

# Legislative Analysis



## ALLOW ONLINE CHARITABLE RAFFLE GAMES

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<http://www.house.mi.gov/hfa>

House Bill 5862 as referred to second committee

Sponsor: Rep. Eric Leutheuser

1st Committee: Regulatory Reform

2nd Committee: Ways and Means

Complete to 6-23-20

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 5862 would amend the Traxler-McCauley-Law-Bowman Bingo Act to allow eligible charities to conduct a small or large raffle through the internet.

Charitable gaming is regulated by the Bingo Act and through administrative rules. Under the act, a **qualified organization** may apply for an unlimited number of small (up to \$500 in prizes) or large (more than \$500 in prizes) **raffle** licenses. For small raffles, only one small raffle license may be issued for a **location** each day. If a small raffle license is issued for more than one date, all drawing locations must be the same.

**Qualified organization** means a bona fide religious, educational, service, senior citizens, fraternal, or veterans' organization that operates without profit to its members and that either has been in existence continuously as an organization for a period of five years or is a 501(c) nonprofit under federal tax laws. For purpose of conducting a small or large raffle under the act, the term also includes a component of the military or the Michigan National Guard whose members are in active service or active state service. The term does not include a candidate committee, political committee, political party committee, ballot question committee, independent committee, or any other committee organized under the Michigan Campaign Finance Act.

**Raffle** means an event for which raffle tickets are sold and at which a winner or winners are determined, either by randomly selecting stubs from all the tickets sold or by an alternative method approved in writing by the Bureau of State Lottery, and a preannounced prize is awarded.

**Location** means a building, enclosure, part of a building or enclosure, or a portion of real property used to conduct an event.

The bill would allow a qualified organization that held a license to conduct a raffle in 2018 or 2019, or in both years, to conduct a small or large raffle via the internet. The **location** where an internet raffle is conducted would be the **internet raffle platform**, defined as an integrated system of hardware, software, applications (including mobile applications), and servers through which a qualified organization can conduct a small or large raffle via the internet.

The provisions of the bill would no longer apply after June 30, 2023.

The Bureau of State Lottery would have to promulgate rules to implement the bill.

MCL 432.103 and 432.105d

## **BRIEF DISCUSSION:**

The current pandemic and restrictions on public gatherings have hit not just businesses hard but also charities. From domestic violence shelters to animal rescues to wildlife and nature conservation, through a wide range of recreational, educational, and sports-themed clubs, charities provide necessary services and resources to the residents of the state. And many charities depend on fundraising events to raise the funds for their causes.

The bill would help charities by allowing, for a few years, some charities to hold raffles online. Nonprofits that had offered raffles during the previous two years could apply for a small or large raffle license to sell tickets and conduct raffles over the internet. According to committee testimony, a nonprofit that conducted online raffles in Ohio raised about \$160,000 for conservation-related efforts. At a time when many need to continue to shelter in place, online raffles can be a way for people to connect with others who share a similar interest and to have a bit of fun, too.

The Bureau of State Lottery raised several concerns with the bill in its current form. The following comments extrapolate on points raised:

- All charities are having difficulties conducting fundraising events due to COVID-19-related restrictions on social interactions and large gatherings, yet the bill would only allow those charities who had conducted raffles in the previous two years to hold internet raffles. Charities that cannot hold their traditional events may benefit also by internet raffles and should not be discriminated against just because their previous fundraising efforts did not include raffles.
- It would be difficult for the Bureau to regulate internet sales by a third party (the internet raffle platforms) without the bill providing more specificity, such as requiring a licensed internet platform provider.
- The current fees provided in statute for small and large raffle licenses are insufficient to cover the cost of implementing and regulating internet raffles.
- The Bureau is required to promulgate rules to implement internet raffles, but the rule-making process takes nearly as long as the period internet raffles would be in effect before the provision sunsets on June 30, 2023.

## **FISCAL IMPACT:**

The bill would increase costs for the Bureau of State Lottery (BSL) by an unknown, but likely significant amount, due to the requirement that the BSL operate and administer an internet raffle platform, which would necessitate purchasing or contracting for software, hardware, servers, and application development. It is unlikely that revenues generated from licensing an online internet raffle game would support financing for the internet raffle platform. Large raffle licensees currently pay \$50 per drawing date, and small raffle licensees pay \$15 for the first three drawing dates and \$5 for each subsequent drawing date. It is also possible that offering raffle online could lower state revenues from other similarly situated wagering.

## POSITIONS:

Representatives of the following entities testified in support of the bill (6-23-20):

- Hillsdale Domestic Harmony
- Ducks Unlimited
- Michigan United Conservation Clubs

The following entities indicated support for the bill (6-23-20):

- Sturgeon for Tomorrow
- Michigan Bear Hunters Association
- Tomahawk Archers
- Cadillac Sportsmen's Club
- Great Lakes Council of Fly Fishers
- Saginaw Field and Stream Club
- Michigan Gun Owners
- Quality Deer Management Deer Association
- Michigan Trappers and Predator Callers Association
- Straights Area Sportsmen's Club
- Michigan Steelheaders Association
- Michigan Hunting Dog Federation

The Bureau of State Lottery indicated opposition to the bill as currently drafted. (6-23-20)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.