

SUMMARY REPORT:

The Impact of Gaming Upon Canadian Non-Profits: A 1999 Survey of Gaming Grant Recipients

Contents:

■ Gaming Grants In Canada	2
■ Charitable Gaming In Canada	4
■ Non-Profit Dependence Upon Gaming Revenues	5
■ Non-Profit Exposure: Perception or Reality?	7
■ Desirability of Gaming Funds	9
■ Stability of Non-Profit Funding Sources	10
■ Impact of Gaming Upon Stability of Other Funding Sources	12
■ Ethical Considerations for Non-Profits Receiving Gaming Funds	13
■ Characteristics of an Ideal Granting System	16

This summary report was prepared by CWF Director of Research Dr. Loleen Youngman Berdahl with the assistance of CWF Director of Gambling Studies, Jason Azmier for the Gambling in Canada Project. The authors are grateful for research support provided by CWF Research Assistants Sika Patton and Val Jepson. Gratitude is also owed to the 406 non-profit executive directors who participated in the survey and the 46 executive directors who participated in the interviews.

The opinions expressed within are those of the authors only, and not necessarily those of the Foundation's donors, members, or Council. Permission is hereby granted by the CWF to reproduce this document for non-profit and educational purposes. Copies of the 92-page main report are available for \$20 by contacting the CWF. This summary report is available for download from the CWF web site at www.cwf.ca



CANADA WEST FOUNDATION

#550, 630 - 3rd Ave SW Calgary, AB T2P 4L4
ph: (403) 264-9535 fax: (403) 269-4776
e-mail: cwf@cwf.ca web site: <http://www.cwf.ca>

July 1999
ISBN #1-895992-51-6

KEY TERMINOLOGY

GAMBLING AND GAMING BOTH

REFER TO "GAMES OF CHANCE" FOR MONEY, SUCH AS CASINO, BINGO, LOTTERY, RAFFLES, AND NEVADA/PULL-TICKETS. THE PROVINCIAL MINISTRIES TEND TO USE THE TITLE "GAMING" AND FEDERAL LEGISLATION REFERS TO "CHARITABLE GAMING."

GAMING GRANTS ARE GRANTS FOR

NON-PROFITS THAT ARE DERIVED FROM GAMBLING REVENUES. THUS, THE PROVINCE RUNS THE GAMBLING VENUES, AND USES A PORTION OF THE REVENUES TO PROVIDE GRANTS TO NON-PROFIT ORGANIZATIONS. THE BULK OF PROVINCIAL GAMBLING REVENUES ARE DIRECTED AT THE PROVINCE'S GENERAL REVENUE FUND (GRF).

CHARITABLE GAMING REFERS TO

CHARITY-RUN GAMES SUCH AS NEVADA/PULL-TICKETS, BINGOS, RAFFLES AND, IN SOME PROVINCES, CASINOS. PROFITS FROM THESE GAMES ARE DIVIDED BETWEEN GOVERNMENTS AND CHARITIES. ONLY REGISTERED CHARITIES MAY PARTICIPATE IN CHARITABLE GAMING, AS PER THE CANADIAN CRIMINAL CODE.

Interest in the Canadian non-profit sector has increased dramatically in recent years. As governments download services and reduce government-run programs, the number of non-profit organizations grows. This raises questions about the role and importance of the non-profit sector, as well as concerns about the viability of these organizations. Of particular consideration is the funding of these organizations: will they have the resources to meet their present needs, and will they be able to manage ever-larger responsibilities, clients, and societal expectations?

To explore the issues surrounding non-profits and gambling, the Non-Profit Gaming Study began in November 1998, as one part of the larger Canada West Foundation Gambling in Canada Project. Questions explored in this report include:

- To what extent is the non-profit sector dependent upon gambling funds?
- Are non-profits using gaming dollars to replace government funding?
- Is gambling revenue a stable source of funding for the sector?
- Are non-profits experiencing decreases in donations due to gambling?
- Does the non-profit sector experience ethical dilemmas due to this funding? If so, will this cause some non-profits to refuse gambling funds?
- How can a gaming grant system be constructed to best meet the needs of the non-profit sector?

The report findings are directed to inform policy-makers, the non-profit sector, the research community and the public at large. It is hoped that with greater empirical knowledge and critical assessments of gaming grant systems, provinces can work to create grant systems that are effective, efficient and beneficial to the larger provincial community

GAMING GRANTS IN CANADA

At present, three provinces offer formalized programs to provide gaming grants to non-profit organizations: Ontario, Saskatchewan and Alberta. Each system is highly unique and has undergone changes in recent years. Other provinces may also fund non-profits with monies derived from gaming, but not through a formalized, transparent funding structure.

Ontario has one granting agency, the Trillium Foundation, which funds a variety of programs. Trillium funds are derived from casinos and lottery tickets. In the past two years, Trillium's mandate has been extended to encompass social services, arts and culture, sports and recreation, and the environment. In 1998, after a provincial community consultation process, the Ontario government cancelled its charity casino program in favor of government-run casinos. Of the casino revenues, \$100 million are earmarked annually for distribution by the Trillium Foundation.

Saskatchewan has two granting organizations, the Saskatchewan Lotteries Trust Fund, which uses monies derived from lottery ticket sales to fund numerous community organizations, and the Associated Entities Fund, established in 1994 to compensate for predicted losses in charitable gaming revenue due to gaming expansion. The Trust Fund was established in 1974, with sports, culture and recreation organizations as primary beneficiaries. It should be noted

that not all lottery proceeds are granted to the non-profit organizations; the government benefits through the lottery licensing fee, which was the greater of 11% of sales or \$13 million in 1998.

Alberta has a total of eight grant agencies: the Wild Rose Foundation (est. 1984); Alberta Foundation for the Arts (est. 1991 after four agencies amalgamated); Sports, Recreation, Parks and Wildlife (est. 1993 after two funds amalgamated); Community Lottery Boards (est. 1998); Community Facility Enhancement Program (est. 1988); Alberta Historical Resources Foundation (est. 1976), Human Rights, Citizenship and Multiculturalism (est. 1996 to replace one fund); and the Agriculture Initiatives Program (est. 1988). Funds are derived from VLTs, slot machines and lottery ticket sales. The Community Lottery Boards (CLBs) were established after a provincial community consultation process in reaction to criticisms that insufficient gambling revenues were directed back to Alberta communities. A total of 88 CLBs were established to distribute \$50 million per year; funds are allocated to CLBs on a per capita basis.

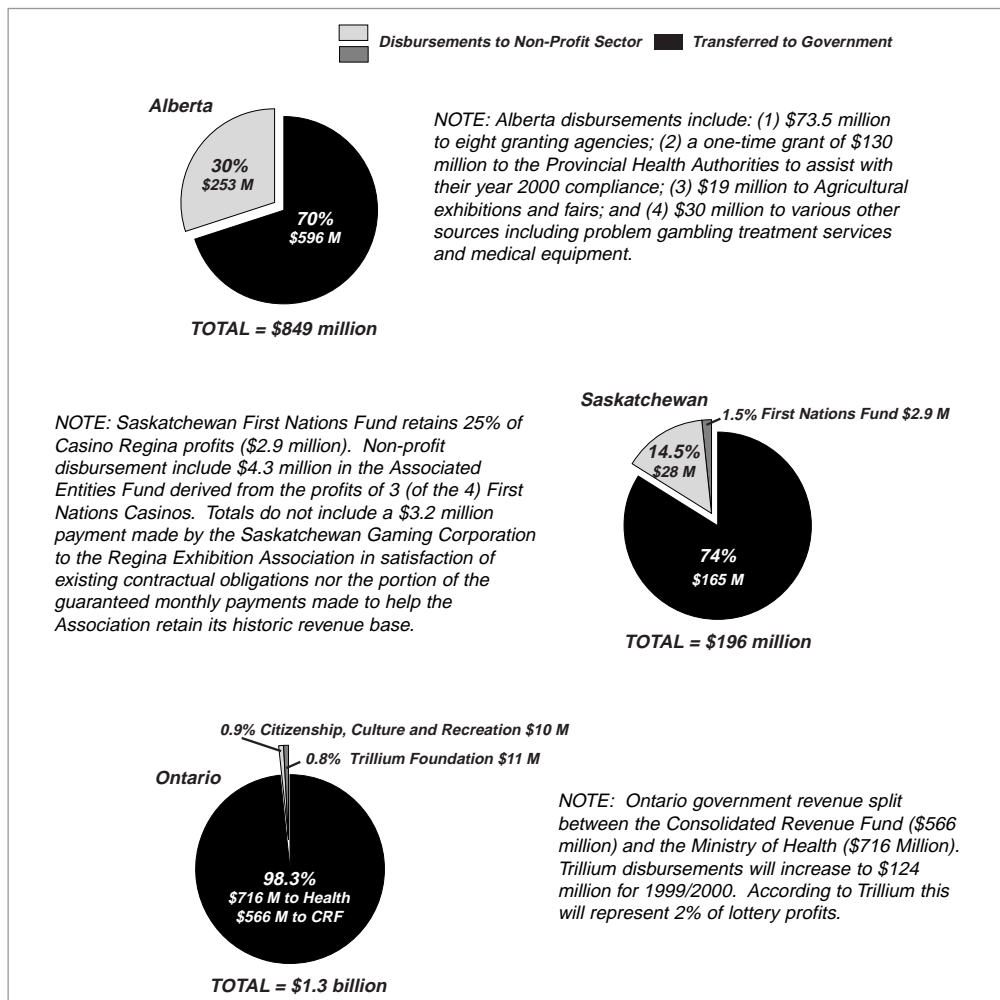
The tables and graphs on the following pages provide a brief overview of the granting systems. It should be noted that while grant systems are presently not in place in seven provinces, at least one province, British Columbia, intends to develop gaming grant programs in the near future.

REGISTERED CHARITY REFERS TO A CHARITABLE ORGANIZATION THAT IS REGISTERED AS SUCH WITH REVENUE CANADA, AND IS THEREFORE ABLE TO ISSUE TAX RECEIPTS. TO QUALIFY, THE ORGANIZATION MUST PASS A "PUBLIC BENEFIT TEST," DEMONSTRATING THAT ITS ACTIVITIES ARE CHARITABLE AND TO THE BENEFIT OF A SIGNIFICANT PORTION OF THE PUBLIC.

NON-PROFIT REFERS TO ANY NOT-FOR-PROFIT OR VOLUNTARY ORGANIZATION. REVENUE CANADA DEFINES A NON-PROFIT ORGANIZATION AS "A CLUB, SOCIETY, OR ASSOCIATION ORGANIZED AND OPERATED SOLELY FOR SOCIAL WELFARE; CIVIC IMPROVEMENT; PLEASURE OR RECREATION; OR ANY OTHER PURPOSE EXCEPT PROFIT." SOME NON-PROFITS ARE REGISTERED CHARITIES, WHILE OTHERS ARE NOT.

VIDEO LOTTERY TERMINALS (VLTs) ARE COIN-OPERATED, INTERACTIVE ELECTRONIC LOTTERY GAMES, AVAILABLE IN ALL PROVINCES EXCEPT ONTARIO AND BRITISH COLUMBIA. UNLIKE CASINO GAMING TERMINALS (SLOT MACHINES), VLTs ARE OFTEN LOCATED IN BARS, LOUNGES AND OTHER NON-CASINO PUBLIC ESTABLISHMENTS.

FIGURE1: GOVERNMENT GAMING PROFITS AND DISBURSEMENTS, 1997/98



SOURCE: Provincial Gaming Commission Annual Reports

SURVEY METHODOLOGY

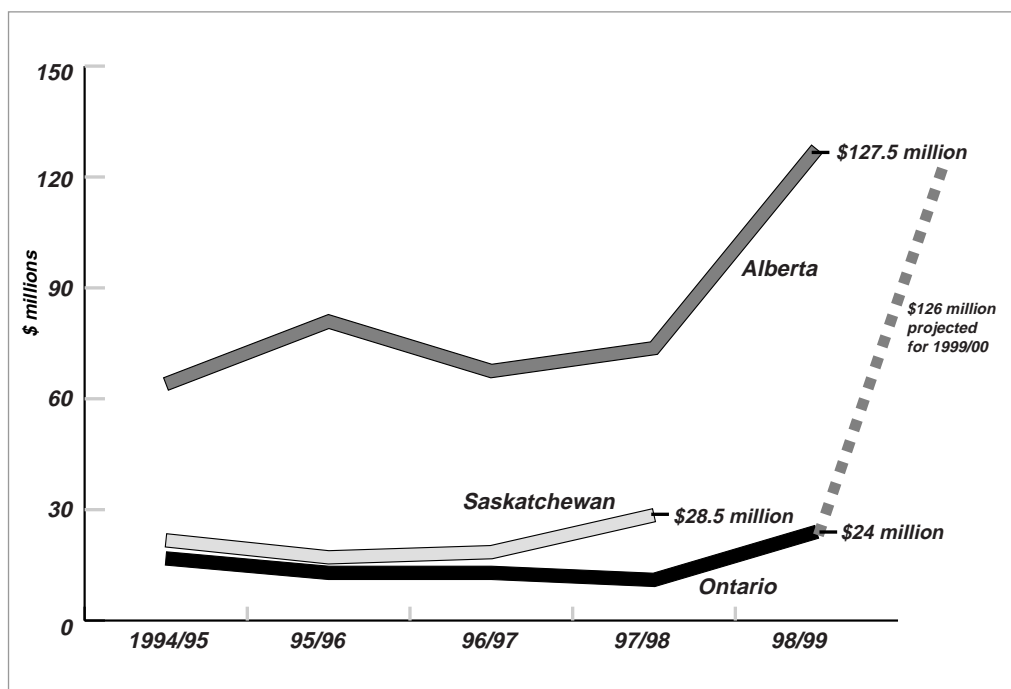
THE CANADA WEST FOUNDATION COLLECTED DATA FOR THIS RESEARCH BETWEEN FEBRUARY AND APRIL 1999.

QUANTITATIVE DATA WERE GATHERED THROUGH A MAIL SURVEY, AND SENT TO A SAMPLE OF NON-PROFIT AGENCIES THAT RECEIVED GAMING GRANTS BETWEEN 1995 AND 1998.

QUALITATIVE DATA WERE GATHERED IN A SERIES OF TELEPHONE INTERVIEWS WITH SELF-SELECTED RESPONDENTS TO THE MAIL SURVEY. INTERVIEWS WERE TYPICALLY UNDER A HALF-HOUR IN LENGTH. THE INTERVIEW DATA PROVIDE NUANCE AND DEPTH TO THE FINDINGS OF THE SURVEY RESEARCH, AND ALLOWED THE NON-PROFIT EXECUTIVE DIRECTORS TO IDENTIFY AREAS OF PARTICULAR INTEREST TO THEIR ORGANIZATIONS.

THE POPULATION UNDER STUDY IS CANADIAN NON-PROFIT ORGANIZATIONS THAT RECEIVED GAMING GRANTS BETWEEN 1995 AND 1998. GIVEN THAT ONLY THREE PROVINCES HAD FORMAL, ESTABLISHED GAMING GRANT SYSTEMS DURING THIS PERIOD, ONLY NON-PROFITS FROM ONTARIO, ALBERTA AND SASKATCHEWAN ARE INCLUDED IN THE STUDY POPULATION. IN ADDITION,

FIGURE 2: GAMING GRANT FUNDS DISBURSED 1993-1998



SOURCE: Personal communication with Provincial Granting Agencies and Annual Reports.
NOTE: Saskatchewan data for 1998/99 not available. Ontario data includes only Trillium grants.

CHARITABLE GAMING IN CANADA

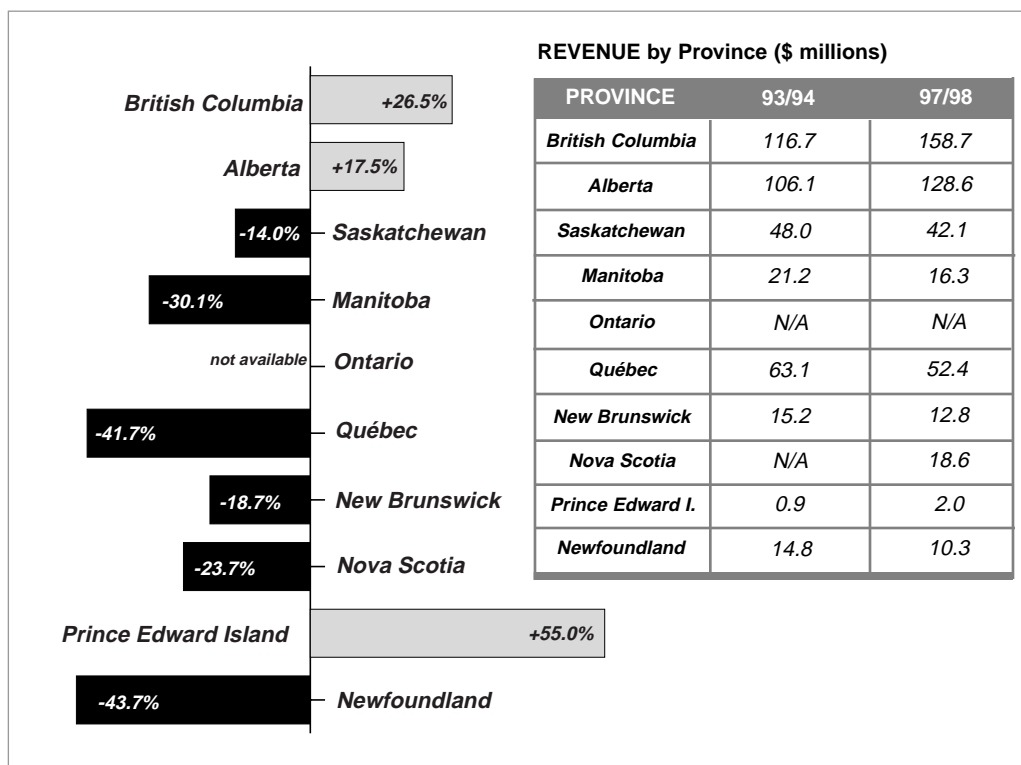
As noted earlier, charitable gaming refers to charity-run games such as Nevada/pull-tickets, bingos, raffles and, in some provinces, casinos. Participating charities must provide volunteers, and in many cases must wait on a list to become eligible to participate, due to high demand for a limited number of charitable gaming spots. Provinces differ in their rules for charitable gaming: some provinces pool funds over a period and divide them evenly between participating

TABLE 1: CHARITABLE GAMING ACROSS CANADA 1998

PROVINCE	CHARITABLE GAMES AVAILABLE
British Columbia	Bingo, Raffles, Fairs (includes Wheels of Fortune and Small Casinos)
Alberta	Bingo, Raffles, Casinos, Pull-Tickets
Saskatchewan	Bingo, Raffles, Break-Open Tickets, Exhibition Association Casinos
Manitoba	Bingo, Media Bingo, Raffles, Calcutta Auction, Sports Draft, Monte Carlo Casinos, Wheel of Fortune
Ontario	Bingo, Raffles, Break-opens, Special Bingo, Super Jackpot, Wheel of Fortune, Media Bingo, Charity Casino
Québec	Benefit Casinos, Bingo, Break-open Tickets, Raffles, Operation of Lottery Kiosks
Nova Scotia	Bingo, Charitable Lottery Tickets, Raffles, some VLTs
New Brunswick	Bingo (includes TV Bingo), Break-Open Tickets, Monte Carlo Nights, Raffles, Small Sports Pools
Prince Edward Island	Charitable Lotteries (includes 50/50 draws and raffles), Bingo
Newfoundland	Casinos, Bingo, Nevada Tickets, Charitable Ticket Lotteries, Chance Games, National Hockey League Time Tickets

non-profits, while others give non-profits the revenues from the exact session worked; some provinces allow a non-profit to participate in one casino and/or bingo per year, while others have no such cap. Due to such differences, the charitable gaming profits to individual non-profits can vary dramatically between provinces.

FIGURE 3: PERCENTAGE CHANGE IN CHARITABLE GAMING REVENUE 1993/94 - 1997/98



SOURCE: Personal Communication with Provincial Granting Agencies and Annual Reports
 NOTE: AB data does not include Raffles under \$10,000. SK data does not include exhibition casinos. MB includes total licensed events only. PEI includes bingo revenue only. PQ data includes bingo, raffles and special commissions to non-profits.

NON-PROFIT DEPENDENCE UPON GAMING REVENUES

A consistent challenge for much of the non-profit sector is securing and maintaining adequate funding. Unlike for-profit agencies that can estimate funding based on consumer demand, non-profits are funded through means such as government support, corporate sponsorship and individual donations – in other words, upon sources of support that can change dramatically with shifts in the economic and political environment. It is due to this potential for fluctuation that non-profits are encouraged to seek myriad funding sources, rather than rely on one or two sources.

Are non-profits growing more dependent upon gambling revenues? To explore this question, we must first differentiate between gaming grants and charitable gaming, due to the differing regulations on each form of gambling-generated funding. As will become clear, regulations dramatically impact the levels of dependency upon gaming funds. The potential for generating revenues from charitable gaming and gaming grants varies significantly between provinces; as the potential for revenues increases, so too does the potential for dependency.

EACH OF THESE THREE PROVINCES HAS CONDITIONS ON NON-PROFIT GRANT ELIGIBILITY. THE POINT TO STRESS IS THAT, BY LIMITING THE POPULATION TO NON-PROFITS WHO RECEIVED GAMING GRANTS, THE VARIETY OF NON-PROFITS IN THE POPULATION IS NECESSARILY CONSTRAINED.

CWF WAS ABLE TO LOCATE THE COMPLETE ADDRESSES OF 1005 ORGANIZATIONS THAT RECEIVED GAMING GRANTS BETWEEN 1995 AND 1998 (61% OF THE TOTAL GRANT POPULATION).

FOR THE FINAL SAMPLING FRAME, 44% OF THE ORGANIZATIONS WERE FROM ALBERTA, 26% FROM ONTARIO AND 30% FROM SASKATCHEWAN. IN OTHER WORDS, RELATIVE TO THE POPULATION, THE SAMPLING FRAME OVER-REPRESENTS SASKATCHEWAN ORGANIZATIONS AND UNDER-REPRESENTS ONTARIO ORGANIZATIONS.

IN ADDITION, A TOTAL OF 47 TELEPHONE INTERVIEWS WERE CONDUCTED: 16 WITH ONTARIO NON-PROFITS, 15 WITH SASKATCHEWAN NON-PROFITS AND 16 WITH ALBERTA NON-PROFITS. TELEPHONE INTERVIEW PARTICIPANTS WERE SELECTED TO ENSURE A DIVERSITY OF ORGANIZATION SIZES AND FUNCTIONS.

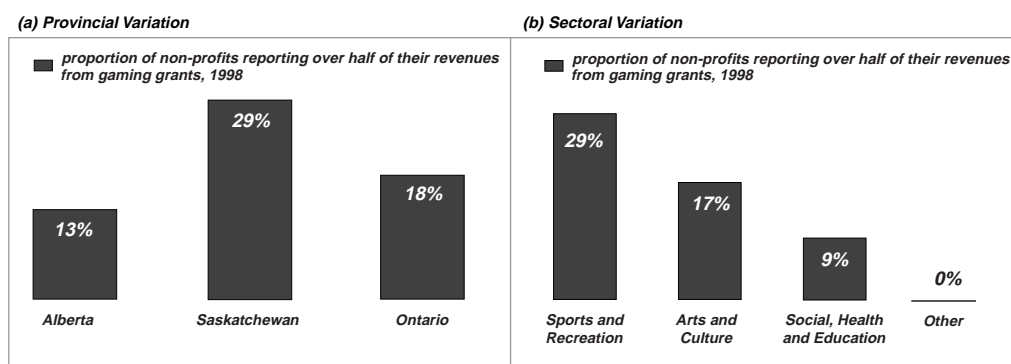
A TOTAL OF 406 SURVEYS WERE RETURNED PRIOR TO DATA ANALYSIS, FOR A RESPONSE RATE OF 40%. SURVEY STATISTICS ARE ACCURATE NINETEEN TIMES OUT OF TWENTY, +/- 4.2%.

IN THE SAMPLE OVERALL, 48% OF RESPONDENTS ARE FROM ALBERTA, 34% FROM SASKATCHEWAN, AND 18% FROM ONTARIO. CLEARLY, DUE TO SELF-SELECTION BIASES, THE SAMPLE SLIGHTLY OVER-REPRESENTS SASKATCHEWAN AND ALBERTA ORGANIZATIONS AND UNDER-REPRESENTS ONTARIO ORGANIZATIONS RELATIVE TO THE POPULATION.

THE NON-PROFITS IN THE SAMPLE REPRESENT A DIVERSITY OF MANDATES AND FUNCTIONS. FOR CLARITY, THE ORGANIZATIONS WERE GROUPED INTO FOUR BROAD CATEGORIES: "SPORTS AND RECREATION," "ARTS AND CULTURE" (INCLUDING MUSEUMS, LIBRARIES AND HISTORICAL SOCIETIES), "SOCIAL, HEALTH AND EDUCATION SERVICES", AND "OTHER" (INCLUDING INTERNATIONAL SERVICES, ANIMAL WELFARE AND ENVIRONMENTAL ORGANIZATIONS).

If dependency upon gaming grants can be measured in terms of the grant's weight in the organization's overall annual budget, the data indicate that only a few organizations are currently dependent upon gaming grants. For many organizations, gaming grants represented only a small portion of their 1998 funding. In total, 46% reported that only 1-10% of their 1998 annual revenues came from gaming grants. **However, a full 20% received over half of their annual revenues from gaming grants, suggesting high dependency for these organizations.** The percentage of annual revenues varies with the province and sector (Figure 4), due largely to the distinct gaming grant mechanisms in each province. For example, because Sask Lotteries grants provide large annual grants to Saskatchewan sports organizations, these non-profits are most likely to report a high total percentage of revenues from gaming grants.

FIGURE 4: PERCENTAGE REVENUES FROM GAMING GRANTS



SOURCE: Canada West Foundation Non-Profit Gaming Study, 1999

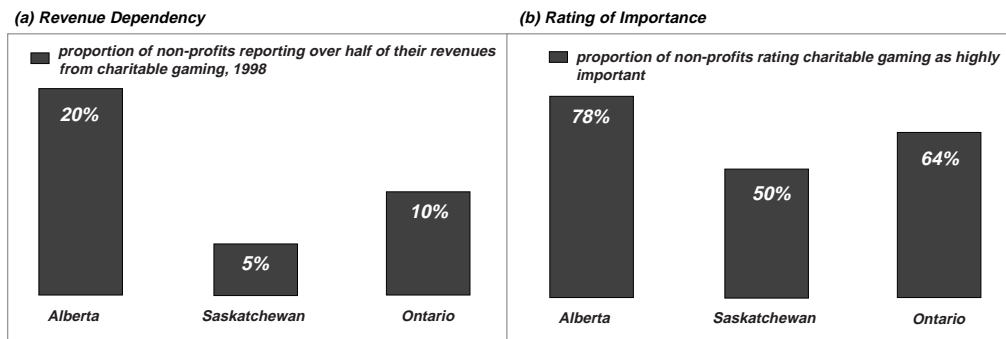
The fact that the plurality of organizations report that gaming grants represent only 1-10% of their annual revenues does not mean that gaming grants are unimportant to the non-profit sector. Indeed, 69% of respondents rate gaming grants as having high importance to their organizations. Asked during interviews how important the gaming grants are to the non-profit sector in general, executive directors unanimously indicated that the funds were "critical" and "essential." **Many argued that without gaming grants, a large number of non-profit organizations would cease to exist.**

Why are the gaming grants viewed as being so critical to the non-profit sector? As many executive directors stated during interviews, every dollar collected by non-profit organizations is valued and necessary. Reductions in the number and value of gaming grants, they report, would lead to program cuts and staff layoffs. The executive director of a Saskatchewan sports organization stressed, "If the grants were to decrease, we would have to cut into core funding. We have no flex, we've cut it to the nth degree. ... It would be very significant. The first to go would be staff, and once staff go that has a negative impact on the organization."

It is not only gaming grants that are seen as important to the non-profit sector. Respondents also report that charitable gaming plays a significant role in funding their operations. Of those respondents who participated in charitable gaming in 1998, 14% reported receiving over half their annual revenues from charitable gaming. For many others, charitable gaming represented a much smaller proportion of their revenues: 54% received between 1-10% of annual revenues

from charitable gaming. As with gaming grants, revenues received from charitable gaming varied with province. Organizations from Alberta receive significantly more of their annual revenues from charitable gaming than Saskatchewan and Ontario (see Figure 5). Again, as with gaming grants, charitable gaming revenues are seen as vital to the non-profit sector. Overall, 68% rate charitable gaming as having high importance – about the same number that rate gaming grants as highly important.

FIGURE 5: IMPORTANCE OF CHARITABLE GAMING by Province



SOURCE: Canada West Foundation Non-Profit Gaming Study, 1999

To provide another measure of the importance of gaming revenues to non-profits, respondents were asked to identify their top three funding sources. **Overall, gaming grants were rated as the top funding source for 28% of the sample, and rated in the top three funding sources for 50% of the sample.** Charitable gaming rated less highly, with 13% of respondents rating it as the top funding source, and 33% rating it in their top three funding sources. For 17% of the sample, both charitable gaming and gaming grants were rated in the top three funding sources, suggesting a high level of dependence upon gaming revenues for these organizations. (By contrast, 18% of the sample rated "other government funds" as their top funding source, and 35% rated government funding in their top three funding sources.).

What becomes clear from the data is that gaming revenues, in the form of grants and charitable gaming, are seen as significant and vital within the Alberta, Saskatchewan and Ontario non-profit sectors. In response to the statement, "Without lottery/gaming grants and charitable gaming, many non-profits would not have the funds necessary to run their programs," a full 84% agreed or strongly agreed. Agreement was strongest amongst the sports and recreation and arts and culture organizations, which are less likely to receive significant government funding.

NON-PROFIT EXPOSURE: PERCEPTION OR REALITY? _____

Are non-profits replacing dependency on government revenues with dependency upon gaming revenues? To answer this question, one must consider not only the importance of the gaming revenues themselves, but also the overall number of funding sources that an organization utilizes. A non-profit may receive a large proportion of its revenues from a limited number of sources but, due to an overall diversified funding portfolio, have in place the

ARTS AND CULTURE RECEIVES THE GREATEST WEIGHTING IN THE SAMPLE, ACCOUNTING FOR 38% OF THE RETURNED SURVEYS. SOCIAL, HEALTH AND EDUCATION SERVICES MAKE UP 33% OF THE SAMPLE, WHILE SPORTS AND RECREATION ACCOUNTS FOR 26%. ONLY 3% OF THE ORGANIZATIONS ARE CATEGORIZED AS "OTHER".

“ I THINK THAT OUR ORGANIZATIONS WOULD BE IN A VERY DIFFICULT SITUATION IF THE LOTTERY MONEY WERE TO DISAPPEAR. THE GOVERNMENTS HAVE BACKED OUT OF MUCH OF THE FUNDING AND PROGRAMMING THAT THEY DID AT ONE TIME, TAX DOLLARS HAVE DRIED UP. IF THE LOTTERY DOLLARS WERE TO DISAPPEAR, A LARGE NUMBER OF THE NON-PROFIT GROUPS WOULD ALSO DISAPPEAR.”

EXECUTIVE DIRECTOR,
SASKATCHEWAN SPORTS
ORGANIZATION

“ OUR PERCENTAGE OF TOTAL REVENUE [FROM GAMBLING GRANTS] IS INSIGNIFICANT; HOWEVER, EVERY DOLLAR IS SPENT CAREFULLY. EVERY DOLLAR LOST PLACES US IN A MORE VULNERABLE SITUATION.”

EXECUTIVE DIRECTOR, ALBERTA
CULTURAL ORGANIZATION

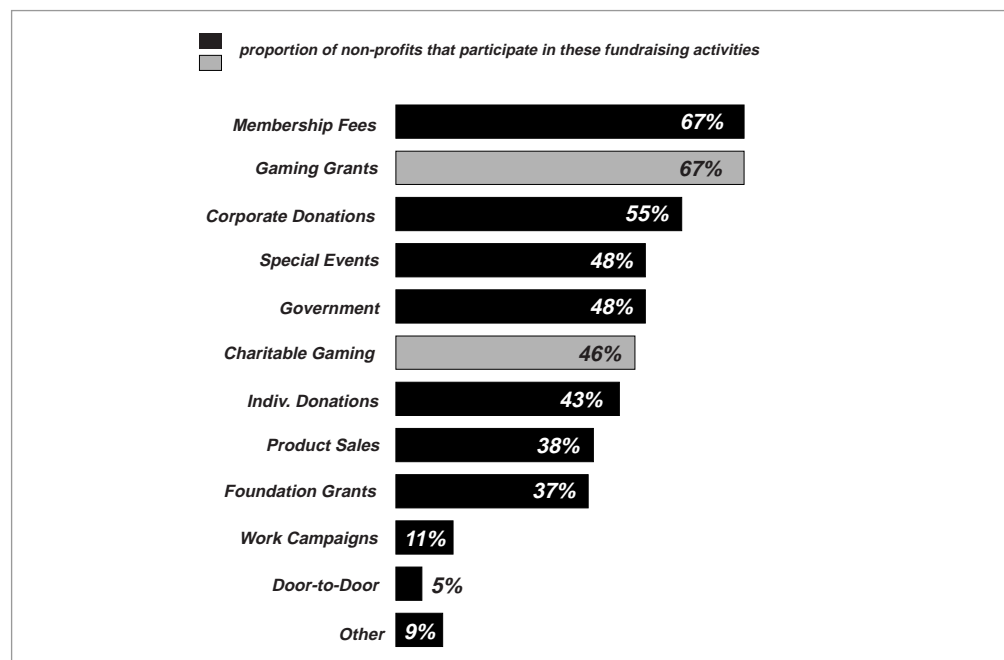
infrastructure and capacity to pursue other funding avenues. The greater the diversity of a non-profit's funding, the greater its ability to redirect revenue generation should a significant source be cut or eliminated.

How diversified are non-profits in their funding sources? Survey data indicated that the non-profits who receive (or have received) gaming grants also participated in a variety of fundraising activities during 1998 (Figure 6). Gaming grants are more common than government and corporate funding. (While all members of the sample have received gaming grants during the 1995-98 period, not all received gaming grants in 1998).

Nonetheless, when one considers the degree to which organizations have diversified their funding sources, it is clear that some organizations are strongly reliant upon a small number of funding sources. **A full 33% rated as poorly diversified, meaning that they reported only between one and three funding sources in 1998.** A plurality of organizations (45%) had between four and six funding sources (moderately diversified), while 22% of organizations were highly diversified, reporting over seven funding sources. Of course, a diversity of funding sources does not guarantee that an organization is not heavily reliant upon a single source. It is possible that an organization receives funds from seven sources, with 50% of their budget coming from a single source. However, the more diversified an organization is, the greater their ability to survive change in the funding environment. Michael Hall of the Canadian Centre for Philanthropy writes, "The ability of charities to weather cutbacks in government funding depends, to a large extent, on the degree to which their revenue base is diversified."

Why do many non-profits fail to diversify their funding sources? For some non-profits, particularly those who receive regular gaming grants and/or government funding, there is a

FIGURE 6: PARTICIPATION IN FUNDRAISING ACTIVITIES, 1998



SOURCE: Canada West Foundation Non-Profit Gaming Study, 1999

feeling that diversification is not necessary. Stated the executive director of one Saskatchewan sports agency, "we have to do very little fundraising in that we get very generous funding from Sask Sport." This perspective was certainly not dominant; for most of the executive directors, funding diversification is a goal. However, they stressed that the process of diversifying funding portfolios is not an easy task.

First, pursuing diversification is not without significant risks. In the highly competitive funding environment, organizations may lose money on special events, product sales and other such endeavors. Second, diversification requires a large amount of time and knowledge. Smaller organizations often lack the skill and experience necessary to pursue a variety of funding alternatives.

DESIRABILITY OF GAMING FUNDS

For many non-profits, gambling grants are seen as a government-provided replacement for government grants. What became clear is that most consider the gaming grants to be an ersatz stand-in for government funding. While gaming grants are appreciated, the preference is for core government funding. As the executive director of a Saskatchewan arts and culture organization expressed, "It has always been our wish as an organization to be eligible for direct government funding, but that is not available in Saskatchewan." An Ontario social services executive director asked, "Does society not value these community based services enough to adequately fund them? And why should we, in addition to providing volunteer support to deliver the services, why do we actually have to fundraise for the operational cost to fund these services?" Another summarized, "We always say that we wish we weren't so dependent upon it. If we had choice, we would get out of it for a whole bunch of reasons."

Others felt that gambling revenues were less desirable than traditional forms of charitable fundraising. An Ontario social services executive director argued,

I have a concern about what that support does to the culture of the non-profit charitable sector. Because it starts to alter the concept. Before, the charitable sector was supported by people who examine charitable works and make a decision on a personal level whether or not that activity deserves their support. Now that connection has been altered. People might have a sense that gambling is entertainment and as a byproduct some funds go to the community. But they may be less concerned with it, not as close to that activity. If we distance the sense that people have to do charitable works or the practice of social responsibility, if we alter that fundamentally in cultural terms, then 10 years down the road if that gaming system starts to fail, then we will have altered people's perceptions at a cultural level about their roles and responsibilities. And that is a bit of a threat.

For almost all organizations, however, the need for funding combined with the relative convenience of securing gambling-generated revenues make the gaming grants and charitable gaming desirable funding sources.

"WE WOULD PREFER NOT TO HAVE TO RELY ON LOTTERY FUNDING, BUT IN TODAY'S ECONOMIC CLIMATE WE HAVE NO CHOICE. FUNDING FROM ANY SOURCE IS DIFFICULT."

EXECUTIVE DIRECTOR, ALBERTA
ARTS AND CULTURE
ORGANIZATION

"[GAMING REVENUES] HAVE BECOME A 'NECESSARY EVIL' AND GROUPS ARE BECOMING DEPENDENT ON THE FUNDS. IT'S A LOT EASIER THAN FUNDRAISING."

EXECUTIVE DIRECTOR, ALBERTA
ANIMAL WELFARE
ORGANIZATION

STABILITY OF NON-PROFIT FUNDING SOURCES

“AS LONG AS YOU’RE TIED TO THE LOTTERY DOLLARS YOU REALLY HAVE TO GO UP AND DOWN WITH ALL THE BUMPS.”

EXECUTIVE DIRECTOR,
SASKATCHEWAN CULTURE
AGENCY

“WE DO NOT FEEL VITAL COMMUNITY SERVICES SHOULD BE FUNDED AT THE WHIM OF POLITICIANS, NOR SHOULD THEY BE SO DEPENDENT UPON THE KIND OF GAMBLERS THAT SHOW UP ON A GIVEN DAY. GAMING MONEY IS NOT STABLE AND IT IS VERY DIFFICULT TO PROGRAM WHEN YOU DON’T KNOW HOW MUCH YOU MAY GET.”

EXECUTIVE DIRECTOR, ALBERTA
ARTS AND CULTURE AGENCY

In an ideal funding environment, non-profits would have consistent and reliable funding sources. For a number of Canadian non-profits, such funding stability is far from a reality. Increased competition for a limited number of charity dollars, combined with donor fatigue, has meant decreasing and erratic funding for some organizations. It is within this occasionally unstable funding environment that many non-profits turn to gaming-related revenues. But to what degree are gaming funds a solution to this instability? Are gaming funds more or less stable than other funding sources?

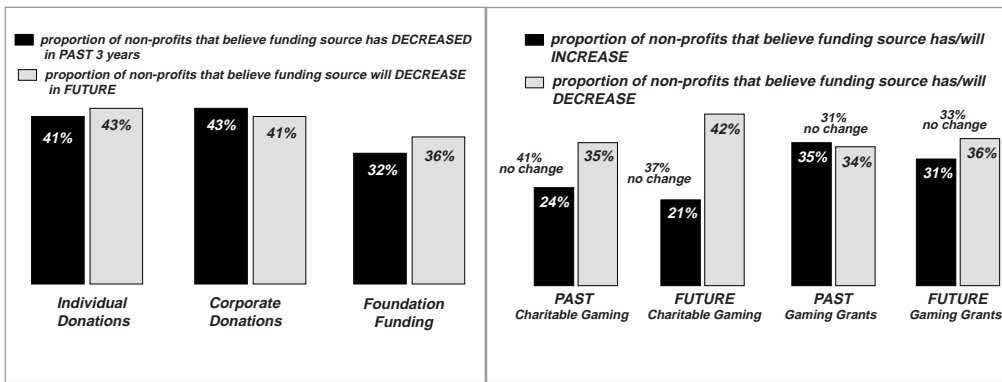
There are reasons to believe that gaming funds are inconsistent revenue sources for non-profits. First, overall gaming revenues are finite; there is a limited number of individuals willing to participate in gaming, and the monies these individuals are able to spend on gaming are also limited. For this reason, as more charities enter the charitable gaming arena, each receives a smaller and smaller slice of the charitable gaming pie. Second, and again due to the finite nature of gaming revenues, the introduction of new gaming opportunities in a province results in decreased revenues for established games. For example, the introduction of casinos will decrease established bingo revenues. Likewise, it has been shown that casino revenues decrease when video lottery terminals (VLTs) are introduced. In this way, the stability of gaming revenues for the non-profit sector is dependent on the stability of government gaming policies. Changes in policy result in changes in funding stability for the non-profit sector. Third, the level of provincial gaming grants is dependent upon political will. In Ontario and Alberta, funds available for gaming grants increased dramatically in 1998 due to government decree. In this way, gaming grant policies can be seen as political tools, open to manipulation for electoral gain and/or other purposes.

Before discussing the stability of gaming and non-gaming funds, a point of clarification must be made. A stable funding source is not equal to a strong or important funding source. A funding source may be a consistently poor source of revenues, for example. In the other extreme, a funding source may be highly inconsistent and unreliable, but a very good source of revenues for non-profits that are able to tap its funds.

Do non-profits see gaming revenues as a stable source of funding? Which funding source is seen as most stable? **What becomes clear upon reviewing the data is that non-profits do not report a strong funding environment in the recent past, nor do they perceive a bright funding future.** Looking at the past three years, only gaming grant availability was reported by a plurality of respondents to be increasing. Looking at the next three years, pluralities of respondents predicted decreases in the availability of all sources except foundation funding (see Figure 7).

Overall, foundation funding is perceived to be the most stable funding source: 57% of respondents report no change in the availability of foundation funding in the recent past, and 51% predict no change in the near future. No source of funding is seen as consistently increasing; however, two sources – individual donations and corporate donations – are perceived to be consistently decreasing. **Gaming sources are seen as the most erratic funding sources.** The

FIGURE 7: PERCEPTIONS OF AVAILABILITY OF FUNDING SOURCES



SOURCE: Canada West Foundation Non-Profit Gaming Study, 1999

plurality of respondents reports the availability of charitable gaming to be steady over the recent past but expects funds to decrease in the near future. The availability of gaming grants is reported to have been increasing in the recent past, but is expected to decrease in the near future.

Not surprisingly, perceptions about the availability of gaming funds varied between provinces. Over the past three years, a plurality of Ontario respondents report charitable gaming availability to have decreased. This reflects recent changes in the charitable gaming environment in Ontario (namely, the discontinuation of the roving Monte Carlo system). In contrast, a majority of Saskatchewan respondents report no change in charitable gaming in the recent past, reflecting the relative stability of that system. Alberta respondents were evenly divided on the direction of charitable gaming in the recent past, with near equal numbers reporting that availability increased, decreased, and did not change. What is striking is that, across all three provinces, a larger percentage of respondents predict that charitable gaming availability will decrease in the near future. For Ontario, this suggests that the recent turmoil in charitable gaming is not believed to be over. For Alberta and Saskatchewan, these perceptions could be related to provincial government calls to review charitable gaming, and/or to increased competition for a limited number of charitable gaming opportunities.

Provincial variations in perceptions of gaming grant availability are even more dramatic, reflecting the very unique directions of the provincial gaming grant agencies. The recent increased funding to the Trillium Foundation is represented in Ontario respondents' perceptions of both recent past and near future availability increases. A majority (53%) of Saskatchewan respondents report decreased grant availability over the past three years; however, looking to the near future, a plurality predicts no changes in grant availability. Finally, Alberta respondents are again split in their perceptions of the availability of gaming grants in the recent past, and are less optimistic about availability in the near future.

Overall, are gaming revenues seen as stable sources of revenue? No. However, it should be stressed almost all funding sources are seen as highly variable. Where gaming revenues are distinguished is in the degree of change reported. **In addition, gaming sources are perceived to fluctuate dramatically according to government decisions.** As one Saskatchewan sports

“IF WE WERE TO LOSE THE BINGOS, WE'D BE GONE. WE'RE TRYING TO DEVELOP PRODUCT AND SERVICES SO WE CAN NOT BE RELIANT ON BINGOS OR ANYTHING.”

EXECUTIVE DIRECTOR, ONTARIO INTERNATIONAL ORGANIZATION

“WE ARE VERY DEPENDENT ON FUNDING FROM SASK SPORT AND THE LOTTERIES, BUT IT MAKES YOU NERVOUS. IF SOMETHING HAPPENS TO ONE SOURCE OF FUNDS, YOU CAN BE IN A LOT OF TROUBLE.”

EXECUTIVE DIRECTOR, SASKATCHEWAN SPORTS ORGANIZATION

“ IF THEY ESTABLISH A CASINO IN [CITY NAME], WE ARE IN DIRECT COMPETITION WITH THE GOVERNMENT FOR THOSE DOLLARS ... AND WE KNOW AS A HOST COMMUNITY THAT THE BINGO REVENUE WILL DROP OFF BY 25%. THAT'S WHAT HAPPENED EVERYWHERE ELSE ... IT DOES RECOVER SOMEWHAT BUT NEVER TO THE ORIGINAL. YOU ARE ALWAYS DOWN AROUND 10-15%. SO THAT MEANS FOR FUNDRAISING THROUGH BINGO, A MAINSTAY KEEPING THIS ORGANIZATION AFLOAT, I'M GOING TO LOSE 25%. ”

EXECUTIVE DIRECTOR, ONTARIO
SOCIAL SERVICES AGENCY

“ ONE DISADVANTAGE IS THE EXPOSURE IN ALL PUBLICATIONS. THEY WANT RECOGNITION IN ALL PUBLICATIONS AND LETTERHEAD. THERE'S AN OPPORTUNITY COST TO THAT. PEOPLE SAY 'WELL, THEY'RE ALREADY FUNDED BY SASK TRUST SO WHY DO WE NEED TO PUT MONEY INTO THAT?' ”

EXECUTIVE DIRECTOR,
SASKATCHEWAN ARTS AGENCY

director explained,

You're at their mercy. If the lotteries don't go well, obviously the next year you're going to cut your funding. If the government decides to tax it heavier [through the lottery license fee], obviously you are going to lose some funding ... The other disadvantage is they don't turn anyone away [from grants]. Anyone who comes up to them, they aren't really turned away. So there are more groups cutting into the pie every year.

Unlike corporate, individual and foundation funding, gaming funds are subject to government control, and many executive directors argue that governments should use that power to ensure that gaming activities best meet the needs of the non-profit sector.

IMPACT OF GAMING UPON STABILITY OF OTHER FUNDING SOURCES

Are gaming funds perceived to impact the stability of other funding sources? Do non-profit workers feel that the presence of charitable gaming and/or gaming grants impacts their ability to raise funds from governments or individual donations? To explore these questions, survey respondents were asked if the availability of more gaming funds would "make it easier or more difficult to raise funds" from other funding sources. **In all cases considered, a majority indicated that gaming revenues have no impact upon other funding.**

Among those who did believe gaming funds impact other funding sources, some interesting patterns can be noted. First, charitable gaming, as opposed to gaming grants, is more frequently perceived to make raising other funds more difficult. It is occasionally argued that charitable gaming is used as a substitution for individual giving by some participants. Second, gaming grants are more frequently believed to make raising other funds easier. This is particularly true for corporate donations and foundation funding: 23% of respondents feel gaming grants make it easier to secure corporate funding, and 20% feel the grants make it easier to secure foundation funding. Stated an Ontario social services director,

It allows you to attract other funding. Because often now when we apply, people want to know what other foundations you are working with, and there's kind of a value-added spin off. ... To be able to say you have stable longer term funding allows other people to have confidence in what you are doing. It adds to the weight of what you are proposing.

Third, the availability of gaming grants is not perceived by the sample overall to hurt funding from charitable gaming.

In addition to considering the impact of gaming grants and charitable gaming upon funding, the survey explored the impact of VLTs. The VLT debate has been highly volatile in a number of provinces, resulting in plebiscites, lobby groups and government promises. One criticism leveled by opponents of VLTs is that video gambling results in decreased revenues for charitable gaming venues.

Due to the volatility of the VLT debate, the survey asked non-profit directors to respond to the statement, "The availability and popularity of video lottery terminals (VLTs) will reduce charitable funding from other gaming sources, such as bingo and casinos." A majority of respondents agreed/strongly agreed with the statement, with Saskatchewan respondents voicing the highest levels of agreement, and Alberta respondents voicing the highest levels of disagreement. The lack of strong Ontario opinion on this issue reflects the absence of VLTs in Ontario. It is striking that VLTs receive such a distinct response. It is probable that the strength of this response relates in part to attitudes towards various forms of gaming, which shall be discussed in the following section.

ETHICAL CONSIDERATIONS FOR NON-PROFITS USING GAMING FUNDS

Increasingly over the past decade, the non-profit sector has been concerned with maintaining high ethical standards. Infrequent but high profile scandals in the United States, such as the misuse of funds by the United Way of America, have drawn attention to the need for ethical fundraising practices and policies in the Canadian non-profit sector. Gambling is an activity that has attracted considerable social debate: religious leaders oppose gambling activities as encouraging covetousness and greed, while others argue the ethical issues of compulsive gambling and its negative impact upon some individuals and families. Proponents of gambling, on the other hand, argue that the social values of freedom of choice and action supercede the negative effects on a limited proportion of society.

These views represent the variety of ethical concerns that non-profits may face in accepting gaming grants and participating in charitable gaming. But to what degree are these concerns felt within the non-profit sector? Does the acceptance of gambling dollars place non-profit organizations in an ethical dilemma? To explore this issue, the Non-Profit Gaming Study asked gaming grant recipients a number of questions related to the ethical dimensions surrounding the use of gambling revenues. Despite the fact that the sample was inherently biased in favor of the use of gambling revenues to fund the non-profit sector (these were, after all, organizations that had a history of accepting gaming grants), issues of ethics were raised by a number of non-profit organizations. What became clear in the data is that consideration of the ethics of gambling revenues vary with the types of services the non-profit organizations provide, and that different sources of gambling revenues (for example, lotteries versus VLTs) present different moral debates.

Problem Gamblers

It is occasionally argued that increased gambling opportunities lead to an increased number of problem gamblers, and as a result, rising demands upon the non-profit sector for family and other services. To what extent is this perceived to be true within the sector itself? The survey data suggested some ambivalence to this idea: when asked if "problem gamblers are likely to become clients of the non-profit sector," a plurality of 45% agreed or strongly agreed, while 22% disagreed or strongly disagreed. One respondent argued that the issue of problem gambling presented an inherent paradox for the gaming grant system: "taking funds from gambling - having then to assist in funding programs that deal with helping problem gamblers. Some agencies do not accept gaming funds for this reason."

"AT THIS POINT THE ORGANIZATION HAS COME TO A COMPROMISE. FUNDING THAT HAS BEEN RAISED ALREADY THROUGH GAMING REVENUE IS SOMETHING THAT WE HAVEN'T DONE OURSELVES. WE'RE NOT ACTIVELY PARTICIPATING IN ENCOURAGING PEOPLE TO TAKE PART IN GAMING AND GAMBLING, THEREFORE RECEIVING THE TRILLIUM GRANT ISN'T AN ETHICAL PROBLEM."

EXECUTIVE DIRECTOR, ONTARIO
SOCIAL SERVICES ORGANIZATION

"SOME PEOPLE HAVE PROBLEMS WITH GAMBLING, AND DEVELOP AN ADDICTIVE RESPONSE TO GAMBLING OPPORTUNITIES. THIS RESULTS IN PERSONAL AND FAMILY PROBLEMS ... I THINK THE SENSE IS THERE MAY BE ENOUGH DAMAGE ASSOCIATED WITH THIS ACTIVITY THAT IT SHOULD BE DISCOURAGED RATHER THAN ENCOURAGED. AND TO DRAW REVENUE FOR OUR WORK FROM THAT SOURCE ESSENTIALLY CONDONES THE DAMAGE THAT IT'S DOING."

EXECUTIVE DIRECTOR,
ONTARIO EDUCATION SERVICES
ORGANIZATION

“GAMBLING IS LIKE EVERYTHING ELSE, WHETHER IT’S DRUGS OR TOBACCO OR ALCOHOL. YOU’VE GOT TO HAVE SOME FORM OF CONTROL. SOME INDIVIDUALS DON’T AND THAT’S UNFORTUNATE, BUT WE DON’T FEEL THAT WE’RE ADDING TO THE SITUATION. ALCOHOL’S A LEGAL THING BUT PEOPLE ABUSE IT. IF THE LIQUOR STORES WERE TO DONATE SOME MONEY, WE’D TAKE IT. IF THE CIGARETTE COMPANIES WERE TO, WE’D TAKE IT TOO. [GAMBLING] IS LIKE ANOTHER OF THOSE.”

EXECUTIVE DIRECTOR,
ONTARIO SOCIAL SERVICES
ORGANIZATION

Overall, the sample’s attitudes towards problem gambling are mixed. While many respondents recognize compulsive gambling as a community problem, the issue was rarely seen as highly important to their particular organization. What was raised more regularly as an issue was concern about the participation of lower income people in gambling. A number of respondents referred to gambling as "regressive taxation" or a "tax on the poor." One wrote, "I am dismayed that important (and, in some cases, essential) segments of society rely on a source of funding that is based on a human weakness and/or a hopelessness derived from lack of economic fulfillment." The executive director of a social services organization stated, "You’re going to see the old age security cheque in the VLT. . . . The profile of the casino player is low income, desperately needing dollars. Is that really where we want the taxation to come from? I don’t think so. Not in my community." Thus, gambling’s impact upon the poor was an important ethical consideration for many non-profits – but not sufficiently important to cause these non-profits to decline gaming dollars.

Perceptions of the link between problem gambling and demands for non-profit services varied strongly with the type of services provided by the organization. Agencies that provide social, health and education services were most likely to agree or strongly agree with the statement, while sports and recreation organizations were most likely to disagree or strongly disagree. This difference between the sectors is quite understandable: social, health and education services are more likely than the other sectors to come into contact with families and individuals impacted by problem gambling.

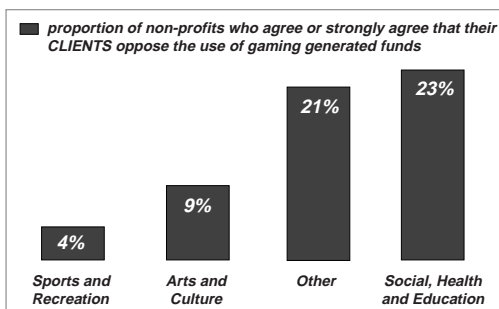
Many respondents argued that while problem gambling was a regrettable social problem, it was not of particular concern to their organization. These respondents stressed that the choice to gamble should be made by the individual, and that responsibility for gambling problems lay with individual gamblers rather than gaming providers. Other respondents noted that problem gambling is not a concern for the organization because it does not impact their organization directly. As the Executive Director of a sports club explained, "Our group is mainly very mature responsible adults who aren’t the type of people who are easily trapped into compulsive gambling. It doesn’t affect our group. We have some people who play lotto or VLTs but they are not addicted."

Non-Profit Responses

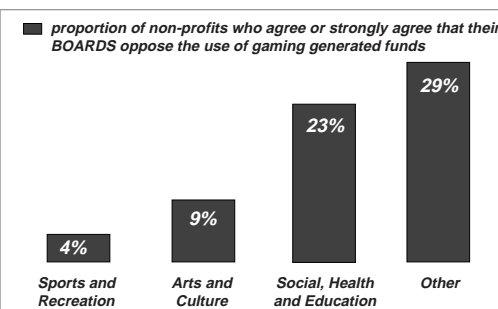
Are ethical questions about the use of gambling revenues being raised in non-profit organizations? Do clients or board members object to the use of gambling funds? In a strong majority of the sample, the answer to these questions is "no." When presented with the statement, "Our clients oppose our organization’s use of gaming revenues," 59% of the sample disagreed or strongly disagreed. Objections are even less likely to be raised at the board level: a full 68% of the sample disagreed or strongly disagreed with the statement, "Our board members oppose our organization’s use of gaming revenues." Distinctions can be made between sectors, with organizations in the social, health and education services, as well as organizations classified in this study as "other" (international services, environment, animal welfare, and others) demonstrating the highest levels of opposition to the use of gambling revenues. Opposition is particularly low among sports and recreation organizations.

FIGURE 8: CLIENT and BOARD OPPOSITION by Sector

(a) Client Opposition



(b) Board Opposition



SOURCE: Canada West Foundation Non-Profit Gaming Study, 1999

The interviews allowed for a more complete discussion of these issues. What became apparent was that for many boards, there is a feeling that any funding, regardless of the source, is necessary to fulfill the organization's mandate. Thus, while individual board members may object to the funds, the greater sentiment is that their commitment to their cause overrides their ethical concerns about gambling. For these individuals, the acceptance of gambling revenues is seen as a "compromise," or a "necessary evil," that must be accepted to meet their larger goals. As one respondent wrote, "Ethically our staff and board are always debating this issue. Our need for operating money usually wins out however."

For many other organizations, the issue of the ethics of gaming has simply never been raised. This was particularly true for Saskatchewan non-profits. Why are gambling ethics less of an issue in Saskatchewan? There are a number of reasons, all of which relate to how the Saskatchewan gaming grant system is established. First, Saskatchewan Lotteries grants are all derived from lotteries dollars, a source of gambling revenue that is seen by most as ethically neutral. Second, the Saskatchewan Lotteries funds are directed at sports, recreation and cultural organizations – in other words, sectors that generally present the lowest opposition to gambling revenues. Third, the Saskatchewan Lotteries system is Canada's longest running and most established gaming grant system. Any controversy over the use of gambling funds was likely resolved more than a decade ago.

Interestingly, respondents made distinctions between the different forms of gaming. These distinctions correspond with academic distinctions between "hard" and "soft" gambling. Lotteries, pull-tickets and raffles were seen as particularly benign, in part due to the fact that individuals tend to risk very little money on these games. Bingo was further along on the vice continuum; while most saw bingo as innocent fun, many noted that some bingo players seemed unable to afford the activity. Bingo was also noted as having health hazards, due to the smoky environments of bingo halls. Moving further along the vice continuum, one finds casino gaming. The extreme form of gaming noted is the video lottery terminals. VLTs are perceived as addictive, and some non-profit executive directors suggested that there would be more concerns about accepting gaming grants if the grants included VLT revenues. (VLT revenues contribute to Alberta grants only; Ontario has no VLTs and Saskatchewan VLT revenues are directed to General Revenues.)

"MY ORGANIZATION, ALL THEY'RE CONCERNED ABOUT IS THAT I DEVELOP OUR SPORT. NEVER ONCE AT A BOARD MEETING HAS IT COME UP THAT THIS IS UNETHICAL MONEY AND WE SHOULDN'T BE TAKING IT. I GUESS THEY WOULDN'T GET ON THE BOARD IF THEY FELT THAT WAY."

EXECUTIVE DIRECTOR,
SASKATCHEWAN SPORTS
ORGANIZATION

"IT'S REALLY DIVISIVE. WHAT HAPPENS IS, WE HAVE THOSE BOARD MEMBERS WHO SAY, "WELL, IF WE WANT TO DO THE IMPORTANT WORK WE DO, WE JUST GRIN AND BEAR IT." WE HAVE [HAD] OTHER BOARD MEMBERS ACTUALLY QUIT OUR BOARD BECAUSE OF THE GAMING RELATIONSHIP. IT DIVIDES BOARDS OF DIRECTORS AND COMMITTEE MEMBERS ... WE DECIDED THAT OVERALL WE NEED THE MONEY. WE CAN'T TAKE A HIGH POSITION, BECAUSE THE WORK WE DO IS REALLY IMPORTANT. WE FEED CHILDREN."

EXECUTIVE DIRECTOR, ONTARIO
SOCIAL SERVICES ORGANIZATION

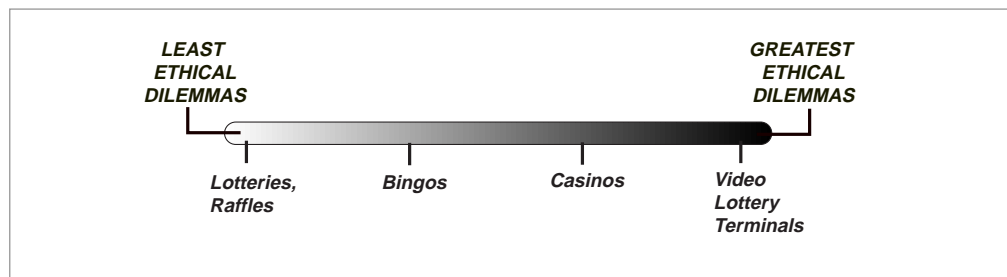
“THERE WAS A FAIRLY SHORT DISCUSSION ABOUT IT AND THE DECISION WAS DISTILLERIES AND TOBACCO COMPANIES WERE OUT AND THAT PROCEEDS FROM LOTTERIES AND GAMBLING WERE A FAIR DONATION.”

EXECUTIVE DIRECTOR,
SASKATCHEWAN SOCIAL SERVICES
ORGANIZATION

“OUR BOARD WILL NOT PARTICIPATE IN CASINOS. HOWEVER, THEY HAVE DECIDED TO ACCEPT PROVINCIAL GOVERNMENT MONEY, SOME OF WHICH THEY KNOW COMES FROM LOTTERY MONEY.”

EXECUTIVE DIRECTOR, ALBERTA
SOCIAL SERVICES ORGANIZATION

FIGURE 9: CONTINUUM OF GAMBLING VICE



Are the "ethics of gambling" a large concern for non-profits that receive gambling grants? For the vast majority, the answer is no. Concerns are greatest among social, health and education service organizations, as well as organizations falling into the broad "other" category. For sports, recreation, culture and arts non-profits, gambling rarely places the organizations in a moral dilemma. It should be stressed again that the lack of strong ethical debate among this sample does not indicate that there are no concerns about the ethics of gambling for the non-profit sector as a whole. The population examined for the Non-Profit Gaming Study is limited to those non-profits that receive provincial gambling grants. For this population, there is an obvious self-selection: those organizations that strongly oppose gambling are highly unlikely to apply for gambling grants. What is striking is that even among this population, there is some degree of debate about the ethics of gambling. For many, gambling revenues are seen as a less desirable source of funds, but preferable to no funds at all. It is likely that ethical debates are more defined in the non-profit sector as a whole.

CHARACTERISTICS OF AN IDEAL GAMING GRANT SYSTEM

If gaming grant systems are truly to benefit the non-profit sector, it is vital that these grant systems consider and reflect the needs of the sector. Through the survey and interview data, it is possible to identify a number of characteristics of an "ideal" gaming grant system; that is to say, a gaming grant system that would be seen as ideal by the non-profit sector itself.

The ideal gaming grant system is characterized by the following:

1. Absence of political interference.

Many non-profits, particularly in Ontario, commented on the need for gaming grant systems to be free of political agendas and partisanship. Indeed, perceptions of politicization are seen to taint the entire grant system. The point to stress is that governments must work to ensure not only the independence of gaming grant organizations, but also the public image of an independent, neutral granting mechanism.

2. Greater proportions of gaming revenues benefiting the non-profit sector.

One issue raised by almost all non-profit executive directors was concern about the proportion of gaming revenues that is directed at general provincial revenues, rather than directly benefiting the non-profit sector. Government practices such as directing gaming funds to general revenues, imposing high lottery licensing fees, and other general fees on charitable

gaming are viewed by many as government imposing its will to take from charities and non-profits what is rightfully theirs.

What can be done to redress these concerns? Provinces can consider a number of options. First, governments could establish and clearly publicize the percentage (or fixed dollar amount) of annual gambling revenue directed to grant programs, with a minimum dollar (e.g., \$100 million) floor set to protect non-profits from poor returns. This would clear up public confusion regarding the use of gambling dollars to fund the non-profit sector, and would increase both government and non-profit sector accountability. Second, provincial governments could reduce and/or limit fees (licensing and other) on charitable gaming, lotteries and other gambling revenues directed at charities and non-profits. This would reduce perceptions that governments are "honing in" on charitable revenues, and increase both revenues and stability of revenues for the non-profit sector. Third, as discussed in the following characteristic, provincial governments could establish high levels of non-profit sector involvement in all aspects (including review and administration) of gaming grants and charitable gaming.

3. High levels of non-profit sector involvement.

Criticism of politicization and government interference in the gaming system can be addressed through high levels of community and non-profit participation in the gaming grant system. This could occur through a number of means. First, non-profits can be involved in both the selection and administration of gaming grant boards. Second, mechanisms for involving non-profits would be regular, formalized reviews of granting agencies and systems, in which non-profits and other interested community members could evaluate and revise the particulars of gaming grants.

Finally, governments should consult with non-profits and other community members prior to any changes in provincial gaming. Overall, these three mechanisms for higher non-profit sector involvement could improve the reputation, effectiveness and appropriateness of gaming grant systems.

4. Supplementary, rather than replacement, funding.

Many non-profit executive directors raised concerns that governments were using gaming grants to replace government core funding in a climate of fiscal restraint and cutbacks. Strong beliefs that governments are using gaming grants as replacement funding can damage both the reputation and the mandate of gaming grant organizations.

5. Consolidated and directed granting systems.

For the sake of simplicity, all gaming grant programs could be consolidated into a single system. Non-profits, regardless of sector, would apply for funding from this single organization. For the grants themselves, granting agencies are encouraged to divide funding according to organizational mandates. This would allow governments to direct funds to areas considered particularly important to that province's community needs. In such a directed funding approach, governments would clearly state the priority of funding areas, with specified percentages directed at each area.

“FROM THE LIMITED INFORMATION I HAVE, IT APPEARS THAT FAR MORE MONEY LEAVES OUR COMMUNITY THROUGH LOTTERIES, CASINOS, VLTS, ETC., THAN ARE RECEIVED BACK IN GRANTS OR OTHER REVENUES.”

EXECUTIVE DIRECTOR, ALBERTA
SOCIAL ORGANIZATION

“I DO HAVE QUESTIONS THAT GOVERNMENTS ARE GOING THIS WAY TO GET A BETTER REPUTATION. SAYING WE'RE GOING TO DO ALL SORTS OF GAMING AND GAMBLING AND WE'LL GIVE THE PROCEEDS TO CHARITIES. BUT ON THE OTHER HAND THEY NEVER GIVE THE ENTIRE PROFITS TO CHARITIES ... THEY KEEP MOST OF THE MONEY MADE FOR THEMSELVES.”

EXECUTIVE DIRECTOR, ONTARIO
INTERNATIONAL ORGANIZATION

“ I THINK THE SYSTEM THAT HAS BEEN DEVISED AND DEVELOPED IN SASKATCHEWAN IS JUST A CREDIT TO THE PEOPLE WHO HAVE DRAWN IT UP AND WORKED IT THROUGH. ”

EXECUTIVE DIRECTOR,
SASKATCHEWAN SPORTS
ORGANIZATION

“ THERE ARE TOO MANY STIPULATIONS ON HOW THE FUNDING CAN BE SPENT. GUIDELINES SHOULD BE BROADER TO ALLOW ALLOCATION INTO DIFFERENT AREAS OF A BUDGET TO OFFSET NUMEROUS COSTS. ”

EXECUTIVE DIRECTOR, ALBERTA
ARTS ORGANIZATIONS

One advantage of a directed funding model is that it could be tailored to meet the ethical concerns of different sub-sectors of the non-profit sector. As was demonstrated in this study, organizations that provide social, education and health services tend to have a greater number of ethical dilemmas in receiving gambling funds than do organizations with other mandates. To address this issue, it may be possible to have a granting system that directs lottery funds (which are perceived as more benign) to the social, education and health service organizations, with the more controversial gambling funds, such as casinos and VLTs, directed to organizations with different mandates. At the same time, a non-gaming grant system specifically targeted to non-profits with ethical concerns about gambling might also be considered.

6. Fairness and accountability.

Issues of fairness were raised by a number of non-profit executive directors. One issue raised regarded "per capita" distributions of gaming grants in Ontario. It was argued that such distributions were unfair to non-profits in casino cities, due to the negative impact of non-charitable casinos upon charitable gaming revenues. Another fairness issue raised was that of "splintering": organizations subdividing to increase their eligibility for grant systems. This may be addressed by providing clear criteria of who is and is not eligible for grants, and awarding grants to organizations based upon history, mandate and service provision (see characteristic eight).

As an extension of the fairness principle, an ideal granting system must be defined by accountability. As recipients of gaming grants, organizations must be required to report back on the usage of the funds. This ensures the reputation of not only the granting systems, but also of the non-profit sector itself. However, it should be stressed that the purpose of annual reporting should be accountability alone, rather than onerous and unnecessary data-gathering.

7. Minimal bureaucratization and helpful staff.

To reduce the bureaucratic demands upon non-profits, granting agencies are urged to consider the following:

- Keep applications as clear as possible. Deadlines should be indicated, criteria should be defined carefully, and required supporting documentation should be identified.
- Provide a filter mechanism at the start of the application process, to prevent ineligible organizations from devoting time to grant application.
- Base funding decisions upon the history and mandates of organizations, rather than upon specific projects (see characteristic eight).
- Keep reporting requirements limited to accountability.

The importance of the staff at the granting agencies cannot be overstated. Many non-profit executive directors complimented the helpfulness of grant agency staff, and stated that informed staff members were vital to making the grant process less complicated and cumbersome.

8. Global funding.

Many gaming grants limit funding to projects or programs, rather than allowing non-profits to use the funding as best suited to each individual non-profit's needs. Limiting funding to projects places greater emphasis on new and sometimes uncertain projects, rather than promoting the on-going services of non-profits. A global or core funding model would allow non-profits to direct funding to its best usage. This may be fund to office rental, computers, staff salaries, programs or other costs. In this approach, the mandate of the grant program is to help establish and maintain a particular non-profit organization, rather than a particular program.

9. Longer-term funding, such as three-year renewable grants.

Short-term funding was seen by non-profits to be of limited overall benefit, due to the fact that organizations lacked the timeframe necessary to implement and evaluate funding. To maximize the impact of granting dollars, it is recommended that some grants be given for a three-year period. To ensure accountability, continued funding over the three-year period should be dependent upon proper accounting.

10. Programs to assist non-profits in fundraising diversification.

The issue of increasing non-profit sector reliance upon gaming revenues should draw concern from the non-profit sector, communities and governments alike. It is recommended that special gaming grants be established to assist non-profits in the goal of fundraising diversification. These diversification grants could fund the individual non-profit to hire a fundraising consultant to review viability of its fundraising agenda, explore potential avenues of fundraising, and increase overall development efficiency.

Conclusion

What is apparent from this study is that gambling revenues are an increasingly important source of funding for the non-profit sector, despite the facts that such revenues are often unstable and present ethical conflicts for a number of organizations. How can these findings be used to aid governments, the non-profit sector, and subsequent research?

For governments, it is hoped that these data will be used to inform the grant-making process. Given that the data express the experiences and opinions of the non-profit sector, Alberta, Saskatchewan and Ontario governments may use the finding to review current grant processes, while provinces considering granting systems can use the findings to assist decision-making in the format and role of gaming grant programs. The largest point to stress is that gaming grant systems should be created and operated in a manner that best suits the needs of the non-profit sector. By considering the perspectives of gaming grant recipients, the funds can be directed to have the greatest possible impact and effectiveness for both the non-profit sector and the community as a whole.

For non-profits, the data from this study should draw attention to common concerns regarding non-profit dependence upon gaming funds. In addition, the study findings highlight the need for non-profit sector involvement in the creation, refinement and administration of both

“BECAUSE THERE'S CERTAIN PERCENTAGES YOU NEED TO SPEND IN EACH CATEGORY, SOMETIMES I FIND THAT WE'RE NOT UTILIZING THE MONEY AS EFFECTIVELY AS WE COULD. I FIND I AM SOMETIMES ORDERING THINGS THAT I DON'T REALLY NEED JUST SO I CAN MAKE USE OF THE MONEY. SO I CAN MEET THE REQUIREMENT OF THAT PORTION. FOR EXAMPLE THIS YEAR I HAVE A GOOD STOCK OF BROCHURES AND MY EMPHASIS IS ON STAFFING, I NEED MORE STAFF. BUT I'LL END UP SPENDING IT ON PAPER INSTEAD OF PEOPLE.”

EXECUTIVE DIRECTOR,
SASKATCHEWAN SPORTS
ORGANIZATION

“IF THE GRANTS WERE MORE 2-4 YEARS, I THINK YOU WILL SEE A DIFFERENCE IN WHO APPLIES AND HOW WELL THOUGHT-THROUGH THE SERVICES ARE ... I THINK MORE MONEY FOR A LONGER PERIOD OF TIME MEANS THE CRITERIA CAN BE A LITTLE MORE STRINGENT.”

EXECUTIVE DIRECTOR, ONTARIO
SOCIAL SERVICES ORGANIZATION

“ DUE TO REDUCTIONS IN
CURRENT GOVERNMENT
FUNDING AND STIFF
COMPETITION IN FUNDRAISING,
LOTTERY FUNDS SUPPORT MUCH
NEEDED SERVICES. IF THERE
WERE OTHER ALTERNATIVES WE
WOULD USE THOSE OPTIONS
FIRST.”

EXECUTIVE DIRECTOR, ALBERTA
SOCIAL SERVICES ORGANIZATION

“ IT’S A SUBSTANTIAL PORTION
OF OUR FUNDING. WE SUPPORT
AND STAFF PROGRAMS THAT WE
WOULD PROBABLY HAVE TO
ELIMINATE WITHOUT THAT
FUNDING. AND IT GIVES AN
OPPORTUNITY TO TRY NEW
PROGRAMS THAT WE WOULDN’T
HAVE BEEN ABLE TO INITIATE ON
OUR OWN.”

EXECUTIVE DIRECTOR,
SASKATCHEWAN RECREATION
ORGANIZATION

gaming grants and charitable gaming systems. Individual non-profits may wish to make efforts to ensure that their voices are heard by granting agencies, provincial ministries, researchers, and other non-profit organizations.

The findings of this study also point to the paucity of research into gambling and the non-profit sector. Clear data is needed on the impact of charitable gaming upon the non-profit sector, the role of non-profits in Canadian gaming expansion, and the overall funding stability of the non-profit sector. Many of these research questions will be addressed in subsequent Canada West Foundation Gambling in Canada research studies. In addition, growing interest in both the non-profit sector and gambling policy should draw increased attention to these issues. What should be apparent is that these are issues that need to be addressed in the near future; the findings of such research are necessary for a viable non-profit sector and sound public policy. ■

ADDITIONAL NON-PROFIT GAMING STUDY REPORTS

This summary report was derived from a 92 page main report entitled: **The Impact of Gaming Upon Canadian Non-Profits: A 1999 Survey of Gaming Grant Recipients**. Copies of the main report are available for \$20 by contacting the Canada West Foundation at (403) 264-9535, or through e-mail at cwf@cwf.ca

This study is the first of three reports examining the relationship of the non-profit sector and gaming funds. Additional forthcoming publications are:

- **The Role of the Charitable Sector in Gambling’s Expansion** by Dr. Colin Campbell, (October 1999).
- **Charitable Gaming: A survey of the fundraising Practices of the Non-Profit Sector**, (April 2000).

In addition, reports to be released under the larger Gambling in Canada project in 1999 include:

- **Gambling and Crime in Western Canada: Exploring Myths and Realities**, by Drs. Garry Smith and Harold Wynne, (September 1999).
- **Canadian Gambling Regulatory Patchwork: A Handbook**, (September 1999).
- **A Survey of Canadian’s Attitudes, Perceptions and Participation in Gambling** by Jason J. Azmier, (November 1999).

Copies of any of these or other reports are available by contacting Canada West Foundation at (403) 264-9535. For additional information on the Non-Profit Gaming Study or the Gambling in Canada Project please contact project director Jason, J. Azmier via e-mail at azmier@cwf.ca