

State of Delaware

Advisory Council on Charitable Gaming Planning

December 28, 2015

Thomas J. Cook
Secretary of Finance
State of Delaware
Carvel State Office Building, 8th Floor
820 N. French Street
Wilmington, DE 19801

Dear Secretary Cook,

In accordance with Title 29, Chapter 48, § 4819A of the Delaware Code, please find attached the 2015 Report of the Advisory Council on Charitable Gaming Planning. This report contains a review of 2015 activities and recommendations of the Advisory Council to promote and enhance the Delaware Charitable Gaming Organizations as viable resources for their members, the charities they support, and the State of Delaware.

Members of the Advisory Council are appreciative of the action that has been taken by the State in the past as a result of recommendations made by the Advisory Council and we look forward to discussing new initiatives.

Respectfully submitted,



Vernon A. Kirk
Chairman

Attachment

State of Delaware

Advisory Council on Charitable Gaming Planning

2015 Report

December 28, 2015

**State of
Delaware**

**Advisory Council on Charitable
Gaming Planning**

2015 Report

Index

	Page Reference
• What were the activities of the Advisory Council in 2015?	2-3
• What is the Advisory Council?	4
• What is the purpose of the Advisory Council?	4
• Who serves on the Advisory Council?	4
• How often does the Advisory Council meet?	4
• When & where did the Advisory Council meet in 2015?	4

The Advisory Council on Charitable Gaming Planning held its first meeting on November 10, 2014 at American Legion Post 2 in Dover. All Council members were present as well as Delaware's Secretary of Finance, Thomas Cook, and members of the public. This meeting laid the foundation for the Council's activities in 2015. The overriding concern expressed by the Charitable Gaming Organizations (CGO's) was about the legislation that required their gaming machines to be "connected to the lottery's central computer system ...". The CGO's machines that were in place through independent vendors did not have the proper protocol to talk to the lottery's central system and the machines that were being made available to the organizations through a Lottery vendor were rejected as being too limited in game variety, as well as not being programmed within certain parameters that matched their current, older games.

Two Advisory Council meetings were subsequently held in early 2015 (January 7 and March 10) and centered around two distinct issues. The first was a continued review of a pilot program of the Lottery's vendor's machines (SGI/WMS), a limited number of which had been installed in a few venues that had volunteered. This was intended as an introduction to the CGO's of the types of machines that could communicate with the Lottery's central system and a way to gauge their performance in a CGO setting. The second was working to find potential compromise legislative language that would allow at least some of the older machines to remain operational in the near term.

After the March 10 Council meeting, Secretary Cook had occasion to speak informally with Council members and other CGO and legislative leaders. This culminated in a proposed path forward, the highlights of which included, for original vendor machines:

1. The current number of machines would be grandfathered in to the program.
2. Vendors supporting those machines would be required to report monthly revenue information in a format promulgated by the Lottery.
3. Current CGO venues that own their own machines would have until July 1, 2016, to choose an existing vendor to be associated with.

For the SGI/Williams machines:

1. A goal of at least 95 machines (approximately 20% of the total number of machines operating in CGO locations) to be installed by the end of September.
2. The SGI/WMS machines would have a split of 65% to the CGO and 35% to the State, with the State continuing to pay vendor fees.
3. SGI/WMS machines will be maintained by whomever SGI decides.

This proposed path forward was formalized in Sections 73-75 of Senate Bill 160, also known as the Bond Bill. Section 73 changed the language from requiring CGO machines to be "connected" to the Lottery's central system to requiring machines to be "under the control of the State Lottery Office." This section also authorized the Lottery Director to introduce a new methodology of how the CGO's account for and report monthly net

proceeds. Section 74 struck previous language and Section 75 authorized the CGO's to receive an additional 5% of profits (from 60% to 65%) for any of their machines that did connect to the Lottery's central system.

The last Advisory Council on Charitable Gaming Planning meeting for 2015 was held on September 24, 2015 at the Lottery Office. The Agenda included a discussion of Senate Bill 160 and its impact; an overview of the Lottery's new CGO accounting system and process (which had been detailed to the CGO machine vendors in a meeting held August 14 at the Lottery Office); and, a summary of the CGO's reporting of their charitable contributions for 2014 (that were due March 31, 2015). The CGO's charitable contributions were a highlight of their 2014 activity. With required donations (represented by 40% of the CGO revenue split) totaling approximately \$1.7 million, CGO's actually contributed almost \$2.1 million. In addition, the Department of Health and Social Services, Division of Substance Abuse and Mental Health, received 1% of the State Share, \$28,600, for programs for the treatment, education and assistance of compulsive gamblers and their families.

For 2016, the CGO's and the Lottery will continue to work to expand the SGI/WMs presence in the CGO venues, establishing a complimentary mixture of old and new machines; work to enhance the new accounting system now in place; and, work to refine the charitable contribution reporting process. It is not currently anticipated any additional legislation will be needed.

Statistics for Calendar 2014

\$7.1 million	Net Gaming Revenue
\$4.3 million	CGO share (\$2.1 million to CGO charitable contributions)
\$1.5 million	Vendors
\$1.3 million	State contribution to General Fund (\$28,600 to HSS)

Statistics for Calendar 2015 (through November)

\$6.3 million	Net Gaming Revenue
\$3.8 million	CGO share (estimated 40%, \$1.5 million, to CGO charitable contributions)
\$1.3 million	Vendors
\$1.2 million	State contribution to General Fund (\$25,000 to HSS)

What is the Advisory Council?

The Advisory Council on Charitable Gaming Planning was formed under Senate Bill #112, and signed by Governor Jack Markell on July 1, 2013 to serve in a planning and advisory capacity to the Secretary of Finance.

What is the purpose of the Advisory Council?

Per Title 29, Chapter 48, § 4819A of the Delaware Code:

The purpose of the Council is to consider matters relating to the effectiveness of current operational procedures and make recommendations for new operational procedures or regulations as appropriate.

The Council shall submit a report on its activities to the Secretary of Finance by November 5 of each year, together with recommendations for legislative and/or administrative changes it deems desirable.

Who serves on the Advisory Council?

Per Title 29, Chapter 48, § 4819A of the Delaware Code:

Membership on the Council shall include:

- (1) The Director of the State Lottery Office. (**Vernon Kirk**)
- (2) One member appointed by the President Pro Tempore of the Senate who is a member of an eligible charitable gaming organization. (**Jeffrey Crouser**)
- (3) One member appointed by the Speaker of the House who is a member of an eligible charitable gaming organization. (**Henry Thomas Clark III**)
- (4) Two members appointed by the Governor who are members of eligible charitable gaming organizations. (**Bessie Staab-Hickman, William R. Hall**)

The Governor shall designate one member to serve as Chairperson of the Council, who shall serve in that capacity for two years and shall be eligible for reappointment. (**Vernon Kirk**)

How often does the Advisory Council meet?

Per Title 29, Chapter 48, § 4819A of the Delaware Code:

The Council shall meet at least 2 times each calendar year, at the call of the Director, the Chairperson, or a majority of the members.

When & where did the Advisory Council meet in 2015?

Council meetings during 2015 were as follows:

<u>Date</u>	<u>Time</u>	<u>Place</u>
January 7, 2015	6:00 p.m.	Delaware Lottery Office
March 10, 2015	6:00 p.m.	Delaware Lottery Office
September 24, 2015	6:00 p.m.	Delaware Lottery Office

All of the Council meetings were open public meetings. Minutes of the Council meetings that have been approved by the Council are available on the State of Delaware Public Meeting website.