

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith without my approval as to two sections Engrossed Senate Bill 3612 entitled:

"AN ACT Relating to excess school levies;"

The primary purpose of Engrossed Senate Bill 3612 is to extend the levels of local school support levy options for three years. Section 2 of that legislation also establishes a legislative committee to undertake a review of the means to adequately fund the state's basic education responsibilities.

I support both the need for such a study and the issues identified within Section 2. However, I believe that there are additional far-reaching issues that must also be considered. These issues include state and local revenues; the relationship of educational funding to other state responsibilities; and structured relationships between the state and local schools which result from state funding.

For this reason I am vetoing Section 2. In lieu of allowing that section to become law, I will, by executive order, establish a broadly based study committee including legislators, educators and interested citizens.

Section 4 of the bill declares an emergency and provides for the act to take effect immediately. The emergency clause section is not necessary in order to continue the administrative provisions for the collection of the levels of school levies that would be based upon this legislation. The 1985 levies have already been certified. The 1986 levies are to be certified in October, well after the normal effective date of this legislation.

The emergency clause should be restricted to those instances where its use is clearly warranted due to the urgency of the situation. For these reasons I have vetoed Section 4.

With the exception of Sections 2 and 4, which I have vetoed, the remainder of Engrossed Senate Bill No. 3612 is approved."

CHAPTER 375

[Substitute Senate Bill No. 3684]

STATE LOTTERY FUNDS AND ACCOUNTS

AN ACT Relating to lotteries; amending RCW 67.70.040, 67.70.050, 67.70.230, 67.70.240, and 67.70.260; adding a new section to chapter 67.70 RCW; creating a new section; making an appropriation; providing an effective date; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

Sec. 1. Section 4, chapter 7, Laws of 1982 2nd ex. sess. and RCW 67.70.040 are each amended to read as follows:

The commission shall have the power, and it shall be its duty:

(1) To promulgate such rules governing the establishment and operation of a state lottery as it deems necessary and desirable in order that such a lottery be initiated at the earliest feasible and practicable time, and in order that such lottery produce the maximum amount of net revenues for the state consonant with the dignity of the state and the general welfare of the people. Such rules shall include, but shall not be limited to, the following:

(a) The type of lottery to be conducted which may include the selling of tickets or shares, or the use of electronic or mechanical devices or video terminals which do not require a printed ticket;

- (b) The price, or prices, of tickets or shares in the lottery;
- (c) The numbers and sizes of the prizes on the winning tickets or shares;
- (d) The manner of selecting the winning tickets or shares;
- (e) The manner and time of payment of prizes to the holder of winning tickets or shares which, at the director's option, may be paid in lump sum amounts or installments over a period of years;
- (f) The frequency of the drawings or selections of winning tickets or shares, without limitation;
- (g) Without limit as to number, the type or types of locations at which tickets or shares may be sold;
- (h) The method to be used in selling tickets or shares, which may include the use of electronic or mechanical devices and video terminals;
- (i) The licensing of agents to sell or distribute tickets or shares, except that a person under the age of eighteen shall not be licensed as an agent;
- (j) The manner and amount of compensation, if any, to be paid licensed sales agents necessary to provide for the adequate availability of tickets or shares to prospective buyers and for the convenience of the public;
- (k) The apportionment of the total revenues accruing from the sale of lottery tickets or shares and from all other sources among: (i) The payment of prizes to the holders of winning tickets or shares, which shall not be less than forty-five percent of the gross annual revenue from such lottery, (ii) ~~((the payment of costs incurred in the operation and administration of the lottery, including the expenses of the lottery and the costs resulting from any contract or contracts entered into for promotional, advertising, or operational services or for the purchase or lease of lottery equipment and materials, but the payment of such costs shall not exceed fifteen percent of the gross annual revenue from such lottery, (iii) for the repayment of any moneys appropriated to the state lottery fund pursuant to sections 36 and 37, chapter 7, Laws of 1982 2nd ex. sess., and (iv) for))~~ transfers to the lottery administrative account created by RCW 67.70.260, and (iii) transfer to the state's general fund~~((: PROVIDED, That no less than forty percent of the gross annual revenue from the sale of lottery tickets or shares shall be transferred to the state general fund))~~. Transfers to the state general fund shall be made in compliance with RCW 43.01.050;
 - (1) Such other matters necessary or desirable for the efficient and economical operation and administration of the lottery and for the convenience of the purchasers of tickets or shares and the holders of winning tickets or shares.
 - (2) To ensure that in each place authorized to sell lottery tickets or shares, on the back of the ticket or share, and in any advertising or promotion there shall be conspicuously displayed an estimate of the probability of purchasing a winning ticket.

(3) To amend, repeal, or supplement any such rules from time to time as it deems necessary or desirable.

(4) To advise and make recommendations to the director for the operation and administration of the lottery.

*Sec. 2. Section 5, chapter 7, Laws of 1982 2nd ex. sess. and RCW 67.70.050 are each amended to read as follows:

There is created the office of director of the state lottery. The director shall be appointed by the governor with the consent of the senate. The director shall serve at the pleasure of the governor and shall receive such salary as is determined by the governor, but in no case may the director's salary be more than ninety percent of the salary of the governor. The director shall:

(1) Supervise and administer the operation of the lottery in accordance with the provisions of this chapter and with the rules of the commission.

(2) Appoint such deputy and assistant directors as may be required to carry out the functions and duties of his office: PROVIDED, That the provisions of the state civil service law, chapter 41.06 RCW, shall not apply to such deputy and assistant directors.

(3) Appoint such professional, technical, and clerical assistants and employees as may be necessary to perform the duties imposed by this chapter: PROVIDED, That the provisions of the state civil service law, chapter 41.06 RCW, shall not apply to such employees as are engaged in undercover audit or investigative work or security operations but shall apply to other employees appointed by the director, except as provided for in subsection (2) of this section.

(4) In accordance with the provisions of this chapter and the rules of the commission, license as agents to sell or distribute lottery tickets such persons as in his opinion will best serve the public convenience and promote the sale of tickets or shares. The director may require a bond from every licensed agent, in such amount as provided in the rules of the commission. Every licensed agent shall prominently display his license, or a copy thereof, as provided in the rules of the commission. License fees may be established by the commission, and, if established, shall be deposited in the ((revolving fund)) state lottery account created by RCW ((~~67.70.260~~)) 67.70.230.

(5) Confer regularly as necessary or desirable with the commission on the operation and administration of the lottery; make available for inspection by the commission, upon request, all books, records, files, and other information and documents of the lottery; and advise the commission and recommend such matters as he deems necessary and advisable to improve the operation and administration of the lottery.

(6) Subject to the applicable laws relating to public contracts, enter into contracts for the operation of the lottery, or any part thereof, and into contracts for the promotion of the lottery. Contracts exceeding two thousand five hundred dollars shall be competitively bid. No contract awarded or entered

into by the director may be assigned by the holder thereof except by specific approval of the commission: PROVIDED, That nothing in this chapter authorizes the director to enter into public contracts for the regular and permanent administration of the lottery after the initial development and implementation.

(7) Certify quarterly to the state treasurer, the legislative budget committee, and the commission a full and complete statement of lottery revenues, prize disbursements, and other expenses for the preceding quarter.

(8) Publish quarterly reports showing the total lottery revenues, prize disbursements, and other expenses for the preceding quarter, and make an annual report, which shall include a full and complete statement of lottery revenues, prize disbursements, and other expenses, to the governor and the legislature, and including such recommendations for changes in this chapter as the director deems necessary or desirable.

(9) Report immediately to the governor and the legislature any matters which require immediate changes in the laws of this state in order to prevent abuses and evasions of this chapter or rules promulgated thereunder or to rectify undesirable conditions in connection with the administration or operation of the lottery.

(10) Carry on a continuous study and investigation of the lottery throughout the state: (a) For the purpose of ascertaining any defects in this chapter or in the rules issued thereunder by reason whereof any abuses in the administration and operation of the lottery or any evasion of this chapter or the rules may arise or be practiced, (b) for the purpose of formulating recommendations for changes in this chapter and the rules promulgated thereunder to prevent such abuses and evasions, (c) to guard against the use of this chapter and the rules issued thereunder as a cloak for the carrying on of professional gambling and crime, and (d) to insure that this chapter and rules shall be in such form and be so administered as to serve the true purposes of this chapter.

(11) Make a continuous study and investigation of: (a) The operation and the administration of similar laws which may be in effect in other states or countries, (b) any literature on the subject which from time to time may be published or available, (c) any federal laws which may affect the operation of the lottery, and (d) the reaction of the citizens of this state to existing and potential features of the lottery with a view to recommending or effecting changes that will tend to serve the purposes of this chapter.

(12) Have all enforcement powers granted in chapter 9.46 RCW.

(13) Perform all other matters and things necessary to carry out the purposes and provisions of this chapter.

*Sec. 2 was partially vetoed, see message at end of chapter.

****NEW SECTION. Sec. 3. A new section is added to chapter 67.70 RCW to read as follows:***

No lottery employee shall, within a period of two years after termination of employment with the commission, accept employment or engage in any business or professional activity with an employer or business which provides or promotes lottery related gaming goods or services relating to lotteries.

*Sec. 3 was vetoed, see message at end of chapter.

Sec. 4. Section 23, chapter 7, Laws of 1982 2nd ex. sess. and RCW 67.70.230 are each amended to read as follows:

There is hereby created and established a separate ~~((fund))~~ account, to be known as the state lottery ~~((fund))~~ account. Such ~~((fund))~~ account shall be managed, maintained, and controlled by the commission and shall consist of all revenues received from the sale of lottery tickets or shares, and all other moneys credited or transferred thereto from any other fund or source pursuant to law. The ~~((fund))~~ account shall be a separate ~~((fund))~~ account outside the state treasury. No appropriation is required to permit expenditures and payment of obligations from the ~~((fund))~~ account.

Sec. 5. Section 24, chapter 7, Laws of 1982 2nd ex. sess. and RCW 67.70.240 are each amended to read as follows:

The moneys in the state lottery ~~((fund))~~ account shall be used only: (1) For the payment of prizes to the holders of winning lottery tickets or shares; (2) for purposes of making deposits into the reserve account created by RCW 67.70.250 and into the ~~((revolving fund))~~ lottery administrative account created by RCW 67.70.260; (3) for purposes of making deposits into the state's general fund; ~~((and))~~ (4) for the ~~((repayment of the amounts appropriated to the fund pursuant to sections 36 and 37, chapter 7, Laws of 1982 2nd ex. sess))~~ purchase and promotion of lottery games and game-related services; and (5) for the payment of agent compensation.

The office of financial management shall require the allotment of all expenses paid from the account and shall report to the ways and means committees of the senate and house of representatives any changes in the allotments.

Sec. 6. Section 26, chapter 7, Laws of 1982 2nd ex. sess. and RCW 67.70.260 are each amended to read as follows:

There is hereby created ~~((a revolving fund into which shall be deposited sufficient money to provide for the payment of the costs incurred in the operation and administration of the lottery. The amount expended annually from the revolving fund shall never exceed fifteen percent of the gross annual revenue accruing from the sale of lottery tickets or shares. Such revolving fund))~~ the lottery administrative account in the state treasury. The account shall be managed, controlled, and maintained by the director ((and shall be a separate and independent fund outside the state treasury. No appropriation is required to permit expenditures and payment of obligations

from the fund)). The legislature may appropriate from the account for the payment of costs incurred in the operation and administration of the lottery.

NEW SECTION. Sec. 7. On the effective date of this section, all moneys in the state lottery fund shall be transferred to the state lottery account and all moneys in the revolving fund created under RCW 67.70.260 shall be transferred to the lottery administrative account.

NEW SECTION. Sec. 8. There is hereby appropriated two million two hundred seventy thousand dollars from the lottery administrative account to the Washington state lottery for the biennium ending June 30, 1985, for the purposes contained in RCW 67.70.260.

NEW SECTION. Sec. 9. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 10. This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions and shall take effect March 1, 1985.

Passed the Senate March 13, 1985.

Passed the House April 25, 1985.

Approved by the Governor May 20, 1985, with the exception of certain items which are vetoed.

Filed in Office of Secretary of State May 20, 1985.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith without my approval as to two portions Substitute Senate Bill No. 3684, entitled:

"AN ACT Relating to lotteries;"

Section 2(6) of this bill would require the lottery to competitively bid all contracts exceeding \$2,500 in value. The Lottery now competitively bids all contracts for goods. Contracts for services, however, are done on a negotiated basis when appropriate. The option of negotiating contracts in appropriate circumstance is available to all other departments, and should continue to be available to the Lottery.

Section 3 of the bill would forbid former lottery employees, (managers and rank and file alike), within two years of termination, to work for an employer that supplies or promotes lottery related goods or services. This section was apparently designed to prevent state employees from providing favored treatment to suppliers in hopes of receiving employment after termination. This concern is not without foundation, nor without countervailing concerns for the rights of individuals to use their skills and knowledge for their own benefit. Because the same potential for wrongdoing exists in several other areas of state government I believe that this situation should be treated in a comprehensive manner and more practical in scope as an amendment to the conflict of interest statutes, RCW 42.18.

With the exception of Sections 2(6) and 3, Substitute Senate Bill No. 3684 is approved."