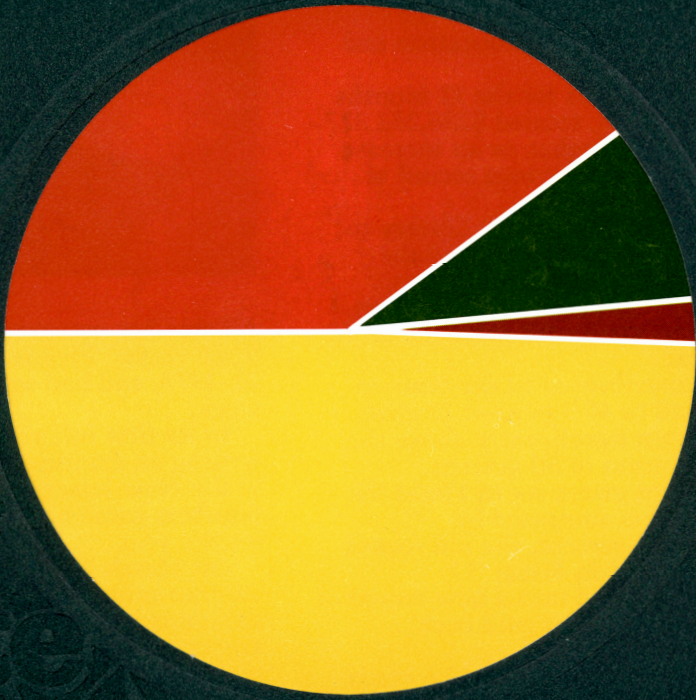


New Jersey State Lottery/Annual Report 1978

*Our best year yet.*



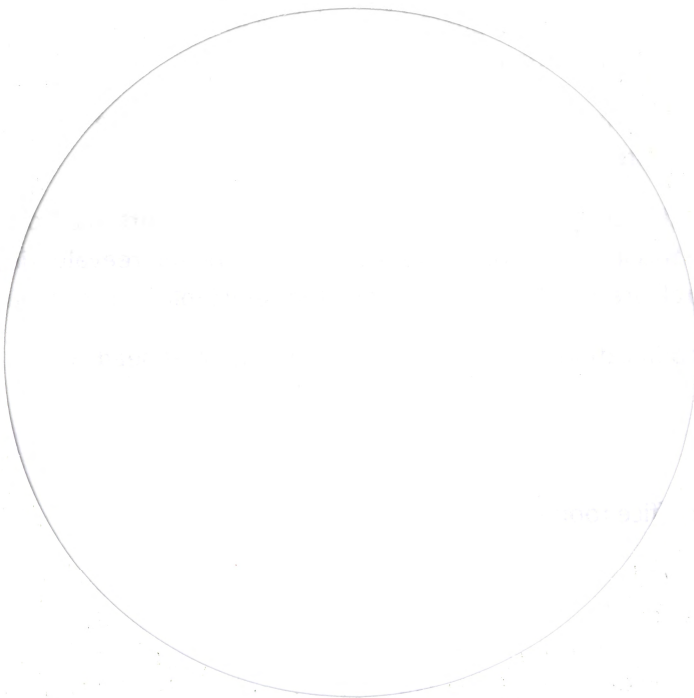
New  
Jersey  
State  
Lottery

The record year achieved by the New Jersey Lottery in Fiscal '77 was a difficult act to follow. Yet, the Lottery did, indeed, follow with an outstanding Fiscal '78 that broke every previous record and produced the dramatic series of "firsts" detailed elsewhere in this Report.

The record of which we are most proud, of course, is the \$96 million contributed by the Lottery to State education and institutions. This is how the success of the Lottery is shared with every citizen of this State.

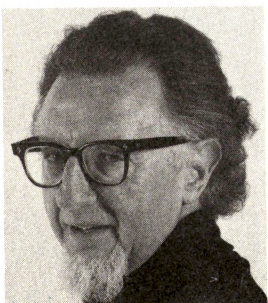
New levels of achievement do not happen automatically. The records of Fiscal '78 are the direct result of dedication and hard work by the New Jersey Lottery's "team"—the members of the State Lottery Commission, the management and staff of the Lottery and our representatives and agents working in the field in every part of New Jersey. To all of them, I extend my deep gratitude.

And to the people of New Jersey for their strong support and confidence, the Lottery expresses its special appreciation.



### Members of the New Jersey State Lottery Commission

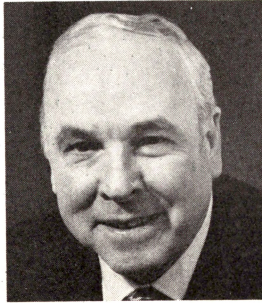
**Reese Palley**  
*of Atlantic City*  
Chairman



**James J. Flynn, Jr.**  
*of Perth Amboy*  
Vice Chairman



**John L. Keaveney**  
*of Shrewsbury*



**Jerome Seiden**  
*of West Orange*

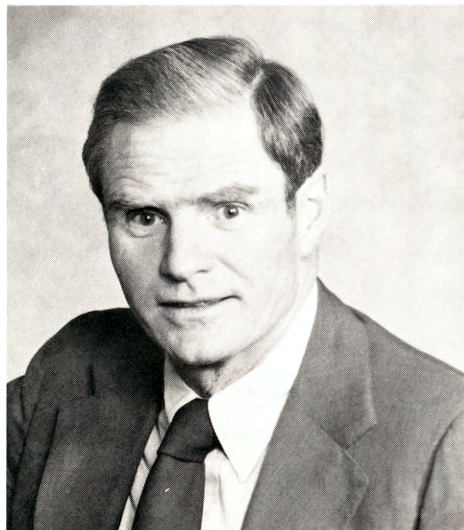


**Donald B. Valk**  
*of Madison*



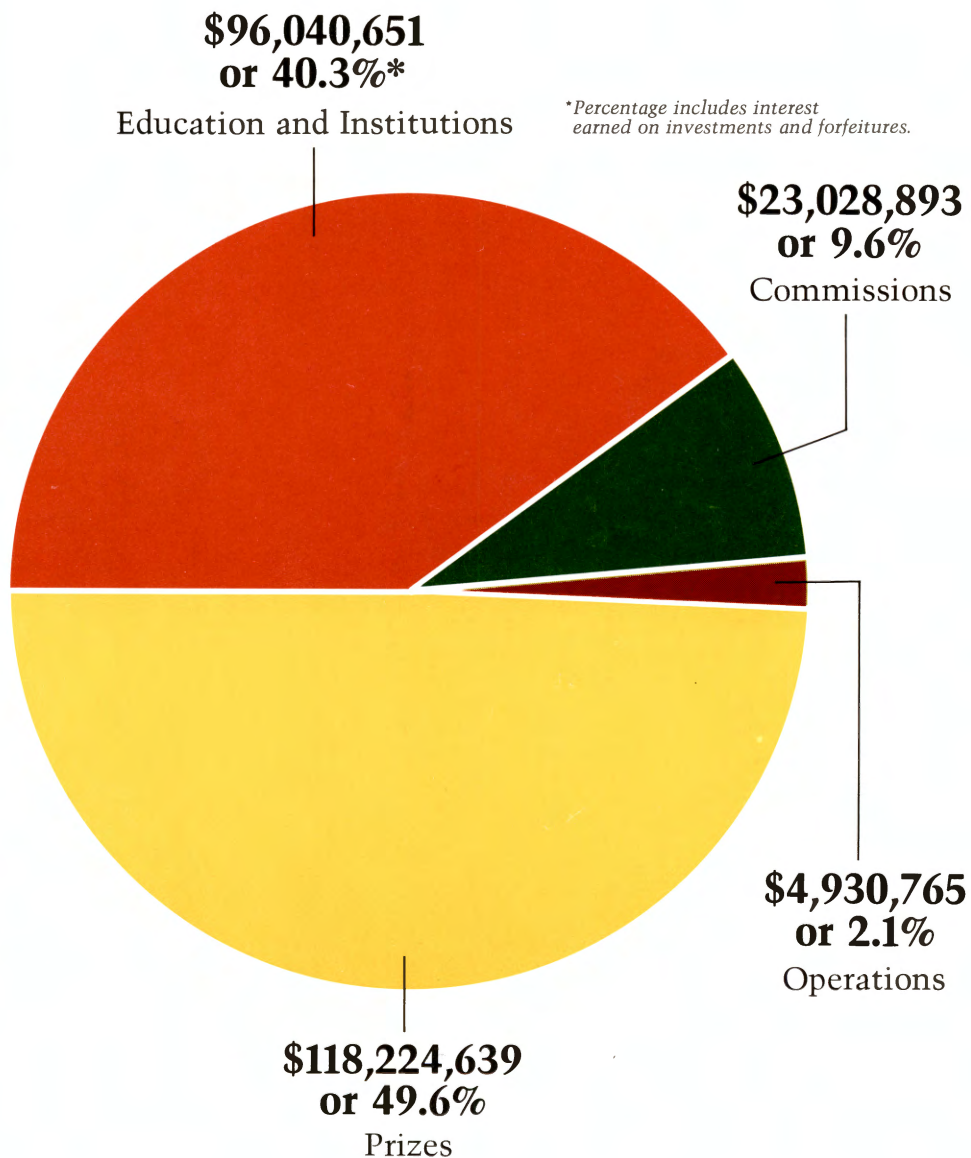


**Brendan Byrne**  
Governor



**Gloria A. Decker**  
Executive Director

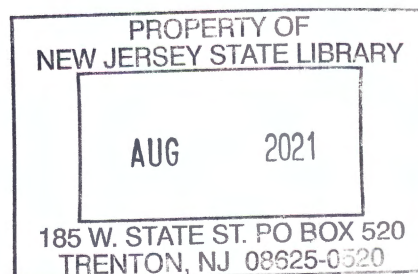
The below "pie" figures attributable to the 1978 Fiscal Year only.



### Financial Summary

Gross Revenues .....	\$238,262,327
Prize Allocation .....	\$118,224,639
Funds Available for Contribution to Education and State Institutions for Fiscal Year Ended June 30, 1978 .....	\$ 96,040,651

*This report contains audited Fiscal 1978 (July 1, 1977-June 30, 1978) figures and editorial content updated through November 15, 1978.*



## 1978: A Year of "Firsts."

Fiscal 1978 was the year of notable "firsts" for the New Jersey State Lottery.

It was the year we first broke through the \$200 million mark in gross sales.

For the first time, the Lottery awarded over \$100 million in prizes.

The "Pick-It" daily numbers game passed the \$100 million milestone in total sales for the year and grossed over \$3 million in weekly sales for the first time.

Sales for the "Pick-4" weekly numbers game topped \$22 million.

And it was the year that "Lucky Horoscope" set a new sales record for an instant game.

All these "firsts" helped produce a record-breaking bottom line in Fiscal '78 in the Lottery's contribution to state education and institutions.

The Lottery's gross sales for the 12 months that ended June 30, 1978, totaled \$238,262,327. This was \$44.2 million higher, or an increase of 22.8 percent, than the previous record of \$194,043,671 set in Fiscal '77.

The amount contributed by the Lottery to education and institutions approached the \$100 million milestone for the fiscal year, totaling \$96,040,651. This was \$17.8 million, or 22.8 percent over the record achieved in the previous fiscal year.

The Lottery's contribution to the State in Fiscal '78 amounted to 40.3 percent of gross revenues—once again significantly above the required legal minimum of 30 percent.

The new record for prizes set in Fiscal '78 was \$118,224,639. This surpassed by \$22.4 million, or 23.3 percent, the old record of \$95,852,559 achieved in Fiscal '77.

These figures translated into a new record of 49.6 cents out of every dollar paid back directly in prizes.

Add 40.3 cents to the State and 49.6 cents for prizes and they produce a statistic that year after year tells the remarkable story of a State Lottery operated under the highest standards of business management.

In Fiscal '78, a total of about 89 cents of every Lottery dollar went to the State and to consumers. It cost only 11.7 cents out of every dollar to run the Lottery, including 9.6 cents for commissions to Lottery agents and banks and 2.1 cents for actual operating costs.

The spectacular success story of "Pick-It" again highlighted the Lottery's year. Sales for the nation's first legal daily numbers game soared to \$145,633,849, a leap of \$48.1 million, or more than 49 percent, over the previous year. "Pick-It" scored another breakthrough when its sales for the week that ended on March 9, 1978, went over \$3 million for the first time. That soon became a regular weekly occurrence and sales were approaching the \$4 million a week level as Fiscal '78 ended.

The tremendous impact "Pick-It" has had on the Lottery is demonstrated dramatically by the fact that in Fiscal '78 it accounted for approximately 61 percent of all Lottery sales.



All this has occurred in slightly more than three years. "Pick-It" was introduced on May 22, 1975, and had sales of \$378,000 for its first week.

In its first full year, "Pick-4" also began writing an exciting new chapter in the history of the New Jersey Lottery. The weekly numbers game had gross sales of \$22,287,620 for the year.

On March 27, 1978, the Lottery announced another innovation: the "Pick-4" Club, a subscription plan similar to the Weekly Lottery's popular "Clover Club." Members can pick their own four-digit numbers for periods of 10, 20 or 30 weeks. The Club marks the first Lottery subscription plan in which people actually select their own numbers. To avoid confusion with too many winning numbers being drawn on the same day, the "Pick-4" televised drawings were shifted from Thursday to Friday nights on March 3, 1978.

During Fiscal '78 the Lottery continued its efforts to respond to consumer interest with exciting new games.

On September 7, 1977, the Lottery introduced the "New" Weekly Lottery. This game replaced the nearly three-year-old "Jersey Jackpot," which began in November 1974. The "New" Weekly was a direct result of persistent requests from the public for a broader prize structure with more medium and smaller prizes. The new game more than doubled the number of prizes per pool that had been offered by the "Jersey Jackpot" and provided a top cash prize of \$50,000. The Weekly Lottery sales for the year totalled \$25,935,096.

The new year began with the closing out of another successful Lottery instant game and the debut of a new instant game that was to go



on to shatter all previous sales records.

The "Play Cards" instant game ended on September 7, 1977, with the game again virtually a sell-out with sales of over \$36 million.

One month later, on October 17, 1977, the Lottery unveiled its fifth instant game, "Lucky Horoscope." This game was based on the colorful theme of the 12 signs of the zodiac and gave the public the unique opportunity to buy tickets carrying their personal astrological signs.

"Lucky Horoscope" concluded on June 14, 1978, as the most successful instant game in the Lottery's history, with sales of \$39,706,100.

As the new fiscal year approached, the Lottery introduced its sixth instant game which saluted the arrival of casino gambling in Atlantic City. "Jersey Casino" went on sale June 28, 1978, offering more cash prizes and better odds of winning them than any of the previous instant games. The lively and colorful motif featured imaginative graphic use of casino symbols, slot machines, dice and playing cards.

Striving to provide the greatest convenience possible to consumers, the Lottery announced on August 22, 1977, that winners could collect

cash prizes up to \$599 in the field directly from Lottery claims offices. This more than doubled the previous limit of \$250.

During the year, the Lottery welcomed five new members into the Millionaires Club.

The first was Shirley Spruill of Somerset who won the second Grand Prize of \$1,000 a week for life in the "Play Cards" instant game at a drawing in July 1977 at Atlantic City's famed Steel Pier. John Pusztai, of Philadelphia, won the third and final "Play Cards" Grand Prize in October in Trenton.

Peter Lapiska, of Woodlynne, became the Weekly Lottery's newest Millionaire only one week later in October in a drawing in Newark's Symphony Hall.

The "Lucky Horoscope" instant game awarded two Grand Prizes of \$1,000 a week for life in Fiscal '78. The winners were George Height of Manasquan in January at Kean College, Union, and Lillian Costello of West Collingswood in February in Trenton.

In sum, Fiscal '78 was a year in which everyone was a winner as a result of the Lottery's all-time high contribution of more than \$96 million to State education and institutions. We enter the new year determined to do even better—thanks to you.

## A Billion Dollar Success

The New Jersey Lottery is a Billionaire... and still counting.

The magic moment came in March when Governor Brendan Byrne announced that the Lottery had passed the \$1 billion mark in gross sales. This milestone was celebrated just seven years and four months after the first 50-cent Weekly ticket was sold on December 16, 1970.

When Fiscal '78 ended, the Lottery's gross sales for its 8-year history totaled \$1,079,662,414. The full meaning of that impressive statistic can be measured only by translating gross sales into the following eight-year bottom line for the people of New Jersey and the patrons of the Lottery.

- As of June 30, 1978, the Lottery had contributed a grand total of \$481,890,437 for aid to education and State institutions.

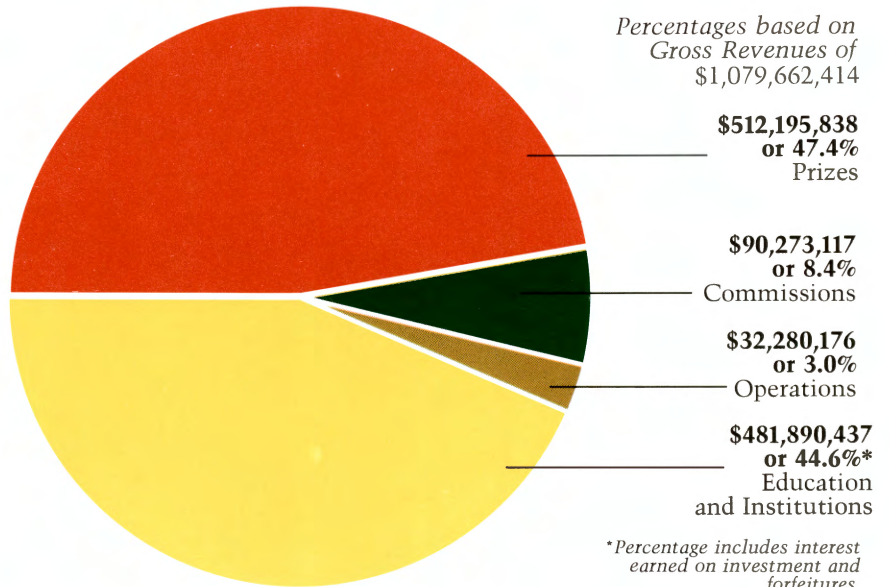
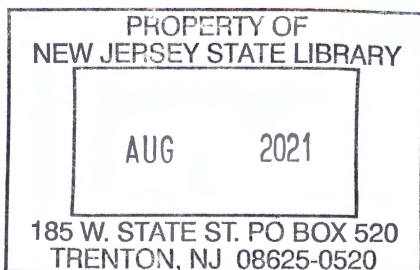
- Over the past 8 years, the Lottery has awarded over a half-billion dollars, or \$512,195,838, in prizes to consumers.

The law creating the Lottery in November 1969 mandated that a minimum of 30 percent of all Lottery revenues had to go to the State for education and institutions.

The Lottery's actual record of performance has been far above that, with 44.6 percent of its revenues contributed to the State.

The only bigger figure has been the 47.4 percent of all Lottery revenues which have gone directly back to the public in prizes.

Thus, the history of the New Jersey Lottery through Fiscal '78 is dominated by the outstanding record of giving 92 cents out of every dollar it collects to the people of New Jersey through State aid for education and



The above "pie" figures are attributable to the 1971-1978 Fiscal Years.

institutions and through prizes. It is a record that any organization—public or private—would be proud of.

The Lottery's conservatism in expenditures for operations is in sharp contrast to the boldness and innovation which have characterized its approach from the beginning.

Look at the record.

The Lottery has introduced three different weekly games since its inception. Six instant games, each based on timely, colorful and significantly different themes have been introduced successfully.

New Jersey was first to introduce the legal daily numbers game, "Pick-It," which has been adopted by many other states and is revolutionizing the lottery business. New Jersey followed that by introducing the first weekly numbers game, "Pick-4."

There have been exciting and successful special games, such as "Sweepstakes," the "Garden Stakes" and "Touchdown," each adding to New Jersey's prestige as the pacesetter and innovator among State Lotteries.

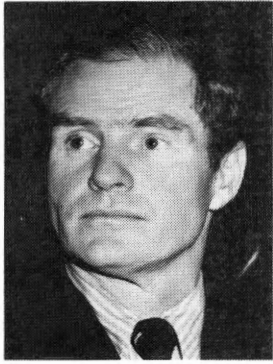
And the Lottery has created an entire new group of instant celebrities—a grand total of 62 Millionaires by the end of Fiscal '78.

With that tradition of performance and accomplishment behind it, the Lottery looks forward to the challenges ahead as it enters its ninth year.

Although we advertise the facts frequently - we are constantly asked where does all the Lottery money go?  
It's an important question - and here - in detail - is the answer.

Brendan Byrne  
Governor

Gloria A. Decker  
Executive Director



## A Statement to the People of New Jersey



# Where does the Lottery money go:

### BUDGETED STATEMENT OF ALLOCATIONS

For the Fiscal Year Ending June 30, 1979

#### GENERAL STATE OPERATIONS

##### Department of Education

###### Education Program -

Garden State School District .....	\$ 500,000
Project COED .....	1,500,000

##### Department of Higher Education

###### Aid to independent colleges

and universities .....	8,000,000
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Schools of professional nursing .....	1,500,000
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Dental school aid .....	2,000,000
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##### Department of Human Services

###### Operation of State

psychiatric hospitals .....	24,000,000
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###### Educational Program

Garden State School District .....	2,500,000
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Sub Total .....	<u>\$40,000,000</u>
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#### STATE AID

##### Department of Education

Non-public school aid .....	\$10,000,000
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##### Department of Higher Education

Aid to county colleges .....	40,000,000
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Sub Total .....	<u>\$50,000,000</u>
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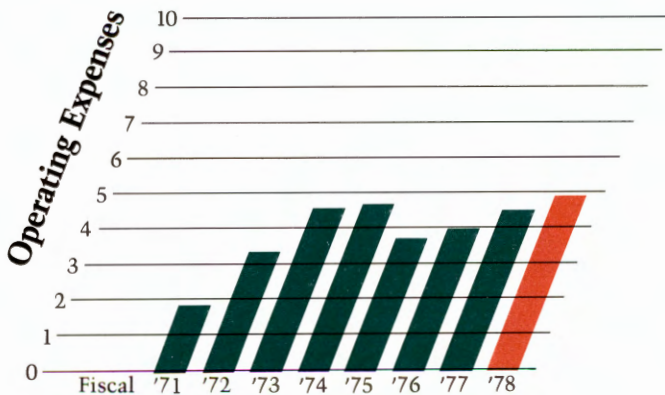
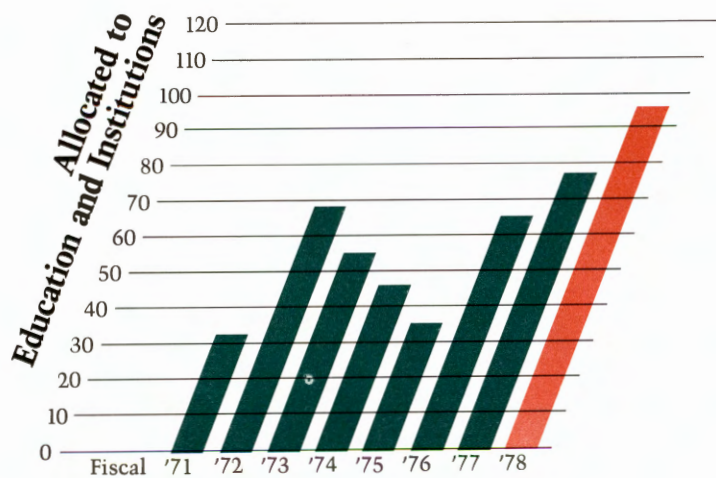
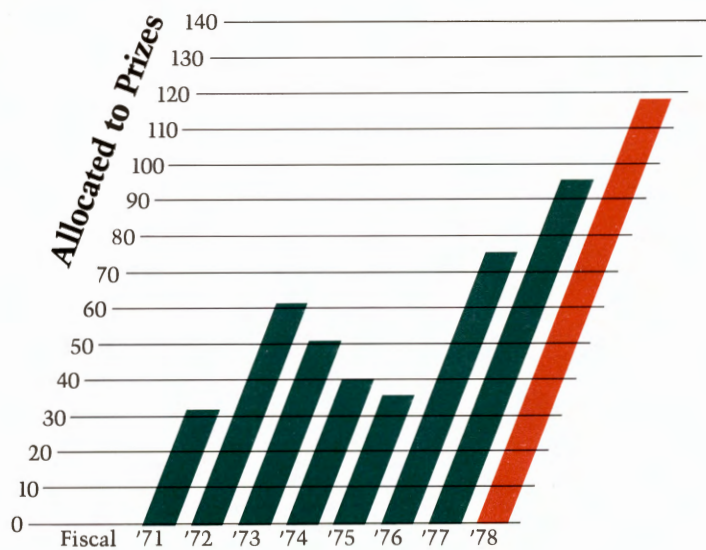
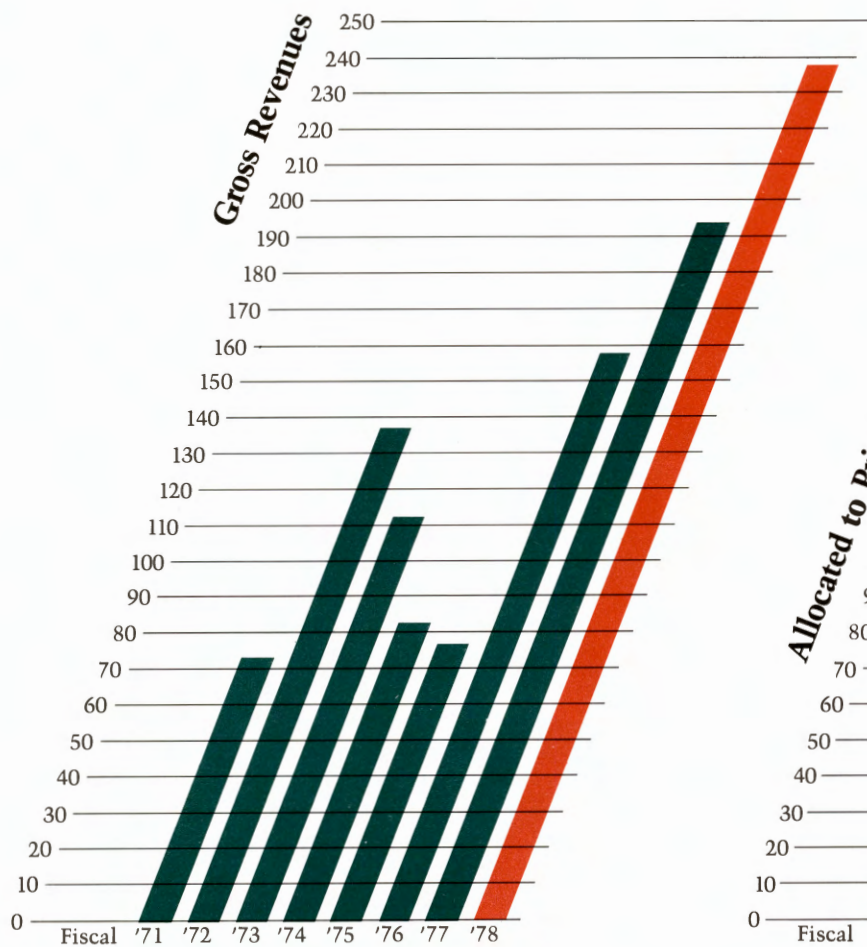
Grand Total .....	<u><u>\$90,000,000</u></u>
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From January '71 through June '78  
the Lottery has contributed over  
**\$462,000,000** in aid to state education  
and institutions.





(All figures are in millions)



# Comparative Statement of Revenues and Allocations of Revenues

	66 Months Ended June 30, 1976	12 Months Ended June 30, 1977	12 Months Ended June 30, 1978	Total	Percent of Total Revenues
<b>Revenues:</b>					
Gross Sales .....	\$647,356,416	\$194,043,671	\$238,262,327	\$1,079,662,414	100.0%
Less: Commissions to Agents and Banks .....	47,253,173	11,470,817	13,485,209	72,209,199	6.7%
Game contractor fees .....	—	8,520,234	9,543,684	18,063,918	1.7%
Net Revenues .....	\$600,103,243	\$174,052,620	\$215,233,434	\$ 989,389,297	91.6%
<b>Allocation of Revenues:</b>					
Contribution for aid to Education & State Institutions .....	\$194,206,973	\$ 58,213,101	\$ 71,478,698	\$ 323,898,772	30.0%
Prize allocation .....	298,118,640	95,852,559	118,224,639	512,195,838	47.4%
Operating Expenses .....	22,749,755	4,599,656	4,930,765	32,280,176	3.0%
Start-Up Costs .....	686,137	—	—	686,137	—
	\$515,761,505	\$158,665,316	\$194,634,102	\$ 869,060,923	80.4%
Contributions available for aid to Education and State Institutions in excess of statutory mandate before other income .....					
	\$ 84,341,738	\$ 15,387,304	\$ 20,599,332	\$ 120,328,374	11.1%
Interest income .....	9,579,399	882,708	1,120,234	11,582,341	1.1%
Miscellaneous Income .....	216,888	4,051	121,098	342,037	
Miscellaneous Expense .....	(21,235)	—	—	(21,235)	
Contributions available for aid to Education and State Institutions in excess of Statutory mandate .....	\$ 94,116,790	\$ 16,274,063	\$ 21,840,664	\$ 132,231,517	12.2%
Contribution allocated and payable for aid to Education and State Institutions .....	\$288,323,763	\$74,487,164	\$93,319,362	\$ 456,130,289	42.2%
See Note to Statement of Revenues and Allocations of Revenues					
30% of gross sales .....	\$194,206,973	\$ 58,213,101	\$ 71,478,698	\$ 323,898,772	30.0%
Contribution allocated and payable for aid to Education and State Institutions in excess of statutory mandate .....	94,116,790	16,274,063	21,840,664	132,231,517	12.2%
Forfeited Prize Awards .....	19,371,280	3,667,579	2,721,289	25,760,148	2.4%
Total contributions to Education and State Institutions .....	\$307,695,043	\$ 78,154,743	\$ 96,040,651	\$ 481,890,437	44.6%

## Details of Education and Institution Costs to which Lottery Revenues were Applied in 1977-1978 State Budget

GENERAL STATE OPERATIONS	AMOUNT
<b>Department of Higher Education</b>	
Aid to independent colleges and universities ..	\$7,500,000
Schools of professional nursing .....	1,500,000
Thomas A. Edison College of New Jersey ....	600,000
<b>Department of Human Services</b>	
Operation of institutions for children:	
Arthur Brisbane Child Center at Allaire ....	1,000,000
Residential Services of the Division of Youth and Family Services .....	3,000,000
State operated Community Mental Health Centers at Newark and Rutgers .....	3,750,000
Glen Gardner geriatric center .....	2,400,000
Resident Care and Habilitation, Division of Mental Retardation .....	6,750,000
Operation of institutions for children:	
Training School for Boys, Skillman .....	2,200,000
Training School for Boys, Jamesburg .....	4,000,000
Residential Group Centers .....	500,000
Education programs—adult correction institutions .....	2,000,000
State operated Community Centers .....	800,000
Sub-Total .....	<u>\$36,000,000</u>

STATE AID	AMOUNT
<b>Department of Higher Education</b>	
Aid to County Colleges .....	41,000,000
Sub-Total .....	<u>\$41,000,000</u>
Grand Total .....	<u>\$77,000,000</u>



# Note to Statement of Revenues and Allocations of Revenues. 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 Weekly, "Pick-It" and "Pick-4" Lotteries, on the drawing date.
2. For Instant Lotteries, 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" weekly 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 March 21, 1977, the Lottery Commission established the Play Cards Instant Lottery ("Instant") which was offered for a period of twenty-four weeks. The Lottery Commission records revenues and related commissions and allocations based on the total tickets for which the agent has reported 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 October 17, 1977, the Lottery Commission established the Lucky Horoscope Instant Game which was offered for a period of thirty weeks. Revenues and related commissions and allocations for this game are recorded in the same manner as described in the preceding paragraph for the Play Cards Instant Lottery.

On June 28, 1978, the Lottery Commission established the Jersey Casino Instant Game which is to be offered for a period of approximately twenty weeks. Revenues and related

commissions and allocations for this game are recorded in the same manner as described above for the Play Cards Instant Lottery.

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.

"Clover" Club and "Pick-4" Club revenues applicable to future Lotteries are deferred and recognized as each drawing takes place.

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

The principal operating expenses (data processing, advertising, 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.

When it is determined that specific items, which have been encumbered and included in expenses for a prior year, have not in fact been expended, the obligations are cancelled and offset against current operating expenses.

## 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 New Jersey State Lottery Law, prize monies not claimed within one year from date of drawing are forfeited and designated for aid to education and State institutions.

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**GRANET AND GRANET**  
CERTIFIED PUBLIC ACCOUNTANTS  
1605 Vauxhall Road • Union, N.J. 07083 • (201) 964-3220

October 4, 1978

Mrs. Gloria A. Decker  
Executive Director  
New Jersey State Lottery Commission  
West State and Willow Streets  
Trenton, New Jersey 08625

We have examined the accompanying statements of revenues and allocation of revenues of the New Jersey State Lottery Commission for the 12 months ended June 30, 1978 and 1977. 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 12 months ended June 30, 1978 and 1977, in conformity with generally accepted accounting principles applied on a consistent basis.

The financial statements for the sixty-six months ended June 30, 1976 were examined by other independent certified public accountants.

GRANET AND GRANET

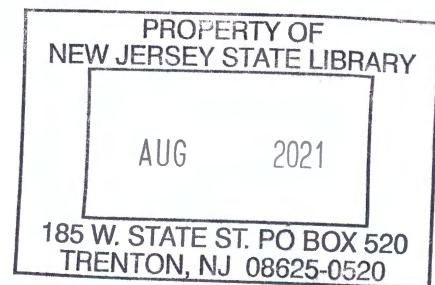
*Granet and Granet*



**Members of the Lottery team:**

From left—Carl Russo, *Deputy Director/ Security & Audit*; Captain John Burke, *Deputy Director/Planning & Research*; Michael DeCicco, *Deputy Director/ Operations* and William Mulcahy, *Deputy Director/Marketing & Sales*

Joseph A. Mule, *Assistant Director*







New  
Jersey  
State

Lottery

BENEFITS EDUCATION AND INSTITUTIONS