

HOUSE BILL REPORT

EHB 3120

As Passed House:
February 27, 1998

Title: An act relating to distribution of lottery revenues to the state general fund.

Brief Description: Regarding lottery revenues.

Sponsors: Representatives Hankins, Huff, Sehlin, K. Schmidt, Cooke, Crouse, Ballasiotes, Mitchell, Skinner, Delvin and Kessler.

Brief History:

Committee Activity:

Appropriations: 2/9/98 [DP].

Floor Activity:

Passed House: 2/27/98, 94-0.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 19 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Carlson; Cooke; Crouse; Kessler; Lambert; Lisk; Mastin; McMorris; Parlette; D. Schmidt; Sehlin; Sheahan and Talcott.

Minority Report: Without recommendation. Signed by 10 members: Representatives Doumit, Assistant Ranking Minority Member; Chopp; Cody; Grant; Keiser; Kenney; Linville; Poulsen; Regala and Tokuda.

Staff: Julie Salvi (786-7349).

Background: The Legislature established the state lottery in 1982. A five-member commission, appointed by the Governor, is responsible for adopting rules governing the operation of the lottery. The original act distributed revenue from the sale of lottery tickets in this manner: 45 percent to prizes; 40 percent to the general fund; and 15 percent to a revolving fund. Money in the revolving fund is used to pay administrative costs of the Lottery Commission and sales agent discounts.

In 1985, the Legislature changed the lottery accounts and the required distribution of lottery revenues. The Legislature repealed the requirements that administrative costs be

no more than 15 percent of revenues and that the state general fund receive no less than 40 percent of revenues. The requirement that no less than 45 percent of lottery revenues be paid out in prizes was retained.

In fiscal year 1997, total revenues were \$408 million and the distribution of lottery revenue was as follows: 63 percent to prizes; 24 percent to the general fund; 12 percent for administrative costs; and 1 percent to sports stadiums.

The state lottery provides bonuses and marketing incentives to retailers of lottery products in reward of total sales, the display of promotion materials, and other benchmarks. These bonuses or incentives have included cruises and televisions. In January, the state lottery proposed a pilot program, "Partners in Education Program," that would provide cash awards to retailers to be donated to public schools and education programs.

Summary of Bill: The state lottery will not give cash bonuses or cash marketing incentives to retailers without specific legislative appropriation. The apportionment of total revenues to the general fund will comply with the proportion specified in the omnibus appropriation act.

Appropriation: None.

Fiscal Note: Requested on February 9, 1998.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: None.

Testimony Against: (Concerns) The state lottery recognizes concerns addressed in this bill regarding the declining percentage of lottery revenue going to the state general fund. In terms of absolute dollars, the state lottery revenues distributed to the general fund have increased over time. There are concerns that this bill would not address the intent of providing more lottery dollars to the general fund. In order to raise the general fund percentage to 40 percent, the percentage of revenue going to prizes would have to decline. Other states that have decreased the percentage of revenue going to prizes have also experienced decreased sales. The Washington State Lottery would expect a 6 percent decline in sales for each percentage decline in revenue for prizes, resulting in an overall decrease in dollars distributed to the general fund. The Washington State Lottery currently has the lowest percentage of sales paid back in prizes when compared with horse racing, non-tribal bingo, and pull tabs/punchboards.

Testified: Merritt Long, Director, Robert Benson and Tim Brown, Washington State Lottery (concerns).