

New Jersey. Legislature. Assembly, Committee on
Taxation

Public hearing on assembly concurrent resolution
No. 32 - [proposing amendment to State Constitution
to permit the State to conduct lotteries.]

1969

Copy 2.

974.90

6191

1969

974.90

copy 2.

G191

1969 N.J. Legis. Assembly. Com-
mittee on Taxation

Public hearing on assembly con-
current resolution No. 32 - ...

Date Due

MAY 24 1971

NOV 4 1972

DEC 14 197

**Division of State Library
N. J. Department of Education
Trenton, New Jersey 08625**

 PRINTED IN U. S. A.



P U B L I C H E A R I N G

before
New Jersey Legislature,
" ASSEMBLY COMMITTEE ON TAXATION,
on ←

Assembly Concurrent Resolution No. 32 -
[proposing amendment to State Constitution
to permit the State to conduct lotteries.]

Held:
March 5, 1969
Assembly Chamber
State House
Trenton, New Jersey

PROPERTY OF
NEW JERSEY STATE LIBRARY

NOV 24 1969

185 W. State Street
Trenton, N. J.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Richard W. DeKorte
[Chairman]

Assemblyman William M. Crane

* * *

974.90

G191

1969 copy 2

I N D E X

	Page
John F. Brown Assemblyman, Ocean County District 4 A	1
Rev. Samuel A. Jeanes General Secretary of the Lord's Day Alliance of New Jersey and Legislative Chairman of the New Jersey Council of Churches	16
James Terlizzi, Jr., Aide to Senator Guarini, read statement of Senator Frank J. Guarini, Hudson County, District 12	27
Statement of Senator William V. Musto, Hudson County, District 12, submitted but not read	33

* * *

ASSEMBLYMAN RICHARD W. DeKORTE [Chairman]: Ladies and gentlemen, the public hearing will come to order, please.

This is a public hearing conducted by the Assembly Taxation Committee of which I am chairman and Assemblyman Crane is a member on Assembly Concurrent Resolution No. 32, a proposed constitutional amendment which would permit the State to conduct lotteries.

I have a list of only four witnesses to appear. If there are any other witnesses here who wish to make a statement or appear before the Committee, I would appreciate them letting Mr. Alito know.

The first witness will be the principal sponsor of the concurrent resolution, Assemblyman John F. Brown.

J O H N F. B R O W N: Thank you, Mr. Chairman.

I thought what I would like to do today is to enter for the record a similar statement to what I had last year in the public hearing.

My name is John F. Brown, Assemblyman from Ocean County. I wish to thank Assemblyman DeKorte and members of the Taxation Committee for the opportunity to speak to you today on ACR 32 which will amend the State Constitution to permit a State lottery.

ACR 32 comes as a result of several things. The primary reason is to provide the State of New Jersey with much needed funds in a relatively painless way.

It has been my consistent opinion that there are many areas in which the State of New Jersey can gain revenue without imposing a direct compulsory tax on the people, as

evidenced by bills I have sponsored such as an increase in the cigarette tax, an increase in the tax on liquor, an increase in the admission tax at race tracks and now the state lottery. All of these taxes would be taxes of choice rather than taxes of necessity. The revenue estimates to be derived by a state lottery vary greatly. My personal opinion is that the estimates are largely based upon our neighboring states of New York and New Hampshire, where the lottery is run in the least profitable way possible.

For those critics that oppose the lottery, whose critical observations are based on the relatively "small" revenue gained by those States, I can only say that even the smallest "guesstimate" would swell the State treasury by a substantial amount.

At this point I would like to state the most important thing for all of us to remember at this time is that ACR 32 would allow the question of a State lottery to be put on public referendum in time for the November election. I bring this to your attention because I feel strongly that no proposal that gives the people a choice can logically be attacked with any justification under a system of government that has as its master the people it serves. In other words, the opponents of a lottery should attack the lottery itself but certainly not attack the concept of allowing the people to guide their own destiny.

The illegal gambling operations in the State of New Jersey take as much money from the citizens of New Jersey each year as is spent by the State of New Jersey for higher education and for welfare programs for the needy. Now this

can only be true if there is a ready and willing market. The people want to gamble and do gamble. Legislation has been unable to stop them any more than legislation could stop them from drinking, as evidenced by the repeal of prohibition.

The task force on organized crime of the President's Commission on Law Enforcement and Administration of Justice has pointed out that " law enforcement officials agree almost unanimously that gambling is the greatest source of revenue for organized crime." It has also been pointed out that one of the main obstacles to enforcement of the law in this field is that much of the urban public wants the services provided by organized crime and does not wish to disrupt the system that provides these services.

The fact that gambling is an accepted part of life in New Jersey can be clearly seen by the enthusiasm shown toward charitable bingo, horse racing, contests sponsored by leading newspapers, betting on every type of sporting event, major companies sponsoring various types of contests, and the great interest shown by our citizens purchasing lottery tickets in New York.

By legalizing something the people obviously want to do and will continue to do can only be construed by me as bending to the public will and in so doing strike an effective blow at organized crime.

At this point for me to go into the mechanics of how to make the lottery operate effectively would not be pertinent to the subject at hand, but I would like to state emphatically

that the lottery, if run as efficiently as the illegal operations now run it, the revenues derived would far exceed the most optimistic estimates.

Those who oppose the question of a lottery on moral grounds have my deepest respect and at this time I do not wish to get into a discussion on morality or what morality means to different people. I will say, however, that a tax imposed upon the people that would tax items of necessity for the people on fixed or very small incomes would pose a stronger moral question to me than would the question of a lottery.

In conclusion I feel the approach taken by ACR 32 of allowing the people, who, after all, are the government, to decide by casting their vote whether or not they will have a lottery in the State of New Jersey, is in keeping with the finest traditions of our history.

Thank you very much, Mr. Chairman.

If there are any questions, I will be happy to discuss this.

ASSEMBLYMAN DeKORTE: Assemblyman Crane, do you have a question?

ASSEMBLYMAN CRANE: Yes, I have some questions.

Mr. Brown, you said this would be a painless way for the State to raise money. Isn't it true that the lotteries in New Hampshire and New York have been extremely disappointing as far as the results are concerned of moneys accruing to the State and the operational costs have been

extremely high?

ASSEMBLYMAN BROWN: Yes. I think this is a fairly accurate statement and, as a matter of fact, the people on the Commission who handle the lottery in New York have recently said that they feel they had started off on the wrong track in the lottery, and the fact that to change the mechanics of the lottery would prove so expensive that this is the only thing that is holding them back from making the lottery a much more profitable item. However, in just last week's newspaper there was a statement from the Commissioner that he felt the moneys derived from the lottery in the State of New York still eased the blow to the taxpayers by a substantial amount of this money going toward education - money they normally would not have.

Governor Rockefeller on January 14th stated that the State lottery could be an instrument in driving illegal numbers racketeers out of business. Rocky criticized the \$1.00 price for a lottery ticket and in answer to a question asked when speaking to a New York State Women's Legislative Forum, the Governor said: "Our system very well protects the present illegal numbers racket." He contended that the dollar ticket price was out of the pocketbook range of the average gambler. He chided the Legislature for originally setting a two-dollar price on the tickets. This must have been a middle income gambling program, he said. Rockefeller insisted that the State should go into competition with the illegal gamblers since it has already entered the business of lottery tickets. He recommended the twenty-five cents.

Last year the State of New York raised approximately forty million dollars from this source in what is admittedly an inefficiently run program. Now we estimate in the State of New Jersey that some three hundred million dollars is taken out of the State by illegal gambling operations. Now it certainly would seem to me that if the lottery were run properly, and when I say "properly" I mean in competition with the illegal operations-- When they first started in New York they put it in banks and tried to indoctrinate a whole new group in how to play the numbers racket. This was just a backwards approach and in my opinion this lottery if run in a similar manner to what the present illegal operation is, how they run it, it would produce an income far exceeding our highest estimates.

ASSEMBLYMAN CRANE: You mean to say, Mr. Brown, that you would have, as organized crime in the lottery situation has, a runner in every block in the city and a seller in every plant and every men's room and every large industrial complex throughout the State and perhaps every shopping center too?

ASSEMBLYMAN BROWN: Well, I don't know about a runner but I know that in New York State they have several companies that make what they call "a machine," a lottery machine. It's like the ticket reservation system, which is one of the organizations that has such a machine. They now have them for purchases of theatre tickets or the Yankee Stadium, where a person can go in and purchase a lottery which would leave out the problem of now administering this particular thing, and if you had the machines in locations where people normally now play the

numbers, then I think it would eliminate a runner, Number 1, but it would certainly indicate that I would be favorable toward many, many accessible outlets for such a lottery.

ASSEMBLYMAN CRANE: Do you contemplate having such machines in our schools?

ASSEMBLYMAN BROWN: In our school system? No, I don't contemplate having them in the school system. As a matter of fact, for the purpose of this hearing I am not indicating how to work out the mechanics. I just know that the way they did it in New York has proven to be inefficient and the way they've done it in New Hampshire. It is admitted by both States that there are better methods and I think that we could profit from the mistakes they have made and take in substantially more income.

When you mention schools or who is going to play the lotteries, I have no way of knowing who is going to do this. I am not an expert on who is going to gamble. I'm not an expert on who gambles now, except that it is obvious that a great many people do and 80 per cent of the out-of-state tickets that are purchased in New York are purchased by residents of New Jersey right now, so we know there are a lot of people who want to gamble.

ASSEMBLYMAN CRANE: You mean the tickets sold in New York City or throughout the State?

ASSEMBLYMAN BROWN: That are sold in New York City.

ASSEMBLYMAN CRANE: Have you any idea what dollar volume that might be?

ASSEMBLYMAN BROWN: No.

ASSEMBLYMAN DeKORTE: In fairness to you, Assemblyman Brown, both Assemblyman Crane and I are asking questions which relate to how you implement the result of the adoption of your concurrent resolution, but it seems to me that this is a legitimate area of inquiry. How, for example, would you preclude minors from participating in this lottery, or would you preclude it?

ASSEMBLYMAN BROWN: Well, I think as far as I would certainly want to preclude minors from participating in a lottery, the same as I would want minors precluded from being allowed to buy a pack of cigarettes or buy a drink or to go into certain movies or anything else, I would imagine this would be controlled in a similar manner as those things are controlled.

ASSEMBLYMAN CRANE: Mr. Brown, in your testimony you said that the New Jersey State lottery would be an effective blow against organized crime. Do you have any information that shows that either in New Hampshire or New York their lottery system is an effective blow against organized crime?

ASSEMBLYMAN BROWN: I think their lottery system is not an effective blow to organized crime for the reasons I stated. I don't feel they run it properly.

ASSEMBLYMAN CRANE: Are you saying then that their lottery system is not an effective method of combating organized crime or putting them out of business by the State preempting this gambling operation, because it is not properly run and if we would copy the methods of the syndicate or

whoever runs this thing, we could perhaps then strike down organized crime and their chief source of revenue?

ASSEMBLYMAN BROWN: Beyond any question I think that's true.

ASSEMBLYMAN CRANE: I know you said you didn't want to get into the moral tone of the effect of a lottery on the morals of the State, but I can't help at least asking one question, Mr. Brown. The feeling that I have is that what you say is true, that most people gamble or, perhaps not most, but a lot of people gamble at the present time. They gamble through organized crime where there is a bookie who is supposed to be attached to organized crime or a numbers runner, and now you want to put the State in the business of running an organized lottery in the good name and fair name of government. Aren't you drawing a very fine line and aren't you really telling the people it's all right to gamble, it's O.K. if you gamble with the State but it's not O.K. if you gamble with this organized crime operation? And aren't you saying at the same time that you are going to lower the moral tone because then the State of New Jersey is saying that it is O.K. to gamble, and the person could perhaps think to himself that it's only a matter of who I gamble with, because the State says that gambling is O.K. If I gamble with the State it's fine; if I gamble with the bookie or the numbers runner it's no good. Isn't that a problem that might arise?

ASSEMBLYMAN BROWN: Well, yes. The reason I said that I didn't want to get into the moral issue was simply because there is an obvious black and white differential

between what moral means to one person, it does not mean the same to another. Now I personally do not see anything whatsoever wrong with gambling, and I would like, I think accurately, to correct your statement by saying that I feel the great majority of people in the State of New Jersey now do gamble in one form or another. It's not some of the people but the great majority. Now the only thing wrong, so far as I see, with gambling is if someone gambles to excess as someone might drink to excess or do anything like that where it might hurt their family, then this is wrong. Most everything done in excess is wrong. However, when we talk of morals, I feel that it 's much more morally wrong for the State of New Jersey to impose a tax, a compulsory tax, on people who can't afford to pay it; I think it's wrong for the State to impose a tax on people who are on fixed income who have no means and certainly lose their dignity because they can't keep up with the spiraling cost of government, when we have avenues that we can offer as taxes of choice. This poses a more serious moral problem to me.

You can't stop someone from gambling. You can't stop someone from drinking. They are going to do it anyway, but the danger in the gambling money, as was the danger in the Prohibition era, is that now the people are going to gamble and they will gamble and this money is now going, a large percentage of it, into organized crime who use this money for many things such as buying and moving of narcotics. Now if this money from gambling, which I do not consider

immoral, can be used for much needed educational revenue, then I see nothing wrong with it. By putting the State into the gambling business, gentlemen, the State is now in the gambling business. We're in it, and we're in it up to our ears and for us to say we are going to channel this money from organized crime into bettering our educational system does not pose a moral question to me.

ASSEMBLYMAN CRANE: On the moral question, Mr. Brown, this legislature did in 1967, did it not, say it was all right for the citizens of New Jersey to participate in New York's lottery?

ASSEMBLYMAN BROWN: Yes.

ASSEMBLYMAN CRANE: Mr. Brown, one further question, perhaps my final question. Isn't it a fact that the numbers operation is generally participated in by the lower economic strata of the State and if this lottery were passed and the referendum were passed and it was established, it would perhaps drain more money from those areas and create perhaps an even greater welfare problem than we have now with organized crime?

ASSEMBLYMAN BROWN: Well, I would say, Assemblyman Crane, that it's probably true that the people in the lower income brackets are the people who play the numbers game, but if we want to get into that area - the people, I maintain, do in fact want to gamble and do gamble - so if a person has twenty-five cents or fifty cents in his pocket and he wants to bet on a number, he can bet it illegally today, but because

they don't have enough money to go to a legal track, maybe they don't own an automobile and can't take a day off from work and can't go down and bet fifty, a hundred or three hundred dollars over the track window which the State recognizes and says apparently that this is all right to do if they can afford to do it,- if they can't afford it, then they'll bet the twenty-five cents, but the gambling instinct is there and by forcing the people to go into the illegal operations to spend their money, I don't think solves the problem. I don't believe by the State legalizing something that has been done for years and years and years would suddenly make these people have less money than they now have. I just can't visualize that.

ASSEMBLYMAN CRANE: I am only concerned, Mr. Brown, with the fact that at least gambling, a lottery and off-track betting at this point are not legal in this State. If the State now says it is legal to participate in a State-run lottery, then perhaps whatever inhibitions people might have about participating in this type of gambling would disappear, as the State now says it's O.K. providing you bet with us, as they say now about betting on horses. If you bet at the track with the State under this State operation, it's fine, but if you bet with a bookie it's bad, which is a bit of hypocrisy, of course, but that's the way it operates.

ASSEMBLYMAN BROWN: Well, I'll only say that I hope, if we get the lottery through, it doesn't have a reverse effect and lose some of its glamor because of the fact it's legalized. I've seen this type of thing happen too.

ht
it,
ASSEMBLYMAN DeKORTE: Let me bring you back to
the mechanics again just for a moment. Your feeling, I
gather, is that to be effective as a weapon against
organized crime, a lottery conducted by the State would
have to compete with that conducted by organized crime.
Wouldn't this suggest that you would have to have daily
drawings as is done with the numbers game as run by the
criminal element?

k
ing
s
y
l,
track
the
have
appear, as
as they
k with
you
of
ASSEMBLYMAN BROWN: Well, at least it suggests that
you would have to have considerably more outlets than they
now have in New York and as they are doing now in New York,
getting more and more outlets. You would have to have
more outlets, more frequent drawings, and in my opinion a
lottery that could be run for less money than the dollar.
We will take in income no matter if we run it as inefficiently
as New York - we are still going to take in income that we do
not now have. But in order to compete and compete seriously
against organized crime, I would feel we would have to run
it or at least have it as accessible as the illegal operation
is run. I think it can be done.

ASSEMBLYMAN CRANE: Mr. Brown, in the event this
resolution of yours was successful, do you envision estab-
lishing a State Department of Gambling or something of the
sort to run this operation, or would you include it in the
Treasury Department, or what?

ope,
e effect
galized.
ASSEMBLYMAN BROWN: I don't visualize that at all.
Frankly, I haven't thought much about it. I think New York
established a commission for this purpose but how the mechanics
would be taken care of in New Jersey I haven't given that much

thought. I really don't know.

ASSEMBLYMAN DeKORTE: As you conceive of a lottery, do you conceive of it as primarily a revenue-raising measure or primarily as a weapon in the attack on organized crime?

ASSEMBLYMAN BROWN: If it's run the way I visualize it, I see it either way as certainly a revenue raiser.

I would just like to finish. I heard Senator Musto call it a "happy tax," and I kind of agree with that concept. There are so many areas I think we have left virtually untouched in the State. We are going to be faced surely within the next two years with either an increase in our sales tax or income tax problem. We are going to need this revenue.

If we have an opportunity to try to stave off such a mandatory tax, then I think we can only do well by it. I am convinced that if this gets on the ballot it is going to have the same response at the polls as it has had in New York and New Hampshire where, each year they have had it, the popularity of it has increased with the people.

The first time New Hampshire put the bill in it went through with a four to one margin. The next time, two years later, it went through by a five to one margin. And last year, 1968, it went through by a six to one margin at the polls. So even though they are not deriving the revenue they would like to have, apparently the people in the State like what is happening and they keep increasing. And the same holds true in New York. So I am convinced that, judging from my mail, - over 3,000 letters on this particular subject - there is overwhelming support by the people of the State and I would

like to just see them have an opportunity to vote for or against it.

This is all that I have, Mr. Chairman.

ASSEMBLYMAN CRANE: Mr. Brown, one final question.

Senator Musto, of course, in New Jersey is known as "Mr. Lottery." You have, I think, more history in this legislature than I - this is my first term, and perhaps my last one I know - but at the time he introduced his bills, did you support them at that time?

ASSEMBLYMAN BROWN: Well, he never had his bills in the Assembly when I was here. When I got to the Assembly, Senator Musto was already in the Senate, and I never had an opportunity to support them. However, I would have.

ASSEMBLYMAN CRANE: But last year is the first time you introduced a resolution of this type.

ASSEMBLYMAN BROWN: Yes.

ASSEMBLYMAN CRANE: And it passed the Assembly last year and was stalled in the Senate as I recall it.

ASSEMBLYMAN BROWN: Yes.

ASSEMBLYMAN DeKORTE: Thank you very much. There are no further questions.

We have a statement that was submitted by Senator William V. Musto of Hudson County. I don't know whether in his statement he refers to this as a "happy tax" or not this year, but I would like his statement made a part of the record.

As the next witness, I will call Rev. Samuel A. Jeanes.

D R. S A M U E L A. J E A N E S: Mr. Chairman and members of the Taxation Committee: I am Rev. Samuel A. Jeanes of Merchantville, New Jersey, the General Secretary of the Lord's Day Alliance of the United States and also Legislative Chairman of the New Jersey Council of Churches.

We are opposed to the adoption of ACR 32 which would amend the Constitution by referendum to permit State lotteries, because we believe a lottery is economically unsound, No government should be dependent upon the uncertain revenues derived from lotteries to conduct its business. Lotteries are usually presented to the people in the name of such good ends as charity, education, public welfare, etc.- the kind of appeals that touch the hearts of the people. But history indicates that no lottery has ever funnelled more than one-third of its gross into the "good causes." When the late Senator Robert F. Kennedy was the Attorney General of the United States he said, "The history of lotteries indicates that a large share of the take goes to the promoters in spite of control." He added, "Corruption of officials takes place as a matter of course, and the lottery is attractive principally to the ignorant and people who can least afford to gamble."

The New Hampshire lottery was for Public Education, but the anticipated revenue did not materialize and by 1965 school boards were tightening their belts and requesting more money from local governments. As a result, property taxes in many New Hampshire cities and towns were on the increase. And they are selling fewer lottery tickets today

man
el
etary
es.
ld
teries,
,
ies
les
good
ind
tory
one-
te
ne
tes
takes
ive
ford
n,
1965
g
ty
e
oday

than they did in 1965 or 1963 when the sales began.

Governor Nelson Rockefeller did not speak with any enthusiasm about the success of the New York State lottery a couple of weeks ago when he spoke at the University of Pennsylvania. New York State now sells lottery tickets in all kinds of stores because it is against the law to sell them in banks. Incidentally, it was Senator Kennedy who initiated legislation in the Congress to outlaw the sale of lottery tickets in banks that were under the Federal Deposit Insurance Corporation.

Perhaps they have brought the price down to a dollar so that they can sell chances to the poor, unsuspecting people. I wonder if this could be a contributing factor to the ever-increasing relief load of the City of New York where, according to the New York Times, almost one out of every eight people is now on welfare with a staggering relief cost for the city of 1.4 billion dollars a year.

A lottery is economically unsound. If the State needs a million dollars or twenty million dollars for a bona fide cause, it should collect it from the collective purse through honest taxes. The State gains nothing by gambling three million dollars to collect one million or by gambling sixty million dollars to collect twenty million. Why rob the collective purse of sixty million when you need only twenty million? For many years economists have been asking insistently, where is the economic sense of spending three dollars in a lottery pool to give only one dollar to the cause?

It is true that 81 nations in the world now have legal lotteries. But let's not follow their example. You will

find most of these nations with standards of living far below ours. You will also find most of them on the list to receive foreign aid in American dollars.

We also oppose this lottery bill because we believe that a lottery would be sociologically disintegrating and morally deteriorating. We do not need any more legalized gambling in New Jersey. We have too much now. We should not risk the moral drain that another form of gambling could inflict on many of our citizens. Is it hard for you to envision a young man staking his hope on a lottery ticket instead of an education that would improve his job potential?

A lottery is another tax on the poor; those who are least able to pay and those who are addicted to gambling. And this tax is based on a human weakness. The State should protect such people. It certainly should not exploit them to gain revenue for its budget. We can certainly question the morality of any society that bases its financial structure upon the weakness of its citizens.

We must not overlook the possibility of added political structures that could grow up around the legalization of a State lottery. The State of Louisiana was plagued with such in the 19th century and it was contaminated by it for two generations.

May I add a personal word to this statement as a citizen and a taxpayer. I recognize your problem of finding money to operate the multiplied services of the State. And you certainly like to raise it as painlessly as possible.

One hundred and fifty years ago Chief Justice John Marshall

said that the power to tax is the power to destroy. State revenues continue to climb through the sales tax which is shared in by all citizens. Each year, however, our costs continue to rise. It seems as though our proposed budget this year is 35 per cent higher than last year's budget. Not many citizens can increase their expenses by 35 per cent in one year. In some communities property taxes have almost doubled over a few years' time. This might be a good time to see if the State is engaging in programs which could be undertaken by the private sectors of our society.

Let me call your attention to an article and I'll supply a copy of this, Mr. Chairman, if you would like to have it. It appeared in the Philadelphia Evening Bulletin on November 7, 1968 by James J. Kilpatrick called EXPENSIVE DAY CARE. This may be funded by the Federal government but we all pay taxes to it too. Mr. Kilpatrick describes a proposal to operate in this capital city of Trenton a Day Care Center that would serve 100 pre-school children at an annual cost of \$247,000. Per capita you could send somebody to college for that.

He describes a second program to offer services to 100 pregnant girls at a cost to the taxpayer of \$688,760 for the first year. Remembering the historic words of John Marshall about the power to tax, maybe the time has come to give a long, hard look at some of these generous expenditures of public funds to aid projects which could be accomplished successfully by the private sectors of our

t
ve
nd
ed
ld
could
et
ntial?
re least
d this
tect
gain
ure
litical
of a
such
two
citizen
oney to
certainly
in Marshall

society.

Before I read this closing paragraph, could I make a couple of observations on the bill. First, I notice there is no provision in this proposal to re-test the lottery question should it be adopted. Second, it states on page 2, line 43, that the entire net proceeds of any one lottery should be for state institutions and state aid for education. Is it possible under our Constitution to designate any tax revenue for specific purposes such as this? There is no word regarding the days or weeks when this would be sold, who would sell them, and no limitation on age which you have already pointed out, and might I also comment on the fact of the "happy tax." At least in New Hampshire, there must be 999 unhappy people that don't win for every one that wins.

Coming back to the lottery. We do urge that you defeat this effort. A lottery is unrealistic. It is a shallow approach to our problems. We need some 20th century answers for our problems - not 17th century failures like lotteries. The lottery is morally questionable. It circumvents our Federal laws. It violates all the rules of sound taxing practice, and it can do an economic, social and moral injury to the people who are least able to afford it.

Thank you very much.

ASSEMBLYMAN CRANE: Reverend, just in response to a couple of your comments, the Constitution does, of course, as presently written preclude dedication of revenues, but this bill we are considering is a proposed constitutional

amendment which could simply authorize that. There aren't, of course, any specifics in the measure, it's left to the legislature to implement that if and when the constitutional amendment is adopted.

On the moral objection which you urge to the lottery bill, could you tell me whether any of the denominations which are part of the New Jersey Council of Churches conduct gambling in any form as church sponsored?

DR. JEANES: To my knowledge none of them do. They are all opposed to it and have publicly expressed themselves from time to time, and the Episcopal Bishop of this diocese and various Presbyterian and Methodist bodies and Baptists have all been opposed to it.

ASSEMBLYMAN CRANE: There are, however, other religious denominations which do conduct gambling.

DR. JEANES: Yes, sir.

ASSEMBLYMAN CRANE: Rev. Jeanes, what is the Lord's Day Alliance?

DR. JEANES: The Lord's Day Alliance is an old organization that was granted a non-profit corporation license by the State of New Jersey back around 1918 or 1920. It's a part of the national body with offices in New York and branches in different parts of the country. Its purpose is first to protect the rights of individuals so that they can worship on the Lord's Day, and then it has a larger program which would deal with those interests that would promote a better society for people to live in. So, therefore, it would support things that are good and by the same token it would oppose things which it would feel would not be good for the moral atmosphere

of the community.

ASSEMBLYMAN CRANE: On that point, I believe, when you introduced yourself, you introduced yourself as the General Secretary of the Lord's Day Alliance of the United States.

DR. JEANES: Did I say the United States?

ASSEMBLYMAN CRANE: I believe you did.

DR. JEANES: That was in error. I should have said "of New Jersey."

This is supported by many churches of all denominations in the State.

ASSEMBLYMAN CRANE: The New Jersey Council of Churches is a Protestant organization?

DR. JEANES: Yes, it is.

ASSEMBLYMAN CRANE: Does it include all Protestant sects in New Jersey or some that are outside of that?

DR. JEANES: This would include the major bodies. Now there are some other groups that are not within the Council; for instance, we have a growing number of Southern Baptist churches which have not joined the Council. There are a number of independently related churches, Presbyterian churches. These churches sometime cluster in another group known as the American Council of Christian Churches. This is a smaller body, however.

ASSEMBLYMAN CRANE: What number of people would you say that your New Jersey Council of Churches represents in point of membership of constituent churches?

DR. JEANES: This would be difficult for me to approximate. I don't have the actual membership. It would be

Baptists, Methodists, Presbyterians, Episcopalians,
Congregational, Reformed Church of America.

ASSEMBLYMAN CRANE: Seventh Day Adventists?

DR. JEANES: No, they are not members of the
Council, but they may participate in some of the programs.

ASSEMBLYMAN CRANE: Exactly how, in your opinion,
would the passage of a lottery bill affect the deterioration
of the moral tone of the State?

DR. JEANES: I think what it would do, Mr. Crane:
We have had the statement made that gambling is a natural
instinct. I am not so sure that it is a natural instinct
any more than some other things could be natural instincts
but it is something that can be encouraged and, though I
am opposed to racetrack gambling, I think that when you put
that gambling inside a fence and put a sufficiently high
price on admission, you are keeping it away from a good
many people. I think the more wide-spread this thing becomes -
for instance, if you put the price down to 25 cents, as I
heard mentioned this morning, you are putting it in the
hands of many people who really can't afford it. In this
way you are, instead of emphasizing the principles of
industry and hard work, with State sanction you are encouraging
people to take a chance on something they probably won't win,
one thousand out of one. It isn't really a good risk.

ASSEMBLYMAN DeKORTE: Insofar as this being a so-called
tax on the poor, and I believe you used that phrase, don't
we have indications that the poor are already paying this tax
to the organized gambling element which conducts the gambling

operations in the State?

DR. JEANES: I am sure that this is happening, Mr. Chairman, and I would think that certainly law enforcement could curtail this, don't you?

ASSEMBLYMAN DeKORTE: We haven't been very successful at it for the last three hundred years apparently.

DR. JEANES: Well, the thing is, our history is that we pick up a few number writers or operators in the community but nobody ever finds the bank. Now in addition to finding the man selling, we ought to be able to find out the man who operates it. I'm not a law man. I am just talking to you off the top of my head here, but this is an observation as a citizen.

ASSEMBLYMAN CRANE: Dr. Jeanes, the enforcement of the gambling statutes has been compared to the enforcement of Prohibition. At the time Prohibition was in effect, it was alleged that people wanted to drink so they would drink, and it is alleged today by the same reasoning that if people want to gamble, they will gamble no matter what the laws are. Do you see a parallel here?

DR. JEANES: I would say this, that our alcohol problem is greater today than it was.

ASSEMBLYMAN CRANE: Would you say this is due to the repeal of Prohibition?

DR. JEANES: I think so.

ASSEMBLYMAN CRANE: Were you active in church work at the time of Prohibition?

DR. JEANES: I was only a kid. But I think if you

study history - I can remember in Philadelphia we used to have a home in the downtown section called "The Franklin Home for the Inebriates." It went out of business during those years. And what do we have today? Seven million alcoholics?

ASSEMBLYMAN CRANE: A large number, whatever it is.

Are you a practicing minister or are you an executive minister who -

DR. JEANES: No, I am Pastor of the First Baptist Church of Merchantville.

ASSEMBLYMAN CRANE: So you are a practicing Pastor at this time.

DR. JEANES: Yes. They pay my salary.

ASSEMBLYMAN DeKORTE: In your statement you alluded to the welfare rolls of the City of New York and suggested at least that a contributing factor to that was the existence of a lottery in New York. Do you have any statistics as to the percentage of people in New York who were on welfare before the lottery was legalized?

DR. JEANES: I don't have that. This would be a very good thing to get. This article that I referred to was reprinted in the Congressional Record just a couple of weeks ago and it has been carried by the New York Times magazine section. It deals with many facets, of course. I quote from memory that this thing has been going up and up and up in spite of the fact that many things have been done to try to alleviate the poverty situation.

ASSEMBLYMAN DeKORTE: Of course, it's true that in

absolute dollars spent the welfare has continued to go up. It's of course gone up rapidly in the State of New Jersey as well where we haven't legalized the lottery and I suppose, before that becomes evidential in any sense, we have to statistically examine whether or not the percentage is any greater now in New York than it was before they legalized the lottery. I have my doubts about that.

DR. JEANES: It would be interesting, and I haven't seen a copy of this in the press - I just heard a news report on it, but it would be interesting if this Committee could get Governor Rockefeller's statement at the University of Pennsylvania a couple of weeks ago in which he referred to the fact that this had not really affected the organized crime situation. They still had it.

ASSEMBLYMAN DeKORTE: Of course, Governor Rockefeller is quoted on both sides of the question and has been this morning.

DR. JEANES: I know.

ASSEMBLYMAN DeKORTE: That is where we end up with Governor Rockefeller.

DR. JEANES: It depends on what he says later.

ASSEMBLYMAN DeKORTE: I have no further questions.

DR. JEANES: Thank you very much. Would you like a copy of this?

ASSEMBLYMAN DeKORTE: Yes, by all means. Thank you.

I will call Mr. James Terlizzi. Will you please come down to this desk? Will you state your name, please.

J A M E S T E R L I Z Z I: James Terlizzi, Jr.,

Aide to Senator Frank Guarini, Jr. of Hudson County who wanted to be here but who has an Appropriations Committee meeting on right now and he is at that meeting. I have a statement which I will deliver on behalf of Senator Guarini. Out of deference to the stenographer here, I can give her a copy of it after I have read it.

First, I would like to state for the record that I am whole-heartedly in favor of adding a lottery referendum to the November ballot. I think it is time we let the people decide whether they want a lottery, as my esteemed colleague from Hudson, State Senator William V. Musto, has been saying for years.

However, I would like to suggest for consideration the following plan, which would make New Jersey's lottery unique among all others, in that it would deal a crippling blow to organized crime while providing the state with millions of dollars for education.

If the people of New Jersey mandate a lottery, I propose it be a daily lottery based generally on the present-day numbers game.

The long-standing customs and format of the illegal numbers game has proven to be successful. I propose we take a page from organized crime's book and establish a directly competitive lottery operation.

Much has been said about how organized crime uses its profits from numbers and horse-race betting to further its trade in narcotics,

loan-sharking and prostitution. I am convinced my proposal would take away a huge source of revenue from organized crime, perhaps hundreds of millions annually, and divert it to educational uses in the state.

The resulting cutoff of funds from organized crime would have the additional benefit of lessening law enforcement problems in the state. Reducing criminals' profits reduces their effectiveness. It reduces the criminal's ability to peddle narcotics and promote prostitution, and it means less money to be put out at usurious rates by the loan-sharks.

Law enforcement officials constantly are pointing out that organized crime derives its greatest revenue from illegal gambling, and that this money then is used for other illegal operations, like narcotics, loan-sharking and prostitution.

Lawmen also note that the proceeds from illegal gambling also are used to put mobsters into legitimate businesses, which, because of their money source, can undercut their opposition and put honest businessmen out of business.

I say we should reverse the process and take away from organized crime its main source of funds. I propose we compete with organized crime and undercut the racketeers right out of the numbers business.

Why should we permit organized crime to reap the profits from the numbers game to further its other spurious interests, particularly when the state could deal a blow to crime, give the taxpayers a break and upgrade education all in one move?

A state-run daily lottery based on the numbers game would have a natural advantage over the illegal variety. The state would not have to spend the huge sums crime must to protect its illegal activity. This would result in greater profits for the state, part of which could be turned back to the players in the form of better odds on their lottery ticket. That would leave no reason for a person to play illegally, when he could get better odds legally with the state.

In a sense, even the losers would win in the state-run daily lottery, since the state's profits would be used to offset some of the cost of education, which all taxpayers share.

I feel the results of this type of lottery would deal a sharp blow to organized crime. That, in itself, should be sufficient reason to give the idea hard study.

The proposal becomes even more attractive, however, when we consider that while striking a blow at crime we shall also be creating a tremendous source of revenue for education, lessening the need for another tax on the already over-burdened taxpayer.

I am convinced my proposed lotter would generate four or five times more revenue for the state than the conventional lottery. There is good reason for this assumption.

Other states conducting lotteries have found their revenues did not come up to expectations because the price of tickets was not within the means of all. Recently, Governor Nelson Rockefeller of New York proposed that his state reduce the price of a ticket to around 25 cents.

A numbers lottery, based generally on the existing policy setup, could bring the minimum price of a ticket down to a nickel or a dime, the same minimum bets being wagered today on the numbers.

Furthermore, a daily lottery would remove another barrier that plagues the conventional lottery -- the time lag. A ticket-buyer would not have to wait a month or more to find out if he has won. He would know the next day and be paid the next day if he did win. This is the kind of service numbers players are accustomed to.

A state-run lottery would also be attractive to ticket-buyers because it could pay better odds than the illegal policy game. The state would not have to spend the huge sums organized crime must pay to protect its interests, and that dividend could be returned to the players.

My proposed lottery could be run by an automated, electronic parimutuel-type system, which would negate the need for a large administrative

staff. The state could, for example, take out 20 per cent of the play and return the rest to the winning players, in much the same fashion as horse-race betting pools are distributed.

While the lottery would follow the basics of the numbers game, the parimutuel-type takeout would result in larger and often surprising payoffs to winning players, enhancing the game's appeal.

The question, I think boils down to this: Why should we let organized crime have the proceeds from the numbers game to further its spurious interests? Since the profits are there, anyway, why not let the state reap them and improve its educational facilities in the process and, at the same time, give a break to our taxpayers. That way, even those who lose in the lottery win. They win a cutback in crime and better educations for their children.

I am sure there are those who will say we should not use that kind of money for education. That is hypocritical. Money, of and by itself, is neither good nor evil. Only the uses to which it is put can be termed good or evil. Let us take monies being used for evil and use them for good.

Gambling can no more be legislated out of existence than could the drinking of alcoholic beverages, as witness "the noble experiment." As a matter of fact, the reverse seems to be true. During Prohibition, people who normally did not care to drink did so because it was illegal.

To those who are opposed to a lottery because they say "they don't work," I ask: What do they mean, they don't work? Do they mean we should turn down \$100 million in revenue because we expected the lottery to bring \$200 million? I am sure the taxpayers don't feel this way. I am sure the taxpayers would be happy to have to provide \$100 million less or \$50 million less or whatever.

In conclusion, I think it is time we let the people decide whether they want a lottery. If the people say they do not want a lottery, so much for that. But if they want it, we should make it the kind of lottery that will hurt organized crime, as well as aid education.

ASSEMBLYMAN DeKORTE: With such high praise for the format and system and operation currently being conducted by organized crime, I wonder if we shouldn't just let the Mafia run this on a commission basis for us.

I think it would rather unfair to put questions to you on Senator Guarini's statement. I think it stands on its own in any event.

Thank you for bringing it to us.

Are there any further witnesses who want to appear before the Committee at this time? Hearing none, I declare the hearing ended.

* * *

Statement of Senator William V. Musto
of Hudson County on ACR 32 of 1969
(Constitutional Amendment to permit a State
lottery) at public hearing March 5, 1969.

ACR 32 comes before you with broadly bi-partisan sponsorship. Mr. John Brown of Ocean County is the principal sponsor; and he is joined by 13 other Republicans and 6 Democrats (including Mr. McLeon of Hudson County, who added his name on February 17). These 20 sponsors represent, all told, 13 of our 21 counties.

This is, I believe, the largest and most diverse sponsorship, both politically and geographically, which has ever been received by any of the various measures set before the Legislature in recent years to authorize the conducting of a State Lottery. This is significant in that it illustrates the awakening of the public, and of the public's representatives, to the merits of this proposal both as a source of State revenue and as a means for undermining the present strength of organized crime in this State.

Last year, this Assembly had before it ACR 22 of 1968, on which a hearing was held on May 7, 1968. Mr. Brown was sponsor of that measure also. The Legislative Index discloses that on that occasion he attracted only 7 co-sponsors -- of whom 5 were Hudson County Democrats and the other two Republicans from Passaic and Union Counties.

It may also be noted that last year, for the first time in the history of this State, a Governor delivered a budget message

which included the recommendation that a lottery be considered as a means of raising additional revenue. At that time, however, the Governor was against a referendum on the subject, feeling that it might distract public attention from the vital bond issue questions on that year's ballot.

This year the Governor has taken a more positive stand. He has not only brought up the lottery suggestion again, but in his budget message last month disclosed that he had almost been tempted to anticipate "\$10 million from operation [of a lottery] in the last six months of Fiscal 1970" to help balance the budget.

Indeed, the Governor has gone further. In January, during a television interview, he commented that he would "most likely" campaign for a lottery if it were placed on this year's ballot -- as it will be if ACR 32 is passed.

ACR 32 of this year is similar to many proposals^{*} which I have sponsored or supported in the Legislature, and in fact it is nearly identical to SCR 11 of this year, of which I and the other Senators from Hudson County are sponsors.

Over the years a great many proposals to authorize a State lottery have been offered in essentially the same form as is set forth in ACR 32. They have differed in the purposes for which they would earmark the revenues of a lottery. The bill now before you provides that these revenues be used for State institutions and State aid to education. The contemporary SCR 11 would add to those two

purposes highways and the payment of veterans' bonuses. These two bills thus stand in the same relationship to each other as ACR 22 and SCR 10, respectively, of 1968. In 1967, there was ACR 21, which would have provided for the revenues to go to the general Treasury; and also ACR 12, which would have used them for highways and veterans' bonuses.

Whether such funds should be dedicated to a specific object is a question to which I do not intend to address myself, since we are all aware that the essential question now, as it has been whenever this matter has been brought up in recent years, is whether a State lottery should be permitted at all.

I have been concerned with this question of a State lottery -- and, more broadly, with the entire question of legalized gambling -- for many years, and I have formed some definite conclusions on the subject.

The first of these conclusions is that the people of this State show unmistakably that they want opportunities to participate in games of chance.

To consider for the moment only lotteries, let us look at the statistics on legal raffles as issued in the recent May 1968 Report of the Legalized Games of Chance Commission, covering the 1967 fiscal year. According to this report, legal raffles were conducted on 6,491 occasions -- that is roughly one lottery for every 300 families in the State.

There were, in addition, 43,150 bingo games conducted throughout the State during the year--or about one game for every 40 families in the State. Bingo and raffles together took in gross receipts of \$66,170,797--roughly \$38 per family. It is evident that many families must have spent more on this than they paid in sales tax.

And legal bingo and raffles are a very minor part of the gambling--even of the legal gambling--that goes on in New Jersey.

In 1967 the State's four racetracks had a total attendance of 3,350,150 persons, and wagering amounted to \$347,350,150. The State's share in these wagering transactions provides a major source of State revenue. In his proposed 1970 budget Governor Hughes has estimated \$36 million in racing revenue.

As to the volume of illegal gambling, estimates are various; but even conservative estimates nationwide place it at about four times--some go as high as ten times--the volume of legal gambling. It would be very conservative to say that illegal gambling grosses more than \$1.5 billion annually in this State.

Another indication of the popularity of gambling is the persistent difficulty which agencies of law-enforcement encounter in attempting to enforce the laws against gambling. The fact that most people do not regard gambling per se as wrong is generally recognized as one of the main obstacles to those law-enforcement agencies who are aware of the ramifications of illegal gambling as a financial prop of organized crime.

The Task Force on Organized Crime of the President's Commission on Law Enforcement and Administration of Justice has pointed out that, "Law Enforcement officials agree almost unanimously that gambling is the greatest source of revenue for organized crime." It has also pointed out that one of the main obstacles to enforcement of the law in this field is that "much of the urban public wants the services provided by organized crime and does not wish to disrupt the system that provides those services."

If we need any further indication of the public's fondness for gambling, we need only observe the persistence with which the gambling lure is used as a merchandising technique. You can hardly buy groceries at a supermarket or fill your gas tank at a service station nowadays without getting what amounts to a lottery ticket. These merchandising schemes are not "lotteries" in the eyes of the law only because we have passed legislation for the specific purpose of letting the merchandisers get away with it.

This Legislature has on several occasions acknowledged and accommodated the wish of the people to engage in legal forms of gambling. As I have just noted "give-away" lotteries of the promotional kind were legalized in 1961. In 1963 we went a little further and legalized the "boxtop contest" kind of lottery. In 1959 we acted to allow amusement games of chance on a local-option basis, and this law was further extended in 1961--in both years with clear-cut majorities on statewide referendum. In 1953 we sent to referendum a constitutional amendment--which easily passed-- legalizing bingo and raffles.

In 1967, in view of the fact that New York and New Hampshire had instituted lotteries, we passed a law to permit New Jerseyans to purchase tickets in other states' lotteries.

We know that the people want to gamble--legally if possible. We also know that they will gamble--illegally if that is the only alternative we leave them.

Related to this point is one to which I have already alluded--the link between gambling and organized crime. As long as public sentiment favors gambling, laws against it are in vain. In fact, they are worse than in vain; they are absolutely pernicious.

As a consultant to the Task Force on Assessment of Crime of the President's Commission on Law Enforcement and Administration of Justice pointed out, the professional gambling operator "enjoys a 'protected' market in the same way that a domestic industry is protected by a tariff, or butter by a law against margarine. The black marketeer gets automatic protection, through the law itself, from all competitors unwilling to pursue a criminal career. The law gives a kind of franchise to those who are willing to break the law. . . . The gambling rackets have as great a stake in antigambling laws as the dairy farmers in margarine laws or textile manufacturers in tariffs."

When laws flout the actual state of public sentiment, the only result is to encourage public acquiescence in criminal activity, to make technical criminals out of basically honest people, and

to create positions of influence and affluence for basically dishonest people who become the entrepreneurs of such black-market operations. The situation today with respect to gambling is much like the situation with regard to liquor in the days of prohibition. And, as with the problems posed by the use and abuse of alcoholic beverages, the problems posed by the use and abuse of wagering can be best solved by careful regulation rather than by indiscriminate and impractical prohibition.

As a matter of fact, the illegal gambling industry today enjoys widespread public recognition and acceptance. Pick up any newspaper--even one which regularly prints editorial blasts against the evils of gambling--and you will find evidence of this. The sports page will likely carry lists of entries at racetracks hundreds of miles distant. No one can legally use this information unless he plans to be at the track in person. The newspapers that carry this information are well aware, however, that bets on Florida races, for example, can be easily placed in New Jersey. They know that by printing such information they are catering to an illegal trade; but they also know that this is a service that their readers want.

You may also find in your newspaper a daily statement of the United States Treasury balance. It is usually printed on the sports page, and is not primarily intended for students of governmental finance. Nor is the small figure that you may find printed daily under the heading "numerology" meant for devotees of the occult.

You may also find in your daily newspaper, a few pages away from the editorial denouncing the "immorality" of a State lottery, an entry blank for a promotional "contest" sponsored by the newspaper itself and distinguishable from an out-and-out "lottery" only by those with an aptitude for drawing fine distinctions.

In the news pages themselves, too, you will find that a story about an Irish Sweepstakes winner always strikes the editors as worth prominent display. And a particularly rich "daily double" payoff at a racetrack will frequently be promoted from the sports section to page one.

When some of our newspaper editors get down to the business of selling papers, as distinct from the business of showing off their moral profundity in the editorial columns, they are acutely aware of how the public really feels on these matters.

Not the least of the merits of a properly run State lottery--and I would add to that, though it is not germane to this particular resolution, other forms of legalized gambling under proper regulation--would be to wash out some of the hypocrisy which now surrounds our public attitudes to gambling. At the same time it would undercut a good deal of the financial support of organized crime.

On this subject, I may quote again from the report of the Task Force on Assessment of Crime of the President's Commission:

"The effect of the transaction [i.e., in illegal goods and services, including gambling] is . . . a net addition to the resources of the criminal sector and a diminution of the resources available for other purposes to the legitimate sector. This

transfer of resources is particularly insidious--both because of its large size and because such a large percentage of it goes to organized crime. The businesslike nature of these transactions is illustrated by the fact that were they legal their amounts would be included as part of the gross national product.

"There is almost universal agreement among law enforcement officials that gambling is the greatest source of revenue for organized crime and the crime that involves by far the largest amount of money. . . .

"The cost to legitimate society is not the total of illegal bets placed but rather that amount of the total which is retained by the operators of the system. . . . Analysis of organized criminal betting operations indicates that the profit generally runs at least as high as one-third of the gross revenue."

A State lottery would have the double benefit of (1) rechanneling some of these enormous revenues to socially productive ends and (2) correspondingly weakening the financial underpinnings of organized crime.

Direct revenue to the State is only one of the ways in which a State lottery would make the economics of gambling more wholesome to society. At the moment, however, the revenue aspect of the lottery seems to bulk largest in political discussion. The obvious reason for this is the critical position of the State's finances.

Just how much revenue we could expect from a lottery has been variously estimated. When ACR 4 of 1964 was before the Legislature, there was obtained a fiscal note, which said: "At conservative estimate, the additional State revenues accruing to New Jersey from a legal State-sponsored lottery would be in the neighborhood of \$50,000,000."

One would expect the figure to be higher now. However, some estimates are much more cautious. Last year the State Treasurer put the figure at \$40,000,000. Last year, also, the Governor spoke in terms of a \$14,000,000 to \$30,000,000 range -- with odds in favor of the lower part of that range. His advisers on the Economic Policy Council were even more cautious; their report in April of 1968 put the range of net return to the State Treasury at from \$12.5 to \$14 million.

I have already noted the Governor's statement that he toyed with the idea of anticipating about \$10 million lottery revenue for the second half of the 1969-70 fiscal year. Since this would involve the initial phases of getting the lottery started, we may conclude that the Governor now regards \$10 million as a good deal less than one half of the annual revenue potential.

Assemblyman Brown is reported to believe that \$200 million is not an unfair estimate of annual lottery revenue. Between him and the Governor there is obviously a considerable difference of viewpoint. The spread of the estimates is great. But we must not lose sight of the fact that the actual revenues may vary widely according to the methods used in conducting the lottery--a point on which I should like to elaborate later in this statement.

Furthermore, there is little point in quibbling over the esti-

mates. The best way to find out who is right is to have a lottery. People may debate the estimates endlessly; but there is no debating with the actual dollars-and-cents returns.

And one thing is certain: The State cannot lose money on a lottery. If it does not bring in enough to meet needs, we can then turn elsewhere, and the "illusion" of lottery riches will not impede the proponents of new taxes.

I may add here some comment upon the relatively disappointing results to date from the New York and New Hampshire lotteries. The failure of these lotteries to live up to expectations should not be ascribed to the lottery concept, but to the manner in which it has been implemented.

It should be evident that, if we wish to have a lottery which will draw patronage away from illegal gambling operations and encourage maximum participation, we should run it in such a way as to give the participants the same excitement and entertainment value which now draws them to illegal gambling. There should be plenty of "action", to use the gambler's parlance. The New York and New Hampshire lotteries have been, in fact, rather staid. They have adopted only the "sweepstakes" type, with rather infrequent drawings, sparse availability of tickets and a promotional approach which has made participation seem about as exciting as purchasing a Salvation Army annuity. To run an effective State lottery we need operators who are as skilled in promoting the business as are the people who now run the illegal operations.

Finally, we come to the hardy perennial argument against a lottery-namely, that gambling is "immoral" and should not be sanctioned--much less sponsored--by the State.

One obvious retort to this argument is that the State already sanctions a number of types of gambling. Some churchmen and other moralists who advance this objection are consistent enough to advocate banning the forms of gambling now legalized. But I have yet to hear any politician who decries the "immorality" of the State lottery say that he will introduce a bill to close the race tracks and deprive the State of \$36 million in annual revenue.

Another answer to the moral objection may be found in the statistics reported by the Legalized Games of Chance Control Commission. Of 5,786 organizations running legalized gambling events under the commission's supervision during fiscal '67, 2,017 are listed in the categories of "Church," "Religious Congregation" or "Religious Organization." Thus we see active participation in gambling by precisely those types of organizations which we would expect to be most sensitive to moral questions. Of course, there are whole sects and denominations which totally eschew gambling as an abomination; but it is hardly the role of State government to adjudicate rival claims to authentic Divine guidance.

Morality is by nature a matter for the individual conscience. Every man has a right to shun gambling in all its forms if his conscience tells him it is wrong. But no man has a right to impose the dictates of his conscience upon others. The existence of a State lottery would not impose upon anyone an obligation to participate in it. Therefore, an authentic moral question does not seem to arise.

A related objection is the one recently raised by Senator Forsythe, when he said that a lottery would be "an unfair tax upon the poor." The assumption behind this is that the poor man will tend to bet proportionately more of his income than the rich man. This may be true -- though I am not sure it is more true of a lottery than it is of the sales tax. But it overlooks two points: (1) that no one is obliged to bet anything at all, so it can hardly be considered a "tax" in any meaningful sense of the word, and (2) that the poor man already pays this "tax" to the illegal operators. No properly run State lottery could possibly victimize the poor to the extent that the illegal "numbers racket" does right now.

In summary, I would say that the arguments in favor of a State lottery are:

1. That it would provide the people of this State with a service which they want and which they can now get only at the price of participating in illegal activity and contributing to the support of criminal elements;

2. That it would provide the State with a source of badly needed revenue;
3. That it would deprive organized crime of an important element of financial support, and would at the same time free law-enforcement agencies to concentrate upon more serious matters;
4. That it would not infringe upon the moral convictions--or even the convenience--of anyone who is opposed to participating in gambling, since anyone who is opposed to it is perfectly free to shun it entirely.
5. That it can produce considerably more than the "estimates" presented by various public officials and bodies. Of course, if we imitate New York's and New Hampshire's lackluster, half-hearted programs, we will probably be equally disappointed. But there is no reason to follow their lead. It is not unreasonable to say that the revenues to be derived will depend largely on our initiative in providing the type or types of legalized gambling the people want and now engage in illegally;
6. That it will result in a new industry in New Jersey, providing employment for many, and, as I see it, particularly for our older citizens.