

HOUSE BILL REPORT

HB 1835

As Reported by House Committee On:
Government Accountability & Oversight

Title: An act relating to enhanced raffles.

Brief Description: Authorizing enhanced raffles conducted by bona fide charitable or nonprofit organizations serving individuals with intellectual disabilities.

Sponsors: Representatives Hunt, Condotta and Ryu.

Brief History:

Committee Activity:

Government Accountability & Oversight: 2/19/13, 2/21/13 [DPS].

Brief Summary of Substitute Bill

- Authorizes specified charitable and nonprofit organizations to conduct up to four enhanced raffles per year subject to approval by the Washington State Gambling Commission.
- Limits the eligibility to conduct enhanced raffles to those bona fide charitable or nonprofit organizations whose primary purpose is serving individuals with intellectual disabilities.
- Defines "enhanced raffle" as a game involving the sale of tickets bearing an individual number and in which a grand prize and smaller prizes are awarded on the basis of drawings of the tickets by the person or persons conducting the game.
- Limits the value of the grand prize to \$5 million and the cost of tickets to \$250 each.

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; Condotta, Ranking Minority Member; Holy, Assistant Ranking Minority Member; Blake, Kirby, Moscoso, Shea and Smith.

Staff: Thamas Osborn (786-7129).

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.

Background:

Washington's Gambling Act authorizes charitable and nonprofit organizations to conduct raffles to raise funds for the organizations' stated purposes. A raffle is an event where tickets are sold and prizes are awarded based on a random drawing. In general, only certain charitable and nonprofit organizations are permitted to offer raffles. Organizations must be organized or operated for one of the following purposes: agricultural, athletic, charitable, civic, educational, fraternal, patriotic, political, or social. Agricultural fairs, fraternal societies, religious societies, churches, and granges also qualify. There are also some circumstances under which credit unions, cities, counties, and towns, and executive branch state employees may offer raffles. The Washington State Gambling Commission (Commission) regulates raffles. The maximum price of a raffle ticket is \$100.

Some raffles require a license from the Commission and others do not:

- Unlicensed members-only raffles. An organization may hold an unlimited number of raffles that are open exclusively to members so long as the combined gross revenue does not exceed \$5,000 per calendar year.
- Licensed members-only raffles. A members-only raffle that exceeds \$5,000 in combined gross revenue is authorized provided that a license is obtained from the Commission.
- Unlicensed public raffles. An organization may hold two raffles per year that are open to the public if the combined gross revenue does not exceed \$5,000 per year, it is managed and conducted exclusively by members, the organization maintains records for one year, and it provides notice of the raffle to the local police agency at least five days in advance.
- Licensed raffles. If an organization wishes to hold a raffle that does not conform to the unlicensed raffle requirements, it must obtain a license from the Commission.

Summary of Substitute Bill:

The Commission is authorized to approve two enhanced raffles per calendar year in western Washington and two in eastern Washington. Only a bona fide charitable or nonprofit organization whose primary purpose is serving individuals with intellectual disabilities is eligible to conduct an enhanced raffle. "Enhanced raffle" means a game involving the sale of tickets bearing an individual number and in which a grand prize and smaller prizes are awarded on the basis of drawings of the tickets by the person or persons conducting the game. The cost of tickets may not exceed \$250 each. In addition to a grand prize drawing, an enhanced raffle may include additional related entries and drawings for lesser prizes.

In order to be approved by the Commission, an enhanced raffle must meet the following conditions:

- The value of the grand prize may not exceed \$5 million.
- Sales of tickets must be made only in person, by mail, by fax, or by telephone.
- Where noncash prizes are offered, the sponsoring organization must be able to demonstrate that such prizes are available and that sufficient funds are held in reserve in the event the winner chooses a noncash prize.

- All enhanced raffles and associated smaller raffles must be independently audited pursuant to rules promulgated by the Commission.
- The bona fide charitable or nonprofit organization must be the primary recipient of the funds raised.
- If ticket sales are insufficient to pay for the enhanced raffle grand prize, the enhanced raffle winner must receive 50 percent of the net proceeds in excess of expenses. Also, under these circumstances the enhanced raffle winner must be given a choice of specified annuity options in lieu of the grand prize.
- The sponsoring organization must have a dedicated employee who is responsible for the oversight of enhanced raffle operations.
- An enhanced raffle must be conducted in accordance with all other requirements of the Gambling Act, other applicable laws, and the rules of the Commission.

Subject to the approval of the Commission, the sponsoring organization has the option of including the following elements and features as part of the design and management of the raffle:

- Multiple ticket discount packages may be offered.
- Multiple smaller prizes may be offered during the course of the raffle.
- Call centers managed by outside vendors may be used to conduct ticket sales. The vendor may not solicit sales.
- Receipts, including ticket confirmation numbers, may be sent to ticket purchasers either by mail or electronic mail.
- The sponsoring organization may hire a consultant to run the enhanced raffle, provided the consultant is licensed by the Commission.

The Commission has the authority to set fees for bona fide charitable or nonprofit organizations, call center vendors, and consultants conducting enhanced raffles. It is also authorized to adopt rules governing the licensing and operation of such raffles.

The act terminates as of June 30, 2017.

Substitute Bill Compared to Original Bill:

The substitute bill adds a provision terminating the act as of June 30, 2017.

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) Under the criteria set forth in the bill, the Special Olympics is the only charity likely to qualify to conduct an enhanced raffle. The Special Olympics is a very good cause

that would greatly benefit if this bill were to pass. The Special Olympics is considered one of the best run charities in the state and currently serves 10,000 athletes ranging in age from 8 to 80 years. The goal is to serve 100,000 persons. The Special Olympics conducts outreach to school districts who often provide access to school facilities. All funding is privately obtained and does not involve any public money. If the bill passes, the Special Olympics could conduct a "house raffle" in which tickets are sold for the right to win a home. Thirty such raffles have been successfully conducted around the country. The purchase of the raffle ticket to win the home constitutes a charitable donation to the Special Olympics. Under the provisions of the bill, a series of smaller raffles may be held in conjunction with the larger raffle. Vendors cannot conduct ticket sales and there is no direct solicitation of the public. The Special Olympics has worked carefully with the the Commission in drafting the provisions of the bill. Accordingly, the legislation is complete and well done and should not generate any concerns.

(Neutral) There are currently 700 nonprofit charitable organizations licensed to conduct raffles in this state, generating \$8.7 million in ticket sales per year. Organizations other than the Special Olympics might qualify to conduct an enhanced raffle under the terms of the bill. The Commission does have some concerns. One concern is that sending out ticket receipts by mail might violate federal law. Also, the enhanced raffle proposed by the bill might create some technical issues with the Indian Gaming Regulatory Act, insofar as the raffle allows some activities prohibited to tribes under the terms of their gaming compacts with the state.

(Opposed) None.

Persons Testifying: (In support) Denny Eliason, Special Olympics Washington.

(Neutral) Amy Hunter, Washington State Gambling Commission.

Persons Signed In To Testify But Not Testifying: None.