October 18, 2004

TO:	**COMMISSIONERS**	**EX OFFICIO MEMBERS**
	Judge Janice Niemi (Ret.), Chair	Senator Margarita Prentice
	Alan Parker, Vice Chair	Representative Alex Wood
	Liz McLaughlin	Representative Tom Mielke
	George Orr	

FROM: Cally Cass-Healy, Assistant Director

SUBJECT: LICENSEE FEEDBACK-CHARITABLE/NONPROFIT STUDY REPORT

At the September Commission, Sally Perkins presented her report regarding the charitable/nonprofit study she conducted over the past several months.

Last month, we conducted three licensee workshops in Mountlake Terrace, Tacoma, and Spokane to collect feedback on the report. The agenda included opportunities to voice responses to specific recommendations, as well as general concerns and additional ideas. Below I have summarized the licensee's responses. I did not include every comment, as many were similar, and I have edited the language to include concepts more than direct quotes. I am also enclosing the invitation letter, workshop agenda, and additional comments submitted in writing.

<u>Likes, Dislikes and Concerns</u>

A. *"Likes"*

- Accurately chronicled the nonprofit "plight"
- Responsiveness of the Commission in the past to acknowledge the needs of the charitable/nonprofit organizations
- Soliciting licensee input prior to Commission decision

B. *"Dislikes"*

- Used outdated financial information
- Implication that nothing goes back to the organization's purpose; most take this goal very seriously
- Amount of money spent on a study with very little licensee input
- Distribution of charities selected for study skewed the data
- Tribes (the largest competitive market share) were not taken into consideration

B. *"Dislikes" continued)*

- Did not address new ideas, resources and common practices as originally requested/anticipated

C. *Licensee Concerns*

- Author did not understand subject and drew some erroneous conclusions
- It is a misstatement to say bingo players are charitable donors, they are there to win prizes
- Nonprofit standards suggested are not appropriate measuring tools for this industry
- Some recommendations relate to things the staff/Commission already do/require
- Nonprofits should not be held responsible for conditions beyond their control

Future of Charitable/Nonprofit Gambling

A. *We asked the licensees: "Where do you see charitable/nonprofit gambling going in the future?"*

- Can't compete with Tribes
- Agree it will continue to decline in general
- More difficult to find creative ways to gain and maintain market share; bring in younger customers
- Have seen positive growth with change to 7-days a week operation
- Costs have risen and continue to rise
- Opinion split on I-892-Will it help nonprofits?

Licensee Response to Recommendations

A. *Should the Commission develop philosophy/principles regarding their approach to regulating charitable/nonprofit gambling? If so, what should the guiding principles include?*

- Principles already exist, need for understanding of current policy
- Need to reaffirm that charitable gaming is a viable activity for nonprofits
- Charitable gaming revenues supplement social programs that would otherwise require tax dollars
- All groups should be treated fairly/equitably
- Industry & staff work well together

B. *Should we require all or certain licensees to be classified as 501(c) organizations as defined by the Internal Revenue Service?*
   - Most Bingo organizations are already 501 (c)
   - Most raffle organizations are not – this would impact them most
   - Split opinion on whether this is a good idea

C. *Would audited financial statements assist your organization? Should we require audited financials?*
   - Too expensive
   - Why add more expenses in an already struggling industry?
   - Commission already has tools in place to gather this information and/or is already receiving it
   - Already a requirement for organizations receiving state or federal funding
   - $500,000 threshold is too low
   - Some see merit to the idea - split opinion

D. *What do you think about the recommendation to increase the adjusted cash flow requirements?*
   - Games are currently in compliance – the formula is working
   - Valuable monies are still going to the charitable purpose
   - Why tell us to make more money when the industry is down?
   - Nonprofits need to be compared more equally, they are judged on gross, commercial industry is judged on net hold

E. *What other ideas or recommendations do you have based upon the information provided in the report?*
   - More training for nonprofits
   - Calculate requirements based on % of net income/gross profit
   - Allow more competitive games, such as Mega Bingo
   - Consider more 2nd, 3rd, and etc. element of chance games
   - Clarify types of promotions allowed
   - Research success stories in other states/jurisdictions for ideas
   - Cut back on reporting requirements-too costly, benefit unclear

F. *What rules or other Commission requirements hinder your ability to raise funds for your stated purpose?*
   - More restrictive than tribal requirements
   - Nonprofits should be able to promote their games more freely
   - Allow licensees to classify income to help cut taxes (legally)

- Too costly-ID stamps, taxes, license fees and overhead costs continue to rise without enough ways to recoup costs
- Allow charities to run profit seeking card rooms -May require legislation

Conclusion

In general, the licensees represented at the feedback workshops appreciated the fact that the Commission responded to their initial request for a study, and they felt the history section was informative and useful. However, there was an overriding feeling that the report was inaccurate in many ways; partly through factual errors or outdated information, and partly through a lack of understanding of the nonprofit gaming sector and its intricacies. In addition, they felt that many of the recommendations were untimely or that current requirements already address them. Finally, there were concerns addressed over the fact that so much money was spent and, in their opinion, the original objective was not met.

I have enclosed the following information with the hope that it will be useful in your discussions:

- The current adjusted cash flow statistics for the top 28 bingo games
- Rules regarding significant progress and financial information required for charitable/nonprofit gaming organizations
- Quarterly report instructions regarding expense allocation for charitable/nonprofit gaming organizations

Please let me know if you need any additional information.