

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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HOUSE BILL 156
PROPOSED COMMITTEE SUBSTITUTE H156-PCS30175-RN-4

Short Title: Honest Lottery Act.

(Public)

Sponsors:

Referred to:

February 27, 2013

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR HONESTY IN ADVERTISING AND MARKETING OF THE
3 NORTH CAROLINA STATE LOTTERY.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 18C-114(a)(2) reads as rewritten:

6 "**§ 18C-114. Powers and duties of the Commission.**

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

8 ...

9 (2) To prescribe the nature of lottery advertising which shall comply with the
10 following:

- 11 a. All advertising shall include resources for responsible
12 ~~gaming~~gambling information.
- 13 b. No advertising may intentionally target specific groups or economic
14 classes.
- 15 c. No advertising may be misleading, unfair, deceptive, or present any
16 lottery game as a means of relieving any person's financial or
17 personal difficulties.
- 18 d. No advertising may have the primary purpose of inducing persons to
19 participate in the Lottery.
- 20 e. Advertising which states a total of payments to be paid over a period
21 of time shall state the present value of the prize.
- 22 f. Advertising which states the probability of winning a prize shall not
23 omit the value of the lowest prize to be won.
- 24 g. Advertising which states the odds of winning a prize must, at a
25 minimum, disclose the odds of winning the prize with the largest
26 value.
- 27 h. No advertising or sponsorship may take place in connection with any
28 high school or collegiate sport or high school or collegiate sporting
29 event."

30 **SECTION 1.5.** G.S. 18C-115 of the General Statutes reads as rewritten:

31 "**§ 18C-115. Reports.**

32 (a) Reports on Operation of the Commission. – The Commission shall send quarterly
33 and annual reports on the operations of the Commission to the Governor, State Treasurer, ~~the~~
34 ~~Lottery Oversight Committee~~, and to the General Assembly. The reports shall include complete
35 statements of lottery revenues, prize disbursements, expenses, net revenues, and all other
36 financial transactions involving lottery funds, including the occurrence of any audit.



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1 (b) Disclosure of Proceeds From Lottery Funding. – The Commission shall provide an
2 annual report on the allocation of proceeds from lottery funds to the Governor, State Treasurer,
3 and to the General Assembly. The Commission shall use its established communications
4 channels to inform the public about the proceeds of lottery funding and to inform recipients of
5 lottery funding that they are the beneficiaries of lottery funding."

6 **SECTION 2.** G.S. 18C-130 reads as rewritten:

7 **"§ 18C-130. Types of lottery games; lottery games and lottery advertising; certain**
8 **disclosures and information to be provided.**

9 (a) Unless the General Assembly approves, the Commission may use only draw-style
10 games and instant scratch-off games as types of lottery games.~~The Commission shall determine~~
11 ~~the types of lottery games that may be used in the Lottery. Games may include instant lotteries,~~
12 ~~online games, games played on computer terminals or other devices, and other games~~
13 ~~traditional to a lottery or that have been conducted by any other state government-operated~~
14 ~~lottery.~~

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

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

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

28 (e) Lottery advertising shall be tastefully designed and presented in a manner to
29 minimize the appeal of lottery games to minors. The use ~~of cartoon characters or~~ of false,
30 misleading, unfair, or deceptive information in lottery advertising is prohibited and shall
31 constitute an unfair and deceptive trade practice under G.S. 75-1.1.~~All advertising promoting~~
32 ~~the sale of lottery tickets or shares for a particular game shall include the actual or estimated~~
33 ~~overall odds of winning the game.~~

34 (f) The Commission shall make available on its Web site a detailed tabulation of the
35 estimated number of prizes of each particular prize denomination that are expected to be
36 awarded in each lottery game ~~or~~and the estimated odds of winning ~~these prizes~~ each prize
37 at the time that lottery game is offered for sale to the public.

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

41 (h) The University of North Carolina shall develop and make available to the
42 Department of Public Instruction course and professional development materials explaining the
43 probabilities and other mathematical features of a lottery game for inclusion as a component of
44 high school courses in civics and mathematics. The University of North Carolina shall also
45 make available those same materials to the Office of Non-Public Education in the Department
46 of Administration to be available to other schools.

47 (i) The University of North Carolina shall commission or perform research on patterns
48 of:

49 (1) Lottery participation as to frequency, amounts spent, family income levels,
50 and other socioeconomic factors.

1 (2) Lottery ticket sales locations in comparison to the frequency, amounts spent,
2 family income levels, and other socioeconomic factors of the neighborhoods.
3 The University of North Carolina shall make such research available to the Legislative
4 Research Commission."

5 **SECTION 3.** G.S. 18C-132(a) reads as rewritten:

6 "(a) If a lottery game uses a daily or less frequent drawing of winning numbers, a
7 drawing among entries including second chance drawings where the value of the prize is five
8 thousand dollars (\$5,000) or more, or a drawing among finalists, all of the following conditions
9 shall be met:

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

11 (2) The drawings shall be witnessed by an independent certified public
12 accountant or by an auditor employed by a certified public accounting firm.
13 No advertising of a North Carolina game shall refer to the role of the
14 independent certified public accountant or auditor employed by a certified
15 public accounting firm.

16 (3) Any equipment used in the drawings shall be inspected by the independent
17 certified public accountant or auditor employed by a certified public
18 accounting firm and an employee of the Commission both before and after
19 the drawings.

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

21 If a lottery game uses a drawing among entries for (i) a second chance drawing or (ii) any
22 other promotion conducted by the lottery, where the value of the prize is less than five thousand
23 dollars (\$5,000) in value, the requirements of subdivisions (2) and (3) of this subsection do not
24 apply."

25 **SECTION 4.** Article 8 of Chapter 18C of the General Statutes is amended by
26 adding a new section to read:

27 "**§ 18C-174. Venue for civil actions.**

28 Venue for any civil action under this Chapter, or for any civil action under G.S. 75-1.1 of
29 the General Statutes for violation of this Chapter, shall be in Wake County."

30 **SECTION 5.** G.S. 18C-152(c) reads as rewritten:

31 "(c) For purposes of this subsection, the term "potential contractor" shall include the
32 potential contractor and each of the persons applicable under subsection (b) of this section. At a
33 minimum, the potential contractor required to disclose information for a thorough background
34 investigation under G.S. 18C-151 shall do all of the following:

35 (1) Disclose the potential contractor's name, phone number, and address.

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

38 (3) Disclose all the states and jurisdictions in which the potential contractor has
39 contracts to supply gambling or gaming goods or services, including lottery
40 goods and services, and the nature of the goods or services involved for each
41 state or jurisdiction.

42 (4) Disclose all the states and jurisdictions in which the potential contractor has
43 applied for, has sought renewal of, has received, has been denied, has
44 pending, or has had revoked a ~~lottery~~-lottery, gambling, or gaming license or
45 permit of any kind or had fines or penalties assessed on a license, permit,
46 contract, or operation and the disposition of such in each such state or
47 jurisdiction. If any ~~lottery~~-lottery, gambling, or gaming license, permit, or
48 contract has been revoked or has not been renewed or any ~~lottery~~-lottery,
49 gambling, or gaming license, permit, or application has been either denied or
50 is pending and has remained pending for more than six months, all of the

- 1 facts and circumstances underlying the failure to receive that license shall be
2 disclosed.
- 3 (5) Disclose the details of any finding or plea, conviction, or adjudication of
4 guilt in a state or federal court of the potential contractor for any felony or
5 any other criminal offense other than a minor traffic violation.
- 6 (6) Disclose the details of any bankruptcy, insolvency, reorganization, or
7 corporate or individual purchase or takeover of another corporation,
8 including bonded indebtedness, or any pending litigation of the potential
9 contractor.
- 10 (6a) Disclose as to the potential contractor's demographic data for its employees
11 broken down by the following categories: race, age, sex, and nationality. The
12 Commission may specify age bands and nationality groupings for the
13 disclosure report.
- 14 (7) If at least ~~twenty five percent (25%)~~ twenty percent (20%) of the cost of a
15 potential contractor's contract is subcontracted, the potential contractor shall
16 disclose all of the information required by this section for the subcontractor
17 as if the subcontractor were itself a potential contractor.
- 18 (8) Make any additional disclosures and information the Commission
19 determines to be appropriate for the contract involved."

20 **SECTION 6.** This act becomes effective July 1, 2013. Section 4 of this act does
21 not affect pending litigation.