

Surprise Change to Charity Raffle Rules in California

11.10.15 | Linda J. Rosenthal, JD



Raffles are among the most popular special events for charity fundraising. Organizations love them; donors love them. It's a win-win.

But a special few nonprofits – those affiliated with major sports teams – are going to love them even more, thanks to an eleventh-hour gift from California legislators.

Just ahead of the scheduled, September 11th, adjournment of the 2015 Regular Session of the Legislature, lawmakers had a mountain of bills still awaiting yeas or nays. There were some high-profile measures including assisted suicide and medical marijuana regulation. Buried in the stack, too, was a proposal to tweak the charity raffle rules just a bit to benefit major sports franchises and their associated nonprofits.

In short, the strict 90/10 payout rule for California charity raffles was modified so that at major sporting events, Californians can enjoy a 50/50 raffle, like those held at other locations around the nation. Although the payout percentage is lower than the established 90/10, the sheer number of participants at sporting events results in a huge marketing advantage and windfall for these sponsoring organizations.

An "eligible organization" is a –

”

private, nonprofit organization established by, or affiliated with, a team from the Major League Baseball, National Hockey League, National Basketball Association, National Football League, Women’s National Basketball Association, or Major League Soccer, or a private, nonprofit organization established by the Professional Golfers’ Association of America, Ladies Professional Golf Association, or National Association for Stock Car Auto Racing that has been qualified to conduct business in California for at least one year before conducting a raffle and is exempt from taxation

pursuant to specified provisions of federal and California law.

A Little Background

We’ve discussed the history and strict rules for California charity raffles in two earlier posts: [“How Your 50/50 Raffle Is Like Drinking a Beer When You Were in High School”](#) and [“It’s Just a Little Raffle: What’s the Big Deal?”](#) [Until a ballot initiative in 2000](#), gambling in the Golden State [was largely unregulated](#). At that time, citizens’ groups, lawmakers, and other stakeholders thoughtfully crafted a proposition to amend the state’s constitution to deal with this “Wild West” gaming situation.

The ballot measure that was approved by the voters included certain exceptions, including one for charity raffles. But [the rules are tight](#): only certain groups are permitted to sponsor raffles and there are strict payout requirements; that is, 90% must go to the charity and no more than 10% may be paid to the winning raffle ticket winner(s).

That entirely eliminated the 50/50 raffles allowed in some other jurisdictions; particularly, those held in connection with major sports events. Our two prior posts were peppered with warnings to charity boards not to step blindly into a big pile of trouble with a similar 50/50 raffle event.

Senate Bill 549 (2015)

Back in February 2015, [Senate Bill 549](#) was introduced by Sen. Isadore Hall (D-LA). The 2015 Regular Session was busy and productive, but many bills, including this one, were still pending in the early days of September when lawmakers rushed to get all of their business done.

[SB 549](#) passed both houses of the legislature by September 5th, with huge, bipartisan votes. Along with many other newly enacted bills, the measure sat

on the Governor's desk for almost the entire 30 days allotted to him to sign or veto it.

A coalition of “over 100 charity leaders,” spearheaded by the California Association of Nonprofits, launched an effort to persuade Governor Brown to veto this narrow exception to the charity raffle rules. In a joint letter, opponents argued several points:

- The charitable community was part of the “multi-stakeholder process” that resulted in the 2000 charity raffle law establishing the 90/10 payout rule for all sponsors;
- SB 549 would unfairly create a 50/50 “carve-out with special rules for an exclusive set” of nonprofits;
- “Raffles with a 50/50 split move away from [the] intent” of the original law “that the primary purpose of any charitable raffle is to benefit a charity”: and
- “[L]aws governing charitable raffles should be tightly crafted with input from stakeholders throughout the sector and should treat charities equally.”

Despite this plea, the Governor signed SB 549 into law on October 5, 2015.

Conclusion

This change in the charity raffle rules is not necessarily permanent. It will sunset on December 31, 2018, unless a new law authorizing it to continue is passed before that date.