

May 22, 2017

The Honorable Bill Dodd
Chair, Governmental Organization Committee
State Capitol
Sacramento, CA 95814

RE: Opposition to Senate Bill 741, charitable raffles (Mendoza)

Dear Senator Dodd,

As charity leaders, we write to express our opposition to Senate Bill 741.

A multi-stakeholder process in 2000 resulted in the enactment of a law requiring that 90 percent of the gross receipts from any raffle, conducted by a private, nonprofit eligible organization be directed to "beneficial and charitable purposes." This law allows all charities to hold raffles and raise much-needed funds to support their mission-based activities, while maintaining the understanding of raffles as part of fundraising for charities.

In 2015, California enacted Senate Bill 549 creating special rules for an exclusive set of nonprofit organizations affiliated with major league sports teams to profit from raffles that would allow up to 50 percent of raffle receipts to be awarded to a winner. All other charities, such as school bands, churches and garden clubs, are required to follow the 90/10 rules.

SB 741 would create yet another narrow carve-out. It would only allow raffles to be conducted at a fair, exposition, or exhibition conducted by, and with the authorization of a district agricultural association, a county fair association, a citrus fruit fair association or the California Exposition and State Fair. There is no logic or persuasive reason to limit 50/50 raffles to these venues. Further, only nonprofits chosen by these few agencies would have the opportunity to benefit from 50/50 raffles.

The purported reason for this proposed change in law is a belief by county and state fairs and citrus fruit associations that offering 50/50 raffles will increase attendance. To accomplish this goal, the fairs would choose larger nonprofits with sizable mailing lists and public appeal. In several ways, then, SB 741 creates an unfair benefit for a very small group of nonprofits – at the discretion of a small number of venues with no direct nexus to the charitable purposes that underpin the purpose of the raffle allowance.

Even as amended, only a very small number of nonprofits stand to benefit from this legislation. There is no compelling argument for allowing this defined set of venues to hold raffles according to different rules relative to others. What's more, to date the state has not allocated sufficient resources to adequately monitor the large-scale 50/50 raffles that are now being operated by the professional sports teams. It is not clear how SB 741 could ensure additional resources to protect nonprofits and the public, nor how such raffles would feasibly work at these venues.

Laws governing raffles should be tightly crafted with input from stakeholders throughout the sector and should treat charities equitably. We welcome the opportunity to engage with members of the Legislature and the proponents of SB 741 to explore this broader conversation.

Sincerely,