

HOUSE BILL REPORT

HB 2279

As Reported by House Committee On:
Government Accountability & Oversight

Title: An act relating to alternative revenue sources for the state lottery.

Brief Description: Authorizing alternative sources for the state lottery.

Sponsors: Representatives Holy, Condotta and Hurst; by request of Washington State Lottery.

Brief History:

Committee Activity:

Government Accountability & Oversight: 1/20/14, 1/27/14 [DPS].

Brief Summary of Substitute Bill

- Authorizes the Washington State Lottery (Lottery) to sell advertising space on the lottery website.
- Authorizes the Lottery to charge fees for the use of the Lottery logo or trademark by any person or entity.

HOUSE COMMITTEE ON GOVERNMENT ACCOUNTABILITY & OVERSIGHT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Hurst, Chair; Wylie, Vice Chair; Condotta, Ranking Minority Member; Holy, Assistant Ranking Minority Member; Blake, Kirby, Moscoso and Vick.

Minority Report: Do not pass. Signed by 1 member: Representative Shea.

Staff: Thamas Osborn (786-7129).

Background:

Washington State Lottery.

The Washington State Lottery (Lottery) was established in 1982. Lottery revenues, after payment of prizes and administrative expenses, are used for education construction, paying off stadium bonds, problem gambling services, economic development, and the State General

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.

Fund. It is governed by a five-member commission (Commission) appointed by the Governor.

Website Advertising.

There are many different types of advertisements that can be posted on or accessed through internet websites. Traditional display or banner advertisements typically run across the top or down the right side of a webpage. The price for posting such advertisements is often determined based on the number of times the advertisement is accessed by an internet user. Another type of website advertisement, called "sponsorships," are short descriptions of an advertiser's offerings with links to the advertiser's website. These sponsorship advertisements can take many different forms on a webpage. Generally, they are sold at a specified price for a specified period of time. Business listing advertisements consist of lists of businesses arranged on a website by category, such as hotels or restaurants. These business listing advertisements are generally sold at an annual set price. The various types of website advertisements include links to the advertiser's own website.

Website Advertising Pilot Project by the Washington State Department of Transportation.

The 2009-2011 Transportation Budget included a \$50,000 budget proviso for the Washington State Department of Transportation (WSDOT) to "investigate the potential to generate revenue from website sponsorships and similar ventures and, if feasible, pursue partnership opportunities." The WSDOT's Public-Private Partnerships Office worked with a team of consultants to analyze how the WSDOT could leverage its website to generate a new revenue source through website advertisements. The study concluded that, if managed well, selling advertisements on the WSDOT's website could generate revenue.

With the exception of the WSDOT's pilot project, as authorized through the 2009-2011 Transportation Budget, state law does not authorize state agencies to sell website advertisements.

Summary of Substitute Bill:

Beginning on September 1, 2014, the Director of the Lottery (Director) is authorized to begin selling advertising space on the Lottery's website, subject to the following conditions:

- The website must include a statement disclaiming any endorsement of advertisements displayed on the website.
- The commission must establish policy, style, and content guidelines for advertisements.
- The website is prohibited from from posting advertising that displays or promotes any gaming practice that is illegal under either state or federal law.
- Revenues obtained through website advertising must be deposited in the State Lottery Account.

The Director is also authorized to charge a fee for the use of the Lottery logo or trademark by any person or entity, provided such charges are imposed in accordance with policies and content guidelines established by the Commission. Revenue generated through such fees must be deposited in the State Lottery Account.

Substitute Bill Compared to Original Bill:

The substitute bill amends the original bill to prohibit the Lottery from posting on its website any advertisement that displays or promotes any gaming practice that is illegal under either state or federal law.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill would authorize the Lottery to sell advertising on its Internet website. This could be done very simply and cheaply, and has the potential of generating considerable revenue for both the Lottery and the state. There is a great deal of interest by legitimate commercial entities to purchase advertising space on the Lottery website. State retailers already licensed to sell Lottery products (e.g., supermarket chains, gas stations, mini-markets, and other retailers) are particularly interested in purchasing such advertising rights. Proposed advertisements would be carefully screened for content and questionable ads would be declined. Advertisements promoting illegal gaming activities would be prohibited. The Director has discretionary legal authority to decline to post any advertisement.

(Opposed) None.

Persons Testifying: Jana Jones and Bill Hanson, Washington State Lottery.

Persons Signed In To Testify But Not Testifying: None.