

SENATE BILL REPORT

SB 6409

As Reported by Senate Committee On:
Higher Education & Workforce Development, February 2, 2010
Ways & Means, February 22, 2010

Title: An act relating to creating the Washington investment in excellence account.

Brief Description: Creating the Washington investment in excellence account.

Sponsors: Senators Kastama, Rockefeller, Shin and Kohl-Welles.

Brief History:

Committee Activity: Higher Education & Workforce Development: 1/27/10, 2/02/10
[DPS-WM, DNP, w/oRec].
Ways & Means: 2/17/10, 2/22/10 [DP2S, w/oRec].

SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6409 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kilmer, Chair; Kastama, Vice Chair; Jacobsen, McAuliffe, Shin and Tom.

Minority Report: Do not pass.

Signed by Senators Pflug and Stevens.

Minority Report: That it be referred without recommendation.

Signed by Senator Hewitt.

Staff: Aldo Melchiori (786-7439)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6409 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Fairley, Hobbs, Keiser, Kline, Kohl-Welles, Murray, Oemig, Pridemore and Rockefeller.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Carrell, Honeyford, Parlette, Pflug and Schoesler.

Staff: Tim Yowell (786-7435)

Background: Legislation creating Washington's lottery was approved during a 1982 special session of the Legislature called to deal with a projected budget deficit. The bill required that the state general fund receive the state's share of the revenue. In 2000 Washington voters approved I-728 (the K-12 2000 Student Achievement Act), which redirected lottery revenue contributions from the state general fund to education funds beginning July 1, 2001. On April 3, 2002, Governor Gary Locke signed legislation which allowed Washington's lottery to join the multistate lottery Mega Millions effective June 2002.

Profit from all lottery games must benefit education up to the level of \$102 million annually. Once the \$102 million contribution level for education has been reached, any additional net revenues from Mega Millions benefit the general fund while other lottery games continue to benefit education. From July 1, 2004, to July 1, 2009, all lottery net revenues allocated for education were sent to the education construction fund to help build, renovate, and remodel schools throughout the state.

In 2009 the Legislature redirected lottery dollars for education as well as economic development contributions to the state general fund to support a range of state programs, including education. On July 1, 2009, lottery funds were redirected from the education construction fund to the general fund for the 2009-11 biennium. Also in 2009 the Legislature approved the sale of the multi-state game Powerball. While the education construction fund has been lottery's largest beneficiary, the lottery has been directed by the Legislature to make contributions to stadium funding and problem gambling prevention and treatment.

Summary of Bill (Recommended Second Substitute): The Washington Opportunity Pathways Account is created. Beginning in state fiscal year 2011, all net revenues from in-state lottery games that are not otherwise dedicated to debt service on the Safeco Stadium and Qwest Field and Exhibition Center are dedicated to the new account. Additionally, as much revenue from multi-state games as is necessary to assure at least \$102 million of deposits into the Opportunity Pathways Account is also dedicated to the account.

The Washington Opportunity Pathways Account is subject to appropriation by the Legislature, and may only be used for the following programs: recruitment of entrepreneurial researchers, innovation partnership zones, and research teams; the early childhood education and assistance program (ECEAP); the State Need Grant; the State Work Study program; College Bound Scholarships; Washington Promise Scholarships; Washington Scholars; the Washington Award for Vocational Excellence (WAVE); the Passport to College Promise; the Educational Opportunity Grant; and GET Ready for Math & Science Scholarships.

Each year beginning in fiscal year 2011, \$102 million is transferred from the state General Fund to the Education Construction Account.

The Lottery Commission is to report to the legislative committees on commerce, economic development, and higher education on marketing strategies and revenue projections for the re-branded lottery by September 1 and by December 1, 2010.

The Joint Legislative Audit and Review Committee is to complete a performance review of the Lottery Commission's marketing expenditures and incentive pay structure by November 2010.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Second Substitute): The account is named the Washington Opportunity Pathways Account, and made subject to legislative appropriation.

The following programs are added to those that may be funded from the account: the early childhood education and assistance program (ECEAP); the State Need Grant; Washington Scholars; and the Washington Award for Vocational Excellence.

\$102 million per year is transferred from the General Fund to the Education Construction Account.

The JLARC performance review and the reports to legislative committees on marketing strategy and revenue targets are added.

EFFECT OF CHANGES MADE BY HIGHER EDUCATION & WORKFORCE DEVELOPMENT COMMITTEE (Recommended First Substitute): Funds may also be used to fund the state work study program. A technical change is made to conform a potentially conflicting statute.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill (Higher Education & Workforce Development): PRO: Higher education is essential for the personal growth of our citizens and the economic growth of the state. The marketing used in other states encourages sales as a benefit to higher educational attainment and access. The scholarships included in the bill target students that need financial help to fulfill their goals. This will help enhance research opportunities for graduate students. It provides an opportunity for students to become contributors to our state's economic recovery. The state's long-term growth depends on higher educational attainment.

OTHER: This is one way for the state to provide dedicated funding for financial aid.

Persons Testifying (Higher Education & Workforce Development): PRO: Senator Kastama, prime sponsor; Jamie Moore, WA Student Association; Sarah Reyneveld, Graduate

and Professional Student Senate; Tommy Bauer, John Wheeler, Associated Students of UW-Tacoma; Sherry Burkey, WWU; Ann Anderson, CWU; Margaret Shepherd, UW; Chris Thompson, HECB; Julie Suchaneck, TESC.

OTHER: Jacque Coe, Arlen Harris, WA State Lottery.

Staff Summary of Public Testimony on Recommended Substitute Bill (Ways & Means):

PRO: Washington could generate significantly more money from it if the lottery were marketed as being for college opportunities rather than for frivolous things. It isn't marketed as being for education now because of concerns such marketing would create the public impression that K-12 is fully funded, and thus reduce support for passage of local school levies. The State Work Study program should be funded because it provides jobs for students, while also benefitting local employers and the public universities in their capacity as employers. The State Work Study program is the only form of direct state financial aid available to graduate and professional students. Innovation Partnership Zones need to be funded because they foster collaboration between researchers and business, which in turn promotes innovation and economic development. Recruitment of star researchers needs to be funded because that will support the University of Washington's research programs. Four out of five EWU students receive some form of state financial aid, and the bill provides a way to assure there is adequate funding for those programs. The state lottery should be considered a raffle, not gambling. More people would buy lottery tickets if they considered it a raffle for higher education scholarships. The goal isn't to diminish funding for K-12 or the tribes, but to secure a funding source for higher education scholarships.

CON: The WEA opposes the bill because it would permanently divert funding from the School Construction Account. There are many antiquated and inadequate K-12 facilities in the state. Diverting \$102 million per year from School Construction makes it more difficult to replace and repair those facilities.

Persons Testifying (Ways & Means): PRO: Senator Kastama, prime sponsor; Thomas Bauer, Associated Students of UW-Tacoma; Marcus Sweetser, Associated Students of Bellevue College; Mike Bogatay, Associated Students of Washington; John McKean, Associated Students of CWU; Sarah Reyneveld, UW Graduate & Professional Students Association; Jordan Johnston, Associated Students of EWU; Peter Sterr, Associated Students of WSU-Vancouver; Sam Shaddox, Associated Students of WSU; Larry Ganders, WSU; Sherry Burkey, WWU; Marsha Riddle Buly, Council of Faculty Representatives; Jamie Marine, Associated Students of WWU; Lynne Cyr, Seattle Pacific University student.

CON: Randy Parr, Washington Education Association.