

Legislative Analysis



ALLOW ONLINE CHARITABLE RAFFLE GAMES AND TRANSFER ADMINISTRATION OF RAFFLE GAMES TO THE MICHIGAN GAMING CONTROL BOARD

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House Bill 5862 (proposed substitute H-1)

Sponsor: Rep. Eric Leutheuser

1st Committee: Regulatory Reform

2nd Committee: Ways and Means

House Bill 6456 as introduced

Sponsor: Rep. Triston Cole

Committee: Ways and Means

Complete to 12-2-20

SUMMARY:

House Bills 5862 and 6456 would amend the Traxler-McCauley-Law-Bowman Bingo Act to allow charities to conduct a raffle through the internet and to move administrative oversight of charitable raffle games (not just those held online) from the Bureau of State Lottery to the Michigan Gaming Control Board (MGCB).

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 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 either has been in existence continuously as an organization for five years or is a 501(c) nonprofit under federal tax laws. For purposes of conducting a small or large raffle, 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.

House Bill 5862 would allow a qualified organization to conduct a small or large raffle via the internet. The *location* where an internet raffle is conducted would be the *internet raffle platform*, which would mean 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 MGCB would have to promulgate rules to implement the bill.

MCL 432.105d

House Bill 6456 would transfer enforcement and administration of the act's provisions that pertain to raffle games from the Bureau of State Lottery to the MGCB. For example, the requirements for an applicant for a raffle license would be the same under the bill as they are now, but the application would be prescribed by the executive director of the MGCB (rather than the lottery commissioner) and submitted to the MGCB (rather than the Bureau of State Lottery). The license fees for large and small raffles would be the same, but they would be paid to the MGCB for licenses issued by the executive director. And so on. This transfer of powers and duties would apply only to raffle games and would include such things as rule-making authority, record-keeping responsibilities, the employment of necessary personnel, auditing and record inspection functions, legislative reports, the inspection of raffle locations, the power to impose license sanctions for violation of the act or rules, the authority to issue licenses under extreme hardship conditions, the ability to petition the circuit court for subpoenas, and (as in the definition of "raffle," above) the authority to approve alternative methods for determining raffle winners. None of these powers and duties would change in substance compared to current law, but under the bill, with regard to raffles, they would belong to the MGCB.

The bill is tie-barred to HB 5862, which means that it could not take effect unless HB 5862 were also enacted.

MCL 432.103 et seq.

FISCAL IMPACT:

The bills would increase costs for the MGCB by an unknown, but likely significant amount, due to the requirement that the MGCB 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. Additionally, it is unlikely that other charitable gaming net revenue could provide the financial support necessary to operate and administer an online raffle. Net revenues from charitable gaming are deposited in the general fund. For FY 2019-20, charitable gaming operated at a net loss of approximately \$648,000 due to reduced play, with no general fund deposit. In FY 2018-19, net revenue for deposit in the general fund totaled \$1.8 million. It is also possible that offering raffle online could lower state revenues from other similarly situated wagering, but the overall impact would likely be small.

Raffle games are currently administered and operated by the Bureau of State Lottery.

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