

Lucky for New Jersey.

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NEW JERSEY STATE LOTTERY
1982 ANNUAL REPORT

Message from the Director

With a firm foundation of accomplishment and integrity in place, the New Jersey Lottery is moving boldly into an exciting new era of innovation and change.

The Lottery's commitment to its consumers is to be sensitive to their needs and wishes, utilizing the advances in modern technology. We seek to offer games that are imaginative, fun to play and, above all, fair to our customers.

In times of financial difficulty for both the public and private sectors, the Lottery's priority is to contribute vitally needed funds for education and state institutions that

ease the burden on the taxpayer. Records set by the Lottery in Fiscal 1982 stand as challenges to surpass this year.

To meet those challenges the Lottery has the confidence and support of Governor Thomas H. Kean's Administration and the Legislature, the guidance of an able State Lottery Commission headed by Chairman Reese Palley and a professional hard-working team of Lottery administrators and staff. With optimism, we face the future together.

Hazel Frank Gluck
Executive Director



Thomas H. Kean, Governor



Hazel Frank Gluck, Executive Director

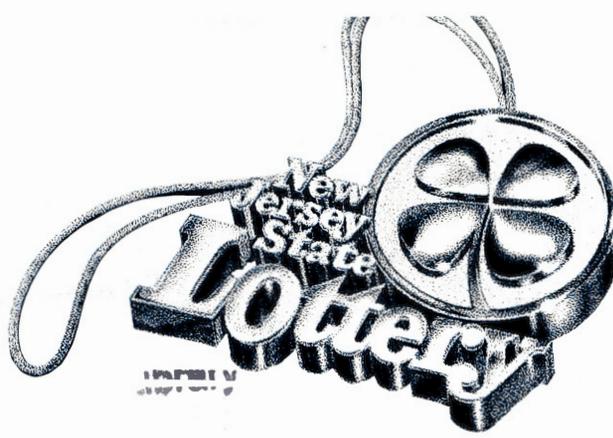
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Financial Summary

Gross Revenues	\$517,810,709
Prize Allocation	258,434,052
Funds Available for Contributions to Education and State Institutions for Fiscal Year Ended June 30, 1982	220,297,110

This report contains audited fiscal 1982 (July 1, 1981–June 30, 1982) figures and editorial content updated through November 15, 1982.



A record-shattering Fiscal 1982 demonstrated dramatically why the New Jersey Lottery has been: "Lucky for New Jersey."

It has been lucky for the people of New Jersey who share the benefits of the more than \$1.1 billion contributed for state aid to education and institutions during the Lottery's twelve-year history.

The Lottery has been lucky for its consumers who have won prizes totaling approximately \$1.3 billion since 1970.

The highlight of Fiscal 1982 came in November when the Lottery's contributions to the state for education and institutions during its twelve-year history soared over the billion dollar mark. This represented 43.1 cents of every dollar collected by the Lottery—far above the 30 cents required by law.

As the Lottery entered Fiscal 1983, its significance as a vital revenue-producer for the state continues to grow. The Lottery has become the sixth largest revenue resource for the state government and faces the challenge of striving for another record-breaking year to help ease New Jersey's fiscal problems.

With the strong support of Governor Thomas H. Kean's Administration and the new leadership of Executive Director Hazel Frank Gluck, the Lottery "team" faces the challenge with confidence.

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Members of the New Jersey State Lottery Commission.

(Standing from left) Philip A. Gelber of Metuchen; Jerome Seiden of West Orange; (seated from left) Donald B. Valk of Madison, Vice Chairman; Reese Palley of Atlantic City, Chairman; James Cicalese of Point Pleasant Beach.

A year of records

Record after record topped in Fiscal 1982 as the Lottery achieved new highs in gross sales, prizes and contributions to the state.

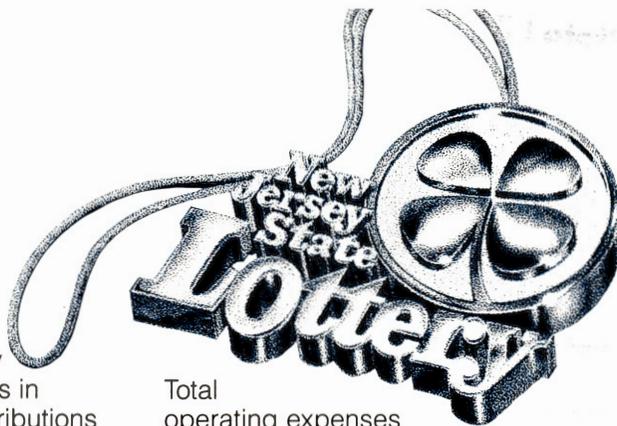
- For the first time in its history, the Lottery topped the half billion dollar level in gross sales. The sales of \$517,810,709 were \$100.8 million, or 24 per cent, higher than Fiscal 1981.

- Another "first" was surpassing the \$200 million level in contributions for state aid to education and institutions. The total of \$220,297,110 represented an increase of \$44.3 million, or 25 per cent, over the previous year.

- Prizes to the Lottery's consumers continued to climb, amounting to \$258,434,052. This was a jump of \$50.4 million, or 24 per cent, over

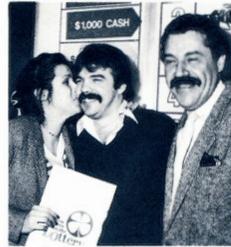
Fiscal 1981. The Lottery paid 49.9 cents of every dollar received back to the public in prizes.

The Lottery during the year strengthened its reputation for sound, business-like operation.



Total operating expenses for the year came to \$7,449,437— or only 1.4 cents of every dollar the Lottery received.

It was Governor Kean who placed this outstanding record into perspective when he commended the Lottery with these words:



"To run a half-billion-dollar business with operating expenses of only 1.4 per cent is an extraordinary achievement by any measurement, including private industry."

Also sharing in the Lottery's success were the nearly 4,000 Lottery agents, most of them small business people, the banks who distribute the tickets and the private contractors who print and supply the tickets. The Lottery pumped \$37,006,673 into the economy in commissions and fees to them.

The numbers games

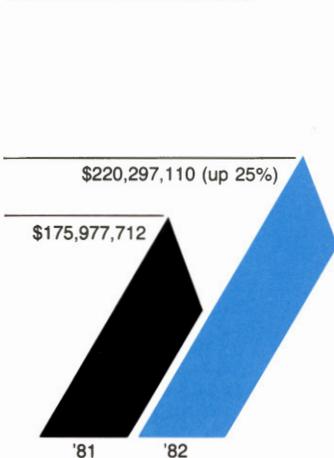
When the New Jersey Lottery introduced the nation's first legal daily numbers game, "Pick-It," in 1975, it revolutionized the Lottery industry. Nowhere is the impact of numbers games more dynamic than in New Jersey itself.

New Jersey's three numbers games during Fiscal 1982 produced the extraordinary record of accounting for 88.8 cents of every dollar in sales received by the Lottery.

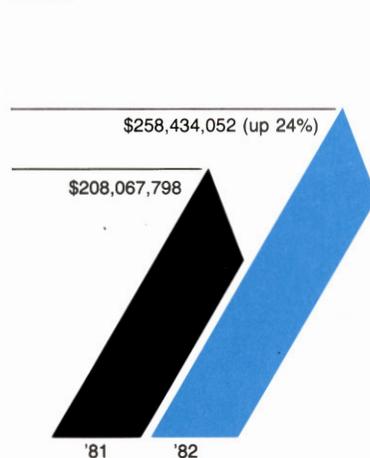
By itself, "Pick-It" generated sales of \$351,851,247, a rise of \$58.6 million, or 20 per cent, over the previous year. The daily numbers game accounted for 67.9 per cent of all Lottery sales for the year. When it celebrated its seventh birthday last May 22, "Pick-It" had produced grand totals of \$1.4 billion in sales, \$700 million in prizes and \$600 million for the state.

The twice-weekly "Pick-4" game had sales of \$63,616,474, an increase of \$6.8 million, or 12 per cent.

State Aid to Education & Institutions

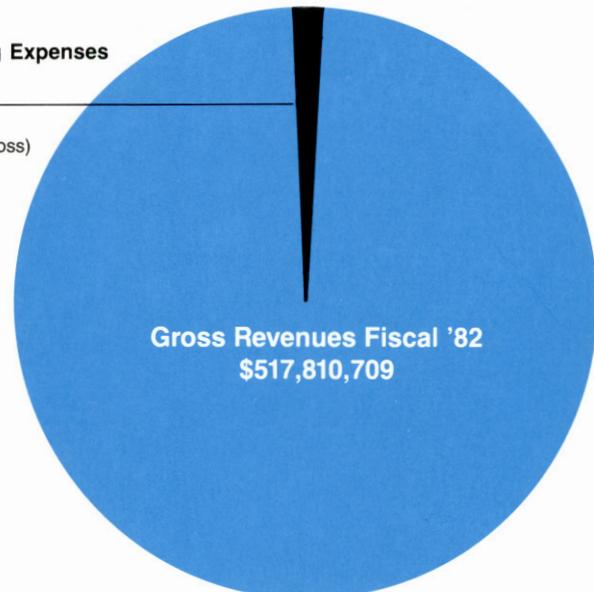


Prizes



Operating Expenses

\$7,449,437
(1.4% of Gross)



The newest member of the numbers games family, the weekly "Pick-6 Lotto," maintained its rapid growth by nearly doubling the sales volume of the previous year. Gross sales of \$44,528,973 were up \$21.5 million, or 93 per cent, over Fiscal 1981.



"Pick-6 Lotto" went over the \$1 million mark for the first time with gross sales of \$1.0 million for the week of January 21. A record "Pick-6 Lotto" top prize pool of \$1,960,040 last February 11 was shared by three lucky winners.

Instant games

The other major contributors to Fiscal 1982 revenues were the Lottery's ever-popular instant games. With public interest maintained through short-duration, different-theme games, the instant lotteries produced a total of

\$56,899,452 in sales. This represented a substantial two-thirds increase of \$22.6 million over Fiscal 1981.

The year opened with the introduction in July of the "7-11-21" instant game. The game ended in October with gross revenues of \$12 million.

With the new football season underway, the Lottery in October unveiled its "Football" instant game. The game generated approximately \$12.4 million in sales.

An exciting new double-your-prize feature sparked the "Instant Doubler" instant game which went on sale in February. In three months, the game was a sell-out, accounting for gross revenues of \$13.8 million.

Again relating its product to seasonal interest, the Lottery introduced a "Baseball" instant game in late May as Fiscal 1982 was drawing to a close.

To give its customers a holiday treat, the Lottery presented a special "Surprise Package" instant game in November. In two months, the game sold \$11 million in tickets in the marketplace.

An exciting extra dimension provided by the instant games was the creation of new Lottery

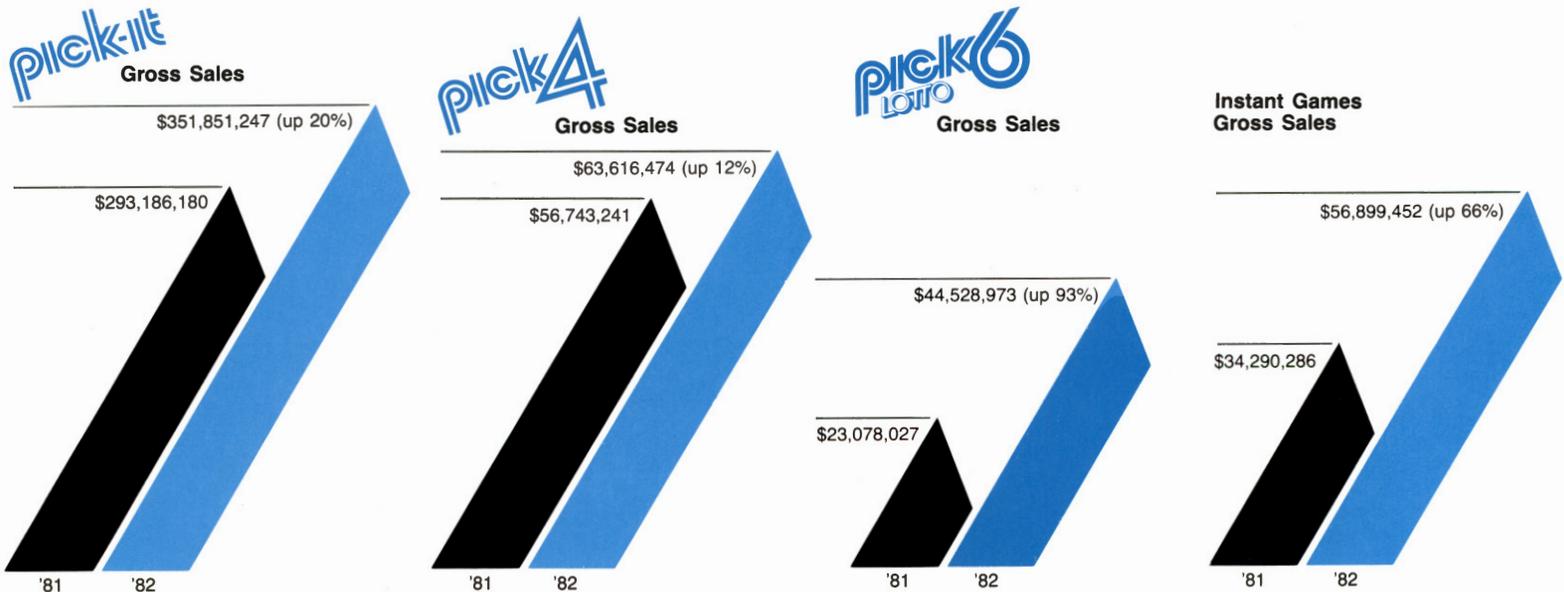
Millionaires. In Grand Prize Drawings in Atlantic City, Arnold Ornstein of Edison became the 77th Millionaire in September; William McGuire of McKee City became the 78th just before Christmas, and Jeffrey Zuendt of Oradell was crowned as the 79th Millionaire in April.

"Pick-6 Lotto" also got into the Millionaire act last July when Ed and Helen Rudden of Flanders won the top cash prize of \$1,169,000.

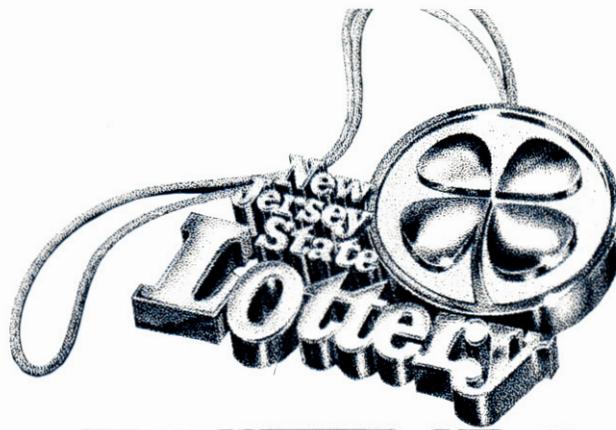
Through its Bonus Drawings, "Pick-6 Lotto" also gave four lucky winners top cash prizes of \$100,000 each during the year. At the Meadowlands Race Track, the winners were Walter Simms of Atlantic City in October, Vincent Milano of Elizabeth in January and Saul Rosenthal of Rahway in March. In June the Bonus Drawing moved to the boardwalk at Seaside Heights, with Doug Rillo of New Providence winning the \$100,000 big prize.



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New leadership



Hazel Frank Gluck of Lakewood became Executive Director of the New Jersey Lottery in March after her nomination by Governor Kean and unanimous confirmation by the State Senate. She succeeded Gloria A. Decker, who had served as Executive Director for five years.

Director Gluck brought to her Lottery assignment excellent credentials in government at both the state and county levels and in consumer affairs.

A native of New York City, Director Gluck was graduated from the University of Michigan in 1956. A resident of Lakewood, she has served as president of the Lakewood League of Women Voters, founder of the local Head Start Program and member of the Board of Education.

In 1973 Director Gluck was appointed as the first Director of the Ocean County Department of Consumer Affairs. In 1977 she became the first woman elected to the Ocean County Board of Freeholders, serving as Director of the Board in 1978.

In 1979 Director Gluck was elected as a member of the State Assembly and served a two-year term. She was a candidate for the State Senate in 1981. This year, she was appointed to the New Jersey Advisory Committee to the United States Civil Rights Commission.

Director Gluck paid tribute to the leadership provided by Mrs. Decker and pledged to maintain and strengthen the integrity and public confidence that she said are the keys to the extraordinary success of the New Jersey Lottery.

Joining Director Gluck in bringing new leadership to the Lottery were two new members appointed to the State Lottery



Hazel Frank Gluck, Executive Director

Commission. Philip Gelber of Metuchen was appointed by former Governor Brendan Byrne as a Lottery Commissioner last August, succeeding James J. Flynn Jr. of Perth Amboy. As the new fiscal year began, James Cicalese of Point Pleasant Beach was named by Governor Kean to succeed John L. Keaveney of Shrewsbury on the Commission.

The new members joined three veterans of service to the Lottery on the Commission. They are Chairman Reese Palley of Atlantic City; Donald B. Valk of Madison, who has served since the Lottery's inception; and Jerome Seiden of West Orange.

This combination of fresh ideas and knowledgeable experience provided a strong foundation of leadership as the New Jersey Lottery moved strongly and confidently into Fiscal 1983.



Lottery Deputy Directors:

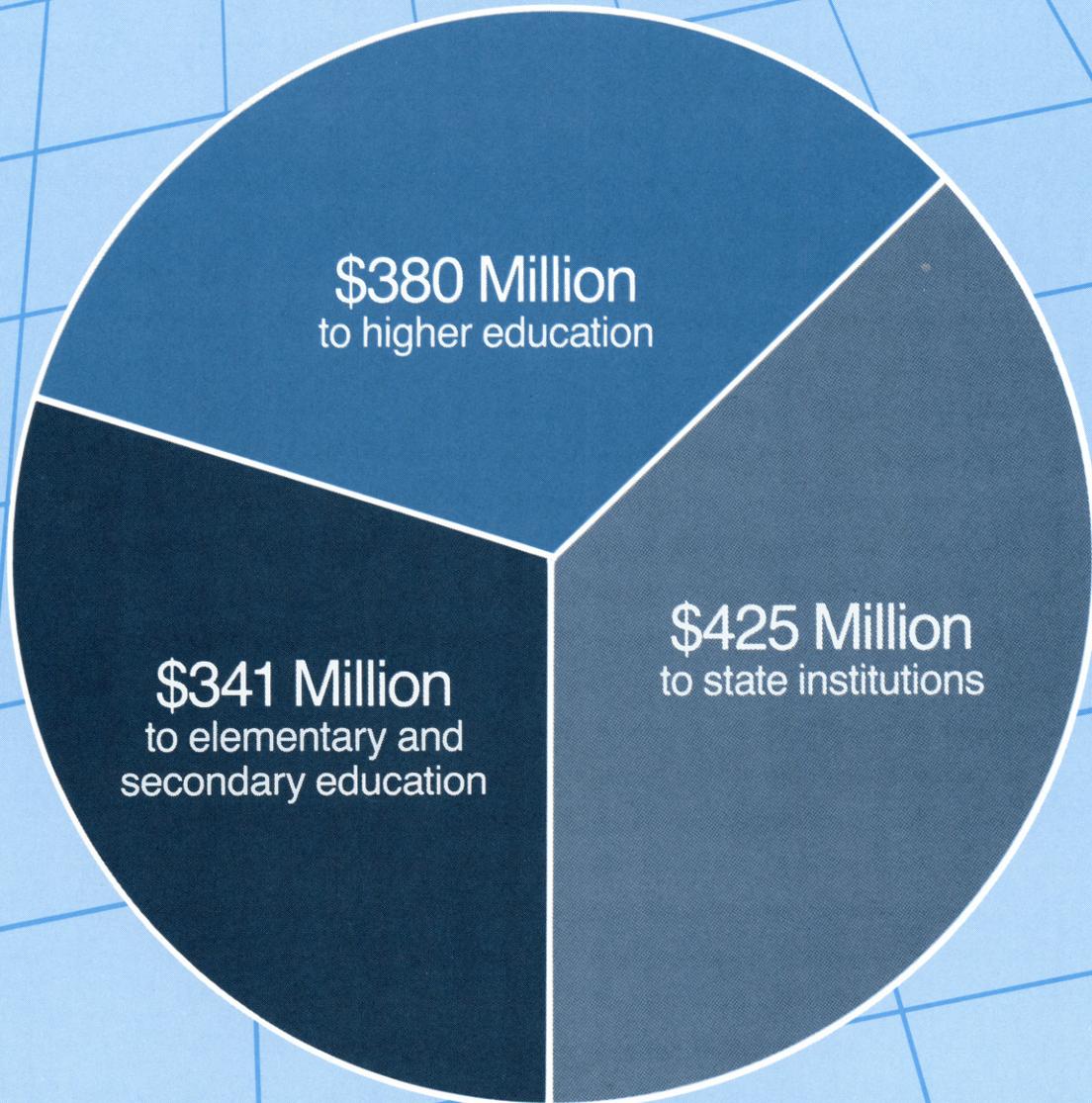
(Standing from left) William Mulcahy, Marketing & Sales; Anthony Battista, Operations; (seated from left) Barbara W.

Steele, Planning & Research; Joseph A. Mulé, Division Deputy Director; John J. Majorwitz, Security & Audit



Twelve years of significant state aid

\$1.146 Billion



In only twelve years the New Jersey Lottery has become a vital and significant source of state revenues.

The Lottery's ascendancy as the sixth largest generator of state government funds looms even larger and more important in the future. The Fiscal 1983 budget adopted by the Legislature calls for a record contribution of \$235 million by the Lottery.

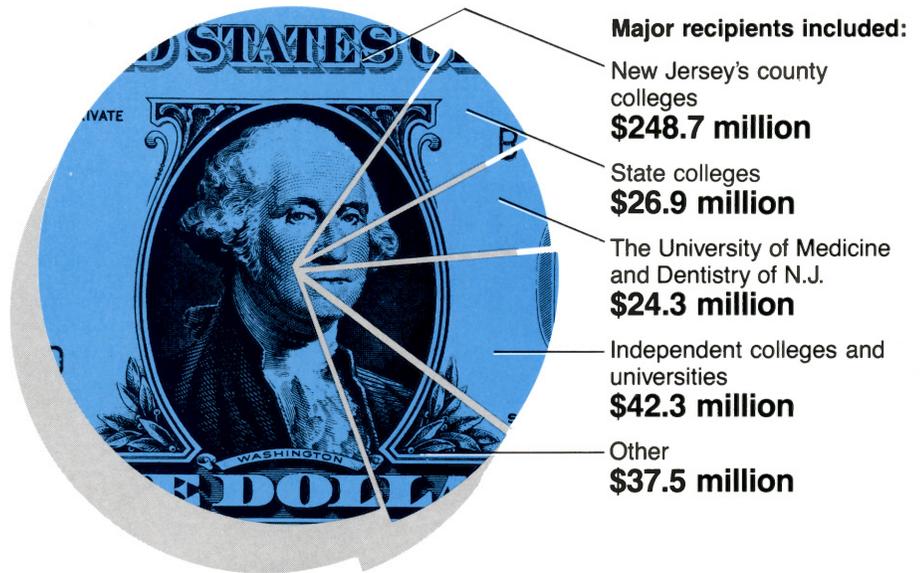
Since the first 50-cent ticket was sold in December 1970, the New Jersey Lottery has contributed \$1.146 billion to the state for aid to education and institutions. The record of all those who have shared the benefits of Lottery funds is an impressive one. The increasingly strong impact of the Lottery on the fiscal affairs of state government is based on a continuing tradition of sound, tight business operations. Over its twelve-year history the Lottery has contributed 43.1 cents of every dollar it has received to education and institutions—far above the 30 cents required by law.

Lottery consumers have benefited directly from prizes totaling nearly \$1.3 billion—or 48.8 cents of all dollars collected by the Lottery. During its twelve years the Lottery also has deposited \$150.5 million into New Jersey's economy through commissions to Lottery agents and banks for selling and handling Lottery tickets.

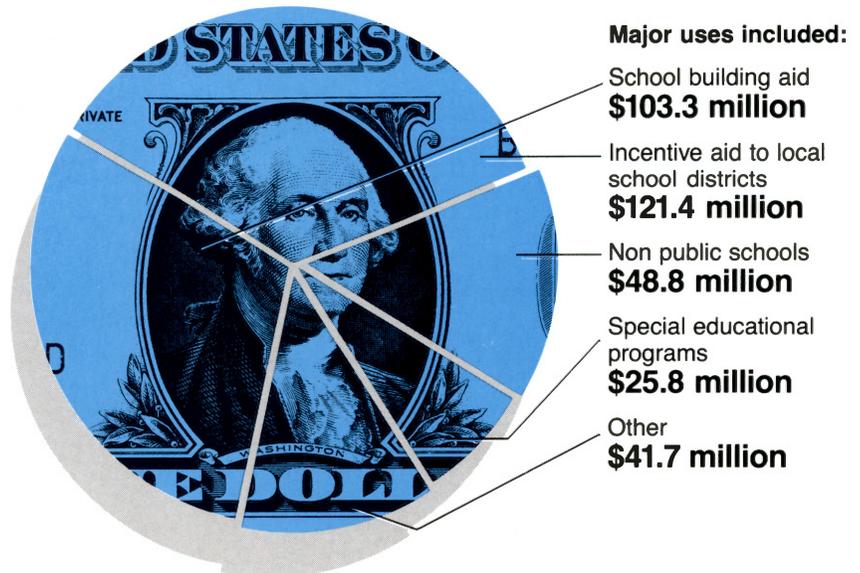
This "bottom line" of only 2.2 cents of every Lottery dollar for operating and promotional expenses has earned the New Jersey Lottery a national reputation for efficiency and effectiveness.

While proud of its history, the Lottery subscribes to Shakespeare's advice: "What's past is prologue." It looks forward to meeting the challenge of the key role it has been assigned as one of New Jersey's leading revenues resources for education and institutions.

The State Department of Higher Education has received approximately \$380 million in Lottery funds.



For elementary and secondary education, the State Department of Education has received \$341 million.



A total of \$425 million in Lottery monies has gone to state institutions.

Beneficiaries included:

Psychiatric hospitals
\$94.8 million

Institutions and schools
for mentally retarded
\$80.8 million

Homes for disabled
veterans
\$15.6 million

Nursing homes and
child care facilities
\$14.6 million

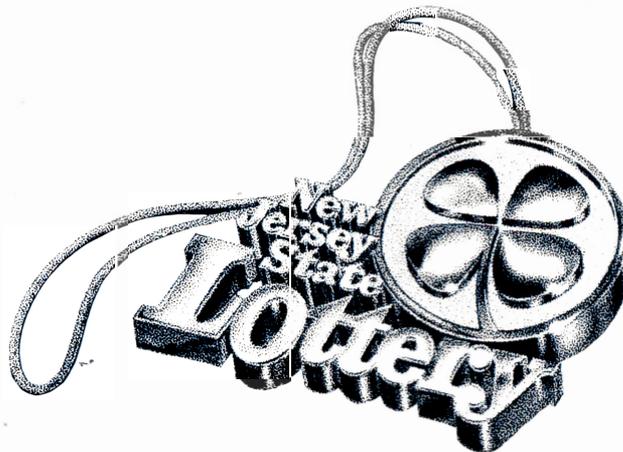
Programs for correctional
institutions
\$179.1 million

Other
\$40.4 million



Comparative Statements of Revenues and Allocations of Revenues

	114 Months Ended June 30, 1980	12 Months Ended June 30, 1981	12 Months Ended June 30, 1982	Totals	Percent of Total Revenues
Revenues					
Gross Sales	\$1,726,199,148	\$417,032,599	\$517,810,709	\$2,661,042,456	100.0
Less:					
Commissions to Agents and Banks	97,448,192	23,661,420	29,409,863	150,519,475	5.7
Game Contractor Fees	50,233,206	6,734,984	7,596,810	64,565,000	2.4
	147,681,398	30,396,404	37,006,673	215,084,475	8.1
Net Revenues	1,578,517,750	386,636,195	480,804,036	2,445,957,981	91.9
Less:					
Prize Expense	832,984,494	208,067,798	258,434,052	1,299,486,344	48.8
Operating Expense	43,360,069	6,735,451	7,449,437	57,544,957	2.2
Start Up Costs	686,137	—	—	686,137	—
Provision for Doubtful Accts.	200,000	—	—	200,000	—
	877,230,700	214,803,249	265,883,489	1,357,917,438	51.0
Net Operating Revenue	701,287,050	171,832,946	214,920,547	1,088,040,543	40.9
Add:					
Other Income:					
Interest Income	15,324,771	1,288,148	2,032,659	18,645,578	.7
Miscellaneous Income	303,830	31,063	52,700	387,593	—
Forfeited Prizes	34,389,159	2,841,664	3,361,762	40,592,585	1.5
	50,017,760	4,160,875	5,447,121	59,625,756	2.2
Total Funds Available for Aid to Education, State Institutions and Reserve for Encumbrances	751,304,810	175,993,821	220,367,668	1,147,666,299	43.1
Allocation of Funds Available:					
Contribution for Aid to Education and State Institutions					
	749,809,615	175,977,712	220,297,110	1,146,084,437	43.1
Reserve for Encumbrances	1,495,195	16,109	70,558	1,581,862	—
Total Contribution to Education, State Institutions and Reserve for Encumbrances	\$ 751,304,810	\$175,993,821	\$220,367,668	\$1,147,666,299	43.1



Notes to Statements of Revenues and Allocation of Revenues

Note A—Significant Accounting Policies

Basis of Accounting: The New Jersey State Lottery Commission (the Lottery Commission) prepares its financial statements using the modified accrual basis of accounting for a special revenue fund in accordance with Statement #1—Governmental Accounting, Auditing, and Financial Reporting Principles of the National Council on Government Accounting.

Revenue Recognition: Revenues from the sale of lottery tickets, bank, and agent commissions, prize allocations and the prescribed contributions to state institutions and aid to education are recognized as follows:

1. For Pick-It, Pick-Four, Pick-Six Lotto and weekly games on the drawing date.
2. For Instant games, on a weekly basis ending on Wednesday.

On May 22, 1975, the Lottery Commission established the Pick-It game, sales of which are handled exclusively by an independent contractor. The individual prizes for the Pick-It lottery are calculated by the contractor based on the number of winning tickets and the revenues generated by drawing. Information is reported to the Lottery Commission on a daily basis and is summarized each week on Wednesday for recording by the Lottery Commission.

On June 9, 1977, the Lottery Commission established the Pick-Four game. Revenues and related commissions and allocations for this game are recorded in the same manner as described in the preceding paragraph for the Pick-It game.

On May 9, 1980, the Lottery Commission established the Pick-Six "Lotto" game. Revenues and related commissions and allocations for this game are recorded in the same

manner as described in the preceding paragraph for the Pick-It game.

On May 13, 1981, the Lottery Commission established the "Super Bingo" Weekly game. Revenues and related commissions and allocations for this game were recorded on the drawing date. This game was terminated on July 29, 1981, after being offered for a period of eleven weeks.

On April 22, 1981, the Lottery Commission established the "Baseball" Instant game. The Lottery Commission recorded revenues and related commissions and allocations based on the total tickets which the agent had reported as sold during the weekly periods ending on Wednesday and, accordingly, revenues and related commissions and allocations have been included in operations for the applicable period. This game was terminated on July 8, 1981, after being offered for a period of eleven weeks.

On July 29, 1981, the Lottery Commission established the "7-11-21" Instant game. This game was terminated on October 14, 1981, after being offered for a period of eleven weeks.

On October 14, 1981, the Lottery Commission established the "Football" instant game. This game was terminated on February 17, 1982, after being offered for a period of eighteen weeks.

On November 4, 1981, the Lottery Commission established the "Surprise Package" instant game. This game was terminated on January 27, 1982, after being offered for a period of twelve weeks.

On February 24, 1982, the Lottery Commission established the "Instant Doubler" instant game. This game was terminated on May 19, 1982, after being offered for a period of twelve weeks.

On May 26, 1982, the Lottery Commission established the "Baseball 1982" instant

game. This game was terminated on August 31, 1982, after being offered for a period of fourteen weeks.

For instant games, certain tickets entitle the purchaser to one or two free tickets; gross revenues are recorded based on the amount realized by the Lottery and do not include the distribution of the free tickets.

Allocation of Revenues: As required by New Jersey law, at least 30% of gross revenues from ticket sales and unallocated revenues are required to be paid to the State Treasury for aid to education and state institutions.

The Lottery Commission has designated that a minimum of 45% of gross revenues be reserved for prize awards, including agent bonuses.

Unclaimed Prizes: As required by New Jersey law, prizes not claimed within one year from the date of the drawing are forfeited and designated for aid to education and state institutions. The amount of \$3,361,762 which was forfeited in the twelve months ended June 30, 1982, represent unclaimed prizes for the period July 1, 1980, through June 30, 1981.

Note B—Reserve for Fund Balance

The amount of \$70,558 represents the net increase in the fund balance for the year ended June 30, 1982, and is comprised of the following:

Increase in reserve for encumbrances	\$38,269
Decrease in reserve for prize awards	(8,928)
Increase in reserve for bond insurance	41,217
	\$70,558

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Ms. Hazel Frank Gluck
Executive Director
New Jersey State Lottery Commission

New Jersey State Lottery

We have examined the statement of revenues and allocation of revenues of the New Jersey State Lottery Commission for the twelve months ended June 30, 1982. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statement referred to

above presents fairly the results of operations of the New Jersey State Lottery Commission for the twelve months ended June 30, 1982, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

The statement of revenues and allocations of the New Jersey State Lottery Commission for the year ended June 30, 1981, was examined by other auditors whose report dated November 10, 1981, expressed an unqualified opinion.

Trenton, New Jersey
September 22, 1982

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