

Approved April 14, 1983
Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

The meeting was called to order by Edward F. Reilly, Jr. at
Chairperson

9:00 a.m./~~p.m.~~ on April 5, 1983 in room 254-E of the Capitol.

All members were present ~~except~~

Committee staff present: Russell Mills, Legislative Research
Emalene Correll, Legislative Research
Fred Carman, Assistant Revisor of Statutes
June Windscheffel, Secretary to the Committee

Conferees appearing before the committee: Rep. Sandy Duncan
Mark Boranyak, Kansas Beer Wholesalers Association, Inc.
Tom Green, Kansas Retail Liquor Dealers Association
General Thomas Kennedy, Director, Alcoholic Beverage
Control
The Reverend Richard Taylor, Kansans for Life at its Best

HB2330 - relating to classes of persons not eligible to receive license under Kansas liquor control act.

The Chairman recognized Rep. Duncan, who appeared as sponsor of the bill. HB2330 amends K.S.A. 1982 Supp. 41-311, according to Rep. Duncan. He stated that the statute is discriminatory in that it prohibits retailers from keeping their licenses if their spouses are convicted of DWI. He said that it could cause a retailer to have to choose between his spouse or remaining in business, and that the proposed bill would take care of such problem.

Mark Boranyak and Tom Green appeared for their respective organizations in support of the proposed legislation.

Jack Milligan, of the Kansas Association of Private Clubs, was unable to be present, but a copy of his statement in support of HB2330 is attached hereto. (Attachment #1)

General Kennedy appeared concerning HB2330, and distributed a copy of his Memorandum dated April 5, 1983, concerning it. It is a part of the record hereto. (Attachment #2) It states that the ABC feels this amendment is strictly a legislative policy decision, and the ABC has no objections to the amendment.

SCR1626 - relating to authorizing the legislature to provide for a state-operated lottery.

Senator Morris spoke concerning SCR1626: he is one of the sponsors of the proposed legislation. He stated this is a most interesting concept, and the purpose in introducing this is to learn more about it. He distributed various articles which are a part of these Minutes. He explained various methods used by states which have adopted the lotteries. Attachment #3 deals with the "Colorado Lottery: another incredible start-up" and states that 1.4 million tickets are sold daily and lottery officials are overwhelmed by the success and worried by a possible 2-month lag in ticket shortages. Attachment #4 shows the distribution and participants by income level. Attachment #5 tells about states participating in lotteries and how the gross revenues are grossing. Attachment #6 shows groups by age and sex in the State of Washington. Senator Morris said he would hope the matter concerning lotteries might lie over during the summer in order for the legislature to get more information on the subject.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS,

room 254-E, Statehouse, at 9:00 a.m. ~~p.m.~~ on April 5, 1983.

The Reverend Richard Taylor appeared in opposition to SCR1626. He distributed copies of his remarks (Attachment #7), in which he quoted various articles in opposition to lotteries. The articles are also attached and a part of the Minutes. Attachment #8 includes Gambling and New Jersey from THE CHRISTIAN SCIENCE MONITOR and Lottery Frenzy Uses up Much Effort, Resources, an editorial from the CATHOLIC STAR HERALD. The MONITOR states that legalization could give gambling an umbrella of respectability which could shield illegal operations from police action....Attachment #9 includes a copy of Sylvia Porter's article from THE WICHITA EAGLE entitled State Lotteries Are a 'Tax' and from THE DALLAS TIMES HERALD stating that "Lottery as a state business is the mark of immature culture--a public announcement of a childish belief that fairy tales come true." Attachment #10 from THE CHRISTIAN SCIENCE MONITOR concerns the fact that hidden costs may cancel gains from state lotteries.

Senator Morris moved that the Minutes of April 4, 1983, be approved. 2d by Senator Daniels. Motion carried.

The meeting adjourned at 10:00 a.m.



Kansas Association of Private Clubs

(913) 357-7642 • 117 W. 10TH ST. • TOPEKA, KS 66612

Attachment
#1
4/5/83

April 5, 1983
SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
HB 2330

Mr. Chairman, members of the committee, my name is Jack Milligan. I appear today in behalf of the Kansas Association of Private Clubs in support of HB 2330.

The Kansas Association of Private Clubs views this measure as an opportunity to erase what is obviously discrimination against a person who holds a license to sell alcoholic beverages at retail and whose spouse is convicted of a driving under the influence charge. Preventing a person from holding a license to sell alcoholic beverages is certainly no safeguard against any improprieties that may be committed on the part of the licensee's spouse. The Legislature may have felt a prohibition of this sort was useful many, many years ago. However, we certainly cannot find any justification for this type of rationale or regulation during present times.

We view HB 2330 as an appropriate vehicle to permit a licensee to pursue their profession without being unfairly penalized for the actions of his or her spouse.

Thank you for the opportunity to appear. I will be happy to address any questions the committee might have.

Jack Milligan
Kansas Association of Private Clubs

MEMORANDUM

f. Yachment 2. 22
4/5/83

TO: Honorable Edward F. Reilly, Jr.
Chairman, Senate Federal and State Affairs Committee

FROM: THOMAS J. KENNEDY, Director, ABC Division

RE: HOUSE BILL 2330

DATE: April 5, 1983

PURPOSE

House Bill 2330, as introduced, and passed by the House is an act concerning intoxicating liquors and beverages; relating to classes of persons to whom licenses not issued; amending K.S.A. 1982 Supp. 41-311 and repealing existing sections.

PERSPECTIVE

K.S.A. 1982 Supp. 41-311 presently states that "No license of any kind shall be issued to any person if the spouse of such person would be ineligible to receive such a license hereunder for any reason other than citizenship and residence requirement or age."

House Bill 2330, if enacted, would change the language to read: "No license of any kind shall be issued to any person if the spouse of such person would be ineligible to receive such a license hereunder for any reason other than citizenship, residence requirements, age or conviction of or pleading guilty to a violation of K.S.A. 8-1567 and amendments thereto, or the ordinance of a city in this state which prohibits the acts prohibited by that statute, or forfeiture of bond to appear in court to answer charges for any such violation."

This amendment authorizes the holder of a retail liquor store license or a wholesalers license to continue holding their license even if their spouse has been convicted or plead guilty of violation K.S.A. 8-1567 (D.W.I.)

Further, an applicant for a retail liquor store license or a distributors license would be authorized to obtain a license even if their spouse has been convicted or plead guilty of violating K.S.A. 8-1567 (D.W.I.).

Presently, we have a regulation, K.A.R. 14-2-6, which states that no person shall be employed by a retail licensee in a managerial capacity or as a sales clerk who has been convicted of or has plead guilty to a violation of intoxicating liquor laws or D.W.I. within the last 10 years.

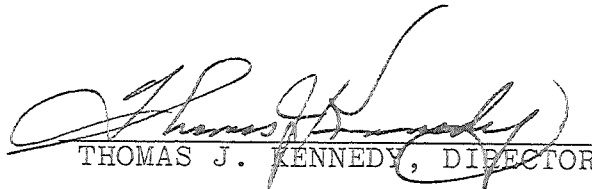
The reason for this rule is to stay in compliance with K.S.A. 41-311(c) which states that:

"No license of any kind shall be issued to: '(c) A person who has been convicted of or has pleaded guilty to a violation of intoxicating liquor laws of any state or the alcoholic beverage control laws of the United States, or shall have forfeited bond to appear in court to answer charges for any such violation, within the ten (10) years immediately prior to the date of such person's application for a license'."

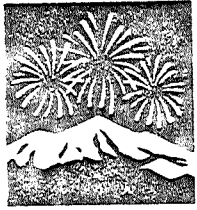
This restriction is similar to the age restriction where a licensee has a spouse who is 20 years old and is prohibited from working in the store.

COMMENTS AND/OR RECOMMENDATIONS

This amendment is strictly a legislative policy decision. We have no objections to the amendment.


THOMAS J. KENNEDY, DIRECTOR

TJK:cjk



Colorado
Lottery

COLORADO LOTTERY: ANOTHER INCREDIBLE START-UP!

1.4 million tickets sold daily: Lottery officials are overwhelmed by the success and worried by a possible 2 month lag in ticket shortages.

"The bottom line is we need more tickets." This was said by the new Colorado State Lottery Director, Owen Hickey, about their first instant game. And that is the very atmosphere of the state right now. According to Hickey, if the current rate of sales of 1.4 million daily continues, Game 2 which begins March 7 would run out April 7. Game 3, with tickets still in production, hasn't been geared up to begin until around June 1. Therefore, there would be no lottery to play from April 8 to June 1.

Commission Chairman Neil Peck sees this possible shortage as a "happy problem", but admits that it could be a potentially disastrous situation and has directed Hickey to take "any and all necessary action" to prevent an interruption in ticket availability.

The long awaited arrival of the Colorado state lottery's first game is over and after only a few short weeks the first instant game in Colorado has passed the 40 million mark in ticket sales. The lottery start-up began on January 24 and will end March 6.

Similar to other state lottery start-ups, the instant tickets are selling for \$1 apiece and are purchaseable through local retailers throughout the state. Odds of winning are better than 1 in 9.

Players may win prizes from \$2.00 up to \$10,000 instantly and players winning a \$50 prize or higher are eligible for the \$1 million drawing. Any prize less than \$50 can be claimed instantly at the business where the ticket was purchased. Prizes over \$50

must be claimed at the lottery headquarters within thirty days after the announced end of the game to be eligible to participate in the selection process for the \$1 million drawings.

In addition prizes of \$50 and up are claimed at Lottery headquarters for security reasons. A large prize winner is required to submit the winning ticket and a claim form to the Lottery.

be in a large drum for the drawings. Once the drum is loaded with the names of the \$50 winners, "It will require around-the-clock eyeballing," Hickey said.

The 20 people whose names are drawn from the multicity drawings will be notified to appear for the televised \$1 million jackpot drawing. At that time, the first 16 names drawn

The Bottom Line Is We Need More Tickets" ... Colorado Lottery Director Owen Hickey

The \$1 million grand prize is paid in \$50,000 increments for 20 years and on April 27, the night of the drawing, two Coloradoans will become millionaires.

Separate drawings in five different

will receive consolation prizes of \$10,000 each. The next two names drawn will be the \$1 million winners and the final two will receive runner-up prizes of \$50,000 each.

Game 2 of the Colorado Lottery will

Chairman Neil Peck sees the possible ticket shortage as a "happy problem" but admits that it could be potentially disastrous.

cities will be held to select the 20 finalists for the \$1 million drawing and the purpose of the multicity drawings is to "put the lottery where people can touch it and see it," according to Director Hickey. He admits though, that transporting the drum, to different cities over a period of weeks will create certain security problems, and "will be a real challenge to our security people."

Four names will be drawn at each of five sites from more than 24,000 winners of \$50 prizes whose names will

begin on March 7. It will have a different design, scheme and "look" but will be another instant game, Hickey said, and players will search for three aces on their tickets instead of like dollar amounts to win money as in Game 1.

Proceeds from the Colorado State Lottery, are broken by percentages of each lottery ticket dollar and percentages of total revenues.

The following two circle graphs illustrate the breakdown of lottery proceeds to the state.

The first graph shows that 35 percent of each lottery ticket dollar goes "to improve the quality of life for all Coloradans, 15 percent goes to lottery operations and 50 percent goes to player prizes.

WHERE THE LOTTERY TICKET DOLLAR GOES



In terms of total revenue, graph two shows that "10 percent of all lottery proceeds goes to the furtherment of state parks and recreation, 40 percent goes to a conservation trust fund and 50 percent goes to a capital construction fund or public building fund."

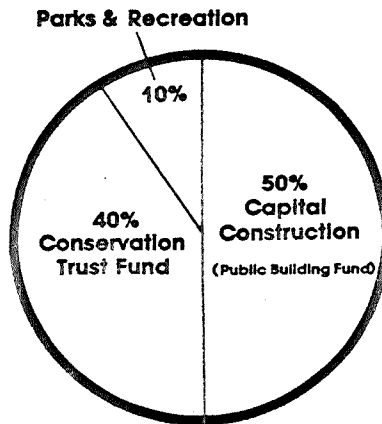
Although lottery euphoria seems widespread, there are a few disgruntled retailers who complained of things like "their employees being so tied up selling lottery tickets they didn't have time for anything else," or "the latex scrapings of tickets were ruining the restaurant's oak bars and hardwood tables." Lottery Director, Hickey does not appear concerned with these problems though, "the lottery has a waiting list of 900 retailers 'clamoring' for the right to sell the tickets," he said.

The Director of the new Colorado State Lottery, Owen Hickey, comes well qualified for the job with more than 10 years experience in the lottery field. Hickey served as marketing director for the Pennsylvania State Lottery from 1971 to 1981 and additionally during 1981 helped establish the Arizona State Lottery. He has served as a consultant to several

Canadian lotteries.

The rest of Hickey's team includes Tim Smith, deputy director, who has been employed with the state of Colorado for over 19 years; Louis Bowlds, marketing director, formerly

WHERE LOTTERY PROCEEDS GO



In Game 2, players will search for Aces on their instant tickets instead of like dollar amounts to win money as in Game 1.

employed for seven years as marketing director for Gart Brothers of Denver, Marlene Desmond, communications coordinator who previously served as an account executive for the Winter Advertising Group, and Mary Reed Wolf, advertising coordinator who formerly worked as ad-

"The lottery has a waiting list of 900 retailers 'clamoring' for the right to sell the tickets." ... Director Owen Hickey

vertising director for the Colorado National Bank.

In addition to Hickey's five member team there is the five member Colorado Lottery Commission just recently confirmed. The Commission is headed by Neil Peck-(D), commission chairman, a Denver attorney; Fred A. Vierra-(R), vice chairman, a cable executive in Littleton; Louis A. Giovanetti-(R) of Englewood, former

head of the Denver office of the FBI; Evelyn Davidson of Denver-(D), former clerk of the State House of Representatives, and Raymond J. Herrick-(R), a Pueblo accountant.

It is the combined work of both of these teams that have spelled phenomenal success for the first instant lottery game in Colorado and the combined work of the lottery officials will be needed to relieve their first crisis: ticket shortages.

As Director Hickey sees it, there are three possible options to follow with regard to the impending ticket shortage if lottery players keep up their 1.4 million per day sales:

--Ordering more tickets for Game 2 so that it would run longer. Already there are 36 million tickets planned for Game 2.

--Getting earlier delivery on the 35 million tickets planned from Game 3.

--Ordering another version of Game 1 and starting it when Game 2 ends to fill the gap.

Hickey also stated that the lottery staff has begun preliminary work on all three possibilities in order to have all in place for implementation if necessary.

Whichever path Hickey and his team choose to follow, with the incredible success of Colorado's first game and start-up, they're on the right track! Colorado Lottery: Another incredible success story.

PG

1983 Spring Conference
See page 12

**Number of Claimants & Sales by
By Week**

Wk No.	Date (1982)	No. of Claimants of \$100 or More	Indicated Sales
1	Nov. 15	1,042	\$3,166,000
2	Nov. 22	1,988	\$6,040,000
3	Nov. 29	2,963	\$9,002,000
4	Dec. 6	3,198	\$9,716,000
5	Dec. 13	1,129	\$3,430,000
6	Dec. 20	1,332	\$4,047,000
7	Dec. 27	940	\$2,856,000
8	Jan 3	724	\$2,200,000
9	Jan 10	704	\$2,139,000
Total		14,020	\$42,596,000

Distribution of Respondents by Sex

Wk No.	No Response	Male Male	Female	Total
1	1.1%	61.7%	37.2%	100.0%
2	.3%	59.8%	39.9%	100.0%
3	.3%	60.5%	39.1%	100.0%
4	.2%	60.4%	39.4%	100.0%
5	.7%	60.9%	38.4%	100.0%
6	.2%	58.4%	41.4%	100.0%
7	.2%	55.3%	44.5%	100.0%
8	.3%	55.5%	44.2%	100.0%
9	.6%	51.3%	48.2%	100.0%
Total	.4%	59.2%	40.4%	100.0%

**Player Participation Rate by Education When Compared To
Education Group's Proportion of Total State Population**

Week	Grade School & High School			College	
	0 - 8	9 - 11	12	1 - 3	4 and Up
1	-48	-18	-11	-20	-36
2	-57	-10	-14	+19	-31
3	-48	+22	-11	-17	-36
4	-40	+16	- 8	-16	-26
5	-41	- 8	- 4	-27	-25
6	-39	-11	+ 7	-24	-34
7	-32	- 2	- 2	-33	-27
8	-48	- 3	-11	-18	-23
9	-41	-12	- 4	-41	-10
Averages	-43.8	-8.2	-7.1	-23.9	-27.6

Explanatory note: Minus means players in that education group bought less tickets than that groups proportion of the population would warrant.

**Player Participation Rate by Income Level When Compared To
Income Group's Proportion of Total State Population**

Household incomes in Thousands of Dollars

Weekly Values in Percentages Above Or Below Player Group's Proportion Of The State's Population

Week	\$0 - \$5	\$5 - \$10	\$10 - \$15	\$15 - \$25	\$25 - \$35	\$35 - \$50	\$50 - Up
1	-3	-21	-16	- 2	-18	0	-54
2	-1	-13	- 7	- 5	-23	0	-38
3	-6	-15	- 7	- 2	-21	- 4	-20
4	-3	-10	- 2	- 2	- 9	+ 7	- 6
5	+11	- 7	- 9	-12	-12	- 2	- 6
6	0	-15	-14	- 7	-23	- 2	-36
7	-13	-13	- 2	- 6	-25	- 4	+18
8	-6	-20	- 3	- 3	-19	- 6	0
9	-9	-17	-13	-11	-23	+ 5	- 1
Average	-3.3	-14.5	-8.1	-5.1	-19.2	+0.6	-15.9

Explanatory note: Minus means players from that income group bought less tickets than that income groups proportion of the population would warrant; plus means more.

Continued on page 41

Atta-achment #
4/5/83 5

Success of State Lotteries

In the U.S., the total number of agents range from one per 1000 of population to 1 per 2000 of population. From 20% to 50% of these agents will sell the on-line games.

Canadian lotteries generally have more sales agents per capita with Loto Quebec holding the record with 15,000.

Why More States Are Looking At Lotteries

More and more states are seriously considering state lotteries each year.

The reason is simple - they need more money to run state government than they are currently getting from depressed, traditional tax sources and from the federal government.

In fiscal 1983, for example, practically all of the states are projecting budget deficits by year end.

Another key reason more states are looking at the lotteries is the solid record that has been established by the state and provincial lotteries in North America for dependable revenue generation - particularly in the past five years, for honesty and for the popularity of the games.

States are also seeing that no social or law enforcement problems are being created to dilute the full value of the lotteries as a positive force in government.

It is also of considerable help to states considering a state lottery to have the assistance of all of the other states already operating lotteries. This inter-governmental assistance has played a major role in ensuring that new lottery states start with all of the best information available on the administration and operation of state lotteries.

What Of The Future

The current trend in state and provincial lotteries and the outlook for the future is for continued growth in revenues for existing lotteries and for

additional states to legalize state lotteries.

Most state lotteries are projecting revenue increases of from 15 percent to 45 percent for the current fiscal year. And this comes at a time when tax revenues from most sources are dropping again.

These revenue increases from the lotteries are coming in part from better marketing of existing games. But the large increases are due mainly to

terned after the instant games currently played in the state lotteries but using the video games technology, have the potential of doubling current levels of revenues because of the vast new set of affluent and action-oriented adults expected to play the games - people who do not find current lottery games interesting enough to play regularly.

USES OF NET REVENUES FROM STATE LOTTERIES

State	Use Of Funds
Arizona	Transportation
Colorado	Parks & Facilities
Connecticut	General Fund
Delaware	General Fund
D.C.	General Fund
Illinois	General Fund
Maine	General Fund
Maryland	General Fund
Massachusetts	Local Aid
Michigan	Education
New Hampshire	Education
New Jersey	Education/Insts.
New York	Education
Ohio	General Fund
Pennsylvania	Senior Citizens
Rhode Island	General Fund
Vermont	Debt Ret./Const.
Washington	General Fund

the new games that states are implementing such as the lotto game with multi-million dollar prizes that have been so widely publicized.

The lotto games are bringing the lotteries a new set of players, not necessarily younger than the lotteries' existing customers. But somewhat more affluent. This game will be spreading to all of the state lotteries in the near future.

The most promising, but as yet untested, new revenue generator for the state lotteries is the new video lottery games. These new games, pat-

GROWTH OF LOTTERY GROSS REVENUES

(In millions of \$)

	1982	1981	% Incr.
Ariz.	137.0	-	-
Atlantic L.	66.7	52.5	27
Col.	-	-	-
Co.	157.0	149.0	5
D.C.	-	-	-
Del.	25.6	26.5	27
Ill.	333.3	215.3	55
Loto Q.	244.1	218.0	11.9
Maine	9.6	6.4	50
Md.	457.4	385.7	18.6
Mass.	260.1	208.5	24.7
Mich.	527.4	502.4	5
N.H.	12.5	11.0	13.6
N.J.	518.0	417.0	24.2
N.Y.	424.8	236.2	79.8
Ohio	367.0	297.0	23.6
Ontario	507.0	482.0	5
Penn.	562.0	427.0	31.6
R.I.	37.0	34.6	6.3
Vt.	3.7	2.5	48
Wash.	-	-	-
West. Car.	210.6	200.2	5

STATE LOTTERY STARTS

1964	New Hampshire
1967	New York
1971	New Jersey
1972	Connecticut
	Massachusetts
	Michigan
	Pennsylvania
1973	Maryland
1974	Illinois
	Maine
	Ohio
	Rhode Island
1975	Delaware
1978	Vermont
1981	Arizona
1982	District of Columbia
	Washington
1983	Colorado

Attachment # 6
4/5/83

Washington State

would most likely carry over to the next game.

"We believe that the lottery market for rub-off instant tickets undergoes significant changes very early -- that is, during the state's first and second instant game," the report said, "The participation of those with four or more years of college and those with one to three years of college increased."

The report called these trends "healthy signs" and said the state lottery plans to follow-up on its findings by distributing similar claim/questionnaire forms for the second instant game.

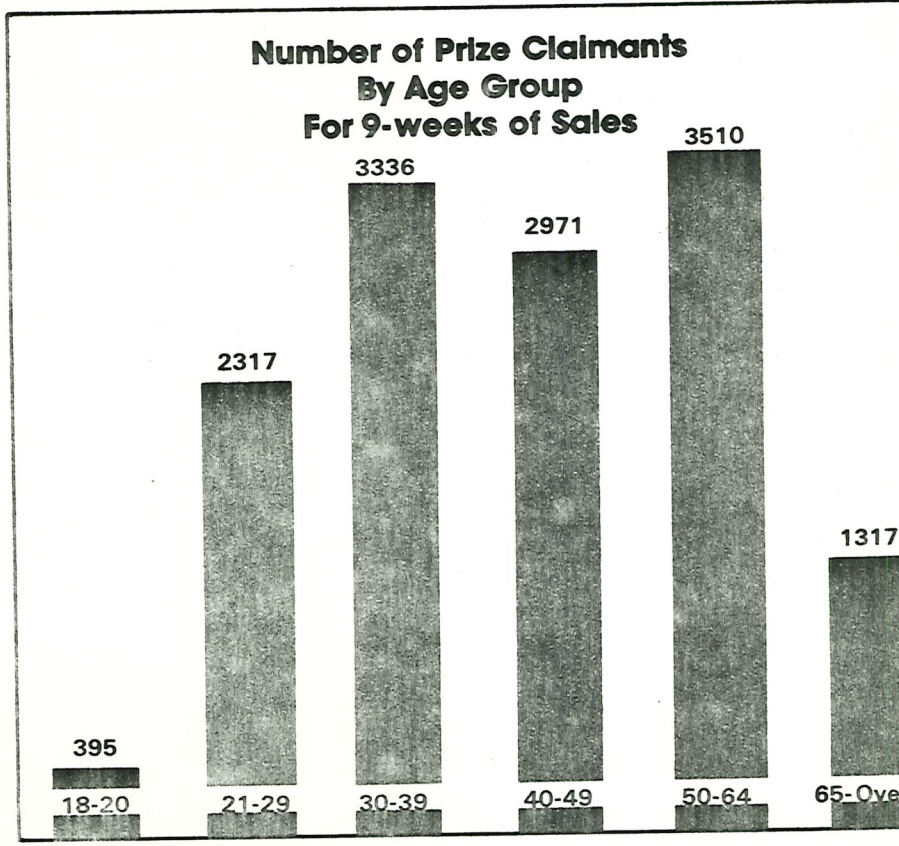
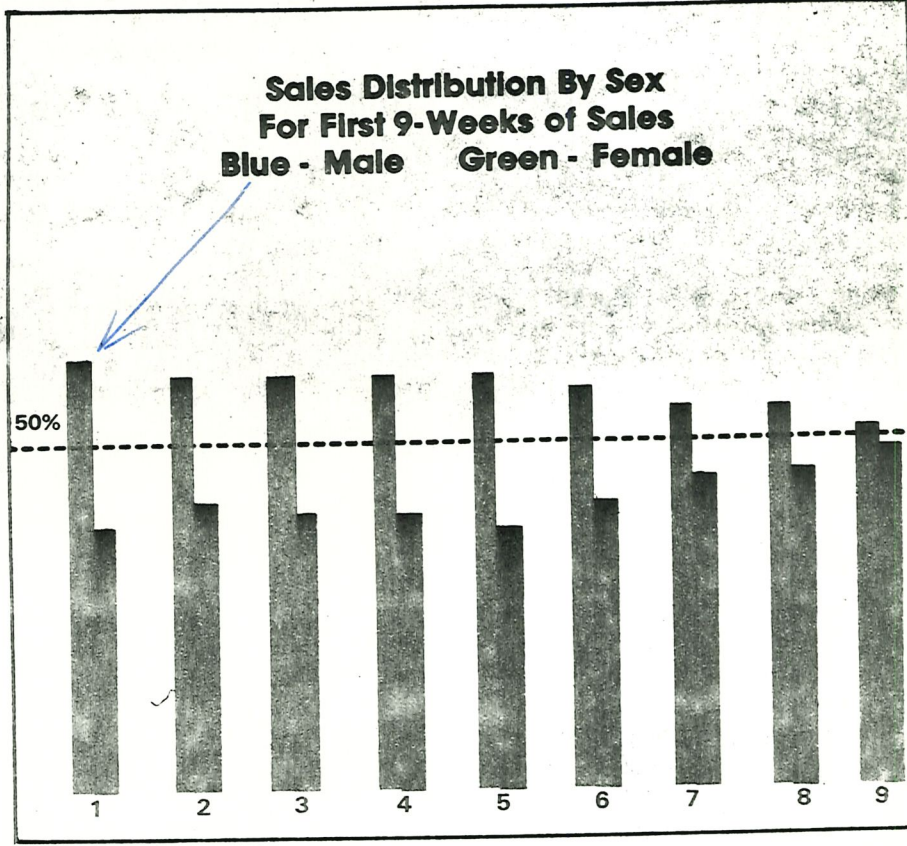
"We suspect we are seeing, here in the first nine weeks of Game One, the beginnings of the same kind of market shifts that one can observe in established lottery states when one compares the very first game to later games," the report said. "By identifying these changes now, we hope we can deal with these trends effectively and maintain a very high level of sales for the future."



Demographic information, the report said, would be used to design advertising and promotional programs for later games. Marketing Assistant Director Mann said the data has already helped the lottery in formulating its advertising campaign for the state's upcoming third game.

"We haven't had time to make an adjustment in game two but we are making some adjustments in the third game," Mann said. "We're tailoring that total campaign to appeal to the largest specified group of consumer players. We can now use a rifle technique instead of a shotgun approach."

In its report, the lottery said that its goal was to maintain a wide demographic spread of players by paying



"The poorer class of people are the majority of our bingo players."

(This is true for all forms
of commercial gambling.)

Joe Berger, Sunflower Clubs of Kansas
Bingo gambling hearing on February 8, 1983
Senate Federal & State Affairs Committee

The motive for shop lifting and gambling is the same. It is an attempt to enrich yourself from the financial losses of others. Should state law encourage shop-lifting? Why should state law encourage gambling?

As one Senator indicated, PERMITTING commercial gambling is one thing, but placing the state in the business of PROMOTING commercial gambling is a different issue.

Commercial gambling as a means of producing public revenue is a sign of social decay. The Commission on the Review of the National Policy Toward Gambling listed these negatives with commercial gambling:

1. Undermining of the work ethic in a something-for-nothing atmosphere.
2. Systematic corruption of police departments.
3. Creation of new gamblers and compulsive gamblers.
4. Eroding of the poor's take home pay.
5. Insignificant return to state coffers.
6. Increased organized crime.

"Lottery as a state business is the mark of immature culture - a public announcement of a childish belief that fairy tales come true."

THOUGHTS ON A LOTTERY
Dallas Times Herald

"It's sad to see our states returning to a medieval method of financing. (The first money lottery was established in Italy during the Middle Ages.) It's discouraging to see tax experts, who do know better, defending the lottery as a harmless money-raiser."

STATE LOTTERIES ARE A TAX
Sylvia Porter
The Wichita Eagle

Governor Bob Graham of Florida strongly opposes a state lottery because "it creates false hopes and false promises," as a top gubernatorial aide puts it. Those pushing for a Florida lottery note that the state is heading for a \$411 million deficit, and there is little political sentiment for higher taxes since the sales tax was raised 1 percent last year. An annual lottery yield of \$200 million is projected.

PINCHED STATES TRY LOTTERIES
The Christian Science Monitor
January 7, 1983

The first day Colorado lottery tickets went on sale, one grocery store owner said he might as well left his check out sales people at home. People did not buy food, just lottery tickets.

During 1978, the Kansas Department of Economic Development reported that workers in West Germany gave 7.9 more days of productive labor than the U.S. Average. Workers in Japan gave 8.3 more days of productive labor than the U.S. Average. Workers in Kansas gave 8.6 more days of productive labor than the U.S. Average - highest in the U.S. and the free world! That is one of the finest Ah's in the land of Ah's. Commercial gambling is a big enemy of worker productivity.

Gambling and New Jersey

It must be embarrassing to the citizens of New Jersey to learn that they are failing to beat the criminals of that state at their own gambling game. And what's worse, the racketeers are using the state's legal gambling mechanism to help run their own operations.

New Jersey's superintendent of state police has disclosed that the new daily New Jersey lottery number has been adopted by the underworld numbers syndicates. Thus the illegal system is getting a free ride in publicizing its winning combination by the legal system that was designed to put it out of business. And the illegal games have achieved a better competitive position by offering a payoff as much as ten times greater than the legal lottery.

These columns have questioned all along whether there is any validity to the key rationale for the legalization of gambling — that it would deprive the underworld of a basic source of income. Events are bearing out our skepticism. Only recently, it was learned that the legal New York off-track betting operation was not cutting into illegal bookie business; its main effect has been to cut down track attendance and reduce overall state revenue from racing.

The New Jersey lottery experience came out during an inquiry into the possibilities of even broader state gambling activity. New Jersey already permits bingo and race track betting as well as the state-run lotteries. Forces in the

state want to admit Las Vegas-style casino operations and gambling on professional sports.

New Jersey's Governor Cahill, correctly, opposes a state constitutional amendment that would enable him to establish any kind of gambling he wishes. The state's police superintendent opposes it. Professional sport leaders — who fear the stigma that could attach to their leagues by association with gambling, legal or otherwise — similarly have testified against it.

There should be no confusion over why legalized gambling is being promoted, in New Jersey as well as in other states. It's not because legalization would diminish underworld revenues. Indeed, this point can be argued the opposite way: legalization could give gambling an umbrella of respectability which could shield illegal operations from police action as well as reduce the moral disapproval which may keep many from gambling.

Legal gambling is being promoted chiefly because there is money to be made by individuals from it. It also provides another sphere of patronage and hence is an instrument of political power.

Legal gambling stands scarcely higher than illegal gambling. If the state is out to make easy money from gambling instead of undergoing responsible tax reform to make fiscal ends meet, it is deluding itself in much the same way as those who look to wagering for a financial windfall.

New Jersey is in deep financial trouble today. All their commercial gambling has not solved their revenue problems. #8

LOTTERY FRENZY USES UP MUCH EFFORT, RESOURCES

An Editorial from the CATHOLIC STAR HERALD

Gambling fever swept New Jersey last week when 7,667,493 tickets were bought in the state's Pick 6 Lotto game. That's more than one ticket per resident. Excited bettors waited in long lines to take their chances.

The collective day dream burst on Friday when three couples and a widower split an \$11.1 million jackpot. That staggering sum - the largest ever paid in a state lottery - obscured the fact that there were 7,667,489 losers to the four winners.

No one wants to assume the role of stodgy old spoilsport. But we must voice misgivings. What to many may seem harmless fantasy appears too great a deflection of effort and resources from more responsible pursuits.

Everyone daydreams. Fantasies provide a needed escape from the tensions and frustrations of daily life. No doubt difficult economic conditions made the instant-millionaire fantasy timely and attractive. When daydreaming becomes the means to avoid real efforts at self-improvement, though, it has outlived its usefulness.

We can't help but wonder what could be done were New Jersey re-

sidents to muster a similar amount of cooperation and money for other projects. The less fortunate might be fed and clothed. Jobs could be generated for the unemployed. The crisis in crowded prisons might be eased. It seems a shame that all must go for personal approximations of Fantasy Island.

And what of those who, in the midst of lingering recession, are lured to the pursuit of get-rich-quick schemes in lotteries or casinos? Surely efforts to find gainful employment must suffer. Discouraging though they might be, such attempts offer the only real hope to achieve financial stability.

The blatant air of crass materialism issuing from the whole episode is disquieting. One Philadelphia paper quoted a laid-off steelworker as saying, "You could do anything with a couple of million." Someone needs to point out that all the important things in life are regularly done with a great deal less.

New Jersey residents should take a more realistic attitude toward gambling. Let's not be known as the state that loves to lose.



Kansas lawmakers have always rejected S & H Green Stamps as being non-productive and a waste of energy, time, and financial resources. A state lottery deserves the same rejection.



Your Money's Worth

THE WICHITA EAGLE

Thursday, February 22, 1973

State Lotteries Are a 'Tax'

By SYLVIA PORTER

Bill Patrono, a jolly elevator operator in our Fifth Avenue apartment building, takes home about \$110 a week — after his weekly deductions for federal income taxes and Social Security taxes. He then voluntarily pays another "tax" of one dollar every week to New Jersey or to New York for their 50-cent lotteries. Whenever Bill sees me coming in from work in the evening, he grins and threatens he won't take me up until I get his "name in the paper." When I answer with a shrug, "Okay, take me sideways," we both crack up; then I say, "I'll do it next week." He lets me into the elevator — and our little charade is completed for that day.

Whether or not Bill Patrono's name will ever be listed among the winners of these or any other 50-cent lotteries (and I'll wager my buck that he bets more than one buck per week), I'm putting Patrono's name in the paper because what he symbolizes is becoming ever more important financial news.

BILL IS typical of mounting millions of lower-income American wage-earners who are regularly buying inexpensive lottery tickets and thereby voluntarily contributing what amounts to a fairly impressive proportion of their take-home pay to state treasuries across the land. Bill thinks of it as a happy bet and dreams of winning big.

Actually, Bill is making a contribution to the state treasury. Actually, it's a "tax" and a regressive tax at that.

And while the amount the ticket costs each time may seem insignificant — even 50 cents twice a week adds up to \$52 a year — the contribution is made week after week after week.

To indicate the scope of this financial development, lotteries are spreading across the land and undoubtedly will spread to more states. In the November elections, voters in Iowa, Maryland and Washington approved constitutional amendments authorizing lotteries. When Michigan became the seventh state operating a lottery on Nov. 13, it reported it sold more than \$5.8 million worth of 50-cent tickets the first week and grossed nearly \$3 million.

The push behind lotteries has gained power fast. New Hampshire was the first state to enact a lottery law in 1963, New York was second in 1967, and New Jersey third in 1970. In 1971, Connecticut, Massachusetts and Pennsylvania joined in. Says the Federation of Tax Administrators, All signs "suggest the increasing use of this form of gambling as a means for obtaining marginal amounts of additional state revenue."

WHILE THE lotteries are surely siphoning off some funds from illegal gambling, they also are adding to the total gambling take. Organized crime has begun to use the lottery numbers for illegal gambling. And, of course, the states would not be adopting lotteries if

they were not an easy source of revenues.

The public's appetite is constantly whetted by the publicity about the winners.

Nevertheless, I submit the lottery is a regressive "tax" — and even in the face of the certain growth of this form of revenue raiser. I submit my argument.

Betting among lower-income groups is far more frequent than among higher-income individuals. Profiles of the winners underline and dramatize these points. The lottery is cousin to the numbers game — and "numbers" is the poor man's game.

Bill may laugh, "What can I lose?" as he hands over his 50 cents twice a week. (I hope he wins and laughs at me all the way to the bank.) The states may retort that since betting is voluntary, this can't be called a "tax." And no one can deny the lottery does raise money.

Still, it's sad to see our states returning to a medieval method of financing. (The first money lottery was established in Italy during the Middle Ages.) It's discouraging to see tax experts, who do know better, defending the lottery as a harmless money-raiser.

It was late in the 19th century that Congress outlawed the lottery in the U.S. An "enlightened" nation is reviving the discredited institution.

Perhaps, the salt tax will be our next step forward?

Field Enterprises, Inc.

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THE DALLAS TIMES HERALD

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DALLAS, TEXAS, THURSDAY EVENING, MAY 2, 1963

Editorials

Thoughts on a Lottery

To those of us who think of New Hampshire as part of the stern and rock-bound New England which the Puritans created, it comes as a shock.

For New Hampshire to set up a state sweepstakes seems to dispute everything ever written about the region. In the words of Bernard De Voto, "New England is a finished place . . . It is the first American section to be finished, to achieve stability in the conditions of its life. It is the first old civilization, the first permanent civilization in America."

New Hampshire needs money, the officials say.

Every state does—and the small ones feel the squeeze particularly hard because this is not the age of smallness.

But history has valuable lessons for those who would dabble with luck as a means of making a living—on either side of the table. All lottery, all gambling is based on the twinkling fantasy that heaven can be had on a sight-draft.

Easy money is sterile money, at best. Scandal is its consort and graft is its family retainer. Lottery as a state business is the mark of immature culture—a public announcement of a childish belief that fairy tales come true.

Somehow, in the workings of economic law, lottery dollars seem to lose more fat than any other kind; just as gambling bonanzas never quite bring the state coffers as much percentage as everyone predicted.

Visions of a tax-free climate dance like sugar plum fairies in the heads of those who buy the idea that every state is a potential Monte Carlo. It's never the case. Someone always skims off the cream as soon as the old cow turns it loose. Commissioners draw Hollywood-sized salaries; minor officialdom (set to watching the watchers who are watching the commissions) soaks up revenue—on and off the books—like Sahara sand absorbs a summer shower.

What graft doesn't take, the underworld finds a way to get its hands on. Show us one example where it is not so.

Pinched states try lotteries; hidden costs may cancel gains

As underage and low-income people line up for tickets, critics say risks outweigh the huge takes

By George B. Merry

Staff writer of

The Christian Science Monitor

Boston

Lotteries — one of the oldest forms of gambling — are spreading anew across recession-squeezed America.

Sixteen states plus the District of Columbia now have such government-sponsored moneymaking operations. Another is about to join the ranks. And more may be on the way in the coming years, if not months.

This, despite warnings from lottery foes like Arnold Wexler of Parlin, N.J., that the benefits in revenues are outweighed by the social problems lotteries create.

The outspoken vice-president of the New York City-based National Council on Compulsive Gambling charges that although state laws restrict lottery ticket sales to persons 18 or older, enforcement is lax at best.

"We are breeding a society of gamblers — and some of them are going to be compulsive gamblers," cautions Mr. Wexler, who blames the growth of this legalized gaming activity on "media publicity given to the big winners, who are portrayed as heroes."

Wexler calls lotteries a waste of money, saying the chances of hitting the jackpot and becoming a millionaire are "only one in 2,960,000."

Critics say some young people use lunch money to buy tickets. And, they add, lotteries attract low-income people who can least afford it.

Such views, however, are disputed by pro-lottery forces. A 1980 study in New York, for example, showed that a "higher proportion of those in the \$18,000-to-\$56,000 annual income range bought tickets than those with less or more income," according to John D. Quinn, director of the New York State Lottery.

These conclusions appear to clash with

those of a Michigan study completed about the same time by economist Daniel Suits. He reported that lotteries are by far a heavier burden on the poor. People with annual incomes under \$5,000 spent about 0.30 percent of their money on lotteries, he said, while people in the over-\$30,000 bracket spent only about 0.02 percent on gaming activities.

Mr. Quinn, who is currently president of the National Association of State Lotteries, estimates that such operations grossed more than \$4 billion during 1982.

Since a state's share of lottery revenues is generally 40 to 45 percent, states netted in excess of \$1.6 billion, he adds, noting that New York's yield for the year ending last March 31 was "up 77 percent" over the pre-

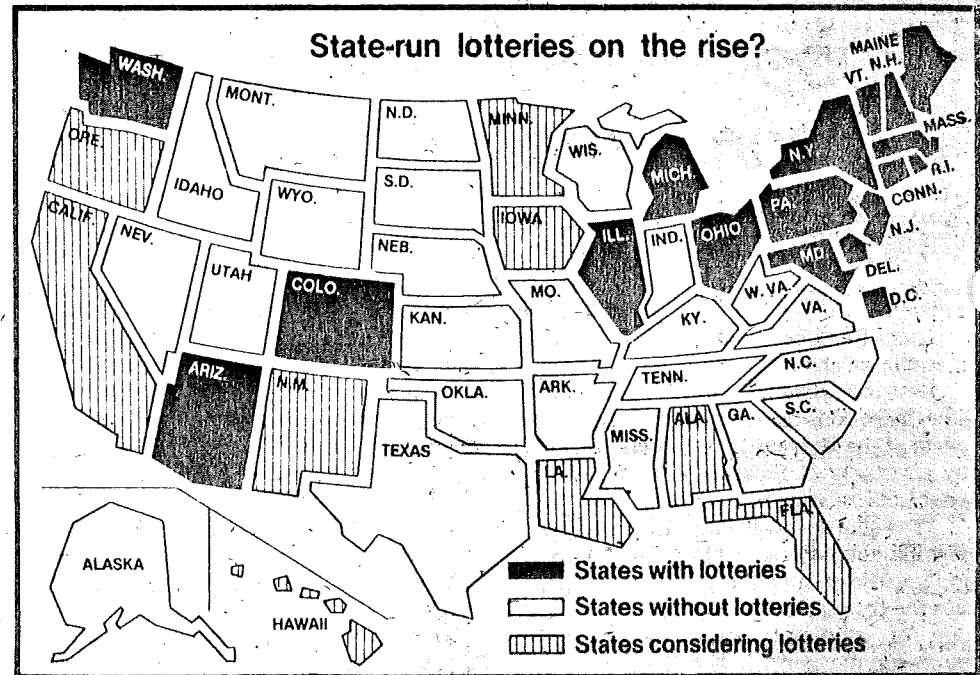
'We are breeding a society of gamblers — and some of them are going to be compulsive gamblers.'

vious year and is expected to be 44 percent greater this fiscal year.

At a time when "the public is drowning in a sea of taxes," fund-raising alternatives such as lotteries will become increasingly popular, Quinn suggests. In recent months, he says, interest has surfaced in a number of states, including Alabama, California, Florida, Iowa, Louisiana, and New Mexico.

After nearly three-quarters of a century of being restricted or banned in the United States, lotteries began their return with the New Hampshire Sweepstakes in 1964. New York followed suit in 1966, as did a dozen Northeast and Midwest states during the 1970s.

Besides the Michigan and New York lot-



teries, which are among the most lucrative operations of their type in the nation, there are similar government-run gaming activities in Arizona, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, Ohio, Pennsylvania, Rhode Island, Vermont, Washington, D.C., and Washington State.

The latter two are the newest. The District of Columbia lottery began last August and Washington's in mid-November.

Colorado is about to join the growing list with its "instant game." The new venture, being promoted as "Rocky Mountain Fun," will feature prizes of \$2, \$5, \$50, \$500, \$1,000, and \$10,000, with all \$50 winners eligible for a later "millionaire drawing" of \$50,000 a year for 20 years.

Unlike the Colorado lottery, which stemmed from a 1980 voter referendum, the Washington lottery is the result of special legislation hustled through last summer when the state faced a critical revenue shortfall. That new venture is projected to yield \$170 million during the two years beginning next July 1.

Besides the 40 cents from every lottery-

ticket dollar that goes to the state, 45 cents is earmarked for prizes, and the remaining 15 cents pays administrative costs, including fees to dealers who sell the chances. The split in Colorado will be 50 cents for prizes; 35 cents going to three state funds; and the remainder for ticket-sales commissions and other operating costs.

Moves to set up state lotteries to help ease budget problems are particularly strong in Florida and Louisiana. Proposals in both states are expected to come before state lawmakers in coming months.

Despite strong support within the legislative delegation from Dade County (which includes Miami), the move faces stiff opposition from the state's horse-racing and jai-alai industries. Gov. Bob Graham strongly opposes the idea because "it creates false hopes and false promises," as a top gubernatorial aide puts it.

Those pushing for a Florida lottery note that the state is heading for a \$411 million deficit, and there is little political sentiment for higher taxes since the sales tax was raised 1 percent last year. An annual lottery yield of \$200 million is projected.