

November 27, 1997

SUBJECT: IMPLICATIONS TO THE COMMUNITY ASSOCIATIONS OF THE
CHANGES IN THE PROVINCE' S GAMING POLICY

RECOMMENDATION:

THAT the Board receive this report for information.

REPORT

At a recent meeting of the Vancouver Community Association Presidents concerns were raised that recent changes to the B.C Provincial Government's policy and / or regulations would adversely affect their ability to raise funding from charity casinos and that the net effect on local communities would be negative.

At its meeting on October 27, 1997, the Board passed the following resolution:

"THAT staff investigate the implications to the Community Centre Associations resulting from changes to the Province's gaming policy and report back to the Board at its December 8th meeting"

This report deals only with charitable casinos, as that is the source of funding most often used by the Associations. However, many of the general comments will also relate to bingo operations and lotteries.

B.C. currently does not have a Gaming Act. In 1996, the Provincial government set up the Nemetz Commission of Enquiry to look into this issue. The submission to the Commission from the Community Advocates for Charitable Gaming, a group representing a wide variety of not-for-profit organisations, included the following comment regarding charitable groups using gaming as an important method of fund raising:

'Until there is a Gaming Act, these groups are on unstable financial ground and gaming itself is vulnerable to the economic and political pressure of the day. Government must remain committed to "..developing a comprehensive gaming act.."* if it is to ensure a long term stable charitable gaming environment.'

* Ministry of Government Services 1993-94 Annual Report.

During 1997, the Province introduced changes to its rules relating to charitable casinos. The main changes are summarised as follows:

- The split of net gaming revenues has changed:

OLD NEW

(effective

Nov 1 ' 97)

Province 10% 40%

Casino/BC Lottery Corp 40% 40%

Charity 50% 20%

These percentages are approximate. Under the new split, the casino operator receives 40% of the net win for tables and 25% of the net win for slots, plus a 3% Facility Development and Improvement Fund. 11% of the net win for slots goes to BC Lottery Corp. The balance of proceeds in each case is then split 1/3 charity, 2/3 government.

- Hours of operation are now noon to 2am. Previously they were 6pm to 2am.
- The number of volunteers from the charity required to be on site at the casino at any one time has been reduced from 5 to 4. However, due to the longer opening hours, two shifts of volunteers are now needed for each day.
- Casinos can now have up to 300 slot machines, bet limits for card games have been increased from \$25 to \$500, and further games have been added to the approved games list.
- The Province will approve up to five Destination Casinos in B.C.

The Province is asserting that these changes will lead to significant increases in total gaming revenues. The B.C. Lottery Commission reports that average gaming dollars spent per person, per annum, are \$104 in B.C. compared with \$154 in Canada as a whole. This difference implies that there may be considerable room for growth in gaming in B.C.

PHASE IN OF NEW REGULATIONS

The Province has announced that charitable gaming revenue will be guaranteed, for the first three years, at the best of actual 1995/96 or 1996/97 revenues, to a maximum of \$118 million, plus Consumer Price Index for B.C. So there should be no overall total loss to participating groups in these three years. Whether individual groups will benefit or lose out as a result will depend in part on how many casinos they participate in each year, compared to prior years. On approval of an application, they can be granted one, two or three casino nights. The waiting list for a casino is currently approximately 10 months.

IMPACT OF NEW REGULATIONS

The Province has justified these changes on the basis that the combination of longer opening hours, introduction of slot machines and new games, and higher limits on bets will counteract the lower percentage paid to the charities, so that there should be no decrease, and there may be an increase, in amounts received by the charities.

While the addition of slot machines may lead to increases in gaming revenues, there is still a limit to the total amount gamblers will spend. Amounts spent on the new slot machines will likely decrease amounts spent in the other areas of gaming. Associations report that bingo revenues are down considerably in 1997.

Destination Casinos may also compete for the gaming dollar in B.C. The Province has indicated that it will approve 5 of these casinos in B.C., but that new facilities will only be approved if they will not have a material impact on existing charitable facilities. Whether any of them will be in the Lower Mainland, and will be in direct competition with the local charitable casinos, is currently unclear.

Local governments have the right to approve Destination Casinos. Vancouver and most of its surrounding municipalities have already voted to reject them. Burnaby has recently approved a casino in Metrotown and New Westminster has yet to make a decision. In addition, these casinos may be set up on First Nations Lands. Applications for setting up Destination Casinos must be submitted by November 28, 1997.

The amount of gaming expenditures leaving the local community will increase. Assuming that most gamblers at the charitable casinos are local residents, and that 50% of casino operators' revenues are paid out in wages and other costs which effectively stay within the local community, then the new split has approximately only 40% of gaming revenues remaining in the community, compared with 70% under the previous split.

If, as is anticipated, gaming expenditures increase as a result of these changes, there are potentially significant negative economic and social effects on communities.

A concern of some of the Associations and groups is the need to now provide additional volunteers to assist at the casinos. Charities are allocated one, two or three casino nights, depending on their financial requirements.

Whereas under the previous regulations, with the shorter hours, one shift per night, of five volunteers, would suffice, the longer hours now require eight volunteers per night (two shifts, of four volunteers each). Where a casino is held over two or three nights, the charity now has to find 16 or 24 qualified volunteers.

This may be a problem for some groups using casinos as a fund raising source. However, smaller groups are likely to be allocated only one or two nights so, while this remains a concern and will require extra effort on behalf of the group, the potential rewards are such that few are likely to be prevented from going ahead.

ASSOCIATIONS' REVENUES FROM CASINOS

Information was requested from all of the Community Recreation Coordinators as to revenues from casino nights held by their Community Associations in 1995, 1996 and 1997. Of the 11 who responded with information, eight had held casinos in one or more of those years, and total revenues to these eight from this source were as follows:

revenues # casino average

to Assocs. nights revenues/night

1995 \$ 26,000 2 \$13,000

1996 \$245,000 15 \$16,367

1997 to date \$147,000 11 \$13,364

Total 1995-97 \$418,000 28 \$14,947

All of these revenues were paid under the old revenue split, as the new split only came into effect on November 1. The 1997 changes regarding longer hours, new bet limits and new games were introduced on May 1, 1997. Despite this, average revenues to these Associations, per night, in 1997 were lower than in 1996. Slot machines are only now in the process of being installed into the casinos. The implication is that the Province is relying on the slot machines to generate the additional revenues required to compensate charities for the decrease in its future share of revenues.

The variation in revenues between these three years illustrates how difficult it would be to predict future revenues, particularly when the future impact of slot machines is still unknown.

CONCLUSION

Total revenues from charity casinos are guaranteed for the first three years, until October 31, 2000, so overall there should be a neutral or positive effect on the groups using them until then.

The Province is of the opinion that the increased total revenues will be sufficient to offset the decreased share paid to the charities. There is little doubt that total revenues will increase, but the amount of this increase is impossible to estimate. Whether it will be sufficient that net revenues to the charities under the new rules will meet or exceed those under the old rules will only be clear when there is a track record to review.

These changes, and the possible introduction of Destination Casinos, will have a negative effect on other methods of fund raising such as bingo and lotteries,

as the total gaming dollars available are not unlimited.

There will also be social and economic implications to local communities arising from the increased share of gaming revenues leaving the communities.

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