

March 31, 2005

**H 1023. NORTH CAROLINA STATE LOTTERY ACT. TO ESTABLISH A STATE LOTTERY.**

Enacts new GS Chapter 18C to establish the nine-member NC State Lottery Comm'n, three members appointed by the Governor (including at least one with at least five years' law enforcement experience) and six members appointed by the General Assembly, including three recommended by the President Pro Tem. (including one certified public accountant) and three by the Speaker (including one member with retail sales experience). Prohibits the appointment of any person who has been convicted of a felony and provides for staggered terms of members. Requires that Comm'n establish and oversee the operation of a State Lottery.

**Intro. by Owens, B. Allen, Holliman.**

Ref. to Sel. Comm. – Lottery

GS 18C

April 6, 2005

**H 1023. NORTH CAROLINA STATE LOTTERY ACT.** Intro. 3/31/05. House committee substitute makes the following changes to 1st edition. Amends new GS Chapter 18C to delete provision prohibiting the appointment of any person who has been convicted of a felony to NC State Lottery Comm'n and to require that of the three Comm'n members appointed by the Governor and members recommended to the General Assembly by the Speaker (three) and President Pro Tem. (three), no more than two may be of the same political party as the appointing or recommending authority. Further amends Chapter to add the following provisions concerning the operation of the NC State Lottery:

*Lottery Commission/Director.* Outlines the powers and duties of the Comm'n and requires that the Comm'n select a Director to operate the Lottery. Provides that Director and NC State Lottery employees are exempt from the State Personnel Act, except for equal employment opportunity and personnel records privacy provisions. Requires that a background investigation, including a criminal history record check, be conducted on applicants for Director and all applicants for employment with the Comm'n, Lottery retailers, and Lottery contractors, and authorizes Dep't of Justice to provide criminal history for the State and Nat'l Repositories of Criminal Histories. Provides that Director will maintain accurate records of daily Lottery transactions. Authorizes State Auditor to conduct annual audits of all Comm'n accounts and transactions and any other special postaudits that State Auditor considers necessary. In addition, requires that at the beginning of each calendar year the Director hire an independent security firm to conduct an annual security audit of Lottery operations and that biennially at the end of the fiscal year the Director hire an independent auditing firm to audit Lottery operations. Requires that results of audits be presented to Comm'n, Governor, and the General Assembly.

*Lottery Games/Tickets.* Authorizes the Comm'n to determine the types of games offered by the Lottery but prohibits games that are based upon the outcome of a sporting event or that use a computer terminal or other electronic devices to dispense coins or currency, and prohibits Lottery tickets that include the name or photograph of an elected official. Requires that each Lottery ticket include a unique identifying number and abbreviated rules. Provides that Comm'n may advertise Lottery only at the point-of-sale or on the premises of Lottery retailers. Requires that Lottery advertising minimize the appeal of games to minors and include the actual or estimated odds of winning. Prohibits the use of cartoon characters in advertising and misleading advertising. Directs Comm'n to develop and provide information to the public about gambling addiction and treatment.

*Lottery Ticket Sales/Prizes.* Authorizes the Comm'n to sell Lottery tickets and shares directly to the public, contract with retailers to sell tickets, or distribute tickets through any other method approved by Comm'n. Makes it unlawful for any person to sell a Lottery ticket or share to a person under 18 years old and makes violation a Class 1 misdemeanor, but provides that it is a defense to violation if person demonstrates that ticket purchaser provided identification or there were other facts that indicated that purchaser was at least 18 years old. Establishes procedures for winning number drawings and methods for claiming prizes. Authorizes Comm'n to use unclaimed prize money to increase value of prizes for future games and provides that unclaimed prizes will not be considered to be abandoned property. Provides that Lottery winnings of \$600 or more must be claimed directly from Comm'n, but requires that Comm'n submit to the Dep't of Revenue the portion of any Lottery winnings of \$600 or more that are necessary to satisfy

winner's outstanding debts to a State agency. Prohibits Comm'n and Lottery game retailers from paying prize winnings to a person under 18 years old.

*Lottery Retailers/Contractors.* Requires that Lottery game retailers be paid 6% of the retail price of tickets or shares sold for each Lottery game and an incentive bonus of up to 1% of the retail price of the tickets or shares sold if retailer submits report and Lottery revenues on a timely basis. Requires that Lottery retailers display certificate authorizing retailer to sell Lottery tickets and furnish an appropriate bond or letter of credit if requested by Director. Exempts Comm'n from GS Chapter 143, Article 3 (Dep't of Administration oversight of certain State agency purchases) but requires that Comm'n comply with Article 8 public contract bidding requirements, including those establishing certain minority participation goals. Requires that Director investigate contractors selected for award of contract.

*North Carolina State Lottery Fund.* Creates the NC State Lottery Fund within the State Treasury and requires that Comm'n allocate Lottery revenues as follows: (1) at least 50% to be allocated for Lottery prizes; (2) at least 34% to be transferred for educational purposes detailed in act; and (3) no more than 16% for payment of Lottery expenses. Requires that net revenues of the Fund be transferred at the end of each fiscal year as follows: 50% to the Public School Building Capital Fund, 25% to the State Educational Assistance Authority for new college scholarships program, and 25% to the Education Enhancement Fund, a special revenue fund subject to appropriation by the General Assembly and to be used to enhance educational opportunities so that public school students can achieve their full potential. Provides that act preempts local regulation of Lottery operations and that other State or local laws and ordinances regulating any Lottery game do not apply to games authorized by act.

*College Scholarships.* Enacts new Article 35A of GS Chapter 115C to establish scholarships of up to \$4,000 per academic year for up to four full academic years to be used by legal residents of NC who are admitted to or enrolled as an undergraduate student at a UNC-system institution, community college, or accredited private postsecondary institution, including a religious institution. Scholarships are to be provided only to those NC students whose expected family contribution under the federal methodology does not exceed \$5,000 and who meet other eligibility requirements of the federal Pell Grant, as long as student maintains satisfactory academic progress. Requires that scholarship amount be prorated in any year that Lottery proceeds are insufficient to fully fund scholarships.

*Reporting Requirements.* Requires that Comm'n send quarterly and annual reports on Comm'n operations to the Governor, State Treasurer, and General Assembly and specifies content of report. Requires that State Educational Assistance Authority report to the Joint Legislative Education Oversight Committee annually beginning no later than June 1, 2008, and that report contain the amount of scholarship money disbursed and the number of students benefiting. Also requires that the Dep't of Health and Human Services study the effects of the Lottery on the incidence of gambling addiction in NC and report study results to the Joint Legislative Health Care Oversight Committee, the Senate and House Appropriations Committees on Health and Human Services, and Fiscal Research no later than January 1, 2007.

*Miscellaneous.* Requires that the State Treasurer lend sufficient funds to the Comm'n for initial operating expenses, but no more than \$10 million, at an interest rate comparable to short-term rates in the private capital market. Requires that Comm'n repay funds within 24 months after effective date of act. Makes technical and conforming changes.

August 31, 2005

**SL 2005-344 (H 1023). NORTH CAROLINA STATE LOTTERY ACT. AN ACT TO ESTABLISH A STATE LOTTERY TO SUPPORT SCHOOL CONSTRUCTION, TO FUND COLLEGE AND UNIVERSITY SCHOLARSHIPS, AND 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, AS RECOMMENDED BY THE HOUSE SELECT COMMITTEE ON THE LOTTERY.** Summarized in *Daily Bulletin* 3/31/05 and 4/6/05. Enacted August 31, 2005. Effective August 31, 2005, except as otherwise provided.