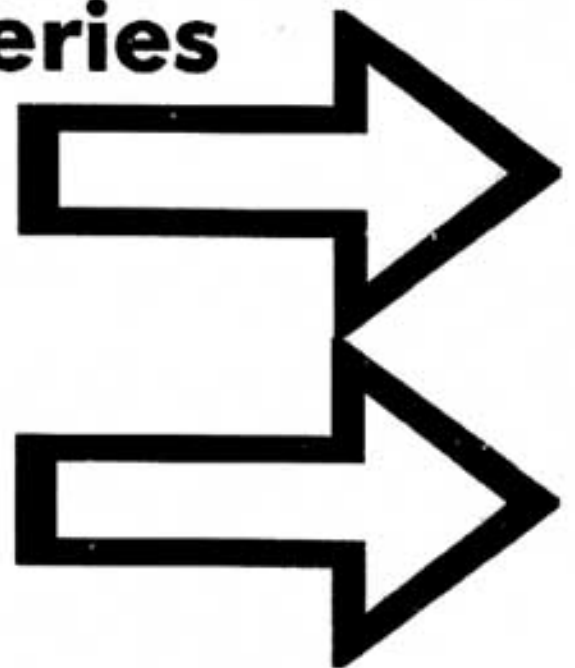


New Directions Alberta Lotteries



Discussion Paper

Alberta
LOTTERY REVIEW COMMITTEE

Lottery Review Committee Members

Judy Gordon, MLA Lacombe-Stettler (Chair)

Roy Brassard, MLA Olds-Didsbury

David Coutts, MLA Pincher Creek-Macleod

Bonnie Laing, MLA Calgary-Bow

Dr. Lyle Oberg, MLA Bow Valley

Ray Clark, Alderman, City of Calgary
Appointee of Alberta Urban Municipalities Association

Sandi Kennedy, Mayor, Town of Okotoks
Appointee of Alberta Urban Municipalities Association

Bruce Willerton, Councillor, Municipal District of Wainwright
Appointee of Alberta Association of Municipal Districts and Counties

Thomas A. Lukaszuk, Edmonton, Public Member

Paulette Patterson, Grande Prairie, Public Member

New Directions Alberta Lotteries

Discussion Paper

January 1995

Why review lotteries funding?

If you're a parent trying to raise funds for your child's swimming team ... a supporter of the arts and cultural activities ... or an organizer for agricultural fairs or the Calgary Stampede ... you know about lotteries. You know that the broad range of lottery and gaming activities in Alberta are a major source of money to support culture, recreation, sports and other important initiatives across the province. There can be little doubt that lotteries funding adds much to our quality of life and the spirit and vibrancy of our communities.

Alberta has a well-regulated system of lotteries and gaming. That system includes ticket and video lotteries, horse racing and charitable gaming - things like bingos and casinos for charitable and volunteer groups. Since 1974, the Alberta government has been responsible for the overall regulation and management of the lottery and gaming industry in the province. A strong provincial role ensures that integrity and security are not an issue in Alberta.

What has become an issue is the sheer volume of lottery income. As you'll see from information on the following pages, the revenue the province gets from lotteries and gaming today is almost four times as much as we received ten years ago.

This tremendous growth has lead Albertans to ask important questions about lottery funding:

- What should lotteries funding be used for?
- Are there better ways of allocating the money?
- How can we improve accountability?
- What impact are things like video lottery terminals having on the ability of community organizations to raise money?
- How do we address problem gambling?
- What is the future of casinos?

These questions and other related issues are the reasons for this review of lotteries funding.

On October 21, 1994, Premier Klein set up the Lotteries Review Committee to consult with Albertans about the future of lotteries funding. Chaired by Judy Gordon, MLA for Lacombe-Stettler, the purpose of the review is to outline some critical issues, to ask Albertans for their views, and to prepare recommendations designed to improve accountability and set a clear new direction for lotteries funding for the future. The Committee's report and recommendations will be tabled in the Legislative Assembly by March 31, 1995.

Setting the context: How much do Albertans spend on lotteries and gaming? And what is the money used for?

As a context for discussing the issue, let's look first at some background information and two key questions: How much do Albertans spend on lotteries and gaming? And what is the money used for?

How much do Albertans spend on lotteries and gaming?

The answer is a lot of money and it's growing dramatically.

In 1983/84, the provincial government received \$602 million in revenues from lotteries and gaming activities. By 1993/94, that figure had grown almost fourfold to \$2.215 billion. Much of that dramatic growth came as a result of the introduction of video lottery terminals (VLTs) in 1992. The most recent projections are that Alberta's revenues from lotteries and gaming will grow this year to \$2.6 billion.

What does that mean for each Albertan? It means that, on average, each Albertan used to spend \$382 on lotteries and gaming. By 1993/94, that figure had grown to \$1,170. With the 1994/95 estimates, each Albertan could be spending an average of \$1,427 on gambling.

The new VLTs have had a tremendous impact. In 1991/92, the total revenue from VLTs was only \$19.7 million. But by 1993/94, the revenues from VLTs had climbed to \$864.6 million - \$463 for each Albertan over 18 years of age.

Lotteries funding has gone from a relatively small source of additional revenues to the province, to a major and significant source of funds.

What is lotteries funding used for?

Lotteries funding is used for a wide variety of programs and services: education initiatives, health and wellness programs, science and environment initiatives, the Community Facility Enhancement Program (CFEP), tourism initiatives, recreation and sport, cultural activities and agricultural initiatives. These dollars are returned to communities in the form of grants.

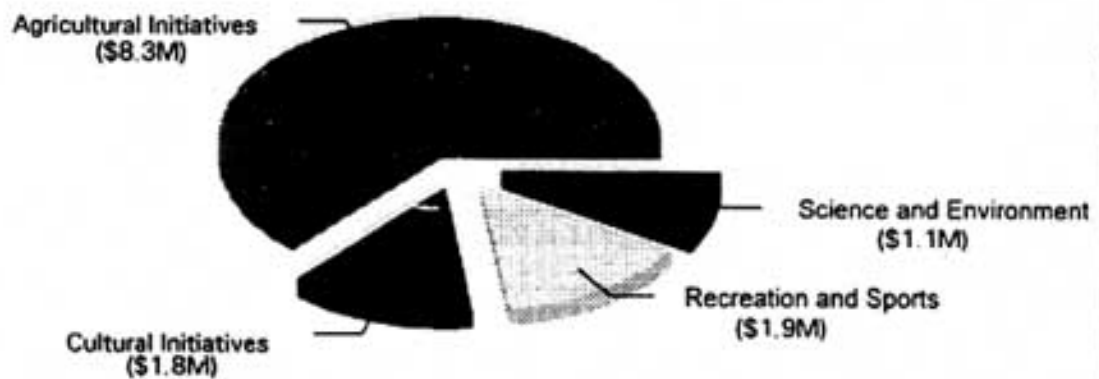
Charts in this section show how the money has been allocated and the summary of payments for 1983/84 and 1994/95.

In many cases, lottery funding goes to a variety of foundations, set up to serve specific purposes or community needs. In turn, these foundations receive applications for funding from community groups and allocate funds to proposals or projects which meet their criteria.

Lottery Revenue Distribution by Funding Category

1983/84

(Millions of Dollars)

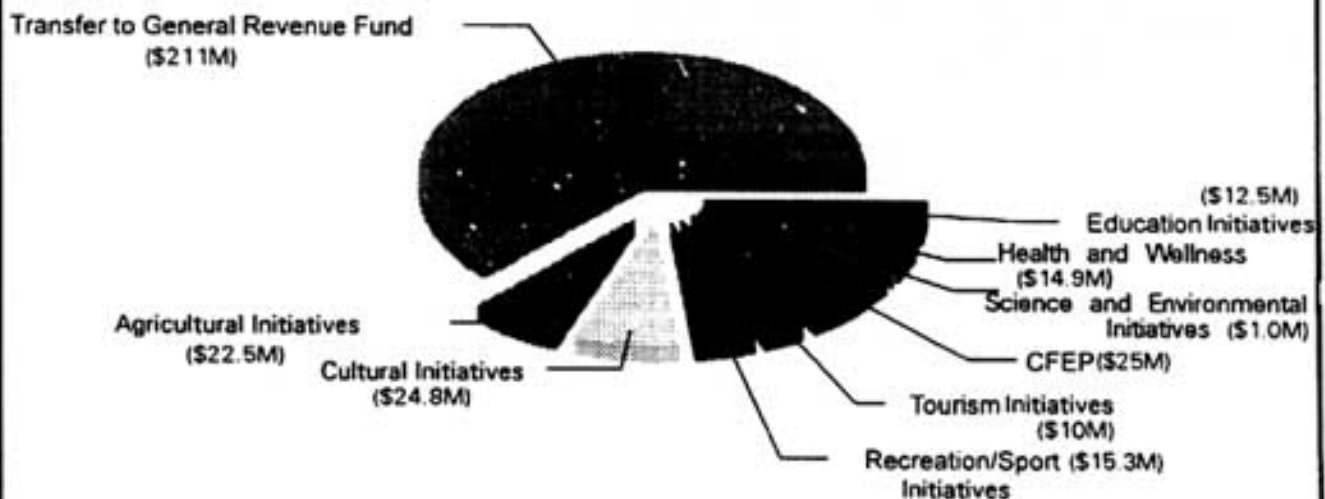


Total: \$13.056 Million

Lottery Revenue Distribution by Funding Category

1994/95

(Millions of Dollars)



Total: \$337.0 Million

In 1994/95, it is estimated that a total of \$125.9 million of lotteries funding will be allocated to communities. That funding is broken down into the following major categories:

- ***Community Facility Enhancement Program - \$24.8 million***
To assist with new construction, renovation or redevelopment of "community wellness" facilities such as outdoor recreation centres, cultural and seniors centres, women's shelters and group homes.
- ***Cultural initiatives - \$24.7 million***
Support for the Alberta Foundation of the Arts, the Alberta Historical Resources Foundation and the Glenbow-Alberta Institute.
- ***Agricultural initiatives - \$22.5 million***
Support for agricultural societies in rural communities, the Calgary Exhibition and Stampede, Edmonton Northlands and other agricultural activities.
- ***Recreation initiatives - \$15.3 million***
Support for the Alberta Sport, Recreation, Parks and Wildlife Foundation as well as related sports and recreation initiatives.
- ***Health and wellness initiatives - \$14.8 million***
Support primarily for the purchase of advanced medical equipment and the Wild Rose Foundation.
- ***Education initiatives - \$12.5 million***
To help provide equity in funding among school jurisdictions. This support will end in 1994/95 when the province takes over full funding of school jurisdictions.
- ***Tourism initiatives - \$10 million***
To support tourism programs and Team Tourism.
- ***Science and environment initiatives - \$950,000***
Primarily to support the Science Alberta Foundation.

In addition to these initiatives, lottery revenues have also become an important source of funding for the provincial budget. Since 1991/92, some lottery fund revenues have been transferred to the general revenues of the province. That money becomes part of government's regular budget and is used to support ongoing programs in health, education, social services and other important priority programs. In 1991/92, \$225 million of lotteries revenue was added to the province's general revenues. In 1993/94, that figure was reduced to \$113 million and in 1994/95, the budgeted amount will go up to \$211 million.

How does this compare to other provinces? Alberta, Saskatchewan and Manitoba are leaders in turning lottery profits over to communities. While Alberta will allocate \$125.9 million to communities in 1994/95, Manitoba will allocate \$124.2 million and Saskatchewan will allocate about \$38 million to communities. Other provinces, including the four Atlantic provinces, Quebec and Ontario, allocate all of their lottery revenues to their province's general revenues. British Columbia spends its lottery revenues on health care.

Currently, the overall budget for lottery funding is considered and approved by the Legislative Assembly. Three-year targets are set out for each of the major categories of allocations from lottery funding. However, within each category, there is a great deal of discretion involved in the approval of individual projects and priorities. Concerns have been expressed that the process should be more open, with clear priorities and processes for approval of projects.

What are the issues?

As we noted earlier, lottery revenues have grown dramatically. And as a result, Albertans are asking some important questions about the future of lottery funding.

First, what should lottery revenues be used for? You've seen how the funds are used now. Ideally, lottery and gaming funds should enrich the quality of life and well-being of Albertans. The Interprovincial Lottery Act says that funding should be directed to recreation and culture and for any other broad purpose which is in the public interest. As lottery revenues continue to grow, it's important that Albertans have a voice in setting the direction for the future. Should we maintain the current approach and priorities, or should we put a new direction in place?

Second, there's the issue of how to allocate the funds, and who decides. Some have suggested that a community-based lottery council should be established in order to open up the process. Related to this, there are questions about whether the process could be streamlined, whether all the regulations we have are necessary, and how we could improve coordination of the funding so that groups and foundations don't get overlapping funding from different foundations and also from government departments.

Third, there is a concern about accountability for lottery revenues. In his 1993/94 report, the Auditor General recommended that changes be made to make the distribution of lottery revenues more accountable and more efficient. He also recommended that the distribution of lottery revenue be subject to review by the Legislative Assembly in the same manner as other public funds, and that the distribution of funds take place under the appropriate government departments to avoid duplication in funding. These recommendations have been accepted by the provincial government. In addition, the Minister responsible for Lotteries, Gaming and Racing has said that there needs to be a more open process for making decisions on the distribution of lottery revenues. A community-based lottery council could suggest how the money should be allocated and increase public input into the process. In addition, local groups receiving lottery funding will be more accountable for their expenditures.

Fourth, there is a serious concern about the impact of VLTs. Information shows that Albertans are spending more and more money on VLTs. People from charitable groups feel that this is having a serious impact on their ability to raise needed money. A group of Mayors from northeastern Alberta have expressed concern that VLTs are responsible for a decline in money available to community organizations. They have suggested that revenues from lotteries and gaming should go directly to municipalities on a per capita basis. They would then be the ones to make decisions on how those funds would be allocated in their communities. With this becoming a bigger source of revenues, it's time to set a clear direction for the use of this money.

Fifth, there are concerns about current casino operations. Community groups in Calgary and Edmonton have asked that the current policy be reviewed, as long waiting lists prevent groups from having more than one casino per year. Also, there is an increasing interest in large-scale casinos to attract tourist dollars. Should we maintain the current policy of charity-run casinos, or should charities be the benefactor of money returned to government from private casino operators, in the form of fees and taxes?

Finally, Albertans are concerned about problems with gambling. Estimates are that over 5 percent of Albertans 18 years and older are problem gamblers. With the introduction of VLTs, some Albertans think that problem gambling is on the rise. To address this concern, at least in part, \$820,000 from lottery revenues goes to AADAC to provide programs to help problem gamblers. That's less than 1 percent of lottery revenues. Plans are for that funding to increase to \$1.065 million in 1995/96 and to just over \$1.1 million in 1996/97.

To focus the discussion of these important issues, the following pages set out each of the issues and raise specific questions for Albertans to discuss. The feedback and advice we receive will set a new direction for lottery funding for the future.

Addressing the issues

ISSUE 1: WHAT SHOULD LOTTERIES FUNDING BE USED FOR?

With increasing lottery funds, it's important that there be a clear purpose for the use of lottery funds and a framework for making decisions about how the funds should be allocated.

Until now, lottery funds have had a very general purpose: to enrich our quality of life. In addition to the wide variety of foundations and community initiatives that are supported, lotteries revenue has also become an important source of revenues for the province, helping to fund priority programs in health and education, and to reduce the deficit.

The question now is this: should we set a clear and special purpose for the use of lottery funds or should we keep a very broad and general purpose? Depending on the purpose we set, what should the priorities be for future lottery funding?

Related to this issue, some people argue that lottery funding is an "add-on." It shouldn't be used to support essential services. As an example, library groups have expressed concerns about shifting library funding from the province's general revenues to lottery funding. In the past year, lottery funding was used on a one-time basis to address the issue of inequities in education funding among school boards. For some Albertans, this begs an important question about whether it is appropriate for lottery funding to be used for basic, essential services.

"Libraries are essential services and shouldn't be subject to inconsistent lottery funding." Penny McKee, Edmonton Public Library, quoted in the *Edmonton Journal*, December 16, 1994.

Consider these questions:

- 1. What should the purpose be for lottery funding? Should we keep a broad, general purpose or should we narrow the focus to a more specific purpose for lottery funding?*
- 2. Should lottery funding remain as separate, earmarked funds or should they be considered the same as all other revenues of the province and allocated as part of the regular budget process?*
- 3. Should a portion of lottery revenues continue to go to the general revenues of the province to pay for basic government programs and services?*
- 4. Should lottery funds be used to fund essential programs or should those programs be funded completely out of regular government budgets? If programs such as libraries are considered "essential", what other programs currently funded by lotteries funding might also be considered "essential"?*

5. Should lottery funds be used for:

agriculture
 culture
 recreation
 tourism
 education
 health and wellness
 science and the environment
 new facilities in communities
 reducing the deficit
 reducing the debt
 other?

6. Of the areas listed above, what should the priorities be?

	Priority
agriculture	
culture	
recreation	
tourism	
education	
health and wellness	
science and the environment	
new facilities in communities	
reducing the deficit	
reducing the debt	
other?	

ISSUE 2: ARE THERE BETTER WAYS OF ALLOCATING LOTTERY REVENUES?

There are a number of issues related to the process we have in place for allocating lottery revenues and how decisions are made.

Some have suggested a community-based lottery council should be set up. This leads to questions about the role such a council would play. Would it advise government on a lottery fund distribution policy? Or would it play a more direct role in recommending overall allocations on an annual basis? Should there be a set of guidelines or principles to guide decisions about the allocation of lottery funds? What should those principles be?

Related to this issue is the concern over duplication and coordination of funding. At times, lottery funding goes to community groups for projects and activities that duplicate programs that are already funded by provincial government departments. In his 1993/94 report, the Auditor General stated that, "... the Lottery Fund grant expenditures continue to overlap areas where responsibility for providing services has been conferred on other departments." Are there better ways of coordinating decisions so that this overlap with the ongoing work of government departments is reduced or eliminated?

Some community groups also feel that various non-profit foundations which receive lottery money often have duplicate or overlapping purposes. The result is that community groups can and do "shop around" among the various foundations in order to get approval and funding for their particular project or initiative.

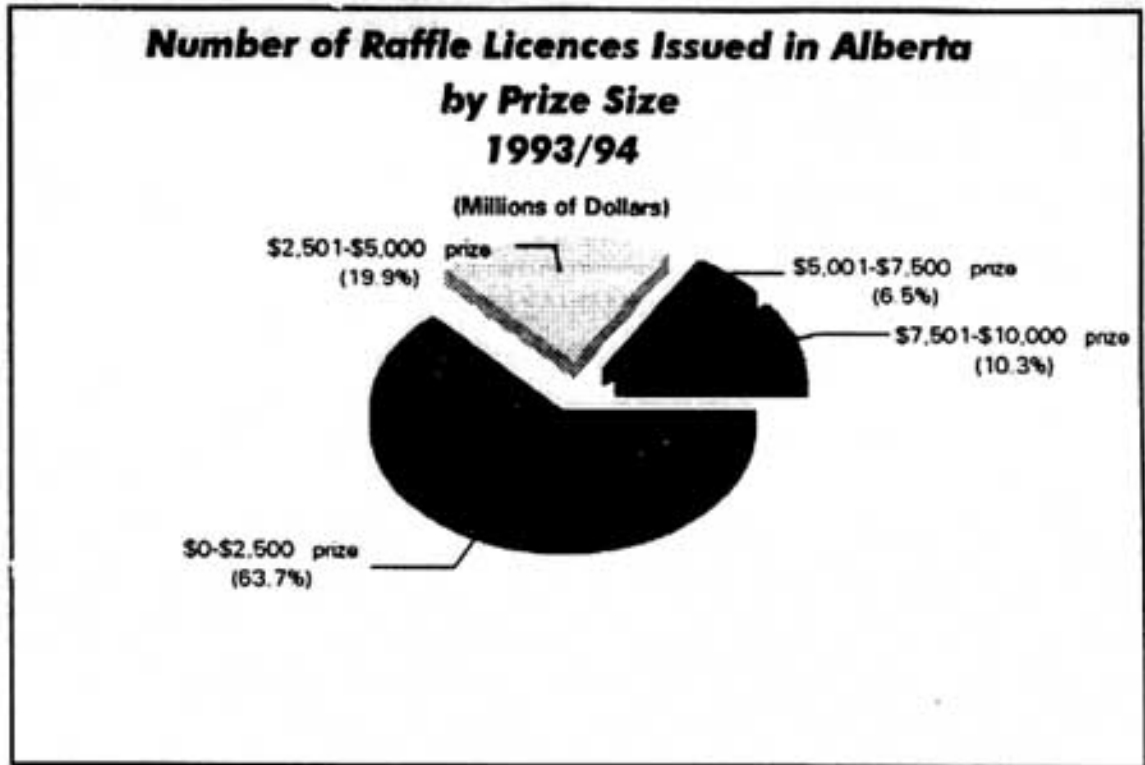
Finally, questions have been raised about whether Alberta needs the extent of regulation we currently have in place. In Ontario, for example, licensing of non-profit organizations' gaming activities, such as raffles under \$3,000, has been deregulated and authority has been transferred to municipalities. Currently, the Alberta government licenses all raffles. The pie chart on page 15 provides a picture of the number of raffle licences issued for various levels of prize winnings in Alberta.

Consider these questions:

- 1. Should there be a set of principles to guide decisions about the allocation of lottery funds? If so, what should those principles be?*
- 2. Should a community-based lottery council be set up? What role should it play? to advise government on appropriate policy? to establish principles and guidelines? to play a more direct role in recommending allocation of lottery revenues?*
- 3. If a community-based lottery council was established, should it seek input from:*
 - municipalities on funding policies? on decisions about distribution of the funds?*
 - community groups on funding policies? on decisions about distribution of the funds?*
- 4. What role should non-profit foundations play in determining the use and allocation of lottery funds? Should these foundations continue to have a major role in distributing lottery funds?*
- 5. What kind of mechanisms should be in place to ensure that lottery funding does not duplicate regular funding from government departments?*
- 6. What kind of mechanisms should be put in place to reduce overlap among the various foundations?*

Raffles

7. Should the province deregulate licensing of small raffles under \$5,000? If so, who should take over licensing responsibility? private registry agents? municipalities? others?



ISSUE 3: HOW CAN WE IMPROVE ACCOUNTABILITY?

Steps have been taken by the government to improve accountability by having lottery funding decisions reviewed by the Legislative Assembly just like any other part of the province's budget.

But there are further steps that could be taken. A community-based lottery council could ensure that the process for allocating lottery revenues is more open and accountable to the public.

With the government's determination to focus on results, and to demonstrate results for the dollars it spends, it will become increasingly important to show that clear results are being achieved in the projects and initiatives that are supported by lottery funding. This means that local groups receiving lottery funding will need to be more accountable for how they spend the money and the results they achieve.

Consider these questions:

- 1. Would the establishment of a community-based lottery council improve accountability for the use of lottery funds? Would it make the process more open and visible to Albertans?*
- 2. Keeping in mind the need to keep rules and regulations simple and easy to accommodate, what mechanisms could be put in place to improve the accountability of local groups which receive lottery funding?*
- 3. What other steps should be taken to improve overall accountability for the use of lottery funds?*

ISSUE 4: WHAT IS THE IMPACT OF VLTs ON COMMUNITY ORGANIZATIONS?

With the significant growth of VLTs, community charitable groups have complained that they simply can't raise the same level of revenues from bingos and raffles. They argue that people are spending more and more on VLTs, leaving less money for people to spend on charities.

"The Royal Canadian Legion's Alberta branches have watched, helpless, as its members have abandoned its pull-ticket gambling in favour of VLTs. 'Our legion used to raise \$70,000 to \$90,000 every year for seniors, minor sports and education and health programs,' says Wainwright Mayor Roger Lehr. 'They were hard pressed to raise \$30,000 this year.'" *Alberta Report, December 1994.*

Let's look at the facts. Tables on page 19 show that revenues from VLTs are increasing, but so are revenues from charitable organization gaming. Since the introduction of VLTs in 1992, there has been a slight decrease in the net profit from charitable gaming in communities outside Calgary and Edmonton, while Calgary and Edmonton have experienced a slight increase.

A group of mayors from northeastern Alberta suggested a new approach for the distribution of lottery funds. They would like to see a new distribution formula with 25 percent of the net proceeds from lotteries being distributed to Alberta municipalities on a per capita basis. This would equal \$32.72 per person.

Consider these questions:

- 1. If volunteer organizations find that their revenues are declining as a result of the introduction of VLTs in the community, should lottery funds be used to offset those declining revenues? If so, on what basis?*
- 2. Should money be transferred to municipalities for distribution within the community?*
- 3. If money should be transferred to municipalities, who should provide input to the municipality on priorities for distribution? How would this relate to the role of the community-based lottery council?*
- 4. Should the provincial government have any role in determining community priorities for distributing lottery dollars?*

Table 1
VLT Gross Revenues Per Year
(millions of dollars)

1991/92	19.7
1992/93	149.4
1993/94	864.6
1994/95 (projected)	1,360.0

Table 2
**Charitable Gaming Sector,
 Net and Gross Revenues**
(millions of dollars)

	Gross Revenues	Net Revenues
1990	600.7	96.4
1991	649.4	98.7
1992	697.9	101.8
1993/94	752.1	106.0

Table 3
**Charitable Gaming Revenue
 for Calgary, Edmonton and the Rest of
 Alberta**
(thousands of dollars)

	Calgary	%	Edmonton	%	Rest of Alberta	%
1990	27,845	28.9	30,167	31.3	38,396	39.8
1991	27,181	27.5	30,560	30.9	40,982	41.5
1992	29,432	28.9	30,573	30.0	41,842	41.1
1993	32,577	30.8	33,334	31.6	39,717	37.6
1994	33,819	31.9	33,219	31.3	38,985	36.8

ISSUE 5: HOW SHOULD CASINOS OPERATE?

Community groups in Calgary and Edmonton have said that lengthy waiting lists result in groups waiting more than a year between casinos. Community groups want to have casinos more often. This would reduce the waiting list, allowing groups to have more than one casino per year, but increasing the number of casinos could result in less money going to each group.

As well, a number of private casino operators and developers are interested in developing a private casino in tourist areas such as Banff or Jasper, or in conjunction with an urban convention centre. Currently, only non-profit community groups receive casino licences.

Consider these questions:

- 1. Should the number of casino licences issued in major cities such as Calgary and Edmonton be increased to allow for more than one casino per year?*
- 2. Should the province licence large-scale privately-operated casinos? If so, where - in tourist areas? urban convention centres?*

ISSUE 6: HOW DO WE ADDRESS PROBLEM GAMBLING?

With the increase in gambling revenues to the province, there is a perception that problem gambling and gambling addiction are on the rise.

With over 5 percent of Albertans having gambling problems, the question becomes, "what should be done?" Currently, less than 1 percent of lottery revenues goes to AADAC to support programs for problem gamblers.

Some Albertans have suggested that problem gambling seems to be increasing as more VLTs are available in communities. As of November 1994, 5,653 VLTs were in operation throughout the province, and up to 6,000 VLTs will be installed by the end of 1994/95. Plans are for more VLTs to be installed, based on market demand. Because of concerns with problem gambling, further VLT installations will be put on hold pending the outcome of this review.

Consider these questions:

- 1. Should the Alberta government continue to expand the video lottery program? Will limiting the number of VLTs help solve problem gambling?*

- 2. What other measures, beyond current programs funded through AADAC should we consider to address problem gambling?*

In Summary

Those are the major issues which have been raised by Albertans.

We want your feedback and advice on these important questions. Please review the questions carefully and forward your written submission to:

**Judy Gordon, MLA
Lottery Review Committee
503 Legislature Building
Edmonton, Alberta T5K 2B6**

In addition, plan to attend one of the public meetings being arranged across the province. Dates, times and locations are outlined on the back cover. If you would like to make a verbal presentation at one of the public meetings, please call **1-800-216-9529 to pre-register.**

Notes

Lottery Review Committee Public Meetings

Date	Location	Facility	Time (pm)
January 25	Grande Prairie	Army, Navy and Airforce Centre 10117 - 93 Street GRANDE PRAIRIE	7:00 - 10:00
January 26	Fort Macleod	Elks Hall 301 - 25 Street FORT MACLEOD	7:00 - 10:00
January 30	Peace River	North Peace Catholic Education & Conference Centre 10307 - 99 Street PEACE RIVER	7:00 - 10:00
February 1	Athabasca	St. Gabriel's Catholic Church Hall 5303 - 49 Avenue ATHABASCA	7:00 - 10:00
February 2	Medicine Hat	Medicine Hat Lodge 1051 Ross Glen Drive SE MEDICINE HAT	7:00 - 10:00
February 7	Hanna	Hanna Community Centre 503 - 5 Avenue W HANNA	7:00 - 10:00
February 13	Wainwright	Prairie Ross Centre 731 - 2 Avenue WAINWRIGHT	7:30 - 10:30
February 16	Calgary	Glenmore Inn 2720 Glenmore Trail SE CALGARY	7:00 - 10:00
February 20	Lacombe	Lacombe Memorial Centre 5214 - 50 Avenue LACOMBE	7:30 - 10:30
February 23	Edmonton	Edmonton Northlands Silver Slipper 7300 - 116 Avenue EDMONTON	7:00 - 10:00

If you would like to make a presentation at one of the public meetings
please pre-register by calling, 1-800-216-9529.