

# **Alcohol and Gaming Commission of Ontario**

## **Modernization of Charitable Gaming Direction and Priorities Volume II**

**February 2007**

Alcohol and Gaming Commission of Ontario  
90 Sheppard Avenue East, Suite 200, North York, Ontario M2N 0A4  
Tel: 416-326-8700 or toll free in Ontario  
1-800-522-2876 • Fax: (416) 326-8711 • website: [www.agco.on.ca](http://www.agco.on.ca)



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## **Alcohol and Gaming Commission of Ontario**

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#### **Introduction**

In May 2005 the Registrar initiated a wide-scale public consultation on the modernization of charitable gaming in order to obtain comments and advice from participants in the charitable gaming sector on strategic change. Issues with respect to the *Criminal Code* were excluded from the consultation as they are beyond the purview of the Ontario government.

The public consultation complemented the Alcohol & Gaming Commission of Ontario's (AGCO) ongoing work with the Bingo and Break Open Ticket (BOT) Strategic Working Groups and resulted in a broad range of input into the modernization of charitable gaming initiative. All submissions were important and valuable in preparation of the direction and priorities to be addressed by the Registrar.

Much has been accomplished since the original direction and priorities for Modernization of Charitable Gaming were identified in December 2005. In addition to setting an aggressive agenda for changes to the charitable gaming regulatory framework, the AGCO has been addressing the Auditor General and Public Accounts Committee of the Legislative Assembly on implementing many of the recommendations to improve the charitable gaming regulatory process. Additional priorities have been identified with the modernization of the Liquor Licence Act, including a pilot project for liquor in bingo halls and the need for greater emphasis on risk-based regulation for liquor and gaming.

The purpose of this paper is to provide updates on modernization initiatives undertaken to date, the direction and priorities the Registrar continues to pursue, and the goals and objectives for 2007.

## **Guiding Principles**

As identified in the original consultation document, key priorities for change have been measured against the following essential guiding principles:

- Charitable gaming exists to raise funds for charitable activities to be carried out in Ontario by eligible charities at a local community level
- Charitable organizations are largely volunteer based with charitable gaming recognized as a form of fundraising for organizations rather than the focus of their business
- Enhanced flexibility must be balanced by appropriate levels of accountability and trackability
- Gaming products and participants in the sector (charities, suppliers and others) must operate with honesty and integrity and in the public interest
- Success of charitable gaming is dependent upon fair and productive partnerships between all participants in the sector
- Adaptability is necessary in a continually and rapidly changing environment

## Results of Consultation

The submissions and input received reflected a wide variety of opinions and proposed directions. However, there was an overall consensus on a number of points:

- significant, if not radical, change is necessary to provide an opportunity for a stronger and more viable sector to develop,
- the main purpose for charitable gaming is and should remain a regulated fundraising activity for charitable and religious organizations,
- charitable gaming products must have integrity and charitable gaming must be conducted and managed with honesty, integrity, in accordance with the law, and in the public interest, in order to maintain public confidence,
- those that participate in charitable gaming ought to be properly regulated and meet certain standards,
- any increase in flexibility within charitable gaming must be balanced by improved accountability with respect to the product and proceeds.

In December 2005, based on the input provided during the consultation and in keeping with the guiding principles and overall consensus, the Registrar identified a direction and a series of priorities to modernize charitable gaming, which were divided for implementation in two “phases”.

While a number of challenges have meant some initiatives have taken longer to act upon, virtually all of them are either in place or moving toward implementation in the coming months. Implementation of these priorities has and will continue to be, coupled with ongoing consultation with participants in the charitable gaming sector.

## **Modernization Accomplishments – Highlights**

### **Revenue Model for Bingo Centres**

- ✓ Interim Revenue Model
- ✓ Municipally Developed Revenue Model
- Provincial Revenue Model Review (underway)

### **Revenue Model for BOT (Third Party Locations)**

- Facilitated study by Break Open Ticket Development Fund
- New Provincial Revenue Model (underway)

### **Accountability and Flexibility**

- ✓ Criteria for advanced consideration of mega raffles applications
- ✓ Moved from 2 contracted BOT manufacturers
- ✓ Developed options for Centralized Tracking
- Evaluating options for possible implementation of Centralized Tracking

### **Terms and Conditions**

- ✓ Loonie Progressive “B”
- ✓ BOT Seal Cards
- ✓ BOT Bingo Event Tickets
- ✓ Big Game Promotion for Bingo (approval in principle)
- General review to streamline and focus (underway)

### **Compliance Strategy**

- ✓ Released LLPM (May 2005)
- ✓ Updated LLPM (March, September 2006)
- ✓ Framework Established
- Public Affairs – Developing Communication / Education / Enforcement Measures (underway)
- Protocols with Municipalities (underway)
- Implementation of risk-based enforcement (underway)

### **Use of Information Technology**

- ✓ Investigating opportunities to optimize use of IT for raffles
- ✓ AGCO Lotteries System Phase I implementation
- Reviewing opportunities for electronic reporting (underway)

## **Advertising and Promotions**

- ✓ Big Game Promotion for Bingo (approval in principle)
- ✓ Review of marketing proposals in modernization submissions
- Assessment and implementation of viable marketing proposals as part of broader modernization initiatives (underway)

## **Ongoing Consultation**

- ✓ Transition to single Charitable Gaming Strategic Working Group (SWG)

Each of these accomplishments is part of the ongoing process of modernizing charitable gaming to ensure that it is a viable fundraising activity for Ontario's charities. Many of them tie in with the direction and priorities that will continue to build a foundation for the future and are discussed in the next section.

## Direction and Priorities

### 1. Revenue Model for Bingo Centres

The modernization consultations showed consensus that a new revenue model was needed for bingo to continue as a viable charity fundraising activity but not on what changes were needed. The Registrar determined that two approaches to the revenue model were appropriate:

A new provincial revenue model would be developed for lottery schemes conducted in bingo halls by licensees, based on empirical information, analysis and consultation with the charitable gaming sector.

In March 2006, the Registrar issued a guide for the implementation of a new revenue model for “bingo centres” in appropriate municipalities on a pilot basis. It gave municipalities an opportunity to lead the development of new, local revenue models together with participants within their municipalities and based on sound analysis.

The Registrar engaged HLT Advisory, a Toronto consulting firm with extensive experience in gaming research across Canada, to review the current bingo revenue model and make recommendations for a new provincial model. HLT provided a comprehensive report to the Registrar in autumn 2006 and, after consulting with key bingo sector participants, the Registrar has determined that a provincial bingo revenue model will be implemented based on HLT’s recommendations. The target date for implementing the new model is May 1, 2007. The new provincial bingo revenue model will not apply to non-pooling class “C” bingo halls but the Registrar is exploring whether a new revenue model is required for them.

The main features of the new model are: that licenses will allow for greater flexibility for charities to decide, in consultation with hall operators, which games will be played and when; there will be a new maximum prize payout equal to the average of 70% of all money wagered on the game; the establishment of a new marketing fund; all bingo hall revenues will now be split between the charitable licensees and the hall operators; and revenues net of prizes and marketing will be split with the charities receiving 45% and the hall operators receiving 55%. The charities will be responsible for their own administration and licence fees and operators will be responsible for all other operating costs.

The Alcohol & Gaming Commission of Ontario is currently surveying municipalities to determine key implementation factors required to support the provincial bingo revenue model, and will be scheduling various regional meetings in the coming months regarding implementation and training for

bingo hall operators, bingo sponsors associations, and municipal licensing authorities.

Some implementation matters to be determined include:

- How to increase flexibility and develop a new framework for bingo game approvals and scheduling
- How to monitor and manage the new maximum prize board of 70% of gross wagering
- Assessment of a new fee structure
- Developing the new licensing model

### *Liquor Licensing at Bingo Halls*

Accompanying the move to splitting all bingo hall revenues, in December 2006 changes to the *Liquor Licence Act* and regulations were passed for a pilot project allowing bingo halls to be licensed to sell and serve alcohol. This potential additional revenue will be included in the revenue split between bingo hall operators and charities. Additional details will be coming on how bingo halls can participate.

### *Interim Revenue Model*

While it was not originally identified as an initiative, the Registrar approved an optional, interim revenue model for pooling bingo halls in February 2006. The interim revenue model was requested jointly by the Ontario Charitable Gaming Association (OCGA), Commercial Gaming Association (Ontario) (CGAO), and Registered Gaming Suppliers of Ontario (RGSO) as a transitional measure and involved minor adjustments to existing splits in revenue between pooling charities and bingo hall operators. It was originally to be in place until September 30, 2006 or the implementation of a municipally-developed revenue model or the Registrar's provincial revenue model. The Registrar has since agreed to extend it to coincide with the implementation of the new revenue model. Those Bingo halls operating under the interim revenue model will not require approval from the municipal council to continue operating under the interim model. If a Bingo hall that is not currently operating under the interim model wishes to do so, they will be required to obtain municipal approval.

## **2. Revenue Model for Break Open Tickets**

The Break Open Ticket Development Fund Management Committee has commissioned a study to determine a new revenue model for break open tickets sold at venues other than bingo halls. The results of the study were recently provided to the Registrar and are being reviewed.

### **3. Accountability and Flexibility**

The Registrar remains committed to increasing flexibility in the charitable gaming sector provided that it is balanced with clear accountability. Options for a centralized ordering and tracking system for the movement of break open tickets are under development with a view to greater flexibility in licensing, such as a single licence for multiple ticket types from various manufacturers, and the filing of reports being enhanced through the supply of better information.

In the “mega-raffle” sector, criteria have been implemented for considering an application for a subsequent event prior to the conclusion of the current event where there has been a demonstrated history of compliance. And consultations continue with participants in the “mega-raffle” sector on what additional opportunities are available to licensees to optimize the use of information technology.

As noted above, bingo licenses will cover a wider variety of games and allow greater flexibility for hall operators and charities to set their own game schedules. It is expected that there will be a considerable increase in available bingo games as greater flexibility is introduced in new game approvals. This flexibility will be balanced with consistent reporting requirements that will make voluntary compliance easier to achieve.

### **4. Terms and Conditions**

Throughout 2006, the Registrar revised terms and conditions to support the introduction of new games such as Break Open Ticket seal cards and bingo event tickets, which have already provided more than \$1 Million in new found funding to Ontario’s charities, and the new “Loonie Progressive B” Provincially licensed bingo game. Approval in principle has also been granted for a “Big Game” promotion for bingo in the Windsor area.

The Registrar has undertaken a review of all terms and conditions and developed a new framework whereby those requirements common to all lotteries will be codified in a single set of “core” terms and conditions, focused on honesty, integrity and accountability, and requirements unique to different lotteries will be reflected in “rules of play”. The new core terms and conditions and rules of play are being drafted and, to the greatest extent possible, should reflect all changes to be implemented in the immediate future.

## **5. Compliance Strategy**

The Registrar is establishing an overall compliance strategy with improved communications, education and enforcement and this will also include developing a risk-based charitable gaming enforcement strategy. A municipal compliance strategy has been developed and protocols are under discussion with the Association of Municipal Managers, Clerks and Treasurers of Ontario.

In addition to simplified terms and conditions, the Lottery Licensing Policy Manual will be updated in 2007. Also under development are simplified financial report forms and a new, simplified compliance report form.

The compliance strategy also involves an enhanced public affairs role, which will include the development of compliance and best practices guides and improved communication, education and training opportunities. All of these items are tools which should help participants in charitable gaming to gain or maintain compliance.

Communications plans are also being developed for all of the various modernization initiatives, and work continues on identifying publications, training and protocols with an emphasis on helping municipalities meet their lottery licensing responsibilities and licensees and registrants to achieve voluntary compliance.

## **6. Use of Information Technology and the Internet**

The AGCO will continue to implement the second phase of the new Lotteries System to support the applications process for licences issued by the Registrar. Additional opportunities to streamline applications and reporting through the use of information technology will continue to be reviewed.

As noted above, consultations continue on what additional opportunities are available to charities to optimize the use of information technology.

## **7. Advertising and Promotions**

In addition to the ongoing work of the Break Open Ticket Development Fund a new bingo marketing fund is being considered as part of the provincial bingo hall revenue model. Also, a single set of advertising guidelines will be developed for all charitable lottery products.

A review of the submissions on the Modernization of Charitable Gaming related to advertising and promotion has been undertaken with a view towards implementing viable ideas and making the necessary changes as part of the re-write of the terms and conditions that is now underway.

## **8. Break Open Ticket Licences**

The options for centralized ordering and tracking that are under development may provide a foundation for the Registrar to review the opportunity to implement a single licence system for Break Open Tickets allowing for multiple ticket types from various manufacturers to be sold under one licence and reduce administration in reporting.

## **9. Broader Changes Beyond the Authority of the Registrar**

The Ministry of Government Services has initiated a consultation with respect to the Order-in-Council governing lottery licensing to identify opportunities for improvement. The Registrar has also initiated an internal AGCO review of the OIC and will be identifying various opportunities to the Ministry as well as those changes required to implement approved modernization initiatives. The Registrar will also conduct a review of the *Gaming Control Act* and Regulations and identify opportunities for improvement to the government.

## **10. Responsible Gaming**

The Registrar will consult with the industry regarding responsible gaming programs.

## **11. Ongoing Consultation**

Charitable gaming stakeholders have transitioned to one Charitable Gaming Strategic Working Group with sub-committees focusing on various segments of the industry. The Registrar will continue to consult with the industry through this group. He will also monitor and evaluate the effectiveness of the changes as they are implemented and will revise them as needed.

## Conclusion

While the level of interest and the quality of the input received from stakeholders has remained high over the past year and a half, and a great deal has been accomplished, there is still considerable work to be done in the ongoing Modernization of Charitable Gaming initiative. The implementation of the initiatives identified in this updated direction and priorities document will be challenging but the AGCO is confident that, with sufficient cooperation from all sectors, they will help to restore and enhance the charitable gaming industry as a viable fundraising source for Ontario's charities, benefiting communities across Ontario.

If you have any questions or comments please contact:

Kathy Klas, Director  
Sector Liaison Branch  
Alcohol & Gaming Commission of Ontario  
[kathy.klas@agco.gov.on.ca](mailto:kathy.klas@agco.gov.on.ca)

## Quick Reference Chart

### Modernization of Charitable Gaming January to December 2007

	Priority	Action	Date
<b>1</b>	<b>Revenue Model for Bingo Centres</b>		
		Extend interim revenue model	May 07
		Survey municipalities re: changes required to implement provincial model	May 07
		Stakeholder meetings	Underway – May 07
		New game reviews and developing framework for greater flexibility	May 07
		Determine how to manage and monitor the new prize board of 70% of average gross wager	May 07
		Determine new fee structure	May 07
		Determine new licensing model	May 07
		Accept liquor licence applications for Bingo halls	Feb onward
		Stakeholder Education and Training	Mar and Apr. 07
		Establish requirements for marketing plan and reporting	May 07
		Review revenue model for non-pooling Class “C” bingo halls	TBD
		Implement province wide model	May 07
<b>2</b>	<b>Revenue Model for Break Open Tickets</b>		
		Review consulting advice obtained through Break Open Ticket Development Fund	Underway
<b>3</b>	<b>Accountability and Flexibility</b>		
		Evaluate a centralized ordering and tracking system for BOTs	Ongoing
		Please also see Revenue Model for Bingo Centres above and Use of Information Technology and the Internet below	
<b>4</b>	<b>Terms and Conditions</b>		
		Develop core terms and conditions with separate “rules of play” (initial phase)	Underway
<b>5</b>	<b>Compliance Strategy</b>		
		Develop protocols for municipalities to ensure comprehensive approach to enforcement	Underway – Target July
		Update Lottery Licensing Policy Manual	Jun 07
		Develop compliance and best practices guide for bingo	May - August 07
		Develop simplified financial and compliance report forms	May 07
		Support comprehensive compliance strategy to help municipalities (incl. publications, training & protocols)	Underway
		Develop and refine risk-based enforcement strategy	Ongoing

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<b>6</b>	<b>Use of Information Technology and the Internet</b>		
		Implement new AGCO Lotteries System Phase II	September 2007
		Investigate opportunities available to licensees to optimize use of information technology for raffle events	Ongoing
<b>7</b>	<b>Advertising and Promotions</b>		
		Please see Revenue Model for Bingo Centres above re: bingo marketing plan	
		Develop single set of advertising guidelines for all charitable lottery products	May 07
		Review modernization consultation submissions to identify which ideas can be implemented	May 07
<b>8</b>	<b>Break Open Ticket Licences</b>		
		Evaluate centralized ordering and tracking system	Ongoing
		Review opportunity for single licence system	Ongoing
<b>9</b>	<b>Broader Changes beyond the authority of the Registrar</b>		
		Ministry of Government Services and Registrar to review Order-in- Council to identify opportunities for improvement and changes needed for planned modernization initiatives	Underway – Spring 07
		Registrar to review <i>Gaming Control Act</i> and Regulations to identify opportunities for improvement	June – Dec. 07
<b>10</b>	<b>Responsible Gaming</b>		
		Consult with the industry regarding responsible gaming programs	Ongoing
<b>11</b>	<b>Ongoing Consultation</b>		
		All items above involve ongoing consultation	
		Review mandate and membership for charitable gaming Strategic Working Group	Summer 07