

SENATE BILL REPORT

SB 5671

As of February 9, 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.

Brief Summary of 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.
- Allows members of the public to participate in unlicensed gambling activities conducted by these organizations.
- Modifies the number of unlicensed events the organizations may conduct per year and adjusts the maximum revenue limits for these events.
- Addresses tiered levels of discounted packages for raffle tickets, the award of a gift certificates for businesses that sell firearms, and eliminates the requirement of using separate bank accounts for gambling monies.

SENATE COMMITTEE ON COMMERCE, LABOR & SPORTS

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

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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: 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.

Members of the Public. Members of the public may participate in unlicensed gambling activities conducted by a charitable and nonprofit organization.

Unlicensed Gambling. Charitable and nonprofit organizations may conduct gambling activities without a license, so long as the gross revenue from the gambling activities does not exceed \$5,000 for the authorized event.

The organizations may conduct two unlicensed events per year for each type of authorized activity, bingo, raffles, and amusement games, for a maximum limit of \$30,000 per year.

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

Random Item Draws. Charitable and nonprofit organizations are not required to issue an individual numbered ticket, where the participants select their own numbered, physical item, to hold pending a random selection of winning numbers.

Firearms and Gift Certificates. A raffle prize may include the award of a gift certificate from a business establishment that sells firearms. If the establishment also sells any other items that are not firearms, the gift certificate is not considered the awarding of a firearm to the prize winner.

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.

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: 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.