

SENATE BILL REPORT

ESSB 5723

As Amended by House, April 12, 2013

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: Senate Committee on Commerce & Labor (originally sponsored by Senators Hewitt, Conway, Brown and Kline).

Brief History:

Committee Activity: Commerce & Labor: 2/18/13, 2/20/13 [DPS].

Passed Senate: 3/05/13, 38-11.

Passed House: 4/12/13, 94-2.

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: That Substitute Senate Bill No. 5723 be substituted therefor, and the substitute bill do pass.

Signed by Senators Braun, Vice Chair; Conway, Ranking Member; Hasegawa, Hewitt, Keiser and King.

Staff: Mac Nicholson (786-7445)

Background: Bona fide charitable and nonprofit organizations may legally conduct raffles when licensed to do so by the Washington State Gambling Commission (Commission), and the raffles are conducted pursuant to relevant rules and regulations. The cap on raffle ticket prices is \$100 per ticket, with a single prize limit of \$40,000 unless otherwise approved by the Commission. There is no limit on the number of regular raffles, though an organization must receive permission from the Commission to offer raffle prizes exceeding \$300,000 in a license year. Only members of the organization may take a role in the management and operation of the raffle, and the proceeds can only go to the organization. Ticket sales must be in person and must be paid for in full at the time of purchase.

Summary of Engrossed Substitute Bill: Until June 2017, bona fide charitable and nonprofit organizations may conduct enhanced raffles if the primary purpose of the organization is serving individuals with intellectual disabilities. The Commission may approve four enhanced raffles per year, two in western Washington and two in eastern

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Washington. An enhanced raffle is a game in which a grand prize and smaller prizes are awarded on the basis of raffle ticket drawings.

Enhanced raffles are subject to the following conditions:

- the cap on individual ticket prices is \$250 per ticket;
- value of the grand prize is capped at \$5 million;
- ticket sales may be in person or by mail, fax, or telephone;
- multiple ticket packages may be purchased at a discount;
- multiple smaller prizes are authorized, including early bird, refer a friend, and multiple ticket drawing;
- for noncash prizes, the organization must demonstrate that the prize is available and that sufficient funds are available to purchase the noncash prize; and
- raffles must be independently audited.

Call centers may be licensed by the Commission to receive ticket sales, but the organization must be the primary recipient of the funds raised through the raffle. Receipts for sales including confirmation numbers, may be sent via regular or electronic mail. Organizations must have a dedicated employee responsible for oversight of enhanced raffle operations and may hire a Commission-licensed consultant to run an enhanced raffle.

If ticket sales are insufficient to qualify for a complete enhanced raffle, the grand prize must be half of the net proceeds in excess of expenses. The winner may choose between an annuity or a cash payment. The Commission must report back to the Legislature on enhanced raffles in 2017.

Appropriation: None.

Fiscal Note: Available.

[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: Special Olympics in Washington state has about 10,000 athletes currently, who pay nothing to participate in the program. The organization needs to raise around \$4.5 million per year to support the programs. The organization needs new methods to expand fundraising. This bill would allow enhanced raffles, which are complicated undertakings but are very popular in other states. The bill provides ample oversight and allows the organization to hire consultants to run the complicated raffles. The bill is the product of extensive discussion with the Commission and there has been a lot of outreach to the tribal community.

OTHER: Raffles are fairly common in Washington. In fiscal year 2012 there were over \$8.7 million in raffle ticket sales. The Commission is neutral on the bill with a couple of technical considerations. Ticket sales under the bill can occur by mail, and would allow receipts to be returned by mail. There is a chance that this conflicts with federal mail codes. The other technical consideration is whether the bill allows an activity for any person for any

purpose under the Indian Gaming Regulatory Act. This is a big move from current raffle prizes to a \$5 million prize, and there should be some legislative review in four years.

Persons Testifying: PRO: Denny Eliason, Special Olympics WA.

OTHER: Amy Hunter, Commission; Martin Durkan, Muckleshoot Tribe.

House Amendment(s): Provides that raffle ticket order forms may be printed from the bona fide charitable or nonprofit organization's web site. Obtaining the form in this manner does not constitute a sale.

Changes the due date of the Commission study from December 2017 to December 2016.