



**Lotteries. Charitable Raffles.
Legislative Constitutional Amendment.**

Official Title and Summary Prepared by the Attorney General

**LOTTERIES. CHARITABLE RAFFLES.
LEGISLATIVE CONSTITUTIONAL AMENDMENT.**

- Modifies current constitutional prohibition against private lotteries to permit legislative authorization of raffles conducted by eligible private nonprofit organizations for the purpose of funding beneficial and charitable works.
- Requires at least 90% of a raffle's gross receipts to go directly to beneficial or charitable purposes in California, but permits this percentage to be later amended by statute passed by two-thirds vote of each house without voter approval.

**Summary of Legislative Analyst's
Estimate of Net State and Local Government Fiscal Impact:**

- Probably no significant fiscal impact on state and local governments.

Final Votes Cast by the Legislature on SCA 4 (Proposition 17)

Assembly: Ayes 62	Senate: Ayes 31
Noes 10	Noes 3



Background

A lottery is a game where a person pays for a chance to win a prize. The State Constitution authorizes the California State Lottery, but prohibits any other lottery. (Under federal law, however, Indian tribes can negotiate with the state to operate lotteries on tribal lands.)

Raffles are often held by charitable groups and usually involve the selling of tickets for a chance to win prizes. (“Door prizes” are a common form of raffle.) Raffles that require payment for a chance to win a prize are a form of lottery and, thus, are illegal under state law.

Charitable Gambling in California. Charitable gambling serves as a fund-raiser for nonprofit organizations. In California, bingo is the only legal gambling activity for charity fund-raising. Organizations operating bingo games must do so in keeping with state and local laws. In general, these laws specify when, where, and at what times bingo games can be operated.

Proposal

This proposition amends the State Constitution to allow private nonprofit groups to conduct raffles under certain conditions. To qualify, at least 90 percent of the gross receipts from the raffle must go directly to charitable purposes in California. (This percentage could be changed with a two-thirds vote of the Legislature and approval by the Governor.) Also, the proposition specifies

that any person who receives compensation in connection with the operation of a raffle must be an employee of the organization conducting the raffle.

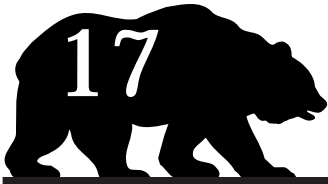
Raffles could not be conducted unless a law is subsequently adopted specifically authorizing these charitable raffles. The law could also (1) define which organizations were eligible to conduct such raffles and (2) provide for “reasonable regulation” of these raffles, including regulatory fees.

Fiscal Effect

This proposition would only have a fiscal impact on the state or local governments if these raffles are subsequently authorized by law. If that occurs, the proposition would have some—mainly indirect—effects on state and local revenues. For instance, if the level of gambling on raffles grew significantly, that might reduce other types of gambling—such as the State Lottery and horse racing. These types of gambling are taxed by the state, so revenues could decline somewhat. At least in the near term, however, we estimate that the proposition would not have a significant state or local impact on governmental revenues.

In addition, the state could require regulation of these raffles. These costs, which would not be significant, could be paid for by regulatory fees.

For text of Proposition 17 see page 117



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Argument in Favor of Proposition 17

Most Californians are familiar with raffles. Our children sell tickets to raise money for sports leagues, historical societies raffle items to preserve historically significant sites, churches raffle prizes to support their congregations, parent groups hold raffles to support their children's schools. Many of these harmless activities violate the California Penal Code and State Constitution prohibition on raffles. In fact, any person or organization that conducts a traditional raffle commits a misdemeanor crime, punishable by up to six months in jail. Only the State of California raffle, which is better known as the State Lottery, is exempt from the ban.

When local police or prosecutors have knowledge of a charitable raffle, they are placed in the position of either shutting down a legitimate, albeit illegal fundraiser, or "looking the other way" and not enforcing the criminal law. This is an unworkable and unfair situation, which hurts legitimate charities and invites law enforcement to play favorites. Both of these concerns will be corrected by Proposition 17.

If a majority of the voters approve Proposition 17, the ban on raffles by charitable nonprofit organizations will be removed from the State Constitution. Once that happens, the State Legislature will be able to change the Penal Code so that charitable nonprofit organizations will be able to legally conduct a fundraising raffle. The legislation to remove the charitable raffle ban from the Penal Code and regulate their conduct (Senate Bill 639)

has been introduced and is being held in the State Legislature pending this vote by the People.

Only charitable non-profits will be able to use raffles as a legal fundraiser if Proposition 17 passes. The types of charities that will benefit from this proposition include those that raise money for scholarships, medicine and health, parks and wildlife preserves, libraries, food banks, religious organizations, and art. No commercial raffling would be allowed.

Major non-profit organizations in California, as well as law enforcement leaders and organizations back Proposition 17. Some of those groups include the California Association of Nonprofits, the California Broadcasters Association, the California District Attorneys Association, California Literacy, the California State Sheriffs Association, the John XXIII AIDS Ministry, and the State Humane Association of California.

The time has come to legalize well-meaning charitable raffles for California non-profit organizations. Vote "yes" on Proposition 17.

BRUCE McPHERSON
State Senator, 15th District

DEAN D. FLIPPO
District Attorney, County of Monterey

FLORENCE L. GREEN
Executive Director, California Association of Nonprofits

Rebuttal to Argument in Favor of Proposition 17

We teach our children that there is a RIGHT WAY and a WRONG WAY to do everything. The same is true with ideas for new laws.

Proposition 17 is the WRONG WAY to operate charitable raffles and lotteries. Proposition 17 is a professional gambling operator's dream hiding behind an ill-conceived "law and order" smoke screen.

For more than a decade, special interests have repeatedly attempted to muscle this scheme through the Legislature and onto the ballot. This year the special interests won with the politicians, placing Proposition 17 on the ballot.

DON'T BELIEVE promises of future legislation to regulate raffles. The politicians could have done that a year ago, but DIDN'T. And they WON'T. Protections and controls ARE NOT in Proposition 17.

Proposition 17 allows PHONY charities, scams and swindles to EXPLOIT honest people.

Proposition 17 INVITES crime, corruption and money laundering to our state.

Proposition 17 HURTS legitimate charities and will siphon big money into the pockets of professional gambling operators.

Don't believe claims that charitable raffles are against the law. CALIFORNIA COURTS HAVE RULED EXISTING LEGITIMATE CHARITABLE RAFFLES AND "CASINO NIGHTS" ARE LEGAL.

There is no need to FIX what ISN'T broken. California's laws on raffles and lotteries work as well today as they have for the last 100 years.

DON'T INVITE CRIME TO CALIFORNIA.

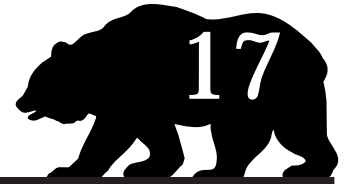
DON'T HURT CHARITIES.

VOTE "NO" on Proposition 17. It is a dangerous scheme that will HURT charities.

SENATOR DICK MOUNTJOY
MELANIE MORGAN
Recovering Compulsive Gambler

ART CRONEY
Executive Director, Committee on Moral Concerns

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Argument Against Proposition 17

Proposition 17 would allow professional gambling organizations to run private raffles and lotteries.

Don't fall for the line that charitable raffles are presently illegal. Our Constitution and the courts have spelled out how to conduct legal charitable raffles.

Raffles and casino nights have been legally used by legitimate charities for raising funds for decades. The existing law is over 100 years old. No one has been prosecuted for this beneficial, entertaining method of raising funds to help children, hospitals, libraries, or a multitude of other legitimate charities.

Without limits and regulations, Proposition 17 will create the biggest gambling headache Californians have ever seen. What is now a harmless social activity will be taken over by professional gambling operators.

- Proposition 17 DOES NOT regulate buying or selling tickets by minors.
- Proposition 17 DOES NOT require criminal background checks on professional raffle operators.
- Proposition 17 DOES NOT require audits to ensure that funds actually go to charities.
- Proposition 17 DOES NOT prevent phony charities from selling tickets over the Internet.
- Proposition 17 DOES NOT prevent private lotteries from being big enough to compete with the State Lottery, diminishing funds for education.
- Proposition 17 DOES NOT prevent continuous raffles, without a winner for years.
- Proposition 17 DOES NOT regulate devices or pre-programmed computers to select winners.

- Proposition 17 DOES NOT regulate raffle advertising.
- Proposition 17 DOES NOT ensure that the future holds any promise for meaningful regulation.
- Proposition 17 DOES NOT limit the size or frequency of raffles or lotteries.

Under Proposition 17, unscrupulous persons will move in to create PHONY charities, market tickets statewide for their own personal gain, with only a trickle of money ever reaching legitimate charities.

Remember this. There is NO NEED for Proposition 17. Existing raffles are harmless fund-raisers for legitimate charities. They do not cause crime. The purchase of raffle tickets for local charities does not cause gambling addiction.

If Proposition 17 sponsors really cared about legitimate charities, they wouldn't have cleverly written this measure without regulations to prohibit phony charities and scam artists from lining their pockets with donations.

Proposition 17 creates problems and solves none.

Proposition 17 is a bad bet for California.

DON'T BE FOOLED BY PROFESSIONAL GAMBLING OPERATORS. VOTE "NO" ON PROPOSITION 17.

DICK MOUNTJOY

State Senator

ART CRONEY

Executive Director, Committee on Moral Concerns

Rebuttal to Argument Against Proposition 17

The opposition is making baseless charges to scare voters. These are the facts they do not want you to know: traditional raffles are illegal in California and have been for over 100 years. *There are no exceptions.* No court or prosecuting agency has *ever* claimed traditional raffles are legal for California nonprofit charities.

Proposition 17 has no effect on the State Lottery. It simply legalizes what occurs every day across this state. In fact, Proposition 17 is *supported* by public education leaders.

Proposition 17 prohibits commercial, for profit, raffles. Ninety percent of the funds raised by the raffle must go toward the charity. Any person paid for conducting the charity raffle must be an employee of the nonprofit. Other regulations governing the conduct of charitable raffles are in the companion bill, Senate Bill 639, which is being held in the Legislature pending this vote.

Proposition 17 is *not* being backed by professional gambling interests. It is supported by law enforcement leaders who are tired of having to shut down legitimate, but illegal, charitable raffles. The drive to legalize charitable raffles has received support from countless diverse charitable nonprofit organizations, education leaders, and religious organizations. These nonprofit organizations provide 50 billion dollars in services to this state and employ 750,000 people.

Do not be misled by the "Committee on Moral Concerns." It is time to get rid of this archaic prohibition on charitable raffles. Vote "Yes" on Proposition 17.

JACKIE SPEIER

State Senator, 8th District

CURTIS J. HILL

Sheriff, County of San Benito