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Office of Research
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Legislative Budget
Office

H.B. 476
(1_136_2336-1)
136th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 476's Bill Analysis](#)

Version: In House Finance

Primary Sponsors: Reps. Craig and D. Thomas

Local Impact Statement Procedure Required: No

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Highlights

- The bill authorizes online raffles with a registration or license fee and makes various other changes to the Charitable Gaming Law. The work, costs, and revenue generated for the Attorney General to regulate raffles may increase as a result of the bill. Some of these costs will be offset by the collection of registration and licensing fees that will be imposed on entities conducting online raffles and the operators of online raffle platforms.

Detailed Analysis

The bill makes changes to the Charitable Gaming Law, specifically as it relates to raffles (both online and traditional). These changes will go into immediate effect upon the bill's enactment. The [LSC bill analysis](#) and [substitute bill comparative synopsis \(PDF\)](#) outline these changes in detail.

The bill authorizes online raffles that are conducted on online raffle platforms.¹ Under existing law, certain organizations, such as those exempt from federal income tax, schools, and specific nonprofit groups, are permitted to conduct raffles as long as it is done only for charitable purposes. The Attorney General will have the authority to oversee these platforms including the ability to inspect an online raffle platform and associated equipment or software at any time.

The bill requires an entity that conducts an online raffle and had less than \$250,000 in gross receipts from those raffles in the previous calendar year to register with the Attorney

¹ The bill defines "online raffle" to mean a raffle conducted using only electronic tickets, with the winner selected by an online raffle platform and an "online raffle platform" as an internet website, application, or electronic service used to conduct an online raffle.

General and pay a \$100 fee. It further requires an entity that conducts an online raffle and that had \$250,000 or more in gross receipts from those raffles in the previous calendar year to obtain an online raffle license from the Attorney General. The bill sets the fee for an online raffle license at the amount the applicant would be required to pay for a bingo license. The bill also makes various licensing changes that will ultimately impact the oversight operations of the Attorney General, the entity responsible for overseeing and enforcement of the Charitable Gaming Law.

Fiscal effect

Licensing and enforcement

The Attorney General's Charitable Law Section is responsible for licensing charitable organizations who apply for various bingo-related licenses, and manufacturers and distributors of bingo supplies. According to the Attorney General's Office, because traditional raffles do not require licensure, significantly fewer charities may apply for a bingo license under the bill and instead opt to raffle tickets by remote means. This is because bingo licensure is a more time-consuming and costly option than raffle registration. As a result, the Attorney General anticipates that the bill will result in an indeterminate bingo licensing fee revenue loss for the Charitable Law Fund (Fund 4180). This effect might be mitigated to the extent that such charities are already selling tickets online under current practice. The amount of license fees generated for bingo, under current law, are expected to be between \$8.0 million and \$8.6 million in FY 2026 and FY 2027 according to the Attorney General's projections. However, the bill may codify current practice in many cases so that organizations who are already permitted to conduct raffles are not inadvertently noncompliant with the law. In cases where cease-and-desist orders have been issued, those entities will be able to continue engaging in online raffles after the bill's effective date, but pay additional registration or licensing fees depending on the amount of gross receipts. The bill's requirement for the operator of an online raffle platform to obtain a bingo supply distributor or manufacturer license will also affect the revenues and oversight expenditures of the Charitable Law Section. The annual fee imposed on bingo supply distributor and manufacturer licensees is \$5,000. The impact of this provision would depend on whether the existing administrative rule² that excludes raffle tickets and devices from the definition of "bingo supplies" that must be purchased from a distributor would apply to online tickets and platforms. The Attorney General may need to update these rules if not (minimal one-time cost).

In addition to its licensing function, the Charitable Law Section works, in cooperation with local law enforcement agencies when necessary and appropriate, to investigate, examine accounts and records, conduct inspections, and take any other necessary and reasonable actions to administer and enforce the Gambling Law. The Section's operating expenses are financed with moneys appropriated from the Charitable Law Fund (Fund 4180). The degree to which the cash flow to Fund 4180 will be able to support the Section's increased annual operating costs will depend on the revenue received and number of enforcement actions taken.

² Ohio Administrative Code 109:1-4-11.

Distribution and retention of profits formula change

Certain entities conducting online raffles, including qualifying governmental units, may be able to keep a larger percentage of their annual net profit than if distributed under the current formula for raffles.

Under the existing raffle distribution formula, when an entity other than a 501(c)(3) organization or a school conducts a raffle, it must give at least 50% of the net profit to a charitable purpose. In the case of an online raffle, the bill requires these entities to distribute the proceeds according to the formula that currently applies to a veteran's, fraternal, or sporting organization that conducts instant bingo or electronic instant bingo. Under this formula, the entity may keep 45% for the entity's expenses and may distribute 5% for the entity's own charitable purposes or to a community action agency. If the entity's actual expenses are less than the designated percentage it may keep for expenses, the statute might be read to allow the entity to retain only the actual amount of its expenses, but the law appears not to be enforced in this manner.

That formula distributes the "net profit from the proceeds of the sale of online raffles"³ as follows:

- Of the entity's first \$330,000 in net profit, the entity must give at least 25% to a charitable purpose and may keep no more than 75% for the entity's expenses.
- Of any net profit of more than \$330,000, the entity must give at least 50% to a charitable purpose.

Additionally, the statute allows the entity to deduct some of its expenses twice. In determining the net profit, the entity must deduct its online raffle platform fees and property taxes. Then, it is allowed to keep a percentage of the net profit to cover its expenses, which are also defined to include online raffle platform fees and property taxes.

Synopsis of Fiscal Effect Changes

As compared to the As Introduced version of the bill, the substitute bill (I_136_2336-1) makes the following notable changes to the fiscal impact, the net effect of which will largely retain the anticipated administrative expenses to the Attorney General, impact certain registration and licensing revenue for the Attorney General's Office, and adjust the distribution of net profits for charitable organizations that may engage in raffles.

- Requires an entity that conducts an online raffle and had less than \$250,000 in gross receipts from online raffles in the previous calendar year to register with the Attorney General and pay a \$100 fee.
- Sets the fee for an online raffle license at the amount the applicant would be required to pay for a bingo license.

³ This term is different from the "net profit" term used for the traditional raffle formula. The net profit from the proceeds of the sale of online raffles is the gross receipts, minus the cost of prizes, minus the cost of the entity's bingo supplies (in this case, online raffle platform fees), and minus the amount of the entity's property taxes for its facility.

- Requires an entity that applies simultaneously for an online raffle license and a bingo license to pay both license fees.
- Requires certain entities, regardless of its gross receipts, to distribute the net profit from the proceeds of online raffles according to the current law formula that applies to instant bingo and electronic instant bingo conducted by veteran's, fraternal, and sporting organizations. Under the As Introduced version of the bill, when an entity other than a 501(c)(3) charity or a school conducts an online raffle, it must distribute 50% of the proceeds to a charitable purpose or a government department or agency.