

- SUBJECT:** Allowing sports team charitable foundations to conduct raffles
- COMMITTEE:** Licensing and Administrative Procedures — favorable, without amendment
- VOTE:** 6 ayes — Smith, Gutierrez, Geren, Goldman, Kuempel, D. Miller
- 0 nays
- 3 absent — Guillen, Miles, S. Thompson
- WITNESSES:** For — Robert Ryan, Houston Astros Foundation; Joseph Januszewski, Texas Rangers Baseball Club; (*Registered, but did not testify:* Neal T. “Buddy” Jones, Dallas Cowboys; Jessica Dunn, Jason Farris, and Ty Richardson, Dallas Stars Foundation; Alan Tompkins, FC Dallas; Jim Grace, Houston Texans; Laura Dixon and Shermeka Hudson, Spurs Sports and Entertainment; Kate Cassidy and Karin Morris, Texas Rangers Baseball Foundation)
- Against — None
- BACKGROUND:** Texas Constitution, Art. 3, sec. 47(a) requires the Legislature to enact laws prohibiting lotteries and gift enterprises, with a few exceptions. One exception is an amendment adopted in 1989 that allows the Legislature to enact a law permitting charitable raffles conducted by a qualified religious society, volunteer fire department, volunteer emergency medical service, or non-profit organization.
- Occupations Code, sec. 2002.052(b) allows organizations to hold no more than two charitable raffles in a calendar year for which tickets are sold or offered for sale or prizes are awarded. Sec. 2002.053 requires all proceeds from the sale of raffle tickets to be spent for the charitable purposes of the qualified organization. Sec. 2002.056(a) prohibits use of money as a prize.
- DIGEST:** HB 975 is the enabling legislation for HJR 73 by Geren, which would authorize the Legislature by general law to permit a professional sports

team charitable foundation to conduct charitable raffles and to use the raffle proceeds to pay for reasonable advertising, promotional, and administrative expenses.

HB 975 would create the Professional Sports Team Charitable Foundation Raffle Enabling Act as Occupations Code, ch. 2004. The act would define a “professional sports team charitable foundation” as an organization that was incorporated under Texas law, was associated with a major professional sports team, and was formed for charitable purposes.

A foundation of this kind would be qualified to conduct charitable raffles if it:

- was associated with a professional sports team that had a home venue in Texas;
- did not distribute any of its income to its members, officers, or governing body, other than a reasonable compensation for services;
- had existed for at least three years before a raffle allowed by this bill was conducted;
- did not devote a substantial part of its activities to attempting to influence legislation or participate in political campaigns, including making campaign contributions;
- was considered an exempt charitable organization under Internal Revenue Code, 501(c)(3); and
- did not have or recognize any local chapter, affiliate, unit, or subsidiary organization in Texas.

A qualified foundation could conduct a charitable raffle during each home game of the professional sports team associated with the foundation to provide revenue for the foundation’s charitable purposes. The foundation could award to a raffle winner selected by random draw a cash prize of no more than 50 percent of the gross proceeds collected from the sale of raffle tickets.

HB 975 would require that all proceeds from the sale of raffle tickets, except the amounts deducted for reasonable operating expenses and cash

prizes, be used for the charitable purposes of the foundation. For each raffle, the foundation could deduct no more than 10 percent of the gross proceeds from the sale of raffle tickets to pay the reasonable operating expenses of the raffle. Reasonable operating expenses would include categories such as promotional activities, administrative expenses, and costs for the equipment necessary to sell raffle tickets, conduct random drawings to select winners, and continuously calculate various amounts, such as the amount of money collected and the number of tickets sold.

Only employees or volunteers of the foundation or the associated professional sports team could sell the raffle tickets. Purchasers of raffle tickets would have to be 18 or older.

HB 975 would create four criminal offenses. A person would commit an offense if the person:

- accepted any form of payment other than U.S. currency for a raffle ticket;
- sold or offered to sell a raffle ticket to someone they knew was not at least 18 years old;
- purchased a raffle ticket with the proceeds of a check issued as payment under the financial assistance program administered under Human Resources Code, ch. 31; or
- misrepresented their age or displayed fraudulent evidence that the person was at least 18 years old to purchase a raffle ticket.

These offenses would be class C misdemeanors (maximum fine of \$500). The bill would make it a defense to prosecution that the actor reasonably believed that the conduct was permitted or that the conduct actually was authorized by this bill.

The bill would allow an action to be brought by a county attorney, district attorney, criminal district attorney, or the attorney general for a permanent or temporary injunction or a temporary restraining order that would prohibit conduct involving a raffle or similar procedure that violated or threatened to violate state law related to gambling and was not authorized

by law. Venue for such an action would be in the county where the conduct occurred or the county where a defendant of the action lived.

The bill would require the following information to be printed on each raffle ticket:

- the name of the raffle and the sales station where the ticket was purchased;
- the date of the random drawing and the manner in which the winning raffle ticket would be announced;
- the procedure and location for claiming a prize;
- the amount of time the prize winner would have to claim the prize; and
- the logo of the foundation, the logo of the associated professional sports team, or both.

This bill would take effect January 1, 2016, but only if the constitutional amendment authorizing the Legislature to permit professional sports team charitable foundations to conduct charitable raffles was approved by the voters. If that amendment were not approved by the voters, this bill would have no effect.

**SUPPORTERS
SAY:**

HB 975 would provide charitable foundations of professional sports teams an opportunity to increase their contributions and support their causes by allowing them to hold charitable raffles. The bill would allow for cash prizes to be awarded to charitable raffle winners at certain sporting events and would authorize these foundations to hold charitable raffles at each home game of their sports team.

HB 975 is enabling legislation for HJR 73 by Geren, which would amend the Constitution to allow the Legislature to permit sports team charitable foundations to conduct charitable raffles and use part of the raffle proceeds for reasonable operating expenses.

Many Texas professional sports teams have charitable foundations associated with them. Currently, laws limit who may conduct the raffles,

what prizes may be offered, and how many may be conducted per year. Twenty-five states have laws that allow sports teams to hold charitable raffles, commonly called 50/50 raffles because half of the proceeds go to charity and the other half is paid to the winner. Texas is one of only five states that has professional sports team franchises but does not allow 50/50 raffles. These raffles are more popular than others because they offer a cash prize. By opening the door to these types of charitable raffles, HB 975 and HJR 73 would put more money at the disposal of charitable foundations doing important work serving Texans. Texas has many professional sports teams, so the benefits of this bill would be far reaching.

Because the bill is narrowly written, it would protect against improperly conducted raffles in the future. Allowing charitable raffles at sporting events would ensure that the raffle was a secondary activity to the game. Sporting events most likely would not become a popular spot for people who wanted to gamble because they cost money to attend and because there is only one prize winner per game. The narrow language of the bill would make it unlikely that it would result in the proliferation of profit-making gambling activities.

**OPPONENTS
SAY:**

HB 975 could open the door to allowing more gambling ventures in Texas. Although the bill would address only professional sports team charitable foundations, there are always people who push the limit on what is allowed under the law. Some gambling games and machines exist today because they are protected by technicalities or simply are not being regulated. For example, historical racing and other electronic forms of sweepstakes-genre games have become a problem in Texas over the past few years. By creating another avenue for potential legal workarounds, the bill could allow gambling to become more prevalent in Texas.

NOTES:

The authorizing constitutional amendment, HJR 73 by Geren, et al. is set for second-reading consideration on today's Constitutional Amendments Calendar.

The Senate companion bill, SB 898 by Fraser, was reported favorably

from the Senate Committee on Natural Resources and Economic
Development on April 1.