

CHARITABLE GAMING: IS IT WORTH THE GAMBLE?

POINT : DON BOURGEOIS

CHARITABLE GAMING IS AN IMPORTANT FUNDRAISING TOOL FOR CHARITIES. Since 1969, when charitable gaming was legalized in Canada, billions of dollars have been raised to support charitable activities in communities by registered charities, charitable organizations, and not-for-profit organizations with a charitable mandate, such as services clubs. Gaming as a fundraising tool is low risk for charities – provided they plan correctly and comply with legal requirements. Equally important, this source of funding generally has limited restrictions. Unlike grants and sponsorships, the funds can usually be used for operations with substantial flexibility.

So, why would anyone be against it?

Okay, perhaps it is time for disclosure. I have been involved in charitable gaming in one capacity or another for the better part of two decades. I was a regulator in Ontario, then a “runner” for a charity at a bingo hall, and am a regulator once again. But don’t shoot the messenger who brings good news just because he is a regulator. Sometimes “I’m from the Government and I’m here to help” is accurate.

Are there risks? Of course there are. There are no human endeavours without risks. But often there are risks arising from not doing something, including not having sufficient funds to pay for charitable activities and public benefit programs in communities. Those risks accrue not only to the organizations themselves but also to the community and to those served (or not served, if there is no money) by the organization.

It is important for directors and others to remember that gambling activities in Canada are illegal unless they fall within an exemption in the Criminal Code. Charitable gaming’s exemptions include an application for a lottery licence, the need to conduct and manage the lottery scheme, regulatory oversight, and reporting. Charitable gaming may be (and should be) a source of entertainment for players. It is often a social activity, but it is also serious stuff.

There are a number of risks that a charity’s board of directors and management must consider – including the risk of financial loss when players are luckier than anticipated or when the weather is not favourable. There are different lottery schemes in most provinces, ranging from raffles and break-open tickets (also called Nevada tickets or pull-tabs) to bingo and casino nights, which have varying levels of financial risk, some of them mini-

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mal. There is also the risk of something going wrong from a legal perspective, but good planning and measures to ensure compliance will substantially reduce this risk. A charity that can demonstrate that it is conducting and managing a lottery scheme in accordance with the rules will have mitigated many areas of legal and likely financial risk.

There are a few other areas of risk that are more difficult to assess. These are not strictly legal or financial, although at times there may be an overlay. They arise as charities ask themselves, is this something our supporters would want us to do? If we do it, will we lose the support of some? These risks – based on moral, religious, or other grounds – fall into the category of “reputational risk.”

No charity ought to be forced into charitable gaming. But it is an option for those that want to earn revenue to meet and possibly expand their programs. Is it worth the gamble? In my enlightened view, a definite “Yes.” There may be some naysayers out there with other reasons not to participate in charitable gaming. Some may say the public policy in this or that province makes it impossible for charities. Of course, that is not the case in the province in which I am a regulator – how could it be? Whether or not other provinces have got it right, I will leave for debate.

COUNTERPOINT : **BOB WYATT**

Don, you make it all sound so benign, so easy, so “motherhood.”

I take a somewhat different view. Charitable gambling (let’s call it what it is – “gaming” sounds so innocent) raises issues that, for the most part, have been unaddressed – by charities and by government. They remain unaddressed both because they’re painful and because nobody wants to kill the cash cow.

We’ve certainly come a long way from those days when my parents would secretly buy an Irish Sweepstakes ticket. It was all hush-hush and involved selecting a “nom de plume,” hiding the ticket, and avoiding the thoughts that they were breaking the law.

What a change it was in the late 1960s when we decided that charities should be allowed to get involved in gambling – primarily so we could pay the costs of the Montreal Olympics. (And let’s not forget that that first lottery was judged illegal, but led to the legalization bill being introduced by the government of the day.)

Suddenly, we had lotteries galore and casinos, and things just keep “progressing” – VLTs and now talk of online casinos, so people don’t even have to leave their homes to gamble. We’ve had huge line-ups as people try for the \$50-million prize in one lottery – a lottery that was started because the prizes in its predecessor weren’t seen to be large enough, and people were looking for other alternatives for that “big win.”

But some other things have changed, too. As gambling became more popular, and the “take” kept going up, it became clear that government couldn’t let all of that money go to charities. God forbid! So now we have governments as net beneficiaries of gambling that we still, laughingly, call “charitable.”

Let's take a look at the Alberta government's estimates and description of where lottery dollars go. The biggest single chunk goes to Alberta Health, which takes \$420 million. Another \$184 million goes to Alberta Transportation – and \$100 million of that goes to the municipal water wastewater program. Alberta Advanced Education gets \$105 million for capital maintenance, expansion, renewal, and upgrading.

No wonder some people refer to gambling as a voluntary tax. Many of the proceeds go to those things that used to be supported by tax dollars!

To be fair, Alberta Culture and Community Spirit receives an allocation of \$180 million from the Lottery Fund, and some of that is used to make grants to charities, as most people understand that term.

In total, Alberta estimates that it will take in just under \$1.3 billion in gambling revenue this year. (Ontario is counting on \$1.9 billion.) So we're not talking primarily about charitable gambling; we're talking about government having found a new source of revenue. Indeed, the recent discussions about increasing online gambling have centred on the fact that governments are getting nothing when people play (even illegally) on offshore casino websites. And in provinces where governments run casinos, those facilities operate in competition to charity lotteries.

While governments continue to rub their hands with glee at the thought of all of this revenue, they spend considerably less time talking about the social costs. We talk about "problem" gambling. That's a much nicer turn of phrase than talking about addiction or about people losing jobs, homes, and families. How big a problem is this? We don't really know, because we don't want to put the money into researching the question. The money being given to agencies – government and non-governmental – that try to deal with the after-effects of gambling addiction is chump change compared to the dollars rolling into government coffers. (In Alberta's 2010-11 budget, the grand total of \$2 million was allocated for gaming research. Compare that with the \$25 million the same ministry provides for horse racing and breeding renewal.)

It's true that some charities have decided they won't accept gambling proceeds because of the ethical issues involved (a debate that has not, thus far, hampered any government in the country). But in many cases, it's hard to tell the origin of government dollars. You may turn down dollars from a lottery-funded foundation such as Trillium in Ontario or the Alberta Foundation of the Arts. But the dollars from a ministry-operated program may well be part of the allocation of gambling dollars that ministry received. Moreover, some types of programs – such as historical preservation in Alberta – are financed only by lottery dollars. If a charity has ethical concerns about taking gambling dollars, it doesn't have an alternative.

To the sector's discredit, few charities are raising the alarm about the extent to which gambling is financing "quality of life" issues across the country. I understand their reluctance, given their need to find money to deliver their programs. But it means that we aren't having the debate about whether gambling should be the source of "quality of life" funding.

Too many people – in government and in the sector – regard gambling dollars simply as easy money. It may not be as easy for the people who are losing that money. Maybe it's time we factored them in to our consideration.