

ALASKA LEGISLATURE COMMITTEE FILED 1900 1900

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STATE-WIDE LOTTERY
NOVEMBER 1985

PROCESSING THE DATA

Dittman Research employees completed the coding, editing, keypunching and verification, while data processing was completed by the Boeing Computer Services Company through the Statistical Package for the Social Sciences (SPSS) programs. The SPSS package is one of the most sophisticated research-oriented data processing and analytical systems available, and is designed specifically for the processing and analysis of survey research data.

FINDINGS

STATE-WIDE LOTTERY
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Overall, Alaskans on a state-wide basis support the idea of a lottery by well over a 2:1 margin...

"Some people have suggested it would be a good idea for Alaska to have a state lottery, while others have said it would be a bad idea. What are your views -- do you basically favor or oppose Alaska having a state-wide lottery?"

Favor.....65%
Oppose.....29%
Unsure..... 6%

...and the support is basically consistent throughout all geographic regions...

	<u>Favor</u>	<u>Oppose</u>
Region:		
Rural.....	57%	37%
Central.....	65%	28%
Southcentral.....	65%	29%
Anchorage.....	69%	24%
Southeast.....	62%	36%

Demographically, upper income residents are slightly more supportive...

	<u>Favor</u>	<u>Oppose</u>
Income:		
Up to \$20,000.....	64%	32%
\$20,000 - \$40,000.....	64%	30%
\$40,000 - \$60,000.....	65%	30%
\$60,000 plus.....	73%	22%

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...and young people are more supportive than older people...

	<u>Favor</u>	<u>Oppose</u>
Age:		
18 - 24 years.....	84%	13%
25 - 40 years.....	67%	28%
41 - 55 years.....	62%	31%
56 years and older.....	44%	46%

...there is little difference based on gender...

	<u>Favor</u>	<u>Oppose</u>
Sex:		
Male.....	66%	30%
Female.....	65%	27%

...and significantly important, the idea of a state-wide lottery has broad appeal across all political boundaries...

	<u>Favor</u>	<u>Oppose</u>
Region:		
Democrat.....	67%	24%
Republican.....	61%	31%
Non-partisan.....	67%	30%

STATE-WIDE LOTTERY
NOVEMBER 1985

SUMMARY:

The support for a state-wide lottery is strong and broad throughout Alaska. Only among residents 56 and over does opposition exceed support, while among other age groups, support exceeds opposition by margins of up to 6:1.

Overall, in terms of political and geographic constituencies, support exceeds opposition by approximately 2:1 in each geographic area, and Democrats, Republicans and Non-partisan voters all support the idea of a state-wide lottery by 30% margins or more.



ARGUMENTS AGAINST A STATE-OPERATED LOTTERY

Testimony Prepared
by
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Christian Life Commission
Southern Baptist Convention
Nashville, Tennessee
December 15, 1985

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A LOTTERY IS A REGRESSIVE SOURCE OF TAXATION

The entire debate about state-operated lotteries is a result of the pressure for ~~more revenues for the states~~. Within this present context, lotteries are purely and simply viewed as means of raising revenues from the citizens of the state who are either inclined, ~~or can be enticed,~~ into playing the lotteries. Since the result is to ~~clearly function as~~ a tax, the lotteries must be judged by the manner in which they function, which includes a consideration of those from whom the state raises revenue.

State-operated lotteries follow a pattern in developing the games which are played by the gamblers. Usually they turn to the daily "numbers" game to hike revenues which level off and decline after the start-up period for the lottery.¹

The "numbers" or player selection lottery games generate the major ~~portion of the revenue~~ derived from state-operated lotteries. From 1976 through 1979, Maryland's lottery netted \$145 million for the state, and \$138 million of it was from the daily numbers game. Since Pennsylvania introduced its daily numbers game in 1977,² 70 percent of its income has come from the daily numbers game.² In fiscal 1982, 88.8 percent of³ New Jersey's lottery income was from daily numbers games.

There can be no reasonable doubt that the daily numbers game, the one upon which most of the state-operated lotteries depend for their main source of revenue, appeals primarily ~~to the poor and to the~~ minor members of our society. Its appeal is based on the illusory promise and the desperate hope of a big win.

Most forms of gambling are highly regressive when viewed as forms of taxation. This is not a new conclusion. It was clearly demonstrated by the research done in connection with the Presidential Commission on the Review of the National Policy Toward Gambling. Of the 11 different types of gambling reviewed, all but two, casinos and illegal sports booking bets, were regressive. When Nevada residents were surveyed, even casino gambling was found to be regressive. The only reason that casino gambling was not regressive for the population of the United States as a whole is that poor people outside of Nevada lacked the funds to travel to Nevada, which was the only state with legal casino gambling when that study was made.⁵

Daniel B. Suits, an economics professor at Michigan State University, has pointed out on several occasions that low-income lottery players wager ~~a disproportionately high percentage of their income on~~ the lottery, with the numbers game having the primary appeal.⁶

Perhaps the most conclusive evidence of the manner in which lotteries appeal to poor people is the fact that their outlets

Scientific Games, Inc., a subsidiary of Bally, Inc., is a leading supplier of products for the operation of state-operated lotteries.

Scientific Games, Inc., is such a strong advocate of state-operated lotteries that it serves as a catalyst in states considering the adoption of state-operated lotteries. Published reports have indicated that Scientific Games has spent in excess of \$2.1 in California in getting the lottery issue on the ballot,¹² approximately \$200,000 in Arizona,¹³ \$150,000 in Oregon,¹⁴ perhaps another \$150,000 in Colorado and the District of Columbia,¹⁵ hired a lobbyist in Missouri, and spent unidentified amounts in states such as West Virginia, Louisiana, Mississippi, and New Mexico.

These funds were expended in a variety of ways: for petition circulators, for lawyers fees, for promotion campaigns, and other activities connected with the development of a campaign for legalization of a state lottery. Clearly Scientific Games is fully involved with the marketing and development of state-operated lotteries.

In 1982 Daniel Bower, president and cofounder of Scientific Games, Inc., addressed the Fourth Annual Gaming Conference and International Gaming Congress at the Dunes Hotel in Las Vegas, Nevada.¹⁶ On that occasion he identified the principal players of the three different forms of lottery games being played: the weekly draw game, the instant game, and the player selection game. These different games were introduced chronologically in that general sequence and each form of the lottery represented an approximate tripling of the activity being realized by the predecessor.

The weekly draw game attracts players "most likely to be white male, and on the middle to lower side of the occupational scale. A majority of the players are age 55 or older."

The dollar instant game is most likely to be played by those who are white and male, but somewhat younger than those playing the weekly draw game.

The big attraction, however, is the player selection game, which in some states represents almost 90% of the net sales of the lottery. According to Bower, the player "is most likely to be a nonwhite male employed as a laborer or service worker. Most players have less than an eighth grade education and few have more than a high school education."

In expounding on the merits of the development of the "video lottery," considered to be the "state of the art for the future," Bower noted that it will attract a new group of consumers not yet attracted by existing forms of the lottery. This group is younger, better educated, more affluent and higher in

The neighborhood which was identified as Older Population, Lower-Middle Income, Eastern Europeans, Northeastern U.S., which was the leader in the instant game, was second in both Pick 3 and Pick 4 and third in Pick 6.

The other neighborhood to note is identified as Hispanic Neighborhood, Poor Families, Very Old Housing. This neighborhood was identified as being fourth in Pick 3, third in Pick 4, and second in Pick 6.

Thus of the 16 possibilities, only 2 of the neighborhoods¹⁸ represented income levels classified as middle-class or above.

The public policy question can be posed simply: Should a state sponsor a lottery which is calculated to have a disproportionate appeal to individuals from the lower socioeconomic classes of our society, thereby extracting a disproportionate share of state revenue from them? NO!

A LOTTERY WILL KNOWINGLY APPEAL DISPROPORTIONATELY TO ETHNIC MINORITIES

One characteristic of state lotteries has not adequately been noted by the literature which has analyzed their operation. Objective studies which have focused on the regressivity of the lotteries have dealt with ethnic identification less precisely than would have been desired. However, it now is apparent that there is a clear awareness that state lotteries have a dramatic appeal to ethnic minorities which transcends even lottery regressivity.

At the time of the study done for the Presidential Commission on the Review of the National Policy Toward Gambling, the daily numbers or player selection games had not yet become the staple of the lottery industry. While some states had introduced them, other states had not yet done so and information was lacking about their participation. The study indicated that 25% of the white population had bought a lottery ticket in 1974, whereas only 19% of nonwhites had done so. So in 1974, the nonwhite population was less attracted to the lottery than were whites.¹⁹

At this point it should be noted that the daily numbers games had a long history, going back for decades, in ghettos of the black and Hispanic communities. The game had a profound sociological impact upon the community.²⁰ There is little question that the introduction of a legal numbers game had a profound result on black and Hispanic participation in the state lottery. Abrahamson's study reports the following conclusion about the Connecticut daily numbers game: "The Connecticut daily lottery attracts predominantly black, low income, daily bettors who continue to play the illegal numbers game at the same time"²¹ This was true in spite of original restrictions about

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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are concentrated in poorer neighborhoods.⁷ One highly informative study was done in New Castle County, Delaware, in 1979. The study found no lottery outlets in the upper-income neighborhoods where 17,630 persons lived. There was one lottery outlet for every 17,774 persons in upper-middle income neighborhoods. There was one lottery outlet for every 5,032 persons in the lower-middle to middle-income neighborhoods. There was one lottery outlet for every 1,981 persons in the poorest neighborhoods.

State-operated lotteries are a regressive and inefficient way to raise taxes. A form of taxation is regressive if it draws a larger percentage of its revenue from the poorer citizens than from middle- and upper-class citizens. It is regressive if a poorer person spends a higher percentage of his or her income on the activity than does the person of modest or affluent means. Such is clearly the case with the lottery.

State-operated lotteries are among the most regressive forms of legalized gambling. They are almost twice as regressive as pari-mutuel wagering on horses. The conclusions of the study of the Presidential Commission have been supported by a number of other studies which have reported remarkably similar results. In all of the studies, persons with incomes below \$5,000 spent a much larger percentage of their personal income on the lottery. The most revealing comparison is the amount spent on the lottery out of every thousand dollars of income. In Connecticut, the figure was 14 times greater for those with incomes below \$5,000 than for those with incomes of \$25,000 or more; in Massachusetts, 15.5 times greater; in Maryland, regarded as perhaps the most successful state lottery, the figure was 21.5 times greater.⁹ One of the few forms of gambling which was more regressive than state-operated lotteries was the illegal numbers game.¹⁰ But that same game is now being run by state-operated lotteries in a number of "player choice" games, which was not so when most of these studies were conducted. So the state-operated lotteries of today are even more regressive than 4 of the 5 studies demonstrated.

The player selection games, which represent the main source of revenue for state lotteries, have been identified as having a disproportionate drawing from lower socioeconomic groups. One of the earliest studies to detect this heavy appeal was conducted by Dr. Mark Abrahamson, Professor of Sociology, University of Connecticut.

That study offered several recommendations: "Connecticut Daily Numbers primarily attracts poor, long-term unemployed and less educated participation. It generates State revenue in a regressive manner and should be discontinued."¹¹

It might also be instructive to note some relevant information which can be derived about lottery regressivity from persons and organizations associated with the lottery industry.

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occupational status." Surveys he quoted in this address indicate an awareness that white-collar, upper-income individuals do not presently play the lottery.

Thus it seems clear that the proponents of the lottery are aware that their product attracts individuals on the lower income strata of society, on the low end of the educational and professional ladder.

Public Gaming Magazine carried a series of articles describing a study conducted by Dr. John Koza, chairman and chief executive officer of Scientific Games. Dr. Koza received a Ph. D. in computer science from the University of Michigan. The study conducted was of participation in the lottery in New Jersey.

The most instructive part of the study was reported in Part IV of the series.¹⁷ In that article, Koza identified the leading neighborhoods in terms of the participation in the lottery. He identified the leading four kinds of neighborhoods in playing the different games sponsored by the New Jersey lottery. It should be noted that the New Jersey lottery does not have a weekly draw game. This has been abandoned as among the least profitable. The New Jersey lottery has the instant game and three forms of the player selection game: Pick 3, Pick 4, and Pick 6.

Since Koza identified the leading four neighborhoods for each form of the lottery, a total of 16 possibilities existed in determining the leaders in playing the lottery. Of the 16 possibilities, only 2 neighborhoods were either middle-class or upper-class level in income, both with the instant game. The other two neighborhoods which showed up among the leaders in playing the instant game were identified as follows:

- o Older Population, Lower-Middle Income, Eastern Europeans, Northeastern U.S., and
- o Older Population, Lower-Middle Income, Low Value, Very Old Housing.

The kind of neighborhood which was the leader in both Pick 3 and Pick 4 was identified as Black Neighborhood, Older Population, Old Rental Housing. This neighborhood was the fourth leading neighborhood in playing Pick 6. The frequency with which this kind of neighborhood played Pick 3 was 2.46 times greater than average, 2.29 greater than average for Pick 4, and 1.3 times greater than average for the Pick 6 game.

A second leading neighborhood in playing the player selection games sponsored by the lottery is identified as Older Population, Lower-Middle Income, Small Towns. This neighborhood was third in Pick 3, fourth in Pick 4, and second in Pick 6 playing.

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At this point it should be noted that the daily numbers games had a long history, going back for decades, in ghettos of the black and Hispanic communities. The game had a profound sociological impact upon the community.²⁰ There is little question that the introduction of a legal numbers game had a profound result on black and Hispanic participation in the state lottery. Abrahamson's study reports the following conclusion about the Connecticut daily numbers game: "The Connecticut daily lottery attracts predominantly black, low income, daily bettors, who continue to play the illegal numbers game at the same time"²¹ This was true in spite of original restrictions about

the sale of these tickets in lower socio-economic neighborhoods, which restrictions subsequently were eliminated.

This contention is further demonstrated by the quote from Becker mentioned earlier: "The player selection games in the U.S. primarily attract the low-income, minority market. The player is most likely to be a nonwhite male employed as a laborer or service worker."²²

Toza's study further demonstrates the dramatic appeal that state-operated lotteries have to ethnic minorities. In Part I of his study, he indicated that blacks and Hispanics played the Pick 4 game with 1.99 the frequency of the average population, or almost double. The Pick 3 game attracted blacks and Hispanics with 1.97 times²³ the frequency of the average population, or almost double.

One Michigan legislator, Representative Joe Young, Jr. (D-Detroit) began raising these kinds of questions in 1983. Lottery officials had apparently very little data on who played the lottery. According to officials of Market Opinion Research of Detroit, the proportion of blacks who play is higher than whites, and among those who play, blacks play with greater frequency. "This sort of data is not lost on Young, who is black, and who has concerns that Michigan's lottery, subtly or otherwise, prevails on inner-city residents and is, in effect, a tax on poor people and black people." This conclusion seemed to be reinforced by statistics indicating that 47% of the Michigan on-line lottery outlets were in the Detroit city limits.²⁴

Further inquiry is needed into this apparently conscious direction and marketing of the player selection games to ethnic minorities. The indication is that state lotteries knowingly derive a significant percent of their income from games directly targeted to blacks and Hispanics. As such, I believe strongly that this is a form of ethnic exploitation that is at least implicitly racist and should not be tolerated in a civilized nation.

I might not have been sensitive to this dimension of the issue of state-operated lotteries except for a phone conversation which I had with the director of one state lottery, whom I am not at liberty to identify. As a native of Texas and a current resident of Tennessee, I was relatively unfamiliar with a lottery. This individual was explaining to me the daily numbers game. When I experienced difficulty in understanding what he was relating to me, he resorted to the use of a racial slur in order to clarify the nature of the game: "Fellow, the numbers game is what is called 'Nigger pool.'" I learned from that comment more than the simple mechanics of the game.

A LOTTERY WILL NOT REDUCE
ILLEGAL GAMBLING BUT WILL STIMULATE IT

One of the main arguments advanced for the legalization of state lotteries is that legalization will cut into illegal gambling and thereby cut off a major source of funds for organized crime. This contention is not supported by evidence.

It is understandable that a society would be concerned about organized crime. In 1980, Forbes magazine ran a series of articles on organized crime that estimated the income of organized crime at \$150 billion per year.²⁵ Of that amount, approximately \$22 billion was projected to result from illegal gambling activity. Income from organized crime derived from ~~illegal gambling serves as seed money for drug traffic.~~

In January of 1984, an interview was conducted with Mr. Sean McWeeney of the FBI. He is chief of the organized crime section of the criminal investigative division. Mr. McWeeney declined to speculate on the amount of income organized crime derives from illegal gambling, but he did express disagreement with the idea that legalization of a form of gambling will reduce the amount of illegal gambling and thereby reduce organized crime's association with gambling.

"The major problem is credit," McWeeney said. "Legal gambling creates new gamblers who switch over to illegal gambling when their money is exhausted. They switch to the illegal games because they can get credit." Although acknowledging that he did not possess statistics, he did estimate that organized crime derives more income from its involvement with illegal lotteries than from its more publicized involvement with casinos.

"Small individual bets by themselves don't seem significant. But millions of these small bets provide an enormous source of income which can then be used in other organized crime activities like the narcotics trade."

"Those who go overboard in their betting are likely to wind up getting involved with loan sharks. Only then, when they are unable to pay the exorbitant fees, do they run into the violent aspect of organized crime," said McWeeney.

Legal lotteries are unable to compete effectively with illegal lotteries for three reasons. First, they have higher overhead because a part of the total wagered goes to the state. Second, they make lower payouts than the illegal lotteries. Third, illegal lotteries do not report winnings to the Internal Revenue Service. This applies to the weekly drawing, instant games, and the daily numbers game. It remains to be seen what effect the Lotto games will have on this picture.

The conclusion from law enforcement sources and studies seems to have disputed for a number of years the idea that legalization of a form of gambling will have the effect of reducing illegal gambling.

In 1974, the Fund for the City of New York and the Twentieth Century Fund sponsored a Task Force On Legalized Gambling. Two relevant conclusions were stated by that Task Force: "Legalized gambling probably cannot simultaneously serve the objectives of both maximum gains in revenues and improved law enforcement. A policy designed solely to maximize public revenue from gambling may conflict with other policies in the public interest. The law enforcement benefits of legalization are more important than the revenue potential. But even though legalization of certain specific games may make a noticeable dent in the volume of illegal gambling, legalization of most forms of gambling--unless accompanied by greatly increased law enforcement efforts--will not eliminate illegal gambling operations."²⁶

One of the forms of legalized gambling which the Task Force thought promising was the legal numbers game. This optimism seems unjustified, however. Captain Dennis Deneen, vice control commander for the Chicago police is quoted as saying: "Our biggest problem right now is the illegal booking of the state lottery."²⁷

This is a situation which has been noted also in Washington, D.C. "Washington's illegal numbers racket is booming, with profits as large as they've ever been, despite the introduction of the District's first legal gambling last August," according to D.C. police officials. "...Matching the illegal game against the legal lottery 'is like two guys in a boxing ring, one with an arm tied behind his back,'" said Howard Klein, associate publisher of Gaming Business magazine in New York and an expert on legal and illegal lotteries. "We expect the illegal numbers game to continue to flourish in spite of any legal games," Inspector Kris Coligan, chief of the D.C. police morals division, said. "Obviously, a legalized lottery is not going to stop the illegal numbers game that we have now," said police chief Maurice Turner, citing a similar pattern in other cities where legalized gambling has been introduced."²⁸

The matter was made worse in Washington, D.C. by the use of preprinted slips to be used in connection with the legal numbers game. But these slips can be used by the operators of the illegal games, making arrest and prosecution for illegal gambling almost impossible. "With the use of official government-sanctioned bet slips, numbers operators would be able to tell police that their slips were meant for use in the legal game even if they were instead planned for use in the illegal game."²⁹

In 1978, hearings in Florida by the Senate Permanent Subcommittee on Investigations stated the following conclusion: "Thus, while the level of illegal lottery activity cannot be labeled 'wide open' it is definitely widespread." The report indicated that one operation alone grossed in excess of \$10 million. Lottery operators were discovered to have clear links with organized crime families both in Florida and in the New York/New Jersey areas."³⁰

A study financed by the National Institute of Law Enforcement and Criminal Justice, the research arm of the LEAA, contained the following statement: "Police efforts against gambling could not be reduced, even with legalization, because there is no evidence that legalized wagering decreases illegal gambling...." "Major systemwide gambling-related corruption scandals in the recent past have been more likely to occur in cities where organized crime was thought to be directly involved in illegal gambling."³¹

Senator Strom Thurmond's Judiciary Committee took testimony from Lt. Colonel Justin J. Dintino, commander of the Intelligence Division of the New Jersey State Police. Mr. Dintino is a member of the Presidential Commission on Organized Crime. The following excerpt is instructive:

Sen. Thurmond: "In other words, you're saying that when you legalize gambling it has increased other gambling, is that right?"

Dintino: "Yes, in other words, when you introduce gambling to an area where they never had gambling before, you now develop a whole new group of individuals who start to gamble. Now, as a result of that, they may initially start out with legal gambling, but some of those people will turn to the illegal gambling because maybe it offers them higher payments and there are no tax payments that have to be made."³²

Mr. Austin McGuigan, Chief State's Attorney, State of Connecticut, has successfully prosecuted the operators of the lottery on two separate occasions. He suggested that, upon legalization of gambling, including the lottery, rather than pretending to regulate the activity, the state post a sign which says something like the following: "The state does not guarantee the honesty or integrity of this game."

Mr. McGuigan's comments seem appropriate. A sufficient number of instances of corruption have occurred to indicate that state-operated lotteries indeed are not free of corruption. Ample evidence exists to indicate the proliferation of illegal gambling under the umbrella created by a state-operated lottery.

Establishment of lotteries does not carry with it sufficient funding for the law enforcement necessary to guarantee the honesty of the game and to control the growth of illegal gambling which takes place within the state environment.

One illustration of this is a report prepared by Gregory H. Smith, Attorney General of the State of New Hampshire. The report regarding Bally Manufacturing Corporation was prepared in response to the prospect of the state of New Hampshire entering a contract with Scientific Games, Inc., a wholly-owned subsidiary of Bally, in connection with the New Hampshire lottery. Mr.

Smith recommended against doing business with Scientific Games because of his review of Bally's record. His report was eventually ignored by the Commissioners of the Sweepstakes Commission, who contracted with Scientific Games, over the opposition of the Attorney General of the state.

It has long been recognized that the two goals, maximization of revenue and crime control, are not compatible. There is no doubt that the state-operated lotteries come down strongly on the side of maximization of revenues and that crime control is something which becomes neglected.

Should a state establish a lottery when the inevitable problem of controlling illegal gambling is rendered even more difficult? NO!

A LOTTERY WILL CONTRIBUTE TO GROWTH IN THE NUMBER OF PROBLEM GAMBLERS

In 1981, the American Psychiatric Association classified compulsive gambling as a mental disorder. Thus, compulsive gambling is recognized as a disease, an illness, in the same vein as drug addiction or alcoholism. Estimates vary as to the number of com-pulsive gamblers in the nation, just as estimates vary about the number of drug addicts in the nation. Most estimates suggest the number is about 8 million. This means that there are about 8 million persons in our nation who are unable to control their urge to gamble.

The introduction of a state lottery places the state in a paradoxical role in relation to these individuals. If we are to take seriously the mandate to "promote the general welfare," our nation and our states must provide medical attention for these individuals just as we seek to do for the drug addict. Yet the introduction of a state-operated lottery would put the state in the position of being the huckster that promotes the very activity which is detrimental to the health of the individual. The constant promotions on television, the daily announcement of the winners, the conduct of an activity which is glorified by newspapers and television reporting--all of this carries with it the imprimatur of the state, legitimatizing the activity which for some will grow beyond their ability to control.

A few samples of information may dramatize slightly the seriousness of the problem. Many of us noted with sadness the plight of the 19-year old boy who wagered \$6,000 on a lottery drawing and attempted suicide after losing rather than have a confrontation with his father over the squandering of his savings.³⁴

Although this example is extreme, other kinds of personal tragedy are almost as severe, although not as widely publicized.

Perhaps the most dramatic growth in compulsive gambling has been among women. Earlier studies had identified the problem as essentially a man's problem. But Arnie Wexler, vice president of the National Council on Compulsive Gambling, has stated that about 25% of the compulsive gamblers are now women.³⁵

In 1977, New York City police chaplain Msgr. Joseph Dunne estimated that perhaps 1,500 of the 25,000 New York City policemen might have a gambling problem that would require professional counseling to help overcome.³⁶ Gerald T. Fulcher of the Delaware Council on Gambling Problems states that 86% of compulsive gamblers have committed felony crimes while pursuing their addiction. A study seriously needed is one which would seek to identify the amount of money lost through the commission of these crimes by compulsive gamblers. The amount would stagger the imagination and would serve as an antidote for myopic projections about the good that legalized gambling does for a state's economy. Fulcher cites estimates from the American insurance industry which indicate that about 40% of "white collar crime" is committed by compulsive gamblers. In addition, he cites studies that almost 20% of wife abuse cases involve domestic tension resulting from compulsive gambling.³⁷

Mr. Thomas J. O'Brien, director of the New Jersey Division of Gaming Enforcement asserts, "We're creating a whole generation of gamblers in this country. The person with access to funds will be increasingly susceptible to committing crimes such as embezzlement."³⁸

Perhaps the biggest timebomb is the problem of compulsive gambling among teenagers. An address at a thoroughbred racing meeting contained the following warning: "Someone on the lottery commission also wants to put lottery tickets in slot machines, where you can go right into any place, press a button, put your money in, and get your ticket. It is also going to be available to high school students. Their lunch money is going to go in there like it has gone into all of those video games."³⁹

One way to deal substantively with the issue of compulsive gambling is to note several studies and articles dealing with compulsive gambling in New Jersey.

A 1979 study was conducted by Mr. Rickey Greene of the New Jersey Department of Health, Alcohol, Narcotic and Drug Abuse Unit. I simply note some of the highlights of his study:

- o Individuals who are probable compulsive gamblers are five times as likely to have been married three or more times than the population in general.
- o The average compulsive gambler affects four to ten other individuals.
- o One study indicates that there are as many women compulsive gamblers as there are men.

- o Studies indicate that in excess of 90% of compulsive gamblers began gambling prior to age 21.
- o Lottery tickets are highly accessible to children since they are sold in locations which are readily available, such as candy stores, supermarkets, and news stands.⁴⁰

In 1981, committee hearings were held on the subject of compulsive gambling by the Assembly Institutions, Health and Welfare Committee of the New Jersey Legislature. One of those testifying was Mr. Robert Klein, a specialist counselor at the Atlantic City High School, working with problems of addiction such as compulsive gambling. He had conducted a survey among Atlantic City High School students regarding their gambling behavior. He noted the following results:

- o 72% of the students gambled in the casinos in New Jersey.
- o 69% started gambling at the age of 16.
- o 6% started gambling at the ages of 10-12.
- o 9% started gambling before the age of 10.
- o 6% shoplift to get money to gamble.⁴¹
- o 3% sold drugs to get money to gamble.⁴¹

If 72% of the students have gambled at one time or another, or with some frequency, in casinos, with all of the attempts at regulation and control, how can we seriously contend that lottery sales can be conducted so as to assure that children do not take advantage of the greater availability of lottery tickets? We can't.

One last statement from New Jersey seems appropriate. Mr. Walter Read, Chairman of the New Jersey Casino Control Commission made the following statements:

"Fifteen years ago there were no women and no teenagers in Gamblers Anonymous. Today there are 20 percent teenagers and 20 percent women. A common profile of a compulsive gambler today would be someone under 30 years of age and \$85,000 in debt."⁴²

The lottery industry insists that its product is not a major contributor to the problem of compulsive gambling. It should be noted, however, that neither the casino industry nor the pari-mutuel industry regards its product as the primary cause of growth in compulsive gambling either.

Attempting to separate the lottery industry from the problem of compulsive gambling is inconsistent with the way in which the lottery industry views itself and in turn is viewed by other parts of the gambling industry.

In an editorial explaining why the pari-mutuel industry should not look at the lottery as an opponent, Irving Babson made the following statement: "Over the past five years we have taken the position repeatedly that, rather than take away players,

lotteries create risk takers in the most cost-effective, efficient manner possible."⁴³ (Emphasis added.)

Such an outlook is perfectly consistent with the attitude expressed by one representative of the casino industry at the recent Conference on Gambling and Risk Taking held in December in Atlantic City. In a discussion of the lottery industry, Mr. Vern Kite, Director of Planning and Economic Research, Harrah's East, made the following statement: "Lotteries are a way to educate people about a way of entertainment. They can learn about it at home. Then they will look to Atlantic City as a destination for our type of entertainment."

These viewpoints recognize that a state-operated lottery more widely distributes points of contact between the gambling industry and potential clients. By going into the business and residential communities, gambling is made more respectable, especially since it carries with it the imprimatur of the state.

The study of gambling in New Jersey conducted by Koza is also informative at this point. By using his figures on the percent of New Jersey adults who are regular players, it was possible to make some estimates on the amount of money wagered by the "regular" players of the different lottery games:

- o Instant game. The per capita expenditure was \$12, and the figure for the 16% who played twice monthly or more often was \$63.15.
- o Weekly game (Pick 4). The per capita expenditure was \$18-19, and the figure for the 14% who played twice monthly or more often was \$126.
- o Lotto game (Pick 6). The per capita expenditure was \$26-27, and the figure for the 22% who played twice monthly or more was \$110.
- o Daily game (Pick 3). The per capita expenditure was \$73-74, and the figure for the 13.1% who played weekly was \$505. The figure for the 4.7% of the adults who played daily was \$991.

These figures clearly demonstrate that the lottery has the kind of attraction that can become addicting. This is especially true for the daily game, which provides both the immediate gratification and a sufficiently large prize to provide the "action" desired.

There is no doubt that the problem of compulsive and problem gambling is increasing dramatically. The Presidential Commission Report is worth remembering in this regard: "The Commission's research has shown that the availability of legal gambling creates new gamblers. A government that wishes merely to legitimize existing illegal wagering must recognize the clear danger that legalization may lead to unexpected and ungovernable increases in the size of the gambling clientele."⁴⁴

Other relevant quotes are also noteworthy: "By directly engaging in the promotion of a gambling business, a State takes on the responsibility of insuring that the enterprise is conducted in the best interests of the people. Indeed, the State as lottery entrepreneur has a special fiduciary responsibility to its citizens; since the presumption exists that the State is acting on behalf of the people, it has an obligation to inform them of its intentions to profit from the participation. Accordingly, the State must take care to inform the public fully as to the odds and character of the games being offered, and to avoid any misleading practices in its advertisements and promotional activities.... The states should conscientiously disseminate information about the probabilities involved in winning a prize, and should scrupulously limit their lottery advertisements to those informing the public of the existence and nature of the games offered, rather than actively encouraging them to participate."⁴⁵

The Report continues: "In this context, the States have the responsibility to police themselves. Should they fail in this responsibility, Congress should consider giving the Federal Trade Commission the explicit authority to set and enforce compulsory guidelines."⁴⁶

At the press conference connected with the jackpot in Illinois, which produced a \$40 million jackpot, one of those attending was Governor Jim Thompson who had publicly purchased tickets for the jackpot. Governor Thompson is quoted as saying: "I think it's terrific. There are no losers in the Illinois Lottery...."⁴⁷ How far is this quote from being exactly the kind of state action about which the Presidential Commission Report was warning?

It is clear that no other form of legalized gambling will bring the activity more visibly into the community. Those who choose to utilize the services of a casino or a racetrack have to travel to that facility to engage in gambling. This is not so with the lottery. Because of its greater availability, it has much greater potential for doing exactly what the Presidential Commission warned against: encouraging people to gamble rather than simply allowing those to gamble who might choose to do so. The lottery goes into the community with its outlets. It goes on television and advertises under the banner of the state's name. One has to look long and hard for information about how poor the chances of winning are.

Should a state establish a lottery which will increase the number of compulsive and problem gamblers in our society? NO!

CONCLUSION

Several quotes are especially relevant to express opposition, and that of many individuals and organizations,

regarding this legislation. A quote of Harry Reid, then chairman of the Nevada Gaming Control Commission and now U.S. Representative, seems relevant: "I'd be a fool to say gambling has not been good for the state, ...but any state trying to follow Nevada's lead will find that social costs far outweigh any economic benefit."⁴⁸

Likewise recent comments from two individuals connected with the Presidential Commission are relevant.

Mr. James Ritchie, formerly Executive Director of the Commission, is quoted at the Fourth Annual Gaming Conference and International Gaming Congress in 1982 as follows: "There is no question that gaming is regressive in terms of raising revenue. It is inefficient compared with a broad-based tax." "The theory that we developed at the U.S. Commission on Gambling is that, from the standpoint of economics, legal gaming not only feeds on itself and is its own economic stimulus, but it also stimulates illegal gaming."⁴⁹

Mr. Charles H. Morin, chairman of the Commission, in 1983, told the Fifth Annual Gaming Conference:

"The conclusion was that where gambling is legal, it did increase the incidence of illegal gaming."

"Does legalized gaming offer a major source of government funding? We concluded that it is not significant in relation to the budget in almost any state. I think we would conclude the same today."

"Is taxation of gaming particularly regressive? We found that it is, primarily because the survey showed that most gaming was done by the lower and lower-middle classes and that the taxation of those proceeds, if any, was regressive in nature."

"Would legalization of gaming lead to a substantial increase in the number of compulsive gamblers? According to the evidence presented in the survey, the answer was a resounding yes."⁵⁰

The foregoing demonstrates the factual information upon which opposition is based. When the facts are clearly viewed, the kind of assessment upon which public policy should be based weighs heavily against the state-operated lotteries, and that reliance upon them constitutes an abdication of the legitimate role of the state in "promoting the general welfare."

FOOTNOTES

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- ²Chicago Tribune, March 2, 1980, Section 1, p. 6.
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- ⁴New York Times, Sept. 23, 1980, p. 23; Rochester Democrat and Chronicle, March 27, 1983, p. 3B; Wall Street Journal, Feb. 23, 1983, Section 2, pp. 31-32.)
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- ¹²Washington Post, March 19 '85, p. A14.
- ¹³Bill Curry, "State Lotteries: Roses and Thorns," State Legislatures, Mar. '84, p. 16.
- ¹⁴Oregon Statesman Journal, July 24 '84.
- ¹⁵Arkansas Democrat, Dec. 12 '83.
- ¹⁶Daniel W. Bower, "Video Lottery Devices: A New Generation of Players," Fourth Annual Gaming Conference and International Gaming Congress, 1982 (Philadelphia: Laventhol & Horwath, 1982), pp. 23-24.
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- ³¹ Crime Control Digest, Apr. 10 '78, pp. 3-5.
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- ⁴⁸ "Gambling: Government's Bad Bet," Kiwanis Magazine, Feb. '82, p. 33.
- ⁴⁹ James E. Ritchie, "Gaming Today and Tomorrow--The United States," Fourth Annual Gaming Conference and International Gaming Congress, 1982, pp. 52-54.
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October 19, 1984

Mr. Larry Braidfoot
Christian Life Commission
460 James Robertson Parkway
Nashville, Tennessee 37219

Dear *Larry* Mr. Braidfoot:

Enclosed herewith are some thoughts I had concerning the experience Connecticut has had with legalized gambling that might be relevant to States considering the introduction of State lotteries:

Connecticut voted for the introductions of State lotteries because the voters were convinced that the State lottery would cut into the revenue of organized crime; that it would be a painless vice tax; that the State game, as opposed to illegal wagering, would be honest and well-controlled; that other taxes would go down because of the revenue raised by the lottery and that the money would be ear-marked for education.

Needless to say, many who listened to that sirene song now wish they never heard the music. Rather than cut into the revenue of organized crime, the State has been swept by a gambling mania, which has more than doubled the level of illegal wagering in the last eight years. By endlessly advertising its get rich scheme making the lottery akin to motherhood and apple pie, the State has created a whole new generation of gamblers many of whom go to the illegal bookmaker.

State taxes have gone up not down. The State's supposedly "well-run game" has been fixed resulting in numerous convictions for rigging the State lottery and the illegal numbers game now bases its payoff on the State's daily number. There is no ear-marking of funds for education, save a pittance devoted to curing compulsive gamblers many of whom are the victims of the State's gambling advertisements.

Mr. Larry Braidfoot
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Finally, Connecticut shamefully sells pie in the sky to the poor by encouraging the disadvantaged to play the State's daily number bilking them out of their meager dollars which should be spent for food or clothing for them or their children.

The irony is that all of this was done in the name of crime control.

Very truly yours,



Austin J. McGuigan
Chief State's Attorney

AJMcG/azl

WE, THE UNDERSIGNED, RESIDENTS OF ALASKA, AND OF LEGAL AGE HEREBY PETITION THE CURRENT ALASKA LEGISLATIVE SESSION TO EXPEDITE, PASS & PUT INTO EFFECT THE SUBSTITUTE FOR HOUSE BILL # 338, as introduced by Representative Thompson on Jan. 24, 1986. The Bill is entitled " AN ACT ESTABLISHING A STATE LOTTERY; & PROVIDING FOR AN EFFECTIVE DATE." PLEASE RETURN THIS PETITION TO: JOHN A. HANLON, P. O. BOX 1521, JUNEAU, ALASKA 99802, (when fully signed)

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3-20-86	Flora ...	[Signature]	5525 ... JUNEAU
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3-18-86	JAMES B. BERRILL	James B. Berrill	134 N Franklin Juneau 99801
3-18-86	DAVID BUCK	David Buck	2127 1/2 St Juneau 99801
3-18-86	JOSEPH BUCK	Joseph Buck	512 THUNDER ST. JUNEAU 99801
3-18-86	COLETT PEQUES	Colette Peques	1515 Merrill Ave Juneau 99801
1986	WILLIAM ST PIERRE	William St Pierre	100 Park St Juneau
3-18-86	PATRICK CHERRMAN	Patrick Cherman	5700 Glenwood St #12 Juneau Alaska 99801
3/18/86	MICHAEL TROHINE	Michael Trohine	5722 1/2 2nd St Juneau AK 99801
3/18/86	ROBERT P. CHERRMAN	Robert P. Cherman	129 Foster Ave Juneau AK 99801
3-18-86	VIVIAN M. HATH	Vivian M. Hath	324 TRINITY PR. #26 Juneau AK 99801
3-18-86	ANNA HATH	Anna Hath	Juneau AK 99801

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3/16/86	Robert Thompson	<i>Robert Thompson</i>	1230 N. DAVENPORT JUNEAU
3/16/86	Jayne Abbott	<i>Jayne Abbott</i>	6590 CLACUE AVENUE JUNEAU
3/16	Jose S. Rodriguez	<i>Jose S. Rodriguez</i>	6590 CLACUE AVENUE JUNEAU
3/16	Gene & Smallwood	<i>Gene & Smallwood</i>	1226 COMMERCE ST JUNEAU
3-16	James Morgan	<i>James Morgan</i>	PO Box 99801
3-16	Vince Webster	<i>Vince Webster</i>	423 Seward St.
3-16	Steve Mack	<i>Steve Mack</i>	435 3 RD ST JUNEAU 99801
3-17	Rocky Horton	<i>Rocky Horton</i>	7516 SCOTT DR JUNEAU 99801
3-17	Wm. Killough	<i>Wm. Killough</i>	9440 N. DAVENPORT JUNEAU 99801
3-17	JEFF CARPENTER	<i>Jeff Carpenter</i>	Box 210326 Anchorage AK 99521
3-17	Benny Bogart	<i>Benny Bogart</i>	Box 101 JUNEAU
3-17	Nick Vamvakis	<i>Nick Vamvakis</i>	9251 Sharon St. JUNEAU AK 99801
3-17	DANA ROETTNER	<i>Dana Roettner</i>	175 S. FRANKLIN JUNEAU
3-17	MARVIN STADT	<i>Marvin Stadt</i>	8909 LEE ST JUNEAU
3-17	Alison Olson	<i>Alison Olson</i>	3409 LEE ST JUNEAU
3-17	Nick Lindin	<i>Nick Lindin</i>	615 W 12 th JUNEAU
3-17	Joe Meyer	<i>Joe Meyer</i>	5080 Thine Rd
3-17	James Friesch	<i>James Friesch</i>	Douglas AK
3-17	Ted Olson	<i>Ted Olson</i>	Juneau
3-17	Timell Dixon	<i>Timell Dixon</i>	Douglas

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3/12/86	Pete Howard Sr	Pete Howard Sr	Box 156 Douglas AK 99824
3/12/86	Joti VANATTA	Joti Vanatta	326 4th St. 99801
3/12/86	William PAINDT	William P. Pindt	326 4th St. 99801
3-12-86	C.A. Richardson	C.A. Richardson	Box 3447 99803
3/12/86	Vern McGee	Vern McGee	361 Niston Apt 211
3/12/86	Raymond D. Bels	Raymond D. Bels	55 Turner Mt
3/12/86	A.W. Rugg	A.W. Rugg	8509 Jennifer Dr. #2
3/12/86	Matthew Wilson	Matthew Wilson	P.O. Box 236 Juneau, AK 99801
3/12/86	ALVIN R. KENYON	Alvin R. Kenyon	3310 Maxwell Ave 99801
3-12-86	Troy Capers	Troy Capers	2350 Lawson Crk Rd 99801
3/12/86	Cecil Elliott	Cecil Elliott	529 Kennedy St 99801
3/12/86	Kristina Kuzen	Kristina Kuzen	524 K. Hill St 99801
3/12/86	Tony Macana	Tony Macana	2721 Lewis St.
3/13/86	Tim Howard	Tim Howard	3 P.O. Box 2091 99803
3-13-86	Lowell Cronshaw	Lowell Cronshaw	PO Box 773 Douglas 99824
3-13-86	John Lewis	John Lewis	P.O. Box 210275 Juneau 99821
3/13/86	James H. Turner	JAMES H. TURNER	P.O. Box 662 DOUGLAS AK 99801
	Wm D. Love	Wm D. Love	102 N. FRANKLIN
3/13/86	James C. Wilkins	James C. Wilkins	Box 1712 Juneau 99802
3/13/86	Neil B. Lovell	Neil B. Lovell	P.O. B. 1481 Juneau 99802

WE, THE UNDERSIGNED, RESIDENTS OF ALASKA, AND OF LEGAL AGE HEREBY PETITION THE CURRENT ALASKA LEGISLATIVE SESSION TO EXPEDITE, PASS & PUT INTO EFFECT THE SUBSTITUTE FOR HOUSE BILL # 338, (338) as introduced by Representative Thompson on Jan. 24, 1986. The Bill is entitled " AN ACT ESTABLISHING A STATE LOTTERY; & PROVIDING FOR AN EFFECTIVE DATE." PLEASE RETURN THIS PETITION - TO: JOHN A. HANLON, P. O. BOX 1521, JUNEAU, ALASKA 99802, (when fully signed)

DATE	PRINTED NAME	SIGNATURE	MAILING ADDRESS
3-12-86	JOHN M. VARNES	John M. Varnes	434 THIRD ST. #41
3-12-86	SHARON JOSEPH	Sharon Joseph	434 3RD ST #46
3-12-86	PETE CARRAN	Pete Carran	5-11 12TH JUN 99801
3/13/86	Mike Adams	Mike Adams	P.O. Box 202
3/12/86	Julie Reifers	Julie Reifers	PO Box 2783
3/12/86	Allen E. Koon	Allen E. Koon	Box 664 Douglas AK 99824
3/12/86	Ailene Estes	Ailene Estes	2652 Doug Hwy JUN 99801
3/12/86	W.F. Woodell	W.F. Woodell	1715 2ND AVE KETCHIKAN AK
12 MAR 86	J.L. RODGER	J.L. Rodger	USCGC PLANETREE (WLB-301) KETCHIKAN AK
2-MAR-86	R.A. GALT	Ronald A Galt	8227 ASPEN JUN. AK 99901
2 MAR 86	Daniel DeFoe	Daniel DeFoe	915 S. SASSAR Ketchikan AK
3-12-86	LORETTA AWBRY	Loretta Awbry	P.O. 729 JUNEAU AK. 99802
3-13-86	Ralph Pittman	Ralph Pittman	Benjamin Hotel
3-12-86	Jerry J. Jensen	Jerry Jensen	3705 Amalgam ST Jun
3/12/86	PETER KLINE	Peter Kline	Box 216 YAKUTAT 99687
3/14/86	BARRY HERMAN	Barry Herman	CEN. DEL JUNEAU AK
3/14/86	Charles W. Fry	Charles W. Fry	P.O. Box 1622, JUN. 99802
3-14-86	DAVID A. LAMMICK	David A. Lammick	POB 1811, VALDIZ, AK 99686
3-15-86	Gene D. Craig, Jr.	Gene D. Craig, Jr.	P.O. Box 123 Douglas, AK 99824
3/15/86	Monique Monroe	Dorothy Storm	5925 Woods St JUN

WE, THE UNDERSIGNED, RESIDENTS OF ALASKA, AND OF LEGAL AGE HEREBY PETITION THE CURRENT ALASKA LEGISLATIVE SESSION TO EXPEDITE, PASS & PUT INTO EFFECT THE SUBSTITUTE FOR HOUSE BILL # 338, as introduced by Representative Thompson on Jan. 24, 1986. The Bill is entitled " AN ACT ESTABLISHING A STATE LOTTERY; & PROVIDING FOR AN EFFECTIVE DATE." PLEASE RETURN THIS PETITION TO: JOHN A. HANLON, P. O. BOX 1521, JUNEAU, ALASKA 99802, (when fully signed)

DATE	PRINTED NAME	SIGNATURE	MAILING ADDRESS
3/17/86	JOSEPH D THOMAS	Joseph D Thomas	622 Calhoun Ave Juneau
3/17/86	P.K. FARRELL	Patrick K. Farrell	9367 W Douglas Ave
3/17/86	George Westfall	George Westfall	Box 604 Juneau AK 99801
3/17/86	JOSEPH H YAFFE	Joseph H Yaffe	127 S. FRANKLIN ST. JUNEAU AK
3/17/86	PATRICIA F MITTEN	Patricia F Mitten	3345-2 Tongass Blvd Juneau AK
3/17/86	NORMAN W. WAINBORN	Norman Wainborn	5660 W Douglas Hwy Juneau AK 99801
3/17/86	ROD RISMAN	Rod Risman	P.O. Box 3033 S. Hwy 99801
3/17/86	Joseph W. Derman	Joseph W. Derman	P.O. Box 291 Douglas AK 99801
3/17/86	Dennis S. Welch	Dennis S. Welch	Box 35 Pelican 99832
3/17/86	Charles J McCain	Charles McCain	123 Field Juneau 99801
3-17-86	Corinne Bienvenue	Corinne Bienvenue	P.O. Box 3298 Juneau, AK 99801
3-17-86	HERB FORCHNER	Herb Forchner	3-6000 SUITE 102
3-17-86	Martha S. Wysox	Martha S. Wysox	8136 Pinewood Juneau 99801
3-21-86	MIKE DALLAS	Mike Dallas	Box 9542 #6 Juneau 99801
3-21-86	Russell Barkley	Russell Barkley	Box 9542 #7 Juneau 99801
3-21-86	MARIE JARON	Marie Jaron	4300 UNIVERSITY DR. #1 Juneau 99801
3-23-86	Ellen Murphy	Ellen Murphy	115 Constitution Ave Juneau 99801

LEGISLATIVE SESSION TO EXPEDITE, PASS & PUT INTO EFFECT THE SUBSTITUTE FOR HOUSE BILL = 333,
 as introduced by Representative Thompson on Jan. 24, 1986. The Bill is entitled " AN ACT
 ESTABLISHING A STATE LOTTERY; & PROVIDING FOR AN EFFECTIVE DATE." PLEASE RETURN THIS PETITION-
 TO: JOHN A. HANLON, P. O. BOX 1521, JUNEAU, ALASKA 99802, (when fully signed)

DATE	PRINTED NAME	SIGNATURE	MAILING ADDRESS
3-14-86	NANCY HILDE	Nancy Hilde	PO BOX 3532 JUNEAU AK 99802
3-14-86	THELMA M COLE	Thelma M Cole	P.O. Box 777 JUNEAU AK 99802
3-14-86	DOUG CARTER	Doug Carter	5905 CHURCHILL WAY, 18 JUNEAU, AK 99802
3-14-86	RUBY D HARRIS	Ruby D Harris	Box 1521 - JUNEAU AK 99802
3/15/86	Yvonne J Fenney	Yvonne J Fenney	Box 2681 JUNEAU AK 99803 780-6655
3/15/86	Don Bunting	Don Bunting	Box 2645 JUNEAU AK 99802
3/15/86	Narel P. Monette	Narel P. Monette	P.O. 733 JUNEAU AK
3/15/86	Clair Sather	CLAIR SATHERN	P.O. BOX # 2877 JUNEAU AK
3-15-86	TRUDI SATHERN	Trudi Sather	P.O. Box 2877 JUNEAU AK 99803
3-15/86	MIRIAM P. Monette	Miriam P. Monette	PO Box 733 JUNEAU AK 99802
3-15-86	S		

LEGISLATIVE SESSION TO EXPEDITE, PASS & PUT INTO EFFECT THE SUBSTITUTE FOR HOUSE BILL # 333,
 as introduced by Representative Thompson on Jan. 24, 1936. The Bill is entitled " AN ACT
 ESTABLISHING A STATE LOTTERY; & PROVIDING FOR AN EFFECTIVE DATE." PLEASE RETURN THIS PETITION-
 TO: JOHN A. HANLON, P. O. BOX 1521, JUNEAU, ALASKA 99802, (when fully signed)

DATE	PRINTED NAME	SIGNATURE	MAILING ADDRESS
3/14/86	MIKE McMURTRIE	Mike McMurtree	4035 Deborah Dr. Juneau AK
3/14/86	Bette Peave		Bx 2754 Juneau
3/14/86	JACK GOULD		Bx 1428 Juneau 99802
3/14/86	BETTY GOULD		Bx 1428 242a - 99802 Juneau
3/14/86	Patricia J. Dawson		4035 Deborah Dr. 99801 Juneau
3/14/86			Box 72 Juneau
3/14/86	EARL BELL		Bx 2754 Juneau 99803
3-14-86	Wm J Hanon		Gen Del Juneau AK 99801
3-14-86	Darlene S. Grant	Darlene S. Grant	Gen Del Juneau AK 99801
3-24-86	R. J. Schuth		Bx 1104 Juneau AK 99801
3-24-86	James B Neal		Rt 148 Franklina Juneau

WE, THE UNDERSIGNED, RESIDENTS OF ALASKA, AND OF LEGAL AGE HEREBY PETITION THE CURRENT ALASKA LEGISLATIVE SESSION TO EXPEDITE, PASS & PUT INTO EFFECT THE SUBSTITUTE FOR HOUSE BILL # 338, as introduced by Representative Thomason on Jan. 24, 1986. The Bill is entitled " AN ACT ESTABLISHING A STATE LOTTERY; & PROVIDING FOR AN EFFECTIVE DATE." PLEASE RETURN THIS PETITION TO: JOHN A. HANLON, P. O. BOX 1521, JUNEAU, ALASKA 99802, (when fully signed)

DATE	PRINTED NAME	SIGNATURE	MAILING ADDRESS
3/13/86	Marguerite Farrell	M. Farrell	H314 3 rd St Juneau
3/13/86	J. CORNELL	[Signature]	3408 Foster Gul Juneau - Alaska
3/13/86	AARON HEGLER	A. Hegler	Box 3025 Juneau, Alaska

WE, THE UNDERSIGNED, RESIDENTS OF ALASKA, AND OF LEGAL AGE HEREBY PETITION THE CURRENT ALASKA LEGISLATIVE SESSION TO EXPEDITE, PASS & PUT INTO EFFECT THE SUBSTITUTE FOR HOUSE BILL # 338, as introduced by Representative Thompson on Jan. 24, 1986. The Bill is entitled " AN ACT ESTABLISHING A STATE LOTTERY; & PROVIDING FOR AN EFFECTIVE DATE." PLEASE RETURN THIS PETITION TO: JOHN A. HANLON, P. O. BOX 1521, JUNEAU, ALASKA 99802, (when fully signed)

DATE	PRINTED NAME	SIGNATURE	MAILING ADDRESS
3-12-86	FLOYD J. COZZENNOY	Floyd J. Cozzennoy	36-25 Amalga Junction 99802
3-12-86	TIM DALTON	Tim Dalton	P.O. 3538 JUNEAU 99805
3-12-86	ROBERT L. HARMON	Robert L. Harmon	2135A CROWHILL DR. DOUGLAS ALASKA 99824
3-12-86	CATHERINE L. CRAWFORD	Catherine L. Crawford	P.O. Box 2783, JUNEAU, AK 99803
3-25-86	ELANA CLAM	Elana Clam	3082 Mt. View Road JUNEAU AK 99801

479-6668

PUBLIC TESTIMONY AGAINST BILL H.B. 338 .. SPONSOR SUBSTITUTE

My name is Phyllis Hunsucker. I live at 1618 Scenic Loop and have been a resident of Alaska for 6 years.

FAIRBANKS 99709

I urge you not to pass this lottery bill for the following reasons:

1. it is a poor way to try to increase our revenues through the social outlet of gambling; and I believe our government can be more responsible to the voters by not using gambling. We need to adjust to the drop in revenue from oil; and not try to find a quick fix to these revenue problems.
2. the outcome of gambling does not justify the means, for instance, there tends to be mismanagement throughout the system setup to control the gambling; it is a wrong influence in family life. These two results have been reported in national T.V. coverage from states who do have the lottery.
3. I am also here on behalf of my grandchildren, Abigail, Micah, Tabatha, Deborah, and Corrin. They are too young to defend their rights for a clean environment. I ask that you vote for a clean social environment by not passing a bill which is truly harmful.

PRIVATE STATE CORPORATION

CONDITIONS OF THE WILDERNESS
↓ ENVIR. — WHOLE ARE
THESE SAME PEOPLE

DONALD
"RICK"
GROB

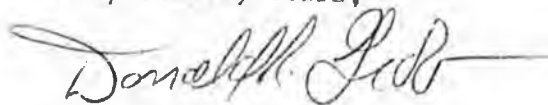
3-27-86

Paid for by Friends of Donald R. Grob
P.O. Box 875267, Wasilla, AK 99687


Dear Sirs:

Here is a copy of my text which was given on 3-25-86 in the Mat-Sue
I.T.O. office for the Teleconference on H.B. 338 Establishing a
State Lottery.

Respectfully Yours,



Donald Rick Grob



Leadership that the Matanuska-Susitna Borough Deserves.

HB 338

Establishing a State Lottery

①
L 10. 1:30

Rep. Dave Thompson, R-Kodiak. for his bill

MR. Chairman

Rep. MIKE Miller, D-Tureau Against - Chair House Judiciary Com.

As States struggle to find new funds, while averting more TAXES, they have discovered the Lotteries.

-- About --

22 States now have official Lotteries, As does the District of Columbia
24 At end of 1985 Lotteries were being seriously considered -
14 Legislation is pending in 14 states.

Maryland Lottery Director Martin M. Fowke, President of North American Association of State Lotteries states that
"Every time a lottery issue has been placed on a referendum, since 1971, the people have voted in favor of it." He states 13 billion in business will be done in 1986.

This information supports the NOV 1985 poll done by Dittman Research Corp. that indicated Alaska supported Lotteries by a 2-1 vote this was 502 people surveyed in 51 communities.

lotteries give revenues -

10 States put \$ directly into general fund. where appropriations are decided by the legislature

6 States give it to Education.

I would like to see Alaska split it 60% general fund 40% schools.

If this Bill ^{with} ~~passed~~ money going back to local jurisdictions -

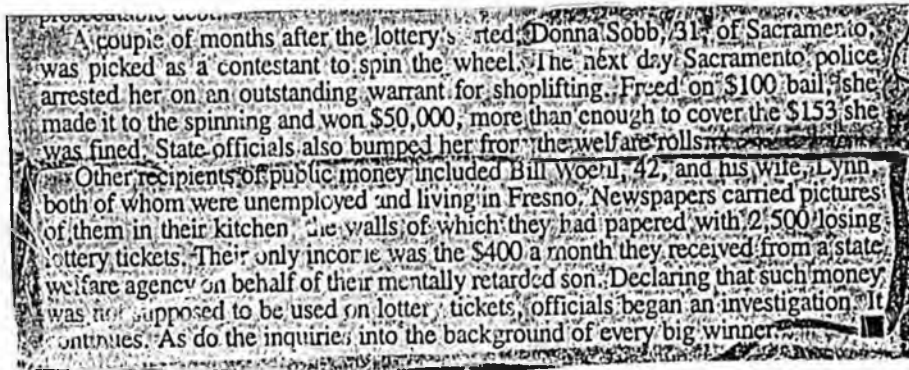
lotteries have taken variety of forms getting complex
In Maryland Sen. Thomas Patrick O'Reilly who is vice Chairman of the Senate Finance Committee has had to help oversee the operations of his state's 13-year-old lottery.

He states "As much as any other State we have gotten into a problem." "We have become very dependent on the revenues (\$681.1 million⁹⁵) we have lived into the revenues!" what happens if for any reason we had to close it down! we would have to enact great taxes.

For that reason California's State Lottery Director M. Mark Michalko says lottery revenues should be no more than icing on the cake.

They are an unstable form of Revenue. so make sure these monies are not used to substitute normal appropriations from the legislature.

Rep Mike Miller: People who gamble on lottery aren't in lowest economic strata - ? - (3)
People who can't afford to play do - because of the tantalizing promise of instant riches



Issue to resolve is how dealers; tickets sellers will be paid.
now its 5% of what they sell.

I think the state's existing regulations on Contests of Chance will need updating to accommodate a State Lottery.

How will the Executive Director or employees be paid
will their State Retirement be funded by gambling?

Disclosure requirements get very cumbersome & details.
I note some of the ^{non-gaming} ~~CE~~ ^{CE} ~~CE~~ ^{CE} 800 state licenses are
having friction over the state's 1% take of gross receipt
minus allowable deductions now. The regulations
need to be fair.

On Bill 338 page 1 line 19-20 Instead of the Governor appoint
one Board Member as chairperson, I move that the 5 board members
by a majority vote along with the governor's confirmation select
chairperson.

Again on page 4 line 6-7 I move that board members
have - say in who is appointed director, as this position will
be under the board's ^{immediate} supervision
(over)

In Closing

I leave the profound moral question to you!

Whether a state Government should aid and abet gambling which appeals to a persons desire to get rich fast ^{even (something for nothing)} when in every case, the odds favor the state winning, overwhelmingly.

The Evangelical Conservative public is not sure are personally against ^{the idea of the} social state ^{models of state choice gambled} un-wise stewardship!

P/S. by way of note = Stay away from Scientific Games Inc the biggest lottery service company in the U.S. Its an Atlanta based subsidiary of Bally Manufacturing Corp. The parent company has been criticized for alleged links to organized crime, according to a report by the House Study Group of the Texas House of Representatives. In 1982 New Hampshire Attorney General Gregory Smith recommended Bally not be given a contract due to a report by the New Jersey Division of Gaming Enforcement on the alleged Mob links.

WARREN R. JONES, M.D.

CHARLES E. MANWILLER, M.D.

4045 LAKE OTIS PARKWAY • SUITE 103 • ANCHORAGE, ALASKA 99508
TELEPHONE (907) 561-1021

March 28, 1986

Representative M. Mike Miller
Chairman, House Judiciary Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99801

Dear Representative Miller:

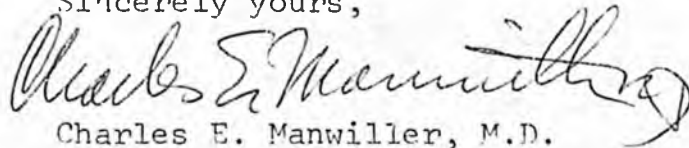
I am writing to express my feelings in opposition to the bill currently before the House regarding the establishment of a state lottery.

My concern primarily has to do with the philosophy of life which a state lottery promotes. The idea that we can make a fortune with very little, if any, investment on our part only tends to make people less satisfied with the economics of working for a living and possibly, in some situations, give people the illusion that they can sit back and wait for their state lottery ship to come in. There is a vast difference between the gold miner or trapper or commercial fisherman who risks his investment of time and money in hopes of financial reward and the individual who, through no real effort of his own, stakes his financial future on hitting it big with one spin of the lottery wheel of fortune. Entrepreneurs keep our economy on the move. The lottery just ends up as another way to redistribute the dollars of many people into the pockets of a very few.

I believe that individual initiative and free enterprise in Alaska should be encouraged by our state. The lottery would not do that. In fact, the reverse would be true.

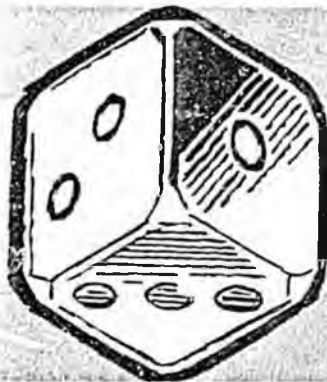
Thank you for your interest in defeating legislation which would establish a state lottery.

Sincerely yours,



Charles E. Manwiller, M.D.

CEM/blf



C-
 pls show
 to MM and
 put in bell file
 (lottery)

NG
 R
 BROKE



The lottery craze makes for lots of losers

BY FRANCIS J. FLAHERTY

May the fours be with you!" So goes a *Star Wars*-style television commercial for Pennsylvania's state lottery.

Whatever the luck of the nation's gamblers, the force is certainly with the promoters of government-sponsored gambling. With ever more states operating lotteries each year, the annual take approaches \$12 billion, according to the Public Gaming Research Institute of Rockville, Maryland. The game craze has turned into a cash machine that is the predominant new revenue source for state governments in the 1980s.

The odds are the lottery is here to stay. About two-thirds of the public solidly backs its use, and politicians have found it a potent source of patronage and a painless way to raise money. A state's take from a lottery—ranging from 25 to 42 per cent of the gross—is counted on to fund a variety of state programs. And the IRS has even come up with a new tax form—Number 5754—exclusively for lottery winners.

The private sector also perceives the lottery to be long-lived and lucrative. Bally Corporation, the major supplier of equipment for games now in operation in twenty-two states and the District of Columbia, has spent hundreds of thousands of dollars lobbying for new lotteries in states that lack them. In 1985, Scientific James, the leading lottery-ticket maker, topped its 1984 figure of one billion tickets sold to state lottery commissions.

A sprawling peripheral industry has sprouted as well. A player seeking guidance can shell out a few dollars for Dr. Robert Hieronymous's *How to Pick Your Personal Lottery Numbers* or any one of

dozens of similar books. For a few more bucks, the player can join such groups as the Happy Players Club or One to Won and be supplied with computerized picks. Zealots can subscribe to *Lottery and Gaming Review* or *Lottery Advantage* for analyses of the game, while more casual devotees can open their local newspapers to lottery columns like the half-page "Will Wynn" featured in the *New York Daily News*.

All this buildup has taken little more than twenty years. Around the turn of the century, a series of scandals led to the abolition of lotteries in every state of the union. But in 1964, New Hampshire initiated the new round of government-sponsored lotteries, and the ball was rolling again.

Big as the game is now, its backers plan an even bigger future for it. Congress mulls over no fewer than four bills proposing a national lottery to deal with the Federal deficit; optimists say it could net up to \$100 billion in five years. The states of Maine, New Hampshire, and Vermont launched the first regional lottery last September. California started a game in October that was expected to become the biggest such revenue-raiser in the nation—and promptly sold thirty million one-dollar tickets in the first two days. New York Governor Mario Cuomo wants to expand his state's game to include a sports lottery. The imaginative city officials of Ishpeming, Michigan, even tried to use a parking-ticket lottery to encourage scoundrels to pay their fines.

Francis J. Flaherty, a member of The Progressive's Editorial Advisory Board, writes on legal issues from New York City. Funding for this article was provided by a grant from Essential Information, Inc.

but the state attorney general said their scheme was illegal.

The lottery is a regressive and inefficient tax that promotes addiction to gambling, seduces the poor into purchase of a bogus American Dream, turns states into sleazy shills for a game with infinitesimal odds, and provides ample opportunity for corruption.

As the late Texas Congressman Wright Patman noted, "Gambling is actually the most regressive form of taxation that can be devised. It is designed to pick the pockets of the poor."

Lottery officials see it differently. They vigorously dispute the contention, according to a recent report by the Florida attorney general's office, "that poor people bet more heavily on lotteries." To the contrary, they echo the statement by Washington State's lottery director that "it's the middle class who plays."

Indeed, data can be cited to show that lotteries are not primarily the province of the poor. Colorado lottery officials, for example, analyzed the claim forms filled out by winners and found "the typical lottery player is a middle-aged man who makes \$30,000 per year and has at least a high-school education." The Florida report also discloses that Arizona lottery players average \$27,000 in annual income; Maryland's, \$15,000 to \$21,000; New York's, \$25,000 to \$30,000, and Vermont's, \$17,000.

Yet these are *average* incomes that include the earnings of many people at or below the poverty level who also play the lottery. More important, a California Senate study concluded that poor lottery players spend a greater proportion of their incomes on the game than those who are

Boardwalk Casino Blues

The whole thing is a joke," Gene Wallace says bitterly. He grew up in Atlantic City and owns a men's clothing store near the city bus terminal. Every working day, he breathes the exhaust fumes as tour buses carry thousands of tourists past his Atlantic Avenue shop. "The only people benefiting from casino gambling are the casinos themselves," he remarks.

He is not alone in his thinking. Ten years after an overwhelming majority of New Jersey voters bet that a get-rich-quick solution known as legalized casino gambling would revive a dying Atlantic City, frustration is common among the handful of merchants who have hung on, the city's steadily declining population, and even some casino executives.

Back in 1976, though, the press and public were quick to accept the unremitting stream of promises made by gambling advocates, believing that Atlantic City would be transformed into a money-making mecca, a Las Vegas by the sea. Indeed, the group that led the legalization campaign called itself the Committee to Rebuild Atlantic City.

It has turned out otherwise, and the resort is hardly the example the 1976 New Jersey Casino Control Act anticipated, when it called legal gambling a "unique tool of urban redevelopment."

The casinos have invested \$2.7 billion in the city and now lure twenty-eight million free-spending visitors annually, but the business section of town is sagging and depressed. The eleven casino hotels employ 40,000 people, but joblessness in Atlantic City exceeds 10 per cent and is much higher in the cold months when tourism falls off. A quarter of the residents live below the poverty line.

The casinos tower above the resort as glitzy, gaudy symbols of success and high style, but a short distance away from the high-rollers and hype are idle working-age people. The back streets resemble the South Bronx: one supermarket, no legitimate movie house, shuttered bars and restaurants, and a disastrous housing situation. This state of affairs led Joel Jacobson, a member of the New Jersey Casino Control Commission, to describe the city as "eleven Taj Mahals in a war zone."

The lack of new housing for outgoing residents and casino employees is a major disappointment of the grand experiment. Speculators made millions buying and selling littered lots and crumbling tenements in a process that has allowed land to stagnate and its value



to rise to the point where construction of low-income and even moderately priced housing is out of the question for legitimate developers. Yet the casinos, with their sophisticated lawyers and connections, assembled prime real estate along the ocean front and bay.

Unrealized expectations have put the casinos on the defensive. In their behalf, they say that like any business they are responsible to the city only insofar as they create jobs, pay taxes, and perhaps exercise their charitable impulses. The casinos wish to be viewed as catalysts of civic improvement, not limitless sources of money and answers to perplexing municipal problems.

"A casino," says Thomas Carver, president of the Atlantic City Casino Association, "is not a golden goose laying golden eggs." In November 1984 the Atlantis Casino Hotel filed for bankruptcy, the first to do so.

Atlantic City has turned into a company town, vulnerable to shifts in the economy and the threat that nearby communities are considering legalized gambling.

"You know what these [casino] people fear most is competition," Joel Jacobson told a group of Rutgers alumni. "They worry about the Catskills or North Jersey or even Coney Island. I wonder if that isn't why they'd rather not hurry to fix up Atlantic City. It's much better for them if every other town looks at that one and says that they don't want that to happen to them."

Actually, Jacobson doesn't believe in conspiracy theories. But even if he did, Atlantic City doesn't need a conspiracy. It's doing bad" enough on its own. If nothing else, the city's sad fate should be viewed as a warning, a red flag to the many well-intentioned communities that are thinking of betting their futures on casino gambling.

—ROBERT A. POLNER

(Robert A. Polner reported for The Press of Atlantic City and now writes for The Record in northern New Jersey.)

better off. And therein lies the proper measure of regressivity.

In Connecticut, players with annual incomes below \$5,000 buy 5.3 per cent of the lottery tickets but earn only 1.3 per cent of the state's income. And Connecticut is not unusual. "Nationwide," says the Florida report, "the poor bought lottery tickets at 2.8 times their income share" during one surveyed year.

According to Daniel Suits, a Michigan State University professor of economics, the lottery is two-and-a-half to three times as regressive as the sales tax. The Federal Commission on the Review of National Policy Toward Gambling reached a similar conclusion in 1976.

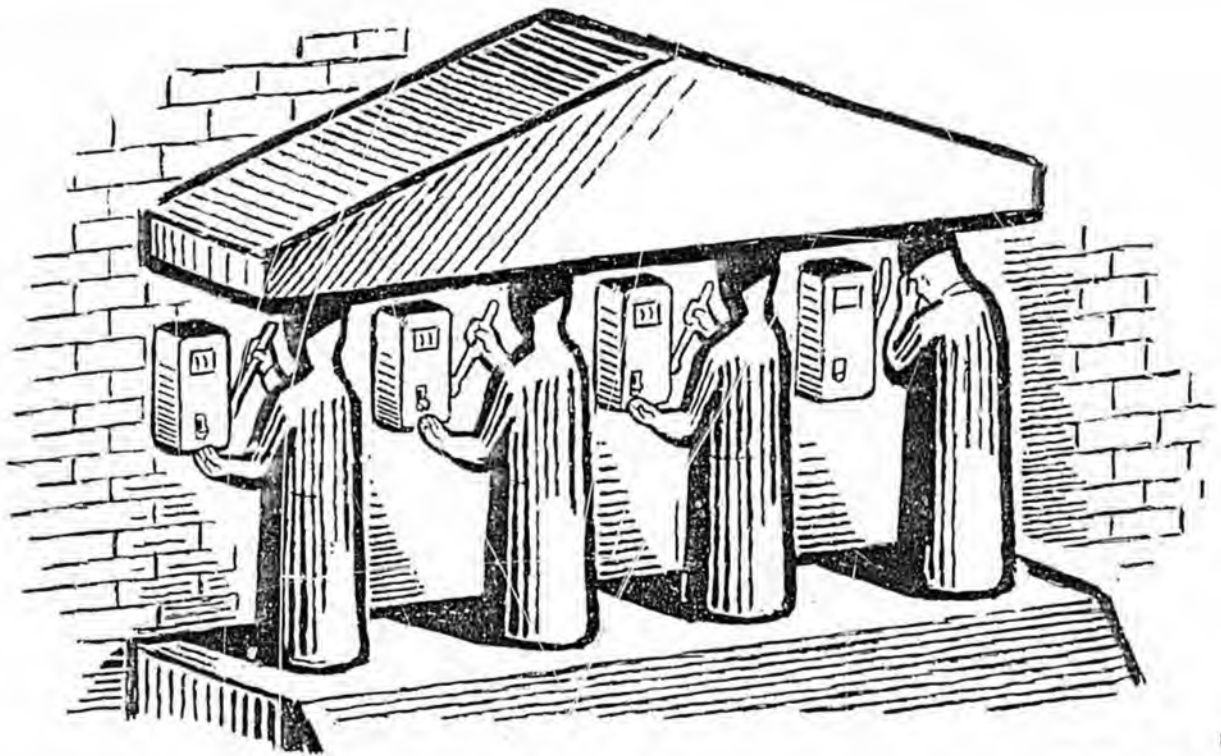
Evidence abounds that the poor spend more than they can afford on lotteries. The Federal Commission found, for example, that during the recession of the 1970s, Michigan not only had the country's highest unemployment rate but also its most lucrative lottery. Last August, as the day approached for picking the winner of New York's celebrated \$41 million game, the airwaves and news columns were full of tales of homeless people collecting bottles and cans to come up with a dollar for a ticket.

The lures of the jackpot prey upon others, as well. A teen-ager in Erie, Pennsylvania, spent \$6,000 on lottery tickets and tried to kill himself when he lost. A New Jersey man who spent \$1,500 a week on the lottery enrolled in a hospital treatment program for compulsive gamblers. A Michigan woman was charged with dozens of counts of criminal fraud for allegedly forging checks to finance her thousand-dollar-a-day lottery habit.

The California Senate's study cited research suggesting that "lotteries can increase compulsive gambling by as much as 10 per cent."

Nonetheless, these players continue to risk the dangers of addiction for a pipe dream. Indeed, the chances of winning big money in a lottery are bare, more than nil. In New York's \$11 million jackpot, the largest to date, the odds against buying the lucky ticket were an unsporting 6.1 million to one. While casinos and race tracks keep 5 to 25 per cent of their takes, state lotteries keep as much as 60 per cent for profits and costs—prompting the irreverent to rename them "looterics." As one gambling counselor says, "You stand seven times better chance of getting struck by lightning than you do of winning a million dollars in the lottery."

Lottery officials add insult to the injury of long odds with their deceptive descriptions of lottery prizes. For example, the \$40 million that an Illinois man won in a 1984 lottery was actually worth less than \$8 million at the time of the award. The talk of \$40 million ignored the tax pay-



DAVID SUTER

ments he would owe as well as the fact that the prize is paid out over twenty years.

A man in Arizona recently won \$1 million. When he found out about the twenty-year installment plan to pay out his winnings, he was so enraged that he sued the state for fraud. He did not win the case.

The lottery is not an efficient way to raise revenue. Traditional taxes cost a penny or two per dollar to collect, but lotteries can cost up to seventy-five cents per dollar of revenue. The prizes account for something between 40 and 50 per cent of the gross take; administration, promotional campaigns, and vendors' fees gobble up 10 to 25 percent. No more than half—and often much less—of lottery revenues ends up in state coffers.

About half the states with lotteries deposit the income in their general funds. In the others, where such revenues are earmarked for some special purpose, deception often crops up once more.

In New York, for instance, 45 per cent of lottery revenues are set aside by law for education, but the education budget is fixed. If lottery revenues go up, the state cuts back on other monies slated for schools; the amount spent on education remains constant. In effect, then, large lottery revenues translate as more money for other state programs—programs often less politically palatable than education.

The spectacle of the state as bookie also rankles. Jasper S. Wyman of the Christian Civic League of Maine said last August that government by jackpot only "lowers the entire moral tone of government." Iowa Governor Terry Branstad agrees. It is inappropriate, says Branstad, for a state "to be in the business of enticing and encouraging people to go out and gamble."

Deaf ears met both remarks. The tri-

state lottery Wyman railed against began operations last September, and the Iowa version opened for business in August.

In the rush to promote government gaming, states risk corruption and infiltration by organized crime. A year ago, former New Jersey lottery commission chairman Reese Palley pleaded guilty to falsifying evidence in a state ethics commission investigation of charges that he sought private business from companies with state lottery contracts. In 1980, Pennsylvania was plunged into scandal when a televised \$1 million drawing was found to be fixed. Three lottery directors in Ohio have resigned following allegations of political patronage and kickback schemes.

Lottery lovers dismiss these problems. Talk of the game's regressiveness as a revenue-raiser is off base, they say, because the lottery is not a tax at all. People "don't have to play if they don't want to," says Duane Burke, president of the Public Gaming Research Institute. Thomas Jefferson, too, was persuaded by this reasoning: Lotteries, he said, "lay taxation only on the willing." Advocates add that spurning lotteries because people may not play them prudently smacks of paternalism.

One thing is certain: Political realities favor lotteries. Even if the games are inefficient compared to traditional taxes, they are popular and politically achievable, unlike tax increases. As a Connecticut official told *Newsweek*, "People seem less annoyed at losing their hard-earned money on the lottery than losing it in the form of taxes."

Defenders insist that the long odds and the dangers of corruption are not fatal flaws. They say states could offer more, but smaller, payouts to increase bettors'

chances. They also say states could monitor more vigilantly against criminal infiltration, though monitoring and reporting provisions in current laws are taken seriously in few states.

Best of all, say advocates, the lottery is fun. It lets people dream of vast riches, laugh and cry with winners and losers, and feel the thrills and chills of the chase for cash. The lottery has provided America with a real-life soap opera.

The nation cheered for the unemployed Jamaican house painter who raked in \$5.9 million in the Pennsylvania lottery a while back. And it grieved for the Michigan woman who turned from winner to loser in a few days several years ago: Told that she had won \$200,000 in the lottery, she soon learned that officials had held her finalist's number upside down, reading her losing "9" as a winning "6."

There is no end to the poignant tales. The son of a foundry worker nets \$40 million in the Illinois lottery. A group of immigrant factory workers in the Bronx split one of the three winning tickets in the \$41 million contest. A Pennsylvania man in 1972 buys a ticket that wins \$1 million, only to lose it when his wallet is swept away by Hurricane Agnes—and then to find the wallet and ticket two days after the statutory deadline for claiming the prize.

But the critics of better government are steadfast—and rightly so. Lotteries may be the most popular form of gambling in the United States, and they may ease the financial burdens of government. But they simply saddle the poor with an unfair share of public expenses. Thomas Jefferson notwithstanding, the lottery exploits the American Dream and turns the state into a purveyor of slim hopes for Shangri-La to those with no other chance at financial security. **E**

Rep M. Mike Miller
P.O. Box V
Juneau AK 99811

APRIL 4, 1986

Rep Miller

I'm writing to let you know that as residents and registered voters in Alaska we support the adoption of a state lottery in Alaska. (SSHB 338)

This type of program, properly administered and monitored would be a significant source of revenue. This revenue could be applied to needed areas of the state's economy and avoid unnecessary tax burdens on the average Alaska citizen. Areas that come to mind are education, homeless, highways, and on a temporary basis the Anchorage Olympics fund.

With the current ~~off~~ slump in oil prices we hear the fears of Alaskans come out. "Is the permanent fund in danger?" "What will AK do to compensate for deficit oil revenues?" etc. A state lottery is not a cure all but it's a step in the right direction. A harmless step also, I might add. Many are concerned that a lottery breeds corruption and social problems but we feel that's hogwash. Too many states are showing the benefits that a state lottery could allow and at the same time bring a little happiness to a few individual Alaskan's lives.

Please feel free to use our names to support
any efforts that would produce a state lottery
in the state of Alaska.

Thanks for working in our interests.

Craig and Lynne Jones
P.O. Box 772172
Eagle River AK 99577

R E P L A C E M E N T R E V E N U E S --

a Position Paper in Support of an

A L A S K A N L O T T E R Y

From the Office of:
Representative David W. Thompson
Alaska State Legislature

Prepared by:
Bob J. Thomas

November 1985

SUMMARY

As the state of Alaska faces the very real prospect of long-term declining revenues from its number one revenue source while the demand for state government services continues to increase, exploration of new revenue generation sources is necessary. The notion of lotteries, specifically state operated lotteries, is far from a new idea, and although over one-half of the U.S. population lives in states operating lotteries, misinformation abounds regarding them. Lotteries offer state governments a proven method for enhancing their total level of revenue receipts. Lotteries are not designed to solve all the financial woes of any state but can help diversify a total package of revenue generation programs.

Government sponsored lotteries have been around from the birth of this nation and have become an integral part of 22 state government's financial support system. Lotteries provide state governments with an acceptable, predictable, voluntary form of revenue generation. Projections for revenue generation in Alaska conservatively range from \$15 million to \$20 million per year.

Lotteries do not prevail on the "poor" or the "less educated" ... every study conducted to date concludes that the above average income and higher than average educated segments of the populations, in states operating lotteries, buy the lions share of lottery products. Lotteries do not increase the incidence of compulsive gambling and do not disrupt the lives of large prize winners. An Alaska lottery would not negatively affect the economies of the states 262 rural communities.

While a politically conservative approach to drafting legislation for authorization of an Alaska lottery is recommended, the experience of states with successful lottery histories and advice of directors of those lotteries should be utilized to maximize the profit potential for this state. The broadest possible latitude must be given the state agency, and board or commission, for operation of the lottery to allow for the flexibility to operate within and adjust to everchanging market conditions.

Recent surveys conclude that the broad cross-section of Alaskan residents would favor the implementation of a state sponsored lottery by two to one margin.

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INTRODUCTION

This report is intended to provide the reader with general information regarding state operated lotteries. Types of customary lottery games are described and the most common questions about lotteries are answered based on validated research completed by numerous state governments and lottery industry organizations over the past twenty years.

Revenue generation in states currently operating lotteries is examined and comparisons are presented to assist the reader analyze those factors affecting projection of revenue that could be expected from an Alaskan lottery. Among those factors examined are the economic and physical, characteristics of the population of our state, marketing area configurations, and tourist impact on Alaska. A projection of probable profits from a lottery is presented based upon most current population figures, tourist influences and conservative expectations of per capita expenditures on lottery products.

State responsibility for the social affects of government sponsored activities must be of paramount concern to all involved in effecting legislation establishing authority for these activities. The social impact from the operation of a state lottery is discussed and the most current research available is presented.

A brief discussion on implementation and operation of a state lottery is presented from recommendations by several recognized authorities with many years of experience in directing state lotteries.

The conclusions of a November 1985 state-wide opinion poll conducted in Alaska are presented for the readers examination.

Part I: LOTTERY BASICS

Nutshell History of Lotteries

Lottery, according to Webster, is "a drawing of lots in which prizes are distributed to the winners among persons buying a chance." The lottery is not an invention of conventional America. Lotteries have been used by kings, emperors and representative governments throughout history to finance building projects or to increase revenues. The first reported government lottery was instituted by Caesar Augustus to rebuild Rome. In 1612, King James authorized a lottery to help finance the "colonial settlement" which paid the cost of settling Virginia. In 1751 and 1754 Benjamin Franklin helped sponsor a series of "Academic Lotteries" and helped fund the University of Pennsylvania. The Congress of 1776 provided a National Lottery strongly supported by Thomas Jefferson and others of the nation's founding fathers. Some 70 acts were passed by Congress before 1820 authorizing lotteries for the building of schools and roads and other public projects. Lotteries helped erect Harvard, Yale, Brown, Dartmouth, Columbia, Princeton, William and Mary and many of the nation's other prestigious academic institutions. Today over 112 countries around the world sponsor government lotteries, including most of Western Europe, Canada, Mexico, and many Central and South American nations. The modern U.S. lottery started in 1964 in New Hampshire.

Thomas Jefferson once said that "Lotteries are a wonderful thing; they tax only the willing." Indeed many states have turned to state-operated lotteries as a means of raising revenue "painlessly." Lotteries are currently legal in the District of Columbia and 22 states - Arizona, California, Colorado, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Michigan, Missouri, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia, Washington, and West Virginia; (Puerto Rico and Guam also have lotteries). Well over 50% of the population of the U.S. lives in lottery states.

Types of Lottery Games

Lottery games can be divided into two categories - "active" and "passive." Active games are those in which the player participates in the bet by choosing a number or set of numbers. The winning numbers are drawn completely at random, so the player's choice has no bearing on the outcome of the game. However, many players enjoy active games because they can choose numbers that have some significance to them which gives an added dimension of entertainment and interest. Active games currently offered by the U.S. lottery states include three and four digit numbers games and lotto.

Passive games are those in which the player takes no action to determine whether he has won or lost; a ticket is purchased and the outcome is then revealed. Passive games offered in the U.S. include instant

games, traditional "draw" type lottery games and some subscription games.

The games mentioned above are all easy to play, and none involve any skill. Features of the various games can be described as follows.

1. Draw Lotteries

Though rare in the U.S., this was the original lottery game, and remains the main game in overseas lotteries. Players purchase pre-numbered tickets and wait for a weekly drawing, similar to a raffle. Payouts vary among games, but generally start at around \$5 and cap off at either \$50,000 or in some cases into the hundreds of thousands of dollars and more.

2. The Instant Game

Instant lottery games involve a fixed price for a ticket, usually \$1. The ticket normally has a scratch-off spot to reveal whether or not it is a winner. The advantage of this game is no waiting: the player knows immediately whether or not he has won.

Prizes range anywhere from a free ticket up to hundreds of thousands of dollars. Most lotteries hold some type of grand prize drawing for winners of some lower-tier prizes, the winner of that drawing receiving a prize sometimes as high as \$1 million or \$1,000 a week for life. Most lotteries offer several instant games per year, and grand prize drawings are generally held when a specific game is sold out or otherwise ended.

3. Lotto

A traditional European lottery game in which the player selects four, five or six numbers from a field ranging from 30 to 49, depending on the size of the population of the state.

Payout is parimutuel; i.e. the jackpot is created from money wagered, and the more that people bet, the larger the prize becomes. If no one selects the winning six numbers in any order, the jackpot "rolls over" to the next drawing. If there no winners for a number of weeks the jackpot can become enormous. Prizes can be divided when more than one bet is placed on the same numbers, and many states offer smaller prizes if one chooses most of the correct numbers.

4. Subscription Games

Many lotteries offer subscriptions to their lotto games, allowing the player to select certain numbers, pay a bulk rate, and automatically be issued a ticket for each drawing. The same concept is applied to many draw-type games, and many lotteries offer a stand-alone subscription game that doubles as a weekly draw lottery.

5. Numbers Games

Numbers games have been one of the traditional games of state lotteries since the 1970's. The player selects a three- or four-digit number and places a bet on it, normally starting at \$.50.

The winning number is drawn at a preset time, and the drawing is usually broadcast on television and/or radio. Drawings are held daily for three-digit games, and anywhere from once a week to daily for four-digit games. All but one numbers game in the U.S. offer a

fixed payout for winning numbers, i.e. the payout ratio does not change when more people bet money. Several options for betting combinations are available to play at a variety of predetermined odds and pay-off formulas. Payouts are determined by the amounts bet.

Questions and Answers about a State Lottery

Are lotteries a good method of raising state revenues?

Not as effective as taxes ... taxation is the most effective way of raising revenues. No responsible person in the industry has ever claimed that lotteries replace broad based taxes. Lotteries are best described as a supplemental revenue source only. Lotteries were never designed to solve tax revenue collection problems - only to assist.

How much revenue will a state lottery produce?

Fiscal year 1985 statistics indicate that total gross lottery sales in the U.S. exceeded \$8.8 billion. This means the average annual state lottery gross revenue was about \$90.00 per capita. A simplified means of predicting a state's likely gross lottery sales is to multiply this number by a state's total population. On the average, about 35 - 40% of gross lottery sales goes to the state as profits from the lottery. (see Pt. II for complete discussion of revenue projections for Alaska)

Is a state-run lottery the answer to the economic problems currently facing Alaska?

Certainly a state-run lottery is not the answer to all the financial needs of the state. At the same time, in many states the lottery has stabilized some of their problems. Connecticut raised \$148,000,000 from its lottery; Pennsylvania, \$572,600,000; Michigan, \$320,000,000; and little old Rhode Island \$18,600,000 in FY 85. All of this revenue is raised voluntarily. Needless to say, there are people who oppose lotteries or gambling in any form. These people are free not to buy tickets.

Are lotteries popular?

Yes. More people participate in state-run lotteries than in any other form of legalized gaming. In present lottery states, 75% of the residents of those states favor the lottery programs. At one time or another 60% of the residents of a lottery state will buy lottery tickets. Recent ballots in four states (California, Oregon, West Virginia, and Missouri) showed an overwhelming acceptance vote (over 60%). Alaskans support the concept of a state operated lottery by a margin of two to one according to a poll completed in November, 1985 by the Dittman Research Corporation of Anchorage (see Pt. V for

complete Dittman Research Corporation report). A survey of voters in AK House District 1 A-B by Rep. Robin Taylor, also completed in November '85, concluded the same level of support for a lottery; 66% of the respondents (from a total of 328) would support a "tightly regulated state operated Lottery Program" in Alaska. Polls taken in other non-lottery states such as Nebraska, Missouri, Florida indicate overwhelming support (two or three to one) for state-run lotteries.

Has any lottery in modern times ever failed ... or failed to show a profit? How are sales doing?

No lottery has ever failed ... or failed to show a profit. Sales are soaring! In 1982 lottery ticket sales exceeded \$4.2 billion .. with lottery profits exceeding \$1.5 billion. In calendar year 1983, sales exceeded \$6.0 billion with profits exceeding \$2.4 billion. In 1984, sales hit \$6.9 billion, generating \$2.8 billion in profits; and in FY 85 gross sales were \$8.8 billion providing an estimated \$3.8 billion in profits for those states with lotteries.

What do states do with their lottery profits?

Most states put their lottery profits into their general funds. However, some states earmark lottery profits for specific purposes. California, Michigan, New Hampshire, New York and New Jersey use their profits to aid education ... Pennsylvania donates its profits for senior citizen programs ... Massachusetts shares its profits with all the towns and cities in the state ... Colorado earmarks some of its profits for parks and recreation.

What happens to the lottery dollar and how does a lottery affect the economy of the state?

Generally, 45¢ to 50¢ of every dollar is returned to ticket buyers in the form of prizes ... 5¢ to 7¢ of every dollar is paid to local merchants as commissions for selling tickets ... about 5¢ to 10¢ of every dollar is used to pay state lottery employees, rent and utility bills for office and warehouse space, to purchase lottery products from established and experienced vendors, to establish a computer system, and promote the lottery ... and the balance, about 35¢, ends up as the profit for the state. Almost all lottery dollars stay in the state.

Are lotteries difficult to administer?

Absolutely not! Modern-day lotteries have been in existence for 20 years (since 1964) and there certainly isn't any "mystery" concerning their operations. Present lottery states are only too happy to share their experiences and their techniques with new entrants into the lottery field. Most states have lottery commissions overseeing their operation. All lotteries have full-time Directors or Executive

Secretaries ... people with extensive backgrounds in lottery operations. Few problems have arisen in the lottery industry during the past twenty years. When problems have arisen the industry has been quick to react. Recent studies indicate that a majority of ticket buyers believe that lotteries are well run and honest. Lottery staff can run from 50 to 150 depending on the size of the state. (see Pt. IV for additional discussion regarding lottery operations)

Where are lottery tickets sold?

Most states license retail establishments that are easily accessible to the public such as drug stores, supermarkets, convenience stores, newsstands and package stores. As a rule of thumb one license is granted for each 1,000 of population. As stated previously, these agents usually receive 5% to 7% of their sales as commissions for selling lottery tickets. In granting licenses lottery agencies will investigate each prospective licensee as to past criminal records ... their financial condition ... their ability to serve the public ... and their general fitness to serve as agents.

Aren't lotteries, for the most part, supported by poor people?

Definitely not! Extensive studies of the state-run lotteries indicate that an overwhelming majority of ticket purchasers are in the middle income ranges. Whereas citizens in the low income ranges buy lottery tickets, they buy fewer tickets proportionately than their percentage of the population. (see Pt. III for complete discussion of social impacts of a lottery on Alaska)

Don't lotteries appeal to the under-educated?

Current demographic information obtained from actual prize claim forms filed with the Washington State Lottery (a perfect sampling of lottery ticket purchasers) show that 65.6% of players are high school graduates or better and that those with less than eight years of schooling play the lottery in far less proportion than they represent in the population. This study's conclusion repeats that of every study of lottery participation conducted in the U.S. over the last twenty years. (see Pt III for complete discussion of social impacts of a lottery on Alaska)

How much money does the average citizen spend on lottery tickets per year?

The "per capita" spending on lottery tickets in 1984 was about \$72.02. Since only about 60% of a state's population is expected to buy tickets, actual expenditures for tickets is about \$120, or about \$2 per week.

How about "organized crime" and lotteries?

There is absolutely no evidence of any state lottery being infiltrated by "organized crime." As a matter of fact some lottery Directors believe that state-run lotteries have taken customers away from illegally-run numbers games. A Connecticut study came to the conclusion that the state's legal games had, in fact, impacted illegal wagering in that state. A 1976 report of the National Gambling Commission stated that 11% of all Americans wager illegally. In lottery states that percentage drops to 6% ... almost a 50% decrease in illegal wagering. Modern day lotteries are run by state governments and there are no avenues available for illegal operators to ply their trade. There is no similarity between state-run lotteries and casino gambling or horse racing. The latter two are usually operated by private individuals or corporations that are licensed by the state. (see Pt. II for additional discussion)

What about the social implications of advocating a form of legalized gambling as a method of raising revenue?

People have been known to gamble for thousands of years and will continue to gamble. Most sociological studies (and there are many) have concluded that state-run lotteries are a "harmless" form of legalized gambling. A comprehensive, independent, state-commissioned study completed in 1981 concerning Connecticut's legalized gambling programs gave the state "a clean bill of health" ... "no increase in welfare cases, no increase in bankruptcies, no increase in compulsive gambling, and no increase in unemployment." Newsweek concluded an article on gambling in its March 3, 1980 issue by stating: "The only games that apparently pose no real threat of addiction are state lotteries. That is because they don't have enough action." (again, see Pt. II for further comment on social implications of lotteries)

PART II: ALASKA LOTTERY INCOME

Alaska Compared to Current Lottery States

Consideration of an Alaska state operated lottery always prompts the question of how much profit could the state generate on an annual basis. A responsible answer to this question is dependent on many factors and requires careful consideration. Because lotteries are businesses operated for a profit, they are dependent upon the same factors that affect other businesses. These basic marketing factors must be studied to determine if Alaska has those characteristics indicative of lottery success. To date there has been no in-depth analysis of the characteristics which are generally present in states currently operating successful lotteries and the degree to which these characteristics exist in Alaska. The following discussion provides, for the first time, this analysis.

Since every state lottery has always produced a profit, it could be said that all are successful. However, as Table 1 indicates, some states are more successful than others; that is some states produce both a higher net profit and a higher per capita profit from their lotteries. A review of the marketing conditions of the lottery states quickly reveals why some are more successful than others. These factors are:

1. The economic characteristics of the population of the state,
2. The physical characteristics of the population of the state (age, sex, education level, etc.),
3. The population concentration/dispersion patterns for the state.
4. Unique conditions usually affecting a particular state or region (neighboring state's lotteries, high volume of non-resident traffic, etc.)

Table 1-II lists the 18 states which have operated lotteries for over one year and the income generated for the years 1981-1985. Gross, net and per capita income has been presented from available sources. Because of the tremendous variation in the size of the population of the states listed a comparison of gross or net lottery income does little to help determine which states are successful and which are not. The key measure of just how successful a state has been in operation of its lottery is the per capita profit to the state. A sound per capita measure will also be of most help to project the possibilities for Alaska. As can be seen, Maryland is the most successful and Vermont is the least successful in per capita income of all 18 states.

Those top five states experiencing the most success with lotteries in 1983 thru 1985 were Maryland, New Jersey, Pennsylvania, Connecticut, Colorado ('83), Wash. D.C. ('84 & '85), and Massachusetts ('85). Those states with the least successful record with regard to per capita income were Vermont, Maine, New Hampshire, Arizona, Ohio ('83), Colorado ('84) and Rhode Island ('85). Colorado ranked in the top five for 1983 and in the bottom five states in 1984 and 1985.

Table 1-II

STATES LOTTERY INCOME

State	1981 ^a		1982 ^b		1983 ^a			1984 ^a				1985 ^c		
	\$Mil Gross	\$Mil Gross	\$Mil Net	\$Mil Gross	\$Mil Net	\$ Per Capita	Rnk*	\$Mil Gross	\$Mil Net	\$ Per Capita	Rnk*	\$Mil Net	\$ Per Capita	Rnk*
AZ				75.0	30.0	11.04	15	60.0	18.0	6.62	15	22.0	8.09	14
CO				208.0	72.8	25.19	4	120.0	40.7	14.08	14	32.0	11.77	13
CT	515.1	169.8	71.0	188.0	75.2	24.20	5	254.4	105.4	33.92	5	148.8	47.88	6
DW	20.1	25.6	9.5	29.8	11.0	18.51	10	33.0	14.0	23.56	9	15.0	25.24	11
DC				54.1	14.2	22.25	7	68.2	21.7	34.00	4	29.7	49.97	3
IL	206.1	334.8	142.9	467.0	214.4	18.76	9	911.9	377.1	33.00	6	517.8	45.31	7
MN	6.4	9.7	2.4	13.7	3.3	2.93	17	16.0	4.5	4.00	17	4.4	3.91	17
MD	385.6	457.4	199.0	462.8	198.5	47.07	1	485.5	209.2	49.61	1	263.7	62.53	1
MA	224.0	279.8	92.5	352.0	97.3	16.33	11	506.1	169.1	29.48	7	284.0	49.50	4
MI	502.3	527.3	205.6	557.6	221.2	23.88	6	620.0	250.0	26.99	8	320.0	34.55	9
NH	11.0	12.4	3.6	13.6	3.7	4.02	16	18.7	5.7	6.19	16	4.3	4.67	15
NJ	417.0	517.8	220.3	690.1	295.0	40.06	2	847.8	359.7	48.84	2	388.0	52.68	2
NY	236.2	424.9	179.8	646.9	262.4	14.94	13	888.7	389.8	22.20	11	615.0	35.03	8
OH	295.9	363.9	144.0	397.7	144.8	13.41	14	603.0	250.0	23.15	10	338.0	31.30	10
PN	427.0	562.2	227.1	885.4	335.4	29.96	3	1,236.0	516.3	43.52	3	572.6	48.26	5
RI	36.2	38.0	13.7	44.0	15.0	15.84	12	52.9	18.4	19.43	12	18.6	4.42	16
VT	2.5	3.8	.9	4.6	1.1	2.15	18	5.1	1.3	2.54	18	1.2	2.35	18
WA				225.0	90.0	21.78	8	164.6	71.0	17.18	13	58.8	14.23	12
Mean	234.7	266.2	108.0	295.3	115.9	19.57		382.9	156.8	24.35		201.9	29.53	
Median	258.8	265.5	114.	445.0	168.3	24.61		620.6	258.8	26.08		286.9	27.52	

* Lottery states ranked by highest per capita income first (#1).

^a Lottery Journal; Vol. 1, No. 1.

^b Games and Wagering Business; May 1985.

^c "USA Today"; 9/12/85.

Table 2-II provides a comparison of Alaska to all states which have lotteries or are in the process of starting lotteries, with regard to income levels and physical characteristics of the populations within these states. These comparisons have been illustrated for those factors generally considered to be indicators of positive characteristics for the operation of a profitable lottery. States are ranked in descend order for each category of economic and physical characteristics of their population. Rankings for Table 2-II have been made from information contained in Tables 3-II and 4-II, for which specific values for rankings can be ascertained.

Columns A-G contain economic comparisons for the 21 states involved in this analysis. The ranking is straight-forward, the state with the highest income figure for each category is ranked first, for each of these columns except for columns D and E. Columns D and E are reversed, with the state with the lowest income figure for this category ranked first. For example, Alaska has the lowest percentage of its population in the \$0 to \$10,000 household income category. Since lottery participation by the lower income groups is less than their proportion to the population in general the state with the lowest percentage of its population in this group should be ranked first. The same reasoning has been applied to column E.

For all categories of income measures indicating ability to operate a profitable lottery, Alaska ranks first. In addition, those states with a record for operating the most successful lotteries (see Table 1-II) rank with Alaska in the top one-third of states compared in Table 2-II, (Pennsylvania an exception). Those least successful lottery states (see Table 1-II) fall at the opposite end of the spectrum from Alaska.

An analysis of personal, family and household income, comparing Alaska to other lottery states indicates that Alaska should expect to be able to operate a profitable lottery.

Column H compares Alaska and the current lottery states as to how urban their population is. History has shown that state operated lotteries generally are more successful in urban versus rural states. States rank from first, Washington D.C., with a 100% urban population, to last, Vermont, with a 33.8% urban population. The percentage of Alaska population living in urban areas is 64.3%; this is 35.7 percentage points below D.C. and 30.5 percentage points above Vermont.

The rank order in column H is less conclusive than the percentage point differences between the states. This is confirmed by the fact that each of the top five most successful lotteries are represented in the highest, middle and lowest one-third of the order. The closest state (with an income history) to Alaska in its percentage of urban population is the third most successful lottery state Pennsylvania, with 69.3%. Those least successful lottery states, Vermont, Maine and New Hampshire, have the most rural populations by far. Contrary to the belief of many, that we in Alaska live in remote areas, the large majority of our population lives in urban areas, and, according to the Alaska Department of Labor we are becoming more urban each year.

Alaska's population grew by 30% in the 2.25 years between 5/1/80 and 7/1/84 and 90% of that growth was in the Anchorage, Kenai Penn., Mat-Su, Fairbanks, and Juneau Boroughs.¹

Again, Alaska appears to be in a favorable situation for probable lottery success when considering its percentage of urban population.

Column I of Table 2-II illustrates the ranking of lottery states and Alaska for their population mix of males to females. Numerous studies of lottery players indicate that more males than females play lottery games. (see Pt. III) Alaska leads all states in the number of males to 100 females, with a total of 112 (Table 4-II). A significant point here is that all lottery states, except Washington D.C., have between 90 and 99 males for every 100 females. This large difference between Alaska and other lottery states is a factor in support of being able to implement a successful lottery.

Column J presents a ranking of the percentage of populations over eighteen years of age. Alaska's population is youngest compared to those in lottery states. However, information from Table 4 indicates that the percentage of population eighteen and older for lottery states (excluding DC at 77.5%) ranges from a high of 74.0% (RI) to a low of 70.3% (MI). Alaska's eighteen and older population makes up 67.5% of its total population. Two points need to be made here; first the difference between Alaska's percentage and that of the more normal lottery states is not significantly large; and Alaska, like Washington D.C., is subject to peculiar circumstances. Alaska has the lowest percentage of elderly population in the nation (2.8% compared to a U.S. average of 11.8%),¹ this reduces our percentage of eighteen and older population. This second point is actually a positive characteristic for lottery success in Alaska since the elderly play lotteries in numbers less than their proportion to the total population. Although the total percentage of eighteen and older population is lower than other lottery states, the percentage of age levels that play lotteries the most, is higher than this 67.5% figure. This conclusion Washington D.C. has the highest percentage of female population in the nation due to occupational opportunities there.

Columns K and L of Table 2-II provide a comparison of Alaska and the lottery states regarding the education levels for their populations. Studies of lottery players indicate that the typical player has more education than the average for the total population. (see Part III) Again Alaska ranks first with the highest percentage of its population having more than 12 years of school, and third highest for the percentage of its population with 16 or more years of education.

Alaska's ranking in all of the categories examined in Table 2-II are high and indicate, that from the basis of this information, Alaska would be successful if it implemented a lottery. That is, Alaska could expect to generate for its general fund, a level of revenue per capita on a par with the most successful lotteries now in operation.

¹ Alaska Department of Labor, Research and Analysis, (Draft) Alaska Population Overview, 1985; Chapt. II.

TABLE 2-II
 LOTTERY STATES DEMOGRAPHIC COMPARISONS REGARDING POSITIVE CHARACTERISTICS
 FOR OPERATION OF PROFITABLE LOTTERY

Rank	A Personal Income/ Capita	B Median Family Income	C Median Hsehd Income	D % of Hsehd \$0-10K	E % of Hsehd \$10-20K	F % of Hsehd \$30-40K	G % of Hsehd \$40K +	H % Pop Urban Areas	I Male/ 100 Female	J % Pop over 18 Yrs Old	K % Pop w/ 12+ Yrs Sch	L % Pop w/ 16+ Yrs Sch
1	AK	AK	AK	AK	AK	AK	AK	DC	AK	DC	AK	DC
2	DC	CT	MD	MI	MD	MD	MD	CA	WA	RI	CO	CO
3	CT	MD	CT	CT	NJ	NJ	CT	NJ	CO	MA	WA	AK
4	NJ	NJ	NJ	NJ	IL	MI	NJ	RI	CA	PN	OR	CT
5	CA	IL	IL	IL	MO	CT	DC	NY	OR	CT	CA	MD
6	IL	MI	MI	CO	CT	IL	CA	AZ	AZ	NY	AZ	MA
7	NY	WA	WA	MI	CA	WA	IL	MA	MI	CA	NH	CA
8	MD	CA	CA	WA	WA	CA	MI	IL	NH	NJ	MA	WA
9	WA	CO	CO	CA	NY	CO	CO	CO	VT	OR	VT	VT
10	CO	MA	DW	NH	MA	OH	DW	MD	MN	WA	CT	NJ
11	MA	OH	OH	DW	DW	MA	NY	CT	IL	MD	MN	NH
12	DW	DW	MA	OH	DC	DW	RI	WA	MD	CO	DW	NY
13	MI	NY	NH	MA	OH	NY	WA	OH	OH	DW	MI	OR
14	PN	OR	PN	PN	CO	OR	MA	MI	CT	NH	MD	DW
15	OH	PN	OR	OR	OR	PN	OR	DW	DW	IL	NJ	AZ
16	RI	NH	NY	AZ	PN	AZ	OH	PN	NJ	VT	DC	IL
17	NH	RI	AZ	NY	RI	NH	AZ	OR	PN	MN	OH	RI
18	OR	DC	RI	DC	AZ	DC	PN	AK	RI	OH	IL	MN
19	AZ	AZ	VT	RI	NH	RI	NH	NH	MA	AZ	NY	MI
20	VT	VT	MN	VT	MN	VT	VT	MN	NY	MI	PN	OH
21	MN	MN	*	MN	VT	MN	MN	VT	DC	AK	RI	PN

* District of Columbia omitted from this column by source; not a state.

Source: TABLE 3-II, & TABLE 4-II.

Column Explanations:

A, B, & C. First ranked (#1) state has highest income for category; last ranked (#21) has lowest income for category of lottery states.

D & E. First ranked (#1) states have lowest percent of households in income category; last ranked (#21) states have highest percent of households in income category.

F & G. First ranked (#1) states have highest percent of households in income category; last ranked (#21) states have lowest percent of households in income category.

H. First ranked state has highest percent of population living in urban areas.

I. First ranked state has the highest number of males per 100 females.

J, K, & L. First ranked states have the highest percent of population in each category.

Table 3-II

INCOME CHARACTERISTICS OF POPULATIONS IN LOTTERY STATES AND ALASKA

	Personal Income 1981				Money Income 1979										
	Total (Mil \$)	Per Capita (\$)	Trnsfr. Pymnts. (Mil \$)	Median Family Income (\$)	Household Income										Pov. Level Fam. (%)
					Percent Within					Median (\$)	Rnk.	Per Capita (\$)			
				Less than \$10K	\$10K to \$20K	\$20K to \$30K	\$30K to \$40K	\$40K to \$50K	\$50K and Over						
New England															
Maine	9,662.7	8,530	1,748.2	16,167	34.9	35.7	19.3	6.4	1.9	1.8	13,816	46	5,768	9.8	
New Hampshire	9,367.3	10,013	1,208.3	19,723	26.3	33.2	23.6	10.0	3.6	3.4	17,013	21	6,966	6.1	
Vermont	4,498.7	8,727	699.3	17,205	31.8	35.7	19.6	7.6	2.7	2.6	14,790	37	6,178	8.9	
Massachusetts	64,243.9	11,128	9,423.4	21,166	27.7	28.8	22.5	11.3	4.9	4.7	17,575	19	7,458	7.6	
Rhode Island	9,678.0	10,155	1,657.6	19,448	30.7	31.0	21.9	9.4	3.6	3.3	16,097	29	6,897	7.7	
Connecticut	40,131.1	12,805	4,410.6	23,149	22.2	27.6	24.1	13.1	6.0	7.0	20,077	4	8,511	6.2	
Middle Atlantic															
New York	201,707.2	11,460	30,386.4	20,180	30.4	28.4	20.8	10.6	4.7	5.2	16,647	26	7,498	10.8	
New Jersey	90,001.3	12,156	11,460.8	22,906	23.8	26.7	23.0	13.4	6.3	6.7	19,800	6	8,127	7.6	
Pennsylvania	123,056.8	10,366	20,583.8	19,995	28.6	30.6	22.9	10.2	4.0	3.7	16,880	22	7,077	7.8	
East North Central															
Ohio	111,186.4	10,313	15,978.2	20,909	26.9	29.5	24.0	11.4	4.4	3.8	17,754	15	7,285	8.0	
Illinois	132,638.0	11,572	17,003.6	22,746	25.0	26.7	23.5	13.1	5.8	5.9	19,321	7	8,066	8.4	
Michigan	99,016.6	10,758	14,244.3	22,107	25.6	26.4	23.5	13.3	5.9	5.3	19,223	8	7,688	8.2	
South Atlantic															
Delaware	6,643.5	11,102	836.1	20,817	26.5	29.3	22.7	11.2	5.1	5.1	17,846	13	7,449	8.9	
Maryland	48,821.9	11,452	6,332.6	23,112	22.1	27.1	23.1	14.0	6.8	6.9	20,281	3	8,293	7.5	
Wash. D.C.	8,522.8	13,509	1,916.2	19,099	30.5	29.4	17.6	9.6	5.2	7.7	16,211	X	8,960	15.1	
Mountain															
Colorado	33,257.4	11,216	3,680.6	21,279	25.4	29.9	23.0	11.6	5.1	5.1	18,056	12	7,998	7.4	
Arizona	27,285.8	9,765	4,008.1	19,017	28.8	31.3	21.8	10.1	4.1	4.0	16,448	27	7,041	9.5	
Pacific															
Washington	47,546.4	11,274	6,521.9	21,696	26.0	28.4	23.6	12.2	5.0	4.7	18,367	9	8,073	7.2	
Oregon	26,528.8	10,009	4,042.0	20,027	28.7	30.5	22.3	10.5	4.0	3.9	16,780	24	7,557	7.7	
California	289,583.8	11,968	38,308.8	21,537	26.3	28.1	21.5	12.1	5.7	6.4	18,243	10	8,295	8.7	
Alaska	5,660.7	13,749	500.2	28,395	18.3	21.2	18.4	15.1	11.3	15.7	25,414	1	10,193	8.6	

Source: U.S. Bureau of Census, County & City Data Book, 1983

Table 4-II

PHYSICAL CHARACTERISTICS OF POPULATIONS IN LOTTERY STATES AND ALASKA

	1980									25 Years and Older	
	Land Area (Sq Mi)	Total Persons	Urban (%)	Males Per 100 Females	18 Yrs and Older	Median Age	Total House- holds	College Enroll- ment	Yrs of Sch		
									Total	12+ (%)	16+ (%)
New England											
Maine	30,995	1,124,660	47.5	94.4	803,273	30.4	395,814	45,764	661,840	68.7	14.4
New Hampshire	8,993	920,610	52.2	95.0	662,528	30.1	323,493	50,344	541,953	72.3	18.2
Vermont	9,273	511,465	33.8	94.9	366,138	29.4	178,325	29,703	295,051	71.0	19.0
Massachusetts	7,824	5,737,037	83.8	90.8	4,246,648	31.2	2,032,717	415,897	3,463,256	72.2	20.0
Rhode Island	1,055	947,154	87.0	91.0	704,303	31.8	338,590	64,128	575,243	61.1	15.4
Connecticut	4,872	3,107,576	78.8	93.1	2,284,657	32.0	1,093,678	177,255	1,900,164	70.3	20.7
Middle Atlantic											
New York	47,377	17,558,072	84.6	90.5	12,870,209	31.9	6,340,429	1,076,133	10,721,012	66.3	17.9
New Jersey	7,468	7,364,823	89.0	92.2	5,373,962	32.2	2,548,594	384,885	4,504,247	67.4	18.3
Pennsylvania	44,888	11,863,895	69.3	91.9	8,740,599	32.1	4,219,606	550,786	7,240,244	64.7	13.6
East North Cent.											
Ohio	41,004	10,797,630	73.3	93.5	7,703,310	29.9	3,833,828	514,105	6,291,667	67.0	13.7
Illinois	55,645	11,426,518	83.3	94.0	8,183,481	29.9	4,045,374	617,759	6,678,759	66.5	16.2
Michigan	56,954	9,262,078	70.7	95.2	6,510,092	28.8	3,195,213	531,671	5,254,040	68.0	14.3
South Atlantic											
Delaware	1,932	594,338	70.6	93.1	427,743	29.8	207,081	34,286	344,657	68.6	17.5
Maryland	9,837	4,216,975	80.3	94.0	3,049,445	30.3	1,460,865	256,872	2,499,096	67.4	20.4
Wash. D.C.	63	638,333	100.0	86.1	494,842	31.1	253,143	59,302	398,653	67.1	27.5
Mountain											
Colorado	103,595	2,889,964	80.6	98.5	2,081,151	28.6	1,061,249	179,073	1,663,891	78.6	23.0
Arizona	113,505	2,718,215	83.8	96.9	1,926,728	29.2	957,032	179,503	1,558,891	72.4	17.4
Pacific											
Washington	66,511	4,132,156	73.5	98.7	2,992,796	29.8	1,540,510	243,004	2,439,417	77.6	19.0
Oregon	96,184	2,633,105	67.9	97.0	1,910,048	30.2	991,593	149,400	1,579,841	75.6	17.9
California	156,299	23,667,902	91.3	97.2	17,278,944	29.9	8,629,866	1,720,087	14,043,986	73.5	19.6
Alaska	570,833	401,851	64.3	112.8	271,106	26.1	131,463	18,778	211,397	82.5	21.1

Source: U.S. Bureau of Census; County & City Data Book, 1983

So far we have only looked at the first two marketing conditions listed above; the economic and physical characteristics of the population of Alaska in relation to other lottery states. The third marketing condition needing examination is how the population of Alaska is concentrated and/or dispersed.

Alaska is unique in its vastness with over one-half million square miles of land, 3.7 times the area of the next largest lottery state, California, and 541 times the size of Rhode Island, the smallest lottery state (excluding DC). However, as we saw in Table 2-II, Alaska is quite urban; twice as urban as Vermont, and only 36% less urban than Wash. D.C. with 100% of its population living in urban areas. When we examine the degree to which the population in Alaska is concentrated we find that there exists similarities with some of the other lottery states. These states are the relatively large western states of Arizona, Colorado, Oregon and Washington. Table 5-II and maps of these states following Table 5-II illustrate this similarity in population concentration in marketing terms.

As Table 5-II illustrates, each of these states has one marketing area which contains approximately one-half of the states total population. This area has been identified as the primary marketing area for that state. In addition, each of these states has from one to three other major marketing areas within the state which, when combined with the primary marketing area, contain approximately 80% of the state's total population. The conclusion made from this comparison is that these states would be reasonable candidates for use as a comparative model to help predict possible revenue levels for an Alaskan lottery.

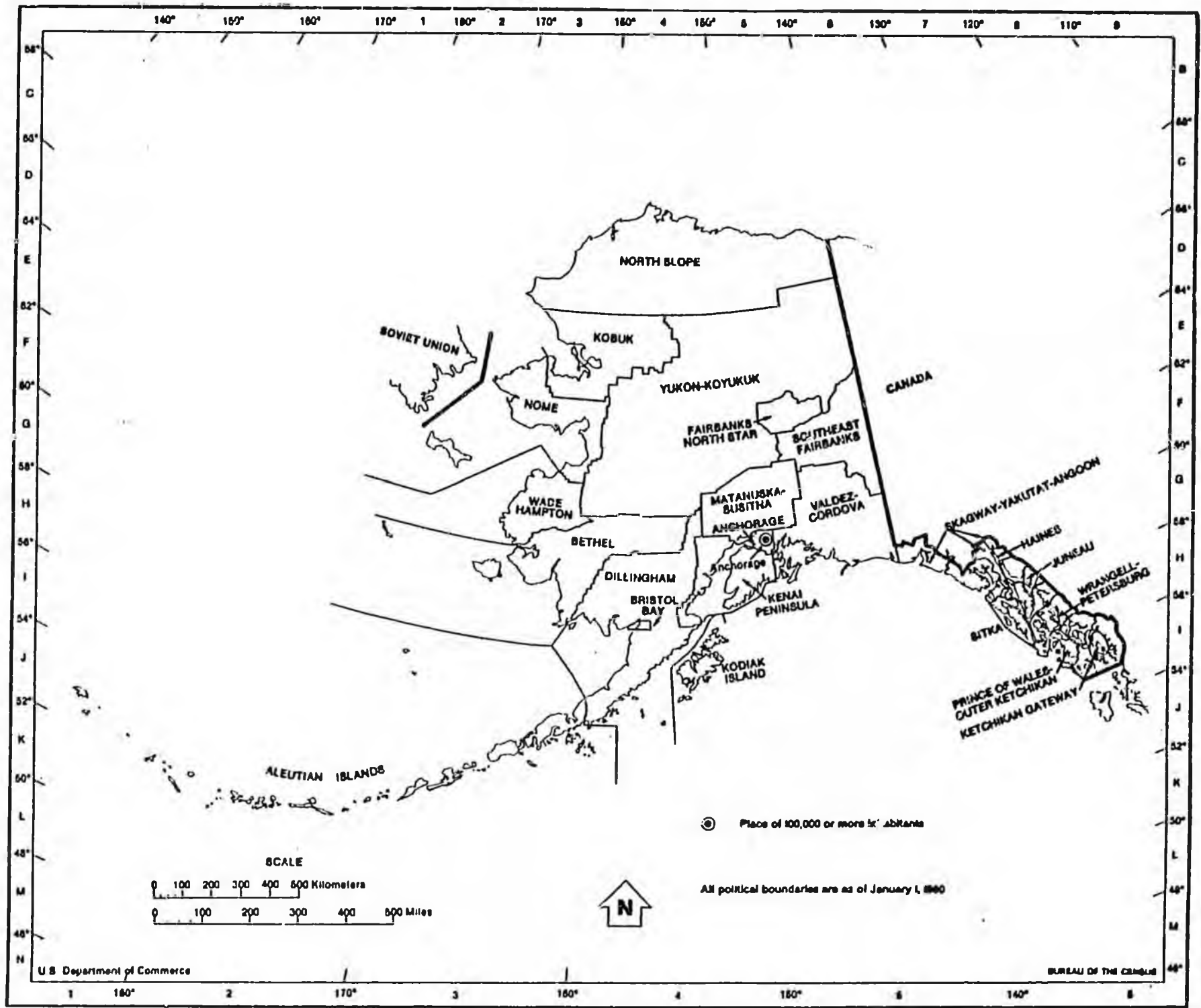
The three western states with lottery history at this time are Arizona, Colorado and Washington. Of these states the most similar to Alaska is Colorado, with the same pattern of population concentration (one primary marketing area and two additional major marketing areas). Colorado is also a very close match with its percentages of total population in these marketing areas very similar to Alaska's.

Also included is a map of Vermont, a state often used as an example to compare with Alaska for projections of lottery revenue because its total population size is similar to Alaska's. Three factors should be considered to illustrate why Vermont is not a reliable example for this comparison. Note that although Vermont's population is about the same as Alaska's, there is only one city, Burlington, with over 25,000 people. Also note that 66.2% of Vermont's total population lives in rural settings (Table 4-II); only 35.7% of Alaska's population lives in rural settings (Table 4-II). Vermont lacks the population concentration/s necessary for effective marketing of lottery products. Last, note that Vermont is surrounded by larger lotteries of New Hampshire, Massachusetts, New York and Quebec; Vermont residents have until recently been able to easily access all of these high prize lotteries.

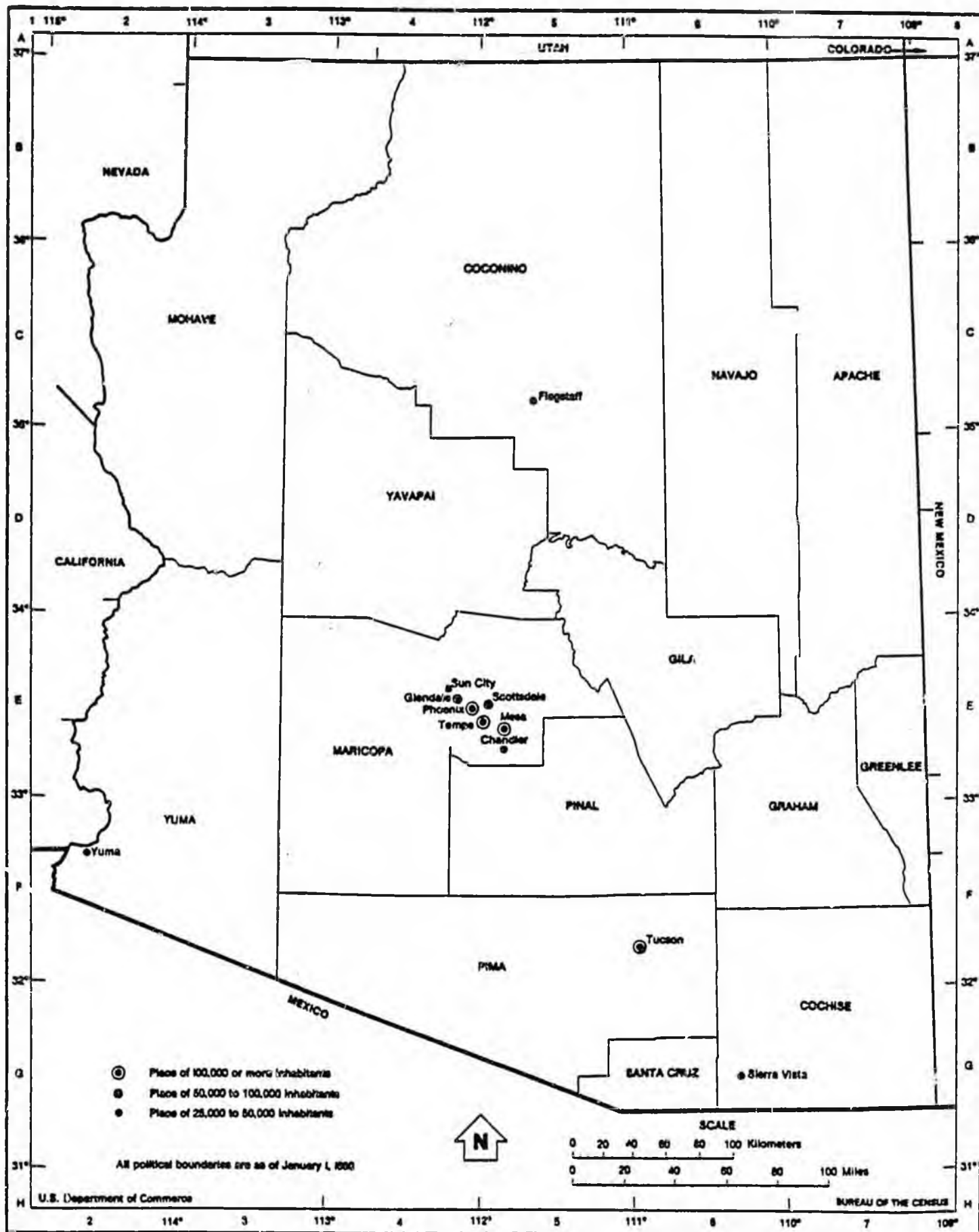
Table 5-II
WESTERN LOTTERY STATES MARKETING AREAS COMPARISON
(1980 U.S. Census Data)

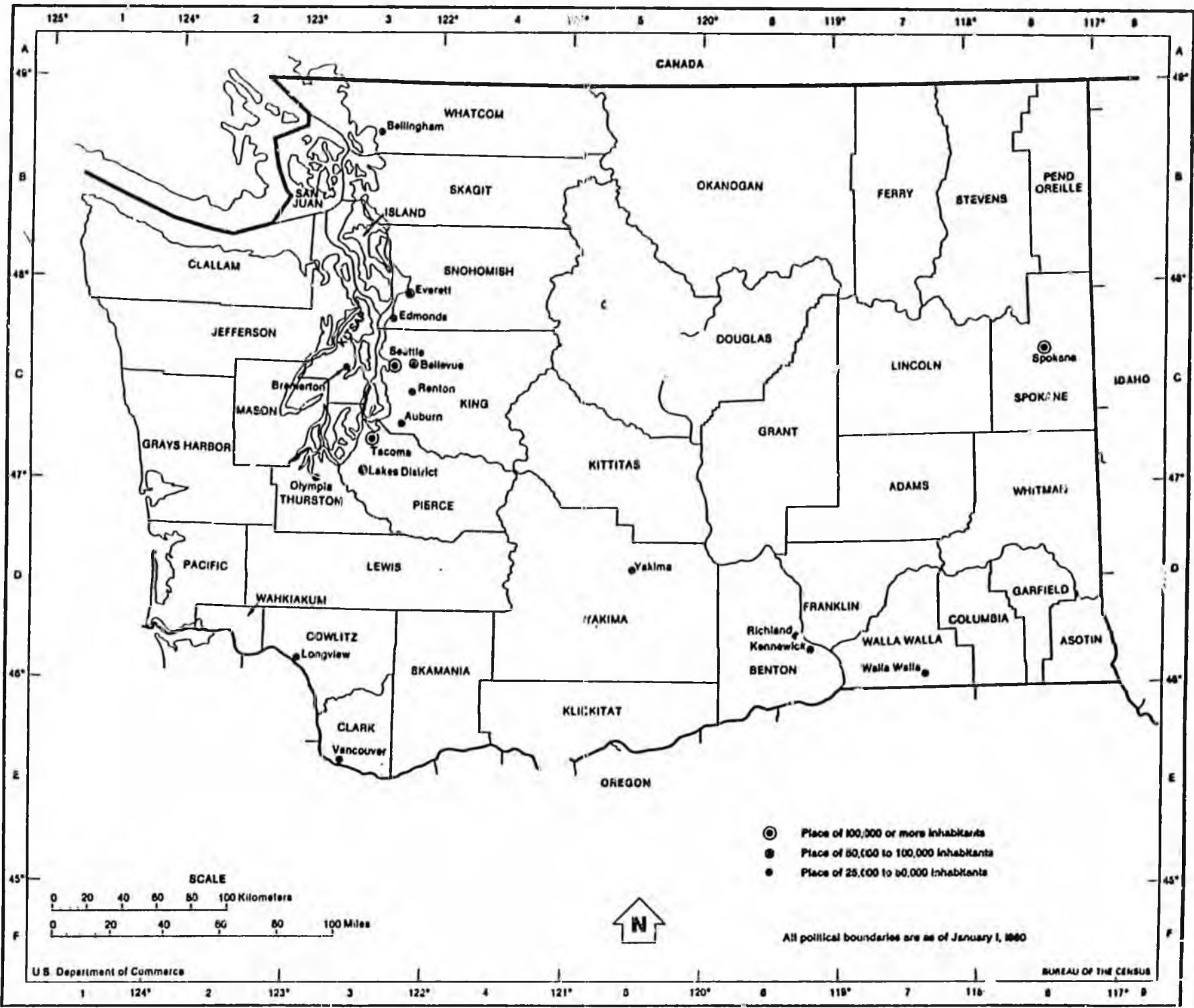
State	County	Total Pop	Prim Mkt Area Pop	PMA % of St	Maj Mkt Area Pop	MMA % of St
AK	Anchorage	174,431				
	Mat-Su	17,816				
	Kenai Pen.	25,282	217,529	<u>54.1</u>		
	Fbnks-NS	53,983				
	Juneau	19,528				
	Ketchikan	11,316				
	Sitka	7,803				
	Wrang-Pet	6,167				316,326 <u>78.7</u>
AZ	Maricopa	1,509,052				
	Pinal	90,918	1,599,970	<u>58.9</u>		
	Pima	531,443			2,131,413 <u>78.4</u>	
CO	Denver	492,365				
	Adams	245,944				
	Arapahoe	293,621				
	Douglas	25,153				
	Boulder	189,625				
	Jefferson	371,753	1,622,461	<u>56.1</u>		
	El Paso	309,424				
	Pueblo	125,972				
Larimar	149,184					
Weld	123,438				2,330,479 <u>80.6</u>	
WA	King	1,267,749				
	Kitsap	147,152				
	Pierce	485,643				
	Snohomish	337,320				
	Thurston	124,264	2,364,128	<u>57.2</u>		
	Clark	192,227				
	Spokane	341,835				
	Yakima	172,508				3,070,698 <u>74.3</u>
OR	Clackamas	241,919				
	Multnomah	562,640				
	Washington	245,808				
	Marion	204,692	1,255,059	<u>47.7</u>		
	Lane	275,226				
	Lincoln	89,495				
	Benton	68,211				
	Jackson	132,456				1,820,447 <u>69.1</u>

Source: U.S. Census Bureau; County & City Data Book, 1983

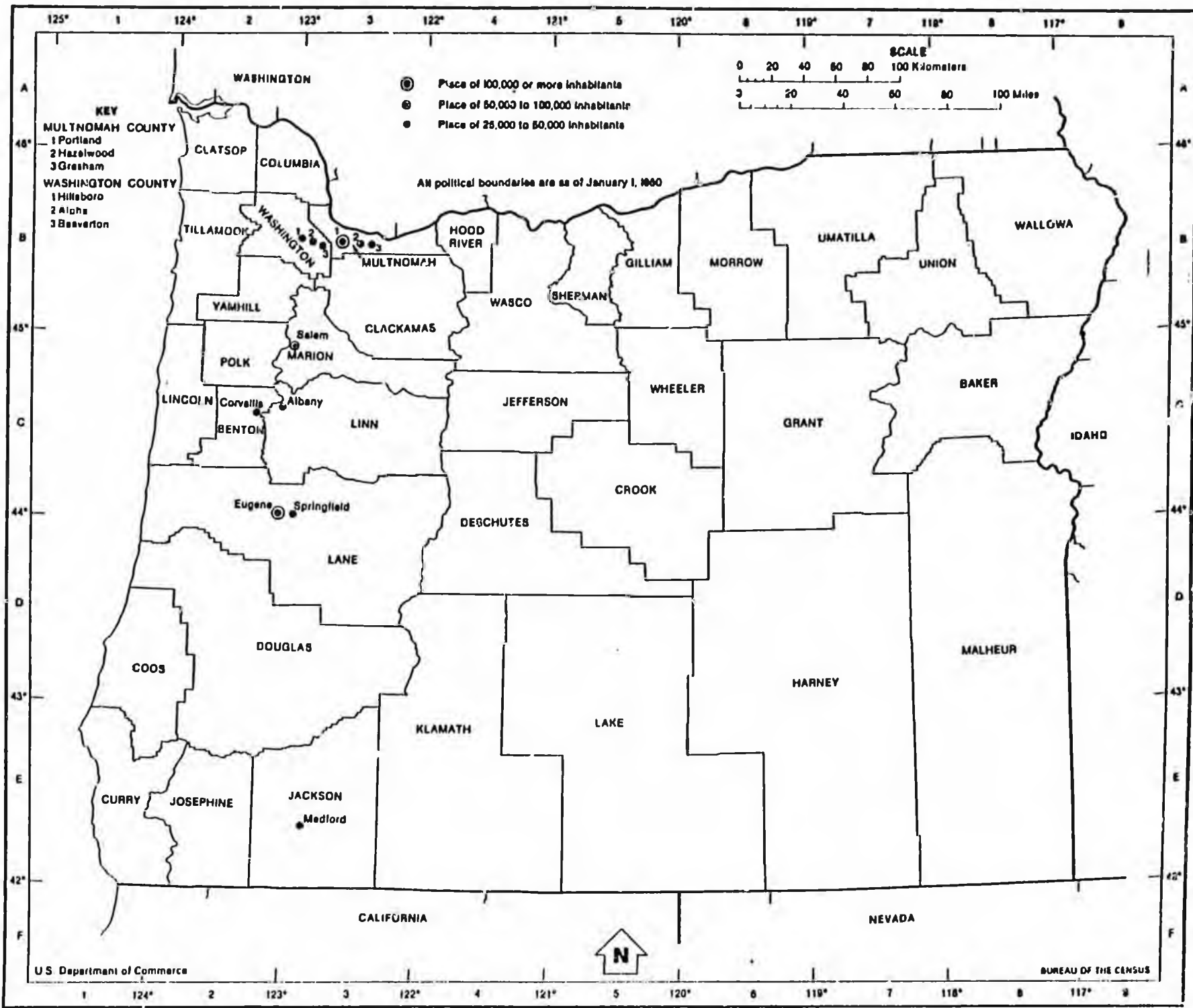


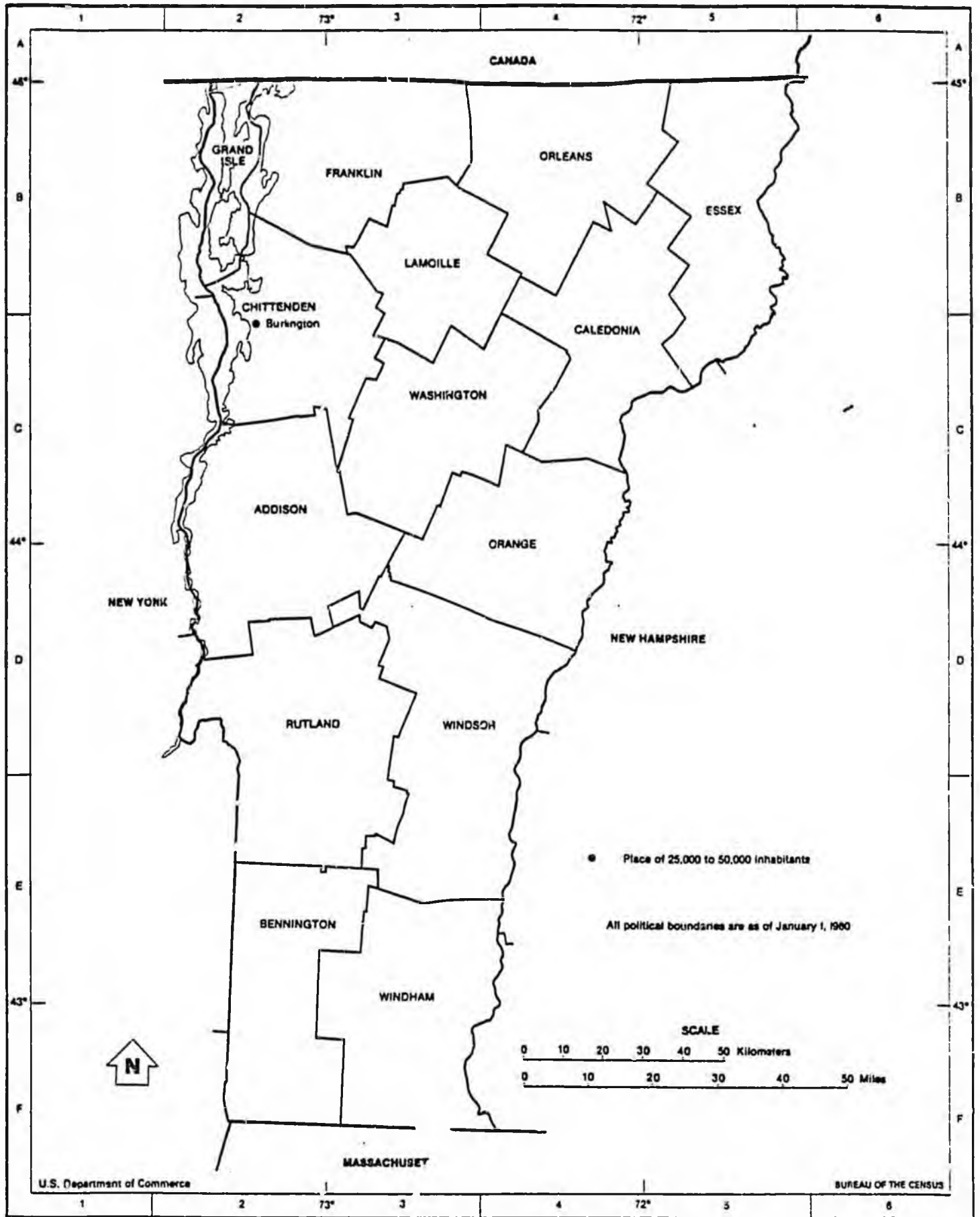
Arizona





All political boundaries are as of January 1, 1960





The fourth, and last, marketing factor listed above was that of unique conditions affecting a particular market. There are several obvious and some not-so-obvious conditions present in some of the currently operating lottery states which impact their sales.

Small states with large populations in the East have an advantage over large less populated states with regard to the physical marketing of their lottery product.

People in the northeastern states have experienced a long history of exposure to illegal lottery type games and are therefore familiar with the concept. They do not have to be educated about how lotteries are played.

Those least successful lottery states of Vermont, Maine, New Hampshire and Rhode Island are surrounded by the neighboring giant lottery states of Pennsylvania, Massachusetts, Connecticut, New York and New Jersey. The convenience of buying lottery tickets from the large lotteries, with large prize structures, is such that many resident players from these smaller states choose to buy out of state. Why spend \$1 on a chance to win \$500,000, when the same \$1 will buy a chance to win several million dollars? This will likely change in the near future with the implementation of the Tri-State Lottery partnership of Maine, Vermont and New Hampshire, and the recent (May '85) reversal in federal law interpretation by the U.S. Postal Service resulting in a ban on subscription lottery sales across state lines.

Alaska is unique in the fact that it experiences a tremendous annual influx of tourists, in comparison to its resident population estimated to reach 533,000 in 1985². This tourist influx is large in the sense of its total volume, 776,600 projected for CY 86³, and as percentage of the resident population, 147.5%. In addition to the number of tourists, a significant number of airline and cruise ship crews, a total of 6,000⁴, are effectively part-time residents of the state. This situation is unique to Alaska, and of the lottery states only Colorado experiences a similar condition, although to a much lesser degree. These additional people would affect lottery sales Alaska in a positive direction.

² Alaska Department of Labor, Research and Analysis, (Draft) Alaska Population Overview, 1985: "If the in balance of migration to Alaska during 1984-85 were to be zero, which seems unlikely, the 1985 population of the state should reach 533,000 due to natural increase alone."

³ Alaska Department of Commerce and Economic Development, Division of Tourism.

⁴ The McDowell Group (cruise ship crews), and telephone survey of major Anchorage hotels (airline crews).