

STATE LOTTERIES: A STUDY OF AN ATTEMPT AT  
DECRIMINALIZATION OF DEVIANT BEHAVIOR

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by

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## ABSTRACT

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### Purpose

The objectives of this study were: (1) to determine if state lotteries, as they are currently operated, possess the potential to compete with illegal lottery operations (numbers, policy and bolita), (2) to gather and systematically present meaningful information on the operation and potential of state lotteries, (3) to present recommendations for improving the operation of state lotteries and (4) to determine if legalization of this type of gambling solved any problems associated with deviant behavior in the form of illegal lotteries.

### Methods

An extensive review of the literature on legal and illegal lotteries, as well as information from statutes, reports, audits and personal communications with several states provided the necessary material for a descriptive analysis of both a typical

"numbers game" and the state lottery operations in New Hampshire, New York, and New Jersey.

A comparative analysis of the state lotteries and the illegal lotteries was conducted.

### Findings

1. The comparative analysis indicates that the "numbers game" would be more attractive to the average gambler than the state lotteries.

2. The "numbers game" provides a form of recreation, companionship and community involvement as well as an outlet for the frustrations of those in the lower strata of society.

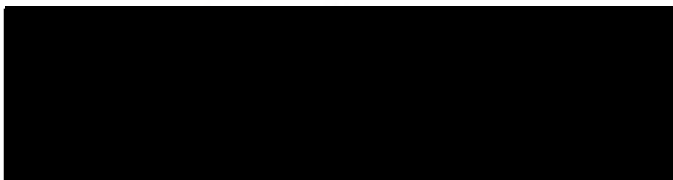
3. Laws proscribing illegal lotteries act as "Crime Tariffs," thereby insuring a monopoly for organized crime and encouraging corruption of police and public officials.

4. The dual goals of state lotteries, i. e., producing revenue for the state and reducing crime by competing with organized crime for the gamblers money are not compatible goals.

5. There is no evidence to indicate that the state lotteries have had an impact whatsoever on the "numbers racket."

6. The state lotteries have been only moderately successful in raising revenue for the states.

7. State lotteries do not represent legalization of the "numbers game, " but rather the creation of a new and different form of gambling.



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## CHAPTER I

### INTRODUCTION

Much has been written in recent years on the concept of "victimless crime." These crimes involve a willing exchange of goods and services in an environment of illegality, with an apparent disregard for the law on the part of the public. Included in this area we find abortion, homosexuality, drug abuse, prostitution, gambling and others. These crimes are a particular problem for our Criminal Justice system for several reasons.

Probably the most important problem is the fact that there is a lack of public consensus about laws making these activities criminal. H. L. A. Hart (1963) poses the question in behalf of millions of individuals in this country when he asks "Is the fact that certain conduct is by common standards immoral sufficient to justify making that conduct punishable by law?". He answers his own question by referring to John Stuart Mill's statement, "The only purpose for which power can rightfully be exercised over any member of a civilized community against his will is to prevent harm to others." (Hart, 1963, p. 4). Whether or not these laws "prevent harm to others" has been debated extensively in the past.

However, there is increasing support in the field of Criminal Justice for Mill's philosophy. Authors such as J. L. Simmons (1969) and Edwin Schur (1965) have written extensive, convincing works attacking suppression of these activities through the use of criminal law. They criticize the criminalization of these activities on the grounds that they tend to create deviant subcultures, lead to secondary deviance, and "when popular behaviors are outlawed, a powerful, illicit 'underworld' develops to service the deviants (Simmons, 1969, p. 128)." According to Herbert L. Packer (1964) who calls these laws "Crime Tariffs," by making these activities criminal, we are limiting the supply of the commodity in question by increasing the risk to the seller, thereby driving up the price of what he sells. When the demand is constant and the sale is illegal, the "crime tariff" goes into effect. Those willing to take the risk will be sheltered from the competition of those unwilling to do so.

Another salient argument against criminalization of these activities is the unenforceability of such laws. Since there is a willing exchange involved we lack a "complainant." If the police are to obtain evidence, often it must be through the use of quasi-legal methods which place the policemen in questionable positions and result in diminishing trust in the police by the public. In this environment the police are particularly susceptible to corruption. This will be discussed in detail later but since there is no victim,

and since the public evidently will not be denied, the police can easily rationalize the enormous profits to be made by allowing these activities to continue.

The exact proportions of these victimless crimes are not known to us. However, a review of the Report of the Task Force on Crime and Its Impact: An Assessment, indicates that even their conservative estimates are staggering. It estimates that over one million illegal abortions are performed annually, that there are currently 57,000 narcotic addicts in the United States, that 37,000 arrests were made in 1965 for prostitution and commercialized vice, and that estimates by experts of the annual amount of illegal gambling vary from five to fifty million dollars (Presidents Commission . . . Assessment, p. 52-53). The exact amount would be of little additional assistance. What is important is that these crimes obviously place a tremendous burden on our Criminal Justice System in terms of man-power and money and, in fact, may be assisting in the growth of organized crime.

Solutions have been suggested, including complete legalization, legalization under government supervision, reduction of penalties and increased enforcement by the police. Norval Morris and Gordon Hawkins (1970) advocate, among other reforms, the decriminalization of drunkenness, narcotics and drug abuse, gambling

in all forms, abortion and any sexual activities between consenting adults.

While this approach will seem revolutionary to some, it no doubt will gain increasing popularity, and therefore it will be commanding the attention of criminologists and politicians alike. While criminologists can easily understand why noted experts in the field would take such a stand, they must not forget what such a reform might represent to the average layman. Sanford H. Kadish (1971) discussing the problems of "overcriminalization" comments that "It may be that the best hope for the future lies in efforts to understand more subtly and comprehensively than we do now the dynamics of the legislative (and, it must be added, popular) drive to criminalize." This statement by Kadish appears to be a warning that too much change, too quickly, might not be acceptable and therefore, the best hope probably would be in a compromise between those who advocate complete legalization and those who seek increased enforcement. Most proposals for policy reform have not been as broad nor as "radical" as those of Morris and Hawkins. According to Edwin Schur, "the term 'legalization' has been used primarily by opponents of reform, to create misleading impressions of reform proposals (Schur, 1965, p. 177)." To create the impression that the United States is heading down a road terminating with lawlessness is the exact method which will insure the defeat of any meaningful reform policies.

Most reform proposals are not as radical as one might be led to believe. There has been increased emphasis on diminishing the penalties for possession and use of marijuana and other drugs. Abortions have been legalized in some states; homosexuals openly fight for equal rights with considerable support, and increased legal outlets for certain forms of gambling, such as off-track betting and state lotteries, are becoming available in some states.

These reforms have been a step in the right direction; but only a step. If the problems resulting from "overcriminalization" are to be solved reforms must be sought on a national level with a sound basis of research by criminologists, sociologists and politicians. These minor reforms should be studied in depth to determine if attempts are channeled in the right directions. Is there a solution less radical than Morris and Hawkins' proposal? If there is, it must be found quickly and, if there is not, the task outlined by them must be initiated promptly.

#### Statement of the Problem

The Task Force Report: Organized Crime (1967, p. 2) states that "Law enforcement officials agree almost unanimously that gambling is the greatest source of revenue for organized crime." Since the "underworld" or "organized crime" is involved in most of the activities which involve illegal exchanges of goods

and services, it seems logical to study in depth attempts to deprive "organized crime" of the finances with which it runs its empire. If the assertion above is correct, it might be hypothesized that by depriving organized crime of its greatest source of revenue, organized crime could not operate and, therefore, the bulk of the problem would be solved. While this appears to be an oversimplification, statements of this type are rather common in discussions of legalization of gambling.

Morris and Hawkins state their position on gambling in their third ukase:

Gambling. No form of gambling will be prohibited by the criminal law; certain fraudulent and cheating gambling practices will remain criminal (Morris and Hawkins, 1970, p. 3).

Reading further, it is clear that they prefer the government to supervise gambling through operations in areas such as lotteries and off-track betting and licensing "Nevada Style" in other areas.

We do not face a choice between abolishing or legalizing gambling; the choice is between leaving gambling and the vast profits which accrue from it in the hands of criminals, or citizens taking it over and running it for the benefit of society or by licensing and taxation measures, controlling it (Morris and Hawkins, 1970, p. 11).

It is clear then, that even Morris and Hawkins are not as radical as they first appear to be.

The Committee for Economic Development in their policy statement on Crime recommend that "All statutes and ordinances

that make unorganized gambling criminal should be repealed" and further recommend "extensive experimentation with governmental ownership and operation of gambling arrangements that substitute effectively for the numbers racket, horse rooms, and betting pools that now form the main source of income for organized crime (CED, 1972, p. 55).

Speaking about narrowing the scope of criminality, Kadish states:

In the case of gambling, there is an overwhelming case for abandoning the traditional approach of sweeping all forms of gambling within the scope of prohibition, while relying on the discretion of police and prosecutor to exempt private gambling and charitable and religious fund-raising enterprises. At least, the evil of delegating discretion in such magnitude as to abandon law can be remedied by a more careful legislative definition of precisely the form of gambling conduct which the legislature means to bring within the criminal sanction (Kadish, 1971, p. 63).

Recommendations for gambling policy reforms are many and varied but most call for the legalization of some form of gambling and the concurrent supervision by federal, state or local government.

There have been proposals to legalize "Nevada" type gambling casinos in New York, New Jersey, Florida, and Hawaii. While none have received state approval they come before the legislatures annually and are sure to gain support.

Off-track betting is now legal in New York State. Seven states, as of this writing, have initiated state lotteries. The trend toward legalized gambling is definitely gaining momentum. The question which must be answered is whether or not the current forms of legal gambling will contribute towards a solution to the problem of victimless crimes. This paper will analyze the state lotteries to determine their effectiveness in this area.

### Purpose and Objectives

The seven states which currently operate lotteries contended, in their initial publicity, that legal lotteries would cause organized crime to lose its monopoly on the huge profits to be made by illegal lottery operations. The legal lotteries would lure gamblers away from the illegal numbers and policy operations. Although this argument certainly was not the only argument used by supporters of these lotteries, this theme is a recurring one with all states which have lotteries and those considering lotteries. This position undoubtedly influenced many voters in the past, as it will in the future. To date, however, not one of the states that currently operates a lottery has attempted to show that the lottery has had any significant effect in curtailing illegal lottery operations.

Many other states are currently considering initiation of state lotteries. These states should have the benefit of those which

preceded them in this endeavor. They should not start with the same doubts, confusion and lack of information that New Hampshire did in 1963.

The purpose of this study is to determine if state lotteries, as they are currently owned and operated, possess the potential to compete with illegal lottery operations. It is the objective of this study to gather and systematically present meaningful information on the operation and potential of state lotteries. It is hoped that the conclusions and recommendations of this study will serve as an additional tool which will help to eliminate the informational void which currently exists, thereby assisting these states in their decision-making process on this most important issue.

### Methodology

An extensive review of the literature was conducted in the field of gambling in general and in particular, lotteries, both legal and illegal. Three state lotteries and a typical illegal lottery were described in detail and a comparative analysis between the legal and illegal lotteries was conducted to determine which lottery would be most attractive to the average gambler.

### Procedures

The following procedures were followed for this study in the order presented:

1. An extensive review of the literature on gambling, particularly lotteries, was conducted to determine the historical development of this form of gambling and to gather information on lottery operations existing today in the U. S.
2. Through the use of secondary sources such as texts, professional journals, periodicals and newspapers, a typical "numbers" game was described in detail.
3. Using state statutes, reports, audits and personal correspondence with the states of New Hampshire, New York, and New Jersey, their state lotteries were described in detail.
4. A comparative analysis of the legal and illegal lotteries discussed was conducted as to legal constraints, availability, chance, odds, reliability and convenience, action and distributions of revenues.
5. Based upon foregoing observations, some conclusions concerning the ability of legal lotteries to effectively compete with illegal operations were presented. Recommendations for improving state lotteries and for the solutions to the problems of gambling in general are presented.

### Definitions

The following definitions apply to terms as they are used in this study:

#### Lottery

A lottery is a scheme for the distribution of property by chance, among persons who have paid or agreed to pay a valuable consideration for a chance.

#### Legal Lottery

Although there are several types of lotteries, the legal lotteries referred to shall mean only the lotteries established and operated by the seven states discussed in the study.

#### Illegal Lotteries

Illegal lotteries are all those operations which violate state statutes regarding lotteries. They include the "numbers game," "policy," and "bolita."

#### Chance

Refers to the probability of a bettor winning.

#### Odds

Refers to the payoff percentage a winner receives.

### Action

Refers to the frequency, number and amount of betting available.

### Organized Crime

A term used in this study to denote an organized criminal system as opposed to fragmented independent criminal operations. Whether the organization is local, state, regional or nation-wide is not a significant aspect of this study. There is no attempt here to infer a highly organized national crime syndicate.

### Limitations of the Study

It is impossible to accurately estimate the amount of illegal gambling carried on in this country. The best the President's Commission on Law Enforcement and Administration of Justice could estimate was somewhere between seven and fifty billion dollars (Task Force Report ... Assessment, 1967, p. 52). To attempt to estimate what part of that amount was through illegal lotteries would be meaningless.

Similarly, state crime statistics on gambling are far from accurate and often are listed under general anti-gambling statutes. Therefore, the amount of arrests and convictions for illegal lottery violations would be impossible to develop and mere estimates would prove worthless to this study.

It is, therefore, impossible to make any meaningful statistical analysis which would enhance this study and further justify some of its conclusions and recommendations.

## CHAPTER II

### REVIEW OF THE LITERATURE

#### History and Background of Lotteries

State lotteries are a relatively recent revival of a practice that dates back as far as the Roman Empire. In Ancient Rome lotteries were used primarily as entertainment at dinner parties. Tickets were given to guests which entitled the holder to either valuable or worthless prizes. Heliogabalus would award prizes "including gold vases, dead flies, bears, ostriches, and dead dogs (Weiss, 1966, p. 1)." The earliest clear record of a lottery as it is known today appears in the town records of L'Ecluse, which belonged to the Dukes of Burgundy. The lottery was held in 1420 and its purpose was to raise money for strengthening the town's fortifications.

The lottery spread throughout Europe very quickly. In England Queen Elizabeth was to sponsor the first lottery. It was called "Lotterie Generall" and the money was to be used "towards the reparation of the havens and strength of the Realme and towards such other publique goode works (Bender, 1938, p. 63)."

The years that followed saw lotteries throughout Europe, they were conducted for everything from raising money for defense to building universities. Perhaps the strangest suggestion for a lottery was in England. In approximately 1734, "A Bill for a Charitable Lottery for the Relief of the Distressed Virgins in Great Britain" went before the House of Commons. It called for the disposal of female subjects "in the un-natural state of Virginity, to the prejudice of commonwealth" through use of a lottery. The prizes ranged from "beauties" thru "saints" (Ewen, 1932).

Bender (1938), Ewen (1932) and Ezell (1960) give accounts of hundreds of lotteries conducted throughout Europe from Medieval to Modern times. The greatest emphasis on lotteries appears to have been in Great Britain. To cover them in great detail would add little to this study. It should be noted, however, that lotteries are not a novel approach to raising money, and that lotteries were highly regarded by society in general. Many great accomplishments were achieved through the use of lotteries, including financing the settlement of Jamestown in the United States.

Since the lottery was held in great esteem in Britain it is not surprising that the lottery was widely used in colonial America. The earliest lottery in America appeared in Philadelphia in 1720. The prize was a new house. Benjamin Franklin sponsored a lottery in 1748, the proceeds from which were used for the defense of

Philadelphia. In 1768 George Washington managed a lottery for the purpose of building a road over the Cumberland Mountains.

The lottery mania continued until the 1830's. Many lotteries had become corrupt. "The public was swindled right and left by numerous dishonest private lotteries (Bender, 1938, p. 126). " Most states tried to regulate them but soon resorted to laws making lotteries a criminal offense, and finally included anti-lottery provisions in their state constitutions. Although they were to suffer from their own corruption and dishonesty, the lotteries in early America contributed significantly to the early growth of this country. To illustrate the popularity that they enjoyed, "in 1831, towards the end of the lottery era, the Massachusetts Legislature was given a list showing that 420 lotteries had been drawn that year, totalling over fifty-three million dollars (Bender, 1938, p. 126). " They built roads, churches, purchased cannons for defense, and assisted to build and maintain many great universities including Yale, Dartmouth, William and Mary, and Columbia. Not to be outdone by the "Mother Country, " in New York in 1747 a bill was proposed for a "Charitable Lottery for the Aid of Distressed Widows and Deserving Virgins, " who because "ordinary means had not secured for them a husband, " would be disposed of by lottery. The only difference between this and its British predecessor was the inclusion of "distressed widows. "

### The Louisiana Lottery

The Louisiana State Lottery Company was chartered on August 11, 1868. Its story is truly amazing and it is included here because it was the most famous, most corrupt, most powerful and the last legal lottery, before New Hampshire revived the practice in 1963. Much of the current criticism of lotteries can be traced back to Louisiana's experience.

The company received a twenty-five year contract and a complete monopoly on sale of lottery tickets from the legislature. It was to pay the state \$40,000 a year for each year it operated under the franchise. It was the intention of the legislature to "protect the state against losses in outside schemes; establish a solvent home institution with assurance of fairness and provide funds for education and charitable purposes (Ezell, 1960, p. 244). "

Four years before the charter was granted to the Louisiana State Lottery Company, a New York gambling syndicate formed by Benjamin Wood, Charles H. Murray, Zachariah Simmons, John Morris and John Morrissey was actively seeking a monopoly in Louisiana anticipating the creation of a lottery in that state. An agent of the syndicate named Charles T. Howard headed the operation in Louisiana. By the time the bill creating the lottery appeared in the legislature, Howard had reportedly bribed the majority of carpetbagger and Negro legislators. It is understandable that his

company received the franchise and no other companies were permitted to compete with his. The first drawing was held on January 2, 1869.

There was considerable criticism of Howard and the lottery in the newspapers of Louisiana. They condemned his actions in obtaining the charter, as well as the workings of the lottery itself. To add to the "aura" of respectability Howard attempted to create, he hired two Civil War heroes, General P. G. T. Beauregard and General Jubal A. Early. They would supervise the drawings as a guarantee of fairness and respectability. The association of these men with the lottery helped to dismiss charges of corruption from the newspapers. On the back of each ticket was a voucher signed by each pledging their personal supervision and guaranteeing the fairness of the drawings. The company prospered beyond all expectations. Howard soon branched out into a daily lottery game with a top prize of \$5,000. Previously there had been one drawing per month. Tickets could be purchased for the daily lottery by a buyer selecting his own combination of three numbers. These tickets became known as "insurance" if one did not win the regular daily lottery. Policy numbers could be purchased very cheaply. Condemnation of the Lottery Company increased when clergymen saw how popular these numbers became with the lower classes.

The total annual income from "policy" in New Orleans alone was estimated at \$1, 165, 000 (Ezell, 1960).

Every year of its operation, bills to "kill" the lottery were placed before the legislature. In 1879 the newly elected State Legislature repealed all pro-lottery laws in the state. The Company sought and received an injunction from the United States Circuit Court. Before the case was finally decided the syndicate, namely John Morris, influenced the constitutional convention which resulted in the passage of Article CLXVII which tolerated lotteries until 1894, thereby concurring with the original franchise; however, the monopoly stipulation was removed.

Although competition was no longer illegal the State Legislature never approved an application which came before it for companies who wished to compete. This is another indication of the power the Louisiana Lottery Company held over the legislature.

The company continued to make enormous profits. Their advertising was plentiful and spread throughout the nation. Ninety-three per cent of the lotteries' business was said to have been from outside the state of Louisiana.

In a speech in Congress in 1890 Representative Orren C. Moore gave the annual income and expenses of the Louisiana Lottery Company as follows:

## Income

Ten drawings, 1,000,000 tickets at \$20 each	\$ 20,000,000
Two drawings, 2,000,000 tickets at \$40 each	8,000,000

## Expenses

Prizes, ten drawings	\$ 10,548,000
Prizes, two drawings	4,219,200
Commissions to Agents	2,000,000
Advertising	2,000,000
Other expenses	1,000,000

Net Profit \$ 8,232,800  
(Ezell, 1960, p. 253)

This seems like an enormous profit, however, Representative Moore did not include the income from the 313 daily drawings which involved a regular drawing and the "policy" drawing. Estimates are difficult to make but the profits were probably at least double those made here.

As the time was running out on the initial twenty-five year lease, opposition to the Company was increasing. John Morris, in a bill he had placed before the legislature, offered to pay the state of Louisiana \$1,000,000 per year instead of \$40,000, for another twenty-five year franchise, and managed to force the amendment on the ballot for a vote by the people. Before the election would take place, John Morris would withdraw the bill and thus put an end to the legal lottery in the United States.

Prompted by enormous anti-lottery pressure throughout the nation, Washington finally acted. On September 19, 1890 Congress passed a bill which,

barred all letters, postal cards, circulars, lists of drawings, tickets, and other materials referring to lotteries from the mails. No check, draft bill, money, postal note or money order for purchase of chances could be transported; nor any newspaper, circular, or pamphlet listing such activities be carried. Registered letters would be returned unopened. Violations brought a maximum fine of \$500 and/or one year in prison (Ezell, 1960, p. 263).

Postmaster General Wanamaker vigorously enforced the bill from the start. In February 1892, the Supreme Court ruled that Congress could designate what may be carried in the mails and what would be excluded.

Since ninety-three per cent of the lottery profits were from outside Louisiana, Morris realized the futility of continued operation and the "infamous" Louisiana Lottery was terminated.

In the years from 1869 to 1894 the Louisiana Lottery Company dominated the political scene in the entire state. Its vast wealth enabled it to defeat all competition, had laws passed to protect itself from competition, bribed countless legislators, while paying a mere token payment of \$40,000 per year to the government. In all probability it would have received another twenty-five year franchise in the election of 1892 had not the federal government used postal laws to end its reign in Louisiana.

### Revival of Interest in Lotteries

By January 1, 1894, the legal lottery in the United States was no more. "In addition to the federal laws, thirty-five states had constitutional prohibitions and most of the remainder had strong statutes against such schemes (Ezell, 1960, p. 271)." The once nationally accepted device had fallen into disrepute and it was felt this country was so sophisticated it would no longer need such devices to raise money for running the government.

A review of the literature reveals certain recurring arguments used by anti-lottery groups since the Louisiana Lottery ceased operation. In addition to the claims that corruption is inevitable regardless of governmental controls, there are other charges asserted. They claim that lotteries are financially unsound in that they take money away from legitimate business, reduce purchasing power of the public, withdraw large sums of money from circulation while being conducted, that revenue is unstable and the costs of operation are enormous. They also claim it is a regressive form of taxation since it is supported largely by the poorer strata of society. Another charge is that the lottery is immoral. It is gambling, and governmental approval will cause increases in all forms of gambling with all the evils that accompany it.

These arguments had great appeal to the public who had been swindled by the Louisiana Lottery as well as by others such as

the Kentucky and Alabama lotteries which also outlived the anti-lottery crusade of the 1830's. It appeared as if the lottery in America was gone forever.

People in America, however, continued to participate in foreign lotteries. Much of our business went to Canada, Cuba, Bermuda, Italy, Mexico, France, and Luxembourg. Perhaps the most popular foreign lottery was the Irish Sweepstakes, which still today receives considerable play. These lotteries were responsible for huge sums of American money going abroad with no return. On August 23, 1932, Horace J. Donnelly, Solicitor for the Post Office Department said that:

... during the past two years no less than a billion dollars per year have been kept from going out of this country in support of foreign lotteries. Notwithstanding, the craze for gambling via the lottery had been greater than at any other time since the days when the Louisiana Lottery operated in full swing ... (The Reference Shelf, 1935, p. 72).

One can only speculate as to the total amount which was poured into these foreign lotteries. The Post Office Department surely prevented only a percentage from being mailed and other schemes were used to get tickets in and out of this country; many of which involved crewmen on merchant vessels traveling to and from Europe and South America.

In 1934 Congress passed the Economy Act. This Act 'fixed the attention of the country upon the economically grave fact that

\$1,000,000,000 (actual figure-\$966,838,000) was then the annual disbursement cost of the Veteran's Administration and it permitted cutting down that cost to about \$500,000,000 (Reference Shelf, 1935, p. 93). " Later the President and Congress restored \$183,000,000 to the program which left \$683,000,000 authorized for payments to veterans. According to General Frank T. Hines, Administrator of Veterans', "486,926 veterans had been taken off compensation rolls under the Economy Act (Reference Shelf, 1935, p. 94)." Veterans groups and the public caused considerable controversy over this type of treatment of the country's "patriotic" citizens and attempts to restore the funds were numerous.

On January 30, 1934, Representative Edward A. Kenney from New Jersey introduced a bill in the House to "Authorize Raising of Funds by Lottery:"

Be it enacted: That for the purpose of providing additional means of defraying the expenses of the government, including expenditures now and hereafter authorized for veterans and their dependents, and for other purposes authorized by law, the Veterans Administration, with the approval of the President, is hereby authorized to conduct a lottery or lotteries to raise funds not exceeding \$1,000,000,000 in any one year, which shall be covered into the Treasury of the United States as a miscellaneous receipt (Congressional Record, 1934).

Representative Kenneys' arguments for this lottery included several which would be heard many times in the future. He contended that gambling, like drinking, could not be stopped by

government edict and that these laws would be violated for the same reason the prohibition laws were broken. He also contended that, if a federal gambling agency is provided, one source of profits for criminal gangs would be eliminated. Another argument was that billions of dollars had gone into foreign lotteries and if we had our own lottery that money could be put into our own coffers.

While this bill received some support it never got farther than the committee. It did, however, serve to rekindle hopes for a lottery in America. The National Conference on Legalizing Lotteries under the leadership of Mrs. Oliver Harriman became active in the years 1935 and 1936. They staged a heavy publicity drive advocating a national lottery to assist in raising government income. They sponsored two schemes they called contests. One was a slogan contest, the other involved listing uses of money which would be raised by a national lottery. The Post Office declared the use of mails illegal by these contests since pure chance would decide the winner (Bender, 1938).

The organization soon declined but it did aid the states in drafting legislation. Between 1936 and 1937 there was great "agitation for legalization of state lotteries in the legislatures of New York, Maine, Maryland, Connecticut, California, Ohio, Wisconsin, New Jersey, Michigan, Nevada, Illinois, Florida, Virginia, Massachusetts and Pennsylvania (Bender, 1938, p. 154)." Although none

of these states acted positively on these bills, interest in lotteries was again at a high pitch. Several bills were introduced in the Congress and state legislatures to no avail. "Franklin D. Roosevelt favored the institution of a national lottery for charitable ends and pointed to the success of the Irish Sweepstakes (Ezell, 1960, p. 277). "

Perhaps the most consistent advocate of a national lottery was Representative Paul A. Fino from New York. Between 1946 and 1952, while serving in the New York State Senate, he placed lottery legislation on the floor every year. In 1952 he was elected to the House of Representatives and has sponsored legislation to create a national lottery every two years since. In 1962 he predicted it would be ten years before Congress would authorize a National Lottery.

His repeated proposal calls for a lottery operated and controlled by the federal government. The proceeds would be applied equally to lowering the national debt and reducing personal income tax. Fino's arguments in favor of the lottery have a familiar ring:

1. It would deal with recognized human gambling instincts on a clean, honest and dignified basis; losing would actually be patriotic, "a voluntary and painless" contribution to government.

2. Nothing in Scripture holds that gambling is immoral or sinful.

3. The Federal Government has run out of sources for badly needed revenue.

4. Lotteries have a distinguished historical lineage. They were used to build many of the colleges, highways and canals in the country and only fell into disrepute when private operators corrupted them (New York Times, May 6, 1962, p. 77).

Fino's prediction of ten years until the passage of a national lottery has come and gone. Whether this country will ever have one is a matter for pure speculation. However, the revival of interest in a national lottery since the "thirties" has had a profound effect on state governments.

#### Current and Pending State Lotteries

From the "thirties" to the "sixties" several state legislatures were presented with lottery bills on a regular basis. On May 4, 1963 New Hampshire legalized the first lottery in this country since January 1, 1894 when the Louisiana Lottery died. Since then New York, New Jersey, Massachusetts, Connecticut, Pennsylvania, and Michigan have passed laws legalizing state owned and state operated lotteries.

During that same period of time "voters in Iowa, Washington, Montana, and Virginia approved referenda or constitutional amendments clearing the way for lotteries in those states (Dallas Morning News, February 19, p. 26A)." A personal survey of the New York Times indicates that several states including South Dakota, California, Colorado, Hawaii, Delaware, Florida, Rhode Island,

Vermont, Maine, West Virginia, Maryland, Nebraska, and Nevada have had lottery legislation before the state legislatures recently.

A few states appear to be on the verge of entering the lottery business. On February 5, 1973 a bill creating a state lottery for Washington moved through hearings by the State Government Committee of the State Senate unopposed (Seattle Post-Intelligencer, February 6, 1973). The Delaware Legislature approved a lottery in 1971 but according to state law a second General Assembly must approve it this year before it can go into effect. In Colorado a sweepstakes bill was defeated in 1970 by only six votes. Another bill will be considered this year. Doubtless there are other states considering or on the verge of a lottery. These are included only to show a trend which evidently will result in dozens of state operated lotteries.

It may be that another lottery-mania is setting in. In 1971 Mayor John Lindsay and several legislators from New York City came out in favor of a New York City Lottery to be run independently of the State Lottery (New York Times, March 26, 1971). Although it is not likely that Governor Rockefeller will permit a competing lottery in the state it appears that another lottery proposal for "distressed widows and virgins" is not far off.

In a News Release of the New Hampshire Sweepstakes Commission for release on September 29, 1971, it was announced that

Edward J. Powers, the Director of the New Hampshire Sweepstakes Commission, had been appointed vice-president of a newly created organization known as the National Association of State Lotteries. The release goes on to list the purposes and objectives of this organization as follows:

1. Exchange information and ideas of mutual interest, particularly things that relate to the integrity, security and efficiency of each State lottery.
2. Coordinate efforts to amend the Federal anti-lottery laws that unfairly restrict the right of the public to essential information.
3. Establish a regular liaison among officials of State lotteries to insure a continuing channel of communication.
4. Recognize the importance of maintaining public confidence and support for state sponsored lotteries as a means of generating revenue to meet public needs.
5. Provide assistance to other sovereign states which may be interested in a state lottery.

The aims of the organization make it clear that state lotteries are attempting to entrench themselves in the governmental and economic structure in this country. With the assistance this association will provide to other states in initiating lotteries it is clear that many more lotteries will be attempted, if not created.

Since the early "thirties" proposals for both national and state lotteries have been quite similar. They have all stressed the need to raise money for some use by the government and to divert money which was being gambled illegally.

The early proposals for national lotteries emphasized that billions were being sent overseas to foreign countries which had established lotteries. This created a problem for the Post Office Department, which was charged with enforcing the law which forbade using the mails in furtherance of a lottery, and it was unhealthy to have this much American money spent outside the United States. The initial publicity of all the state lotteries has stressed the fact that billions of dollars are spent each year on illegal lotteries in the United States such as "numbers," "policy" and "bolita." These illegal games are said to be the backbone of the treasury of "organized crime." They present a particular problem to law enforcement agencies in that it is very difficult to enforce gambling laws and that policemen have proven to be particularly susceptible to corruption in that environment.

As the national lottery was to prevent gamblers from putting money into foreign treasuries, state lotteries are supposed to prevent gamblers from putting money in the treasury of "organized crime" through use of illegal lotteries.

## CHAPTER III

### THE ILLEGAL LOTTERY

#### Numbers in the United States

If the State Lotteries are to be successful in their goals of raising revenue and reducing crime they must effectively compete with the illegal lotteries, better known as "numbers" and/or "policy." This appears to be a task of considerable difficulty since no attempts at suppression of the numbers racket has been successful to date.

In hearings before the Senate's Permanent Subcommittee on Investigation of the Committee on Government Operations, Vincent Charles Teresa, who ran gambling operations under the Patriarca family in New England testified:

The mob has barrels and barrels of money, and it all starts with the man or the woman who puts a nickel on the number at the corner store every day. Everything starts with the nickel number, they've gone into legitimate businesses, they've gone into politics, and they pay politicians. What they do with that nickel number is fantastic (1971, p. 814).

If what Mr. Teresa says is accurate, it seems logical to state that organized crime would be severely curtailed if legal lotteries could draw gamblers away from the "numbers" man. The

question to be answered is, "Can government institutions replace the highly popular, seemingly invincible form of self-expression?"

The "numbers racket" is an illegal lottery in which the player bets that a certain number or combination of numbers will win in a drawing. The number lottery is said to have originated in Genoa in the seventeenth century. It involved a simulated election of five politicians. There were ninety politicians in the "election" each identified by his own number. Bets were placed on one, two, or three numbers that would be among the five to be chosen. A bet on two numbers was an "ambo" and on three, a "terno" (Annals, 1963).

The terms "numbers" and "policy" are often used interchangeably in this country. For example, policy is the term used to denote "numbers" play in New York. They are, however, different types of lotteries, policy being the older form. Policy is said to have "originated in the London Lottery shops in the early part of the eighteenth century and was developed by the ticket dealers as a sideline (Asbury, 1969, p. 91)." Policy brought participation in the lotteries within the reach of those too poor to buy a regular lottery ticket. For a small sum, a player could select a number or numbers which he thought would be included in the number drawn in the lottery. This practice became known as "insuring" a number.

Policy became quite popular in this country, using the numbers drawn in the legal lotteries to derive their winners. When most of the lotteries were abolished in the 1830's policy setups throughout the country used the results of the Kentucky and Louisiana lotteries, which were sent by telegraph to cities throughout the country.

Several combinations could be bet. Herbert Asbury (1969) lists the following:

Day Number. Any number from one to seventy-eight, played to be one of the eleven to fifteen drawn, and to appear anywhere on the winning list. On this the Policy shops paid 5 to 1.

Station Number. A number played to appear in a specified position on the list. The odds were sixty to one.

Saddle. Two numbers to appear anywhere on the list. Odds, thirty-two to one.

Station Saddle. Two numbers to appear at specified positions on the list. Odds, 800 to 1.

Capital Saddle. Two of the first three numbers drawn. Odds, 500 to 1.

Gig. Three numbers, to appear at specified positions. Odds, 1,000 to 1.

Horse. Four numbers to appear anywhere on the list. Odds, 680 to 1.

According to Asbury, these were the odds which were played in New York for more than a half century. Although these combinations appear to offer a good chance to the player, "... in the seventy-eight numbers, from which eleven to fifteen were drawn, there were more than 3,000 possible saddles, about 75,000 gigs, and almost a million and a half possible horses." It is easy to see how these games produced enormous wealth for their operators. With the decline of the few surviving lotteries, the game of policy had to be altered. In some games the numbers were derived from clandestine lottery operations or foreign national lotteries. The most popular adaptation was selection of numbers from one to ninety-nine, later standardized from one to seventy-eight. The lucky numbers would be drawn from a barrel which contained seventy-eight numbered balls. The drawing would take place in a policy shop at "public drawings."

Although this form of "numbers" declined in most of the country it did survive in some cities until recently. St. Clair Drake and Horace R. Cayton describe policy in Chicago as follows:

Almost as numerous as the churches are Bronze-villes' 500-odd "policy stations," in any one of which a person may place a bet that certain numbers will be announced as lucky by one of fifteen or sixteen "policy companies". ... It is a "protected business operating in defiance of Illinois State Statute No. 413, but under the benevolent patronage of the city political machine (1945, p. 74).

Not all cities had the "support" of the government and in order to avoid public drawings and the probable raids and arrests resulting from them, some games were terminated but most were changed to "keep up with the times."

True numbers emerged and became fairly standardized as a gambling form before World War II, and currently the pattern of the operation is similar throughout the country.

#### A Typical Numbers Game Today

The numbers game as it has evolved into its present form, has made it possible to dispense with public drawings, eliminate the paraphernalia and operations needed for them and substitute an ingenious method of selecting winning numbers, which enables the players to determine for themselves whether or not they have won at the end of the day, because newspapers will--inadvertently--give them the information (Annals, 1963, p. 16).

A player places a bet on a number between 000 and 999 with a "runner." One number will be the winner; therefore, the chance of winning is one in a thousand. Just as in the old policy game, there are several ways in which one can play a number:

- a) Straight (three digits).
- b) Combination (of any three digits).
- c) Front bolita (first two digits).
- d) Back bolita (last two digits).
- e) Single action (any one digit) (Egen, 1952, pp. 66-70).

A straight bet is the selection of any three digit number as winner. The probability of winning is one in a thousand. The payoff odds are 600 to 1.

Runners will usually furnish betters with a "numbers card," listing frequently played numbers, which, if the player wishes to bet, will be paid off at different odds than those quoted above (Figure 1).

STARTING MONDAY, JANUARY 6, 1963			
The Following Numbers are 300 to 1			
769	796	635	638
617	100	736	519
720	721	964	
<u>COMBO</u>		520	
Please Cooperate			
THE OFFICE			

Fig. 1. -- Numbers Card

Source: Charles Grutzer, "Survey on the Operation and Organization of Policy," New York Times, June 26, 1964, p. 17.

The combination bet consists of betting on all arrangements of a three digit number. It is known as a six-way combination. For example, if the number one is betting is 753, that number plus 735, 573, 537, 375, and 357 are winners. Since there are now six possible winners, the 600 to 1 odds are reduced to 100 to 1.

"Bolita" is particularly popular among the Puerto Rican population of New York. A player selects two numbers which he bets will be the first two digits of the winning number (front bolita), or the last two digits of the winning number (back bolita). The payoff odds are 60 to 1, with minor variations among different games.

The single action bet is one in which the player selects only one number. He must designate which digit of the winning number his number will be. The payoff odds are six, seven or eight to one depending on the particular game.

There are numerous ways of determining the winning number for the day. They vary from one game to another, but all have one aspect in common. The number will be published in the daily paper for some legitimate purpose. In some cities the last digit in the number of stocks that advanced, declined and remained unchanged will make up the winning number. Other simplified versions use the last three digits, excluding cents, from the daily United States Treasury balance, or the last three digits of the daily balance of the New York Clearing House (Blanche, 1966). The variations are limited only by imagination.

The most popular method of drawing a winner appears to be what is known as the "Manhattan Way." It has been estimated that ninety-five per cent of numbers game operators derive the winning number from pari-mutual race results (Grutzer, 1964).

To arrive at the three digit number known as the "Manhattan Number," the following system is followed: The win, place and show mutuals for each of the first three races are totalled. From this total you derive your first winning number. The number is the first number to the left of the decimal point in the total of the mutuals from the first three races. The second number is derived in the same way, using the mutual totals from the third, fourth and fifth races. The third number is similarly derived from the totals of the fifth, sixth and seventh races. The eighth and ninth races in no way figure in the derivation of the winning number for the day.

Let us assume such totals at Aqueduct on a certain day as follows:

For the first three races	\$ 98.50
For the third, fourth and fifth races	107.50
For the fifth, sixth and seventh races	119.00

Taking the figure to the left of the decimal point in each of these totals, starting at the top, the winning number is 879 (Drzazga, 1963, p. 144).

Another fairly popular method is known as the "Brooklyn Way." This number is derived from the total pari-mutual handle at a designated track for that day. The three numbers to the left of the decimal point is the Brooklyn Number. "On June 17, 1968 the pari-mutual handle was \$2,614,790. The Brooklyn Number for the day was 790 (Grutzner, 1964, p. 17)."

Methods for deriving numbers are numerous and have, of necessity, been changed, because certain newspapers responding

to pressure, stopped publishing whatever figures were known to be furnishing the basis for numbers pay-offs in their communities.

### Organization of a Numbers Operation

To operate a business with the volume, risks and expenses incurred by such an operation requires an efficient organization of dedicated businessmen, just as it does in any legitimate business. The fact that the numbers racket is illegal poses additional problems which makes the job that much more demanding. The potential profit is so great, however, that there is no shortage of personnel to operate these "businesses. "

The foundation of the game is a gambler who wishes to place a bet. He will make his bet through a "collector. " In larger operations several "runners" may work for one collector. The collector may be a storekeeper, a bartender or any other type employment which is frequented by large numbers of people. The collectors turn their receipts over to a "controller, " who manages a "branch bank. " The controller is responsible for a specified geographical area in which he tabulates daily collections and maintains records on all his collectors. The location of the "branch" constantly changes to avoid detection. The branches run by the controllers are known as "drops, " since pick-up men drop off their money and receipts with the controller. Above the controller is

the "Bank" or the "big drop." The "banker" runs the games and collects the daily receipts from the many controllers in his district. In addition to the runners, collectors, controllers and bankers "pick-up" men are on salary to carry the receipts to and from the collectors and controllers, as well as between the controllers and bankers. Different pick-up men are used for each part of the operation.

Other staff members include lookouts, bookkeepers, tabulating machine operators, bail bondsmen, accountants and lawyers (Grutzner, 1964).

Figure II depicts the Numbers Operation of the Lupollo Family in New York. In this diagram, Ianni (1972) shows an operation from "runners" up through a Regional Bank. The operation discussed above includes only through the "District Wheels" shown in Figure II.

Included in the Lupollo operation, Ianni shows Phil Alcamo as the "Lay-Off Banker." This is a crucial aspect of any numbers operation. "If the bank or one of the district wheels cannot handle all the bets that have come in on a given day, he will accept some of the bets at a different set of odds from those the manager would have to pay off his clients. If the wheel or a branch bank is hit hard, the bet with the lay-off banker cushions the blow somewhat (Ianni, 1972, p. 94)." This helps insure the branches will not be ruined

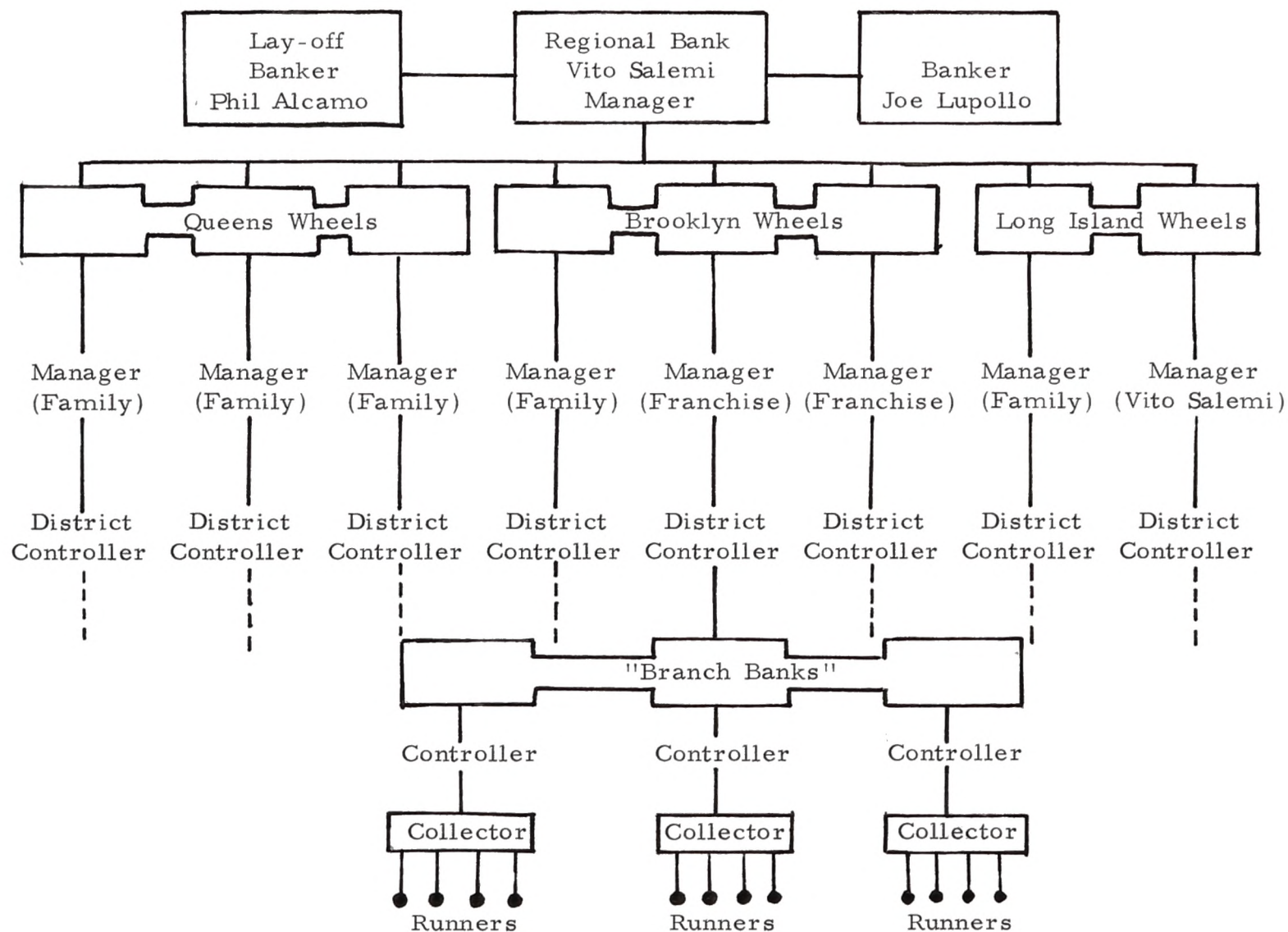


Fig. II --Organization of the Lupullo Numbers Enterprise  
 Source: Frances Ianni, A Family Business, Russell Sage Foundation, New York, 1972, p. 95.

by one "big" day. Since the lay-off banker pays such a relatively low return on a bet he is in an extremely lucrative position.

Collectors receive commissions on the numbers they bring from players. They receive the biggest cut since they do the majority of the work and take a substantial risk. They receive twenty-five per cent of all bets they bring in. The controller deducts ten per cent for his services which leaves the bank with sixty-five per cent of the money bet. From this the bank must pay off all winning numbers as well as administrative costs of the operation including rent, graft, salaries, bail bondsmen, lawyers and accountants (Wakefield, 1960).

#### Other Aspects of the "Numbers" Game

To truly understand the numbers game one must investigate further than the operation and organization of the game. The environment is also a significant factor.

... policy is not only a business--it is also a cult. It has a hold on its devotees which is stronger than the concrete gains from an occasional winning would warrant. It has an element of mystery and anticipation. It has developed an esoteric language. It organizes, to some extent, the daily lives of the participants (Drake and Cayton, 1945, p. 7).

People don't just bet any number. They bet "their" number, and many will play the same number every day for years. Writing on the symbiotic relationship between "Hoodoo" and the Numbers

Racket, McCall (1964) discusses the lucrative businesses which sell good luck charms and "dream books" to numbers players.

On May 25, 1940 the New York Amsterdam-News declared, "it is a conservative estimate that these people reap nearly \$1,000,000 from approximately 50,000 Harlemites passing through their door annually (McCall, 1964, p. 55)." The most popular of the good luck devices are the "dream books." These assign three digit numbers to thousands of objects, events or themes which might occur in a dream. Some of the more popular are Rajah Rabo's Dream Book, Three Witches Dream Book, Aunt Sally's, Harlem Pete's and the Black Cat Dream books. The fact that all these books assign different numbers for the same dreams does not seem to disturb those who buy them and bet according to their advice. Speaking of the future of both hoodoo and numbers, McCall states "the two games, in their intersection, seem to have a certain integrative function for the Negro community, furnishing much of the content of casual conversation, imparting temporal structure to the day, and offering a sense of participation in a community-wide activity (1964, p. 63)."

Numbers play is so much a part of the community in Harlem that Representative Adam Clayton Powell made public demands in the early 1960's that Blacks should control the numbers in Harlem, instead of white racketeers. He claimed the white dealers

were taking fifty million dollars per year out of the Harlem community (Grutzner, 1964).

James R. Laceson, then president of The Harlem Council for Economic Development considered "Black control of the numbers" just as important for the growth of Harlem as increases in new housing, diversified business and light industry (Grutzner, 1964).

Another aspect of the game to be considered is that since the game is so popular in most ghettos throughout the country, countless individuals make their living this way; it is considered an honorable profession in the community. One estimate for the number of people employed in New York City alone is ten thousand (Wakefield, 1960). Other estimates have been as high as 100,000 in New York City. Whatever the number is, it is evident that substantial numbers of people depend on the numbers for a livelihood.

Gambling, particularly the numbers, is a way of life, a part of the culture of great numbers of Americans. Although the odds are against them players participate on a regular basis, seemingly undisturbed by the fact that they can never really win.

Irving K. Zola, describing gambling operations in a tavern called Hoffs in the East Side of a large eastern city, explains it thusly:

Although betting doubtless serves many idiosyncratic needs, much of its structure, function and persistence can only be understood by an examination of the social context in which it occurs. Gambling offers these men more than a means of recreation, just as Hoff's offers them more than a place to drink. Though such betting may produce neither recreation nor monetary gain, this does not necessarily mean that it is a sterile, non-productive, or even dysfunctional activity. As many observers have pointed out, these men are aware of the major goals and values of middle class society but are either unwilling or incapable of achieving them by use of ordinary methods. For these men, gambling may be a way of harnessing or channeling their otherwise destructive frustrations. Instead of lashing out at society, they lash out at "the system." In this sense, gambling may be an activity which helps reinforce and preserve some of the major values of the larger social system. ... By making success and recognition possible, it allows the players to function in a larger society without suffering the consequences of the realization that they indeed have little else (1963, p. 30-31).

It seems obvious that if an understanding of the numbers game is to be achieved, these other aspects of the game must be studied at length. To compete with "numbers," the government must understand the "racket" in its economic, social and cultural relationship to the communities which support the game.

### Corruption of Police

It is illogical to assume that millions of people are playing "numbers" every day, that they know where to go, who to see and how to collect on their bets, but that the police are not aware of the

same facts. It is an often asserted statement that numbers rackets could not exist without the assistance of the local police.

The Kefauver Committee Report on Organized Crime found evidence of corruption and connivance with organized crime in state and local government present in several ways:

1. Direct bribe or protection payments are made to law enforcement officials, so that they will not interfere with specific criminal activities.
2. Political influence and pressure of important officials or political leaders is used to protect criminal activities or further the interests of criminal gangs.
3. Law enforcement officials are found in possession of unusual and unexplained wealth.
4. Law enforcement officials participate directly in the business of organized crime (1951, p. 165).

In 1960, Ted Poston did an expose in the New York Post in which he discussed, at length, the "Pad" used by the New York City Police Department. He quotes an authority in the department as estimating the annual take of the numbers games in New York City as a quarter billion dollars.

It is understandable then that these operators could afford to pay the police the phenomenal fees associated with the "Pad. " The "Pad" is a list of spots and locations throughout the city

sanctioned by corrupt policemen, where the mobs behind the numbers racket are permitted to operate wide open, six days a week, in return for specified payoffs totaling millions upon millions of dollars per year.

The following is a list compiled by Poston of what policy operators must pay the police in New York City operating one "full open spot:"

\$300 per month to a squad connected with high-echelon officialdom plus \$25 for the "bag man. "

\$300 per month to the group connected with the next highest official plus \$25 for the "bag man. "

\$300 per month to the ranking squad in the departmental hierarchy. From this point down policemen pick up the money instead of "bag men. "

\$300 per month to a group operating out of a top office, based on geographical location.

\$350 and up per month to smaller geographic subdivision office.

\$250 per month to be divided among detectives in the precinct where the spot is located.

\$10 per month for each of the precinct lieutenants involved.

\$100 per month to be split among racket precinct sergeants.

\$75 per month if a precinct captain must be paid.

\$35 per week to be split between two patrolmen in squad cars on the beat.

\$2 per day accepted personally for each of the "beat" cops on all three shifts (1960, p. 294-295).

Considering that there may be as many as twenty of these spots in a precinct, the total paid to the police is enormous. One policy operator told Poston, "if you write \$1,000 worth of numbers a day, the first twelve days of the month you work for the cops. "

The Temporary Commission of Investigation of the State of New York, An Investigation of Law Enforcement in Buffalo (January, 1961) found extensive evidence of similar corruption of police involving "numbers" in that city.

The latest treatment of corruption in the New York City Police Department was rendered by the recent Knapp Commission investigations in New York. Among other findings they cited; policemen in every unit received bribes ranging from \$300 to \$1,500 per month from gamblers, shakedown of individual targets by detectives assigned to general duties, uniformed patrolmen in radio cars receiving regular payments at numerous sites in the patrol area and circumstantial evidence and testimony indicating commanders accepting bribes (New York Times, August 7, 1972, p. 32).

For more than twenty years then, evidence has shown extensive corruption of police by numbers operators. This compromise by the police has negative effects on the entire community since the average citizen's respect for the law is rapidly diminishing. In the face of all the available evidence, however, nothing has been done except for brief, sporadic crackdowns by the agencies, apparently designed to do little more than appease the public, who, by supporting the numbers racket in the first place, actually sustain police corruption. It appears that if the public must gamble illegally, they must also live with this seemingly inevitable consequence.

Legalization of gambling has been suggested as the only solution to this and other aspects of the "numbers" racket.

## CHAPTER IV

### THE STATE LOTTERIES

Seven state lotteries are currently in operation and several other states are considering the initiation of lotteries. Appendix A of the study lists gambling legislation which is currently pending in the fifty states. Since this survey was completed (September, 1972) Michigan has legalized a lottery, bringing the total to seven. In addition to Michigan, New Hampshire, New York, New Jersey, Connecticut, Massachusetts, and Pennsylvania are in the lottery business. Considering the number of states which have lottery legislation pending it is not inconceivable that the number of states operating lotteries could double within a year or two.

This study will analyze the lotteries of New Hampshire, New York and New Jersey at some length. They are the first three which were created and the other four are operating under approximately the same system as New Jersey.

#### The New Hampshire Lottery

##### Background

The General Court (state legislature) of New Hampshire had been under pressure for many years to authorize a state lottery.

Little progress was made and opposition was plentiful. During 1961 and 1962 increased pressure was brought on the legislature to adopt a lottery in order to raise revenue to meet the increasing cost of government. The lottery was suggested as the only alternative to either a state income tax or sales tax.

At the legislative hearings which were held on the proposed lottery "the undermining of the New Hampshire conscience and character was the dominant theme (New York Times, May 19, 1963, VI, p. 105)." The newspapers throughout the state labelled the lottery as another "sin tax" to go along with state operated liquor stores and race tracks. The Manchester "Union Leader," under the leadership of its publisher William Loeb, was the only major newspaper in New Hampshire which supported the proposed lottery. Mr. Loeb discussed the opposition, calling them the "moral lobby," pointing out that no one has to bet, drink or smoke tobacco if they don't want to (Ford, 1964).

State Senate President Philip S. Dunlap vigorously opposed the bill stating that he saw "ambiguities in the law and a rather careless attitude toward our neighboring states (Why a State Adopts. ... 1963)." Massachusetts had already expressed considerable displeasure with the New Hampshire liquor stores, many of which were conveniently placed near the state border, attracting business from Massachusetts with lower prices. He saw the lottery as increasing

these bad feelings. A U. S. District Attorney from Massachusetts warned that he would prosecute any persons who transported lottery tickets into Massachusetts (Why a State . . . , 1963).

Despite the opposition, Representative Lawrence M. Pickett managed to gather enough support in the Legislature to pass the lottery bill. Early estimates claimed the state would net four million dollars for state education and by the time the bill came to a vote Representative Pickett was estimating a net profit of eleven million dollars. Advocates also claimed that a lottery would "hit at illegal gambling-betting on "numbers and on horse races through book-makers by offering a legal alternative (U. S. News and World Report, 1967)." Although the lottery law passed the legislature in May of 1963 it was not until March 10, 1964 that the true test would come, for the bill included a "local option" clause which gave the residents of cities and towns throughout the state the choice of whether or not to have the lottery in their area.

Opposition became more vocal as the Presidential primary of 1964 approached. At this election the citizens of New Hampshire would vote on whether they desired Sweepstakes tickets to be sold in their city or town.

Spokesmen representing all fields spoke out in opposition to the bill, calling for its defeat when it came to a public vote.

Mayor Charles Davie of Concord said it was "the damnest thing

that ever happened in the history of the state . . . a Black Day for New Hampshire;" Superintendent of Schools Harlen F. Atherton said "he knows of no New Hampshire educator who favored the bill;" Concord Chief of Police Walter Carlson urged the defeat of the bill in a front page article in the "Concord Monitor, " saying it would attract gangsters and criminals from all over the country to New Hampshire (New York Times, May 19, 1963).

A "Committee of 100" formed of businessmen, newspapers, religious leaders and educators set out to "defeat the measure from town to town in March, to support anti-Sweeps candidates in the September primary election and to lobby for its repeal in 1965 (Ford, 1964, p. 33). "

Despite the opposition, a favorable vote of over three to one was registered and only twelve small towns of 237 cities and towns in the state voted against the program (Powers, 1966). The margin increased each successive time the question reappeared on the ballot and after it hit six to one in favor of the lottery in 1970, the lawmakers made it permanent (Houston Chronicle, December 17, 1971).

### Organization and Operation

The New Hampshire Lottery bill created a three man commission called the New Hampshire Sweepstakes Commission. In

an apparent effort to insure the integrity of the lottery, Edward J. Powers was chosen as the Executive Director of the Sweepstakes Commission. He was Chief of the Federal Bureau of Investigation and had become well known as the man most responsible for solving the "Brinks armored-car robbery" of 1950. He was given a salary of \$20,000 which was higher than that of the governor (Ford, 1964). He would act as chief salesman for the lottery, protect the lottery from corruption and insure that federal laws were not violated in the conduct of the lottery.

The Commission was to conduct "not over two sweepstakes races in each year." Tickets could be sold only at state liquor stores, the two race tracks in the state and at offices of the Sweepstakes Commission. Approximately thirty-five per cent of the gross revenue was returned to the players as prize money. A top prize of \$50,000 was awarded for every \$500,000 worth of tickets sold. According to Chapter 284 of the New Hampshire Revised Statutes Annotated, "they shall fix the purses and amounts of money to be awarded winners as well as the purses for the horses in such a manner as will yield the largest net revenue for the benefit of public education." The ticket price was set at three dollars a piece. New Hampshire was not required to return a definite percentage of the gross income to the state as were those states which followed. On December 15 of each year the "state treasurer ... shall pay out ...

to the school districts of the state on a flat grant per resident pupil basis any balance in said special (Sweepstakes) fund. "

The Sweepstakes operated as suspected in the first year of operation but sales fell off and the lottery showed decreased sales for several years to come. Table I shows the performance of the sweepstakes from 1964 through 1971. Figure III graphically depicts gross revenue through 1972.

After the initial novelty wore off, it appears that structural problems of the Sweepstakes caused the decline of sales. There were only two drawings per year; at three dollars the price of the tickets was prohibitive for many would be players; only a small number of locations throughout the state sold tickets even if they were desired and the probability of winning even a small prize was small. In addition, Federal laws concerning use of mails and interstate commerce for transportation of lottery paraphernalia caused great problems.

Little could be done structurally, however, because the law was quite specific on the conduct of the lotteries. In 1967, New York State created a lottery. Since most of New Hampshire's ticket sales were from out of state (see Appendix B), the situation became critical.

On September 2, 1967, Governor King announced that starting in 1968, the number of drawings would double from two to

TABLE I

## Performance of New Hampshire Sweepstakes (1964-1971)

Year	Gross Revenue	Operating Expenses	Prizes Paid	Net to Education
1964	\$ 5,740,093	\$1,172,010 *	\$1,799,995	\$ 2,768,088
1965	4,566,044 **	678,679	1,400,000	2,487,365
1966	3,889,056	633,447	1,414,993	1,840,616
1967	2,577,341	578,578	943,565	1,055,198
1968	2,054,434	364,162	800,150	890,122
1969	2,017,667	358,710	790,599	868,358
1970	2,019,367	391,208	791,596	836,563
1971	<u>4,277,260</u>	<u>624,095</u>	<u>1,787,600</u>	<u>1,865,525</u>
	\$27,141,262	\$4,800,889 ***	\$9,728,498	\$12,611,875

\*Includes \$587,710 paid to Internal Revenue for 10% Wagering Tax.

\*\*Includes \$664,448 refund from Internal Revenue, including interest.

\*\*\*Includes \$704,917 paid to State Liquor Commission for sale of tickets, therefore, total revenue paid to State--\$13,316,792.

Source: New Hampshire Sweepstakes Commission.

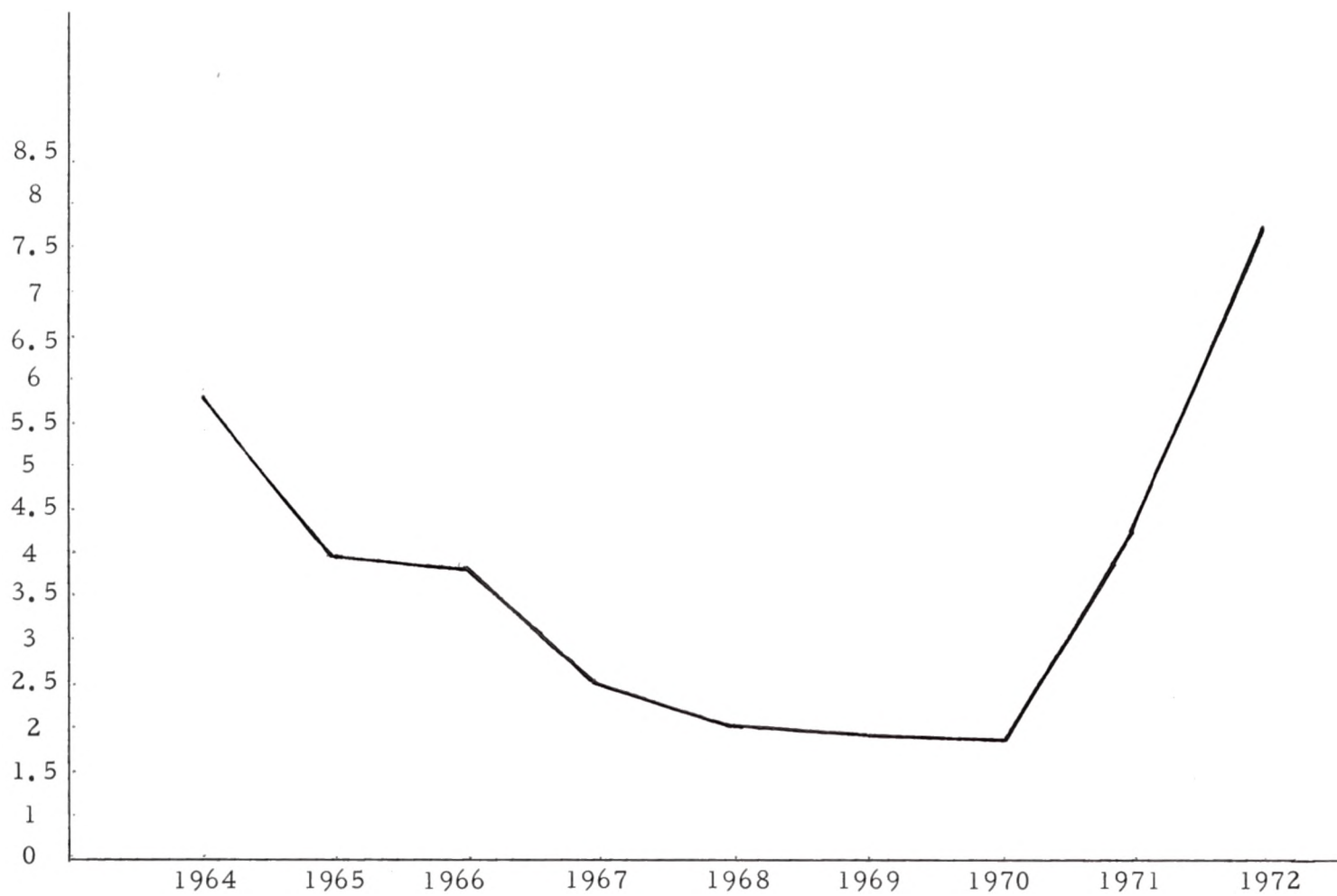


Fig. III. -- Annual Gross Receipts of New Hampshire State Lottery (Millions of Dollars).

four, that the value of the first prize would be doubled from \$50,000 to \$100,000 and that the prize structure would be changed to provide more winners and two per cent more of the gross revenue would be put into prize money. He said the changes were necessary because of the competition from New York and the time lag between drawings was too great to maintain interest in the lottery (New York Times, September 3, 1967).

The \$100,000 first prize is somewhat deceiving. There are four sweepstakes races per year. For each 100,000 tickets sold (\$300,000 gross sales) the prize schedule is as follows:

Major Sweepstakes Race

Owner of ticket on winning horse . . . . .	\$50,000
Owner of ticket on second horse . . . . .	\$10,000
Owner of ticket on third horse . . . . .	\$ 5,000
Owner of tickets on all other horses entered in the race share a pool of . . . .	\$10,000

Consolation Prizes

20 prizes of . . . . .	\$ 500 each
100 prizes of . . . . .	\$ 100 each
300 prizes of . . . . .	\$ 50 each

These drawings return \$110,000 for every \$300,000 gross sales which is about 36.5% of gross sales. There are 430 money prize winners out of every 100,000 tickets sold, which gives the

player a chance of 4.3 out of 1,000 to win some cash, with a chance on the top prize of 1 out of 100,000.

In addition, all tickets sold for the four yearly drawings are placed in drums at the last race of the year for a super drawing for \$100,000 dollars. Twenty numbers are chosen from which one will win the top prize and the nineteen remaining will get a consolation prize of \$1,000 each. Since all tickets sold for the year are included the chances of winning are infinitesimal. This drawing is a promotional gimmick with relatively little to be gained by regular players. Probability of winning cannot be estimated since the prizes are constant and the number of tickets sold varies.

As Figure III indicates, this new system did very little to stimulate sales. Whether the structure was still not acceptable or competition from New York was too great is not known; however, a combination of the two is likely. On July 14, 1971 tickets went on sale for the newly devised 50/50 New Hampshire Sweepstakes. Under this new scheme a weekly number would be drawn on all fifty cent tickets sold for that week. A prize of \$5,000 was awarded top winner and all money winners were eligible for a \$50,000 Super Drawing. The prize schedule was as follows:

<u>Random Sweeps Number</u>	<u>Winners for each 100,000 tickets sold</u>	<u>Your Number</u>	<u>Prize</u>
12345	1	12345	\$5,000 + chance at \$50,000 super draw
12345	9	X2345	\$500
12345	90	XX345	\$50

If you had the last two digits or last digit you were eligible for subsequent lesser drawings (New Hampshire Sweepstakes New Release, June 25, 1971).

It is difficult to estimate probability since only one five digit number was drawn per week. If more than 100,000 tickets were sold it was possible to have only one winner if the ticket bearing the winning number was not sold in the subsequent block of 100,000 tickets. If several hundred thousand tickets were sold however, for each 100,000 tickets sold there would be 100 money winners which would make the probability of winning cash one out of 1,000. Since \$14,000 was awarded for each 100,000 tickets (\$50,000 gross sales) 28% was returned to the players each week in prize money. After adding the subsequent lesser drawings and super drawing prizes, the actual total returned to players is between five and ten per cent greater in the final analysis. The chances of winning \$50,000 in the Super Drawing are decreased immensely since the tickets from several weekly drawings are eligible.

Table I and Figure III show substantial increases since the inception of the 50/50 Sweeps in 1971. Figures on what percentage of total sales for 1971 and 1972 were as a result of this program were not available from the New Hampshire Sweepstake Commission, however, the sharp increase is certainly more than incidental. In fact, in a News Release from the Sweepstakes Commission dated October 2, 1972 it was announced that the \$3 Granit Stakes program consisting of four races per year was being terminated.

Since then, the 50/50 Sweeps has been the only program, but the Super Drawing has been changed to \$100,000 super prize for every million 50/50 sweeps tickets sold. There are also some additional smaller prizes added to the 50/50 Sweeps weekly drawing.

#### Evaluation of Performance

Since its inception, the New Hampshire Sweepstakes has made several changes necessitated by slumping sales. Most of the changes could have been initiated earlier if the Sweepstakes Law allowed the Commission and Executive Director Powers more flexibility. Initially, there were only two drawings per year, now there are fifty-two weekly drawings plus "Hundred Grand Super Draws" for every million tickets sold in the 50/50 Sweeps.

The state law requiring tickets only be sold in state liquor stores, race tracks and Commission offices has been amended to

include toll booths on highways, parks, beaches, and "... such hotels, motels, business and industrial establishments, local fairs, private clubs and mobile units as approved by the Commission ... (New Hampshire Revised Statutes, 1972)." This has increased outlets substantially to well over 600 at present.

The price of the initial tickets was \$3. This proved to be prohibitive in many cases; today the \$.50 price per ticket should allow more people to participate in the program.

The number of smaller prizes has steadily been increased which gives the player a little better chance of receiving a cash return for his bet.

Perhaps the most significant change has been the initiation of the "Uniticket" program. Under this program an individual may receive any five digit number he desires for up to fifty-two weeks. If he reserves a number for a full year it costs \$50, thereby giving the player two weeks play free. Appendix C shows a Uniticket order form. If an individual is a subscriber via Uniticket, his money will be sent to him automatically. The fact that a player could not choose his own number has been a substantial complaint in all lotteries to date.

Table II shows where the revenue has been spent from 1964 through 1972. "Since 1964 the State School Districts have received a grand total of close to \$15,500,000 from the Sweepstakes Program,

TABLE II

## Distribution Summary of New Hampshire Sweepstakes Revenue

Year	Amount Distributed	No. of Pupils in State	Amount Per Pupil	No. of Districts in State
1964	\$2,768,088.59	114,586.5	\$24.15	202
1965	2,487,365.85	119,907.6	21.00	199
1966	1,840,616.65	124,223.7	14.82	189
1967	1,055,198.81	127,514.3	8.28	183
1968	890,122.27	131,793.8	6.75	173
1969	868,356.63	137,879.6	6.30	171
1970	836,563.50	144,410.8	5.79	168
1971	1,865,565.75	151,605.7	12.31	167
1972	2,702,393.43	164,943.7*	16.99	176

\*Estimated

Source: New Hampshire Sweepstakes Commission

about \$117 per pupil (New Hampshire News Release, December 13, 1972). " These figures appear impressive. However, in 1972 the estimated total expenditure for public elementary and secondary education was \$127, 962, 000 (Education Yearbook, 1972-73, p. 549). Table II shows that in 1972 the lottery contributed \$2, 702, 393 to state education. This only represents approximately two per cent of total expenditures.

All efforts in New Hampshire have been directed toward this single goal. No mention of the secondary goal, i. e., combating organized crime, though legal gambling can be found since the inception of the lottery. Although it was often referred to as a secondary goal in pre-lottery publicity, it seems to have been forgotten in New Hampshire. Since the problems of illegal gambling and organized crime have never been a substantial problem in this "rural" state, it is not surprising to this author that it receives little or no attention today. The inclusion of this secondary goal in pre-lottery publicity in New Hampshire must be attributed to an effort to secure more support from the generally conservative population of the state and nothing more.

Competition is increasing. New Hampshire must now compete with neighboring states of Massachusetts, Connecticut and New York for the lottery dollar. New Jersey and Pennsylvania can also effect New Hampshire's sales since much of their business was

from out-of-staters vacationing in New Hampshire or traveling from neighboring states for the specific purpose of purchasing tickets. Attracting more business within the state appears to be crucial for the future of the lottery in New Hampshire.

### The New York Lottery

#### Background

Legislators in Albany had been clamoring for a state lottery in New York long before New Hampshire created one. State Senator Paul A. Fino was the most vocal supporter, presenting bills for a lottery on the floor of the Senate for six straight years from 1947 to 1952 (New York Times, May 6, 1962). Even after he was elected to the U. S. Congress he still advocated a State Lottery for New York and on April 25, 1963 he was in New York City urging Mayor Wagner to fight for a state lottery (New York Times, April 26, 1963). Pressure increased after the initiation of the lottery in New Hampshire. The New York Times of March 20, 1964 reported that a committee to study the New Hampshire Sweepstakes had been formed and would make recommendations to the legislature.

Governor Rockefeller often made public statements to the effect that he was in favor of a lottery to raise revenue but that he would consider it if the people of the state desired one.

On June 3, 1965 the Senate Committee approved the lottery bill. Estimates of up to \$500,000,000 yearly income were common in the legislature (New York Times, June 15, 1965). On February 8, 1966 after heated debate on the moral issue from upstate Republicans, the House passed a bill calling for a statewide referendum to determine the desire of the people (New York Times, February 9, 1966).

A statewide referendum was held later that year, which passed by an overwhelming positive vote of over three to one (New Yorker, November 30, 1968).

The most often quoted prediction of the performance of the lottery was that annual sales would approach 360 million dollars with the state realizing approximately 200 million dollars profit after distribution of prizes and administrative expenses (U. S. News and World Report, 1967).

The official state lottery was established when the New York State Legislature passed the final bill on April 2, 1967. On April 18, 1967 Governor Rockefeller signed the bill and by early June the first tickets went on sale.

The primary goal of the lottery was to raise revenue for the state as in New Hampshire, but in New York considerably more emphasis was placed on the secondary goal of combating organized

crime by legalizing gambling than in New Hampshire. Considering the problems of both states this was inevitable.

### Organization and Operation

The New York State Lottery law established a Division of the Lottery within the State Department of Taxation and Finance. Under the Commission of Taxation and Finance the Division is "Responsible for all administrative and functional operations of the lottery, under policies approved by the Commissioner (Bird, 1972, p. 23)." The law also established within the department a Lottery Commission. The Commission consists of four men appointed by the Governor with the consent of the State Senate. The Chairman of the Lottery Commission is a full time position while the other three members are not salaried but receive per diem expenses. Ernest T. Bird has held the position of chairman since the inception of the lottery.

The State law requires that prizes returned to the players "... shall in no event exceed forty per cent of the total amount for which tickets have been sold." It also states that "... not less than forty-five per cent of the total amount ... ." be turned over to the state treasurer. The money is to be used for state aid to education. Fifteen per cent is left for administration of the lottery.

The Commission decided to run twelve monthly lotteries per year with the price of a ticket set at one dollar each.

The original lottery law authorizes sale of tickets through hotels, motels, banks, certain state and local government offices and telegraph companies. "These total approximately 9,100 possible sales outlets but only about 4,000 of the eligible establishments signed up to sell tickets (U. S. News and World Report, August 28, 1967)."

For each one million tickets sold at one dollar each, the prize schedule was as follows:

	<u>Number of Prizes</u>	<u>Value of Prize</u>
	1	\$100,000
	1	50,000
	1	25,000
	1	10,000
	11	5,000
	15	1,000
	15	700
	15	400
	15	250
	<u>165</u>	<u>150</u>
Total	240 prizes	\$300,000

This represented a return to the players of thirty per cent of gross revenue and a probability of winning of .24 out of 1,000.

Ticket sales for the month of June 1967, the first month the lottery was in operation, totaled \$6,447,605. This turned out to be the best month for ticket sales until 1972 when the weekly lottery was started. Table III shows the annual performance of the

TABLE III

Performance of New York Lottery (June 1967-March 1972)

Fiscal Year	Gross Revenue	Net to State Education
6/67 - 3/68	\$ 53,659,124	\$ 26,642,160
4/68 - 3/69	48,973,223	27,514,930
4/69 - 3/70	46,989,114	25,988,761
4/70 - 3/71	70,090,079*	32,507,195
4/71 - 3/72	<u>77,040,000**</u>	<u>34,667,000</u>
	\$296,751,540	\$147,320,046

\*Includes several special drawings

\*\*Includes several special drawings plus three months of weekly drawings

Source: New York Department of Taxation and Finance, Division  
of the Lottery.

lottery from June 1967 through March 1972 by fiscal year. The sales increase seen in fiscal year 1971 was a result of several "special millionaire" drawings. Figure IV depicts graphically the gross sales of the lottery from June 1967 through March 1972.

Sales were nowhere near the estimates which had been publicized before the lottery went into operation. According to lottery spokesmen "the main difficulty was that the original sales prediction of 360 million dollars per year was an unrealistic figure, which had been advanced in the legislature for various political reasons (New Yorker, 1968, p. 52)." Other difficulties included federal restrictions on advertising media and restrictive postal regulations. Another important complaint was the number of outlets for ticket sales. Of those authorized many would not participate for five cents on a dollar.

To make matters worse Representative Wright Patman of Texas introduced a bill that would prevent federally insured banks from selling lottery tickets. The bill passed quickly through the House and Senate and President Johnson signed it into law on December 15, 1967.

In response to that law, the New York Legislature hurried legislation through Albany and passed a bill authorizing most retail businesses to sell tickets except for bars and liquor stores. On



Fig. IV.--Annual (Fiscal) Gross Receipts of New York State Lottery (Millions of Dollars).

February 28, 1968 the bill was passed and several thousand additional outlets were established for ticket sales throughout the state.

In an effort to increase poor sales the prize structure for the monthly lottery was changed in 1969. Instead of 240 winners per million tickets sold there would now be 480. The same amount (\$300,000), however, was to be given as prizes. This increased the chance of winning some money from .24 out of 1,000 to .48 out of 1,000 but still it returned only thirty per cent of gross sales to the players.

In 1970 the prize schedule was changed again. The new prize schedule for the monthly drawings was as follows:

<u>Number of Prizes</u>		<u>Value of Prizes</u>
	1	\$100,000
	1	50,000
	1	5,000
	1	2,000
	10	1,000 (10,000)
	300	500 (150,000)
	<u>830</u>	<u>100 (83,000)</u>
Total	1,144 prizes	\$400,000

This raised the chance of winning to 1.1 out of 1,000 and returned forty per cent of the gross sales to the players as prizes. Forty per cent is the statutory limit of prize distributions under state law.

Governor Rockefeller was critical of the lottery operation. On January 14, 1969 speaking before the New York State Women's

Legislative Forum the Governor criticized the one dollar price of a lottery ticket saying it was protecting the numbers racket because the price of a lottery ticket was not within pocketbook range of the average gambler. He claimed the lottery could be an instrument in driving illegal numbers racketeers out of business. Insisting that the state go into competition with illegal gamblers since it already was in the lottery business, he recommended twenty-five cent tickets (Public Hearing on ACR #32, 1969). Perhaps in response to the Governor's recommendation, the Division of the Lottery held three experimental \$.50 lotteries in 1970 and 1971. They were fairly successful. Seeing the increase of sales after New Hampshire went to a weekly \$.50 lottery in June 1971 must have effected the New York lottery. In January, 1972 New York entered the \$.50 weekly lottery business and terminated the monthly drawings.

Assuming the winning number is 123456, prizes for each million tickets sold in the \$.50 weekly lottery are as follows:

<u>Winning Number</u>	<u>Number of Winners</u>	<u>Value of Prize</u>
123456	1	\$50,000
X23456 (last five)	9	5,000 (45,000)
XX3456 (last four)	90	500 (45,000)
XXX456 (last three)	900	50 (45,000)
XXXX56 (last two)	9000	5 free tickets in Bonus Drawing

This system provides a player a chance of winning money of 1 out of 1,000 since 1,000 money winners are selected for every 1,000,000 tickets sold. Since \$185,000 is returned to players in the initial drawing and \$15,000 in the bonus drawing per \$500,000 gross sales forty per cent (legal limit in New York) is returned to players as prizes.

### Performance Evaluation

As was the case in New Hampshire, poor sales forced several changes in the operation of the lottery. Since the State law did not provide enough freedom for the Lottery Commission, changes involved a time consuming, politically oriented ordeal. For example, statutory limitations on the number and type of outlets, as well as the limiting of prize money which may be allocated have crippled the operation. Another difficulty is the statutory provision that places the Division of the Lottery and the Lottery Commission within the Department of Taxation and Finance. This makes it more difficult to effect change since all proposals must fight their way through one additional government agency. The freedom of the Lottery Commission is seriously curtailed since the State Lottery Law gives all the real authority to the Commissioner of Taxation and Finance. In 1967 Joseph Murphy, the State Tax Commissioner, who had statutory responsibility for running the lottery, was quoted

in U. S. News and World Report as saying he was not crazy about the lottery and expressed doubt that the American public would accept lotteries (U. S. News and World Report, August 28, 1967).

With such restrictions and lack of enthusiasm from the responsible bureaucrat it is not surprising that the lottery performed so poorly.

Initially there were twelve drawings per year with a ticket price of one dollar which returned \$300,000 as prizes to the players for every \$1,000,000 of gross revenue. Gradually the present system evolved which involves fifty-two drawings per year, with a ticket price of fifty cents, which returns \$200,000 as prizes to the players for every \$500,000 of gross revenue. The Commission also has the authority to conduct other special lotteries as it deems necessary.

When the lottery first became operational there were some 4,000 sales outlets because of statutory limitations. After a federal law made it illegal for banks to sell tickets the state law was changed with the result that today there are approximately 13,500 ticket outlets throughout the state (Bird, 1972).

Tickets were also a negative factor for some time. Originally a player had to fill out his name and address on the tickets; today the numbered ticket is all that is required.

Another lesson which was learned was that an altruistic approach to advertising would not attract gamblers. Initially, the advertising was centered about the fact that by participating in the lottery one was aiding state education, and even if you lost the children would win. "The appeal now is to simple greed (New York Times, January 16, 1972, IV, p. 12)." Advertisements stress only the "fabulous" prizes you can win "for only fifty cents."

The New York Lottery has failed in its primary and secondary goals. It has not come close to earning the predicted 360 million dollars gross revenue. Although the Division of the Lottery claims the predictions were "unrealistic" it appears, after observing the performance of the New Jersey Lottery, that, if run properly the New York Lottery would possess such potential. Through fiscal year 1972 the lottery had produced \$147,320,046 for education (Table III). While this total sounds enormous, it does not represent a substantial portion of total expenditures on education. For example, in 1972 the estimated expenditures for elementary and secondary education in New York was \$4,645,405,000 (Education Yearbook, 1972-73, p. 549). Table III shows that the lottery provided only \$34,667,000 or approximately .7% of total expenditures on education. This total was far less than had been expected. Several school budgets, which had been prepared in anticipation of much greater revenue, had to

be cut and in 1968 Governor Rockefeller was proposing another tax increase to make up the deficit.

The current fifty-cent weekly lottery appears to be a step in the right direction. Since its inception in January 1972, sales have soared. For example, sales for 1971 monthly one dollar tickets had averaged about three million dollars per month. Table IV shows that the fifty cent weekly lottery has averaged about two million dollars per week. Recently sales have been off even in this lottery, perhaps because of the competition from the daily lottery in New Jersey.

The secondary goal of reducing organized crime's profits from illegal gambling, particularly "numbers" has also failed. As far back as August, 1967 New York Police officials were quoted as saying, "People who bet on the numbers or with the neighborhood bookie don't go for the lottery. It takes too long to pay off. With the numbers its action daily--an immediate payoff, low price, familiar surroundings. These people just don't trust banks ... (U. S. News and World Report, August 28, 1967, p. 81). "

As previously cited, Governor Rockefeller said that the lottery was protecting the illegal numbers racket, and was not competing with racketeers as it could if properly operated.

Ernest T. Bird (1972), Director of the Division of the Lottery cited advantages of the illegal lotteries; "... the winners are

TABLE IV

Weekly Gross Revenue of New York's Fifty Cent Weekly Lottery  
(Millions of Dollars)

1972 Week of:	Gross Sales	Week of:	Gross Sales	Week of:	Gross Sales
Jan 20	1.600	May 11	2.711	Aug 31	1.958
27	1.870	18	2.667	Sept. 7	1.898
Feb. 3	2.061	23	2.593	14	1.873
10	2.163	June 1	2.493	21	1.972
17	2.464	8	2.306	28	1.978
24	2.697	15	2.474	Oct. 5	2.064
Mar. 2	2.611	22	2.379	12	2.096
9	2.793	29	2.305	19	2.072
16	2.894	July 6	2.180	26	2.068
23	2.935	13	2.127	Nov. 2	2.039
30	2.971	20	2.145	9	2.058
April 6	2.913	27	1.995	16	2.068
13	2.762	Aug. 3	1.879	23	2.019
20	2.877	10	1.929	30	2.104
27	2.840	17	1.949	Dec. 7	1.887
May 4	2.737	24	1.953		
				Total to date: 107.359	
				Net to education: 48.232	

Source: Hudson Institute, Increased Gambling in New York: A Policy Analysis, Vol. III, Croton-on-Hudson, New York, 1973, p. 2a.

free from all taxes, it offers daily and sometimes more frequent action, and the placement of a bet, determination of the results and collection of winnings have advantages of simplicity and immediacy." He went on to say that there was no evidence that the lottery operation has hurt the illegal numbers racket.

William Murphy, special attorney for the Brooklyn Organized Crime Strike Force stated "the state lottery doesn't make one bit of difference to the organized crime numbers game. A guy who had been playing the numbers all his life isn't going to buy a state lottery ticket just because its legal (Houston Post, January 16, 1973, p. 2c)."

In the New York State Gambling Commission report to the Governor and Legislature of February 1, 1973, the commission reported that "Illegal gambling, principally numbers (policy) ... is rampant in this state," and that "In control of the vast enterprizes so engaged are elements of organized crime." It estimated the gross volume of numbers in New York was \$600,000,000 per year while the gross volume of the state lottery was less than \$80,000,000 per year (1973, p. 3).

It does not appear that the second goal of the lottery has received anything but occasional mention in the news media. In the face of all this evidence, no real effort has been put forth to strive

towards this secondary goal, or even to determine if, in fact, there is any relationship between the legal and illegal lotteries in the first place.

### The New Jersey Lottery

#### Background

Lotteries had been proposed on the floor of the New Jersey State Legislature for several years. State Senator William V. Musto earned the name of "Mr. Lottery" in New Jersey because of the persistent proposals for lottery legislation he placed before the State Assembly and State Senate while serving on those bodies (Public Hearing, ACR #32, 1969).

After New Hampshire initiated their lottery, pressure increased for a state lottery. Senator Musto introduced his usual lottery legislation in the Senate in 1966, as he had done for more than ten years. This time it got as far as a public hearing where previously it had not left the committee. In a Public Hearing on Senate Concurrent Resolution No. 7 (State Lottery Law) Musto testified:

I do not consider the revenues to be derived from a State lottery the most important reason for adopting it, although it could result in considerable revenue to the State, similar to the revenues following the repeal or prohibition. Laws against lottery (illegal) cannot be enforced because no law which divides public opinion

or is contrary to the reasonable demands of human nature can be enforced. Legal lotteries without question will lessen illegal gambling (1966, p. 18).

He further testified that a State lottery would "... certainly divert to legal channels untold sums of money which are now gambled illegally" and that a state lottery "... would hit organized crime where it hurts the most (1966, p. 13). "

During this public hearing, "combating racketeers profiting from illegal gambling" was a constant theme.

Councilman Edgar Dinkelspiel of Long Branch testified, "Too long have large sums of money been siphoned into illegal channels by the racketeers and tin-horn gamblers, to dope and prostitution, depriving the people of New Jersey of the benefits that they would receive by a legalized state lottery (1966, p. 29). "

Colonel Barr: "... a weekly lottery ... would draw away from the policy and the numbers racket and help our police and law enforcement officers a great deal in controlling, or even possibly eliminating a major gambling activity as is going on now (1966, p. 60). "

The major opposition was on the "moral issue." Several ministers and religious groups testified against the lottery. This position was not easily defensible, since millions of dollars are made by religious organizations each year through bingo games, which is also a form of a lottery.

Estimates of net revenue from a lottery were recorded from thirty to 300 million dollars.

In 1968, another Public Hearing was held on Assembly Resolution No. 22 which was a bill to amend the State Constitution thereby creating a lottery. Two individuals testified at the hearing, both in favor of the bill. Senator Musto had a statement placed on the record. Assemblyman Brown from Ocean City again stressed the fact that a legal lottery would take funds from organized crime. Mr. George Bergen, an ex-investigator for the Legalized Games of Chance Control Commission, testified that any money gained would be worthwhile since it was a voluntary method of raising revenue, and he claimed a lottery could yield \$30,000,000 net revenue for the state per year "without any trouble (Public Hearing, ACR 22, 1968)."

On February 10, 1969, Governor Hughes introduced his budget for fiscal year 1970-1971. In his budget message he stated he had considered a state lottery to help raise the needed revenue. He calculated it could produce about \$20,000,000 per year in revenue (New York Times, February 11, 1969, p. 22).

On February 11, 1969 the Governor recommended that the legislature authorize a referendum for the coming November on the lottery issue (New York Times, February 12, 1969, p. 43).

A year earlier the Assembly had approved a referendum but it was voted down by the Senate. The Senate was pro-Republican and they felt if the lottery were on the ballot in the 1968 election it would attract a large number of low income voters to the polls. Since low-income groups traditionally vote Democratic the Senate saw fit to kill the bill.

The Senate approved the second attempt to conduct a referendum. On November 11, 1969 the electorate of New Jersey voted "overwhelmingly" in favor of the bill by a vote of 1,593,239, to 362,947. Thus 81.5% of the ballots cast recommended adoption of the lottery (Annual Report of New Jersey Lottery Commission, 1972, p. 2).

On October 17, 1969 Senator Musto predicted that a hard sell lottery could product up to \$200,000,000 per year for the state. In the same article, it was reported that Candidate for Governor Cahill favored a soft sell approach for the lottery (New York Times, October 17, 1969, p. 41). Cahill was elected governor on the same ballot that approved the lottery.

Pursuant to Joint Resolution No. 11, which was adopted on November 20, 1969, a State Lottery Planning Commission was created to formulate a report, including legislation and an administrative program for the conduct of a State Lottery. New Jersey was determined to have a more successful program than New Hampshire

or New York. They intended to learn from the mistakes of their predecessors. Much of the success the New Jersey Lottery was to achieve must be credited to the work of this Commission.

According to the Commission's Report, the major goal of the initial New Jersey Lottery effort should be obtaining of State revenues. However, they also state that serious investigation of means of establishing competition with illegal lotteries should be undertaken by the lottery division (Report of Lottery Planning Commission, 1970). For the first time the secondary goal of a lottery, i. e., competing with illegal lotteries run by organized crime, appeared to be receiving more than just political publicity to gain popular support.

On February 16, 1970 the lottery bill became law. On November 23, 1970 Governor Cahill officially announced that the first State Lottery tickets would go on sale December 16, 1970 with the first drawing to be held on January 7, 1971 (Annual Report, 1972).

### Organization and Operation

The State Legislature accepted the proposed legislation submitted by the State Lottery Planning Commission. This bill established a Division of the State Lottery within the Department of the Treasury. Within the Division of the Lottery, a Lottery Commission and a Division Director were authorized. The Commission consists

of five men appointed by the Governor. The Director of the Division of the Lottery was also to be appointed by the Governor. Ralph F. Batch was appointed as Director and still holds that position. He had been an active member of the State Lottery Planning Commission and was instrumental in drafting the lottery legislation.

Under Title 17 of the New Jersey Administrative Code the Commission was granted extremely broad powers and duties. Among the most significant were the authority:

1. To promulgate rules and regulations governing the establishment and operation of the State Lottery;
2. To amend, repeal or supplement any such rules and regulations from time to time as it deems necessary or desirable.
3. To report immediately to the Governor and Legislature any matters which shall require immediate changes in the laws of this State ... to rectify undesirable conditions in connection with the administration of the lottery (NJAC 17:20-3.3, 1972).

The Commission had only one restriction of any consequence placed on it. It must return to the state "not less than thirty per cent of total revenues accruing from the sale of lottery tickets (State Lottery Law, 1970. "

The Director was given authority to license as ticket agents, "such persons as in his opinion will best serve the public convenience and promote the sale of tickets (State Lottery Law, 1970)."

After extensive studies and surveys the commission decided to establish a weekly lottery at a price of fifty cents per ticket. One six digit number would be drawn on which all prizes would be based. It would be selected by use of a horserace, as in all other lotteries.

For each one million tickets sold at fifty cents each, the following prize schedule was used:

<u>Random Number</u>	<u>Number of Winners</u>	<u>Value of Prize</u>
123456	1	\$50,000
X23456 (last five)	9	4,000
XX3456 (last four)	90	400
XXX456 (last three)	900	40

If you had the first two digits or the last two digits you became eligible for a subsequent Millionaire Drawing. A total of 18,000 ticket holders were fifth prize winners.

New Hampshire, in June, 1971 and New York, in January, 1972 initiated weekly fifty cent lotteries patterned after the New Jersey Lottery.

Under this structure, a player had a chance of winning some cash of 1 out of 1,000. On a weekly basis only thirty two per

cent of gross sales was returned to players as prizes. The difference between that sum and forty-five per cent of total sales was set aside for subsequent drawings. In the long run then forty-five per cent of total sales eventually was paid in prizes.

Sales under this system were better than was expected. Table V shows the performance of the lottery from its inception through June 1972. Since June 1973 is the end of this fiscal year, figures from June 1972 to the present were not available from the Division of the Lottery. It is interesting to note that the lottery had paid 46.5% of gross revenue to the state, well in excess of the statutory requirement of a thirty per cent return.

In addition to the weekly lottery, periodic Millionaire Drawings are held by the Commission. These serve mainly for publicity in order to maintain interest in the lottery.

On November 24, 1972 the State of New Jersey began selling daily lottery tickets. The publicity for the new lottery claimed that New Jersey was going to "take on their major competition, organized crime, in dollar-to-dollar combat (Houston Chronicle, November 24, 1972, p. 2, sec. 1)."

Daily tickets cost fifty cents with payoffs ranging from \$2,500 to \$2.50. The chance of winning a low prize is 1 out of 26. Forty-five percent of gross sales is returned to the players as prizes.

TABLE V

Performance of New Jersey Lottery (January 1971-June 1972)  
(Millions of Dollars)

	6 Months Ended June 30, 1971	12 Months Ended June 30, 1972	Total	Percent of Total Sales
Gross Sales	\$72,719,448	\$137,538,895	\$210,258,343	100
Prize Allocations	\$32,723,752	\$ 61,892,503	\$ 94,616,255	45
Allocations to State*	\$33,362,066	\$ 68,998,037	\$102,360,103	46.5
Commissions Paid	\$ 4,022,207	\$ 7,879,085	\$ 11,901,292	5.7
Operating Expenses	\$ 1,925,286	\$ 3,405,475	\$ 5,330,761	2.5

Note: .3% of total revenue was put towards start up costs not shown.

\*A 30% return is mandatory.

Source: New Jersey State Lottery Commission

The daily lottery is not only competing with the illegal lotteries but with the neighboring states of Pennsylvania and New York which have adopted weekly lotteries.

On March 18, 1972 Mr. Batch, the Director of the Lottery Division, claimed that his lottery was adversely affected by neighboring states copying New Jersey's Lottery. He estimated that the new Pennsylvania Lottery would cause New Jersey to lose 7.5% of its weekly ticket sales. He also stated that when New York adopted a weekly lottery in January 1972, New Jersey lost 4.5% of its business (New York Times, March 19, 1972).

In its peak month of April 1971, the lottery earned 29.3 million dollars in gross revenue. There had recently been a decline and by October, 1972 sales had dropped to \$15.3 million dollars (Dallas Morning News, November 25, 1972, p. 4A).

The daily sales have been brisk but not enough information is presently available to accurately evaluate the program.

#### Performance Evaluation

New Jersey has fallen into a familiar pattern; high initial sales followed by a slow decline. In a short time the lottery has added a daily lottery to the existing weekly and millionaire drawings. New Jersey has earned more money than other lotteries; it has paid a greater percentage to the state than any other lottery. Despite

this record, however, sales have been declining. Fortunately the State Lottery Law allows more freedom to the Lottery Commission than do the laws of New Hampshire and New York. The Commission, taking advantage of this, is willing to try innovative programs in response to changing sales patterns.

In addition to low priced weekly and daily lotteries, the Commission has licensed over 4,000 ticket outlets and provided about 250 vending machines in high traffic locations throughout the state. On June 7, 1972 the Clover Club Ticket Reservation Plan was initiated. Under this plan a player may choose a number of his choice and reserve it for 12, 24 or 52 weeks. So far, 75,000 memberships have been purchased (Annual Report, New Jersey Lottery Commission, 1972).

To date the New Jersey Lottery has been extremely successful in pursuit of its primary goal of raising state revenue. The returns to the state have exceeded all estimates and the Commission is returning 16.5% more of the gross revenue than they are required to by law. It is hoped that the daily lottery will sustain this record. One problem in the daily lottery is the fact that ticket agents cannot return unsold tickets and must bear the loss themselves for any unsold tickets. As a result, some agents do not want to sell them and others request small numbers they are sure they can sell. A New Jersey Treasury Department Official said if resistance like this

persisted the lottery could encounter serious financial problems (Dallas Morning News, November 25, 1972).

The second goal of the lottery, i. e., competing with the numbers racket, is another story. Although Newsweek (April 10, 1972) reported that officials in New Jersey estimate they have siphoned off as much as fifteen per cent of the state's numbers action into the lottery, there is no data to support the claim. Most officials claim the legal lottery does not effect illegal operations. Colonel David B. Kelly has testified in Trenton to a gambling commission that organized crime already has begun using the daily state lottery winning number as the basis of its own number and that it enabled the mob to publicize its winning number on the same day (Houston Post, January 16, 1973). It appears that the lottery could be assisting, rather than competing with organized crime.

## CHAPTER V

### COMPARATIVE ANALYSIS

In the absence of any meaningful statistical data with which the legal and illegal lotteries can be compared, this study will describe several aspects of this type of gambling as they apply to both the legal (state) and the illegal (numbers) lotteries previously discussed. Through this comparative analysis, the type of lottery which would be most attractive to the average bettor should emerge.

#### Legal Constraints

##### State Lotteries

Several federal statutes seriously effect the operation of the state lotteries. All states have petitioned that these laws be amended, however, as of this time nothing has been done to change them. Discussion of some of the more significant federal laws follows.

Title 18, U. S. C., section 1301, prevents the carrying "... in interstate or foreign commerce any paper certificate or instrument purporting to be or to represent a ticket, chance, share

or interest in or dependent upon a lottery ... or any advertisement of, or list of prizes drawn or awarded by means of any such lottery ... (1966, p. 158). "

This prevents lotteries from advertising beyond their state limits. Many newspapers have circulation which extends into several states. Those papers which cross state lines must have lottery information removed from print. This restriction limits, to a great extent, advertisement for the lottery and creates problems in notification of prize winners. In practice, information concerning lotteries is often sent across state lines in newspapers, if such information represents "news. " This ambiguous exception to the law places newspapers in a difficult position as to what lottery information can be construed as "news. " It also appears they would leave themselves open to prosecution at the whim of federal authorities. Even if people travel across state lines to buy tickets they are technically not permitted to carry them back across state lines. This caused New Hampshire and New York to create a costly and time consuming system whereby the purchaser would retain only a receipt from his purchase rather than a ticket with which he could claim a future prize.

Title 18, U. S. C. , section 1302, prevents the use of the mails for transporting any matter related to lotteries. The restriction includes "any letter, package, postal card or circular ...

any lottery ticket or part thereof ... any check, draft, bill, money, postal note or money order for purchase of any ticket ... any newspaper, circular, pamphlet or publication containing any advertisement of a lottery ... or containing any list of prizes drawn ... (1966, p. 164). "

This restriction greatly decreased advertising, even within the state, as well as notification of winners. It also requires out-of-state players to travel great distances to partake in the state lotteries. This rule has been interpreted to include mailing of prizes to winners and therefore a time consuming and complex system must be used to pay winners.

The extent to which this law is enforced is not known. This study involved extensive use of the mails to obtain lottery information with no difficulty. However, the mere possibility of prosecution will act as a deterrent to sales regardless of the intensity of enforcement.

Title 18, U. S. C., section 1304, prohibits "the broadcasting of any advertisement of, or information concerning, any lottery ... or any list of the prizes drawn or awarded by means of any such lottery (1966, p. 178). " This applies to stations which require a license under federal law. This effectively limits any radio and television advertisement or notification of winners. As with newspapers discussed above, broadcasts of "news" is permissible.

"Provision of this section prohibiting broadcasts of information concerning lotteries does not ban broadcasts of all news concerning lotteries; it prohibits only so-called news directly promoting lottery (Title 18, U. S. C., Supplement, 1973, p. 38)." The question still remains with the broadcasters as to what constitutes "news directly promoting lottery." It is ambiguous enough to leave broadcasters subject to prosecution by federal authorities, whenever they desire.

Title 12, U. S. C., section 339, prohibits banks which are members of the Federal Deposit Insurance Corporation from "dealing in lottery tickets, dealing in bets ... for participation in a lottery, announcing, advertising or publicizing the existence of ... or winners of a lottery (Title 12, U. S. C., Supplement, 1973, p. 138)." The law seriously effected lottery operations in New York State since the primary sales outlets were to be banks. Although most states use other outlets, the integrity of state lotteries is questioned by such a restriction.

Title 26, U. S. C., section 4401, imposes an excise tax on wagers equal to ten per cent of the gross amount. "Each person who conducts any wagering pool or lottery shall be liable for and shall pay the tax under this subchapter (1967, p. 134)." Title 26, U. S. C., section 4402 grants an exemption to "any wager placed in a sweepstakes or lottery which is conducted by an agency of a

State . . . and the ultimate winners are determined by the results of a horserace (1967, p. 143). "

In its first year of operation New Hampshire paid the excise tax under protest, which resulted in this amendment. Although the states no longer must pay the tax, the winning number must be chosen by the results of a horserace, resulting in a complicated method of selection that many players do not understand.

The State Lottery Laws are additional hurdles which must be faced. The New Hampshire and New York laws set limits on the amount of drawings to be held. New Hampshire must conduct its lottery "in a manner which returns the largest net revenue to the state." New York must return at least forty-five per cent of totla sales to the state, while New Jersey must return at least thirty per cent. New York and New Hampshire originally set limits on the number of outlets. The New Jersey Lottery Law is the only one of the three which permits their Lottery Commission enough freedom to effectively operate a lottery. New Hampshire and New York have made statutory changes, but this is a time consuming process, and as of now the changes have been insufficient.

The federal and state laws under which lotteries must be run impose considerable inconvenience on both those who operate lotteries and those who wish to participate in them.

### Illegal Lotteries

"Numbers, " "policy" and "bolita" are proscribed by federal and state law in all fifty states. These laws, however, have done little to curtail the growth of the illegal lotteries. Most state laws have made the operation of an illegal lottery a felony, while participating in an illegal lottery is a misdemeanor. The chances of being arrested for playing the numbers is very slight. The Investigation of Law Enforcement in Buffalo supports this statement. In 1959, the numbers racket was exposed in Buffalo. The Investigating Committee estimated that 67,130 policy felonies and 1,299,400 policy misdemeanors had taken place in 1959. However, in 1959 only seventy-two persons were arrested for policy violations and all were for misdemeanors (Temporary Commission . . . , 1961). One served a thirty day jail sentence, two received suspended sentences, and a total of \$4,100 was collected from the other sixty-nine in fines. This situation is common.

Although these laws exist, they are not enforced to the point of discouraging participation. The laws however, still effect the illegal lotteries. They act as "crime tariffs" which in effect grant a monopoly for operators willing to take a risk and they reduce the amount of money available for prize money because the expenses, particularly bribery of policemen, necessitated by the existing laws are considerable.

## Availability

### State Lotteries

The state laws creating the New Hampshire and New York lotteries restricted the number of ticket outlets considerably. In New Hampshire they could be sold only in state liquor stores, two race tracks and offices of the Sweepstakes Commission. New York's law permitted outlets only in hotels, motels, banks and government offices.

New Hampshire has amended its law to permit sales at retail stores, beaches and highway toll booths. Currently, there are approximately 600 outlets in the state. The federal law preventing banks from selling tickets necessitated a change in New York's law. Ticket outlets have subsequently increased from approximately 4,200 to over 13,500.

New Jersey's law placed no restriction on the number of outlets and currently has licensed some 4,250 outlets.

Currently, New Jersey and New Hampshire use an automated ticket device which allows an individual to reserve a weekly number up to one year. It is possible, therefore, in these states, to place fifty-two bets with one trip to an outlet.

Today, in the three states, licenses may be obtained by application to the Commissions. If approved, another outlet exists.

However, there is no detailed planning to place these offices in areas which have traditionally supported illegal lotteries.

An individual wishing to buy a ticket must go to the nearest outlet, which in many cases is a considerable distance.

### Illegal Lotteries

In order to place a bet with an illegal lottery one must find a "runner." This is a relatively easy task. In a study on gambling done by the Hudson Institute for the State of New York it is reported that approximately 12,000 runners operate in New York City alone (1973, p. 9). Since many more thousands exist throughout the rest of New York State, they considerably outnumber the 13,500 outlets for the legal lottery.

These runners operate in neighborhood businesses with high customer volume, are available in any large business operation such as a factory, and will go to your home if necessary. As a result of a survey of the numbers game in New York City, the Hudson Institute published the following figures:

1. Forty-nine per cent of bettors go to meet their runner as he makes his daily rounds.
2. Thirteen per cent of bettors go to a stationary runner (store owner, etc.).

3. Runners meet thirty-four per cent of bettors at their homes or place of work.

### Chance

#### State Lotteries

There are several types of lotteries in the states of New Hampshire, New York, and New Jersey. The probability of winning some cash varies with each type of drawing.

New Hampshire ran four major sweepstakes races per year. In these sweepstakes, for each 100,000 tickets sold there were 430 money winners. The chance of winning the first prize of \$50,000 was 1 out of 100,000 (or .001 out of 1,000). The chance of winning at least a \$50 prize was 4.3 out of 1,000.

In the New Hampshire 50/50 Sweeps, which is a weekly drawing, for every 100,000 tickets sold there are 100 cash prizes awarded.

The chance of winning the top prize of \$5,000 is 1 out of 100,000 (or .001 out of 1,000). The chance of winning at least \$50 is 1 out of 1,000.

New York's first lottery offered 240 prizes for every million tickets sold; the chance of winning a cash prize was .24 out of 1,000. The amount of winners was changed to 480 per 1,000,000 tickets sold which doubled the chance of winning but was still only .48 out of 1,000.

New York's surviving lotteries have given the bettor a better chance. The monthly drawing offers 1,144 prizes for every 1,000,000 tickets sold. This gives the player a chance of 1 out of 1,000,000 at the \$100,000 prize with a chance of 1.1 out of 1,000 to win at least \$100.

New York's weekly fifty cent lottery offers 1,000 cash prizes for every 1,000,000 tickets sold. The chance of winning the \$50,000 first prize is 1 out of 1,000,000 (or .0001 out of 1,000). The chance of winning at least \$50 is 1 out of 1,000.

New Jersey's fifty cent weekly lottery offers 1,000 cash prizes for every 1,000,000 tickets sold, therefore, the chance or probability of winning money is identical with New York's weekly lottery. New Jersey's \$.50 daily lottery offers 3,850 cash prizes per 100,000 tickets sold. This gives players a chance of 1 out of 100,000 for the top prize of \$2,500 and a chance of 38.5 out of 1,000 (or 1 out of 26) for winning at least \$2.50.

### Illegal Lotteries

The winning number for the day is a three digit number from 000 to 999. There are five popular ways one can bet on that number. They are called straight, combo, front bolita, back bolita, and single action.

A straight bet is the selection of any three digit number as the winner. Since there are 1,000 possible numbers between 000 and 999 the probability of winning is 1 out of 1,000.

A combination bet consists of betting on all possible arrangements of a three digit number. Since each three digit number has six possible combinations the probability of winning is 6 out of 1,000.

Bolita is the selection of two numbers which will correspond to the first two digits (front bolita) or the last two digits (back bolita) of the winning number for the day. The probability of winning is ten out of 1,000 or one chance out of 100.

Straight action is the selection of a one digit number. The player must designate which digit of the winning number his number will be. The chances are 100 out of 1,000 or 1 out of 10.

### Odds

#### State Lotteries

The "odds" refers to the amount received per unit bet by winning.

In the New Hampshire Major Sweepstakes the payoff odds on a three dollar bet for the top prize of \$50,000 are 16,666 to 1. The smallest money prize paid was fifty dollars. Three hundred players were paid odds of 17 to 1.

In the New Hampshire 50/50 Sweeps the top prize of \$5,000 represents 10,000 to 1 payoff odds, while the low prize of fifty dollars is 100 to 1.

The New York Weekly fifty cent also ranges from 100,000 to 1 odds on a top prize of \$50,000, to 100 to 1 odds on the least prize which is fifty dollars. The New York Monthly Lottery at one dollar per ticket pays 100,000 to 1 odds on the top prize and 830 prizes are awarded at 100 to 1 odds for the least prizes.

The New Jersey Weekly fifty cent lottery pays off at 100,000 to 1 odds on a top prize of \$50,000, down to an 80 to 1 payoff on the least prize of forty dollars.

The New Jersey Daily fifty cent lottery pays at top prize of \$2,500 which is a 5,000 to 1 payoff, through a 5 to 1 payoff of \$2.50 for the least prize.

The odds quoted here sound good. These figures are often used in lottery advertising by the states. One must remember that these figures are deceiving unless considered simultaneously with the probability of winning. The formula for the lotteries to date had been to give few prizes at tremendous odds.

Since lottery winnings are subject to federal taxes the actual payoff odds are considerably reduced.

### Illegal Lotteries

The payoff odds on the five methods of betting a number as previously discussed are as follows:

Straight	3 digits	600 to 1
Combo	3 digits (any order)	100 to 1
Front Bolita	first 2 digits	60 to 1
Back Bolita	last 2 digits	60 to 1
Single action	1 digit in designated place	6 to 1

Popular numbers are often paid off at reduced odds, as low as 300 to 1. A player receives a card from his runner which lists the numbers on which his bank has reduced payoffs. Another factor to be considered is that runners normally get a ten per cent tip on a winning bet. This reduces the actual payoff odds for the player.

### Reliability and Convenience of Payoff

Reliability, for the purpose of this discussion, will refer to the probability of being paid should you have a winning number. Convenience refers to the speed and method of payoff.

The reliability of payoff is excellent with the state lotteries. There are, however, certain problems which must be considered. Information concerning prize winners is difficult to disseminate because of federal regulations concerning use of interstate commerce,

mails, radio and television as discussed previously. An out-of-state resident may not find out he is a winner because of these restrictions. Another problem is that since in most cases the tickets are only numbered and not filled out by the purchaser, an individual cannot claim a prize should he lose his ticket. In the last fiscal year New Jersey alone reported \$1,985,340 as unclaimed prize money (Annual Report, 1972, p. 7).

The inconvenience of payoff can be considerable for the players. First, an individual must determine if he is a winner, lists of winning numbers are published in newspapers and at ticket outlets and offices of the lottery. If an individual is from out-of-state he must go to considerable effort to determine if he has won a prize. A winner must then bring his ticket to the nearest branch office of the lottery to fill out a claim. Small prizes are paid by check at that time. Claims on large prizes must be approved by the Lottery Commissions. Since lotteries cannot use the mails, New York and New Hampshire open a bank account in the name of the winner at a designated bank. This process may involve two or three weeks before a major prize winner can receive the cash.

In New Jersey the winners are mailed a check from the Department of the Treasury. To date, this has caused no problem, although it appears to be in violation of federal law.

The recent automated ticket reservation programs in New Hampshire and New Jersey have increased the reliability and convenience in behalf of the players. A player will automatically be paid without any effort on his part if he has a reserved number.

### Illegal Lotteries

The reliability of "numbers" payoff is quite good. Paul Maisano, who runs the numbers game in East Harlem for the DeMaio family is quoted by Francis Ianni as saying, "In twenty years I'm here in East Harlem, we never refused to pay off, even when we were sure we were being taken (1972, p. 96)."

Although this is generally the case, two major problems emerge. First, operators which have been "hit hard" on a particular day have been known to disappear without paying. Second, there is an understanding between players and operators, that operators are not responsible for "arrested work." If a collector is arrested, and the records are either destroyed, lost or taken into custody by the police, no payoff is made to the players involved. Police corruption is so widespread that this is a rare occurrence. When it does happen, there is always the possibility that the arrest was "arranged" in order to protect the operator from a "big payoff," which might have ruined his business.

There is no possibility of a player losing a winning ticket since he does not receive one.

Payoff of bets is made in a manner most convenient to the player. Within twenty-four hours after a winner is selected (often only a few hours after) the runners will bring the prize to him. It will be paid off where the bet was made, in a bar, a candy store, his place of work or his home.

### Action

The term "action" is here used to denote the frequency and amount a gambler can bet.

### State Lotteries

Originally New Hampshire offered two drawings per year. The price of each ticket was three dollars. Decreasing sales forced changes in the action. Today New Hampshire runs a weekly lottery. Tickets may be purchased any day of the week except Sunday. The state law allows only the two racetracks to sell lottery tickets on Sunday. There is one 5 digit winning number selected each Friday. Tickets cost fifty cents each. A player may purchase as many tickets as he desires, but can only bet fifty cents on each number.

New York also runs a weekly lottery. The action is the same as New Hampshire. New York holds its weekly drawing each Wednesday.

New Jersey preceded New Hampshire and New York into the weekly lottery business. The action is the same as theirs, since they copied New Jersey's system. The weekly drawing in New Jersey is held on Thursday.

In November of 1972, New Jersey started the only legal daily lottery. Tickets cost fifty cents each. A player can buy as many as he likes but he can only bet fifty cents on each number. There are six drawings per week, Monday through Saturday.

The three states have additional periodic drawings but these are not numerous enough to be included as action.

### Illegal Lotteries

A three digit number is selected every day of the week except Sunday. A player may bet any amount he desires on the number and he may bet the number in several different ways as described previously.

In New York, while the racing seasons of the thoroughbreds and the Trotters are both running, there are two numbers selected each day.

A player can bet on either one or both numbers in any amount he desires and as many different numbers as he desires.

Distribution of Revenues

Table VI shows the percentage distribution of gross revenue for both the legal and illegal lotteries. The "numbers" returns a greater percentage of money to the players as prizes than any of the state lotteries. The low profit shown for the "numbers" game is somewhat misleading since the 35% listed as commissions is money paid to members of the organization and contributes to the profits of organized crime.

TABLE VI

Distribution of Gross Revenue for Legal and Illegal Lotteries  
(Percentage Basis)

Item	Lottery			"Numbers"***
	New Hampshire	New York	New Jersey	
Prize Money to Players	45	40	45	54
Profit to Operation	40	45	47 *	5 - 6
Commission to Seller	4	5	5	35 **
Administrative Costs	11	10	3	4-5

\*New Jersey State requires only 30% return to state. Law administrative costs permit greater profits.

\*\*Includes 25% for the collector and 10% for the controller.

\*\*\*Approximate average percentages for the "Numbers" taken from: Kaplan, Lawrence and Maher, James. "The Economics of the Numbers Game." The American Journal of Economics and Sociology. Vol. 29, 1970, p. 402.

## CHAPTER VI

### CONCLUSIONS AND RECOMMENDATIONS

#### Conclusions

As a result of the descriptive and comparative analyses in the foregoing chapters of this study the following conclusions are presented:

1. The comparative analysis of several aspects of the legal and illegal lotteries, indicates that illegal lotteries or "numbers" would be more attractive to the average gambler.
  - a) Although illegal lotteries are proscribed in all states, the laws simply are not enforced. A combination of police corruption and public permissiveness concerning gambling contribute to this condition. State lotteries are careful to follow most federal and state laws in order to avoid public criticism and charges of corruption. Players, therefore, are more restricted by laws pertaining to legal than illegal lotteries.
  - b) It is easier to place a bet in an illegal lottery than in a legal lottery. Numbers runners are considerably more numerous than state ticket outlets and runners will come to the player's business or home to get his bet.

- c) The probability of winning favors the illegal lottery. New Jersey's daily lottery offers the greatest probability of winning of all legal lotteries. The chance of winning the top prize is 1 out of 100,000 and the chance of winning the low prize is 1 out of 26. A top prize in the illegal lottery involves a chance of 1 out of 1,000 and a low prize for "single action" represents a chance of 1 out of 10. The state lotteries have adjusted prize schedules in order to publicize a chance of 1 out of 1,000 to win cash. Many people feel that this equals the chance in the illegal game. However, the legal game offers this chance of winning on at least the lowest prize; "numbers" offers this chance on the highest prize.
- d) Odds are deceptive. In the legal lottery the payoff odds for winners are astronomical. However, there are relatively so few winners that payoff odds on illegal lotteries are more attractive. The choice is between a few very large winners or many thousands of medium and small winners.
- e) Reliability appears to favor the legal lottery while convenience definitely favors the illegal. The holder of a winning lottery ticket will definitely be paid off if he

knows he has a winner. A winner in the "numbers" could fail to receive his money if his runner leaves town or gets arrested. A "numbers" gambler, however, can achieve a great degree of reliability if he deals with the older established banks, many of which have never missed a payment of a bet. Federal and state laws complicate the payment of legal lottery prizes. Runners will bring winning numbers bets to the player within one day.

- f) There is a great deal more "action" available through the numbers game. A player can bet any number he desires, in any amount he desires, at least once a day and often twice a day. In a legal lottery only New Jersey offers daily action and only fifty cents can be bet on a number which the player cannot select.
- g) Legal lotteries return no more than forty-five per cent of gross sales to the players in prize money. The illegal game returns approximately fifty-four per cent of revenue to the players.

- 2. Illegal lotteries not only offer the player a more attractive form of gambling than do legal lotteries, but also provide a form of recreation, companionship, community involvement

and an outlet for the frustrations of those in the lower strata of society.

3. Laws proscribing illegal lotteries act as "Crime Tariffs" which insure a monopoly for organized crime and create a situation which encourages corruption of police and other public officials.
4. The legal lotteries have used their stated secondary goal, i. e., combating organized crime by taking business from the numbers, merely for publicity purposes aimed at increasing public acceptance and answering charges of immorality.

There has been no evidence of any real attempt by any state to accomplish this secondary goal. New Jersey has claimed some success in this area. No information is available to support these claims. If New Jersey was truly making an attempt to drive the numbers game out of business, more prize money would be paid to players. State law requires a thirty per cent return to the state. However, the lottery returns forty-seven per cent to the state. If this extra seventeen per cent were applied to prize money, the state could return sixty-two per cent to players in prizes, thus creating real competition for the

illegal lotteries, which return approximately fifty-four per cent to players in prizes.

5. The performance of the legal lotteries indicates that the dual goals of producing revenue for the state and reducing crime are not compatible.
6. The State Lotteries do not represent legalization of the numbers racket but rather the creation of a new and different form of gambling which happens to be legal.

Appendix B indicates that, at least in New Hampshire, the difference in these forms of gambling attracts different clientele.

7. The state lotteries have been moderately successful in their primary goal of raising revenue for the states. Although they generally have not performed up to expectations, millions of dollars have been raised, which otherwise would have had to come from taxation.

### Recommendations

Several State Lotteries exist with the very real possibility that the number will double or triple within a short time. Therefore, a recommendation to eliminate state lotteries would be impractical, if not whimsical. There are several recommendations which might assist both existing and future lottery operations:

1. State lottery laws should be amended or drafted to model the New Jersey Lottery Law. Appendix D contains the proposed legislation of the New Jersey State Lottery Planning Commission, which is now the State Law. This law allows the Lottery Commission maximum flexibility to make changes in the operation of the lottery to best adapt to changing market conditions. It also requires a reasonable amount (30%) be returned to the state as revenue.
2. States which operate, or hope to operate lotteries, must exert necessary pressure on the federal government to amend the laws restricting the use of interstate commerce, mails, radio and television in the conduct of a lottery.
3. The states should exempt prize winners from paying state and local taxes on winnings.
4. States must decide on one, and only one, goal for which the lotteries should strive.
  - a) If the goal is to remain the raising of revenue, the lottery should not be associated in any way with "numbers." The study has shown that the state lotteries are not able to compete with the numbers racket and, therefore, unless the goal is changed the lotteries

should be considered only as a source of revenue and nothing more.

- b) If the goal can effectively be changed, then the emphasis should be on structuring a lottery which most nearly approximates the current "numbers game," while insuring that substantially more prize money is returned to the players than is now paid by the racketeers.

#### An Alternative Proposal

It is not likely that the goals of an established government bureaucracy can be effectively altered quickly enough to meet the current crisis this country faces in the form of rising crime. In anticipation of continued stress on raising revenue by the use of state lotteries the following recommendations are suggested:

1. Legalize the "numbers game" under government control.
2. Return all money, not used for commissions and administration, as prizes to players.
3. Employ as many individuals as are willing, who are currently involved in illegal operations.

Some discussion is required. Complete legalization without restrictions is undesirable. Conditions would deteriorate as operators

strived to maintain their monopolies through violence rather than through corruption of public officials, as is now the case.

All aspects of the current game should be legalized under government supervision to include runners who make house calls. The numbers should be selected in the same way and prizes should be paid in the same manner. The methods should not be changed since they have proven to be effective and popular. Creating lotteries with different structures has not effected this successful scheme. Law enforcement has proven ineffective. The only reasonable approach that remains is cooptation.

Several benefits can be derived in this manner:

1. The money used to finance illicit activities and corrupt police can now be returned to players as prizes. The players receive better probability of winning and increased payoff odds, thus reducing the argument of regressive taxation.
2. By utilizing the same system sustained popularity is assured.
3. By offering those currently involved in illegal lotteries a regular job as a state employee, the risk of widespread unemployment of those currently employed in illegal operations is averted.
4. The opportunity for police corruption is decreased.

5. Police resources can be diverted from enforcement of gambling laws to more pressing problems.
6. Operating on a non-profit basis makes it impossible for organized crime to compete.
7. It would provide people in ghetto areas with daily contact with government officials on a friendly basis.
8. The money wagered would remain in the community in the form of salaries and winnings.
9. It would provide people with a legitimate outlet for an activity which they historically pursue even when it is proscribed.

#### The Question of Legalization

The purpose of this study was to determine if state lotteries, as currently operated, possess the potential to compete with illegal lottery operations. It has been determined that the state lotteries are not in a position to seriously compete with the numbers racket.

Since state lotteries are often cited as an example of "legalization of victimless crime," it was also hoped that an evaluation of "legalization" as a solution to these crimes could be made. Such an evaluation is not possible. This study has shown that state lotteries represent a creation of a new gambling device rather than legalization of the numbers game. This study was not able to show

that there is even a relationship between the two forms of gambling; it only emphasizes the differences between state lotteries and "numbers."

This study indicates that providing an alternative to a particular victimless crime has not been successful. Adoption of the proposal to legalize the "numbers" game under government control could provide a vehicle to effectively study "legalization" as a solution to the problems of "victimless crime."

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APPENDIX A

SURVEY OF THE STATES: STATUS

OF GAMBLING LEGISLATION

SURVEY OF THE STATES: STATUS OF GAMBLING LEGISLATION

	FORMS OF GAMBLING LEGALIZED	STATUS OF LEGISLATION	STATE REVENUE FROM GAMBLING	PERCENTAGE OF TOTAL STATE REVENUE					
	NONE	72-REFERENDUM PASSED IN MOBILE TO ALLOW DOG RACING			NEW HAMPSHIRE	LOTTERY, PARIMUTUEL BETTING ON HORSES	72-PARIMUTUEL BETTING ON DOGS LEGALIZED; TALK OF OFF-TRACK BETTING	70-LOTTERY \$ 915,000 71-HORSES \$10,193,000	70 1% 71 8.6%
ALASKA	FOR NON-PROFIT ORGANIZATIONS: BINGO, ICE CLASSICS, FISH DERBIES; SOME COIN-OPERATED MACHINES.				NEW JERSEY	PARIMUTUEL BETTING ON HORSES; BINGO <u>STATE LOTTERY</u>	72-BILL OKAYED TO STUDY OFF-TRACK BETTING, CASINOS HEARINGS UNDER WAY.	70-LOTTERY \$40,000,000 71-HORSES \$35,419,000	70 3% 71 2.3%
ARIZONA	PARIMUTUEL BETTING ON HORSES, DOGS; SOME SLOT MACHINES	71-BINGO LEGISLATION ADOPTED	71-\$ 4,330,000	.8%	NEW MEXICO	PARIMUTUEL BETTING ON HORSES; BINGO FOR RELIGIOUS OR CHARITABLE GROUPS		71-\$ 890,000	.3%
ARKANSAS	PARIMUTUEL BETTING ON HORSES, DOGS	72-DISCUSSION A LOTTERY	71-\$ 6,725,000	1.6%	NEW YORK	PARIMUTUEL BETTING ON HORSES; BINGO OFF-TRACK BETTING; <u>STATE LOTTERY</u>	72-BILL PASSED LEGISLATURE WHICH WOULD ALLOW CHANGES IN ORDER TO LEGALIZE ALL OTHER KINDS OF GAMBLING; MUST PASS NEXT LEGISLATURE AND VOTE OF THE PEOPLE	71-HORSES ON-TRACK \$170,000,000 71-OFF-TRACK \$14,000,000	71 2.8% 71 .2%
CALIFORNIA	PARIMUTUEL BETTING ON HORSES; JAI ALAI DRAW POKER	72-LOTTERY BEING DISCUSSED; 71-LEGISLATION KILLED IN BINGO LEGISLATION KILLED IN COMMITTEE (JUNE)	71-\$64,859,000	1.1%					
COLORADO	PARIMUTUEL BETTING ON HORSES, DOGS; BINGO	LOTTERY QUESTION UP TO VOTERS IN NOVEMBER, 1972	71-\$ 4,196,000	.8%	NORTH CAROLINA	NONE			
CONNECTICUT	BINGO; PARIMUTUEL BETTING ON HORSES BOTH ON AND OFF-TRACK (NOT YET IN OPERATION) STATE LOTTERY (2/72)				NORTH DAKOTA	(NONE)	4/72-VOTERS APPROVED PROPOSAL TO PERMIT LEGISLATURE TO ENACT LAW AUTHORIZING A LOTTERY BUT PROPOSED NEW CONSTITUTION (WITH LEGALIZATION WRITTEN IN) DEFEATED		
DELAWARE	PARIMUTUEL BETTING ON HORSES; BINGO	DISCUSSING LOTTERIES AND OFF-TRACK BETTING	71-\$ 7,785,000	3.5%	OHIO	PARIMUTUEL BETTING ON HORSES; BINGO	4/72-STATE SUPREME COURT RULED CONSTITUTIONAL AMENDMENT ON LOTTERIES COULD NOT APPEAR ON BALLOT; SENATE AND HOUSE APPROVED AMENDMENT	71-\$16,813,000	.9%
FLORIDA	PARIMUTUEL BETTING ON HORSES, DOGS; JAI ALAI	LOTTERIES AND OFF-TRACK BETTING BEING DISCUSSED	71-\$53,960,000	3.4%	OKLAHOMA	LOTTERIES FOR MERCHANT AND COMMUNITY LESTES.			
GEORGIA	NONE				OREGON	PARIMUTUEL BETTING ON HORSES, DOGS	71/72-LOTTERY LEGISLATION OKAYED, LEGAL BARRIERS TO PUBLIC GAMBLING REMOVED.	71-\$ 2,685,000	.6%
HAWAII	(NONE)	72-"SOCIAL GAMBLING" LEGALIZED, BILL TO LEGALIZE COCK FIGHTING BUT NOT WAGERING ON COCK FIGHTS INTRODUCED; EFFORTS FOR PARIMUTUEL BETTING ON HORSES			PENNSYLVANIA	PARIMUTUEL BETTING ON HORSES; LOTTERY	71-OTB BILL DEFEATED; 72-NEW OTB BILL BEING WRITTEN WHICH WOULD ALLOW RACING ASSN. TO RUN, ALL MONEY BET INCLUDED IN TRACK POOLS, ONLY STATE RACES, 10%-RACING; 5%-STATE; 2%-EDUCATION	71-\$20,119,000	.6%
IDAH0	PARIMUTUEL BETTING ON HORSES	72-PROPOSED CONSTITUTIONAL AMENDMENT PERMITTING LOTTERIES AND BINGO WAS DEFEATED.	71- 121,000	.06%	RHODE ISLAND	PARIMUTUEL BETTING ON HORSES; BINGO	72-DEMOCRATS PROPOSING LEGISLATION TO LEGALIZE BETTING ON DOGS, JAI ALAI SPORTS BETTING AND OTB. MAY BE ON NOVEMBER BALLOT, OTB BEING STUDIED UNDER 1971 LEGISLATION.	71-\$12,373,000	4.5%
ILLINOIS	PARIMUTUEL BETTING ON HORSES	72-TALK OF OFF-TRACK BETTING	71-\$45,799,000	1.4%	SOUTH CAROLINA	NONE			
INDIANA	NONE				SOUTH DAKOTA	PARIMUTUEL BETTING ON HORSES, DOGS	71-LOTTERY BILL DEFEATED	71-\$ 1,461,000	1.1%
IOWA	NONE				TENNESSEE	NONE			
KANSAS	BINGO FOR CHARITY OR NON-PROFIT DOGS.				TEXAS	CARD GAMES AND DOMINOES IN FAMILY RESIDENCES			
KENTUCKY	PARIMUTUEL BETTING ON HORSES; SOME PINBALL MACHINES	72-OFF-TRACK BETTING BILL TABLED (EFFECTIVELY KILLED) BILL TO STUDY OTB PASSED.	71-\$ 6,384,000	.8%	UTAH	NONE			
LOUISIANA	PARIMUTUEL BETTING ON HORSES; BINGO		71-\$ 5,164,000	.5%	VERMONT	PARIMUTUEL BETTING ON HORSES; BINGO		71-\$ 2,940,000	2%
MAINE	PARIMUTUEL BETTING ON HORSES; BINGO		71-\$ 1,736,000	.7%	VIRGINIA	LIMITED BINGO	71-CONSTITUTIONAL CHANGE MADE TO ENABLE LEGISLATION		
MARYLAND	PARIMUTUEL BETTING ON HORSES; BINGO; SLOT MACHINES IN SOME COUNTIES	4/72-OTB BILL KILLED, LOTTERY UP TO VOTERS IN NOVEMBER, 1972.	71-\$14,679,000	1.2%	WASHINGTON	PARIMUTUEL BETTING ON HORSES	71/72-LOTTERY LEGISLATION PASSED AND LEGAL BARRIERS REMOVED TO PUBLIC GAMBLING STATE VOTE: NOVEMBER, 1972	71-\$ 2,873,000	.2%
MASSACHUSETTS	PARIMUTUEL BETTING ON HORSES, DOGS; <u>LOTTERY (3/72)</u>	71-BEANO LICENSING AUTHORIZED. 72-TALK OF OFF-TRACK BETTING	71-\$25,026,000	1.6%	WEST VIRGINIA	PARIMUTUEL BETTING ON HORSES		71-\$10,440,000	2.3%
MICHIGAN	PARIMUTUEL BETTING ON HORSES	5/71-OTB LEGISLATION PASSED THE HOUSE 5/72-PRIMARY VOTED FOR REPEAL OF BAN ON LOTTERIES AND BINGO 5/72-SENATE BILL INTRODUCED FOR A LOTTERY	71-\$23,238,000	.9%	WISCONSIN	NONE			
MINNESOTA	NONE	EFFORTS FOR PARIMUTUEL BETTING ON HORSES			WYOMING	PARIMUTUEL BETTING ON HORSES; BINGO	OTHER FORMS NOW BEING CONSIDERED	71-\$ 18,000	.02%
MISSISSIPPI	NONE								
MISSOURI	BINGO	4/71-CONSTITUTIONAL CHANGE SO PARIMUTUEL BETTING CAN BE LEGALIZED							
MONTANA	(NONE)	72-VOTERS OKAYED MEASURE FOR LEGISLATURE TO ACT TO LEGALIZED BINGO AND RAFFLES NO CASINOS							
NEBRASKA	PARIMUTUEL BETTING ON HORSES; BINGO		71-\$ 2,237,000	.7%					
NEVADA	PARIMUTUEL BETTING ON HORSES; OFF-TRACK BETTING, CASINOS; SPORTS WAGERING; BINGO	72-PROPOSAL INTRODUCED TO ALLOW TELEPHONE BETTING	71-\$41,000,000	40%					

"HOW MANY GAMES IN TOWN?--SHOULD GAMBLING BE LEGALIZED," MARCUM AND ROWEN, SEPT. 11, 1972. (UNPUBLISHED WORKING PAPER PREPARED FOR THE 20TH CENTURY FUND)

APPENDIX B

SURVEY OF PURCHASERS OF NEW HAMPSHIRE'S

LOTTERY TICKETS

## Appendix B

SURVEY CONDUCTED BY PROFESSOR S. KENNETH HOWARD  
UNIVERSITY OF NEW HAMPSHIRE, 1965

### Conclusion

The characteristics of purchasers of New Hampshire tickets can be summarized as follows:

1. 88% come from out of state.
2. 67% are male.
3. 80% of the men and 60% of the women are married.
4. 82% support four persons or less.
5. 50% are between 40 and 60 years of age.
6. 75% purchased three tickets or less.
7. 50% obtained the tickets themselves.
8. 10% made a special trip to get the tickets.
9. 52% of the nonresidents are in New Hampshire for recreational purposes.
10. 65% completed high school and 11% have more than college training - levels of educational achievement which are significantly above the national average.
11. 31% have incomes of \$10,000 or more, 75% have incomes over \$5,000, and 10% have incomes below \$3,000 - the income pattern being significantly higher than the national average.
12. In terms of income and educational levels, resident winners are not as different from the state population as nonresident winners are from the national population.
13. Residents tend to buy more tickets per purchaser than non-residents.
14. Resident and nonresident winners are comparable in the relationship which exists between family incomes and the number of persons supported.
15. Among neither residents nor nonresidents is the number of tickets purchased related significantly to family income.

These findings provide a picture of Sweepstakes participants which is quite different from that which might have been anticipated on the basis of historical precedent. If, as the analysis shows, the number of tickets purchased is unrelated to income, why are the poor not participating much more heavily in the Sweepstakes?

At least three intuitive explanations for these results can be offered. It is clear that the majority of the purchasers come from outside New Hampshire. Federal statutes limiting the use of the mails for lottery purposes were enacted before the turn of this century and remain in full force. As a result, the buyer, or someone acting for him, must personally come to New Hampshire to obtain a ticket. For nonresidents to get a ticket, therefore, some travel will be required. However, travel is not something the poor or their friends can readily afford, particularly for recreational purposes.

A second factor, the price of the tickets, may also have an impact. At three dollars each, tickets are not easily obtained by those who prefer to do their gambling on the basis of a nickel, dime or quarter a day.

Finally, the Sweepstakes is essentially an "investment" form of gambling in that the results are not known until well after the money has been put out. This lag has probably contributed to the noticeable lack of interest inveterate and professional gamblers have demonstrated in the Sweepstakes. Perhaps the poor who gamble do not like the deferred outcome this form of wager entails as much as they like gambling where results are known within 24 hours.

The "typical" Sweepstakes ticket purchaser appears from this study to be a middle-aged married man who has a good education and is earning a relatively high income with which he supports a small family. He has come to New Hampshire for the purpose of having a good time, which apparently includes buying a few Sweepstakes tickets.

As a means of raising public revenue, the New Hampshire Sweepstakes does not appear to be extracting a disproportionate amount of money from those in the society who are least able to pay for government services.

APPENDIX C  
NEW HAMPSHIRE SWEEPSTAKES  
UNITICKET ORDER FORM

# UNiTICKET® ORDER FORM

134

**NEW HAMPSHIRE WEEKLY 50/50 SWEEPS**  
**New Hampshire Sweepstakes Commission**  
 125 NORTH MAIN STREET, CONCORD, NEW HAMPSHIRE 03301

## SUBSCRIBER

LAST NAME

FIRST NAME

INITIAL

STREET ADDRESS

TELEPHONE NUMBER

CITY

STATE

ZIP CODE

## GIFT FROM (OPTIONAL)

LAST NAME

FIRST NAME

INITIAL

FOLD HERE

FOLD HERE

**YOU MAY SUBSCRIBE TO AS MANY AS 5 DIFFERENT NUMBERS WITH THIS APPLICATION.**

APPLICATION NO.	FILL IN AMOUNT FOR EACH SUBSCRIPTION				CHECK HERE IF RENEWAL	NUMBER DESIRED
	6 WKS \$ 3.00	12 WKS \$ 6.00	24 WKS \$ 12.00	52 WKS \$ 25.00		
SUBSCRIPTION 1						
SUBSCRIPTION 2						
SUBSCRIPTION 3						
SUBSCRIPTION 4						
SUBSCRIPTION 5						

For each number you request every effort will be made to issue you the number which corresponds to your choice. If this is not possible, a number very close to your choice will be assigned by computer. You may retain an assigned number indefinitely by renewing your subscription. A notice of expiration will be forwarded to you prior to the expiration of your subscription. A new UNiTICKET® application must be presented to any authorized sales agent or office of the New Hampshire Sweepstakes Commission along with cash, check, or money order prior to the expiration date shown on your UNiTICKET® to be assured of retaining your Sweeps number.

PLEASE ENTER AMOUNT DUE

\$

DATE

AGENT #

CASH ☐

CHECK ☐

MONEY ORDER ☐

MO.

DAY

YR.

FOLD YOUR CHECK OR MONEY ORDER IN HALF AND PUT IN MIDDLE OF THIS PAGE. THEN FOLD PAGE FROM TOP TO BOTTOM IN HALF AND PRESS EDGES TO SEAL FORM.



# UNiTICKET®

APPLICATION

New Hampshire Sweepstakes Commission

YOUR RECORD OF SUBSCRIPTION &amp; ORDER

PLAN - Check (✓) Yours

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
\$3.00	\$6.00	\$12.00	\$25.00
(6 Wks)	(12 Wks)	(24 Wks)	(52 Wks)

1st SUBSCRIPTION NUMBER

2nd SUBSCRIPTION NUMBER

3rd SUBSCRIPTION NUMBER

4th SUBSCRIPTION NUMBER

5th SUBSCRIPTION NUMBER

## PAYMENT

CASH ☐

CHECK ☐

MONEY ORDER ☐

AGENT SIGNATURE

AGENT NUMBER

DATE

Within approximately 3 weeks, if this application is accepted by the New Hampshire Sweepstakes Commission, you will receive confirmation of the acceptance of this application in the form of a UNiTICKET® (S) showing the Sweeps number (if available - if not available, a number will be assigned) and dates for which the UNiTICKET® (S) is (are) valid. Actual participation in the Sweepstakes will begin as of the effective date shown on the UNiTICKET® and will end as of the expiration date shown on the UNiTICKET®.

RECEIPT NO.

NEW HAMPSHIRE SWEEPSTAKES COMMISSION  
125 North Main Street  
Concord, New Hampshire 03301

# UNiLiCKE<sup>®</sup>

## APPLICATION ORDER FORM IT'S AUTOMATIC

Here's the most unique way to take part in the New Hampshire Sweepstakes every week, year-round. It's **UNiLiCKE<sup>®</sup>**, the personalized 50/50 Sweeps ticket with your own 5-digit number.

No matter where you live, you can buy a **UNiLiCKE<sup>®</sup>**. There's no need to keep track of weekly winning number because it's all handled by computer and you are automatically notified when you win.

Here's how you get a **UNiLiCKE<sup>®</sup>**. Just complete this application and present it to any authorized Sweepstakes ticket agent with payment, or alternatively, this application may be presented to the New Hampshire Sweepstakes Commission at the address on the reverse side of the application. Follow the instructions carefully on the application portion. You will receive confirmation of your **UNiLiCKE<sup>®</sup>** and number in approximately 3 weeks.

Once your **UNiLiCKE<sup>®</sup>** number is registered with the Sweepstakes Commission, it will be automatically checked by the Sweepstakes computers against the winning number every week and your **UNiLiCKE<sup>®</sup>** number is eligible for all prizes automatically.

When your number is a winner in any of the combination possibilities, you will be notified -- anywhere in the world!

You can buy your **UNiLiCKE<sup>®</sup>** number for 52 weeks at \$25.00, 24 weeks at \$12.00, 12 weeks at \$6.00 and 6 weeks at \$3.00. And you can buy as many **UNiLiCKE<sup>®</sup>**s as you like.

**UNiLiCKE<sup>®</sup>**s make the ideal gift for your relatives, friends, and favorite charities.

Remember, you'll be notified when you win.  
Buy one today.



**NEW HAMPSHIRE  
SWEEPSTAKES COMMISSION**  
125 North Main Street Concord, N.H. 03301

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# UNilicket

## APPLICATION ORDER FORM IT'S AUTOMATIC

Here's the most unique way to take part in the New Hampshire Sweepstakes every week, year-round. It's **UNilicket**, the personalized 50/50 Sweeps ticket with your own 5-digit number.

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Remember, you'll be notified when you win.  
 Buy one today.

NEW HAMPSHIRE  
 SWEEPSTAKES COMMISSION  
 125 North Main Street Concord, N.H. 03301

APPENDIX D

NEW JERSEY STATE LOTTERY LAW

## Appendix D

### PROPOSED LEGISLATION

AN ACT concerning the establishment and operation of a State lottery, creating the Division of the State Lottery in the Department of the Treasury, prescribing its functions, powers and duties, and providing for an appropriation therefor.

BE IT ENACTED BY THE SENATE AND GENERAL ASSEMBLY OF THE STATE OF NEW JERSEY:

1. This act shall be known and may be cited as the "State Lottery Law."

2. This act is enacted to implement the amendment of Article IV, Section VII, paragraph 2, of the Constitution of New Jersey, approved by the people in the general election of November, 1969, and to carry out the mandate thereof by establishing a lottery to be operated by the state, the entire net proceeds of which are to be used for State institutions and State aid for education.

3. For the purposes of this act:

a. "Commission" shall mean the State Lottery Commission established by this act.

b. "Division" shall mean the Division of the State Lottery created by this act.

c. "Lottery" or "State lottery" shall mean the lottery established and operated pursuant to this act.

d. "Director" shall mean the Director of the Division of the State Lottery.

4. There is hereby established in the Department of the Treasury a Division of the State Lottery, which shall include a State Lottery Commission and a director.

5. The commission shall consist of five members, all of whom shall be citizens and residents of this State and all of whom shall be appointed by the Governor by and with the advice and consent of the Senate. No more than three of the five members shall be members of the same political party. The members shall be appointed for terms of 5 years, except that of the members first appointed, one shall be appointed for a term of 1 year, one for a term of 2 years, one for a term of 3 years, one for a term of 4 years, and one for a term of 5 years, commencing as of the date of appointment by the Governor. The term of each of the members first appointed

shall be designated by the Governor. The members shall, annually, elect one of them as chairman of the commission.

Any vacancy in the commission occurring for any reason other than the expiration of term, shall be filled for the unexpired term in the same manner as the original appointment.

Any member of the commission may be removed from office by the Governor, for cause, upon notice and opportunity to be heard at a public hearing.

The members of the commission shall receive no salaries but shall be allowed reasonable expenses incurred in the performance of their official duties in an amount not exceeding \$5,000.00 per annum in the case of the chairman, and \$3,500.00 in the case of each of the other commissioners.

6. The division shall be under the immediate supervision and direction of a director, who shall be a person qualified by training and experience to direct the work of such division. The director shall be appointed by the Governor, by and with the advice and consent of the Senate, and shall serve at the pleasure of the Governor.

Any vacancy occurring in the office of the director shall be filled in the same manner as the original appointment.

The director of said division shall devote his entire time and attention to the duties of his office and shall not be engaged in any other profession or occupation. He shall receive such salary as shall be provided by law.

7. The commission shall have the power, and it shall be its duty:

a. After full and thorough study of the report and recommendations of the State Lottery Planning Commission established pursuant to Joint Resolution Number 11, approved November 20, 1969, and such other pertinent information as may be available, to promulgate such rules and regulations governing the establishment and operation of a State lottery as it deems necessary and desirable in order that the mandate of the people expressed in their approval of the amendment to Article IV, Section VII, paragraph 2, of the Constitution in the general election of November, 1969, may be fully implemented, in order that such a lottery shall be initiated at the earliest feasible and practicable time, and in order that such lottery shall produce the maximum amount of net revenues for State institutions and State aid for education consonant with the dignity of the State and the general welfare of the people. Such rules and regulations may include, but shall not be limited to, the following:

- (1) The type of lottery to be conducted.
- (2) The price, or prices, of tickets or shares in the lottery.
- (3) The numbers and sizes of the prizes on the winning tickets or shares.

(4) The manner of selecting the winning tickets or shares.

(5) The manner of payment of prizes to the holders of winning tickets or shares.

(6) The frequency of the drawings or selections of winning tickets or shares, without limitation.

(7) Without limit as to number, the type or types of locations at which tickets or shares may be sold.

(8) The method to be used in selling tickets or shares.

(9) The licensing of agents to sell tickets or shares, provided that no person under the age of 21 shall be licensed as an agent.

(10) The manner and amount of compensation, if any, to be paid licensed sales agents necessary to provide for the adequate availability of tickets or shares to prospective buyers and for the convenience of the public.

(11) The apportionment of the total revenues accruing from the sale of lottery tickets or shares and from all other sources among (a) the payment of prizes to the holders of winning tickets or shares, (b) the payment of costs incurred in the operation and administration of the lottery, including the expenses of the division and the costs resulting from any contract or contracts entered into for promotional, advertising or operational services or for the purchase or lease of lottery equipment and materials, (c) for the repayment of the moneys appropriated to the State Lottery Fund pursuant to section 23 of this act, and (d) for transfer to the general fund for State institutions and State aid for education; provided, however, that no less than 30% of the total revenues accruing from the sale of lottery tickets or shares shall be dedicated to (d), above.

(12) Such other matters necessary or desirable for the efficient and economical operation and administration of the lottery and for the convenience of the purchasers of tickets or shares and the holders of winning tickets or shares.

b. To amend, repeal, or supplement any such rules and regulations from time to time as it deems necessary or desirable.

c. To advise and make recommendations to the director regarding the operation and administration of the lottery.

d. To report monthly to the Governor and the Legislature the total lottery revenues, prize disbursements and other expenses for the preceding month, and to make an annual report, which shall include a full and complete statement of lottery revenues, prize disbursements and other expenses, to the Governor and the Legislature, and including such recommendations for changes in this act as it deems necessary or desirable.

e. To report immediately to the Governor and the Legislature any matters which shall require immediate changes in the

laws of this State in order to prevent abuses and evasions of this act or rules and regulations promulgated thereunder or to rectify undesirable conditions in connection with the administration or operation of the lottery.

f. To carry on a continuous study and investigation of the lottery throughout the State (1) for the purpose of ascertaining any defects in this act or in the rules and regulations issued thereunder by reason whereof any abuses in the administration and operation of the lottery or any evasion of this act or the rules and regulations may arise or be practiced, (2) for the purpose of formulating recommendations for changes in this act and the rules and regulations promulgated thereunder to prevent such abuses and evasions, (3) to guard against the use of this act and the rules and regulations issued thereunder as a cloak for the carrying on of organized gambling and crime, and (4) to insure that said law and rules and regulations shall be in such form and be so administered as to serve the true purposes of this act.

g. To make a continuous study and investigation of (1) the operation and the administration of similar laws which may be in effect in other states or countries, (2) any literature on the subject which from time to time may be published or available, (3) any Federal laws which may affect the operation of the lottery, and (4) the reaction of New Jersey citizens to existing and potential features of the lottery with a view to recommending or effecting changes that will tend to serve the purposes of this act.

8. The director shall have the power, and it shall be his duty to:

a. Supervise and administer the operation of the lottery in accordance with the provisions of this act and with the rules and regulations of the commission.

b. Subject to the approval of the commission, appoint such deputy directors as may be required to carry out the functions and duties of the division, which deputy directors shall be in the unclassified service of the civil service.

c. Subject to the approval of the commission and Title 11 of the Revised Statutes, Civil Service, appoint such professional, technical and clerical assistants and employees as may be necessary to perform the duties imposed upon the division by this act.

d. Act as secretary and executive officer of the commission.

e. In accordance with the provisions of this act and the rules and regulations of the commission, to license as agents to sell lottery tickets such persons as in his opinion will best serve the public convenience and promote the sale of tickets or shares. The director may require a bond from every licensed agent, in such amount as

provided in the rules and regulations of the commission. Every licensed agent shall prominently display his license, or a copy thereof, as provided in the rules and regulations of the commission.

f. Shall confer regularly as necessary or desirable and not less than once every month with the commission on the operation and administration of the lottery; shall make available for inspection by the commission, upon request, all books, records, files, and other information and documents of the division; shall advise the commission and recommend such matters as he deems necessary and advisable to improve the operation and administration of the lottery.

g. Suspend or revoke any license issued pursuant to this act or the rules and regulations promulgated thereunder.

h. Subject to the approval of the commission and the applicable laws relating to public contracts, to enter into contracts for the operation of the lottery, or any part thereof, and into contracts for the promotion of the lottery. No contract awarded or entered into by the director may be assigned by the holder thereof except by specific approval of the commission.

i. To certify monthly to the State Treasurer and the commission a full and complete statement of lottery revenues, prize disbursements and other expenses for the preceding month.

9. No action of the commission shall be binding unless taken at a meeting at which at least three of the five members are present and shall vote in favor thereof. The minutes of every meeting of the commission, including any rules and regulations promulgated by the commission or any amendments, revisions, supplements or repeal thereof, shall be forthwith transmitted, by and under the certification of the secretary thereof, to the Governor at the Executive Chamber, State House, Trenton. The Governor shall, within 10 days after said minutes shall have been so delivered, cause the same to be returned to the commission either with or without his veto on any action therein recited as having been taken by the commission. If the Governor shall not return the minutes within said 10 days, any action recited therein shall have force and effect according to the wording thereof.

10. The commission shall have the power to issue subpoenas to compel the attendance of witnesses and the production of documents, papers, books, records and other evidence before it in any manner over which it has jurisdiction, control or supervision. The commission shall have the power to administer oaths and affirmations to persons whose testimony is required. If a person subpoenaed to attend in any such proceeding or hearing fails to obey the command of the subpoena without reasonable cause, or if a person in attendance in any such proceeding or hearing refuses, without

lawful cause, to be examined or to answer a legal or pertinent question or to exhibit any book, account, record or other document when ordered so to do by the commission, the commission may apply to any Judge of the Superior Court, upon proof by affidavit of the facts, for an order returnable in not less than 2 nor more than 10 days, or as the court shall prescribe, directing such person to show cause before the court why he should not comply with such subpoena or such order.

Upon return of the order, the court before whom the matter shall come on for hearing shall examine such person under oath, and if the court shall determine, after giving such person an opportunity to be heard, that he refused without legal excuse to comply with such subpoena or such order of the director, the court may order such person to comply therewith forthwith and any failure to obey the order of the court may be punished as a contempt of the Superior Court.

11. No license as an agent to sell lottery tickets or shares shall be issued to any person to engage in business exclusively as a lottery sales agent. Before issuing such license the director shall consider such factors as (a) the financial responsibility and security of the person and his business or activity, (b) the accessibility of his place of business or activity to the public, (c) the sufficiency of existing licenses to serve the public convenience, and (d) the volume of expected sales.

For the purposes of this section, the term "person" shall be construed to mean and include an individual, association, corporation, club, trust, estate, society, company, joint stock company, receiver, trustee, assignee, referee, or any other person acting in a fiduciary or representative capacity, whether appointed by a court or otherwise, and any combination of individuals. "Person" shall also be construed to mean and include all departments, commissions, agencies and instrumentalities of the State, including counties and municipalities and agencies and instrumentalities thereof.

12. Notwithstanding any other provision of law, any person licensed as provided in this act is hereby authorized and empowered to act as a lottery sales agent.

13. No right of any person to a prize drawn shall be assignable, except that payment of any prize drawn may be paid to the estate of a deceased prize winner, and except that any person pursuant to an appropriate judicial order may be paid the prize to which the winner is entitled. The director shall be discharged of all further liability upon payment of a prize pursuant to this section.

14. No person shall sell a ticket or share at a price greater than that fixed by rule or regulation of the commission. No person other than a licensed lottery sales agent shall sell lottery tickets or

shares, except that nothing in this section shall be construed to prevent any person from giving lottery tickets or shares to another as a gift.

Any person convicted of violating this section shall be guilty of a misdemeanor.

15. No ticket or share shall be sold to any person under the age of 18, but this shall not be deemed to prohibit the purchase of a ticket or share for the purpose of making a gift by a person 18 years of age or older to a person less than that age. Any licensee who knowingly sells or offers to sell a lottery ticket or share to any person under the age of 18 is a disorderly person.

16. No ticket or share shall be purchased by, and no prize shall be paid to any of the following persons: any officer or employee of the division or to any spouse, child, brother, sister or parent residing as a member of the same household in the principal place of abode of any of the foregoing persons.

17. Unclaimed prize money for the prize on a winning ticket or share shall be retained by the director for the person entitled thereto for 1 year after the drawing in which the prize was won. If no claim is made for said money within such year, the prize money shall be allocated to State institutions and State aid for education in the same manner as lottery revenues are allocated for such purposes under this act.

18. The director may, in his discretion, require any or all lottery sales agents to deposit to the credit of the State Lottery Fund in banks, designated by the State Treasurer all moneys received by such agents from the sale of lottery tickets or shares, less the amount, if any, retained as compensation for the sale of the tickets or shares, and to file with the director or his designated agents reports of their receipts and transactions in the sale of lottery tickets in such form and containing such information as he may require. The director may make such arrangements for any person, including a bank, to perform such functions, activities or services in connection with the operation of the lottery as he may deem advisable pursuant to this act and the rules and regulations of the commission, and such functions, activities or services shall constitute lawful functions, activities and services of such person.

19. No other law providing any penalty or disability for the sale of lottery tickets or any acts done in connection with a lottery shall apply to the sale of tickets or shares performed pursuant to this act.

20. If the person entitled to a prize or any winning ticket is under the age of 18 years, and such prize is less than \$5,000.00, the director may direct payment of the prize by delivery to an adult

member of the minor's family or a guardian of the minor of a check or draft payable to the order of such minor. If the person entitled to a prize or any winning ticket is under the age of 18 years, and such prize is \$5,000.00 or more, the director may direct payment to such minor by depositing the amount of the prize in any bank to the credit of an adult member of the minor's family or a guardian of the minor as custodian for such minor. The person so named as custodian shall have the same duties and powers as a person designated as a custodian in a manner prescribed by the "New Jersey Uniform Gifts to Minors Act, " P. L. 1963, chapter 177 (C. 46:38-13 et seq. ) and for the purposes of this section the terms "adult member of a minor's family, " "guardian of a minor" and "bank" shall have the same meaning as in said act. The director shall be discharged of all further liability upon payment of a prize to a minor pursuant to this section.

21. There is hereby created and established in the Department of the Treasury a separate fund, to be known as the "State Lottery Fund, " to be deposited in such depositories as the State Treasurer may select. Such fund shall consist of all revenues received from the sale of lottery tickets or shares, and all other moneys credited or transferred thereto from any other fund or source pursuant to law.

22. The moneys in said State Lottery Fund shall be appropriated only (a) for the payment of prizes to the holders of winning lottery tickets or shares, (b) for the expenses of the division in its operation of the lottery, (c) for State institutions and State aid for education as shall be provided by law, and (d) for the repayment to the general treasury of the amount appropriated to the fund pursuant to section 23 of this act.

23. There is hereby appropriated to the State Lottery Fund from the general fund the sum of \$1,500,000.00 and such other moneys as shall be appropriated by the general or any supplemental appropriations act, or so much thereof as may be necessary, in the first instance, for the purposes of the division in carrying out its functions and duties pursuant to this act. Such appropriation shall be repaid to the general fund as soon as practicable from the net revenues accruing in the State Lottery Fund after the payment of prizes to holders of winning tickets or shares and expenses of the division.

24. The prizes received pursuant to the provisions of this act shall be exempt from the "Emergency Transportation Tax Act" (P. L. 1961, c. 32).

25. The State Auditor shall conduct an annual post-audit of all accounts and transactions of the division and such other special

post-audits as he may be directed to conduct pursuant to chapter 24 of Title 52 of the Revised Statutes.

26. If any clause, sentence, paragraph, subdivision, section, provision or other portion of this act or the application thereof to any person or circumstances is held to be invalid, such holding shall not affect, impair or invalidate the remainder of this act or the application of such portion held invalid to any other person or circumstances, but shall be confined in its operation to the clause, sentence, paragraph, subdivision, provision or other portion thereof directly involved in such holding or to the person and circumstances therein involved. If any provision of this act is inconsistent with, in conflict with, or contrary to any other provision of law, such provision of this act shall prevail over such other provision and such other provision shall be deemed to have been amended, superseded or repealed to the extent of such inconsistency, conflict and contrariety.

27. This act shall take effect immediately.

Vita redacted during scanning.