

2011 Program Report Card: Charitable Games Program (Division of Special Revenue)

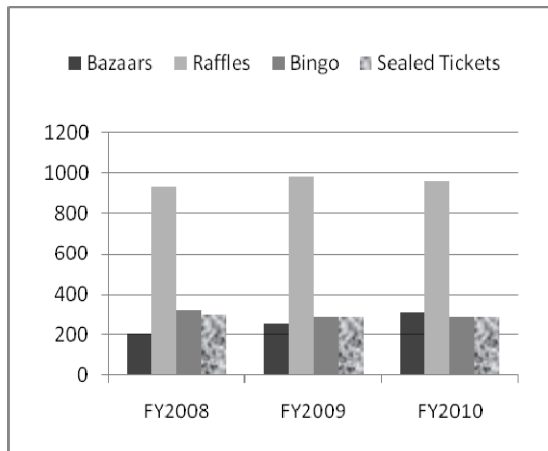
Quality of Life Result: The nonprofit sector in Connecticut is thriving and financially solvent.

Contribution to the Result: Nonprofit organizations conduct various charitable gaming activities to raise funds for their worthy purposes. The charitable games unit is responsible for permitting and approving charitable gaming activities as well as monitoring and educating to ensure compliance with the gaming laws, to ensure the integrity of the activities and to ensure the nonprofits receive the revenue generated through their fundraising endeavors.

Actual SFY 10 Total Program Expenditures: \$1,074,130 **State Funding:** \$1,074,130 **Federal Funding:** \$0 **Other Funding:** \$0
Estimated SFY 11 Total Program Expenditures: \$797,595 **State Funding:** \$797,595 **Federal Funding:** \$0 **Other Funding:** \$0

Partners: Chiefs of Police/First Selectmen and the North American Gaming Regulators Association (NAGRA)

Performance Measure 1: Total number of permits issued to nonprofit organizations.



	Bazaars	Raffles	Bingo	Sealed Tickets
FY2008	205	932	319	297
FY2009	253	983	285	288
FY2010	309	959	287	287

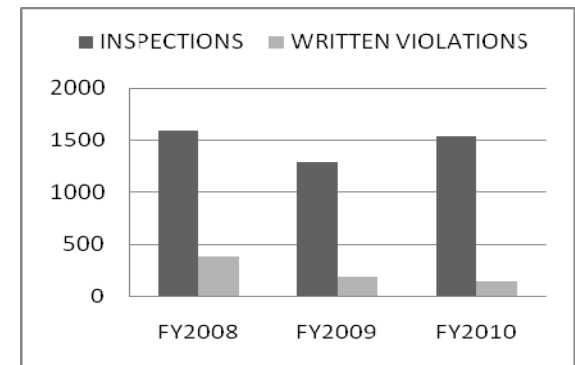
Story behind the baseline: Charitable Games issues permits for Bazaars, Raffles, Bingos, and Sealed Tickets. Permits allow the organization to conduct the charitable gaming activities to raise funds for their worthy purposes.

Bazaar and Raffle permits are issued strictly for one-time events while the majority of Bingo and Sealed Ticket permits are issued for multiple events under one annual permit. In view of this fact, the total number of Bazaar and Raffle permits issued is larger compared to the total number of Bingo and Sealed Ticket permits issued. There are, however, restrictions on the number of permits that may be obtained for one-time events for all charitable gaming activities.

Proposed actions to turn the curve: Current legislation restricts potential revenue for nonprofit organizations and the State by restricting the number of allowable permits annually. A no cost solution would be to seek legislative changes concerning the limitation of allowable permits that may be obtained annually.

Create an email database to improve communications with the nonprofit organizations that qualify to operate charitable gaming activities.

Performance Measure 2: The number of permitted events monitored and inspected for compliance with charitable gaming laws and regulations, and the percentage of written violations detected.



	Number of Inspections	Number of Written Violations	Percentage
FY2008	1593	388	24.36%
FY2009	1290	180	13.95%
FY2010	1544	139	9.00%

Story behind the baseline: Monitoring and inspections ensures the integrity of the charitable gaming activities. A visible presence in the field builds confidence with the public by ensuring the appropriate prizes are paid to patrons. Field inspections also verify the actual profits due to the organization and the revenue due to the State. Monitoring and inspections reveal where there is lack of internal controls in the organizations recordkeeping, and

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in some cases, the theft of funds. While there are verbal violations, it should be noted we are reporting on written violations. During the past three fiscal years alone, \$256,728 was detected by the field staff as missing or misappropriated funds; however, this figure only represents the violations that reached the administrative hearing process and does not include the violations that were resolved through other means since that data was not captured.

During FY 2009, there was an 80% turnover rate in field staff positions, which resulted in a decrease in the number of field inspections conducted and the number of written violations. Although the number of inspections increased during FY 2010, budgetary restrictions limited the number of field inspections that could have been conducted. The number of inspections increased while the number of written violations decreased due to the newly trained field staff issuing more verbal violations than written violations.

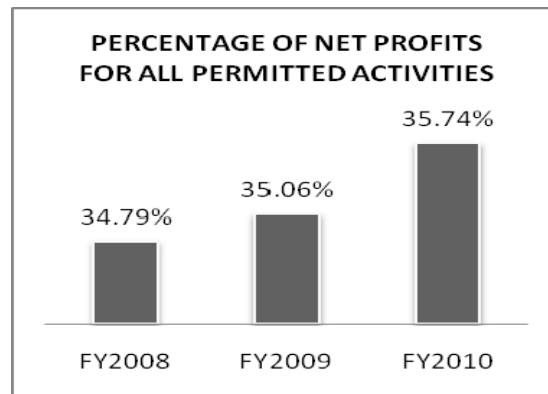
It should be noted that the chart reflects only a ten month period in FY 2010 due to the passage of Public Act No. 10-3 'An Act Concerning Deficit Mitigation For The Fiscal Year Ending June 30, 2010, which eliminated the funding for the field staff who performed the field inspections. As a result, monitoring and inspections have since ceased, and violations are going undetected.

Proposed actions to turn the curve: Charitable Games no longer has the funding to conduct the field inspections, thereby jeopardizing the integrity of the permitted activities. Bingo receipts cannot be effectively monitored without a field presence. Violations will go undetected and revenue to the organizations and the State will decrease due to undetected theft.

A proposed action to turn the curve would be to reinstate the field staff in order for the Division to effectively regulate and ensure the integrity of the charitable gaming activities.

Since the inception of the Charitable Games Unit, its mission has been to regulate the charitable gaming activities conducted by the nonprofits and not necessarily to be a revenue generator. A no cost proposed action cannot be realized without adversely affecting the profits generated by the nonprofit organizations.

Performance Measure 3: Percentage of net profits from gross receipts for all permitted charitable gaming activities.



	Gross Receipts	Net Profit	Percentage
FY2008	\$43,993,192	\$15,306,910	34.79%
FY2009	\$41,084,565	\$14,404,126	35.06%
FY2010	\$37,948,339	\$13,562,793	35.74%

Story behind the baseline: The percentages of net profits have steadily increased in most recent years. According to the 2008 Annual Report of the National Association of Fundraising Ticket Manufacturers, the national average of net proceeds/gross receipts is 12%, while Connecticut's average is 35%, which ranks Connecticut as the third highest in the United States. The percentages vary between the permitted activities. For Fiscal Years 2008, 2009 and 2010, the average percentage of net profit to gross receipts for Bazaars is 73.42%, Raffles 65.08%, Sealed Tickets 25.18% and Bingo 19.82%.

Proposed actions to turn the curve: In response to requests from the public, resubmit legislation to allow additional Fifty-Fifty coupon games at certain organization's functions and athletic events. This legislation would increase net profits to the organizations by increasing the number of allowable Fifty-Fifty coupon games per calendar year.

Update the Division's website to include additional information on all the charitable gaming activities allowed by State statutes, as well as listing the sealed ticket games available for sale by the permittees.

