
Gambling as a Source of Revenue for Governments

by Judy Gordon, MLA

Alberta has long been a pioneer among Canadian provinces, both in introducing new forms of gambling and in fashioning strict but workable regulatory controls. This is a revised version of a presentation to the 20th Canadian Regional Seminar in Fredericton on October 27, 1996. Gambling produces significant financial returns to both charities and government and provides employment for thousands of individuals. This article looks at some of the public policy issues relating to gambling.



Each year the proceeds from lotteries and gaming go to support everything from local baseball teams to up-and-coming artists, theatre groups, and events such as the Canada Winter Games. Here is how the

system works: revenue generated through charitable gaming, namely casinos, bingos, pull tickets and raffles goes directly to the charities which operate them. The Alberta Government's net revenue from these activities is generated through licensing fees and is used to cover administrative expenses.

While few Albertans have concerns about how the gaming industry operates, what became a concern was the sheer volume of lottery revenue. The following figures illustrate this point. In 1983-84, the Lottery Fund received \$8.8 million in net revenues from lotteries and gaming activities. In 1995-96, that total was \$554.9 million. Grants totalling \$122.9 million were provided to community groups and \$385 million was transferred to the General Revenue Fund.

Most of the increase in lottery revenues was due to the introduction of video lottery terminals (VLTs). Clearly, it was time to ask some important questions. A Lotteries Review Committee was established by Premier Ralph Klein in October 1994 to consult with Albertans on the following seven key issues:

- What should lottery funding be used for?
- Are there better ways of allocating lottery revenues?
- How can we improve accountability?

Judy Gordon is the Member for Lacombe-Stettler in the Alberta Legislative Assembly. She is Chair of the Lotteries Review Committee.

- What is the impact of VLTs on community organizations?
- How should casinos operate?
- How do we address problem gambling?
- Should lottery funding go to support professional sports teams?

The Lotteries Review Committee held 22 public meetings in 14 locations around Alberta. More than 2,200 Albertans attended the meetings. We heard 462 oral presentations and received some 18,500 written responses in the form of letters, discussion papers and petitions.

While our review process was open to all Albertans, the vast majority of respondents were from interest groups and organizations which currently receive lottery funding. About 80% of the responses came from arts and cultural organizations. To further enhance the consultation process, the committee also arranged focus group sessions in each of the communities where we were holding public meetings. These groups brought small numbers of people together to discuss our seven key issues.

The focus groups provided some important input to the process. The participants were randomly selected and could not be elected officials or members of the executive or organizations which received lottery funding. In this way, a balance of views was provided.

Our consultation process was very rewarding. The Committee actually earned a positive review from the media. The *Edmonton Journal* wrote "If anyone wanted to see what a real public consultation looks like – the Lottery Review Committee makes a pretty good example. One way you could tell this was a real grassroots meeting was the equal time allowed for different viewpoints." Given the usual response to elected officials by the media, we took this to be high praise indeed.

In preparing our recommendations, Committee members considered very carefully the many diverse views we heard. Time and time again we heard from individuals and groups who expressed concerns about gambling on the one hand, but on the other hand, wanted to ensure that their own groups or communities could share in the revenues. This dilemma was and is at the centre of many discussions about the future of lotteries in Alberta.

Our report outlined a new direction for lotteries and gaming reform. Our objective was not to put unnecessary restrictions on legitimate gambling and gaming

activities. Rather, the Committee's recommendations were designed:

- to maintain a well-regulated and streamlined system
- to return substantial benefits to communities
- to respond to concerns with VLTs
- to ensure that lotteries revenue continued to be used for the benefit of Albertans

My colleagues in the Alberta Government responded favourably to our report and the new directions we sought were confirmed. Before outlining some of the highlights of this new direction I would like to set out the principles that not only guided our decision-making, but that also established the future direction of lotteries and lottery funding in Alberta. These principles are as follows:

- Projects approved for lottery funding should contribute positively to the quality of life in Alberta.
- The primary recipients of lottery funding should be charitable, non-profit organizations that benefit the community or the general public directly.
- Programs receiving lottery grants should benefit the whole province, not just the special interests of the individuals or organization involved.
- Lottery funding should not be used to support essential, ongoing programs. If a program is essential, it should be funded from the general revenues of government.
- Lottery funds should be reinvested back in the community to support volunteer organizations and improve the community's quality of life.
- The process for allocating lottery funds and the decisions that are made should be open and visible.
- A streamlined, simplified and efficient process for allocating lottery funds should be put in place to remove overlap and duplication and improve accountability.
- Clear guidelines should be put in place to ensure that the allocation process is fair and unbiased.
- Future directions in lotteries must provide a balance between the need for revenues to

support valuable community and volunteer initiatives and any further expansion of gaming in Alberta.

With these principles guiding our work, the following are highlights of the new face of gaming in our province.

Highlights of the Review Committee Report

The current system of allocating lottery funds will be replaced by one umbrella foundation and community lottery boards. The status quo was maintained for the 1996-97 fiscal year while the new system is being developed for implementation in 1997-98. The umbrella foundation will fund province-wide organizations and groups who, in turn, will make decisions about how best to allocate funds. The new Lotteries Foundation will support province-wide initiatives in the arts, culture, recreation, health and wellness and other priority areas currently supported by five existing foundations.

Community Lottery Boards will support local priorities and initiatives on a community and regional basis. This will allow communities to benefit directly from lottery revenues and to make their own decisions on how funds are allocated.

The number of VLTs in bars and lounges was reduced from 10 to a maximum of 7 per license. Surplus machines were reallocated to reduce the backlog of applications. Overall, the number of VLTs operating in Alberta has been reduced from 6,000 to about 5,700. The cap is flexible and managed. No other issue generated as much discussion at the public hearings as the VLT issue. Revenues generated from the machines, accessibility, the impact VLTs are having on communities and on the ability of volunteers to raise dollars, the possibility of returning a portion of VLT revenue back to communities, and the problems associated with addiction were often discussed at length. However, the number one concern expressed was the possible expansion of the program. Eighty-seven percent of people said there should be no further expansion, while 10 percent supported expansion. In the focus groups opinion was not quite as strong, although 72 percent were opposed to expansion. Even though people acknowledged that limiting the number of VLTs would not eliminate problem gambling, they did acknowledge that the key problem lies in accessibility. Thus the committee considered alternate ways of limiting accessibility.

In the committee's view well-regulated, charitable casinos should be the primary location for gambling in Alberta, not bars and lounges. Typically people go to a casino as a destination, specifically to gamble, while people go to bars and lounges for a number of reasons, most often for a social drink. Casinos are not as readily

available. Their hours of operation are carefully regulated, and nonprofit groups share directly in casino profits. With government agreeing to our recommendation that charitable casinos be allowed up to 50 VLTs, nonprofit organizations and charitable groups will now directly share in VLT revenue. Thirty percent of the net revenue from VLTs and casinos will in the future be shared equally by the nonprofit groups and the casino operator.

Communities can decide by plebiscite to prohibit VLTs and the government will honour the outcome of such a vote. Casinos in Alberta must be government-regulated and will retain their non-profit status.

Several Committee recommendations were designed to increase the amount of profit made by charitable groups. For example, charities now get a fixed percentage of the net profits from a casino first. This ensures that charities, not the casino management company, ultimately benefit from casino revenues and that casino operators provide cost-effective services.

We were sensitive to the concerns of Albertans about a growing dependence on lottery and gaming revenues, to the concerns of charitable organizations whose needs are growing and to the fact that more communities want a share in lottery revenues. We listened carefully when Albertans told us it was time to get our priorities right, that the future of Alberta and our quality of life should not depend on revenues from lotteries and gaming.

Our report and recommendations sought a balance between maintaining lotteries as a source of revenues for charitable organizations and becoming overly dependent on gaming revenues; a balance between lotteries and gaming as entertainment for some and a problem for others; a balance between government's responsibility to regulate the lotteries and gaming system and each individual's responsibility for their own behaviour.

I believe we were successful in striking that balance and I also believe that our report was not the end of our task. Because we recommended such sweeping changes, we also recommended that the impact of these changes be monitored so we can make sure that we are following the right course. Lottery and gaming revenues provide Albertans with countless benefits, service and facilities. With a responsible and responsive administrative system in place we hope they will continue to do so for a long time to come.