

INTERNET RAFFLES

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House Bill 5393 as introduced
Sponsor: Rep. Bradley Slagh
Committee: Regulatory Reform
Complete to 11-8-21

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

SUMMARY:

House Bill 5393 amend the Traxler-McCauley-Law-Bowman Bingo Act, which regulates charitable games conducted by qualified organizations, to do all of the following:

- Allow charitable organizations to offer internet raffles.
- Include internet raffles in provisions that currently apply to raffles.
- Retain current provisions that apply to raffles but apply them also to internet raffles and group most of those provisions separately from provisions pertaining to other charitable games allowed under Article 1 of the Bingo Act.
- Grant regulatory oversight over raffles and internet raffles to the Michigan Gaming Control Board (MGCB) and its executive director, rather than the Bureau of the State Lottery and its commissioner.

House Bill 5393 would create separate but nearly identical provisions pertaining to raffles and *internet raffles* from other charitable games regulated under Article 1 of the act. Under the bill, a *qualified organization* could apply for an internet raffle license. The fee would be \$50.

Internet raffle would mean an event for which electronic raffle tickets are sold through the internet and at which a winner or winners are determined by a method approved in writing by the MGCB and a preannounced prize (not including money) is awarded. Internet raffle would not include a raffle, large raffle, or small raffle.

Qualified organization means either of the following:

- 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 exempt from taxation under section 501(c) of the federal Internal Revenue Code.
- For the purposes of conducting a small or large raffle under the act, a component of the military or Michigan National Guard whose members are in active service or active state service.

However, *qualified organization* does not include a candidate committee, political committee, political party committee, ballot question committee, independent committee, or any other committee as defined by, and organized under, the Michigan Campaign Finance Act.

The bill would require the holder of an internet raffle license to conduct an internet raffle through an *internet raffle platform* approved by the MGCB. An internet raffle platform would be considered to be the location where an event under this provision is conducted.

For purposes of conducting an internet raffle, *internet raffle platform* would mean an integrated system of hardware, software, applications, including mobile applications, and servers through which a qualified organization may conduct an internet raffle.

In addition, for internet raffles and raffles only, all of the following would apply:

- The MGCB would be required to enforce and supervise the administration of Article I.
- The executive director of the MGCB would have to employ personnel as necessary to implement Article I.
- The MGCB could select fraternal organizations that are not a branch, lodge, or chapter of a national or state organization to audit to ensure that the organizations are in compliance with Article I.
- Not later than 90 days after the bill's effective date, the executive director would be required to promulgate rules to implement Article I.

As noted above, most of the provisions currently pertaining to raffles would remain the same but would be expanded to also pertain to internet raffles. However, a few would be revised, as described below.

Regulatory authority

The MGCB and its executive director, rather than the Bureau of State Lottery and its commissioner, would be tasked with the regulatory authority and oversight regarding an internet raffle or raffle event. Numerous current provisions pertaining to raffles would be carved out, expanded to include internet raffles, and would refer to the MGCB or the executive director as the regulatory authority. For example, the executive director, rather than the commissioner, would have the authority to deny, suspend, summarily suspend, or revoke a raffle license or an internet raffle license for a violation of the act.

Application for a license to conduct a raffle or internet raffle

Under the bill, an applicant for a license to conduct an internet raffle or raffle would have to submit to the MGCB a written application that is on a form prescribed by the executive director and that includes all of the following:

- The name and address of the applicant organization and the name of each officer.
- The location at which the event will be conducted.
- The day or dates of the event.
- Sufficient facts relating to the applicant's incorporation or organization to enable the executive director of the MGCB to determine whether the applicant is a qualified organization.

The following information currently required to be included in an application to conduct a raffle would not apply to obtaining a license to conduct a raffle or an internet raffle under the bill:

- The member or members of the applicant organization who would be responsible for the conduct of the event.
- A sworn statement attesting to the nonprofit status of the organization.
- Other information the commissioner of state lottery considers necessary.

MCL 432.102 et seq.

FISCAL IMPACT:

The bill would increase costs for the Michigan Gaming Control Board 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, including a mobile application. It is unlikely that revenues generated from the licensing of online internet raffles would support financing for the new internet raffle platform. Under the bill's provisions, a license for an internet raffle would be \$50. It is also possible that offering raffles online could lower state revenues from other similarly situated wagering.

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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.