

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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HOUSE PRINCIPAL CLERK

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HOUSE DRH10066-LB-38G (01/03)

Short Title: Honest Lottery Act.

(Public)

Sponsors: Representatives Stam, L. Hall, Glazier, and Hardister (Primary Sponsors).

Referred to:

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

31 "§ 18C-130. Types of lottery games; lottery games and lottery advertising; certain
32 disclosures and information to be provided.

33 (a) ~~The Commission~~Unless the General Assembly approves, the Commission may use
34 only shall determinethe types of lottery games that were used by it on or before December 31,
35 2012. ~~may be used in the Lottery. Games may include instant lotteries, online games, games~~



1 ~~played on computer terminals or other devices, and other games traditional to a lottery or that~~
2 ~~have been conducted by any other state government-operated lottery.~~

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

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

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

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

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

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

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

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

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

38 (2) Lottery ticket sales locations in comparison to the frequency, amounts spent,
39 family income levels, and other socioeconomic factors of the neighborhoods.

40 The University of North Carolina shall make such research available to the Legislative
41 Research Commission."

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

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

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

48 (2) The drawings shall be witnessed by an independent certified public
49 accountant or by an auditor employed by a certified public accounting firm.
50 No advertising or winning number announcement shall refer to the role of
51 the accountant or auditor.

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

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

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

10 **SECTION 4.** G.S. 18C-172(c) reads as rewritten:

11 "(c) Purpose and Powers. – The Committee shall:

12 (1) Review whether expenditures of the net revenues of the Lottery have been in
13 accordance with Article 7 of this Chapter, and study ways to ensure that net
14 proceeds from the Lottery will not be used to supplant education funding but
15 to provide additional funding for education.

16 (2) Receive and review reports submitted to the General Assembly pursuant to
17 Chapter 18C of the General Statutes.

18 (2a) Study Lottery advertising and marketing for compliance with this Chapter.

19 (3) Study other Lottery matters as the Committee considers necessary to fulfill
20 its mandate."

21 **SECTION 5.** Article 8 of Chapter 18C of the General Statutes is amended by
22 adding a new section to read:

23 **"§ 18C-174. Venue for civil actions.**

24 Venue for any civil action under this Chapter, or for any civil action under Chapter 75C of
25 the General Statutes for violation of this Chapter, shall be in Wake County."

26 **SECTION 6.** G.S. 18C-162(c) reads as rewritten:

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

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

31 (2) Fifty percent (50%) to the ~~Education Lottery~~ Lottery Special Fund to be
32 allocated in accordance with G.S. 18C-164(c)."

33 **SECTION 7.** G.S. 18C-164 reads as rewritten:

34 **"§ 18C-164. Transfer of net revenues.**

35 (a) The funds remaining in the North Carolina State Lottery Fund after receipt of all
36 revenues to the Lottery Fund and after accrual of all obligations of the Commission for prizes
37 and expenses shall be considered to be the net revenues of the North Carolina State Lottery
38 Fund. The net revenues of the North Carolina State Lottery Fund shall be transferred four times
39 a year to the ~~Education Lottery~~ Lottery Special Fund, which shall be created in the State
40 treasury.

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

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

49 (1) A sum equal to fifty percent (50%) to support reduction of class size in early
50 grades to class size allotments not exceeding 1:18 in order to eliminate
51 achievement gaps and to support academic prekindergarten programs for

1 at-risk four-year-olds who would otherwise not be served in a high-quality
2 education program in order to help those four-year-olds be prepared
3 developmentally to succeed in school.

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

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

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

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

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

22 (2) To reduce class size.

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

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

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

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

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

33 **SECTION 8.** Chapter 18C of the General Statutes is amended by adding a new
34 section to read:

35 **"§ 18C-104. To be known only as the North Carolina State Lottery.**

36 The North Carolina State Lottery shall be known in advertising only as the North Carolina
37 State Lottery."

38 **SECTION 9.** G.S. 18C-130(b) reads as rewritten:

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

47 **SECTION 10.** G.S. 18C-152(c) reads as rewritten:

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

- 1 (1) Disclose the potential contractor's name, phone number, and address.
- 2 (2) Disclose all the states and jurisdictions in which the potential contractor does
- 3 business and the nature of the business for each state or jurisdiction.
- 4 (3) Disclose all the states and jurisdictions in which the potential contractor has
- 5 contracts to supply gambling or gaming goods or services, including lottery
- 6 goods and services, and the nature of the goods or services involved for each
- 7 state or jurisdiction.
- 8 (4) Disclose all the states and jurisdictions in which the potential contractor has
- 9 applied for, has sought renewal of, has received, has been denied, has
- 10 pending, or has had revoked a ~~lottery~~ lottery, gambling, or gaming license or
- 11 permit of any kind or had fines or penalties assessed on a license, permit,
- 12 contract, or operation and the disposition of such in each such state or
- 13 jurisdiction. If any ~~lottery~~ lottery, gambling, or gaming license, permit, or
- 14 contract has been revoked or has not been renewed or any ~~lottery~~ lottery,
- 15 gambling, or gaming license, permit, or application has been either denied or
- 16 is pending and has remained pending for more than six months, all of the
- 17 facts and circumstances underlying the failure to receive that license shall be
- 18 disclosed.
- 19 (5) Disclose the details of any finding or plea, conviction, or adjudication of
- 20 guilt in a state or federal court of the potential contractor for any felony or
- 21 any other criminal offense other than a minor traffic violation.
- 22 (6) Disclose the details of any bankruptcy, insolvency, reorganization, or
- 23 corporate or individual purchase or takeover of another corporation,
- 24 including bonded indebtedness, or any pending litigation of the potential
- 25 contractor.
- 26 (6a) Disclose as to the potential contractor's demographic data for its employees
- 27 broken down by the following categories: race, age, sex, and nationality. The
- 28 potential contractor shall also disclose average compensation for each
- 29 category of employees. The commission may specify age bands and
- 30 nationality groupings for the disclosure report.
- 31 (7) If at least ~~twenty five percent (25%)~~ twenty percent (20%) of the cost of a
- 32 potential contractor's contract is subcontracted, the potential contractor shall
- 33 disclose all of the information required by this section for the subcontractor
- 34 as if the subcontractor were itself a potential contractor.
- 35 (8) Make any additional disclosures and information the Commission
- 36 determines to be appropriate for the contract involved."

37 **SECTION 11.** This act becomes effective July 1, 2013. Section 5 of this act does

38 not affect pending litigation.