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Bill Analysis

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Version: As Passed by the House

Primary Sponsors: Reps. Craig and D. Thomas

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SUMMARY

Traditional vs. online raffles

- Divides raffles into two categories: a "traditional raffle" that uses only physical tickets and an "online raffle" that uses an online raffle platform and electronic representations of tickets.

Traditional raffles

- Clarifies that an entity that conducts a traditional raffle may accept electronic payments for tickets and may sell tickets over the internet or by other remote means, so long as certain requirements are met.
- Sets out requirements for prize drawings and types of prizes.
- Eliminates a requirement that a person be licensed as a bingo distributor or manufacturer to produce or sell physical raffle tickets or traditional raffle equipment.

Online raffles

- Specifies several requirements for the conduct of online raffles, including restrictions on the types of prizes and the timing of drawings.
- Requires that a participant be at least 18 and a resident of Ohio.
- Requires an entity that conducts an online raffle to distribute the net profit from the proceeds according to the current law formula that applies to instant bingo and electronic instant bingo conducted by veteran's, fraternal, and sporting organizations.
- Requires an entity that conducts an online raffle to use an online raffle platform approved by the Attorney General (AG).
- Prohibits an entity from using an online raffle platform that resembles a slot machine.

- Requires the operator or creator of an online raffle platform to obtain a bingo supply distributor or manufacturer license from the AG, as applicable, and places certain restrictions on distributors and manufacturers in relation to online raffles.
- Requires an entity that did not have $250,000 or more in gross receipts from the conduct of online raffles in the previous calendar year to register with the AG before conducting an online raffle.
- Requires an entity that had $250,000 or more in gross receipts from the conduct of online raffles in the previous calendar year to obtain an online raffle license from the AG before conducting an online raffle.
- Clarifies that all entities that conduct raffles, and not only those that also qualify as "charitable organizations" that are allowed to conduct other forms of bingo, must maintain certain records of their raffles.
- Clarifies that the AG and law enforcement agencies have the same investigatory and enforcement powers over raffle entities as they currently have over entities that may conduct other forms of bingo.

Instant bingo tickets sold by a 501(c)(3) charity

- Modifies the current law that allows a 501(c)(3) charity to sell instant bingo tickets other than at a traditional bingo session.
- Specifies that the primary source of retail income at the location must not be the sale of instant bingo tickets *other than at a bingo session*, as opposed to overall sales of instant bingo tickets.

Volunteer firefighter's organizations

- Clarifies the definition of a "volunteer firefighter's organization" for purposes of the Charitable Gaming Law to include an organization that is recognized by a joint fire district.

Emergency clause

- Declares an emergency.

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DETAILED ANALYSIS

Background – raffles as a form of charitable bingo

In Ohio, raffles are considered a type of bingo, which is restricted by the Ohio Constitution. The Constitution states that, "Except as otherwise provided in this section, lotteries, and the sale of lottery tickets, for any purpose whatever, shall forever be prohibited in this State." That section then specifically permits three types of gambling: the state-run lottery to benefit education, bingo conducted by charitable organizations for charitable purposes, and casino gaming at four locations.[1]

Under Ohio's Charitable Gaming Law, a "raffle" is a form of bingo in which prizes are won by ticket purchasers whose ticket stubs or detachable sections are drawn from a receptacle containing the stubs or sections corresponding to all tickets sold for the raffle.[2] The Attorney General (AG) interprets the statute as requiring an organization to sell physical tickets that are used in a drawing to determine the winners. Under that reading, the law currently prohibits online raffles.

Unlike with other types of bingo, an organization currently does not need a license from the AG to conduct a raffle that is not for profit. However, the organization must comply with certain requirements regarding the nature of the organization, the distribution of the proceeds, and recordkeeping. Continuing law allows the following types of organizations to conduct a raffle:

- A 501(c)(3) nonprofit organization (a traditional charity);
- A school district, community school, STEM school, college-preparatory boarding school, or chartered nonpublic school;

[1] Ohio Constitution, Article XV, Section 6. The Ohio Supreme Court has held that bingo is a type of "lottery" under the Constitution. *Ohio Boys Town, Inc. v. Brown,* 69 Ohio St.2d 1, 7 (1982).

[2] R.C. 2915.01(CC). An Ohio appeals court has interpreted this law as requiring that the winner of the raffle be determined at random only after all tickets are sold, which distinguishes a raffle from some other gambling games. *Ohio Veterans and Fraternal Charitable Coalition v. DeWine,* 2018-Ohio-4679 at P27 (10th Dist. Ct. App. 2018).

- A 501(c)(4), 501(c)(6), 501(c)(7), 501(c)(8), 501(c)(10), or 501(c)(19) nonprofit organization (for example, a social welfare organization, a chamber of commerce, a social club, or a veteran's or fraternal organization).

If an organization in the third category conducts a raffle, existing law requires the organization to distribute at least 50% of the proceeds for a charitable purpose or to a federal, state, or local government agency.[3]

Traditional vs. online raffles

The bill divides raffles into two categories and clarifies the procedures for each type:[4]

1. A "traditional raffle" is a drawing conducted using only physical tickets, with the winners determined by drawing ticket stubs from a receptacle.
2. An "online raffle," newly authorized by the bill, is conducted by selling electronic representations of tickets to participants via an online raffle platform that assigns a unique identifier to each ticket sold and randomly selects the winning tickets.

Traditional raffles

Under continuing law, no license or registration is required for an eligible entity to conduct a traditional raffle. However, the bill lays out several parameters for the conduct of a traditional raffle:

- The entity conducting the raffle may accept electronic payment from a participant for a ticket and may sell a ticket to a participant over the internet or by other remote means. However, the entity must deliver the physical ticket, an image of it, or a message containing the unique ticket number to the participant before the drawing is held.
- A participant is not required to be physically present at the drawing to win a prize.
- The entity may award a raffle prize in the form of an item of tangible personal property (merchandise), cash, or a cash equivalent, including a gift card or other prepaid or stored value card.
- If any prize is in the form of cash or a cash equivalent, the entity must hold the drawing at an event at which participants are invited to be physically present.

Additionally, the bill removes physical raffle tickets and other equipment used to conduct a traditional raffle from the definition of "bingo supplies." As a result, a company is not required to be licensed as a manufacturer or distributor under the Charitable Gaming Law to produce or sell those items. And, an entity that conducts a traditional raffle may obtain its tickets and other equipment from anywhere.[5]

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[3] R.C. 2915.092(2915.16).

[4] R.C. 2915.01(CC)(1).

[5] R.C. 2915.01(Z), 2915.07, 2915.092(2915.16)(B), and 2915.20.

Online raffles

Rules of conduct

The bill's requirements for the conduct of an online raffle differ in several respects from the requirements for a traditional raffle:[6]

- The entity conducting the online raffle must use an online raffle platform that is approved by the AG and obtained from a licensed distributor (see "**Online raffle platforms**," below).
- A participant must be at least 18 and a resident of Ohio. (Currently, there is no minimum age or residency requirement to participate in a raffle.) The online raffle platform must require the participant to affirm that the participant is eligible before purchasing a ticket, and the entity must require the participant to present evidence of eligibility before delivering a prize to the participant.
- The entity must not use an online raffle platform that incorporates an entertainment theme that resembles a slot machine, such as spinning reels or wheels.
- The entity must hold the drawing at least 24 hours after the last ticket is sold for that drawing, meaning that no participant receives an instant prize determination.
- A participant is not required to be physically present at the drawing to win a prize.
- The entity may award a raffle prize only in the form of tangible personal property (merchandise). It must not award a prize of cash or a cash equivalent or allow a winner to exchange a merchandise prize for cash with the entity. (The winner still may sell the prize to another person in a separate transaction.)

Distribution of online raffle proceeds

Under continuing law, if a 501(c)(3) nonprofit or a school conducts a raffle, it may keep 100% of the net profit. However, for any other entity that conducts an online raffle, the bill requires the entity to distribute the net profit from the proceeds of its online raffles according to the current law formula that applies to veteran's, fraternal, and sporting organizations that conduct instant bingo or electronic instant bingo.

Under the formula that continues to apply to the proceeds of a traditional raffle, an entity other than a 501(c)(3) or a school must distribute at least 50% of the proceeds for a charitable purpose or to a federal, state, or local government agency. "Net profit" means the gross receipts minus the cost of prizes and minus the entity's expenses, such as tickets, payment processing fees, and certain facility costs.

By contrast, for an online raffle, the bill requires the entity to use a more complex formula. If the entity conducts both an online raffle and instant bingo or ebingo, all of the annual proceeds are combined into a single amount for purposes of the formula.

[6] R.C. 2915.092(2915.16)(C) and 2915.20.

The formula distributes the "net profit from the proceeds of the sale of online raffles." 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. Once the net profit is determined:

- 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. 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.

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.[7]

Online raffle platforms

Under the bill, an "online raffle platform" is a website, application, or electronic service used to conduct an online raffle. The bill includes an online raffle platform as a type of bingo supply, meaning that a person must be licensed by the AG to manufacture or distribute an online raffle platform for use in Ohio. The AG also must approve each online raffle platform. The bill excludes an online raffle platform from being considered an unauthorized slot machine or another electronic device used to operate illegal gambling, similar to the current exemption for electronic instant bingo systems.[8]

Platform distributors and manufacturers

The bill generally does not change the requirements for a distributor or manufacturer license, which is valid for one year with a fee of $5,000. But the bill adds references in the sections of law governing distributors and manufacturers to clarify how they must operate in relation to online raffle platforms.

In particular, the bill prohibits a distributor from providing an online raffle platform to an entity that is not allowed to conduct a raffle and prohibits a distributor from providing an unapproved online raffle platform to any person for use in Ohio. The AG may refuse to issue a

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[7] R.C. 2915.01(GG) and (RR), 2915.101, and 2915.092(2915.16)(A). See also Ohio Administrative Code 109:1-4-21, in which the Attorney General adjusts the formula threshold from $250,000 to $330,000 for inflation as permitted under R.C. 2915.101.

[8] R.C. 2915.01(C), (CC), and (QQ).

distributor or manufacturer license if the applicant breaches a fiduciary duty, or commits other misconduct, related to a raffle entity.

Further, although the Charitable Gaming Law generally prohibits a distributor from being involved in the conduct of charitable gaming, the bill specifies that a distributor that provides an online raffle platform is not considered a "bingo game operator," and does not conduct a raffle on behalf of an entity, solely for that reason. The bill also prohibits a distributor from providing an online raffle platform to an entity conditioned on, or in consideration for, an exclusive right to provide an online raffle platform or other bingo supplies to the entity. A similar prohibition currently applies regarding other types of bingo supplies.[9]

Testing and approval of platforms

The bill requires that the AG approve an online raffle platform before it is used in the state. The manufacturer or distributor must submit the platform, as well as any associated equipment or software, to an independent testing laboratory approved by the AG, similar to the current requirement for electronic instant bingo systems. The AG must approve the platform if the AG determines that the platform meets the requirements of the bill and of the AG's rules.

If the distributor or manufacturer plans to make any significant change to a platform or associated equipment or software, the distributor or manufacturer must notify the AG of the change before the change takes effect, and the AG may order that the platform, equipment, or software be resubmitted for testing.

The AG may inspect a platform and any associated equipment or software at any time. If the AG determines that any person or any platform is in violation of the Charitable Gaming Law or the AG's rules, the AG may order that the violation immediately cease and may revoke the platform's approval.

The bill makes distributors and manufacturers responsible for paying the costs of all testing and evaluation. It also allows the AG to establish an annual fee by rule adopted under the Administrative Procedure Act that distributors must pay to cover the cost of monitoring and inspecting online raffle platforms.[10]

Online raffle registration and licensing

The bill creates a two-tiered structure of regulation for entities that conduct online raffles:

- If the entity did not have $250,000 or more in gross receipts from the conduct of online raffles in the previous calendar year, it must register with the AG before conducting an online raffle.
- If the entity had $250,000 or more in gross receipts from the conduct of online raffles in the previous calendar year, it must obtain an online raffle license from the AG before conducting an online raffle.

[9] R.C. 2915.01(Q), (Z), and (CC)(2), 2915.081, and 2915.082.

[10] R.C. 2915.19.

The primary difference between a registration and a license is that the AG must approve a registration as long as the basic requirements are met, whereas the AG might or might not approve a license application based on several factors.

Under the bill, the gross receipts from any online raffles an entity may have conducted before the bill takes effect are not counted toward the $250,000 threshold. For this reason, an entity is only required to register, instead of obtaining an online raffle license, in its first year conducting online raffles under the bill.[11]

Online raffle registration

An online raffle registration is valid for one year and requires a $100 fee. All license and registration fees charged under the bill go to the AG's Charitable Law Fund to support the operations of the Charitable Law Section. An entity may deduct its registration or license fee as an expense when calculating the net profit of the raffle to be distributed.

The registration must be on a form prescribed by the AG and signed and sworn to by the registrant. The form must contain all of the following information, which is similar to the information an organization must provide on an application for a bingo license:

- The registrant's name and post office address;
- A statement that the registrant is an entity permitted by statute to conduct raffles;
- In the case of a first-time registrant, a statement of the registrant's previous history, record, and association that is sufficient to establish that the registrant is an entity permitted by statute to conduct raffles, including a copy of a determination letter issued by the Internal Revenue Service, if applicable;
- Identification of each online raffle platform the registrant intends to use. The registrant must notify the AG if the registrant later wishes to use a different online raffle platform.
- For registrants that are not a 501(c)(3) or a school, an affirmation that the net profit from each raffle will be distributed in accordance with statutory requirements and a statement of how the profit will be distributed;
- An estimate of the registrant's expected gross receipts for the calendar year from the sale of raffle tickets;
- A statement that the registrant maintains all required records and the location at which the records are kept;
- For registrants that are a charitable trust, a statement as to whether the entity has registered with the AG, filed required annual reports, or has an applicable exemption;

[11] R.C. 2915.07, 2915.092(2915.16), 2915.17, and 2915.18 and Section 3 of the bill.

- For registrants that are a charitable organization, a statement as to whether the entity has registered with the AG, filed the required financial report, or has an applicable exemption;
- For registrants that seek to qualify as a youth athletic park organization, a statement from a qualifying body certifying that the playing fields owned by the organization were open for use to all residents of that territory regardless of race, color, creed, religion, sex, or national origin for athletic activities by youth organizations that do not similarly discriminate, and that the fields were not used for any profit-making activity at any time during the year.
- Any other necessary and reasonable information the AG may require by rule.

As soon as practicable after receiving the registration, the AG must issue the registrant a statement of registration that includes the period of validity and any other information the AG determines necessary.[12]

Online raffle license

The requirements and procedures for an online raffle license are modeled closely on the requirements and procedures for obtaining a bingo license under current law. An application for an online raffle license must contain all of the same information as an online raffle registration form, described above.

An online raffle license is valid for one year, and the fee is the same as the fee the applicant would be required to pay for a bingo license (generally between $100 and $500, depending on certain factors such as how often the entity conducts charitable gaming). The bill requires the AG to prescribe a combined application form to allow a charitable organization that applies for an online raffle license at the same time as a bingo license to submit a single application, although the organization must pay both license fees. Additionally, the bill allows the AG to deny, revoke, or suspend a bingo license on the basis of raffle-related violations.

The bill's procedures for reviewing, granting, denying, revoking, or suspending an online raffle license are the same as currently apply to a bingo license. As soon as practicable after an entity submits an online raffle license application, the AG must conduct a preliminary review and notify the applicant of any deficiencies. Within 30 days of receiving a completed application, the AG must grant or deny the license. The AG may grant a temporary license and request additional time to investigate if the AG believes additional time is necessary and has notified the applicant in writing about the AG's specific concerns.

The AG may refuse to grant an online raffle license for any of the following reasons:

- The entity fails to meet any applicable statutory requirement or rule adopted by the AG;
- The entity made an incorrect or false statement in the online raffle license application that is material to the granting of the license;

[12] R.C. 109.32, 2915.01(GG), and 2915.17.

- The entity submitted incorrect or false information relating to the online raffle license application that is material to the granting of the license;
- The AG has good cause to believe that the entity will not conduct online raffles in accordance with the law or any applicable rule adopted by the AG.

Additionally, the AG may refuse to grant an online raffle license if the AG has good cause to believe that a director or officer of the entity has breached a fiduciary duty to, or committed theft or misconduct related to, the entity or other entity that has been issued an online raffle license. The AG may also limit, restrict, or place probationary conditions on the license for cause, revoke the entity's license for a period not exceeding five years, or impose a civil fine on a licensed entity for failure to comply with the law or an applicable rule. If the AG takes an adverse action against an entity's online raffle license, the AG must notify the entity in writing and specifically identify the reason in narrative form and, if applicable, by identifying the violated Revised Code section.

When the AG issues, rejects, revokes, suspends, limits, restricts, or places probationary conditions on an online raffle license, the AG must send a written notice to the entity's county prosecutor and sheriff and to any other law enforcement agency that requests a notice.[13]

Enforcement of raffle provisions

The bill clarifies that all entities that conduct raffles, and not only those that also qualify as "charitable organizations" that are allowed to conduct other forms of bingo, must maintain certain records of their raffles according to the AG's rules, and that the AG's investigative and enforcement powers apply to all raffles. The AG or a law enforcement agency may do any of the following with respect to an entity that conducts a raffle:

- Investigate the entity or its officers, agents, trustees, members, or employees;
- Conduct inspections, audits, and observations of raffles;
- Inspect the premises where raffles are conducted or where online raffle platforms are manufactured or distributed;
- Take any other necessary and reasonable action to determine whether a violation of the Charitable Gaming Law has occurred.

The bill prohibits any person from destroying, altering, concealing, withholding, or denying access to any accounts or records of an entity that conducts a raffle that have been requested for examination; obstructing, impeding, or interfering with any inspection, audit, or observation of a raffle or of premises where a raffle is conducted or an online raffle platform is manufactured or distributed; or refusing to comply with any reasonable request of, or obstructing, impeding, or interfering with any other reasonable action undertaken by, the AG or a law enforcement agency under the Charitable Gaming Law. A violation is a first degree misdemeanor.

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[13] R.C. 2915.18 and conforming changes in R.C. 2915.08.

A law enforcement agency that brings a court action to enforce the Charitable Gaming Law against an entity that conducts a raffle must give the AG written notice of the action.

Under continuing law, any person who conducts a raffle other than as specifically permitted under the Charitable Gaming Law is guilty of illegal conduct of a raffle, which is a first degree misdemeanor on a first offense and a fifth degree felony on a subsequent offense.[14]

Instant bingo tickets sold by a 501(c)(3) charity

The bill modifies the current law that allows a 501(c)(3) charity to sell instant bingo tickets other than at a traditional bingo session. Under existing law, the primary source of retail income at the location where the instant bingo tickets are sold must not be the sale of instant bingo tickets. Under the bill, the primary source of retail income at the location must not be the sale of instant bingo tickets *other than at a bingo session*.

In other words, if an organization regularly conducts traditional bingo sessions at its facility and sells instant bingo tickets during those sessions, that instant bingo revenue is no longer counted in determining whether the organization may also sell instant bingo tickets at its facility when no traditional bingo is being conducted.[15]

Volunteer firefighter's organizations

Finally, the bill clarifies the definition of a "volunteer firefighter's organization" for purposes of the Charitable Gaming Law to include an organization that is recognized by a joint fire district, instead of only one that is recognized by a county, municipal corporation, or township. Under continuing law, a volunteer firefighter's organization is included as a type of charitable organization that may conduct bingo and raffles.[16]

Emergency clause

The bill declares an emergency, meaning that it takes effect immediately.[17]

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[14] R.C. 2915.10 and 2915.20.

[15] R.C. 2915.093.

[16] R.C. 2915.01(H) and (K).

[17] Section 4 of the bill.

HISTORY

Action	Date
Introduced	09-29-25
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