

SENATE BILL REPORT

SB 5671

As Reported by Senate Committee On:
Commerce, Labor & Sports, February 15, 2017

Title: An act relating to simplifying the process for bona fide charitable and nonprofit organization to engage in activities and social pastimes, and raise funds for their authorized purposes.

Brief Description: Simplifying the process for bona fide charitable and nonprofit organization to engage in activities and social pastimes, and raise funds for their authorized purposes.

Sponsors: Senators Fortunato, Sheldon, Rivers and Wilson.

Brief History:

Committee Activity: Commerce, Labor & Sports: 2/08/17, 2/15/17 [DPS, w/oRec].

Brief Summary of Substitute Bill

- Removes the specific membership requirements that a bona fide charitable and nonprofit organization must have in order to be qualified to conduct gambling activities.
- Increases the number of raffles, open to the public, that may be held from two to four per year.
- Adjusts the maximum annual revenue limits for unlicensed events to \$10,000 for raffles and to \$5,000 total for bingo and amusement games.
- Authorizes tiered levels of discounted packages for raffle tickets.
- Eliminates the requirement of using separate bank accounts for gambling monies.

SENATE COMMITTEE ON COMMERCE, LABOR & SPORTS

Majority Report: That Substitute Senate Bill No. 5671 be substituted therefor, and the substitute bill do pass.

Signed by Senators Baumgartner, Chair; Braun, Vice Chair; King, Rossi, Saldaña and Wilson.

Minority Report: That it be referred without recommendation.

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.

Signed by Senators Keiser, Ranking Minority Member; Conway and Hasegawa.

Staff: Richard Rodger (786-7461)

Background: Charitable and Nonprofit Gambling Activities. Washington's Gambling Act authorizes bona fide charitable and nonprofit organizations to conduct limited gambling activities to raise funds for the organizations' stated purposes. The organization must be organized for one of the purposes specified in statute which include agricultural, charitable, educational, political, fraternal, or athletic purposes, and meet other requirements. The organizations may conduct bingo games, raffles, amusement games, and fund-raising events, utilize punchboards and pull-tabs, and play social card games when done in accordance with the Gambling Commission's (commission) rules and regulations.

Qualifications. To qualify as a bona fide charitable and nonprofit organization, the organization must: (1) have been organized and continuously operating for at least 12 calendar months, immediately preceding an application for any gambling license or any gambling activity that does not require a license; (2) have at least 15 bona fide active members, each with the right to an equal vote in the election of the officers or board members who determine the policies of the organization; and (3) demonstrate that it has made significant progress toward the accomplishment of the purposes of the organization during the preceding 12 month period.

Members of the Public. Charitable and nonprofit organizations may only conduct unlicensed gambling activities for members of the organization.

Unlicensed Gambling. Charitable and nonprofit organizations may conduct bingos, raffles, and amusement games without a license, so long as the total gross revenue does not exceed \$5,000 per year. The \$5,000 limit was established in 1974.

The organizations are limited to a total of two events per year, which can not exceed a period of more than 12 consecutive days per event.

Tiered Discounts. Charitable and nonprofit organizations are not specifically authorized to offer raffle tickets in tiered levels of discounted packages.

Random Item Draws. When conducting random draw raffle events involving a physical item selected by a participant, charitable and nonprofit organizations are required to issue an individual numbered ticket in addition to the physical item that has the winning number printed on it.

Firearms and Gift Certificates. The commission's administrative rules authorize charitable and nonprofit organizations to operate raffles that may award firearms as the prize. If the prize awarded is restricted from transfer by state or federal law, the licensee must award the winner a certificate, redeemable by a licensed firearms dealer, for the prize offered. The rules do not address situations where the prize is a gift certificate to a store that sells firearms and other goods.

Bank Accounts. The commission's administrative rules require charitable and nonprofit organizations to maintain all funds generated from gambling activities in separate bank accounts from the organization's general funds.

Summary of Bill (First Substitute): Qualifications. For the purposes of gambling activities, a bona fide charitable and nonprofit organization is no longer required to have at least 15 bona fide active members with equal voting rights that are used in the election of the officers or board members.

Unlicensed Gambling. Charitable and nonprofit organizations may conduct gambling activities without a license with maximum annual revenue limits of \$10,000 for raffles and \$5,000 total for bingo and amusement games. The organizations may conduct four unlicensed raffle events per year.

Tiered Discounts. Charitable and nonprofit organizations are specifically authorized to offer raffle tickets in tiered levels of discounted packages.

Bank Accounts. The commission may not require a bona fide charitable or nonprofit organization to keep separate bank accounts for funds generated from gambling activities.

EFFECT OF CHANGES MADE BY COMMERCE, LABOR & SPORTS COMMITTEE (First Substitute):

- Increases the number of raffles, open to the public, that may be held from two to four per year.
- Adjusts the maximum annual revenue limits for unlicensed events to \$10,000 for raffles and to \$5,000 total for bingo and amusement games.
- Removes the provisions concerning random item draws and gift certificates.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill simply aligns the statutes with the current practices of church's charitable fundraising. These rules need to be simplified otherwise all the organizers could be found in violation. The annual limit on unlicensed events was set at \$5,000 in 1974, and with inflation that figure would be \$26,000. Raising the per event limit will just be maintaining the limit with the rate of inflation. The bill makes the authorized events more enforceable. The tiered level of discounts simplifies the process and will help charities raise additional funds. The current \$5,000 limit is on gross receipts and should be changed to gross revenue. The requirement of each charity having to open separate bank accounts for their gambling funds is an unnecessary and time-consuming requirement. The charity deposit slips provide an adequate paper trail.

OTHER: We are concerned about possible unintended consequences. Increasing the dollar limits that an organization can bring in through unlicensed activities raises concerns about the deterioration of safeguards to prevent theft. Our investigators spent 4,500 hours investigating possible theft cases last year. The Gambling Commission will be reviewing this bill tomorrow and we will report back to the Committee with our suggestions.

Persons Testifying: PRO: Senator Phil Fortunato, Prime Sponsor; James Williams, Tacoma Sportsmen's Club, Pierce County Sportsmen's Council.

OTHER: Brian Considine, Gambling Commission/Legislative Liaison.

Persons Signed In To Testify But Not Testifying: No one.