

The second decade.



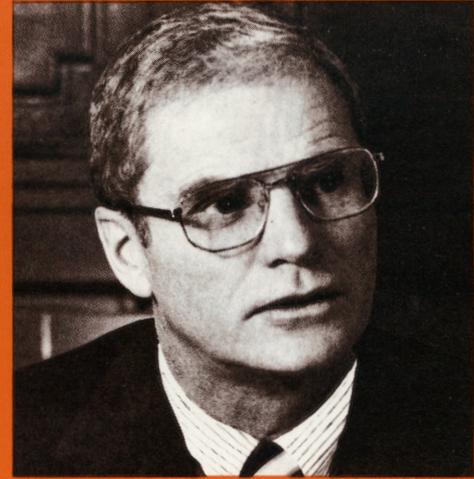
\$2 BILLION

1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981

New Jersey State Lottery

1981 Annual Report

Brendan Byrne, Governor



## Message from the Director

The New Jersey Lottery has entered its Second Decade with a record of achievement and integrity of which everyone who has been associated with the Lottery can be proud.

Most importantly, it is a record that has kept faith with the overwhelming majority of New Jersey voters who approved a State Lottery in 1969 and with the general public which has supported the Lottery for more than 10 years.

Billion dollar milestones and year-after-year of new records in sales, prizes and contributions to the State for institutions and education have become commonplace.

Gloria A. Decker, Executive Director



We have celebrated a joyous 10th Birthday for the Lottery. Together, we look forward to challenges and new accomplishments ahead.

Gloria A. Decker  
Executive Director

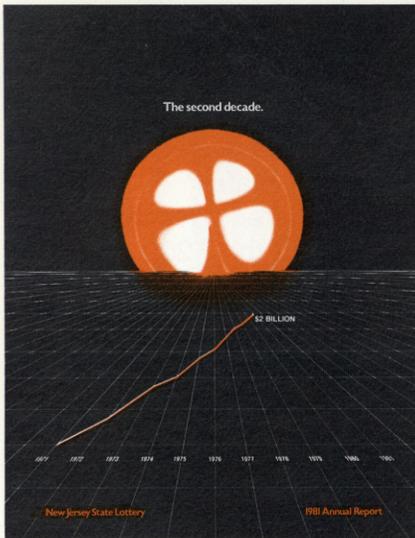
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## Financial Summary

Gross Revenues	\$ 417,032,599
Prize Allocation	208,067,798
Funds Available for Contributions to Education and State Institutions for Fiscal Year Ended June 30, 1981	175,977,712

This report contains audited fiscal 1981 (July 1, 1980-June 30, 1981) figures and editorial content updated through November, 15, 1981.



## The Second Decade.

The New Jersey Lottery entered its Second Decade in Fiscal 1981 with an explosion of Billion Dollar milestones and another record-breaking year on all fronts.

The colorful 10th Anniversary celebration is now history. The Lottery looks forward with confidence to even greater successes in the future—with the spectacular continuing growth of New Jersey's pioneering numbers games as the chief catalyst.

### Billion Dollar Highlights.

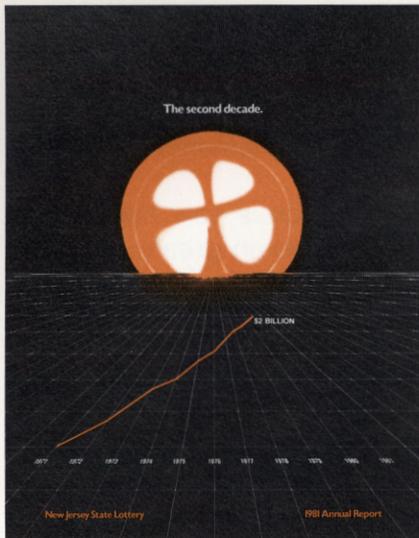
The most exciting year in the Lottery's history generated these Billion Dollar highlights:

- The Lottery went over the \$2 Billion mark for gross sales in March. This was only three years after the Lottery hit its first \$1 Billion in sales in 1978.
- The total amount of prize money the Lottery has rewarded to its winners broke through the \$1 Billion plateau in April.
- Sales of the "Pick-It" daily numbers game shattered the \$1 Billion mark in May, as the game was celebrating only its sixth birthday.

The record that will have the most significance for the people of New Jersey will come in the 1982 Fiscal Year when the Lottery achieves \$1 Billion in contributions to the State for aid to education and institutions. The total stood at more than \$900 Million at year-end Fiscal 1981.

**Members of the New Jersey State Lottery Commission**  
 (Standing) Reese Palley of Atlantic City, Chairman; Jerome Seiden of West Orange;  
 (seated—from left) Donald B. Valk of Madison; James J. Flynn, Jr., of Perth Amboy, Vice Chairman; John L. Keaveney of Shrewsbury.





## Another Record-Setting Year.

While all these historical highs for the Lottery were being set, Fiscal 1981 itself was a dynamic year of new records in gross sales, prizes and contributions to the State.

For the first time, gross revenues soared over the \$400 million level and prizes to consumers topped the \$200 million mark. Leading the way again was the phenomenal popularity of the Lottery's three numbers games, which accounted for nearly 90 per cent of all sales for the year.

This was the impressive performance of the Lottery when the fiscal year ended on June 30, 1981:

- Gross sales totaled \$417,032,599, an increase of \$68.4 million or 19.6 per cent over the previous year.
- Prizes amounted to \$208,067,798, a jump of \$34 million or 19.5 per cent over last year.
- The Lottery's contributions to the State for education and institutions reached \$175,977,712, a rise of \$30.1 million or 20.6 per cent over the previous year.

Those figures translate into an excellent "bottom line" for the people of New Jersey.

Of every dollar received in Fiscal 1981 by the Lottery, 49.9 cents went directly back to the public in prize payments. The State received 42.2 cents of every Lottery dollar, even though the law requires a minimum of 30 cents.

The Lottery's tradition for sound, business-like operation was demonstrated again in Fiscal 1981. The Lottery ran its \$417 million-plus business with an expenditure of only \$6,735,451 for operations, or only 1.6 cents of every Lottery dollar.

In addition, the Lottery pumped \$23,661,420 back into the State's economy through commission payments to agents and banks for selling and handling Lottery tickets.





**Members of the Lottery team:**

*(Standing, from left)*  
 William Mulcahy, Deputy Director/  
 Marketing & Sales; John Burke,  
 Deputy Director/Planning &  
 Research.

*(Seated, from left)*  
 Michael D. DeCicco, Deputy Direc-  
 tor/Operations; Joseph A. Mulè,  
 Deputy Director; Carl F. Russo,  
 Deputy Director/Security & Audit.

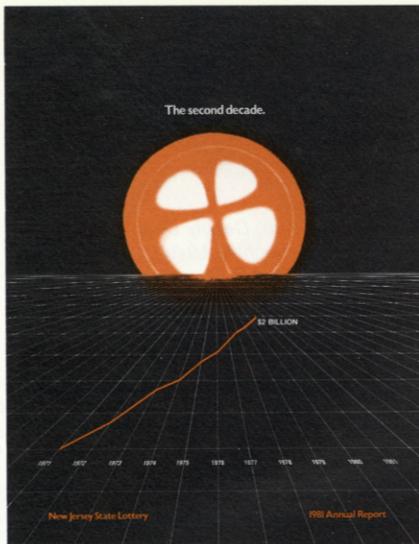
*Former Governor Richard J.  
 Hughes with \$100,000  
 winner, Ralph Caywood of  
 Linwood, N.J.*



*Mr. and Mrs. Abram Males, of  
 Highland Park, N.J., receiving their  
 first check as millionaire winners in  
 the Lottery Derby Instant Game  
 from Gloria A. Decker.*

*Hela Young, Lottery drawing  
 hostess in action at a  
 Millionaire drawing.*





## The Numbers Games.

The performances of the three Lottery numbers games deserve an extraordinary chapter of their own in recounting the Fiscal 1981 experience.

"Pick-It" sales climbed to \$293,186,180—or 70.3 per cent of the Lottery's entire sales gross for the year.

The twice-weekly, four-digit numbers game, "Pick-4," generated \$56,743,240 for the year.

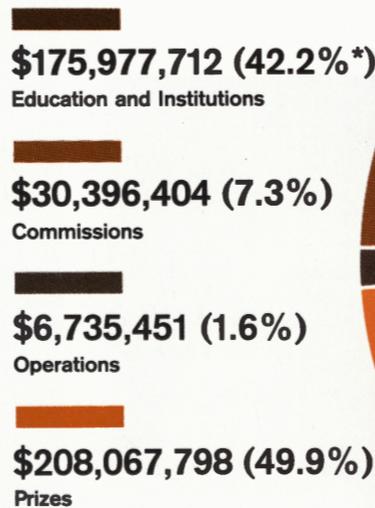
The newest member of the Lottery's numbers family of games, the weekly "Pick-6 Lotto," showed strong growth with sales of \$23,078,027.

The turning point for "Pick-6 Lotto" came in October when the Lottery substantially increased the payoff pools for the two top prizes. The change was instituted after a statewide survey demonstrated that it was desired by the consumers by a better than 2-1 margin.

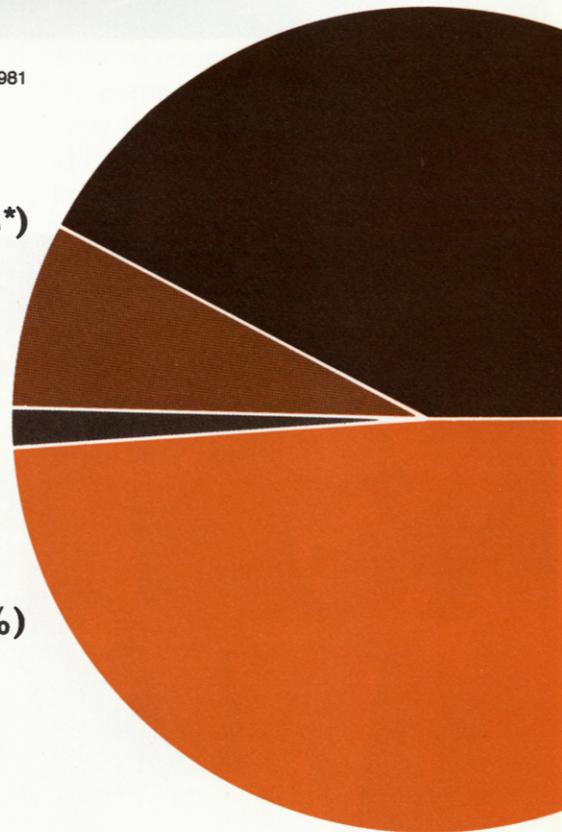
The revision has produced a number of six-of-six top prize pools of \$1 million or better. In May, for example, Manuel Collada of Hillside won \$1,839,884, the largest single cash prize in the Lottery's history. Mr. Collada migrated to the United States from Cuba 24 years ago and is a dockworker at Port Newark.

When all the results were tallied, the numbers games domination of Lottery sales was dramatically revealed. Combined, they produced more than \$370 million in gross revenues or about 89.4 cents of every dollar received by the Lottery.

The "pie" figures are attributable to the 1981 Fiscal Year only.



\*Percentage includes interest earned on investments and forfeitures.



## The Instant Games.

The popular instant games, however, also continued to make substantial contributions to Lottery revenues. The Lottery's new policy of short-duration, different-theme instant games was a winner in the market place. Instant games generated \$34,290,286 in sales during Fiscal 1981.

"Lottery Derby," the last of the long-run instant games, concluded last July with sales of over \$32 million.

The "3-of-a-Kind" instant game, with a playing cards theme and jokers that were wild, produced more than \$10 million in gross revenues from September to December.

In January, the "10th Anniversary" instant game went on sale. It helped celebrate the Lottery's birthday by offering a \$25,000 top instant prize (more than double the \$10,000 top prizes of previous games) as well as a special Grand Prize of \$2 million. It ended in April with sales of more than \$10 million.

The "Baseball" instant game began in April featuring another record top instant prize of \$50,000, twice as much as the previous high. It concluded just a few days after Fiscal 1981 ended in July with sales of better than \$11 million.



Manuel Collada, of Hillside, N.J., smiles broadly when receiving a check for \$1,839,884 in Pick-6 Lotto.

\$2,000,000 winner in the 10th Anniversary Instant Game, Mildred Palm, of Groton, Conn., rejoices with Gloria A. Decker.



A happy Mr. and Mrs. Edward Rudder, of Flanders, N.J., smile excitedly over receiving their check for over \$400,000 as winners in Pick-6 Lotto.

3-of-A-Kind Instant Game millionaire winner, Mary Husti, of Wharton, N.J., is pensive as Gloria A. Decker looks on.

Dottie DePiano, of Wayne, N.J., wins \$1,000,000 in the final Weekly Millionaire Drawing held in March, 1981.

## The Weekly Games.

Special Lottery games, including the weekly "Super Bingo" and "Jersey Jackpot" weekly games, accounted for another \$9,738,350 in sales.

## 10th Anniversary Celebration.

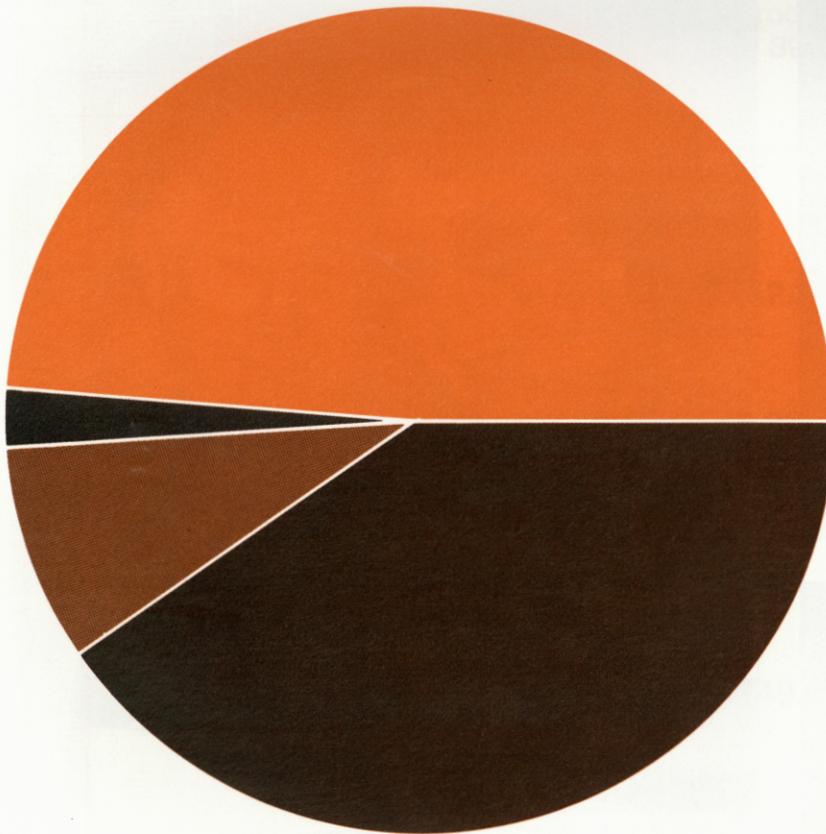
The festive event of the year was the State House ceremony in Trenton commemorating the 10th anniversary of sale of the first Weekly ticket on December 16, 1970, by the Lottery's first Executive Director, Ralph F. Batch, to then-Governor William T. Cahill. An audience of Lottery commissioners and officials, present and past, members of the State Administration, legislative leaders and the press watched as Governor Brendan Byrne signed a proclamation and helped cut a birthday cake decorated with the Lottery's four-leaf clover logo and lighted by 10 candles. A special traveling exhibit on the Lottery also was unveiled that day.

The final event of the birthday party came in June at the Golden Nugget Hotel-Casino in Atlantic City when Mildred Palm of Groton, Conn., won the special \$2 Million Grand Prize of the "10th Anniversary" instant game.

With 10 years as an industry leader, innovator, trend-setter and an outstanding reputation for integrity, the Lottery has moved confidently and aggressively toward the horizons of its Second Decade.



Reese Palley, (R), Chairman of the State Lottery Commission, joins Governor Brendan Byrne and Gloria A. Decker in commemorating the Lottery's tenth anniversary.



The "pie" figures are attributable to Fiscal Years 1971 through 1981.

**\$1,041,052,292 (48.6%)**  
Prizes

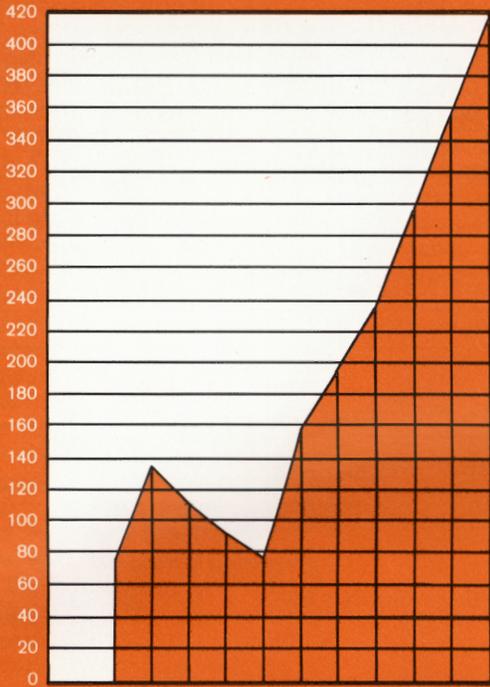
**\$925,787,327 (43.2%\*)**  
Education and Institutions

**\$50,095,520 (2.4%)**  
Operations

**\$178,077,802 (8.3%)**  
Commissions

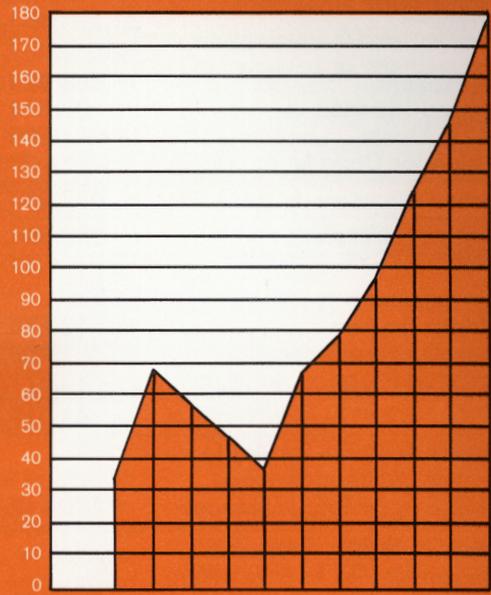
\*Percentage includes interest earned on investments and forfeitures.

Gross Revenues



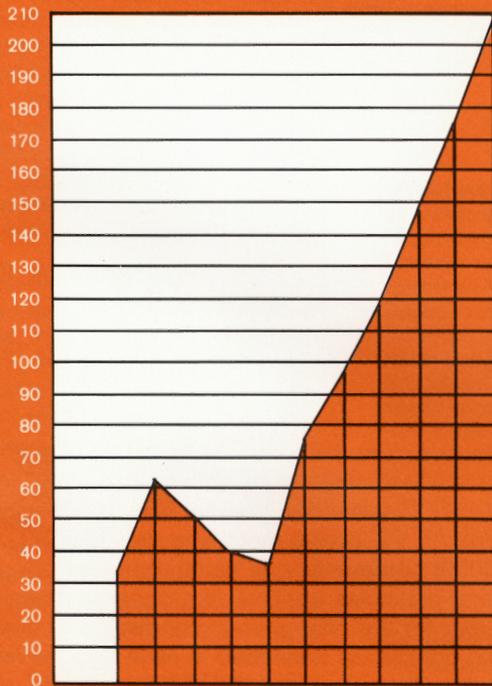
Fiscal '71 '72 '73 '74 '75 '76 '77 '78 '79 '80 '81

Allocated to Education and Institutions



Fiscal '71 '72 '73 '74 '75 '76 '77 '78 '79 '80 '81

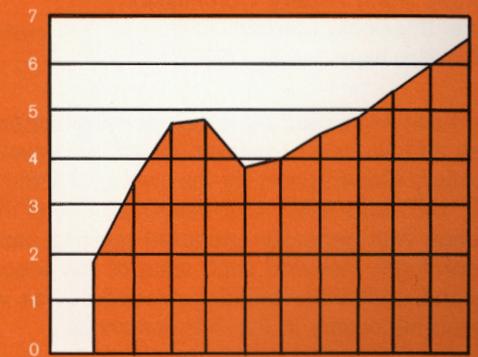
Allocated to Prizes



Fiscal '71 '72 '73 '74 '75 '76 '77 '78 '79 '80 '81

All figures in millions

Operating Expenses



Fiscal '71 '72 '73 '74 '75 '76 '77 '78 '79 '80 '81

## Comparative Statements of Revenues and Allocations of Revenues

	102 Months Ended June 30, 1979	12 Months Ended June 30, 1980 <small>(Note 2)</small>	12 Months Ended June 30, 1981	Totals	Percent of Total Revenues
<b>Revenues</b>					
Gross Sales .....	\$1,377,567,692	\$348,631,456	\$417,032,599	\$2,143,231,747	100.0
Less:					
Commissions to Agents and Banks .....	78,936,563	18,511,629	23,661,420	121,109,612	5.6
Game Contractor Fees .....	40,545,898	9,687,308	6,734,984	56,968,190	2.7
Net Revenues .....	1,258,085,231	320,432,519	386,636,195	1,965,153,945	91.7
Less:					
Prize Expense .....	658,929,386*	174,055,108	208,067,798	1,041,052,292	48.6
Operating Expense .....	37,574,734	5,785,335	6,735,451	50,095,520	2.4
Start Up Costs .....	686,137	—	—	686,137	—
Provision for Doubtful Accts. . .	200,000	—	—	200,000	—
	697,390,257	179,840,443	214,803,249	1,092,033,949	51.0
Net Operating Revenue .....	560,694,974	140,592,076	171,832,946	873,119,996	40.7
Add:					
Other Income:					
Interest Income .....	13,576,590	1,748,181	1,288,148	16,612,919	0.8
Miscellaneous Income .....	268,952*	34,878	31,063	334,893	—
Forfeited Prizes .....	30,871,678	3,517,481	2,841,664	37,230,823	1.8
	44,717,220	5,300,540	4,160,875	54,178,635	2.6
Total Funds Available for Aid to Education, State Institutions and Reserve for Encumbrances	605,412,194	145,892,616	175,993,821	927,298,631	43.3
<b>Allocation of Funds Available:</b>					
Contribution for Aid to Education and State Institutions .....	603,933,046	145,876,569	175,977,712	925,787,327	43.2
Reserve for Encumbrances .....	1,479,148*	16,047	16,109	1,511,304	0.1
Total Contribution to Education, State Institutions and Reserve for Encumbrances .....	\$ 605,412,194	\$145,892,616	\$175,993,821	\$ 927,298,631	43.3

\*Restated

See Notes to Statements of  
Revenues and Allocations of Revenues

**GRANET AND GRANET**  
CERTIFIED PUBLIC ACCOUNTANTS  
1605 Vauxhall Road • Union, N.J. 07083

Mrs. Gloria A. Decker  
Executive Director  
New Jersey State Lottery Commission  
Lawrence Shopping Center  
Lawrenceville, New Jersey 08646

November 10, 1981

We have examined the accompanying statements of revenues and allocation of revenues of the New Jersey State Lottery Commission for the twelve months ended June 30, 1981 and 1980. 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 accompanying statements of revenues and allocation of revenues of the New Jersey State Lottery Commission present fairly the results of operations for the twelve months ended June 30, 1981 and 1980, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change in accounting principle, with which we concur, as described in Note 2 to the financial statements.

*Granet and Granet*  
GRANET AND GRANET

## Notes to Statements of Revenues and Allocation of Revenues

### **Note 1—Summary of Significant Accounting Policies:**

#### **Recognition of Revenues and Operating Expenses:**

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-4 and Pick-6 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 each 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-4 game and on May 9, 1980, the Pick-6 "Lotto" game was established. Revenues and related commissions and allocations for these games are recorded in the same manner as described in the preceding paragraph for the Pick-It game.

On May 16, 1979, the Lottery Commission established the "Lottery Derby" 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 contractor compensation have been included in operations for the applicable periods. On July 16, 1980, the "Lottery Derby" Instant Game was terminated after being offered for a period of sixty-one weeks.

On September 24, 1980, the Lottery Commission established the "3-Of-A-Kind" Instant Game. This game was terminated on December 17, 1980, after being offered for a period of twelve weeks.

On January 14, 1981, the Lottery Commission established the "10th Anniversary" Instant Game. This game was terminated on April 8, 1981, after being offered for a period of twelve weeks.

On April 22, 1981, the Lottery Commission established the "Baseball" Instant Game. 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 13, 1981, after being offered for a period of eleven 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 distribution of such free tickets.

On February 6, 1980, the Lottery Commission established the "Lottery Bingo" Weekly Game. Revenues and related commissions and allocations for this game were recorded on the drawing date. This game was terminated on December 3, 1980, after being offered for a period of forty-three weeks.

On December 3, 1980, the Lottery Commission established the "Jersey Jackpot" Weekly Game. This game was terminated on February 25, 1981, after being offered for a period of twelve weeks.

On May 13, 1981, the Lottery Commission established the "Super Bingo" Weekly Game. This game was terminated on July 22, 1981, after being offered for a period of ten weeks.

Sales adjustments are recorded based upon final reconciliations prepared after the termination of a Lottery game.

The principal operating expenses (advertising, data processing, printing and telephone) are recorded based upon the projected annual cost adjusted for changes relating to the current year and are allocated to the current and succeeding months equally.

#### **Inventories and Equipment:**

The Lottery Commission does not capitalize ticket inventories and equipment. These items are not material in amount and are recorded as expenses as described above.

#### **Allocation of Revenues:**

As required by law, at least 30% of gross revenues from ticket sales and unallocated revenues are 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 prizes and agent bonuses.

#### **Unclaimed Prizes:**

As required by the law, prize monies not claimed within one year from date of drawing are forfeited and designated for aid to education and State institutions. The amounts of \$2,841,664 and \$3,517,481 represent unclaimed prizes for the periods July 1, 1979 through June 30, 1980 and July 1, 1978 through June 30, 1979, respectively.

### **Note 2—Change in Accounting Principle:**

The financial statements reflect changes made to conform with generally accepted accounting principles as defined by the National Council on Governmental Accounting's publication entitled "Statement 1—Governmental Accounting and Financial Reporting Principles." Statement 1, effective for fiscal years ending after June 30, 1980, provides for the recognition of encumbrances as a reserved fund balance. Although previous reporting practices were in conformity with accounting principles considered to be generally accepted at the time, the Lottery has restated its financial statements for the prior year so as to put them on a comparable basis with the statements for the year ended June 30, 1981.

## Where the Money Goes • Fiscal Year 1980-81

### GENERAL STATE OPERATIONS

<b>Department of Corrections</b>	
Operation of Correction Institutions .....	\$ 50,000,000.
<b>Department of Education</b>	
Marie H. Katzenbach School for the Deaf .....	2,400,000.
Project COED .....	1,800,000.
<b>Department of Higher Education</b>	
Veterinary medicine education .....	1,000,000.
Aid to independent colleges and universities .....	5,000,000.
Schools of professional nursing .....	500,000.
Dental school aid .....	2,000,000.
Optometric education .....	250,000.
<b>Department of Human Services</b>	
Operation of homes for disabled veterans .....	2,400,000.
Operation of schools for the mentally retarded .....	14,877,712.
Operation of State psychiatric hospitals .....	25,250,000.
Sub-Total .....	<u>\$105,477,712.</u>

### STATE AID

<b>Department of Education</b>	
School building aid debt service .....	\$ 10,000,000.
Building Aid (NJSA 18A:7A-1 et seq.) .....	10,000,000.
Non-public school aid .....	6,000,000.
Educational Improvement Centers .....	2,000,000.
<b>Department of Higher Education</b>	
Aid to county colleges .....	42,500,000.
Sub-Total .....	<u>\$ 70,500,000.</u>
Grand Total, Fiscal Year 1980-81 .....	<u>\$175,977,712.</u>

