
HOUSE BILL 1517

State of Washington

65th Legislature

2017 Regular Session

By Representative MacEwen

1 AN ACT Relating to funding school construction for common schools
2 with lottery revenues; amending RCW 67.70.230, 67.70.044, 28B.76.526,
3 67.70.240, 67.70.340, and 67.70.040; adding a new chapter to Title 43
4 RCW; creating new sections; and declaring an emergency.

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

6 **PART I**

7 **INTENT**

8 NEW SECTION. **Sec. 101.** The legislature finds that school
9 districts are strapped for the physical space to meet education
10 funding reforms. The legislature further finds that the use of
11 lottery revenues for common schools is appropriate. Therefore, it is
12 the intent of the legislature to authorize seven hundred million
13 dollars in lottery revenue bonds for grants to school districts to
14 support school facility needs at common schools beginning with the
15 2017-2019 fiscal biennium.

16 **PART II**

17 **BOND AUTHORIZATION**

1 NEW SECTION. **Sec. 201.** LOTTERY REVENUE BONDS AUTHORIZED. (1)

2 For the purpose of providing needed construction assistance to
3 support school facility needs at common schools, the state finance
4 committee is authorized to issue a total of seven hundred seven
5 million dollars of lottery revenue bonds, or as much thereof as may
6 be required, payable from the Washington opportunity pathways account
7 revenues under RCW 28B.76.526, which consist of net lottery revenues
8 deposited in the lottery account created in RCW 67.70.230, and net
9 shared game lottery revenues deposited in the shared game lottery
10 account in RCW 67.70.044, as such revenues are defined in section 202
11 of this act, to finance these projects and all costs incidental
12 thereto.

13 (2) Bonds authorized in this section may be sold at such price as
14 the state finance committee shall determine. No bonds authorized in
15 this section may be offered for sale without prior legislative
16 appropriation of the net proceeds of the sale of the bonds.

17 (3) The state finance committee may determine and include in any
18 resolution authorizing the issuance of any bonds authorized by this
19 section and sections 202 through 207 of this act such terms,
20 provisions, covenants, and conditions as it may deem appropriate in
21 order to assist with the marketing and sale of the bonds, confer
22 rights upon the owners of bonds, and safeguard rights of the owners
23 of bonds, including, among other things:

24 (a) Provisions that the bonds shall be payable solely from and
25 secured solely by the Washington opportunity pathways account
26 revenues under RCW 28B.76.526, as such revenues are defined in
27 section 202 of this act;

28 (b) The conditions that must be satisfied prior to the issuance
29 of any additional bonds that are to be payable from and secured by
30 the Washington opportunity pathways account revenues, as such
31 revenues are defined in section 202 of this act, on equal basis with
32 previously issued and outstanding bonds payable from the net lottery
33 revenues and net shared game lottery revenues;

34 (c) Provisions regarding debt service reserves and credit
35 enhancement; and

36 (d) Whether bonds may be issued as tax-exempt bonds or must be
37 issued as taxable bonds under the applicable provisions of the
38 federal internal revenue code.

1 NEW SECTION. **Sec. 202.** WASHINGTON OPPORTUNITY PATHWAYS ACCOUNT/
2 LOTTERY REVENUES PLEDGED TO BONDS. (1) Each bond issued under the
3 authority of this section and sections 201 and 203 through 207 of
4 this act shall distinctly state that payment or redemption of the
5 bond and payment of the interest and any premium thereon is payable
6 solely from and secured solely by a pledge of the Washington
7 opportunity pathways account revenues under RCW 28B.76.526, which
8 consist of net lottery revenues received in the lottery account
9 established in RCW 67.70.230 and net shared game lottery revenues
10 received in the shared game lottery account in RCW 67.70.044 and is
11 not a general obligation of the state to which the full faith and
12 credit of the state is pledged. The legislature covenants to
13 appropriate the Washington opportunity pathways account revenues
14 pledged to the payment of the bonds issued under this section and
15 sections 201 and 203 through 207 of this act. The legislature further
16 agrees for the benefit of the owners of outstanding bonds issued by
17 the state under this section and sections 201 and 203 through 207 of
18 this act to continue in effect and not to impair the operation of the
19 state lottery as authorized in chapter 67.70 RCW for the payment and
20 security of the bonds. The state finance committee shall include this
21 pledge and agreement of the state to owners of any bonds issued under
22 this section and sections 201 and 203 through 207 of this act. The
23 owner of any bond or the trustee for the owner of any of the bonds
24 may by mandamus or other appropriate proceeding require the transfer
25 and payment of pledged revenues as directed in this section.

26 (2) For purposes of this section and sections 201 and 203 through
27 209 of this act:

28 (a) "Washington opportunity pathways account revenues" means all
29 revenues of the Washington opportunity pathways account in RCW
30 28B.76.526 including, but not limited to, net lottery revenues and
31 net shared game lottery revenues;

32 (b) "Net lottery revenues" means all revenues deposited in the
33 lottery account, excluding revenues used to make the following
34 distributions under RCW 67.70.240: Payment of prizes under RCW
35 67.70.240(1)(a) other than unclaimed prizes under RCW 67.70.190;
36 deposits made by the lottery commission in the reserve account and
37 lottery administrative account under RCW 67.70.240(1)(b); amounts
38 obligated under RCW 67.70.240(1)(d); amounts used for the purchase
39 and promotion of games and services under RCW 67.70.240(1)(e); and
40 payments to agents under RCW 67.70.240(1)(f); and

1 (c) "Net shared game lottery revenues" means all moneys deposited
2 in the shared game lottery account in RCW 67.70.044 excluding direct
3 expenses of the shared game.

4 **Sec. 203.** RCW 67.70.230 and 2010 1st sp.s. c 37 s 941 are each
5 amended to read as follows:

6 NET LOTTERY REVENUES PLEDGED TO BONDS. There is hereby created
7 and established a separate account, to be known as the state lottery
8 account. Such account shall be managed, maintained, and controlled by
9 the commission and shall consist of all revenues received from the
10 sale of lottery tickets or shares, and all other moneys credited or
11 transferred thereto from any other fund or source pursuant to law.
12 The account shall be a separate account outside the state treasury.
13 No appropriation is required to permit expenditures and payment of
14 obligations from the account. (~~During the 2009-2011 fiscal biennium,~~
15 ~~the legislature may transfer from the state lottery account to the~~
16 ~~education legacy trust account such amounts as reflect the excess~~
17 ~~fund balance of the account.)) As set forth in section 202 of this
18 act, net lottery revenues are pledged to principal and interest
19 payments on bonds issued under section 201 of this act, including any
20 required reserves as provided in the bond proceedings, and must be
21 transferred for this purpose by the state treasurer into the
22 Washington opportunity pathways account in RCW 28B.76.526.~~

23 **Sec. 204.** RCW 67.70.044 and 2010 1st sp.s. c 37 s 940 are each
24 amended to read as follows:

25 NET SHARED GAME LOTTERY REVENUES PLEDGED TO BONDS. (1) Pursuant
26 to RCW 67.70.040(1)(a), the commission may enter into the multistate
27 agreement establishing a shared game lottery known as "The Big Game,"
28 that was entered into by party state lotteries in August 1996 and
29 subsequently amended and a shared game lottery known as "Powerball."

30 (2) The shared game lottery account is created as a separate
31 account outside the state treasury. The account is managed,
32 maintained, and controlled by the commission and consists of all
33 revenues received from the sale of shared game lottery tickets or
34 shares, and all other moneys credited or transferred to it from any
35 other fund or source under law. The account is allotted according to
36 chapter 43.88 RCW. (~~During the 2009-2011 fiscal biennium,~~
37 ~~the legislature may transfer from the shared game lottery account to the~~

1 ~~education legacy trust account such amounts as reflect the excess~~
2 ~~fund balance of the account.))~~

3 (3) As set forth in section 202 of this act, net shared game
4 lottery revenues deposited in the shared game lottery account are
5 pledged to principal and interest payments on bonds issued under
6 section 201 of this act, including any required reserves as provided
7 in the bond proceedings, and must be transferred for this purpose by
8 the state treasurer into the Washington opportunity pathways account
9 in RCW 28B.76.526.

10 NEW SECTION. Sec. 205. BOND PROCEEDS DEPOSITED INTO EDUCATION
11 CONSTRUCTION REVENUE BOND PROCEEDS ACCOUNT. The proceeds from the
12 sale of bonds authorized in section 201 of this act shall be
13 deposited in the education construction revenue bond proceeds account
14 hereby created in the state treasury. Moneys in the account may be
15 spent only after appropriation and only for the purposes stated in
16 section 201 of this act, for the payment of bond anticipation notes
17 or other interim financing, if any, capitalizing interest on the
18 bonds, and payment of expenses incurred in the sale and issuance of
19 the bonds, including underwriter compensation. The state treasurer
20 may establish subaccounts in the account for the purpose of
21 segregating bond proceeds, including separate subaccounts for
22 segregating proceeds of tax-exempt bonds and taxable bonds.

23 **Sec. 206.** RCW 28B.76.526 and 2016 c 241 s 201 are each amended
24 to read as follows:

25 (1) The Washington opportunity pathways account is created in the
26 state treasury. Deposits to the account must include net lottery
27 revenues as defined in section 202 of this act that are required to
28 be deposited in the account pursuant to RCW 67.70.230, net shared
29 game lottery revenues as defined in section 202 of this act that are
30 required to be deposited in the account pursuant to RCW 67.70.044,
31 and any other amounts directed by the legislature to be transferred
32 to or deposited in the account.

33 (2) As set forth in sections 202, 208, and 209 of this act, net
34 lottery revenues and net shared game lottery revenues deposited in
35 the account are pledged to principal and interest payments on bonds
36 issued under section 201 of this act, including any required reserves
37 as provided in the bond proceedings. This pledge of Washington
38 opportunity pathways account revenues to pay and secure bonds issued

1 under section 201 of this act takes priority over the use of
2 Washington opportunity pathways account revenues to make any other
3 expenditures from the account for any other purpose. Before any other
4 expenditures may be made from the account, moneys in the account must
5 have been expended or set aside on or before the applicable payment
6 date for debt service requirements and debt service reserve
7 requirements of the bonds issued under section 201 of this act in the
8 amounts certified from time to time by the state finance committee
9 pursuant to section 207 of this act. The state finance committee in
10 the bond proceedings may provide for the establishment of a special
11 subaccount in the account to serve as a debt service reserve fund for
12 bonds issued under section 201 of this act.

13 (3) After applicable debt service requirements and debt service
14 reserve requirements for bonds issued under section 201 of this act
15 have been satisfied or provided for pursuant to subsection (2) of
16 this section, other expenditures from the account may be used only
17 for programs in chapter 28A.710 RCW (charter schools), chapter 28B.12
18 RCW (state work-study), chapter 28B.50 RCW (opportunity grant), RCW
19 28B.76.660 (Washington scholars award), RCW 28B.76.670 (Washington
20 award for vocational excellence), chapter 28B.92 RCW (state need
21 grant program), chapter 28B.105 RCW (GET ready for math and science
22 scholarship), chapter 28B.117 RCW (passport to college promise),
23 chapter 28B.118 RCW (college bound scholarship), chapter 28B.119 RCW
24 (Washington promise scholarship), and chapter 43.215 RCW (early
25 childhood education and assistance program).

26 NEW SECTION. Sec. 207. RETIREMENT OF BONDS. (1) The nondebt-
27 limit bond retirement account shall be used for the payment of
28 principal of and interest on the bonds authorized in section 201 of
29 this act.

30 (2) The state finance committee shall, on or before June 30th of
31 each year, certify to the state treasurer the amount required for
32 principal and interest payments on the bonds and the amounts, if any,
33 required for the funding or replenishment of any debt service reserve
34 fund for the bonds in accordance with the bond proceedings.

35 (3) On each date on which any principal and interest payment is
36 due on bonds or on which any amount is required for the funding or
37 replenishment of any debt service reserve fund for bonds issued for
38 the purposes of section 201 of this act, the state treasurer shall
39 withdraw from the Washington opportunity pathways account an amount

1 equal to the amount certified by the state finance committee to be
2 due or required on such date.

3 **Sec. 208.** RCW 67.70.240 and 2015 3rd sp.s. c 31 s 2 are each
4 amended to read as follows:

5 (1) The moneys in the state lottery account may be used only:

6 (a) For the payment of prizes to the holders of winning lottery
7 tickets or shares;

8 (b) For purposes of making deposits into the reserve account
9 created by RCW 67.70.250 and into the lottery administrative account
10 created by RCW 67.70.260;

11 (~~(c) ((For purposes of making deposits into the Washington
12 opportunity pathways account created in RCW 28B.76.526. Moneys in the
13 state lottery account deposited in the Washington opportunity
14 pathways account are included in "general state revenues" under RCW
15 39.42.070;))~~ For deposits in the Washington opportunity pathways
16 account for purposes of debt service payments and any required
17 reserve on bonds issued under section 201 of this act and for other
18 authorized purposes of the account after such payments are made;

19 (d) For distribution to the stadium and exhibition center
20 account, created in RCW 43.99N.060. Subject to the conditions of RCW
21 43.99N.070, six million dollars must be distributed under this
22 subsection during the calendar year 1998. During subsequent years,
23 such distribution must equal the prior year's distributions increased
24 by four percent. No distribution may be made under this subsection
25 after December 31, 1999, unless the conditions for issuance of the
26 bonds under RCW 43.99N.020(2) are met. Distributions under this
27 subsection must cease when the bonds are retired, but not later than
28 December 31, 2020;

29 (e) For the purchase and promotion of lottery games and game-
30 related services;

31 (f) For the payment of agent compensation; and

32 (g) For distribution to the gambling revolving fund, created in
33 RCW 9.46.100, in amounts specified in the omnibus appropriations act.
34 To meet the cash flow needs of both agencies, the director of the
35 state lottery and the director of the Washington state gambling
36 commission may determine the timing of the distribution, which may
37 include incremental distributions over the course of the fiscal year.

38 (2) The office of financial management shall require the
39 allotment of all expenses paid from the account and shall report to

1 the ways and means committees of the senate and house of
2 representatives any changes in the allotments.

3 **Sec. 209.** RCW 67.70.340 and 2012 1st sp.s. c 10 s 6 are each
4 amended to read as follows:

5 DISTRIBUTION OF SHARED GAME REVENUES. (1) (~~The legislature
6 recognizes that creating a shared game lottery could result in less
7 revenue being raised by the existing state lottery ticket sales. The
8 legislature further recognizes that the fund most impacted by this
9 potential event is the Washington opportunity pathways account.
10 Therefore, it is the intent of the legislature to use some of the
11 proceeds from the shared game lottery to make up the difference that
12 the potential state lottery revenue loss would have on the Washington
13 opportunity pathways account. The legislature further intends to use
14 some of the proceeds from the shared game lottery to fund programs
15 and services related to problem and pathological gambling.~~

16 ~~(2) The Washington opportunity pathways account is expected to
17 receive one hundred two million dollars annually from state lottery
18 games other than the shared game lottery. For fiscal year 2011 and
19 thereafter, if the amount of lottery revenues earmarked for the
20 Washington opportunity pathways account is less than one hundred two
21 million dollars, the commission, after making the transfer required
22 under subsection (3) of this section, must transfer sufficient moneys
23 from revenues derived from the shared game lottery into the
24 Washington opportunity pathways account to bring the total revenue up
25 to one hundred two million dollars.~~

26 ~~(3))~~ If at any time the amount available to be transferred from
27 the state lottery account in RCW 67.70.240 to the Washington
28 opportunity pathways account pursuant to section 207 of this act is
29 insufficient to satisfy the amount certified under RCW 28B.76.526,
30 then before the commission may make any transfers under this section
31 the treasurer must transfer net shared game lottery revenues from the
32 shared game lottery account to the Washington opportunity pathways
33 account.

34 (a) The commission shall transfer, from revenue derived from the
35 shared game lottery, to the problem gambling account created in RCW
36 43.20A.892, an amount equal to the percentage specified in (b) of
37 this subsection of net receipts. For purposes of this subsection,
38 "net receipts" means the difference between (i) revenue received from
39 the sale of lottery tickets or shares and revenue received from the

1 sale of shared game lottery tickets or shares; and (ii) the sum of
2 payments made to winners.

3 (b) In fiscal year 2006, the percentage to be transferred to the
4 problem gambling account is one-tenth of one percent. In fiscal year
5 2007 and subsequent fiscal years, the percentage to be transferred to
6 the problem gambling account is thirteen one-hundredths of one
7 percent.

8 ~~((+4))~~ (2) The commission shall transfer the remaining net
9 revenues, if any, derived from the shared game lottery "Powerball"
10 authorized in RCW 67.70.044(1) after the transfers pursuant to this
11 section into the state general fund for support for the program of
12 basic education under RCW 28A.150.200.

13 ~~((+5))~~ (3) The remaining net revenues, if any, in the shared
14 game lottery account after the transfers pursuant to this section
15 shall be deposited into the Washington opportunity pathways account.

16 **Sec. 210.** RCW 67.70.040 and 2006 c 290 s 3 are each amended to
17 read as follows:

18 LOTTERY COMMISSION DUTIES. The commission shall have the power,
19 and it shall be its duty:

20 (1) To adopt rules governing the establishment and operation of a
21 state lottery as it deems necessary and desirable in order that such
22 a lottery be initiated at the earliest feasible and practicable time,
23 and in order that such lottery produce the maximum amount of net
24 revenues for the state consonant with the dignity of the state and
25 the general welfare of the people. Such rules shall include, but
26 shall not be limited to, the following:

27 (a) The type of lottery to be conducted which may include the
28 selling of tickets or shares, but such tickets or shares may not be
29 sold over the internet. The use of electronic or mechanical devices
30 or video terminals which allow for individual play against such
31 devices or terminals shall be prohibited. An affirmative vote of
32 sixty percent of both houses of the legislature is required before
33 offering any game allowing or requiring a player to become eligible
34 for a prize or to otherwise play any portion of the game by
35 interacting with any device or terminal involving digital, video, or
36 other electronic representations of any game of chance, including
37 scratch tickets, pull-tabs, bingo, poker or other cards, dice,
38 roulette, keno, or slot machines. Approval of the legislature shall

1 be required before entering any agreement with other state lotteries
2 to conduct shared games;

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

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

6 (d) The manner of selecting the winning tickets or shares, except
7 as limited by (a) of this subsection;

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

11 (f) The frequency of the drawings or selections of winning
12 tickets or shares. Approval of the legislature is required before
13 conducting any online game in which the drawing or selection of
14 winning tickets occurs more frequently than once every twenty-four
15 hours;

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

18 (h) The method to be used in selling tickets or shares, except as
19 limited by (a) of this subsection;

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

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

27 (k) The apportionment of the total revenues accruing from the
28 sale of lottery tickets or shares and from all other sources among:

29 (i) The payment of prizes to the holders of winning tickets or
30 shares, which shall not be less than forty-five percent of the gross
31 annual revenue from such lottery, (ii) transfers to the lottery
32 administrative account created by RCW 67.70.260, ~~((and))~~ (iii)
33 ~~((transfer to the state's general fund. Transfers to the state
34 general fund shall be made in compliance with RCW 43.01.050))~~
35 transfers of net lottery revenues and net shared game lottery
36 revenues to the Washington opportunity pathways account as required
37 by sections 202 through 204, 206, and 207 of this act, and (iv)
38 transfers established in RCW 67.70.240 and 67.70.340;

39 (l) Such other matters necessary or desirable for the efficient
40 and economical operation and administration of the lottery and for

1 the convenience of the purchasers of tickets or shares and the
2 holders of winning tickets or shares.

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

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

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

11 NEW SECTION. **Sec. 211.** ANALYSIS OF FINANCING STRUCTURE. (1) The
12 state finance committee and the office of financial management must
13 conduct an objective analysis of the most effective financing
14 structure for the lottery revenue bonds authorized in section 201 of
15 this act.

16 (2) In conducting the objective analysis, the state finance
17 committee and the office of financial management must review data,
18 information, and analysis from multiple sources, including
19 consultation with a minimum of five firms with expertise in helping
20 state and local governments organize and manage a wide variety of
21 financing structures, including revenue bonds.

22 (3) The objective analysis must consider and rate options
23 designed to:

24 (a) Maximize the amount of bond proceeds available to address
25 school facility needs at common schools;

26 (b) Leverage lottery revenues in a manner that would cause the
27 bonds to be rated at the highest investment grade possible;

28 (c) Achieve the lowest cost of issuance; and

29 (d) Strengthen the issuance and its marketability to investors by
30 considering terms of borrowing such as maturity, debt service
31 reserves, coverage ratios, legal covenants, and other credit
32 enhancements.

33 (4) The state finance committee and the office of financial
34 management shall provide a report to the legislature by December 1,
35 2017, that includes the options considered and recommendations on the
36 preferred financing structure for the lottery revenue bonds.

37 **PART III**

38 **MISCELLANEOUS**

1 NEW SECTION. **Sec. 301.** CODIFICATION. Sections 201, 202, 205,
2 and 207 of this act constitute a new chapter in Title 43 RCW.

3 NEW SECTION. **Sec. 302.** EFFECTIVE DATE. This act is necessary
4 for the immediate preservation of the public peace, health, or
5 safety, or support of the state government and its existing public
6 institutions, and takes effect immediately.

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