



With Charity Toward None

Why Legalizing Charitable Gambling Casino Nights Is Uncharitable

written by:
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I'M HERE FOR FRIENDS, GAMBLING AND DRINKING . . . BUT IT'S ALSO FOR A GOOD CAUSE," SAYS JOHNNY ZEROS, WHO SHOWS UP JUST ABOUT EVERY NIGHT AT MAVERICK'S POKER PALACE AND SALOON IN PORT HURON, MICHIGAN.¹ FROM MR. ZEROS' DESCRIPTION, MAVERICK'S SOUNDS LIKE A "KINDLER, GENTLER," VERSION OF HARRAH'S CHEROKEE CASINO IN WESTERN NORTH CAROLINA, OR PERHAPS A FRIENDLIER SATELLITE OF ONE OF THE THREE LARGE COMMERCIAL CASINOS FOUND AN HOUR AWAY FROM PORT HURON IN DETROIT. BUT IT IS NOT—MAVERICK'S IS ONE OF MICHIGAN'S "CHARITY" POKER ROOMS LICENSED TO CONDUCT "MILLIONAIRE PARTIES," THE OFFICIAL NAME FOR POKER EVENTS PUT ON AS FUNDRAISERS FOR CHARITY IN THAT STATE.

In Michigan, nonprofit organizations can host millionaire parties, which the Michigan Gaming Control Board defines as events "where wagers are placed on games of chance customarily associated with a gambling casino using imitation money or chips." These parties are commonly referred to as "Las Vegas nights" or "casino nights" in other states, and are held by and for the benefit of nonprofit

organizations. Although nonprofits can hold only up to four millionaire parties a year in Michigan, casino nights there generated more than \$184 million in gambling revenues in fiscal 2012, according to the Michigan Bureau of State Lottery's Charitable Gaming Division.

Some members of the North Carolina General Assembly want in on the charitable gambling action, and say that casino nights would help nonprofits raise more money for their causes. They argue that "gambling for a good cause" is a constructive form of gambling that would not adversely impact the state. Supporters of expanded charitable gambling in North Carolina are persistent—a bill legalizing casino nights for nonprofits has appeared in virtually every session of the General Assembly since 2001. Last year's version of such legislation would have allowed nonprofit "exempt organizations" to hold up to four casino nights per year, and to apply for and hold alcohol licenses for the events. "Exempt organizations" were defined in the bill to include 501(c)(3) charities, as well as certain 501(c)(4), 501(c)(8), and 501(c)(10) organizations, such as homeowners' associations, employee organizations, and fraternal and domestic beneficiary societies.²

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The reality of the impact of such “charitable” gambling in states across the nation today should give the General Assembly pause in considering such bills. Sadly, these charitable gambling activities hearken a modern-day reminder of the immortal closing words of President Abraham Lincoln’s second inaugural address:

With malice toward none, with charity for all, with firmness in the right as God gives us to see the right, let us strive on to finish the work we are in, to bind up the nation’s wounds, to care for him who shall have borne the battle and for his widow and his orphan, to do all which may achieve and cherish a just and lasting peace among ourselves and with all nations.

Big Business

By definition, “charitable gambling” is simply organized, legalized gambling conducted by or on behalf of charitable and nonprofit organizations. While many states generally forbid or heavily regulate gambling, most states also allow exceptions for certain types of gambling if conducted by charities and other nonprofit organizations for charitable purposes. All states (with the exception of Utah and Hawaii) recognize some form of charitable gambling, and most, including North Carolina, allow charitable gambling in the form of bingo games and raffles.³ A number of states have also upped the ante over the years, and now allow various forms of electronic charitable gambling and Las Vegas style casino gambling if operated for the benefit of registered charities and nonprofit organizations.

Charity poker rooms did not exist in Michigan until 2004, after nonprofit groups convinced the Michigan legislature to allow them to offer Texas Hold ‘Em poker as a cash game to raise money.⁴ In their first year of existence, millionaire nights generated only about \$2.3 million, but by 2011, there were over 190 charity poker rooms throughout the state.⁵ Though that number went down in 2012 due to licensing restrictions, the popularity of charitable

casino gambling has continued to grow in Michigan, with over 2,400 Kiwanis Clubs, Rotary Clubs, veterans associations, religious organizations, school foundations, booster groups, and other nonprofits actively hosting or planning to host millionaire parties.⁶ Charity poker rooms can be found “all over the place,” allowing Michiganders to casino gamble locally almost any night of the week.⁷

In New Hampshire, casino-style charitable gambling is also big business. Charitable gambling started out as charity-run bingo and Lucky 7 games at local churches and Knights of Columbus halls in that state, but after charitable casino gambling was legalized, it exploded into a \$156 million industry.⁸ Bingo and Lucky 7 are still popular, but casino-style charitable gambling alone accounted for more than \$79 million in sales in 2012. That is a staggering sum, given the fact that there are only 10 poker rooms in New Hampshire and that state law limits any single charitable gambling bet to \$4 (as compared to stakes in commercial casinos where thousands of dollars can be in play).⁹

Many other states permit charitable casino-style gambling, including Illinois, Indiana, Kentucky, Louisiana, Maine, Massachusetts, New Jersey, Ohio, Oregon, Virginia, and Washington. While Minnesota does not allow charity casino nights, it does permit, and strongly promote, charitable gambling—so much so that charitable gambling is now a \$1 billion a year industry.¹⁰ That figure amazes even the executive director of Allied Charities of Minnesota, the trade group for charities running charitable gambling: “I don’t think anyone would have anticipated ... that charitable gambling would become a *\$1 billion* business so quickly. I don’t think anyone realized Minnesotans liked to gamble so much.”¹¹ The most popular form of charitable gambling games in Minnesota are “pull-tabs,” usually played by selling paper or cardboard tickets from a container, which contain combinations of symbols (similar to a winning line on a slot machine). In 2012, Minnesota legalized electronic bingo and electronic pull-tabs, both played using machines resembling casino slot machines. State officials projected that the new electronic forms of charitable gambling will generate *an additional \$1.3 billion* in gambling sales each year, and are counting on the state’s take to finance its portion of the new Vikings stadium in Minneapolis.¹²

How much goes to charity?

With enormous amounts of money being generated by charitable gambling, it stands to reason that the charities are raking in big money from the big business that is charitable gambling. However, in Minnesota, the state with the highest overall spending on charitable gambling, charities receive only about four percent of the overall money spent on charitable gambling.¹³ There are many instances in Minnesota where the percentage of gambling

revenues going to charities is even less: in 2010, the Hopkins Jaycees reported \$4.4 million in gross gambling receipts, but just \$14,460 went to charity; the Minneapolis Riverview Lion's Club received \$1.4 million in gambling revenue, but just \$4,384 went to charities; and the Edinburgh USA Pro Am Foundation took in \$3.5 million from gambling, but absolutely no money went to charity.¹⁴ “The joke is, if you lose money, at least it all goes to charity,” says a Minnesota gambler. “I thought a lot more went to charity.”¹⁵

North Carolina charities can only offer bingo and raffles, but the percentage of money they retain from charitable gambling is close to that of their gambling-advanced brethren in Minnesota. According to Money Magazine, North Carolina charities took in only about five percent of the overall proceeds generated by charitable raffles and bingo in 1993.¹⁶ Do not expect the rates of return to be better for North Carolina charities if the state someday legalizes charitable casino nights. Back in New Hampshire, where casino-style charitable gambling accounts for the majority of overall charitable gambling sales, only about \$4.8 million (or about three percent) actually goes to the charities themselves.¹⁷ In Michigan, charities “hosting” millionaire parties retained only about \$15.6 million in 2012, or about eight percent of the overall gambling revenues generated through that form of charitable gambling.¹⁸

Renaming Casino Gambling

The owner of Snooker’s Poker Room in Michigan describes his charitable gambling room this way: “It’s just like walking into a casino. People love it.”¹⁹ And charity poker rooms are convenient. “Wherever you live, you can find one,” says a 68 year-old retiree who splits his time playing two local Michigan poker rooms. Staying close to home to gamble is a big factor in why people choose to gamble in nearby charity poker rooms.²⁰ “It beats

driving to Detroit, and here the money goes to a good cause instead of the casinos,” says another Michigan charity poker player.²¹

Though very little of the money being gambled is actually going to a good cause, charity poker rooms do provide a substitute for commercial casinos by giving gamblers a local gambling experience comparable to the one offered by bigger, less accessible casinos. By providing convenient access to casino-style gambling, charity poker rooms also serve the function of commercial casinos by creating more localized gambling addiction. In a statement to charities, the Michigan Association on Problem Gambling voiced concerns over the dangers created by the exploding popularity of millionaire parties, citing a study indicating that “a casino within 10 miles of home has a significant effect on problem gambling and is associated with a 90 percent increase in the odds of becoming a problem or pathological gambler.”²² According to Baylor University professor Earl Grinols, anywhere from 30 percent to 50 percent of all gambling revenues are generated from problem and pathological gamblers.²³

The misplaced belief that charitable gambling is “gambling for a good cause” can provide the moral justification for some to start gambling, and can even serve as a gateway to problem gambling. In the “Casino Night” episode of the comedy series “The Office,” the office CEO (Steve Carell) organizes a charitable casino fundraiser.²⁴ At the casino night event, one of the characters wins a game of poker and proclaims, “I’m going to chase that feeling,” a line originally intended to lead to a subplot in which he develops a gambling addiction. Though the gambling addiction storyline was apparently abandoned, the show’s writers would have depicted reality if they had chosen to follow through on it. Take the real-life example of Julian, a regular poker player at the River [Charity] Poker Room in Milford, New Hampshire, located just a block from



his house. After playing charity poker, Julian is now yearning for something more: “There is something about a bigger tournament, a critical mass, more and more people” at a commercial casino where the odds are the same but the winnings pool is greater.²⁵

Charitable and other nonprofit organizations that offer charitable gambling should ask themselves whether ethical considerations permit them to engage in the promotion of gambling, even when it is supposedly for “a good cause.” A study of charitable gambling in Canada indicated that more than half of the nonprofits responding disagreed with the statement that “charitable gaming is an ethical method of charitable fundraising.”²⁶ The study also found that the number of nonprofits who agreed that “charitable gambling increases the number of problem gamblers” far outweighs those who disagreed. Many nonprofits noted that there is an inherent hypocrisy in using a fundraising method that increases the number of people who turn to the charitable sector for help, and 57 percent of them agreed with the statement that “problem gamblers are likely to become clients of charitable organizations.”²⁷

Producing Casino Corruption

According to the American Gaming Association, charitable gambling is “the least regulated area” of legal gambling in the United States.²⁸ States with significant charitable gambling are learning that charitable gambling creates many of the same societal problems as commercial gambling, including crime and corruption, and regulators are slowly beginning to scrutinize this area of legalized gambling. In Michigan, legislators are recognizing the need to slow the growth of millionaire

party gambling in that state. “It’s really just kind of unregulated gambling, mini-casinos,” says Tom McMillin, a Michigan lawmaker.²⁹ State investigations in Michigan recently led to the closing of several large, popular poker rooms for exceeding the state’s limits on the number of chips sold and the number of charity games running at the same time; another popular charity poker room was shut down for violating applicable liquor laws.³⁰ McMillin says that charity casinos invite crime given the amount of money in play, and that “something needs to be done; what’s going on now is not what was intended.”³¹

In Massachusetts, charity poker rooms have taken advantage of a law that allows charities to hold “Las Vegas nights” three times a year to raise money. Charity poker rooms in that state are often run by local gambling consultants, and the poker rooms operate with little scrutiny “despite practices at some of them that often test limits of the sometimes murky statutes governing them,” says the *Boston Globe*.³² For example, while cash awards are supposed to be limited to under \$25, players interviewed said that poker hands routinely go over \$100, and sometimes reach more than \$1,000 in charity poker games, and that tournaments can pay out thousands of dollars to winners.³³ The Massachusetts Attorney General’s office has gotten involved in several larger charity poker operations, and in 2011, actually closed the largest charity poker room in the state. The review of smaller charity poker room operations has been left to the local authorities, however, which are said to have little incentive to get involved. That is because most charity poker rooms are especially careful to follow at least one legal requirement to the letter: “They hire members of the local police forces as security detail.”³⁴

While the law in Illinois prohibits gambling consultants from running charitable casino games and providing dealers, consultants rather than charities are said to make the real money on charitable gambling in that state. Cory Aronovitz, a law professor and former Illinois Gaming Board attorney, says gambling consultants are “just using the charity to hold a card game.”³⁵ Illinois regulators have raided charity casino nights in recent years, shutting down casino night events because charities were not overseeing the games as required by state law.³⁶ In neighboring Indiana, charitable gambling operators were charged with skimming over \$1 million from charity games according to the Chronicle of Philanthropy.³⁷

“Once you legalize it, you can’t get rid of it”

Far from being benign, charitable casino gambling can sometimes even lead to the legalization of commercial casinos in a state. One example is New Hampshire,³⁸ where this year lawmakers are expect-



ed to pass legislation authorizing full-fledged commercial casino gambling in that state.³⁹ The Granite State turned down commercial casinos in 2008 in favor of expanded charitable casino gambling, and charity game operators accordingly made substantial investments in expanding their operations. Now, however, New Hampshire's "big business" charitable gambling lobby is scrambling to fight the commercial casino legislation out of fear that it will "wipe out charitable gaming," and is supporting legislation that would eliminate the limits on wager amounts in certain charity games.⁴⁰

For Jim Rubens, the chair of the Granite State Coalition Against Expanded Gambling, the jump to commercial casinos is not unexpected given the success of charitable casino gambling: "That's the point. Once you legalize it, you can't get rid of it."⁴¹ The money bet in New Hampshire charitable gambling rooms in 2012 exceeded the amount gambled on simulcast horse racing, the state's biggest form of commercial legalized gambling outside of the state lottery, and the commercial casino industry no doubt sees opportunity.⁴² Many charity casino operators say that Millennium Gaming, a Las Vegas casino gambling conglomerate that has an option to buy New Hampshire's largest charity poker venue, will ultimately get the rights to operate the state's first commercial casino.

Impact on Established Commercial Casinos

In Michigan, where commercial casinos preceded millionaire party poker, the Detroit casinos are actually losing players to local charity poker rooms, and their business is "absolutely" being negatively impacted by the success of charitable casino gambling.⁴³ Perhaps not surprisingly, Michigan's commercial casinos are suddenly now concerned that charity poker rooms are regulated too lightly, and that more laws are needed to ensure "that the rooms keep the games honest and the players safe."⁴⁴ While the concerns of the commercial casino industry provide an interesting aside to Michigan's charitable casino gambling story, those concerns may also be noteworthy for North Carolina lawmakers interested in expanding the rights of nonprofits to include charitable casino nights.

Under the North Carolina Amended & Restated Tribal Gaming Compact (Compact) with the Eastern Band of Cherokee Indians, the state will forfeit its rights to any live table gambling revenues from the Cherokee casino if live table gambling "is permitted for any person other than the Tribe in the geographical zone encompassing the portion of the State of North Carolina located west of Interstate Highway I-26."⁴⁵ "Live table gaming" is defined under the Compact (and the statute legalizing live table gambling for the Cherokees) to mean "games that utilize real non-electric cards,

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dice, chips or equipment in the play and operation of the game."⁴⁶ A new law permitting charitable casino nights for nonprofits would by definition include "live table gaming," and would therefore result in the violation of the Compact and the forfeiture of any revenues due to North Carolina under the Compact. Those interested in somehow negotiating an exception to the Compact to allow charitable casino nights should anticipate that the Cherokees will use the Michigan example to support the proposition that charitable casino nights hurt commercial casino business, and that the Compact therefore cannot be amended.

Anything But Charitable

Proponents argue that charitable gambling is merely "gambling for a good cause," and that legalizing casino nights in North Carolina would be of enormous benefit to local charities. While states that have expanded charitable gambling beyond ordinary bingo and raffles have created multi-million (and sometimes billion) dollar charitable gambling industries, in reality, charities receive only a small share of the revenues generated from charitable gambling. And though charities have not greatly benefited, states that have expanded charitable gambling to include casino style gambling have still "enjoyed" many of the "benefits" of legalized commercial casino gambling, including increased gambling addiction, crime, corruption, and other problems that invariably follow from widespread localized casino gambling. Charitable casino nights have even helped usher in major commercial casino gambling in some states. When considering whether to expand charitable gambling to include casino nights, North Carolinians should remember that legalizing charitable casino gambling is, at the end of the day, simply *legalizing statewide casino gambling*, the "benefits" of which will be anything but charitable. ♦

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Endnotes

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37. Chronicle of Philanthropy, "Indiana group charged in alleged charity bingo scam," 9/20/11.
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