license to do any of the businesses mentioned in this section, and shall be forever

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

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

7 "**§ 14-299. Property exhibited by gamblers to be seized; disposition of same.**

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

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

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

26 ...

27 (23) The North Carolina State Lottery Commission."

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

30 "**§ 114-19.16. Criminal record checks for the North Carolina State Lottery**
31 **Commission and its Director.**

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

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 **SECTION 7.** G.S. 116B-54 is amended by adding a new subsection to read:

9 "(f) A lottery prize that remains unclaimed after the period set by the North
10 Carolina State Lottery Commission for claiming those prizes shall not constitute
11 abandoned property."

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

14 "(78) The North Carolina State Lottery Commission, as established in
15 Chapter 18C of the General Statutes."

16 **SECTION 9.** G.S. 126-5(c1) reads as rewritten:

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

- 19 (1) Constitutional officers of the State.
- 20 (2) Officers and employees of the Judicial Department.
- 21 (3) Officers and employees of the General Assembly.
- 22 (4) Members of boards, committees, commissions, councils, and advisory
23 councils compensated on a per diem basis.
- 24 (5) Officials or employees whose salaries are fixed by the General
25 Assembly, or by the Governor, or by the Governor and Council of
26 State, or by the Governor subject to the approval of the Council of
27 State.
- 28 (6) Employees of the Office of the Governor that the Governor, at any
29 time, in the Governor's discretion, exempts from the application of the
30 provisions of this Chapter by means of a letter to the State Personnel
31 Director designating these employees.
- 32 (7) Employees of the Office of the Lieutenant Governor, that the
33 Lieutenant Governor, at any time, in the Lieutenant Governor's
34 discretion, exempts from the application of the provisions of this
35 Chapter by means of a letter to the State Personnel Director
36 designating these employees.
- 37 (8) Instructional and research staff, physicians, and dentists of The
38 University of North Carolina.
- 39 (9) Employees whose salaries are fixed under the authority vested in the
40 Board of Governors of The University of North Carolina by the
41 provisions of G.S. 116-11(4), 116-11(5), and 116-14.
- 42 (10) Repealed by Session Laws 1991, c. 84, s. 1.

- 1 (11) North Carolina School of Science and Mathematics' employees whose
- 2 salaries are fixed in accordance with the provisions of
- 3 G.S. 116-235(c)(1) and G.S. 116-235(c)(2).
- 4 (12), (13) Repealed by Session Laws 2001-474, s. 15, effective November
- 5 29, 2001.
- 6 (14) Employees of the North Carolina State Ports Authority.
- 7 (15) Employees of the North Carolina Global TransPark Authority.
- 8 (16) The executive director and one associate director of the North Carolina
- 9 Center for Nursing established under Article 9F of Chapter 90 of the
- 10 General Statutes.
- 11 (17) Repealed by Session Laws 2004-129, s. 37, effective July 1, 2004.
- 12 (18) Employees of the Tobacco Trust Fund Commission established in
- 13 Article 75 of Chapter 143 of the General Statutes.
- 14 (19) Employees of the Health and Wellness Trust Fund Commission
- 15 established in Article 21 of Chapter 130A of the General Statutes.
- 16 (20) Employees of the North Carolina Rural Redevelopment Authority
- 17 created in Part 2D of Article 10 of Chapter 143B of the General
- 18 Statutes.
- 19 (21) Employees of the Clean Water Management Trust Fund.
- 20 (22) Employees of the North Carolina Turnpike Authority.
- 21 (23) The Executive Administrator and the Deputy Executive Administrator
- 22 of the Teachers' and State Employees' Comprehensive Major Medical
- 23 Plan.
- 24 (24) The North Carolina State Lottery Director and employees of the North
- 25 Carolina State Lottery."

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

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

- 28 (1) The Teachers' and State Employees' Retirement System,
- 29 (2) The Consolidated Judicial Retirement System,
- 30 (3) The Teachers' and State Employees' Hospital and Medical Insurance
- 31 Plan,
- 32 (4) The General Assembly Medical and Hospital Care Plan,
- 33 (5) The Disability Salary Continuation Plan,
- 34 (6) The Firemen's and Rescue Workers' Pension Fund,
- 35 (7) The Local Governmental Employees' Retirement System,
- 36 (8) The Legislative Retirement System,
- 37 (9) The Escheat Fund,
- 38 (10) The Legislative Retirement Fund,
- 39 (11) The State Education Assistance Authority,
- 40 (12) The State Property Fire Insurance Fund,
- 41 (13) The Stock Workers' Compensation Fund,
- 42 (14) The Mutual Workers' Compensation Fund,
- 43 (15) The Public School Insurance Fund,
- 44 (16) The Liability Insurance Trust Fund,

1 (17) Trust funds of The University of North Carolina and its constituent
2 institutions deposited with the State Treasurer pursuant to
3 G.S. 116-36.1,

4 (17a) North Carolina Veterans Home Trust Fund,

5 (17b) North Carolina National Guard Pension Fund,

6 (17c) Retiree Health Premium Reserve Account, and

7 (17d) ~~The Election Fund.~~

8 (17e) The North Carolina State Lottery Fund, and

9 (18) Any other special fund created by or pursuant to law for purposes
10 other than meeting appropriations made pursuant to the Executive
11 Budget Act."

12 **SECTION 10.1(a)** G.S. 18B-101 is amended by adding a new subdivision to
13 read:

14 "(8a) 'Lottery law' or 'lottery laws' means any provision of Chapter 18C of
15 the General Statutes and the rules issued by the Lottery Commission
16 under the authority of Chapter 18C of the General Statutes."

17 **SECTION 10.1(b)** G.S. 18B-500(b) reads as rewritten:

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

25 **SECTION 10.1(c)** G.S. 18B-500(d) reads as rewritten:

26 "(d) Service of Commission Orders. – Alcohol law-enforcement agents may serve
27 and execute notices, orders, or demands issued by the Alcoholic Beverage Control
28 Commission or the North Carolina State Lottery Commission for the surrender of
29 permits or relating to any administrative proceeding. While serving and executing such
30 notices, orders, or demands, alcohol law-enforcement agents shall have all the power
31 and authority possessed by law-enforcement officers when executing an arrest warrant."

32 **SECTION 10.2(a)** Effective for taxable years beginning on or after January
33 1, 2005, Article 4A of Chapter 105 of the General Statutes is amended by adding a new
34 section to read:

35 **§ 105-163.2B. North Carolina State Lottery Commission must withhold taxes.**

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

43 **SECTION 10.2(b)** G.S. 105-259(b) is amended by adding a new subdivision
44 to read:

1 "(b) Disclosure Prohibited. – An officer, an employee, or an agent of the State
2 who has access to tax information in the course of service to or employment by the State
3 may not disclose the information to any other person unless the disclosure is made for
4 one of the following purposes:

5 ...

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

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

9 "**§ 105-134. Purpose.**

10 The general purpose of this Part is to impose a tax for the use of the State
11 government upon the taxable income collectible annually:

12 (1) Of every resident of this State.

13 (2) Of every nonresident individual deriving income from North Carolina sources
14 attributable to the ownership of any interest in real or tangible personal property in this
15 ~~State or deriving State, deriving~~ income from a business, trade, profession, or
16 occupation carried on in this State, State, or deriving income from gambling activities in
17 this State."

18 **SECTION 10.4** Effective for taxable years beginning on or after January 1,
19 2005, G.S. 105-134.5(b) reads as rewritten:

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

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

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

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

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

37 (3) The Utilities Commission.

38 (4) The Industrial Commission.

39 (5) The Employment Security Commission.

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

43 (7) The North Carolina State Lottery."

1 **SECTION 12.** The first security audit required under G.S. 18C-123(a) shall
2 be conducted at the beginning of the first calendar year after the effective date of this
3 act. The first audit required under G.S. 18C-123(d) shall be conducted at the end of the
4 first fiscal year after the effective date of this act.

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

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

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

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

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

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

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

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

42 a. "Effective county tax rate" means the actual county tax rate
43 multiplied by a three-year weighted average of the most recent
44 annual sales assessment ratio studies.

- 1 b. "State average effective tax rate" means the average effective
2 county tax rates for all counties.
3 c. "Sales assessment ratio studies" means sales assessment ratio
4 studies performed by the Department of Revenue under
5 G.S. 105-289(h).
6 (3) No county shall have to provide matching funds required under
7 subsection (c) of this section.
8 (4) A county may use monies in this Fund to pay for school construction
9 projects in local school administrative units and to retire indebtedness
10 incurred for school construction projects incurred on or after January
11 1, 2003.
12 (5) A county may not use monies in this Fund to pay for school technology
13 needs."

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

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