

**Attachment to November 20, 2001 Letter from the Solicitor General to  
Charity Associations, Charity Organizations, and Bingo Service Providers**

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**COMMERCIAL BINGO HALLS IN BC:  
BUSINESS RELATIONSHIPS AND THE ROLE OF  
CHARITIES AND CHARITY ASSOCIATIONS**

**INTRODUCTION**

On September 14, 2001, the British Columbia Solicitor General announced a new management structure for gaming. The new model separates policy and regulatory functions from operations, ensures government maintains rigorous control over gaming while the 'business' side of the sector is conducted at arms-length, eliminates duplication and overlap of roles and responsibilities, and makes the gaming sector more effective, efficient and accountable.

This document describes: the business aspects of the British Columbia Lottery Corporation's conduct and management of commercial bingo halls, i.e., the relationship between service providers and the Corporation; the roles and responsibilities of charities and associations in order to receive the resulting net proceeds; the related role of the Gaming Policy and Enforcement Branch; specifics of the distribution of gaming proceeds, and some details about the review of charitable gaming policies.

The Corporation will assume responsibility for the conduct and management of commercial bingo halls on January 15, 2002.

**THE CONDUCT AND MANAGEMENT OF COMMERCIAL BINGO HALLS**

The British Columbia Lottery Corporation (the Corporation) will conduct and manage commercial bingo halls under section 207(1)(a) of the Criminal Code. The Corporation will contract with service providers to provide operational services.

The Corporation will purchase and own all gaming equipment. The Corporation will honour all existing contractual relationships not affecting the conduct and management of the hall, e.g., break-open tickets and concessions.

**Service Providers**

Service providers are independent contractors supplying operational services to the Corporation in its conduct and management of commercial bingo halls.

A fair commission will be provided to service providers. Further, compensation will be available for capital improvements to the facility. This will be paid only for actual and approved improvements. These rates will be authorized by Government.

Service providers must meet all terms and conditions of operation, such as bonding, training, registration, supervision, etc.

The Corporation will establish new one-year interim service provider contracts for each hall. Subsequently, halls will move to a longer-term contract. The Corporation will also establish the terms and conditions for service provider operations, including the commission rates authorized by Government. Contracts will establish prize amounts. Details of the standard contract, commission rates, and terms and conditions will be available shortly.

### **Selection of Service Providers**

Current service providers, whether charitable bingo associations at self-managed halls or contracted service providers, will have the first right to provide services at their bingo halls. If a current association or service provider does not choose this option, an alternative service provider will be sought.

If an Association in a self-managed hall chooses to be the service provider, it will have to provide the same services, to the same standards, as all other service providers. If an Association in a self-managed hall chooses not to become the service provider, the Corporation will select an alternate service provider. The Corporation and the selected service provider will determine staffing arrangements.

Charity organizations at self-managed halls that wish to become the on-going service provider will finalize arrangements with the Corporation.

Some bingo associations in halls with contractual relationships with a service provider wish to provide the services themselves. However, in a hall with contractual relationship, the current service provider has the first opportunity to continue that function under the Corporation.

Existing contractual relationships will be honoured by the Corporation. A contractual relationship is one based upon a written or verbal agreement. Whether or not a contract exists depends upon the particular circumstance and intentions of the parties, and the parties' adherence to the terms of a contract. The Corporation will deal with the individual circumstances of each contract at the time of transition.

Remuneration will be the same for all service providers providing similar services.

No changes will be made to the 'mix-of-play' or hours of operations in the short-term. These will be a feature of contracts with service providers.

The Corporation will monitor hall viability and make recommendations for improvements on an on-going basis. Final determination of a hall's viability will be assessed after one year of operation.

**The Involvement of Volunteers in the Conduct and Management of Commercial Bingo**  
The Corporation is responsible for the conduct and management of commercial bingo, but charities may participate. However, charities need not be in attendance at a hall in order that the conduct and management of bingo may occur.

Under the terms and conditions of contracts with the Corporation, service providers may use members of charity organizations as unpaid volunteers to fulfill operational functions, e.g., paper/card sellers, prize handlers, etc. However, all persons, paid or unpaid, participating in the operation of the bingo event must be properly trained and registered, and fulfill the same expectations as employees.

The Corporation will hold the service provider responsible for all the services and standards in the contract, whether or not paid staff or volunteers are utilized. It will be the responsibility of the service provider to ensure that contractual obligations, standards and operating conditions are fulfilled.

If volunteers are involved, it will be the responsibility of the service provider to ensure volunteers are trained and registered, and function up to standard. These decisions must be made in the context of any existing union contracts.

**Net Revenue**

The Corporation will conduct and manage commercial bingo halls at no additional cost to Government. The Corporation will remit all net bingo proceeds, net of prizes and service provider commission rates, to Government monthly.

**CHARITIES' RESPONSIBILITIES TO RECEIVE GAMING PROCEEDS**

Charities will continue to receive gaming revenue generated at bingo halls and will be licensed to ensure affiliation with a hall.

**Licenses of Affiliation**

Current licenses to conduct and manage commercial bingo halls will not be valid after the transition to the Lottery Corporation. New licenses will be issued that ensure charities' affiliation with a hall, and the receipt of net gaming proceeds from the hall. As the conduct and management of bingo will not be an element of the licenses, there will be no link to the Criminal Code established in the license.

The Gaming Policy and Enforcement Branch (the Branch), which includes the former Gaming Commission, will issue licenses. New licenses will be issued without the need for a new application. The new licenses will include new terms and conditions reflecting the new role of charities (see below).

If a charity leaves a hall or has its license revoked, the Branch will determine the next eligible charity.

Monitoring compliance with licensing conditions, i.e., fulfillment of responsibilities, will be the Association's responsibility.

The Gaming Policy and Enforcement Branch will determine the specific terms of licenses and manage the consequences of non-compliance.

**Eligibility/Receipt of Proceeds**

Charitable organizations are no longer required to volunteer at halls to receive gaming proceeds. In order to be eligible to receive gaming revenue from bingo events, each charity will have a total time commitment established in its license. The size of the commitment will reflect the amount of gaming proceeds to be received. The total time commitment must be fulfilled.

Each charity must spend some time at the hall at regular or special events, promoting awareness of their organization to bingo players. This minimum commitment will be established in the license.

A charity may fulfill its remaining time requirements, also to be established in the license, through one or more of the following activities, including:

- Promoting awareness of the organization to bingo players at the hall;
- Spending time outside their hall in the community promoting both the charity and the bingo hall, and providing information on the use of bingo proceeds, e.g., establishing an information booth at a shopping mall;
- Fulfilling Association functions, such as scheduling charities' activities; and
- Attending meetings on behalf of the Association, where the promotion of bingo is the primary focus.

The Association will schedule all of its member charities' activities. Fulfillment of licensing conditions is essential to receiving proceeds. Charities must provide an accounting of the gaming proceeds they receive.

Charities may choose, but are not obligated, to participate in non-bingo related activities. For instance, as is the case now, charities may also participate in non-bingo and fundraising activities at the hall, such as managing concessions, selling raffle tickets, managing other charitable gaming events (under section 207(1)(b) of the Criminal Code) or selling lottery products at bingo events.

### **THE ROLE OF ASSOCIATIONS**

Associations are responsible for scheduling the activities of charities and monitoring charities to ensure activities and obligations are met. Associations will monitor charities' fulfillment of activities and report infractions to the Gaming Policy and Enforcement Branch.

Associations are encouraged to participate with the Corporation and service providers in quarterly advisory meetings for each hall, providing an opportunity for feedback to the Corporation and the service provider regarding a hall's operation. The Corporation welcomes this involvement and feedback.

Associations are responsible for transferring proceeds received from the Gaming Policy and Enforcement Branch to individual charities. This transfer will take place through an Electronic Funds Transfer (EFT) at the end of each month.

Associations are also expected to fulfill a community liaison role to promote the game and communicate information to their membership.

### **Association Costs**

Associations are eligible for legitimate 'administration fees' to cover expenses associated with legitimate functions, such as promotions, travel to appropriate meetings, audit, and administration. Administration fees will be 0.25 percent of a hall's gross revenue, up to a maximum of \$5,000 annually. Unused amounts must be distributed annually to member charities.

At the time of transition, all existing gaming funds held by Associations must be distributed among member charities (including interest, one-percent administration fee, etc.)

### **GAMING POLICY AND ENFORCEMENT BRANCH**

The Gaming Policy and Enforcement Branch is comprised of the former Gaming Policy Secretariat, BC Gaming Commission, Gaming Audit and Investigation Office, and BC Racing Commission. The Branch is responsible for policy and legislation, standards, regulation, licensing, registration, distribution of gaming proceeds, decisions related to the location of gaming facilities, and enforcement for all sectors of gaming.

Among other functions, the Branch will determine eligibility and the number of charities attached to a particular bingo hall, and is responsible for on-going licensing of charities' affiliation with a hall. The Branch will also monitor compliance and determine penalties (including license revocation) for charities' or Associations' non-fulfillment of obligations. Licenses of affiliation will only be revoked for a contravention of licensing terms.

On a monthly basis, through Electronic Funds Transfer, the Branch will direct the revenue from a hall to the affiliated Association. The Associations will further distribute the revenue to charities.

## **DISTRIBUTION OF GAMING PROCEEDS**

The Gaming Policy and Enforcement Branch is responsible for the distribution of gaming proceeds, consistent with government policy, regulation and legislation.

Charity organizations will continue to receive revenue from commercial bingo halls. Independent bingo, ticket raffles, social occasion casinos and wheels of fortune will continue to be licensed, conducted and managed by charitable organizations. As well, charitable organizations can continue to apply for direct access funding.

All net bingo revenue (net of prizes, commission rates and Association fees) will be returned to charities.

The changes announced on September 14, 2001 have no impact on the revenue to be received by charities from commercial bingo halls. The revenue from a hall will be directed to the charities affiliated with that hall.

Where charities are earning less than the funding guarantee, Government will continue to 'top-up' to the same amount of funding that charities have been receiving. Government does not 'top-up' those charities earning more than the funding level guarantee. This continues to provide predictability in the revenue that charities can expect.

The Gaming Policy and Enforcement Branch will distribute bingo revenue to Associations on a monthly basis. Associations will further distribute bingo revenue to member charities.

Charities must provide an accounting of the gaming monies they receive.

## **REVIEW OF CHARITABLE GAMING POLICY**

The Minister has initiated a review of all charitable gaming policy including, but not limited to, the principles and criteria for decision-making, eligibility requirements for organizations, the use of proceeds, and associated procedures.

Issues being considered as part of the review (simply by way of example) include, but are not limited to:

The requirement for the Gaming Policy and Enforcement Branch to approve community service organization's expenditures of charitable proceeds of more than \$1,000;

The use of charitable proceeds for small capital projects; and License terms.

## **GENERAL IMPLEMENTATION SCHEDULE**

November 30, 2001 - Commission rates announced by BC Lottery Corporation

January 1, 2001 - Service provider contracts available

January 15, 2002 - Final implementation

Spring 2002 - Proposed legislation tabled