

HOUSE BILL REPORT

HB 1125

As Reported By House Committee On:
Commerce & Labor

Title: An act relating to prohibiting certain lottery activities.

Brief Description: Prohibiting certain lottery activities.

Sponsors: Representatives Heavey, Pruitt and G. Cole.

Brief History:

Reported by House Committee on:
Commerce & Labor, January 26, 1993, DP.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 7 members:
Representatives Heavey, Chair; G. Cole, Vice Chair; Lisk,
Ranking Minority Member; Chandler, Assistant Ranking
Minority Member; Franklin; Horn; and Veloria.

Minority Report: Do not pass. Signed by 2 members:
Representatives King and Springer.

Staff: Jim Kelley (786-7166).

Background: The Washington State Lottery was authorized by the Legislature in 1982. The statutory mission of the lottery is to "produce the maximum amount of net revenues for the state consonant with the dignity of the state and the general welfare of the people." Since the lottery was established, revenues have grown substantially, as have the number of games offered. The first games offered, in 1982, were "Scratch games," where a player buys a ticket for \$1 and scratches off several covered blocks on the ticket in hopes of finding a winning combination of numbers or symbols.

In 1984, the lottery introduced Lotto and the Daily Game. Both of these games are traditional "numbers" games. Lotto drawings now occur twice per week. The player selects, or has the computer select, 6 numbers out of a field of 49. The state selects 6 winning numbers. If the player's 6 numbers match the winning numbers, the player will win at least \$1 million. If more than one player wins, the winners will share the prize of at least \$1 million. The odds of

winning the grand prize are approximately 7 million-to-one. If a player matches three through five of the winning numbers, he or she receives a smaller payout.

The Daily Game is basically the same as Lotto, except the field of numbers is from "0" to "9". The player selects two or three numbers and the state selects three winning numbers. Prizes depend on how many numbers were selected and whether the player chose to bet that they would come up in a specific order.

In 1990, the lottery introduced Quinto. Quinto is similar to Lotto, except instead of using numbers, the game uses playing card symbols, and the player selects five cards as does the state. In Quinto, the grand prize begins at \$100,000 and increases by \$100,000 after each weekly drawing in which no player wins the grand prize. These prizes are paid in a lump sum. In 1992, the lottery added a new twist to the Quinto game, with its Beat the State game. Beat the State allows the player to use his or her five Quinto card symbols as a poker hand against the "hand" held by the state. Trying to cash in on the lucrative pull tab market, the lottery last year test marketed Scratch Tabs. These are essentially pull tabs that the player scratches off instead of pulling off the tabs. Prizes are smaller, but are awarded more frequently than in other lottery games.

Late in 1992, the lottery introduced Daily Keno. Keno is a numbers game that is frequently played in Las Vegas-style casinos. Out of a field of 80 numbers, a player may select up to 10 and the state selects 20 winning numbers. The size of any prize awarded depends upon how many numbers the player selected and how many matched the winning numbers. The top prize on a \$1 bet is \$100,000, for which the odds are approximately 1 in 9 million. The Lottery Commission considered whether a new Keno game would be offered with drawings every five or 10 minutes. However, after intense public debate, the commission decided on a Keno game with daily drawings.

All lottery games combined produced \$109.6 million for the state general fund in fiscal year 1992. In all, \$258.9 million was wagered on lottery games in 1991. This was approximately a 73 percent increase from 1985.

Summary of Bill: The state lottery may not conduct any game designated as Keno. Drawings for on-line lottery games shall not occur more frequently than once every 24 hours. Tickets for on-line lottery games may be sold for the next scheduled drawing only.

Fiscal Note: Requested January 25, 1993.

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

Testimony For: There are 270 licensed charitable organizations conducting bingo. The Charitable Gaming Association opposes any expansion of gambling because it creates additional competition for the funding upon which the charities rely. Retailers are opposed to Keno if it is played more frequently than once every 24 hours. They do not want their stores turned into gambling parlors.

Testimony Against: Last biennium the Lottery had to develop a new game in order to meet revenue projections. The commission voted unanimously not to have five or 10 minute Keno and instead opted for Daily Keno. Oregon and five other states have five minute Keno and it has provided a large amount of revenue. In the nine weeks in which we have offered the game, our revenue is 50 percent higher than our projections. The public supports this game. This bill would cause a significant decrease in our projected revenues.

Witnesses: James Hattori, Chair, Washington State Lottery Commission (had concerns); Evelyn Yenson, Director, Washington State Lottery (had concerns); Roger Wilson, Deputy Director, Washington State Lottery (had concerns); Bill Fritz, Washington Civic and Charitable Gaming Association (in favor); and Jim Boldt, Washington State Food Dealers Association (in favor).