

# HOUSE BILL REPORT

## HB 2243

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**As Reported by House Committee On:**  
Commerce & Labor

**Title:** An act relating to lottery advertisements.

**Brief Description:** Requiring lottery advertisements to include education funding levels.

**Sponsors:** Representatives Williams, Quall, Hunt, Simpson, Ormsby and Sells.

**Brief History:**

**Committee Activity:**

Commerce & Labor: 1/23/06, 2/1/06 [DPS].

**Brief Summary of Substitute Bill**

- Provides that the Washington Lottery has the duty and authority to conduct educational outreach efforts to the public about lottery funds.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Conway, Chair; Wood, Vice Chair; Hudgins, Kenney and McCoy.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Condotta, Ranking Minority Member; Chandler, Assistant Ranking Minority Member and Holmquist.

**Staff:** Sarah Dylag (786-7109).

**Background:**

The Washington State Lottery (Lottery) was authorized by the Legislature in 1982. The Lottery receives proceeds from the sales of a variety of state games and sales from the statutorily-authorized shared game lottery Mega Millions. Proceeds from the state games are placed in the State Lottery Account. Proceeds from Mega Millions are placed in the Shared Game Lottery Account. Lottery funds are used to fund stadium debt reduction, education construction, problem gambling, economic development, and the State General Fund.

Lottery funding for education began in 2001 after the voters approved Initiative 728. Initiative 728 directed Lottery funds from the State Lottery Account to two accounts, the Student Achievement Fund and the Education Construction Account. The legislation also provided

that after 2004, the net revenues from lottery games allocated for education would all be directed to the Education Construction Account.

In 2002, when legislation was enacted to allow Washington to join the shared game lottery Mega Millions, the Legislature recognized in statute that "creating a shared game lottery could result in less revenue being raised by the existing state lottery ticket sales." The 2002 legislation directed that some of the proceeds from Mega Millions be used to make up the difference that the potential state lottery revenue loss would have on education funds.

Specifically, if the amount earmarked for education from the State Lottery Account is less than \$102,000,000, the Lottery, after making statutorily-required transfers to the Problem Gambling Account, must transfer revenue from the Shared Game Lottery Account to the Education Construction Account to bring the total revenue up to \$102,000,000. Once the statutorily-required transfers to the Problem Gambling Account and the \$102,000,000 education contribution level is met, any additional revenue from Mega Millions benefits the State General Fund.

According to the Lottery's 2005 annual report, the Lottery contributed \$102,000,000 to education construction in Fiscal Year 2005.

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### **Summary of Substitute Bill:**

The Legislature recognizes that accurate information about the use of Lottery funds is necessary to clarify understanding of Lottery advertisements. The Legislature intends that the Lottery have the duty and authority to conduct educational outreach efforts related to Lottery funds.

The Lottery has the duty and authority to conduct educational outreach efforts to the public including:

- educating the public about the use of moneys in the State Lottery;
- educating the public about the amount the Lottery contributes to the Education Construction Fund; and
- educating the public about the amount the Lottery contributes to the Education Construction Fund compared to the total amount in the education construction fund.

### **Substitute Bill Compared to Original Bill:**

The bill required all advertisements on behalf of the Lottery to contain a statement regarding education funding levels. The substitute bill removes this requirement. The substitute bill gives the Lottery the duty and authority to conduct an educational outreach effort.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** (In support) This legislation was inspired by conversation with citizens who believe that the Lottery is covering a very significant portion of the cost of education. The bill requires Lottery advertisements to make it clear that Lottery funds education at levels less than 1 percent of the state budget. This is in line with the state's commitment to open government.

The Lottery's website indicates that it contributed \$102,000,000 to education construction in 2005. To provide a real life example, in one school district in the state there is a \$112,000,000 education construction levy. The renovation of just one school in that district costs more than half of the entire revenue provided by the entire state Lottery to education in one year.

National studies show that there is little or no evidence that overall funding has increased for the targeted recipients of lottery revenues. The only result has been to increase the discretionary funds available to the Legislature.

Success in advancing responsible fiscal policy relies on informed citizens. This bill is a step in the right direction.

(With concerns) We understand the intent of the bill. However, true outreach is going on. The Lottery has initiated focus groups in which input is well received and respected. The Lottery is already trying to change their advertising campaign.

(Neutral with concerns) There is a new Director at the Lottery and as a result of that a series of meetings occurred over the interim with stakeholders, including Washington Education Association and Office of the Superintendent of Public Instruction. The effort of these meetings was to gain understanding from the education community about how the Lottery conveys the message about education funding. As a result of that, there has been a development of common understanding and there is a flier that will be distributed. The flier represents \$500,000 of advertising.

The Lottery is trying to dispel the mystery about where Lottery funding goes. It is not just to education, but also to the stadiums, to problem gambling, and the economic development account. People participate in the Lottery when they know where the money goes and who the winners are. The Lottery is trying to convey that.

The fiscal note shows one-time costs of changing print media and ticket stock.

This bill adds one more thing that will need to be recited in a broadcast Lottery ad. Broadcast Lottery ads already includes statements about: (1) you have to be 18 to gamble; (2) you should know your limits and gamble responsibly; (3) the number of the problem gambling helpline; and (4) the odds of the game. This would add an additional thing to state.

The concept of this bill can be supported because truth-in-advertising is important and there is concern about the confusion regarding Lottery dollars. However, since this bill was

introduced, the Lottery has had meetings with stakeholders regarding their advertising. The pressure from this bill has already provided some positive work.

**Testimony Against:** None.

**Persons Testifying:** (In support) Representative Williams, prime sponsor.

(In support with concerns) Dan Steele, Washington State School Directors Association.

(Neutral with concerns) Lynn Maier, Washington Lottery Legislative Liaison; Lucinda Young, Washington Education Association; and Becky Bogard, Washington State Association of Broadcasters.

**Persons Signed In To Testify But Not Testifying:** None.