
HOUSE BILL 2946

State of Washington

57th Legislature

2002 Regular Session

By Representatives Gombosky, Clements, Kessler, Morris, Sommers, Doumit, Grant, Reardon, Kirby and Ogden

Read first time 02/11/2002. Referred to Committee on Commerce & Labor.

1 AN ACT Relating to authorizing video lottery games to provide a
2 funding source for the new twenty-first century account; amending RCW
3 67.70.040, 67.70.200, and 67.70.230; adding new sections to chapter
4 67.70 RCW; adding a new section to chapter 28B.80 RCW; and providing an
5 effective date.

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

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 67.70 RCW
8 to read as follows:

9 (1) The commission may initiate a game or games using video
10 devices.

11 (2) In the approval and purchase of video lottery games, game
12 terminals, and equipment, the commission and any game operator,
13 distributor, retailer, or owner shall prefer goods or services that
14 have been manufactured in this state if price, fitness, and quality are
15 otherwise equal.

16 (3) The commission shall separately record and account for the
17 costs and net proceeds of games operated under this section. At the
18 time the state treasurer makes the quarterly transfer of net proceeds
19 provided for under RCW 67.70.200, the commission shall certify to the

1 treasurer the amount of the transfer which represents the net proceeds
2 of games provided for in subsection (1) of this section.

3 (4) Video lottery terminals operated under authority of the
4 commission are specifically exempted from the provisions of 15 U.S.C.
5 Sec. 1172.

6 NEW SECTION. **Sec. 2.** A new section is added to chapter 67.70 RCW
7 to read as follows:

8 (1) A video lottery game terminal that offers a video lottery game
9 authorized by the director may not be placed for operation except on
10 the premises of an establishment that has entered into contract with
11 the director to provide video lottery game services. The terminal must
12 be within the control of an employee of the video lottery game
13 retailer.

14 (2) A video lottery game terminal that offers a video lottery game
15 authorized by the director may not be placed for operation except on
16 the premises of an establishment licensed by the state liquor control
17 board to sell alcoholic beverages for consumption on the premises. A
18 video lottery game terminal may not be placed in any part of the
19 premises that is not restricted to persons of age twenty-one and older.

20 (3) The number of video lottery machines that may be placed on the
21 premises described in subsection (2) of this section is limited as
22 follows:

23 (a) For an establishment licensed by the state liquor control board
24 to sell alcoholic beverages under RCW 66.24.330, no more than ten
25 machines;

26 (b) For commercial operators licensed by the gambling commission
27 under chapter 9.46 RCW to conduct social card games, no more than one
28 hundred machines; and

29 (c) For an establishment or operator other than those specifically
30 enumerated in this section, no more than five machines.

31 (4) The director may not allow licensees to operate more than five
32 thousand terminals statewide.

33 **Sec. 3.** RCW 67.70.040 and 1994 c 218 s 4 are each amended to read
34 as follows:

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

36 (1) To promulgate such rules governing the establishment and
37 operation of a state lottery as it deems necessary and desirable in

1 order that such a lottery be initiated at the earliest feasible and
2 practicable time, and in order that such lottery produce the maximum
3 amount of net revenues for the state consonant with the dignity of the
4 state and the general welfare of the people. Such rules shall include,
5 but shall not be limited to, the following:

6 (a) The type of lottery to be conducted which may include the
7 selling of tickets or shares. (~~The use of electronic or mechanical~~
8 ~~devices or video terminals which allow for individual play against such~~
9 ~~devices or terminals shall be prohibited.~~) Approval of the
10 legislature shall be required before entering any agreement with other
11 state lotteries to conduct shared games;

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

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

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

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

19 (f) The frequency of the drawings or selections of winning tickets
20 or shares. With the exception of video lottery games as authorized
21 under section 1 of this act, approval of the legislature is required
22 before conducting any on-line game in which the drawing or selection of
23 winning tickets occurs more frequently than once every twenty-four
24 hours;

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

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

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

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

35 (k) The apportionment of the total revenues accruing from the sale
36 of lottery tickets or shares and from all other sources among: (i) The
37 payment of prizes to the holders of winning tickets or shares, which
38 shall not be less than forty-five percent of the gross annual revenue
39 from such lottery, (ii) transfers to the lottery administrative account

1 created by RCW 67.70.260, and (iii) transfer to the state's general
2 fund. Transfers to the state general fund shall be made in compliance
3 with RCW 43.01.050;

4 (1) Such other matters necessary or desirable for the efficient and
5 economical operation and administration of the lottery and for the
6 convenience of the purchasers of tickets or shares and the holders of
7 winning tickets or shares.

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

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

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

16 **Sec. 4.** RCW 67.70.200 and 1987 c 511 s 9 are each amended to read
17 as follows:

18 The director, in his or her discretion, may require any or all
19 lottery sales agents to deposit (~~to the credit of the state lottery~~
20 ~~account~~) in banks designated by the state treasurer, all moneys
21 received by such agents from the sale of lottery tickets or shares,
22 less the amount, if any, retained as compensation for the sale of the
23 tickets or shares(~~, and~~). Money from the sale of lottery tickets or
24 shares for video lottery games shall be deposited to the credit of the
25 video lottery game account. Money from the sales of lottery tickets or
26 shares for all other games shall be deposited to the credit of the
27 state lottery account. The director may also require lottery sales
28 agents to file with the director or his or her designated agents,
29 reports of their receipts and transactions in the sale of lottery
30 tickets in such form and containing such information as he or she may
31 require. The director may make such arrangements for any person,
32 including a bank, to perform such functions, activities, or services in
33 connection with the operation of the lottery as he or she may deem
34 advisable pursuant to this chapter and the rules of the commission, and
35 such functions, activities, or services shall constitute lawful
36 functions, activities, and services of such person.

1 **Sec. 5.** RCW 67.70.230 and 1985 c 375 s 4 are each amended to read
2 as follows:

3 (1) There is hereby created and established a separate account, to
4 be known as the state lottery account. Such account shall be managed,
5 maintained, and controlled by the commission and shall consist of all
6 ((revenues received from the sale of lottery tickets or shares)) moneys
7 credited to the account under RCW 67.70.200, and all other moneys
8 credited or transferred thereto from any other fund or source pursuant
9 to law. The account shall be a separate account outside the state
10 treasury. No appropriation is required to permit expenditures and
11 payment of obligations from the account.

12 (2) There is hereby created and established a separate account, to
13 be known as the video lottery game account. Such account shall be
14 managed, maintained, and controlled by the commission and shall consist
15 of all moneys credited to the account under RCW 67.70.200 and all other
16 moneys credited or transferred thereto from any other fund or source
17 pursuant to law. The account shall be a separate account outside the
18 state treasury. No appropriation is required to permit expenditures
19 and payment of obligations from the account.

20 NEW SECTION. **Sec. 6.** A new section is added to chapter 67.70 RCW
21 to read as follows:

22 Money in the video lottery game account shall be used only:

23 (1) For the payment of prizes to the holders of winning video
24 lottery tickets or shares;

25 (2) For purposes of making deposits into the lottery administrative
26 account created by RCW 67.70.260;

27 (3) For the purchase and promotion of video lottery games and game-
28 related services;

29 (4) For the payment of agent compensation; and

30 (5) For purposes of making deposits into the student achievement
31 fund and the new twenty-first century account created under section 7
32 of this act. The treasurer shall transfer money in the account not
33 otherwise obligated under subsections (1) through (4) of this section,
34 to these funds, as follows:

35 (a) For the student achievement fund, the treasurer shall transfer
36 sufficient money, as available, from the video lottery game account to
37 meet the per student state funding criterion for the maintenance and
38 operation of K-12 education provided under RCW 43.135.045(3);

1 (b) For the new twenty-first century account, if the criterion
2 under (a) of this subsection has been met, the treasurer shall transfer
3 all remaining money in the video lottery game account.

4 NEW SECTION. **Sec. 7.** A new section is added to chapter 28B.80 RCW
5 to read as follows:

6 (1) The new twenty-first century account is created in the state
7 treasury. The account shall consist of all money transferred to the
8 account under section 6 of this act and all other money credited or
9 transferred from any other fund or source pursuant to law. Money in
10 the account may be spent only after appropriation.

11 (2) Expenditures from the new twenty-first century account may not
12 be used for any purpose except the following:

13 (a) To provide funding for the Washington promise scholarship
14 program;

15 (b) To provide funding for state need grants;

16 (c) To help fund high demand enrollments; and

17 (d) To fund other financial aid and assistance programs at
18 institutions of higher education as defined in chapter 28B.10 RCW.

19 NEW SECTION. **Sec. 8.** A new section is added to chapter 67.70 RCW
20 to read as follows:

21 (1) Upon the request of the commission or the director, the
22 attorney general and the state patrol shall furnish to the director
23 information that may assure security, integrity, honesty, and fairness
24 in the operation and administration of video lottery games as the
25 attorney general and the state patrol may have in their possession,
26 including, but not limited to, manual or computerized information and
27 data.

28 (2) In order to determine an applicant's suitability to enter into
29 a contract with the lottery to operate video lottery games, each
30 applicant shall be fingerprinted. The director shall submit to the
31 United States department of justice-federal bureau of investigation,
32 for the purpose of verifying the identity of the following persons and
33 conducting national criminal history background checks, fingerprints of
34 each person for whom section 9 of this act or an administrative rule of
35 the commission requires disclosure of the person's name and address.

1 NEW SECTION. **Sec. 9.** A new section is added to chapter 67.70 RCW
2 to read as follows:

3 (1) The commission shall adopt rules specifying the terms and
4 conditions for contracting with video lottery game retailers to provide
5 adequate and convenient availability of tickets or shares to
6 prospective buyers of each video lottery game as appropriate for each
7 game. The foregoing does not preclude the lottery from selling tickets
8 or shares directly to the public.

9 (2)(a) The director shall, pursuant to this chapter, and the rules
10 of the commission, select as video lottery game retailers persons
11 deemed to best serve the public convenience and promote the sale of
12 tickets or shares. No person under the age of eighteen shall be a
13 video lottery game retailer. In the selection of a video lottery game
14 retailer, the director shall consider factors such as financial
15 responsibility, integrity, reputation, accessibility of the place of
16 business or activity to the public, security of the premises, the
17 sufficiency of existing video lottery game retailers for any particular
18 video lottery game to serve the public convenience, and the projected
19 volume of sales for the video lottery game involved.

20 (b) Prior to the execution of any contract with a video lottery
21 game retailer, the video lottery game retailer shall disclose to the
22 lottery the names and addresses of the following:

23 (i) If the video lottery game retailer is a corporation, but not a
24 private club as described under chapter 66.24 RCW, the officers,
25 directors, and each stockholder in the corporation except that, in the
26 case of stockholders of publicly held equity securities of a publicly
27 traded corporation, only the names and addresses of those known to the
28 corporation to beneficially own five percent or more of the securities
29 need be disclosed;

30 (ii) If the video lottery game retailer is a trust, the trustee and
31 all persons entitled to receive income or benefit from the trust;

32 (iii) If the video lottery game retailer is an association, but not
33 a private club as described in chapter 66.24 RCW, the members,
34 officers, and directors;

35 (iv) If the video lottery game retailer is a subsidiary, but not a
36 private club as described in chapter 66.24 RCW, the officers,
37 directors, and each stockholder of the parent corporation except that,
38 in the case of stockholders of publicly held equity securities of a
39 publicly traded corporation, only the names and addresses of those

1 known to the corporation to beneficially own five percent or more of
2 the securities need be disclosed;

3 (v) If the video lottery game retailer is a partnership or joint
4 venture, all of the general partners, limited partners, or joint
5 venturers;

6 (vi) If the parent company, general partner, limited partner, or
7 joint venturer of any video lottery game retailer is itself a
8 corporation, trust association, subsidiary, partnership, or joint
9 venturer, then all of the information required in this section shall be
10 disclosed for the other entity as if it were itself a video lottery
11 game retailer to the end that full disclosure of ultimate ownership be
12 achieved;

13 (vii) If any member, eighteen years of age or older, of the
14 immediate family of any video lottery game retailer, or any member,
15 eighteen years of age or older, of the immediate family of any
16 individual whose name is required to be disclosed under this subsection
17 (2)(b), is involved in the video lottery game retailer's business in
18 any capacity, then all of the information required in this section
19 shall be disclosed for the immediate family member as if the family
20 member were a video lottery game retailer;

21 (viii) If the video lottery game retailer is a private club as
22 described in chapter 66.24 RCW, the treasurer, officers, directors, and
23 trustees who oversee or direct the operation of the food, beverage,
24 video lottery, or other gambling-related activities of the private club
25 and each manager in charge of the food, beverage, video lottery, or
26 other gambling-related activities of the private club.

27 (c) The director may require full disclosure of any immediate
28 family member of any video lottery game retailer who is involved in the
29 video lottery game retailer's business as if the family member were a
30 video lottery game retailer if the director has just cause to believe
31 the family member may be a threat to the integrity, honesty, fairness,
32 or security of the lottery and its games.

33 (d) The commission may refuse to grant a video lottery game retail
34 contract to any video lottery game retailer or any natural person whose
35 name is required to be disclosed under (b) of this subsection, who has
36 been convicted of violating any gambling laws of this state, general or
37 local, or has been convicted at any time of any crime. The lottery may
38 require payment by each video lottery game retailer to the lottery of

1 an initial nonrefundable application fee or an annual fee, or both, to
2 maintain the contract to be a video lottery game retailer.

3 (e) No person shall be a video lottery game retailer who is engaged
4 exclusively in the business of selling video lottery tickets or shares.
5 A person lawfully engaged in nongovernmental business on state or
6 political subdivision property or an owner or lessee of a premises
7 which lawfully sells alcoholic beverages may be selected as a video
8 lottery game retailer. State agencies, except for the state lottery,
9 political subdivisions, or their agencies or departments may not be
10 selected as a video lottery game retailer. The director may contract
11 with video lottery game retailers on a permanent, seasonal, or
12 temporary basis.

13 (3) The authority to act as a video lottery game retailer shall not
14 be assignable or transferable.

15 (4) The director may terminate a contract with a video lottery game
16 retailer for reasons of termination, as provided in the contract, which
17 may include, but not be limited to, the knowing sale of video lottery
18 tickets or shares to any person under the age of eighteen years.

19 (5) Notwithstanding subsection (4) of this section, when a video
20 lottery game retail contract requires the video lottery game retailer
21 to maintain a minimum weekly sales average, the video lottery game
22 retailer may avoid termination of the contract for failure to meet the
23 minimum weekly sales average by agreeing, prior to termination, to pay
24 the state lottery the difference between the actual weekly cost
25 incurred by the lottery to maintain the contract and the weekly
26 proceeds that are collected by the lottery from the sales of that video
27 lottery game retailer, less expenses that are dedicated by statute,
28 rule, or contract to other purposes. The director may not terminate
29 the contract of a video lottery game retailer for failure to meet a
30 minimum weekly sales average unless the director first allows the video
31 lottery game retailer an opportunity to make the payment described in
32 this subsection.

33 NEW SECTION. **Sec. 10.** This act takes effect July 1, 2002.

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