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**SUBSTITUTE HOUSE BILL 1685**

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**State of Washington**

**55th Legislature**

**1997 Regular Session**

**By** House Committee on Capital Budget (originally sponsored by Representatives Hankins, Mitchell, Sehlin, Ogden, Carlson, Johnson, Talcott, K. Schmidt, Radcliff, Parlette, Dyer, Skinner, Honeyford, Zellinsky, Keiser, Dickerson, O'Brien, Blalock, Chopp, Hatfield, Regala, Conway, Lantz, Kenney, Wood, Doumit, Morris, Kessler and Cooke)

Read first time 03/10/97.

1 AN ACT Relating to the creation of a school construction endowment  
2 with associated property tax reductions; amending RCW 67.70.040 and  
3 67.70.240; adding a new section to chapter 84.55 RCW; creating a new  
4 section; providing an effective date; and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that the student  
7 population in the public school system is growing and that there exists  
8 a high demand for construction of new schools and modernization of  
9 existing schools and that only about one-half of the future demand for  
10 state school facility funding can be financed by school trust land  
11 timber revenues. The legislature finds that providing adequate funding  
12 for school facilities through a mechanism that provides a stable and  
13 perpetual source of income to supplement school trust land revenues is  
14 consistent with the vision of the permanent school fund created in the  
15 state Constitution. The legislature also finds that reducing state  
16 property taxes will lessen the tax burden on property owners and  
17 indirectly benefit local school bond levies.

18 (2) The purpose of this act is to utilize current state lottery  
19 revenues to fund an endowment that will provide a perpetual source of

1 income for construction of school facilities and eliminate the need for  
2 state indebtedness to finance future construction and modernization of  
3 public school facilities. The money deposited into the permanent  
4 common school fund will be invested and the interest earnings will be  
5 dedicated to funding school construction. After eight years the  
6 lottery revenues should deposit at least one billion dollars into the  
7 endowment fund and then the lottery revenues will be used to reduce the  
8 state property tax by the amount of lottery revenue.

9 **Sec. 2.** RCW 67.70.040 and 1994 c 218 s 4 are each amended to read  
10 as follows:

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

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

19 (a) The type of lottery to be conducted which may include the  
20 selling of tickets or shares. The use of electronic or mechanical  
21 devices or video terminals which allow for individual play against such  
22 devices or terminals shall be prohibited. Approval of the legislature  
23 shall be required before entering any agreement with other state  
24 lotteries to conduct shared games;

25 (b) The price, or prices, of tickets or shares in the lottery;

26 (c) The numbers and sizes of the prizes on the winning tickets or  
27 shares;

28 (d) The manner of selecting the winning tickets or shares;

29 (e) The manner and time of payment of prizes to the holder of  
30 winning tickets or shares which, at the director's option, may be paid  
31 in lump sum amounts or installments over a period of years;

32 (f) The frequency of the drawings or selections of winning tickets  
33 or shares. Approval of the legislature is required before conducting  
34 any on-line game in which the drawing or selection of winning tickets  
35 occurs more frequently than once every twenty-four hours;

36 (g) Without limit as to number, the type or types of locations at  
37 which tickets or shares may be sold;

38 (h) The method to be used in selling tickets or shares;

1 (i) The licensing of agents to sell or distribute tickets or  
2 shares, except that a person under the age of eighteen shall not be  
3 licensed as an agent;

4 (j) The manner and amount of compensation, if any, to be paid  
5 licensed sales agents necessary to provide for the adequate  
6 availability of tickets or shares to prospective buyers and for the  
7 convenience of the public;

8 (k) The apportionment of the total revenues accruing from the sale  
9 of lottery tickets or shares and from all other sources among: (i) The  
10 payment of prizes to the holders of winning tickets or shares, which  
11 shall not be less than forty-five percent of the gross annual revenue  
12 from such lottery(~~(7)~~); (ii) transfers to the lottery administrative  
13 account created by RCW 67.70.260(~~(7—and)~~); (iii) transfer to the  
14 state's general fund; and (iv) transfers to the permanent common school  
15 fund. Transfers to the state general fund shall be made in compliance  
16 with RCW 43.01.050;

17 (1) Such other matters necessary or desirable for the efficient and  
18 economical operation and administration of the lottery and for the  
19 convenience of the purchasers of tickets or shares and the holders of  
20 winning tickets or shares.

21 (2) To ensure that in each place authorized to sell lottery tickets  
22 or shares, on the back of the ticket or share, and in any advertising  
23 or promotion there shall be conspicuously displayed an estimate of the  
24 probability of purchasing a winning ticket.

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

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

29 **Sec. 3.** RCW 67.70.240 and 1995 3rd sp.s. c 1 s 105 are each  
30 amended to read as follows:

31 The moneys in the state lottery account shall be used only: (1)  
32 For the payment of prizes to the holders of winning lottery tickets or  
33 shares; (2) for purposes of making deposits into the reserve account  
34 created by RCW 67.70.250 and into the lottery administrative account  
35 created by RCW 67.70.260; (3) for purposes of making deposits into the  
36 state's general fund; (4) for purposes of making deposits into the  
37 (~~housing trust fund under the provisions of section 7 of this 1987~~  
38 ~~act~~) permanent common school fund; (5) for distribution to a county

1 for the purpose of paying the principal and interest payments on bonds  
2 issued by the county to construct a baseball stadium, as defined in RCW  
3 82.14.0485, including reasonably necessary preconstruction costs; (6)  
4 for the purchase and promotion of lottery games and game-related  
5 services; and (7) for the payment of agent compensation. Sixty-two  
6 million five hundred thousand dollars shall be deposited into the  
7 permanent common school fund under subsection (4) of this section  
8 during each fiscal year beginning fiscal year 2000 to fiscal year 2015.  
9 No deposits shall be made under subsection (4) of this section after  
10 June 30, 2015. Three million dollars shall be distributed under  
11 subsection (5) of this section during calendar year 1996. During  
12 subsequent years, such distributions shall equal the prior year's  
13 distributions increased by four percent. Distributions under  
14 subsection (5) of this section shall cease when the bonds issued for  
15 the construction of the baseball stadium are retired, but not more than  
16 twenty years after the tax under RCW 82.14.0485 is first imposed.

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

21 NEW SECTION. Sec. 4. A new section is added to chapter 84.55 RCW  
22 to read as follows:

23 (1) As used in this section, "full levy" means the levy amount that  
24 would be allowed otherwise under this chapter without regard to this  
25 section.

26 (2) The state property tax levy for collection in 2015 and  
27 thereafter shall be the full levy reduced by the amount of lottery  
28 revenues deposited into the general fund under RCW 67.70.240.

29 NEW SECTION. Sec. 5. If any provision of this act or its  
30 application to any person or circumstance is held invalid, the  
31 remainder of the act or the application of the provision to other  
32 persons or circumstances is not affected.

33 NEW SECTION. Sec. 6. This act is necessary for the immediate  
34 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and takes effect  
2 July 1, 1997.

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