

Lotteries - The Pros and Cons for Charitable Organizations

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Good morning, ladies and gentlemen.

Lotteries cover a wide variety of social games of chance. Bingo, for example is a well known and useful vehicle for fund raising by certain organizations. The church in particular has had a great deal of success with bingo and some of the ethnic institutions have used it to raise funds for their community centres and similar types of operations. Raffles are another very common form of lottery or a social game of chance which can be very effective. A third form of lottery is Monte Carlo. Monte Carlo deals with gambling in the more traditional sense with blackjack and wheels of chance and wheels of fortune.

A new form of lottery which has been very successful is the Cash for Life. The Cash for Life Lottery originally was introduced by the Ontario Association for the Mentally Retarded but was changed, in September, 1980, to include four charities in the province of Ontario: The Ontario Society for Crippled Children, The Ontario Association for the Mentally Retarded, the Kidney Foundation and the Multiple Sclerosis Society of Canada. While this form of lottery provides some very positive aspects that can enhance fund raising if approached in the proper fashion, it does have some negative aspects.

Some of the difficulties of a lottery of this type relate to traditional sources of funding. For example, an organization depends on a variety of sources of income including support from the corporate area, support from the foundation sector, support from special projects, for example, Carnation Day sponsored by the Multiple Sclerosis Society of Canada, support from the private sector, from the public and, in certain cases, support from the United Way. There is a real concern that these sources of funding may not be available if the lottery is perceived to generate sufficient funding to meet the organization's funding needs.

Another area of difficulty is the criminal taint which many lotteries have. People perceive a lottery as an area where there can be some kick backs and "sharks". It is very true there are some people who are somewhat less than scrupulous, but I think we encounter the same kind of problem in our day to day fund raising activities. For example, two years ago we encountered an organization that was trying to raise money for the handicapped. It was a telephone solicitation campaign where one of our volunteers was called. We started probing around and we found out that the organization was not in fact what it purported to be and eventually it was taken to court by the provincial Ministry of Consumer and Commercial Relations. The sharks that exist are active in different areas but the lottery area seems to have that connotation while the others do not. I do not think it is a serious problem but it is one which certainly our Board has considered in dealing with awareness of the public in how we are raising funds.

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The people who buy lottery tickets for the most part are not necessarily those who support charity as a general matter of course. We do not have any definite market research on this, but I think it is reasonably accurate to assume from informal studies we have done that the majority of the people who buy tickets are buying tickets for the possibility of a pay-off. There is certainly a percentage of people who do buy them to support the charity and this would likely measure in the range of 15-20%. I think people certainly perceive that while they are buying a chance to win some substantial income, they are in fact also doing something which is worthy in that they are supporting a form of charity.

Another aspect of this type of fundraising is the fact that lotteries are regulated by the government. The government must, because of the Criminal Code, licence lotteries. The positive aspect to licencing is that the provincial government has set up specific guidelines the licensee must follow. Other than those guidelines the government has provided a fairly open form for marketing the lottery and for applying the profits from that lottery to specific charities. I think that within the framework there is a great opportunity for the charities to expand their base of operation. Because the lottery is new the participating organizations are trying to assess the implications of Cash for Life.

Another concern is the effect a substantial impact of income into the organization will have on the volunteers which are essential to the operation of any charity in its fund raising activities. As an example I mentioned Carnation Day. Carnation Day is sponsored by the Multiple Sclerosis Society of Canada. It takes place adjacent to Mothers Day. The society sells carnations in the Province of Ontario and certain other Provinces in Canada. It is really a combination of public awareness and fund raising. We do not know what impact that the lottery will have on Carnation Day as a source of funding. That is something which time is going to tell. On the other hand, at this stage we have to work very diligently in trying to identify the needs of the Society. We are trying to determine where the lottery funds can best be utilized keeping in mind that one of the constraints that government has laid down in the issuance of a licence is that the funds must be spent on a one time basis and cannot be used to fund programs that will have a continuity or on-going feature to them. In other words, government is saying we do not want you to come back after the lottery dies or the terms change. Therefore we are looking at the lottery really as a vehicle to expand certain programs that we are into now and to test other programs to determine their viability as a base to develop new fund raising programs and new techniques to get a better return on the dollar so that we can continue the investment back into the programs which we are currently providing.

I think perhaps the impact of the Cash for Life concept can be negative or positive depending on how you look at it. On the positive side, a much broader base of volunteers may be involved with the organization selling tickets and performing the variety of tasks always performed. On the other hand, there are early indications volunteers will adopt a very negative attitude, feeling that the organization no longer needs them for fund raising. In that event volunteer activity will recede. If volunteer activity recedes in the area of fund raising, there is a real danger it will draw back in other areas as well, and that could have a very detrimental effect. Once the volunteers are lost, it is hard to regain their interest. Obviously if this permeates and grows it is going to affect not only the fund raising activities, but the public

awareness, the educational programs we sponsor and the programs where we are dealing with the patients in a variety of settings. This is something which we see as happening, and I think we can stop it. Our Society has a non-government funding base and, until recently, the Society received no support from either the federal or provincial governments except on a per item basis for special projects. We have recently received some small grants from COMSOC for some recreation programs for patients but they have been very small. So we are very aware of the need to keep the very high level of volunteer commitment throughout the province.

Another difficulty I think of in terms of the lottery is the impact the receipt of a substantial amount of money will have on the organization. You have to have a good board of directors who are willing to commit themselves to work with the staff in the proper utilization of these funds. If it is not done in the proper fashion very serious problems can be foreseen. We have within our own organization a very dedicated board and they have spent many hours addressing this specific problem of proper use of the funds that come through the lottery. It will have a major impact on our operation but we know that we cannot rely on the lottery forever. If we draw back in our normal fund raising activities and we have implemented programs such as clinics funded through the hospital system, we cannot shut the clinic down if the funding from the lottery ceases. I just use that as an example but I think you can expand that to the Crippled Children, the Kidney Foundation or whatever charity may be involved.

ERNEST C. FISHER*

Good morning, ladies and gentlemen.

I fully believe that charitable social gaming as a means of charitable fund raising is an intrinsic part of fund raising in our society and, whether one likes it or not, its use is becoming more and more widespread. We at the Lotteries Branch have therefore accepted the premise that lotteries and gaming as a form of charitable fund raising are accepted by the community as, if not a social good, at least an accepted fact, and have developed policies which, we hope, will make it work for the good of all.

It is my view that charity lotteries should be carried out independently of any government lotteries in a free enterprise system where people have the ability to decide what charitable activities they wish to support. I consider that this can be very valuable to the community because it encourages volunteer participation and it is the volunteer with pride in the community, initiative and a feeling for people that make a community a great place in which to live and work.

The Lotteries Branch came into being when the *Criminal Code* was amended in 1970. Our responsibility is to issue licenses to various charitable and community organizations and to keep the sharks out of the swimming pool. The *Criminal Code* to me is a mandate for two important reasons. First, it allows charitable organizations to raise funds for various community programs and purposes unmolested by someone who might come in and skim the cream off the top and leave the charity the

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bone with a little meat on it. Secondly, it allows our Branch to control through licensing those people who would indeed come in and take the bulk of the money and leave the charity and the community programs with just a minute amount.

We issue five different types of licenses:

- (i) For bingos. Bingos last year grossed about two hundred million dollars
- (ii) For raffles.
- (iii) For Monte Carlo nights, which are in reality mini casinos. In Ontario we do not like the word casino, so we use Monte Carlo night which is gaming with a small amount of money. I like to feel that a Monte Carlo night is a fun filled, fund raising, social gaming effort where the members and their friends come in and expect to spend a few bucks in donations to their charity and no one really gets hurt and yet the group makes a little amount of money.
- (iv) For media bingos; that is, radio, television and newspaper bingos.
- (v) For games of chance at exhibitions and fall fairs.

I fully believe that the Branch's activities encompass more than issuing licenses. Because of my previous experience, I suppose, in the municipal arena, I like to feel that I can work with the groups and if a group comes into my office and has a proposal that will not qualify, I take a look at it and, if the group so desires, rework it and revamp it so it does fit the criteria for a license. For example, the first time Margo Scott of the Ontario Association for the Mentally Retarded and her members came in to get a license they were very annoyed because many people with talent spent a lot of time, effort and money to come in with a proposal and I had to turn it down, but in the end we worked it out. My attitude is that if people giving time, talent and interest free of charge to raise money for community programs come to me with a proposal, the least I can do is sit and listen and perhaps help them make it work. One example is the new Cash For Life Lottery. Almost a year ago I was presented with four applications by four of, as I call them, the biggies with the high public and emotional appeal. They each made application for a province-wide lottery. I could see problems on the horizon because there would be four organizations out there each vying for the cash customers' buck; each with their own administration costs, with their own prize structure and their own advertising and of course, if one ran a little shy on selling tickets they would increase the advertising. I felt very strongly that I would be in that case issuing a license for everybody to make the big buck except the charities. So I got them together and suggested they have an umbrella type lottery. After four or five meetings we came up with the criteria for joining the four together and we had the blessing of the Honourable Frank Drea who, I might add, is a people's person. He sits down, takes the time to listen, and knows what is going on. He told me to prepare a presentation to the cabinet and said he would take it to cabinet. Now we came out of there and cabinet gave the blessing to the umbrella lottery to be carried on as a pilot project for one year. At the end of the year it will be reviewed and re-assessed. If it appears that it's the thing to do then we can take in other groups and expand it. So, therefore, in Ontario right now you have the government lotteries and the umbrella lotteries and it's working out well. We have people waiting in the wings to join the present umbrella lottery and I suggest that everyone sit tight for a little while until we see what happens. I know that the cabinet will not approve any more province wide lotteries until we get the results of the umbrella. I can issue a regional license without

taking it to cabinet. For example, the Roman Catholic Diocese of Sault Ste. Marie is operating one now but they're not going province wide.

In the Province of Ontario, licenses are issued by two levels of government: the municipalities and the Province. In those instances where the total prize structure does not exceed \$3,500, a local license is issued by the local municipal officer. If it is over \$3,500 then a license is issued by my office upon recommendation from the local municipality. I feel again that if a municipality has the right to either issue or refuse licenses under \$3,500 then the same right to refusal should be available where a provincial license is issued because, if a provincial license is issued because of the large prize structure and the large number of tickets that may be sold, we may issue a license out of my office to a small organization or service club or call it what you may, charitable group, which the municipality would not have approved. To avoid this, in every instance where an application is made for a lottery license, if it's over \$3,500 the local municipality would process it as they normally would for their own license but at the point where they would normally issue a license they issue a letter recommending that a license be issued from my office. The reason for the saw-off is quite simple; when you get into the larger prizes then you get into more tickets and the sales extend over the local municipality. Now, as you know, the local police have jurisdiction only over a certain geographical area and when you get outside of that then if there are problems with sales the question of which police force could have jurisdiction arises. When the license is issued from my office, because it is the *Criminal Code* of Canada, I can have the OPP Anti-Gambling Branch take a look in at any place that I should desire in the province. So it works out very well. We make it work.

One problem we face is to determine what a charitable organization is and what a charitable purpose is. Well, a charitable organization is an organization that does good for the community. An established organization. Now charitable purpose has a wide variety of interpretations. It is for the poor, for education purposes, for religious purposes of course, then we have one in there that includes a multitude of sins so to speak. It is any of those purposes beneficial to a community but probably benefit is a prerequisite because it must have public benefit. Occasionally, I get one that comes in and they say "Well, there is a new store going in the plaza down the street and we're opposed to it." That's more political than public benefit, and we do not issue licenses for that account. Public benefit is a prime requisite in the licensing procedure. The *Criminal Code* is fairly specific but there is always a certain amount of latitude for interpretation.

The most important thing in the lottery licensing area and the fund raising area is control. If we agree that the *Criminal Code* allows organizations to raise funds for community betterment programs, we try and ensure that as much money as possible goes to those purposes. We have field representatives or inspectors who go out, either during or after the operations to take a look and see what's going on. Because our authority comes from the *Criminal Code*, when a license is issued it becomes a police matter to some degree. I have a network of OPP officers as well as 240 local police associations in Ontario to help out whenever we get into a little bit of difficulty.

Another area to discuss is the percentages in operating a lottery. We say that the bottom line net expenses must come to no lower than 20%. Our Order-in-Council

provides that all the monies taken in less the prizes and the necessary and reasonable expenses must go to the cause stated on the application form, but in no case should that bottom line net be less than 20%. We have also stated that, in the case of a raffle lottery, the maximum expenses should not exceed 15%. I have some statistics that show that during the 12 months period in 1979, we licensed together, the municipalities and myself, 92,000 events which totalled well over \$260,000,000. Out of that, \$83,000,000 went in prizes and \$124,800,000 or 48% was earmarked for the community oriented purposes. Out of the licenses that we issued, service clubs were issued 30%, religious groups, 27%, minor sports groups, 13%, health and welfare groups, 7%, educational groups, 7% and other community groups, 4%.

With respect to reasonable expenses, when those expenses come in we take a look at them and if it appears that they're not reasonable, then we go back to the group and ask for an explanation. And there may be a reason. For example, the other night there was a ball game on and the attendance at a bingo was five hundred instead of the expected thousand. The organization was committed to the prize and its administration costs were fixed. They received half the gross which doubles the expenses. We would not shut them down in that case. Common sense has to rule as far as the lottery license goes.

The report on file kept by the Lotteries Branch on each application is available to the public for scrutiny. It's public money and the public have a right to know what's going on, as far as I'm concerned. As long as I'm there, it's the way it'll be.

There is a prohibition about hiring any professionals or semi-professionals to help with the running of a lottery. The rules provide that a license shall not be issued where the organization proposes to use the services of a person or organization to manage and conduct a lottery on its behalf for a fee or other valuable consideration. The rationale is that when you hire someone on a percentage basis he, in effect, is sharing. If he gets a percentage for the higher amount of sales then he is sharing in the money that should be going to charity. This arrangement should be contrasted with the hiring of an administrator on salary. I think when you get into big business where you are grossing two million dollars a month, then you cannot have a volunteer run the day to day operations, nor can you have a chap coming in on a percentage and saying ok, the more you make, the more I shall make. The salary can be charged to the lottery provided it is within the 15%.

Out west, for example in Calgary, you have a situation where what amounts to a fixed casino runs in a particular hotel. What they do is shift a different charity over every night and I am informed that the gross from one night in the casino for the charity is such that it is pretty obvious that there is no need for any other fund raising for a lot of these organizations. I saw it again in Winnipeg, when I was there in August, and a particular charity had taken over the Convention Centre for three nights. I was informed that their net profit, after all expenses, in three nights would be something in the order of \$300,000. That sort of thing will not develop in Ontario with the present government in power. My Minister, the Honourable Frank Drea has stated categorically with the blessings of the Premier, that there will be no casinos operating in the Province of Ontario. Where does a casino start and a Monte Carlo really leave off? At what price? For our Monte Carlo, which is really the same, we have the black jack tables and the wheels of fortune and that is what they have in the casino. The difference is that we have a one dollar maximum bet in

Ontario which keeps it in the range as I stated earlier, of the local fund raising fun-filled evening for the members and their friends. If you lost all night you wouldn't loose over \$20. So it is a night out and it is probably a donation to the charity and everybody's comparatively happy.

Now, how do the charities feel? I don't know. In Alberta, they had 125 black jack tables at a maximum limit of \$50 a shot and one fellow there lost \$600 in 5 minutes, while I was standing behind him. I said to one of the dealers "you know, that guy is losing a lot of money" and he said "yes but he's got an oilfield in the back yard". So... But on the serious side, the charity makes \$100,000 a night, but the part that worries me is, what does it do to the volunteers? If the charity is receiving that kind of money...all you need is a president and a treasurer, and you do not need anyone else. The pride in the community and the initiative is gone. The dedication is gone. Perhaps even the feeling for the people is gone and you wind up with no local organization and when you wind up with no local organization, you eventually wind up without a central organization and what happens then?

But there is another aspect that I have heard over and over again. In Alberta, they view the charitable contribution as being attendance at the casino. They go to the casino night and spend their money there. Because the organizations can raise all their needs in one night, they do not have to go out and have fund raising drives. The individuals in turn say, "Well, I do not give to charity, but I go to the casino night and that is my charitable activity." This creates problems for those charities which, for whatever reason, choose not to go the casino route. People say: "What are you coming asking me for money for? Why don't you have a casino night?" If the reply is we are morally opposed, for example, to casino nights, then they are not raising the money because people are now put off the habit of giving. I think it is a very serious problem.

In the end, it is necessary to take a look at what a lottery or casino will do to the local volunteer system and to the local groups. It is also necessary to consider repercussions and other things that go with heavy gambling. A couple of weeks ago, when I was addressing an inter-club meeting, I was asked what is going to happen in Ontario when they get the gambling casinos in Niagara Falls, New York. I said we are going to feel great, we shall send our high rollers over there and there will be busses at the border to bring families back here to have fun. I might be wrong there, but I feel strongly on that.

