

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

3499 HLAB HB 338

375

1.	POSITION TITLE Investigator II				RANGE/STEP 16B	BARG. UNIT G	PAGE/LINE	COY.	APPROV.	DISAFF.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEC.		

3.	CONTINUATION LEVEL	ADDITION	
4.	TYPE OF EXPENDITURE		AMOUNT
	1	2	3
	PERSONAL SERVICES		
5.	Salary	\$33,636	
6.	Benefits	5,517	
7.	Supplemental Benefits	2,062	
8.	Fixed Benefits	2,729	
9.	TOTAL PERSONAL SERVICES	01	43,944
10.	Travel	02	12,200
11.	Contractual	03	
12.	Commodities	04	
13.	Equipment	05	
14.	Other		
15.	TOTAL COST		56,144

JUSTIFICATION

The investigator II will concentrate their effort on field investigations of lottery vendors and the internal security of the lottery. This will entail background, criminal and business investigations to ensure the integrity of the lottery and the confidence of the public.

	RECEIPT CODE	FUNDING SOURCE	
16.		Federal Receipts 1002	
17.		C.F. Match 1003	
18.		General Funds 1004	56,144
19.		I-A Receipts 1005	
20.		Program Receipts 1028	
21.		Other	

FOR BSM USE ONLY
KEY NUMBER _____

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
PROGRAM Revenue Management & Collection
BRU State Lottery
COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

1.	POSITION TITLE Clerk Typist III				RANGE/STEP 8B	ORG. UNIT G	PAGE/LINE	COV.	APPROV.	DISAST
2.	TYPE OF POSITION PFT	STAFF MONTHS 36	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1		2		3					
	PERSONAL SERVICES									
5.	Salary		\$60,408							
6.	Benefits		9,908							
7.	Supplemental Benefits		3,703							
8.	Fixed Benefits		8,187							
9.	TOTAL PERSONAL SERVICES		01		206					
10.	Travel		02							
11.	Contractual		03							
12.	Commodities		04							
13.	Equipment		05							
14.	Other									
15.	TOTAL COST				82,206					
	RECEIPT CODE		FUNDING SOURCE							
16.			Federal Receipts 1002							
17.			C.F. Match 1003							
18.			General Funds 1004		82,206					
19.			I-A Receipts 1005							
20.			Program Receipts 1028							
21.			Other							
FOR BSM USE ONLY KEY NUMBER _____										

These positions will provide clerical support for the enforcement, marketing and operations sections. Duties will include typing, filing and other clerical-related functions.

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
 PROGRAM Revenue Management & Collection
 BRU State Lottery
 COMPONENT Operating

Page 1 of 1
 Revised Date _____

FY 86

1.	POSITION TITLE Economist III				RANGE/STEP 21B	ORG. UNIT S	PAGE/LINE	COV.	APPROV.	DISAST.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEC.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE				AMOUNT					
	1		2		3					
	PERSONAL SERVICES									
5.	Salary		\$48,456							
6.	Benefits		7,947							
7.	Supplemental Benefits		2,970							
8.	Fixed Benefits		2,873							
9.	TOTAL PERSONAL SERVICES		01		62,246					
10.	Travel		02		5,000					
11.	Contractual		03							
12.	Commodities		04							
13.	Equipment		05							
14.	Other									
15.	TOTAL COST				67,246					
	RECEIPT CODE				FUNDING SOURCE					
16.					Federal Receipts 1002					
17.					C.F. Match 1003					
18.					General Funds 1004					
19.					I-A Receipts 1005					
20.					Program Receipts 1028					
21.					Other					
FOR BSM USE ONLY										
KEY NUMBER _____										

The economist III will manage and supervise the marketing section. The economist will act as a liaison with other lottery states to obtain information to enhance the state lottery and will oversee an ongoing analysis of the impact of the lottery on the state and the communities. The economist will advise the division of economic trends and make suggestions for improvements.

REQUEST FOR
NEW POSITION

AGENCY Revenue
PROGRAM Revenue Management & Collection
BRU State Lottery
COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

1.	POSITION TITLE Publication Specialist III				RANGE/STEP 19B	BARG. UNIT G	PAGE/LINE	COV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2	3							
	PERSONAL SERVICES									
5.	Salary		\$41,412							
6.	Benefits		6,792							
7.	Supplemental Benefits		2,539							
8.	Fixed Benefits		2,729							
9.	TOTAL PERSONAL SERVICES	01		53,472						
10.	Travel	02								
11.	Contractual	03								
12.	Commodities	04								
13.	Equipment	05								
14.	Other									
15.	TOTAL COST			53,472						
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		G.F. Match 1003								
18.		General Funds 1004		53,472						
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR BSM USE ONLY KEY NUMBER _____										

The publication specialist III would write brochures and informational booklets, design posters and prepare the media campaign to promote the lottery. Skills in graphic design will be required.

**REQUEST FOR
NEW POSITION**

AGENCY Revenue

PROGRAM Revenue Management & Collection

BRU State Lottery

COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

1.	POSITION TITLE Research Analyst II				RANGE/STEP 16B	BARG. UNIT G	PAGE/LINE	COY.	APPROV.	DISAST.
2.	TYPE OF POSITION PFT	STAFF MONTHS	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.		

3.	CONTINUATION LEVEL		ADDITION	
4.	TYPE OF EXPENDITURE			AMOUNT
	1	2	3	
	PERSONAL SERVICES			
5.	Salary	\$33,636		
6.	Benefits	5,517		
7.	Supplemental Benefits	2,062		
8.	Fixed Benefits	2,729		
9.	TOTAL PERSONAL SERVICES	01	43,944	
10.	Travel	02		
11.	Contractual	03		
12.	Commodities	04		
13.	Equipment	05		
14.	Other			
15.	TOTAL COST		43,944	

JUSTIFICATION

The research analyst II would conduct surveys and compile statistics for the marketing section. This information would also be used for public information and required reports and publications. These surveys would profile the players and provide the basis for developing new games.

	RECEIPT CODE	FUNDING SOURCE	
16.		Federal Receipts 1002	
17.		C.F. Match 1003	
18.		General Funds 1004	43,944
19.		I-A Receipts 1005	
20.		Program Receipts 1028	
21.		Other	

FOR BSM USE ONLY
KEY NUMBER _____

**REQUEST FOR
NEW POSITION**

AGENCY Revenue

PROGRAM Revenue Management & Collection

BRU State Lottery

COMPONENT Operating

Page 1 of 1

Revised Date _____

FY 86

1.	POSITION TITLE Accounting Supervisor III			RANGE/STEP 18B	BARG. UNIT S	PAGE/LINE	COY.	APPRDV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.	
3.	CONTINUATION LEVEL	ADDITION			JUSTIFICATION				
4.	TYPE OF EXPENDITURE			AMOUNT	<p>The accounting supervisor III will manage the operations section and supervise its daily activities. The accounting supervisor III will be responsible for training the staff and seeing that statistics of sales activities are generated and reported to the marketing section. Recommendations for policy changes, as the circumstances warrant, are made to the director.</p>				
	1	2	3						
	PERSONAL SERVICES								
5.	Salary	\$39,600							
6.	Benefits	6,495							
7.	Supplemental Benefits	2,428							
8.	Fixed Benefits	2,872							
9.	TOTAL PERSONAL SERVICES	01	51,395						
10.	Travel	02	1,400						
11.	Contractual	03							
12.	Commodities	04							
13.	Equipment	05							
14.	Other								
15.	TOTAL COST		51,395						
	16.	FUNDING SOURCE							
		Federal Receipts	1002						
	17.	G.F. Match	1003						
	18.	General Funds	1004	51,395					
	19.	I-A Receipts	1005						
	20.	Program Receipts	1028						
	21.	Other							
FOR BSM USE ONLY KEY NUMBER _____									

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
PROGRAM Revenue Management & Collections
BRU State Lottery
COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

1.	POSITION TITLE Accounting Technician III			RANGE/STEP 16B	BARG. UNIT G	PAGE/LINE	COY.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.	
3.	CONTINUATION LEVEL			ADDITION			JUSTIFICATION		
4.	TYPE OF EXPENDITURE			AMOUNT					
	1		2		3				
	PERSONAL SERVICES								
5.	Salary		\$33,636						
6.	Benefits		5,517						
7.	Supplemental Benefits		2,062						
8.	Fixed Benefits		2,729						
9.	TOTAL PERSONAL SERVICES		01		43,944				
10.	Travel		02						
11.	Contractual		03						
12.	Commodities		04						
13.	Equipment		05						
14.	Other								
15.	TOTAL COST				43,944				
16.	RECEIPT CODE	FUNDING SOURCE							
17.		Federal Receipts 1002							
18.		G.F. Match 1003							
19.		General Funds 1004		43,944					
20.		I-A Receipts 1005							
21.		Program Receipts 1028							
		Other							
FOR BSM USE ONLY KEY NUMBER _____									

JUSTIFICATION

The accounting technician III will be responsible for the accounting functions involved in running the lottery, i.e., payment of vendors, collection and accounting of sales, reconciling bank receipts to tickets sold, payment of prizes, account maintenance, and other duties as assigned.

**REQUEST FOR
NEW POSITION**

AGENCY Revenue

PROGRAM Revenue Management & Collection

BRU State Lottery

COMPONENT Operating

FY 86

Page 1 of 1

Revised Date _____

1.	POSITION TITLE Accounting Technician II				RANGE/STEP 14B	ORG. UNIT G	PAGE/LINE	COV.	APPROV.	DISAST	
2.	TYPE OF POSITION PFT	STAFF MONTHS 24	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEC.			
3.	CONTINUATION LEVEL				JUSTIFICATION						
4.	TYPE OF EXPENDITURE			AMOUNT							
	1	2	3								
	PERSONAL SERVICES										
5.	Salary	\$58,368									
6.	Benefits	9,574									
7.	Supplemental Benefits	3,578									
8.	Fixed Benefits	5,458									
9.	TOTAL PERSONAL SERVICES	01	76,978								
10.	Travel	02									
11.	Contractual	03									
12.	Commodities	04									
13.	Equipment	05									
14.	Other										
15.	TOTAL COST		76,978								
6.	RECEIPT CODE	FUNDING SOURCE									
7.		Federal Receipts	1002								
8.		C.F. Match	1003								
9.		General Funds	1004	76,978							
10.		I-A Receipts	1005								
11.		Program Receipts	1028								
12.		Other									
FOR BBR USE ONLY											
KEY NUMBER _____											

The accounting technician II's will be responsible for the accounting functions involved in running the lottery, i.e., payment of vendors, collection and accounting of sales, reconciling bank receipts to tickets sold, payment of prizes, account maintenance, and other duties as assigned.

REQUEST FOR NEW POSITION

AGENCY Revenue

PROGRAM Revenue Management & Collection

BRU State Lottery

COMPONENT Operating

FY 86

1.	POSITION TITLE Accounting Clerk III				RANGE/STEP 10B	DARG. UNIT G	PAGE/LINE	COV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEC.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE				<p>The accounting clerk III will be responsible for the accounting functions involved in running the lottery, i.e., payment of vendors, collection and accounting of sales, reconciling bank receipts to tickets sold, payment of prizes, account maintenance, and other duties as assigned.</p>					
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	\$22,716								
6.	Benefits	3,726								
7.	Supplemental Benefits	1,392								
8.	Fixed Benefits	2,729								
9.	TOTAL PERSONAL SERVICES	01	30,563							
10.	Travel	02								
11.	Contractual	03								
12.	Commodities	04								
13.	Equipment	05								
14.	Other									
15.	TOTAL COST		30,563							

RECEIPT CODE	FUNDING SOURCE	
16.	Federal Receipts 1002	
17.	G.F. Match 1003	
18.	General Funds 1004	30,563
19.	I-A Receipts 1005	
20.	Program Receipts 1028	
21.	Other	

FOR BSM USE ONLY
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**REQUEST FOR
NEW POSITION**

AGENCY Revenue
PROGRAM Revenue Management & Collection
BRU State Lottery
COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

1.	POSITION TITLE Accounting clerk II				RANGE/STEP 9B	DARG. UNIT J	PAGE/LINE	COY.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	\$21,420								
6.	Benefits	3,513								
7.	Supplemental Benefits	1,313								
8.	Fixed Benefits	2,729								
9.	TOTAL PERSONAL SERVICES	01	28,975							
10.	Travel	02								
11.	Contractual	03								
12.	Commodities	04								
13.	Equipment	05								
14.	Other									
15.	TOTAL COST		28,975							
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		C.F. Match 1003								
18.		General Funds 1004		28,975						
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR BSM USE ONLY										
KEY NUMBER _____										

The accounting Clerk II will be responsible for the accounting functions involved in running the lottery, i.e., payment of vendors, collection and accounting of sales, reconciling bank receipts to tickets sold, payment of prizes, account maintenance, and other duties as assigned.

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
PROGRAM Revenue Management & Collection
BRU State Lottery
COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

1.	POSITION TITLE Clerk III				RANGE/STEP 8B	BARG. UNIT G	PAGE/LINE	COY.	APPROV.	DISAP
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE				<p>The Clerk III will be responsible for assisting the accounting staff as assigned handling forms, filing and maintenance of file system.</p>					
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	\$20,136								
6.	Benefits	3,303								
7.	Supplemental Benefits	1,234								
8.	Fixed Benefits	2,729								
9.	TOTAL PERSONAL SERVICES	01	27,402							
10.	Travel	02								
11.	Contractual	03								
12.	Commodities	04								
13.	Equipment	05								
14.	Other									
15.	TOTAL COST		27,402							
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		C.F. Match 1003								
18.		General Funds 1004		27,402						
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR BSM USE ONLY										
KEY NUMBER _____										

**REQUEST FOR
NEW POSITION**

AGENCY Revenue
PROGRAM Revenue Management & Collection
BRU State Lottery
COMPONENT Operating

Page 1 of 1
Revised Date _____

FY 86

Representative Mike Navarre
Labor & Commerce Committee
Alaska State Legislature

February 3, 1986

Dear Representative Navarre:

Please include this letter into the record of the Labor & Commerce Committee, of which you are the chairman, in support of HB 338, the State Lottery.

The State of Alaska has the ability at this time to institute revenue generating programs before there is such a reduction in oil money so as to create a crisis. One of those programs should be a state lottery.

As was explained by Rep. Thompson, the states adopting a statewide lottery are growing rapidly. Thirteen states as of right now are considering such a program. Three of those states are in the unfortunate position of having to propose a change to their constitution. We have no such problem and as this proposal has been well researched by Rep. Thompson's office, the time for studying a lottery could be better spent in passing the bill and raising needed revenue.

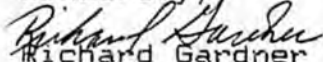
The legislature approved the sale of pull-tabs in this state several years ago. Pull-tabs are an instant lottery game. The sale of pull-tabs has grown into a multi-million dollar industry without any hue and cry from any segment of the population. The Nenana Ice Classic is a lottery and will exceed one million dollars in sales this year and is highly supported by the population. It would appear highly contradictory to approve instant lottery (pull-tabs) and a lotto type (Nenana) on one hand, and turn around and profess that a state run lottery would not work or that it was in some manner not in the public interest. Just last session, the legislature approved the salmon lottery based on pounds of fish caught. Its time that all of the people of Alaska benefit from the sale of lottery tickets.

There is the argument that we are not bordered by other states. Oregon now has a lottery state on two sides and still sold over 6 million instant lottery tickets during November 1985. A steady growth of population in our own state combined with the tourist influx can and will only improve our lottery sales.

As over twenty states now have a state-wide lottery, it is well proven with facts that the lottery is a viable method to raise revenues. Those facts also refute arguments against a lottery based solely on emotions. I strongly recommend that the committee consider those facts in favorably passing HB 338 on as soon as possible.

Thank you for this opportunity and feel free to contact me for any clarification that might be necessary to make a factual determination.

Sincerely,


Richard Gardner

P.O. Box 1353
Juneau, Alaska 99802

1 IN THE HOUSE

BY THOMPSON

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 338
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a state lottery; and providing
7 for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 05 is amended by adding a new chapter to read:

10 CHAPTER 18. STATE LOTTERY.

11 ARTICLE 1. ADMINISTRATION.

12 Sec. 05.18.010. CREATION OF CORPORATION. There is created in
13 the Department of Revenue the Alaska State Lottery Corporation.

14 Sec. 05.18.020. BOARD OF DIRECTORS. (a) The powers of the
15 corporation are vested in the board of directors. The board consists
16 of five members who qualify under AS 39.05.100. The governor shall
17 appoint each member subject to confirmation by the legislature in
18 joint session under AS 39.05.080. No more than three of the five
19 members may be members of the same political party. The governor
20 shall appoint one member to serve as chairperson of the board.

21 (b) Members serve staggered terms of five years. A vacancy on
22 the board does not impair the authority of the board to exercise all
23 the powers and perform all the duties of the corporation.

24 (c) A member of the board is entitled to compensation at a rate
25 of \$150 for each day the member is engaged in the actual performance
26 of duties as a member of the board. The board may provide by regu-
27 lation for compensation for partial days during which an appointed
28 member is engaged in actual performance of duties as a member of the
29 board.

1 IN THE HOUSE

BY THOMPSON

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 338
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a state lottery: and providing
7 for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 05 is amended by adding a new chapter to read:

10 CHAPTER 18. STATE LOTTERY.

11 ARTICLE 1. ADMINISTRATION.

12 Sec. 05.18.010. CREATION OF CORPORATION. There is created in
13 the Department of Revenue the Alaska State Lottery Corporation.

14 Sec. 05.18.020. BOARD OF DIRECTORS. (a) The powers of the
15 corporation are vested in the board of directors. The board consists
16 of five members who qualify under AS 39.05.100. The governor shall
17 appoint each member subject to confirmation by the legislature in
18 joint session under AS 39.05.080. No more than three of the five
19 members may be members of the same political party. The governor
20 shall appoint one member to serve as chairperson of the board.

21 (b) Members serve staggered terms of five years. A vacancy on
22 the board does not impair the authority of the board to exercise all
23 the powers and perform all the duties of the corporation.

24 (c) A member of the board is entitled to compensation at a rate
25 of \$150 for each day the member is engaged in the actual performance
26 of duties as a member of the board. The board may provide by regu-
27 lation for compensation for partial days during which an appointed
28 member is engaged in actual performance of duties as a member of the
29 board.

1 (d) In addition to compensation under (c) of this section, a
2 member of the board is entitled to per diem and travel allowances
3 authorized for members of boards and commissions under AS 39.20.180.

4 (e) A member of the board may not have a pecuniary interest in
5 any contract or agreement entered into by the corporation.

6 Sec. 05.18.030. MEETINGS. (a) The board shall meet at least
7 quarterly at the call of the chairperson, at the request of a majority
8 of the members, or at a regularly scheduled time set by the board.

9 (b) An action of the board is not binding unless taken at a
10 meeting where three or more of the members are present and vote in
11 favor of the action.

12 Sec. 05.18.040. DUTIES AND POWERS OF BOARD. (a) The board is
13 responsible for the management of the corporation but shall delegate
14 certain powers and duties to the executive director in accordance with
15 AS 05.18.060 - 05.18.080. In managing the corporation the board shall

16 (1) be responsible for the management of the financial and
17 legal obligations of the corporation;

18 (2) generally manage the corporation on a self-sustaining
19 basis;

20 (3) advise and make recommendations to the director about
21 the operation and administration of the lottery;

22 (4) report to the governor and the legislature each quarter
23 on the total lottery revenue, prize disbursement and other expenses
24 for the preceding quarter;

25 (5) report to the governor and the legislature each year
26 including a full and complete statement of lottery revenue, prize
27 disbursement and other expenses, and recommendations for changes in
28 this chapter;

29 (6) report to the governor and the legislature as

1 frequently as the board determines necessary on conclusions from the
2 analysis of the reaction of state residents to the lottery, and on
3 matters that require changes in the law to prevent violations or
4 evasions of this chapter or to correct undesirable conditions in
5 connection with the administration or operation of the lottery;

6 (7) monitor the operation of the lottery throughout the
7 state; and

8 (8) study and investigate the operation and administration
9 of the lottery laws of other states and of federal laws that affect
10 the lottery.

11 (b) The board may do all things necessary and appropriate to
12 exercise the corporation's duties and powers under this chapter.

13 Sec. 05.18.050. REGULATIONS BY THE BOARD. The board shall adopt
14 regulations under the Administrative Procedure Act (AS 44.62) to
15 establish

16 (1) the manner of payment of prizes to the holders of the
17 winning tickets or shares;

18 (2) apportionment of the total revenue accruing from the
19 sale of lottery tickets or shares and from all other sources among

20 (A) the payment of prizes to the holders of winning
21 tickets or shares;

22 (B) the payment of costs incurred in the operation and
23 administration of the lottery, including the expenses of the
24 corporation and any costs resulting from contracts entered into
25 for promotional, advertising, or operational services or for the
26 purchase or lease of lottery equipment and materials;

27 (C) transfer to the general fund; and

28 (3) other matters necessary or desirable to carry out this
29 chapter, to operate the lottery efficiently and economically, and to

1 make the purchase of tickets or shares and the distribution of prizes
2 convenient.

3 Sec. 05.18.060. EXECUTIVE DIRECTOR AND EMPLOYEES. (a) The
4 corporation shall be under the immediate supervision and direction of
5 an executive director who is qualified by training and experience to
6 direct the work of the corporation. The governor shall appoint the
7 director. The director may not engage in another profession or
8 occupation.

9 (b) Subject to the approval of the board, the director shall
10 appoint deputies required to carry out the functions and duties of the
11 corporation. The director shall appoint professional, technical, and
12 clerical employees necessary to perform the duties of the corporation.

13 (c) The director and other employees of the corporation are in
14 the exempt service under AS 39.25.110.

15 (d) The corporation may not employ a person who has been
16 convicted, including conviction based on a guilty plea or plea of nolo
17 contendere, of a felony or other crime if the felony or other crime is
18 substantially related to the qualifications, functions, or duties of
19 the employee.

20 Sec. 05.18.070. DUTIES OF DIRECTOR. The director shall

- 21 (1) supervise and administer the operation of the lottery;
22 (2) act as secretary to the board;
23 (3) license agents to sell lottery tickets;
24 (4) meet at least quarterly with the board on the operation
25 and administration of the lottery;
26 (5) make available for inspection by the board, upon
27 request, all books, records, files, and other information and docu-
28 ments of the corporation;
29 (6) advise the board and make recommendations to improve

1 the operation and administration of the lottery;

2 (7) suspend or revoke a license issued under this chapter
3 for a violation of this chapter or the regulations adopted under this
4 chapter;

5 (8) subject to the approval of the board enter into
6 contracts for the operation and promotion of the lottery; and

7 (9) provide each month to the board a full and complete
8 statement of the lottery revenue, prize disbursement; and other ex-
9 penses for the preceding month.

10 Sec. 05.18.080. REGULATIONS BY DIRECTOR. The director shall
11 adopt regulations under the Administrative Procedure Act (AS 44.62) to
12 establish the

13 (1) type of lottery to be conducted;

14 (2) price of tickets or shares in the lottery;

15 (3) numbers and sizes of the prizes for the winning tickets
16 or shares;

17 (4) manner of selecting the winning tickets or shares;

18 (5) frequency of the drawings or selections of winning
19 tickets or shares;

20 (6) type and number of locations where tickets or shares
21 may be sold;

22 (7) method to be used in selling tickets or shares;

23 (8) licensing of agents to sell tickets or shares; and

24 (9) manner and amount of compensation to be paid licensed
25 sales agents.

26 - Sec. 05.18.090. SUBPOENAS. (a) The director or the board may
27 subpoena witnesses and documents in a matter over which the
28 corporation has jurisdiction, control or supervision. The director or
29 the board may administer oaths and affirmations to persons whose

1 testimony is required.

2 (b) If a person fails to obey a subpoena, or if a person refuses
3 to answer a relevant question or to exhibit a document when ordered to
4 do so by the director or the board, the director or the board may
5 apply to the superior court for an order directing the person to
6 comply with the subpoena or the order. The court may order the person
7 to comply.

8 ARTICLE 2. SALES AGENTS.

9 Sec. 05.18.100. LICENSING OF LOTTERY SALES AGENTS. (a) A
10 person who wishes to be licensed as a lottery sales agent shall apply
11 on a form provided by the corporation.

12 (b) Before issuing a lottery sales agent license the director
13 shall consider

14 (1) the financial responsibility and security of the
15 applicant and the applicant's business or activity;

16 (2) the accessibility of the applicant's place of business
17 or activity to the public;

18 (3) the ability of the applicant to promote the sale of
19 lottery tickets or shares;

20 (4) the sufficiency of existing licenses to serve the
21 public convenience;

22 (5) the volume of expected sales; and

23 (6) other factors the director determines are relevant.

24 (c) The director may not issue a license to a person who

25 (1) would be engaged in business exclusively as a lottery
26 sales agent; or

27 (2) is under the age of 18.

28 Sec. 05.18.110. LICENSE. A lottery sales agent license is valid
29 for one year and may be renewed. The director may not charge a fee

1 for licensing or license renewal.

2 Sec. 05.18.120. REVOCATION OF LICENSES. (a) The director shall
3 suspend or revoke the license of a lottery sales agent who violates
4 AS 05.18.310.

5 (b) The director may suspend or revoke the license of a lottery
6 sales agent who violates a provision of this chapter other than
7 AS 05.18.310 or a regulation adopted under this chapter.

8 (c) The director shall conduct proceedings to suspend or revoke
9 a lottery sales agent license issued under this chapter under the
10 Administrative Procedure Act (AS 44.62).

11 Sec. 05.18.130. COMPENSATION OF LOTTERY SALES AGENT. (a) The
12 director shall establish commissions for selling lottery tickets and
13 for cashing winning lottery tickets. The director may establish bonus
14 or incentive awards.

15 (b) When establishing the compensation to be paid lottery sales
16 agents the director shall consider

17 (1) the time and the cost of overhead necessary to make the
18 tickets or shares available at convenient times and for sufficient
19 hours to accommodate the public;

20 (2) the time necessary for a lottery sales agent to keep
21 adequate records of ticket sales and to prepare the deposits and
22 reports required under AS 05.18.140;

23 (3) other criteria the director considers relevant.

24 Sec. 05.18.140. DEPOSIT OF RECEIPTS AND REPORTS. (a) Each
25 lottery sales agent shall deposit to the credit of the state in a bank
26 designated by the director all money received by the agent from the
27 sale of lottery tickets or shares, less the amount retained as compen-
28 sation for the sale of the tickets or shares.

29 (b) Each lottery sales agent shall file with the director on a

1 form provided by the corporation weekly reports of the receipts and
2 transactions in the sale of lottery tickets.

3 (c) The director may impose a service charge on a sales agent if
4 the payor bank dishonors

5 (1) a check that is deposited to the credit of the state by
6 the agent; or

7 (2) an electronic transfer of funds to the state lottery
8 account from the account of the agent for money received from the sale
9 of lottery tickets.

10 (d) The director may charge a sales agent with interest on money
11 that is not paid to the state within 10 days after the due date and
12 may impose an additional service charge in an amount to cover adminis-
13 trative costs if the debt is referred for collection.

14 (e) The amount, including any interest or service charge, due to
15 the corporation from a sales agent is a lien on the property of the
16 agent at the time that the corporation files a claim of lien in the
17 recorder's office of the recording district of the principal place of
18 business of the agent.

19 Sec. 05.18.150. BOND. (a) Each applicant for a lottery sales
20 agent license shall, at the time of applying for the license, file
21 with the corporation and maintain while licensed a bond with a corpo-
22 rate surety qualified to do business in the state in an amount to be
23 determined by the board running to the state conditioned upon the
24 applicant's promise to pay

25 (1) all sales receipts due the state under this chapter;

26 (2) all amounts that may be adjudged against the applicant
27 by reason of the applicant's negligence as a lottery sales agent or
28 the applicant's violation of this chapter or the regulations adopted
29 under this chapter.

1 (b) The bond required by this section remains in effect until
2 cancelled by action of the surety, the principal, or the corporation.

3 (c) The state or another person may not bring an action on the
4 bond more than three years after its cancellation.

5 ARTICLE 3. PRIZES.

6 Sec. 05.18.200. ASSIGNMENT OF PRIZES. A person may not assign a
7 right to a prize. However, a prize may be paid to a person other than
8 the prize winner under a court order or to the estate of a deceased
9 prize winner. The state is discharged of all further liability when a
10 prize has been paid under this section.

11 Sec. 05.18.210. PAYMENT OF PRIZES TO PERSONS UNDER 18 YEARS.

12 (a) If a person entitled to a prize is under the age of 18 years, and
13 if the prize is \$5,000 or less, the director may deliver the prize to
14 an adult member of the minor's family, or to a guardian of the minor,
15 in the form of a check or draft payable to the order of the minor. If
16 the prize is more than \$5,000, the director may deliver the prize by
17 depositing the amount of the prize in a bank to the credit of an adult
18 member of the minor's family, or a guardian of the minor, as custodian
19 for the minor. The person named as custodian shall have the same
20 duties and powers as a person designated as a custodian under
21 AS 45.60.

22 (b) The state is discharged of all further liability after
23 payment of a prize to a minor under this section.

24 (c) In this section, the terms "bank", "guardian" and "member"
25 of a "minor's family" have the meanings given in AS 45.60.091.

26 Sec. 05.18.220. UNCLAIMED PRIZE MONEY. The director shall
27 retain unclaimed prize money for the person entitled to it for one
28 year after the prize is awarded. If the winner does not claim the
29 prize money within the year, the corporation shall allocate a

1 sufficient portion of the money to award additional prizes or increase
2 the amount of prizes to be awarded to comply with its policy
3 concerning the percentage of prize awards to be paid and shall return
4 the balance to the general fund.

5 ARTICLE 4. MISCELLANEOUS PROVISIONS.

6 Sec. 05.18.300. AUDIT. The board shall have an audit of the
7 books and accounts of the corporation made at least once in each year
8 by certified public accountants. The board may have special audits
9 performed at any time on its own motion or at the request of the
10 director. The board shall file a copy of each audit with the
11 commissioner of revenue and the legislature.

12 Sec. 05.18.310. PROHIBITED ACTS. (a) A person may not

13 (1) act as a lottery sales agent or sell a lottery ticket
14 or share unless licensed under this chapter;

15 (2) sell a lottery ticket or share at a price greater than
16 that fixed by the corporation;

17 (3) sell or offer to sell a lottery ticket or share to a
18 person under the age of 18;

19 (4) knowingly' present a counterfeit or altered lottery
20 ticket or share for payment or transfer a counterfeit or altered
21 lottery ticket or share to another person to present for payment;

22 (5) with intent to defraud, falsely make, alter, forge,
23 utter, pass or counterfeit a lottery ticket or share; or

24 (6) impersonate a lottery representative.

25 (b) An officer, employee, or contractor of the corporation, the
26 governor, or a lottery sales agent may not purchase a ticket or share
27 or receive a lottery prize.

28 (c) A lottery sales agent may not willfully withhold funds owed
29 to the lottery.

1 (d) Nothing in this section prohibits a person from giving a
2 ticket or share to another person of any age.

3 Sec. 05.18.320. ASSIGNMENT OF CONTRACTS. A person who enters
4 into a contract under this chapter may not assign the contract without
5 the approval of the board.

6 Sec. 05.18.330. PENALTY. A person that violates AS 05.18.140 -
7 05.18.200, 05.18.310 or 05.18.320 is guilty of a class C felony.

8 Sec. 05.18.340. APPLICABILITY OF OTHER LAWS. No other law
9 regarding the sale of lottery tickets or the administration of a
10 lottery applies to the sale of lottery tickets or shares under this
11 chapter.

12 ARTICLE 5. GENERAL PROVISIONS.

13 Sec. 05.18.900. DEFINITIONS. In this chapter, unless the con-
14 text requires otherwise,

15 (1) "agent" means a person licensed as a lottery sales
16 agent under this chapter;

17 (2) "board" means the board of directors of the corpo-
18 ration;

19 (3) "corporation" means the Alaska State Lottery Corpo-
20 ration;

21 (4) "director" means the executive director of the corpo-
22 ration;

23 (5) "lottery" or "state lottery" means the lottery estab-
24 lished and operated under this chapter;

25 (6) "person" has the meaning given in AS 01.10.060 and also
26 includes an estate, receiver, trustee, assignee, referee, or other
27 person acting in a fiduciary or representative capacity, whether
28 appointed by a court or otherwise, and a department, commission,
29 agency or instrumentality of the state, including municipalities and

1 the agencies and instrumentalities of them.

2 * Sec. 2. AS 39.25.110(11) is amended by adding a new subparagraph to
3 read:

4 (G) Alaska State Lottery Corporation;

5 * Sec. 3. AS 39.50.200(b) is amended by adding a new paragraph to read:

6 (48) Alaska State Lottery Corporation (AS 05.18).

7 * Sec. 4. The terms of the initial members of the State Lottery
8 Corporation appointed under AS 05.18.020 shall be determined by the
9 governor under AS 39.05.060(c)(2).

10 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
11 10.070(c).

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF REVENUE

1111 West 8th Street, Room 108
Juneau, Alaska 99801

PUBLIC SERVICES DIVISION

January 30, 1986

98C 1

JAN 31 1986

The Honorable Mike Navarre
Alaska State Representative
P.O. Box V
Juneau, AK 99811

Dear Representative Navarre:

As I testified before your committee on Wednesday, January 22, the Department of Revenue does not feel there is adequate lottery information specific to the demographics of Alaska to present a bankable opinion on an Alaska lottery.

We believe that the two-tier approach discussed with Representative Thompson last year provides the most responsible entry into the lottery world. In that approach an appointed commission would oversee three full-time staff members in the Department of Revenue. They would evaluate the successes of other states and take a hard look at how their experiences might relate to the unique extremes of Alaska. We also recommend the contractual services of an economist who knows Alaska.

Although I'll not restate my full testimony in this letter, what follows is a list of basic issues needing Alaska specifics. This list is not intended to be all-inclusive.

- the effect of a state lottery on charitable gaming
- the possible transfer of monies from rural areas to urban areas of the state
- the transfer of monies to the state which might otherwise be spent in local areas
- the probability of tourist play
- the cost/benefit of instant games versus on-line
- security of games with wide geographic distribution
- enforcement of games with wide geographic distribution
- retailer "servicing" in rural areas
- maximum use of computer technology (coupling of programs?)
- higher cost of doing business in Alaska
- effect of distance from other states

It is our feeling that these issues need to be addressed before legislation appropriate to Alaska can be written.

To your request that I respond to HB 338, I offer the following comments.

General

The Alaska Constitution provides for no dedication of funds. As such, the lottery office would be subject to annual legislative appropriation. This could very possibly jeopardize the credibility of the lottery should its budget be too limited--even for worthy reasons.

We recommend that the board be given more express policy authority and that the executive director clearly be answerable to the board. The executive director would then recommend policy with board approval.

Enforcement provisions are absent from this legislation. It is our belief that enforcement should be a function of the lottery office rather than the State Troopers. The Troopers will have expected priorities above the lottery, but the lottery must, at all times, hold the confidence of the players through proper security and enforcement provisions.

With so many determinations for policy to be made by the director and the board, a fiscal note is nearly impossible to guess. A lottery will need to be capitalized, but the games to be introduced will have bearing on whether the capitalization should be \$2 million or \$12 million.

Most states require that the odds of any given game be advertised. We recommend that such a requirement be included in law.

A provision for lottery security and for verification of winners is advisable.

Section Comments

020 Lines of authority and responsibility should be firmly established in the board. For example, even though this section vests the powers of the corporation in the board, section 040(3) provides that the board "advise and make recommendations to the director."

050(2) apportionment of lottery proceeds should be flexible. Annual goals should be set, but individual games will, by virtue of sales volumes, have a varied apportionment of costs and prizes.

(3) insert some parameters for licensing contractors and retailers. Require by law that they have no history of criminal activity, and provide the board with regulatory authority to add additional qualifications.

- 060 Again, we recommend ultimate policy determination be held by the board. This should include the ability to set salaries apart from the state salary structure. Direction to conduct background checks is also recommended.
- 070(3) Contracting with qualified retailers is preferable to licensing. Contracts can be written to cover unique circumstances and will provide greater protection to the lottery.
- 080 There are many types of lotteries. We suggest that all responsibilities of this section be submitted by the director as recommendations for approval by the board.
- 100 Again, we recommend contracting over licensing. No contract should be entered into with any businesses whose principals have a criminal record.
- 110 In the absence of licensing, a filing fee should be charged sufficient to cover the costs of the background checks and processing. This would run about \$200.
- 120 Revocation provisions could be specific to each contract.
- 130 The board, after recommendation by the director, should establish the policies for retailer commissions, incentive awards, et. al.
- 140(a) Payment of the retailer's compensation should be a provision in the negotiated contract to provide the greatest protection to the lottery.
- (b) Reporting should also be part of the contract negotiations. Parameters for compensation and reporting along with all other provisions of this section should be set by the board allowing for more flexible contract negotiations by the executive director and the retailer.
- 210 A provision allowing payment by annuity is advised.
- 220 We recommend that unclaimed prize money be held for six months rather than one year. As this section is written, there is likely a constitutional problem with rolling these monies back into prizes.
- 300(b) Although we agree that retailers should be precluded from purchasing tickets and winning resulting prizes, there may be a problem with the wording of this section which also precludes them from winning prizes which may be part of their sales incentives.

The Honorable Mike Navarre
January 30, 1986
Page 4

Once again, Mr. Chairman, I strongly recommend that this issue be given full-time, professional attention before we enter the lottery arena. We do not border other, more populous states. We do not have a rural road system. We have fewer people per square mile than any other state in the Union. In short, there are too many comparisons which do not compare. A lottery is a gamble no matter the level of expertise, but by fully understanding our odds, we can better decide if we can afford to play. Appointment of a commission and staff to review Alaska-specific questions will provide a safeguard to adopting legislation which may or may not enhance state revenues.

Should you or members of your committee have questions, I shall be pleased to do my best to respond.

Sincerely,



Sally Smith
Director

cc: The Honorable Dave Thompson
Alaska State Representative

SS:cv
86-29

ARGUMENTS AGAINST A STATE-OPERATED LOTTERY

Testimony Prepared
by
Dr. Larry Braidfoot
Christian Life Commission
Southern Baptist Convention
Nashville, Tennessee
December 15, 1985

Commended for study and reflection by the following Alaskans:

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TABLE OF CONTENTS

A LOTTERY IS A REGRESSIVE SOURCE OF TAXATION	Page 1
A LOTTERY WILL KNOWINGLY APPEAL DISPROPORTIONATELY TO ETHNIC MINORITIES	5
A LOTTERY WILL NOT REDUCE ILLEGAL GAMBLING BUT WILL STIMULATE IT	6
A LOTTERY WILL CONTRIBUTE TO GROWTH IN THE NUMBER OF PROBLEM GAMBLERS	10
CONCLUSION	14
FOOTNOTES	16

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, 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.⁴

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

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.⁸

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.

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

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 1.23 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.

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 nonwhite¹⁹ population was less attracted to the lottery than were whites.

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 Bower 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

Koza'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, preys 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.³³

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 compulsive 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.
- 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.
- ³Lucky for New Jersey: New Jersey State Lottery 1982 Annual Report, p. 2.
- 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.)
- ⁵Gambling in America: Final Report of the Commission on the Review of the National Policy Toward Gambling (Washington: 1976), p. 91.
- ⁶Daniel B. Suits, "Gambling Taxes: Regressivity and Revenue Potential," National Tax Journal, Vol. 30 #1 (March, 1977), pp. 22-29; Daniel B. Suits, "Economic Background for Gambling Policy," The Journal of Social Issues, Vol. 35 #3 (1979), pp. 52-57; The Christian Science Monitor, May 12, 1982, p. 10; "Gambling as a Source of Income," in Michigan's Fiscal and Economic Structure, Edited by Harvey E. Brazer (Ann Arbor: The University of Michigan Press, 1982), pp. 828-853.
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- ⁸The Impact of State Sponsored Gambling on the Community. A six-month study conducted in New Castle County, Delaware, by the Delaware Council on Compulsive Gambling.
- ⁹M. Spiro, "On the Tax Incidence of the Pennsylvania Lottery," National Tax Journal, Vol. 27 (1974), pp. 57-61; R. E. Brinner and C. T. Clotfelter, "An Economic Appraisal of State Lotteries," National Tax Journal, Vol. 28 (1975), pp. 395-404; Suits, "Gambling Taxes: Regressivity and Revenue Potential," pp. 19-35.
- ¹⁰Suits, "Gambling Taxes: Regressivity and Revenue Potential," pp. 24-29.
- ¹¹Mark Abrahamson, Director, and John N. Wright, Assistant Director, Gambling in Connecticut, A Research Report Funded by the Connecticut State Commission on Special Revenues, Storrs, Connecticut, Nov. '77, p. ii.

- 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.
- ¹⁷Dr. John R. Koza, "Who is Playing What: Part 4 of a Series," Public Gaming, June '84, pp. 50ff.
- ¹⁸Ibid.
- ¹⁹Gambling in America. Final Report of the Commission on the Review of the National Policy Toward Gambling (Washington: 1976), p. 156.
- ²⁰S. C. Drake and H. Cayton, "Policy: Poor Man's Roulette," in Gambling, by R. D. Herman (New York: Harper and Row), 1967.
- ²¹Mark Abrahamson, Director, and John N. Wright, Assistant Director, Gambling in Connecticut, A Research Report Funded by the Connecticut State Commission on Special Revenues, Storrs, Connecticut, Nov. '77, p. 33.
- ²²Bower, pp. 23-24.
- ²³Dr. John R. Koza, "Who is Playing What: Part I of a Series," Public Gaming, Mar. '84, p. 14.
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- ²⁵James Cook, "The Invisible Enterprise," Forbes (Sept. 29 '80), pp. 60-71.
- ²⁶Easy Money. Report of the Task Force on Legalized Gambling sponsored by the Fund for the City of New York and the Twentieth Century Fund (Millwood, New York: Kraus Reprint Co., 1975), p. 2.
- ²⁷"Gambling Rage Out of Control?" U. S. News and World Report, May 30 '83, p. 28.
- ²⁸Washington Post, Apr. 26 '83, pp. A1, A8.
- ²⁹Washington Post, May 29 '83, pp. B1, B9.

³⁰ Organized Criminal Activities--South Florida and US Penitentiary. Hearings before the Senate Permanent Subcommittee on Investigations, Part 3, 95th Congress, 2nd Session, Oct. 24-25, 1978, pp. 750 and 818.

³¹ Crime Control Digest, Apr. 10 '78, pp. 3-5.

³² Organized Crime Digest, Feb. '83, p. 3.

³³ Report from Gregory H. Smith, Attorney General, State of New Hampshire, to members of the Sweepstake Commission. September 1, 1982.

³⁴ Progress, Nov. '83.

³⁵ Arkansas Democrat, Dec. 26 '83.

³⁶ Crime Control Digest, July 7 '77, pp. 5-6.

³⁷ Gerald T. Fulcher, "In Response: Legalized Gambling, Who Are Its Victims?" State Legislatures, Oct. '81, pp. 20-21.

³⁸ The Wall Street Journal, Nov. 23 '83.

³⁹ The Blood-Horse, May 12 '84, p. 3443.

⁴⁰ Rickey Green, A Preliminary Study on Compulsive Gambling in New Jersey, July '79. Greene is an employee of the New Jersey Department of Health, the Alcohol, Narcotics and Drug Abuse Unit.

⁴¹ Public Hearings on Compulsive Gambling, before the Assembly Institutions, Health and Welfare Committee, Apr. 8 '81, p. 3A.

⁴² "Regulation 1984," Public Gaming, Feb. '84, p. 18.

⁴³ Gaming and Wagering Business, Nov '84, p, 2.

⁴⁴ Gambling in America, p. 2.

⁴⁵ Ibid, p. 159.

⁴⁶ Ibid, p. 158.

⁴⁷ The Tennessean, Sept. 4 '84, p. 1.

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 Ggming Conference and International Gaming Congress, 1982, pp. 52-54.

⁵⁰ Charles H. Morin, "The Presidential Commission on the Review of the National Policy Toward Gambling Revisited," Fifth Annual Gaming Cconference: 1983 (Philadelphia: Laventhol & Horwath, 1983), pp. 54-55.

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
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907 465 3800

*Not used by Lottery
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4/16/86 SJB

from Bob Thomas

MEMORANDUM

October 2, 1985

SUBJECT: Alaska State Lottery Commission (SSHB 338)
TO: Representative Dave Thompson
FROM: Teresa B. Cramer *TBC*
Legislative Counsel

I have prepared a draft Sponsor Substitute for HB 338. There are several provisions that you may wish to change.

Sec. 05.18.020(a) vests the powers of the corporation in the board. Later, in Sec. 05.18.040, the board is directed to delegate certain powers to the executive director. The director's powers and responsibilities are set out in Sections 05.18.060-05.18.080.

Sec. 05.18.040(a) gives the board responsibility for the management of the corporation's financial and legal obligations and directs the board to manage the corporation on a self-sustaining basis. It might be more appropriate to direct the corporation to generate revenues.

Sec. 05.18.050(2) directs the board to apportion revenues among prizes and costs. Later, in Sec. 05.18.220, concerning unclaimed prize money, the board is directed to retain a portion of unclaimed prizes for future prizes.

These provisions raise constitutional problems. Article IX, section 7, of the state constitution states

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article (the Permanent Fund) or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

The state supreme court has interpreted "proceeds of any tax or license" to include the sources of any public revenues. State v. Alex, 646 P.2d 203 (Alaska 1982) Therefore, the proceeds from the sale of lottery tickets fall within the prohibition. To avoid the problem, the legislature could appropriate a portion of the revenue to be raised by the sale of lottery tickets to the corporation for prize money and either provide a lapse date two years after the appropriation, permitting the corporation to add unclaimed prize money to future prizes, or could lapse the money after one year and be asked to reappropriate that sum for future prizes in the next budget.

Sec. 05.18.060 sets out the employment policies for the corporation.

Sec. 05.18.110 provides that a lottery sales agent license is valid for one year. You may wish to change the prohibition against charging fees for licensing or license renewal. You may also wish to consider whether a person with several retail outlets should be required to license each outlet or whether one license will cover all listed sales locations. The draft does not now require public display of the license. The director could, under 05.18.080(8), adopt regulations addressing these issues.

Sec. 05.18.110 contains new subsections permitting the director to impose a service charge for dishonored checks and electronic transfers, interest and service charges on overdue debts, and imposing a lien on the property of an agent who owes the corporation money. These are drawn from the Model Act.

Sec. 05.18.220 raises the constitutional questions concerning dedication of funds discussed under Sec. 05.18.050.

Sec. 05.18.300, providing for annual and special audits, is new. Authority to require audits is vested in the board rather than the executive director. The board is required to file copies with the legislature and with the commissioner of revenue. You may wish to require filing with the governor instead of the commissioner.

Sec. 05.18.310, prohibiting certain acts, has been expanded based on the Model Act. Subsection (b) prohibits any

Representative Dave Thompson
October 2, 1985
Page 3

contractor of the corporation from purchasing a ticket or share or receiving a lottery prize.

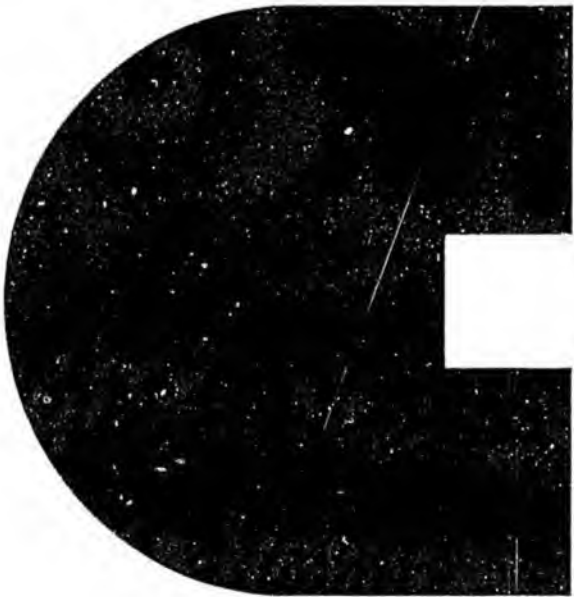
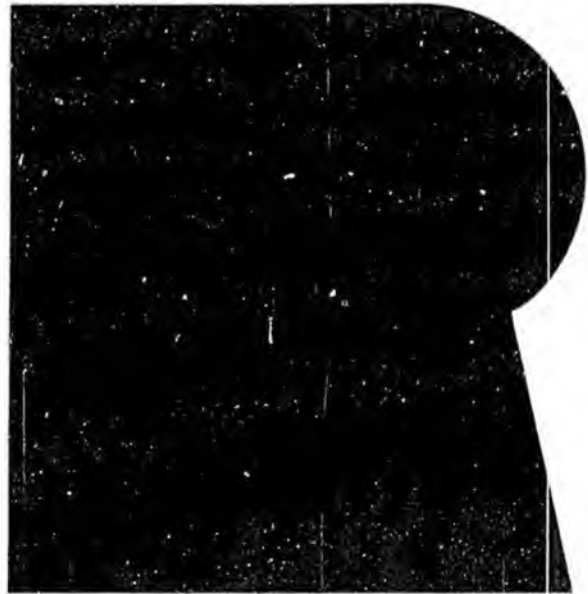
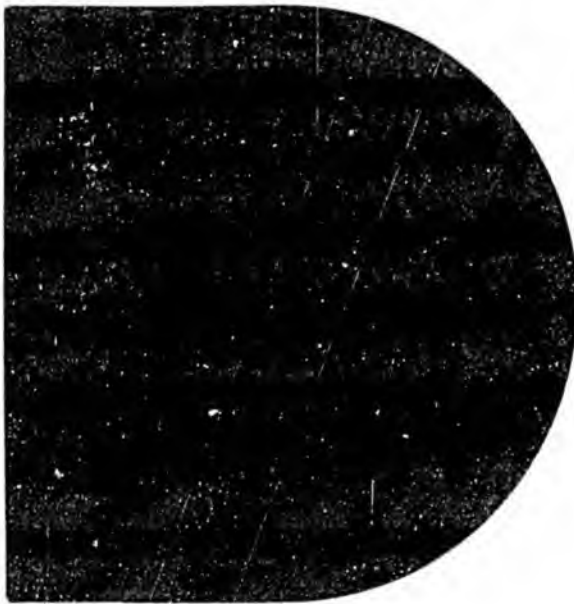
Section 2 amends AS 39.25.110 which lists positions in the exempt service.

If I may be of further assistance, please advise.

TBC:mkr
M1:022

DRC

DITTMAN RESEARCH CORPORATION
OF ALASKA



MARKET • PUBLIC • POLITICAL
OPINION RESEARCH

**STATE-WIDE SURVEY
CONCERNING LOTTERY**

**PREPARED FOR
REP. DAVE THOMPSON**

NOVEMBER 1985

**DITTMAN RESEARCH CORPORATION OF ALASKA
1st INTERSTATE BANK OF ALASKA BUILDING
3230 "C" STREET
P.O. BOX 4-1234
ANCHORAGE, ALASKA 99509**

METHODOLOGY

During the period of November 1 through November 12, 1985, 502 residents of 51 Alaskan communities were personally contacted by telephone by professional interviewing employees of the Dittman Research Corporation. The views and opinions of the Alaskan residents were recorded on a strictly confidential basis.

Research Design - A random sample was featured which provided that all residents of the communities included had essentially the same chance of being interviewed.

Sample Selection - The Anchorage sample was selected through a computer-generated random digit dialing program. This is particularly important in Anchorage due to a 40% rate of unpublished and unlisted numbers.

The sample in other communities state-wide was randomly selected from current telephone subscribers listed in the most recent directory for each community. In these communities, the percentage of non-listed numbers does not exceed 10%.

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
NOVEMBER 1985

FINDINGS:

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%

STATE-WIDE LOTTERY
NOVEMBER 1985

...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.

FILE CONTENTS HB 338

1. Sponsor Substitute
2. Sectional Analysis
3. Dittman Report
4. Arguments Against State Operated Lottery

DISTRICT 27:
AKHIOK
CHIGNIK
CHIGNIK LAGOON
CHIGNIK LAKE
CHINIAK
IVANOF BAY
KARLUK
KODIAK
LARSEN BAY
OLD HARBOR
OUZINKIE
PERRYVILLE
PORT LIONS
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Alaska State Legislature



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(907) 465-2498

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KODIAK, ALASKA 99615
(H) (907) 486-4899
(L/O) (907) 486-8116

Representative
Dave Thompson

DT: Jan. 22, 1986

TO: Mike Navarre, Chairman
House Labor & Commerce Committee

FR: Dave Thompson *DW*

RE: HB 338

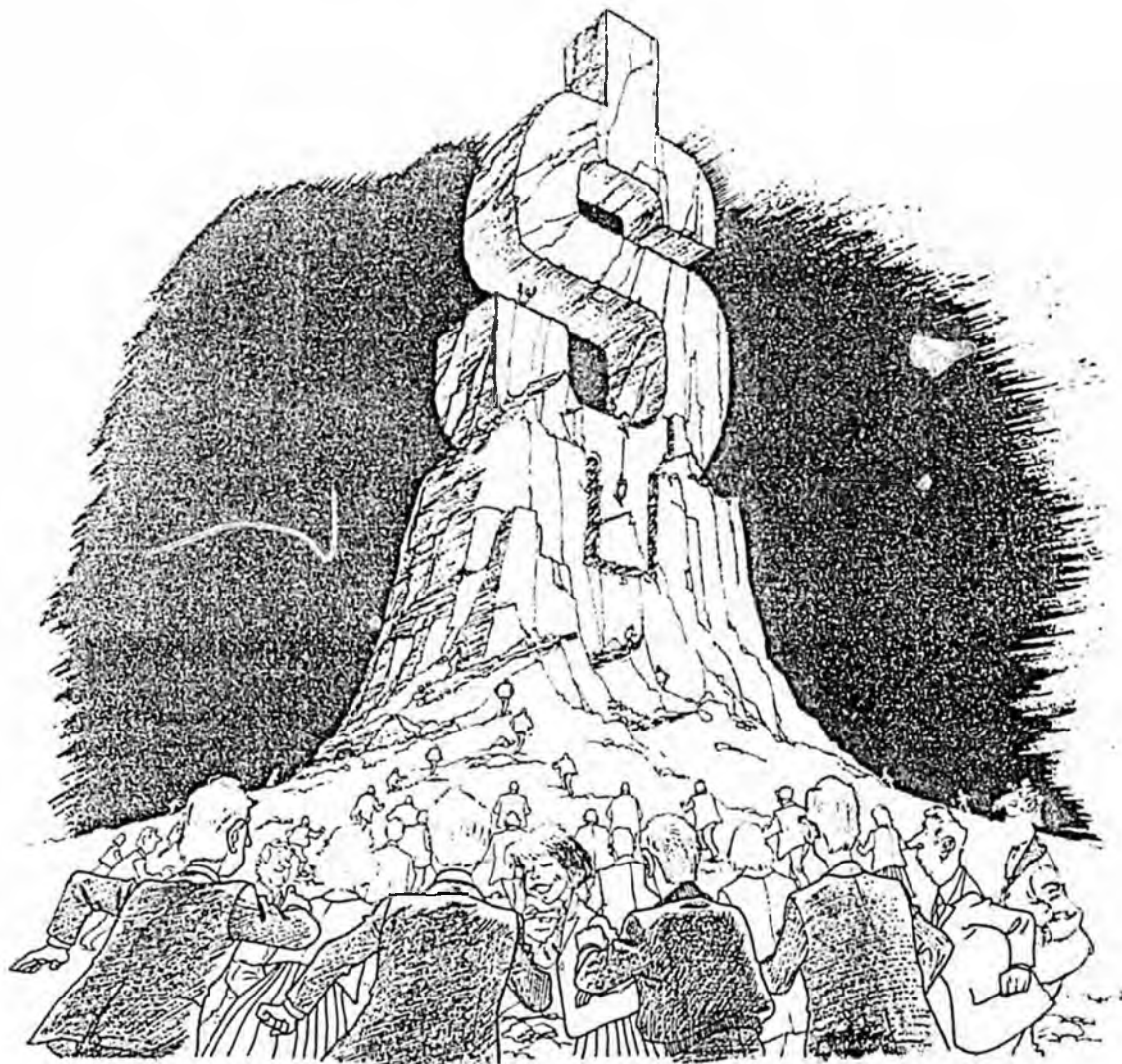
I offer the attached substitute for HB 338, an act to establish an Alaskan lottery, for consideration as a committee substitute. This substitute has been developed from considerable research regarding modern lotteries and is patterned after the model suggested by the National Association of State Lotteries.

The major differences between the original bill and this substitute are:

1. The substitute would establish a public for profit corporation as the agency to administer the state lottery. This corporation would be directed by a board of directors appointed by the Governor and confirmed by the legislature. The original bill would establish a division within the Department of Revenue as the administrative agency with a commission to oversee its operations.

2. The substitute allows for the lottery to determine the type of lottery games offered to the public, based upon market conditions and the expertise of staff hired by the corporation. The original bill restricted the types of lottery games to be offered (no instant games), which in turn resulted in a \$13.0 million fiscal note. This change reduces the fiscal note to zero. An appropriation of not more than \$1.5 million, to be repaid within the fiscal year, will be necessary for implementation of the lottery.

SETTING UP THE CALIFORNIA LOTTERY



Some will strike it rich before the first ticket is sold

By STEVE WIEGAND

California's lottery has yet to lay its first golden egg, but swarms of people in and out of the state are already whetting their appetites for omelettes. The salivating swarms include educators, vendors of lottery products, advertising agencies and retailers with eyes toward selling lottery tickets. Some are already making money. These include the public-relations firms and lobbyists who have been hired to help assure that their clients receive the most generous shares.

Those who weren't too distracted by the presidential race last fall will recall that California voters approved the

Steve Wiegand is a Capitol reporter for the San Francisco Chronicle.

lottery — the state's newest try at taxes-without-pain — by a handy margin. As a result, California is no longer the only state in the 20th Century whose voters rejected a lottery.

That occurred in 1964 following revelations that the ballot measure was drawn so that only its sponsor could bid for the contract to run the lottery. Despite similar allegations this time, voters apparently decided there was enough in a lottery to go around.

That may be a considerable understatement. "I don't think a lot of people out here (in California) appreciate just how big this is going to be," says Daniel Bower, president of Scientific Games, Incorporated, the company that financed the successful lottery initiative drive. "We're talking very big money here."

Estimates of just how big vary according to the estimator's philosophical and economic bent.

Governor George Deukmejian, who opposed the lottery

and who probably wouldn't be broken-hearted if the lottery were less than an overwhelming success, has calculated that first-year sales will reach about \$900 million. Lottery product companies, with more experience at these estimates than Deukmejian and more reason to lean toward cockeyed optimism, say the first year's sales could reach a staggering \$2 billion. And William Hamm, the Legislature's independent analyst who isn't known for leaning too far either way, puts the figure at about \$1.25 billion.

That amounts to about \$50 worth of wagering for every man, woman and child in the state. Since no one under 18 can play the lottery, adults will have to pick up the slack.

How big is it?

However you slice it, it comes up big money. How big? Using Hamm's estimate, consider that the lottery will:

- produce more revenue than the combined gross national products of the countries of Chad, Laos and the Solomon Islands;
- be larger than the total budgets of six states;
- amount to more money than the gross revenues received by the top three companies operating in California in 1983; and
- perhaps equal the value of Assembly Speaker Willie Brown's entire wardrobe.

"In terms of net revenues, California's lottery will become one of the nation's top 50 corporations," says Owen Hickey, director of the Colorado lottery, "with all the attending economic ripples."

The most conspicuous ripple, and the one the public is most interested in, is the prize money. Half of the lottery's total revenues will go to prizes, which is a long way from saying that half of the lottery tickets will be winners. Instead, a bunch of lottery players will make contributions, to million-dollar payoffs for a select few (for an alternative, see box).

Another portion — 34 percent — will go to schools, from kindergartens to the University of California. Hamm estimates the schools' share from the first full year of operation at \$500 million. Of that, \$400 million would go to elementary and high schools, an amount equal to 4.2 percent of the total they will receive from state government during the current fiscal year. The rest would be divided

between the state college and university systems, the community colleges and the University of California.

Although not a dime has been gambled so far, educators from state schools chief Bill Honig to local high school department heads are already speculating, squabbling and all but spending. Honig and other officials are debating whether to feed the money into their accounting system in a way that might generate additional state funds. At a local high school, teachers in the music department are at odds over whether to spend the money for new instruments or books.

Overhead

The rest of the money? The rest — up to 16 percent, or an estimated \$200 million — is designated for what is euphemistically described as "administrative overhead." A significant slice of that will go to the companies chosen to supply the state with tickets, computer systems and lottery know-how.

Scientific Games, which spent more than \$2 million on California's lottery initiative campaign, spent another \$250,000 to enact a similar measure in Oregon and recently won a ticket-supply contract there, reportedly worth \$5 million. Since California is 10 times bigger than Oregon, it stands to reason that California's contracts will be worth considerably more than pocket change.

Although Scientific Games is considered the front-runner in landing the first California contract, other firms in the still-young-but-already-cutthroat lottery industry have served notice they will be here armed to the teeth with their own proposals. "We expect to be a factor," says Bill Turner of Electro-Sport, an Orange County-based company and one of the few lottery firms with California roots. "There's too much money at stake not to try for part of it."

(Some rivals contend that Scientific Games put language in the initiative — concerning vendor disclosure statements — to favor itself in the bidding. Scientific Games' officials deny the charge and say that this is sour grapes from companies that were not willing to gamble by putting money into the initiative campaign.)

Other firms that have expressed more-than-passing interest in lottery contracts include Illinois-based Response

LOW JACKPOTS, THOUSANDS OF WINNERS

By ALEX KLINE

With revenues from the pending lottery projected at more than \$1 billion a year, the state of California has the opportunity to devise a unique awards system. By limiting jackpots to \$10,000 each, over 100,000 people could annually win a significant amount of money. As current lotteries go, the odds of striking it rich are 10 or 20 million to one, and for the tiny few lucky enough to win, the silver cloud is often accompanied by broken marriages and friendships and by stable lives suddenly gone haywire.

But if jackpots are kept at around \$10,000, the winners are more likely to put money into something realistic, like a down-payment on a house, seed money for a business or a college fund. But they're not likely to quit their jobs or alienate their friends and family.

Alex Kline is a freelance writer and an editor with the Center for Innovative Diplomacy in Palo Alto.

If projected lottery revenues are correct, there could be over 100,000 such winners each year. In ten years over one million people would have won a \$10,000 jackpot. Put another way, the probability of winning the lottery would be closer to one in 10 or 20 thousand than one in 10 or 20 million. That's akin to the difference between the odds of being struck twice by lightning and the odds of having your tax return audited.

Such a lottery would also put large chunks of unanticipated, discretionary money in the hands of many consumers who could then spend for new cars, boats, vacations, parties or the like, thus "stimulating the economy." Or winners might put their money to less-materialistic uses such as better food, education for their children or into a retirement fund. In either case, a significant amount of money would circulate at the lower end of the economy rather than being tied up in large a chunk at the top.

Graphics, a division of Moore Business Forms; Webrcraft Games, a New Jersey-based subsidiary of Beatrice Foods; Control Data Corporation of Bloomington, Minnesota; American Totalisator Company, a division of General Instrument Corporation; Reno-based 101 Corporation; GRECTO, based in Rhode Island; and Games Management, a division of the British-based Vernons Organization.

To further their cause, several lottery firms have already hired public-relations agencies and lobbyists to represent them in Sacramento. Scientific Games has hired Woodward-McDowell, the PR firm that ran the successful lottery initiative. The company has also retained Sacramento lobbyist Nick Konovaloff. Games Management, not to be outdone, has hired Sacramento lobbyist Bernard Teitelbaum and the Los Angeles-based public-relations firm of Cerrell Associates.

Other profiteers

Lottery companies aren't the only ones that stand to profit when Californians play the numbers. Telephone companies will doubtless profit handsomely from providing "secured" telephone lines for the lottery system's computers. (The lines are designed to prevent brilliantly sophisticated criminal syndicates, or precocious high school sophomores, from tapping into the winning numbers before the rest of us find out what they are.)

Advertising agencies will also fiercely compete to design the jingles and flashy billboards that will inundate, respectively, the airwaves and roadsides, urging Californians to invest their sporting dollars in the lottery. And then there are the ticket agents, retail establishments and civic and charitable groups lucky enough to be chosen to sell lottery tickets.

Lottery experts say that the rule of thumb for determining the number of ticket outlets needed in a state is to provide one for every 1200 people. In California, that would mean a whopping 20,000 ticket outlets.

Under terms of the lottery initiative, ticket agents can be paid up to five percent of the gross for the tickets they sell, plus incentive bonuses. That can amount to thousands of dollars a month for having been clean enough to pass a security check and doing a little bookkeeping.

For a mom-and-pop store, that's not bad dough. Chain outfits, perhaps more blasé about such sums, must compete for lottery agent contracts also since they have to

Advertisement

ensure that they offer all the services their competitors do.

"If one store in an area is selling tickets," said Scientific Games' Bower, "they all want to. The competition can get fierce."

It already shows signs of that in California. The liquor lobby has argued that ticket outlets should be located in bars and stores that sell liquor, since the employees of those establishments would already be trained to enforce age-restriction laws — such as the lottery's 18-and-over rule. Non-profit groups and civic organizations are arguing that they should have first priority. And large retail chains contend that the tickets should be sold in the places that attract the most people on a daily basis.

Despite its rather unusual status as the only government agency that is expected to make money, the lottery will also have a few things in common with other agencies — namely an army of bureaucrats. Lottery experts from other states estimate California's lottery payroll could easily reach 1000 by the end of the year, with people needed to deliver tickets, act as agents to help — and monitor — ticket sellers, man the computer system and do all those other things bureaucrats find to do. Just how many will be bonafide state employees and how many will be private sector workers under contract is unclear.

"It's something we haven't focused on yet," says Keith Hearn, a spokesman for the California State Employees Association. "But we will. Generally, if it's to fill a job that regular state employees are already doing in other agencies, the jobs should go to state workers and not outside contractors."

Something for everyone

It would seem, then, that the lottery has something for nearly everyone. Even the Legislature — the one group that was specifically singled out for exclusion by the initiative's authors — is getting into the act.

"We wanted to make it as complete as possible so that there would not be a lot of room for tinkering with it," said Dick Woodward, one of the team that pushed the lottery initiative through. "So we specifically designed it to discourage the Legislature from trying to make changes."

Lottery proponents say they are most concerned that the Legislature will attempt to dictate how the schools' share of the lottery revenues should be spent, or cut other state aid to schools in proportion to the amount they get

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THE CITIZEN'S VOICE

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THE LOTTERY COMMISSION

The lottery is to be run entirely by a five-member commission composed of gubernatorial appointees. The initiative required their appointment by December 7th, but Deukmejian, stressing the need for caution and care, did not make his announcement until January 29th. At an early February news conference, the appointees said that they, too, would not rush ahead and would proceed cautiously toward the next step -- hiring an executive director. Obviously, the Commission will not make the initiative's March 21st deadline for having tickets ready for sale. Not to worry, though; the initiative carried no penalties for failure.

Commissioners serve for five years but since the terms must be staggered, the governor nominated three for less than full terms. Also, the initiative required that one commissioner be an accountant and another have at least five years of law-enforcement experience. Commissioners, who require Senate confirmation, receive \$100 per day and are compensated for necessary expenses.

Howard E. Varner, 59 Chairman

Chairman of the board and former president of Host International, a national restaurant chain and Santa Monica-based subsidiary of Marriott Corporation. Holds a degree in banking and finance from the University of Illinois. A Republican from Pacific Palisades, his term runs for two years.

William J. Johnston, 58 Vice Chairman

Superintendent of the Los Angeles Unified School District, 1972-81. Director of public affairs for Southern California Gas Company, 1981-84. Holds a doctorate in education from UCLA. One of two commissioners who voted against the lottery initiative (Proposition 37) last November. A Republican from Los Angeles, his term runs for five years.



JOHNSTON WEBSTER
VARNER MONTGOMERY PRICE

Laverta Montgomery, 48

City manager of Compton, 1982-present. Former director of the Compton Redevelopment Agency and former Compton city controller. A Republican, she was appointed to a five-year term.

John M. Price, 65

District attorney for Sacramento County, 1959-79, he fills the law-enforcement requirement. Holds degrees from University of California, Berkeley, and from Boalt School of Law. Now living in Mendocino County, he is a Democrat whose term runs four years.

Kennard Webster, 64

A former partner in Deloitte, Haskins & Sells — one of the nation's largest accounting firms — Webster fills the mandate for an accountant. He is the second commissioner who voted against Proposition 37 last November. A Democrat from Palm Springs, he was appointed to a three-year term.

from the lottery.

To avoid that, the initiative contains language that expresses the voters' "intent" that lottery revenues are in addition to — not in place of — other school aid, and that the money is to go to the schools with no strings attached.

But the intent of initiative drafters — or voters — has never been much of a stumbling block for a determined Legislature.

A dozen bills are already pending in the Legislature to change the lottery, including measures that would:

- require elementary and high school districts to use lottery funds to reduce class size and require community colleges to spend their share on remedial programs (AB75, Hughes);
- give preference to nonprofit corporations in the selection of ticket agents (AB108, Agnos);
- raise the minimum age for buying lottery tickets from 18 to 21 (SBA, Dills);
- make it a misdemeanor to knowingly sell lottery tickets to youths under the age of 18. The initiative did not include any criminal penalty for this (AB2, Alatorre); and,
- require that lottery revenues be used to build new

schools and senior-citizens centers, and increase the size of the lottery commission from five to 13 by adding some local officials and appointees of the Assembly speaker and state Senate president pro tempore (ACAL, Bane).

Legislators defend their voracious interest in the lottery by contending that this initiative, like most others, has fatal flaws that only seasoned lawmakers can correct.

"Everybody who draws up an initiative always tries to keep the Legislature out because they are afraid the Legislature may correct any imbalances or inequities," said Assemblyman Art Agnos, a San Francisco Democrat. "But we have every right to fine tune it without disturbing the fundamental thrust, and that is that the people want a lottery."

Unfortunately for Agnos and his colleagues, the governor seems unwilling to go along. When asked recently about some of the legislative proposals he said he saw no need for any significant changes. "I think we should give great deference to the vote of the people," he said.

And so, it seems, we shall have a lottery much as voters approved it: a system for gathering small contributions from millions of people for the benefit of a relative few. ♣

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE C. 7101
JUNIAU. ALASKA 99E11
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 8, 1985

SUBJECT: State Lottery Bill
(Work Order No. 14-0805)

TO: Representative David Thompson

FROM: Theresa L. Bannister *TLB*
Legislative Counsel

With this memo I am transmitting to you a draft of the state lottery bill that you requested.

The draft is based on the New Jersey lottery statutes that accompanied the work order, but I had to change the New Jersey law to conform it to Alaska law and to Alaska's drafting style. Therefore, the draft appears different from the New Jersey law, but the substance remains similar.

Please note that there is a policy question raised in the coverage of Sec. 05.18.240(e) of the draft, which you may want to consider further. That subsection prohibits certain persons, who may be involved in the lottery administration, from participating in the lottery itself. Do you want to exclude other persons? Do you feel the present provision is too broad? If a local government is a lottery sales agent its employees are prohibited from participating. Do you want that? Should members of the Governor's staff or office be allowed to participate? If you decide on changes for the present subsection, or to the draft in general, please so advise.

TLB: csh
c3/035

Statement of Mary A. Nordale
Commissioner of Revenue
on HB 338

The Department of Revenue is opposed to the establishment of a five member volunteer commission which would have unilateral authority to establish lotteries in and for the State of Alaska. Unpaid commissioners, by definition, have primary responsibilities for the management of their own concerns and only secondary responsibilities for the work of their commission. We cannot expect them, therefore, to devote the time and energy needed to fulfill the demands of this bill. Additionally, this bill makes no provision for the expertise needed to provide an appropriate product. Such power in the hands of five people, three of whom constitute a quorum, leaves the development of a state lottery open to a very high degree of politicizing. Those who would want the appointment would be suspect. Those we would wish to take the appointment would be properly intimidated by the responsibility.

This bill provides the commission with almost total authority, but creates conflicts which could seriously inhibit responsible decision making. The commissioner of the department has the responsibility to hire the director, but is not, by this legislation, a member of this commission. Certainly, this puts the director in an untenable position of having to choose between obedience to the Commissioner of the department or the commission, and sets the stage for a power struggle between the commissioner of the department and the lottery commission. Such inherent tension serves no useful purpose.

It is our belief that a lottery in this state will be successful only if there is careful, professional consideration of all of its aspects. After all, the motivation for its implementation is to raise revenues. It must, therefore, be viewed as a revenue source, not a game, and must be approached thoughtfully and responsibly in that context.

We recommend that if the legislature wishes to pursue creation of a lottery, you direct the Department of Revenue to provide you with the considerations and possibilities. In the limited time we have been given to review this issue, we have identified areas that will require substantial time and expertise to investigate. Modeling an Alaska lottery after those in other states has its limitations, since the experience of other states does not mirror our population either in terms of size or diversity. They do not have the geographical considerations nor the diversity of economic considerations. Their benefit to cost would, most certainly, enjoy a higher ratio.

Any efforts we make to raise revenues through lottery should be founded on hard facts specific to our people and our state. We recommend that these efforts be made only after adequate research is conducted by and with professionals who will help us meld revenue raising and gaming in a responsible fashion. For example: marketing considerations should be matched to economic indicators; an analysis should be made of the probable impact on welfare programs; there should be some understanding of the impact a lottery will have on our communities, both urban and rural; we should anticipate the effect a state lottery will have on charitable gambling and

existing lotteries and how that will affect state programs; we should carefully analyze the distribution of revenues to insure the rich and influential do not trade on the dreams of the poor. Additionally, a formula must be developed and placed in law which will provide for the payment of expenses and prizes.

The crafting of provisions for payment to agents should assure collection of revenues. The Department currently wrestles with delinquent vendors of fish and game licenses and tags, and the legislature has heretofore been reluctant to provide us with adequate means for enforcement. There should be provisions, in law, for enforcement of collections and against alteration and forgery.

The list of considerations continues, but the problem remains. Despite delegation to a commission, the responsibility for ultimate success or failure lies with the legislature and the administration. Let us work with you to develop the best possible solutions. But let us not work in haste before we are able to craft the laws necessary to insure that an Alaska lottery will be fair, honest, non-discriminatory and an effective means of raising revenue.