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# NEW JERSEY STATE LOTTERY COMMISSION 1974 ANNUAL REPORT

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## FINANCIAL SUMMARY

Gross Revenue \$89,219,984

Prize Allocations \$40,237,340

Provide for aid to:

Education \$19,996,000

Higher Education 16,539,000

Institution & Agencies 18,633,000

\$55,168,000

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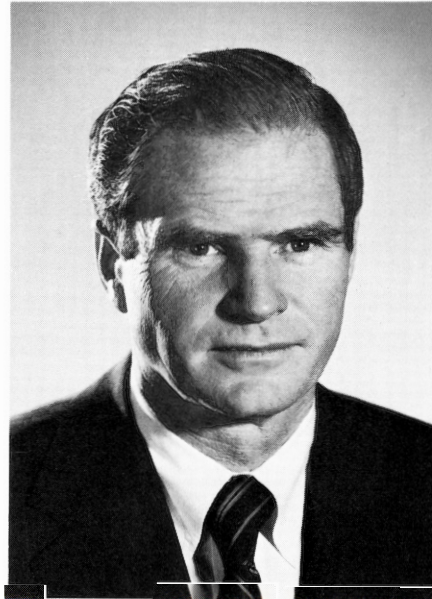
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This report contains audited fiscal 1974 (July 1, 1973-June 30, 1974) figures and editorial content updated through March 1, 1975.



Governor Brendan T. Byrne

Fiscal '74 was a year of earning and learning for the Lottery. During the year the New Jersey State Lottery earned over \$55 million for State education and institutions.

In addition to this aid, over 2,300,000 players won over 46 million dollars from the Lottery.

And the Lottery continued to do well in the standard sales-per-capita measure of ticket sales while keeping administrative costs below the average of other lottery states.

But above all, the Lottery learned a great deal about marketing what is basically an impulse purchase product in an inflationary economy that daily sees fewer and fewer discretionary dollars.

New Jersey faced this problem along with other lottery states and experienced a decline of sales during the year.

We can do little from our end to change the course of the economy. But we are able to make our product more attractive.

As an initial step, both the "Weekly" and "Daily" underwent facelifts during the past fiscal year. But the changes were only in the games' prize structures and not the games themselves. Consumer studies after the introduction of the changes, along with a sales index which showed only slight improvement, clearly indicated the public wanted more than just prize structure changes.

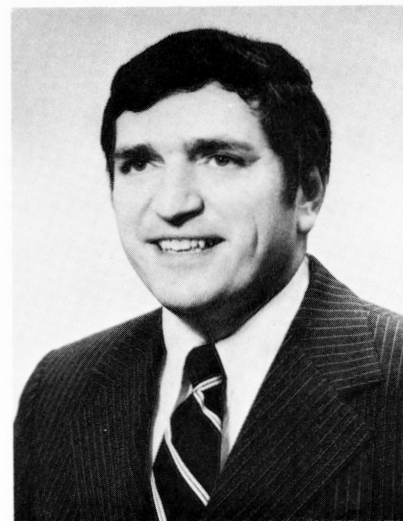
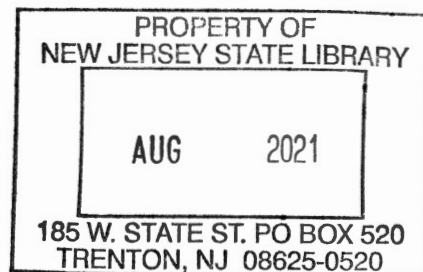
So, as Fiscal '74 came to an end, work was already underway aimed at introducing two entirely new games to the public in Fiscal '75.

A new Weekly game, named Jersey Jackpot was introduced in late 1974. Jersey Jackpot features simplicity of play, twice as many winners, plus a new "Jackpot" prize of \$250,000.

The Lottery also continued to make headway to present in 1975 the country's only legalized pick-your-own number game. We are hopeful that this innovation will divert some of the dollars that now go to the illegal numbers game to state education and institutions.

The first Jersey Sweepstakes, was held in October and by selling nearly 2 million \$1.00 tickets, it became New Jersey's single most popular lottery. Plans for a second Sweepstakes in the spring of 1975 are being made.

These innovations for the Lottery are designed to carry out our broader understanding of what today's consumer really wants. We hope it will translate into a greater flow in the future of Lottery revenues so vitally needed for education and State institutions in New Jersey.



*Charles C. Carella*

Charles C. Carella  
Executive Director and Secretary

Donald B. Valk - Chairman  
James J. Flynn  
William J. O'Brien  
John L. Keaveney

## OPERATIONS

The New Jersey State Lottery was authorized in a public referendum on November 11, 1969 by the adoption of a Constitutional Amendment. The amendment was overwhelmingly approved by 81.5% of the electorate.

Within two weeks of the referendum the Legislature adopted a joint resolution creating a State Lottery Planning Commission. After extensive investigations, studies and hearings, the Commission submitted a detail report to the Governor and Legislature on February 9, 1970, along with proposed legislation for enactment of a State Lottery Law. One week later, the State Lottery Law was approved by the Legislature and signed by the Governor.

Under provisions of the State Lottery Law, a Division of the State Lottery was established consisting of a bi-partisan State Lottery Commission and an Executive Director appointed by the Governor with the advice and consent of the Senate.

The law also specified that no less than 30 percent of the total revenues accruing from the sale of Lottery tickets shall be dedicated for State Institutions and State aid to Education.

On January 7, 1971, the Commission held its first drawing and became the first lottery to conduct a 50-cent weekly drawing with all prizes based on a six-digit weekly number. Since the introduction of this new lottery concept, innovation has become synonymous with the New Jersey State Lottery.

In November of 1972, New Jersey pioneered the first daily lottery. New Jersey was the first to develop "millionaire" drawings and through June 30, 1974 enabled 34 lucky people to become New Jersey Lottery-made "Millionaires." In 1972, the Lottery initiated a special statewide telephone number which provides up-to-date winning number information. And, the Lottery is continuing to innovate with such exciting challenges as "Sweepstakes," "Jackpots" and legal-pick-your-own-numbers. Innovation has certainly become a trademark of the New Jersey State Lottery.



Donald B. Valk



James J. Flynn



William J. O'Brien



John L. Keaveney

The New Jersey State Lottery is governed by a Commission of five non-salaried members and a full-time Executive Director. The present members of the Commission are Donald B. Valk of Madison, Chairman; James J. Flynn Jr. of Perth Amboy; John L. Keaveney of Shrewsbury; and William J. O'Brien of Camden. Charles C. Carella of Glen Ridge is the Executive Director and Secretary of the Commission.

Serving under the Executive Director are three deputies. They are Beatrice Tylutki, William Carmody and Richard Berns. Joseph Mulé serves as the Lottery's Chief Fiscal Officer.

The State Lottery Commission has its headquarters on the third floor of the State Taxation Building, South Willow and West State Streets, Trenton, adjacent to the State Capitol Complex.

To accommodate the people of the State more efficiently, the Lottery is divided into four districts with offices being maintained in Atlantic City, Springfield and Howell. The Springfield operation serves two districts. Harry Van Sciver, Harris B. Fried, Gil Bagot and John Nunneville are the district managers.



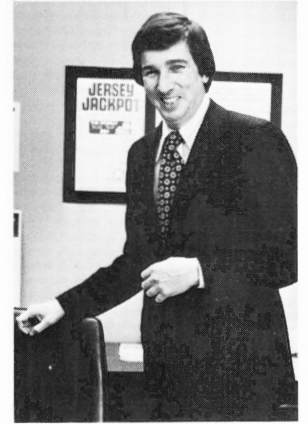
Beatrice Tylutki



Joseph Mulé



William Carmody



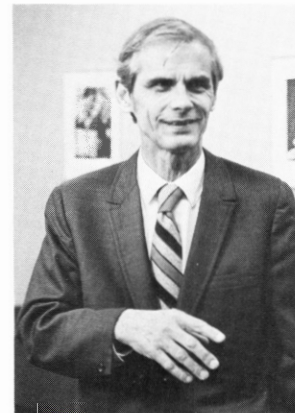
Richard Berns



Gil Bagot



Harry Van Sciver



John Nunneville



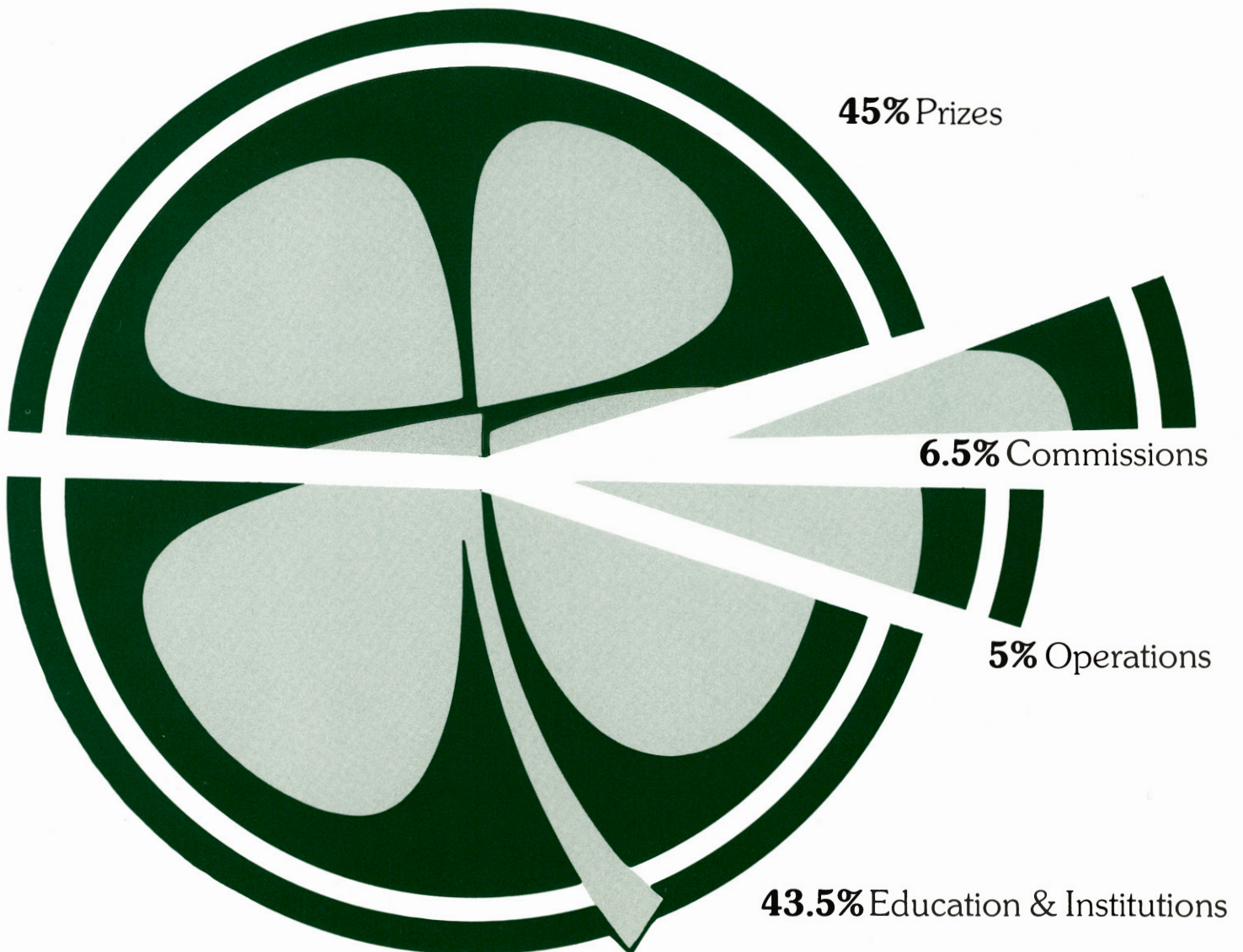
Harris Fried

## FINANCIAL

Each Lottery game produces different percentages for prize allocations and contributions to the specified beneficiaries. But generally, out of every dollar received by the Lottery, 45 cents goes directly back as prizes to holders of winning tickets.

Although the law requires a minimum of 30 per cent of Lottery revenues to be contributed to the State for education and institutions, the actual amount has been much higher—43.5 cents out of every dollar.

This excellent record has been made possible by careful, efficient administration of the Lottery, which uses only approximately 5 cents of every dollar for operating and promotional expenses. The other 6.5 cents of every dollar is allocated for commissions and awards to the 4,000 agents who sell Lottery tickets and to distributing banks.



# STATEMENT OF REVENUES AND ALLOCATION OF REVENUES NEW JERSEY STATE LOTTERY COMMISSION

	30 Months Ended June 30, 1973	12 Months Ended June 30, 1974	Total	Percent of Total Revenues
<b>Revenues:</b>				
Gross Sales	\$322,952,427	\$ 89,219,984	\$412,172,411	100.0
Less: Commissions to Agents and Banks	<u>19,311,339</u>	<u>5,807,963</u>	<u>25,119,302</u>	<u>6.1</u>
Net Revenues	<u>303,641,088</u>	<u>83,412,021</u>	<u>387,053,109</u>	<u>93.9</u>
<b>Allocation of Revenues:</b>				
Aid To Education & State Institutions	96,885,730	26,766,041	123,651,771	30.0
Alloted For Prizes	145,328,593	40,237,340	185,565,933	45.0
Operating Expenses	10,066,101	4,856,703	14,922,804	3.6
Start-Up Costs	686,137	—	686,137	.2
	<u>252,966,561</u>	<u>71,860,084</u>	<u>324,826,645</u>	<u>78.8</u>
Unallocated Revenues	50,674,527	11,551,937	62,226,464	15.1
Interest Earned	4,399,356	2,569,429	6,968,785	
Interest Earned on Prepayment of Annuity Contracts	133,123	—	133,123	
Miscellaneous Income	104,812	20,300	125,112	
Miscellaneous Expense	—	(21,235)	(21,235)	
	<u>55,311,818</u>	<u>14,120,431</u>	<u>69,432,249</u>	
<b>Unallocated Revenues Available For Education and State Institutions</b>	<u>\$ 55,311,818</u>	<u>\$ 14,120,431</u>	<u>\$ 69,432,249</u>	

## TOTAL LOTTERY CONTRIBUTION TO EDUCATION AND STATE INSTITUTIONS

	30 Months Ended June 30, 1973	12 Months Ended June 30, 1974	Total
30% of Gross Sales	\$ 96,885,730	\$ 26,766,041	\$123,651,771
Unallocated Revenue and Interest	55,311,818	14,120,431	69,432,249
Forfeited Prize Awards	<u>6,851,620</u>	<u>5,507,919</u>	<u>12,359,539</u>
	<u>\$159,049,168</u>	<u>\$ 46,394,391</u>	<u>\$205,443,559</u>

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared on an accrual basis of accounting under generally-accepted accounting principles, with minor variations to conform to the accounting requirements of the State of New Jersey.

#### Apportionment of Gross Revenues

New Jersey State Lottery Law requires that no less than 30% of gross revenues must be dedicated for aid to education and State institutions. The State Lottery Commission has designated that unallocated revenues be reserved for aid to education and State institutions.

The State Lottery Commission has designated that 45% (50.275% on the Daily Lottery as of May 30, 1974) of gross revenues be reserved for awards for participants as prizes and bonuses.

#### Unclaimed Prize Awards

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.

#### Recognition of Income and Expense

Revenues are recognized for weekly lotteries in the month during which the related lottery drawing is held, and for daily lotteries in the month during which the related daily lottery reporting period ends (the daily lottery reporting period ends on Wednesday of each week). Operating expenses are recognized in the period during which the expense was incurred.

#### Deferred Revenue

The Lottery sells Clover Club memberships which entitle the member to participate in 12 to 52 weekly lottery drawings. The revenue from the

sale of these memberships is prorated over the drawings in which the members participate. The portion of the revenue pertaining to drawings to be held subsequent to June 30, 1974 has been recorded as deferred revenue.

#### Obligation for Millionaire Prizes

The obligation for millionaire prize awards payable in installments at June 30, 1974 has been recorded at the present value of the future payments utilizing discount rates of 8% to 8.25% (amount required at June 30, 1974 to purchase an annuity at the specified rates which will yield a series of benefit payments equal to the prize award installment payments).

Annuity contracts with discount rates of 8% to 8.25% have been purchased for all the millionaire prize awards payable in installments for which the final drawing has been held. These annuities are valued at cost plus the discount earned to June 30, 1974 less any benefit payments received before June 30, 1974 (the present value of the remaining installment payments).

#### Property and Inventory

The Commission follows the State of New Jersey's policy of not capitalizing personal property and inventory. Items of this nature are recognized as an expense during the period in which they are received.

### 2. ADJUSTMENT TO OPERATING EXPENSES

Prior year encumbrance cancellations were offset against current year expenditures, as follows:

Operating Expenses for F.Y. 1974	\$5,001,869
Less: Prior Year Encumbrance Cancellations	<u>145,166</u>
Net Operating Expenses	<u>\$4,856,703</u>

# DISBURSEMENTS

In Fiscal Year 1974, the Lottery contributed a grand total of over \$55 million in funds for state aid for education and state institutions.

For State aid to local schools, the Lottery contributed \$19.9 million. This money was used as a percentage of the total State Appropriation Act for school districts.

For higher education, the Lottery contributed \$16.5 million. This revenue helped create spaces for an additional 5,000 students in our State universities through scholarships, student loans and grants. In addition, another half million was generated for other educational programs.

And to help provide better care and treatment for citizens who need help, including the retarded, mentally ill, and the disabled, the Lottery contributed \$18.6 million.

In Fiscal '74, to further tell the story of "Where the Money Goes," the Lottery ran a four part advertising campaign as illustrated on this page.

## THE LOTTERY AND MENTAL HEALTH

Over \$19,000,000 for cure and care.

In the short time since the first ticket was sold in December 1970, the New Jersey State Lottery has allocated \$19,374,139 of its proceeds to the Division of Mental Health and Mental Retardation.

These funds have helped the state further its goal of improved institutional facilities, expanded outpatient programs, and even widening vistas via day training.

The result? The curable are being cured. And the incurable cared for as never before.

Mental health services far beyond those made possible by available tax dollars. It's a major reason behind the New Jersey State Lottery.

With 23 1/4 from every 50¢ ticket you've purchased having been allocated to education and state institutions by the Lottery Commission, you've helped provide \$221,000,000 for essential state programs of all kinds. And made a similar amount available in prize funds.

For this we say, Thanks. And we encourage you to keep participating in The Daily and The Weekly. Because everyone ends up a winner.



(Allocations verified by the Bureau of the Budget)

## THE LOTTERY AND HIGHER EDUCATION

Helping put 59,000 more students on state campuses.

In less time than it takes to earn a bachelor's degree, the New Jersey State Lottery has allocated \$92,346,425 of its proceeds to the state's Department of Higher Education.

Among other things, making space for 59,137 more students in our state-supported university and colleges.

Lottery funds have also helped the state further its goal of additional scholarships and educational grants, increased financial assistance to county colleges, and expanded educational programs in medicine and dentistry.

Moving higher education to heights beyond those made possible by available tax dollars. It's a major reason behind the New Jersey State Lottery.

With 23 1/4 from every 50¢ ticket you've purchased having been allocated to education and state institutions by the Lottery Commission, you've helped provide \$221,000,000 for essential state programs of all kinds. And made a similar amount available in prize funds.

For this we say, Thanks. And we encourage you to keep participating in The Daily and The Weekly. Because everyone ends up a winner.



(Allocations verified by the Bureau of the Budget)

## THE LOTTERY AND LOCAL SCHOOLS

Over \$80,000,000 in additional aid, not one of them a tax dollar.

Virtually every local school district in the state, including yours, has felt the impact of the New Jersey State Lottery. In fact, schools have been the major beneficiaries of the lottery's help. 31 years with \$82,706,424 of its proceeds already allocated to local districts.

Lottery funds have, among other things, helped the state further its goal of additional aid to finance school construction and renovation, expand curricula, provide low-cost lunches, improve student safety, develop vocational training programs, and offer adult education courses in ever-broadening areas.

Accomplishing all this, while easing the burden on taxpayers. It's a major reason behind the New Jersey State Lottery.

With 23 1/4 from every 50¢ ticket you've purchased having been allocated to education and state institutions by the Lottery Commission, you've helped provide \$221,000,000 for essential state programs of all kinds. And made a similar amount available in prize funds.

For this we say, Thanks. And we encourage you to keep participating in The Daily and The Weekly. Because everyone ends up a winner.



(Allocations verified by the Bureau of the Budget)

**DEPARTMENT OF THE TREASURY  
DIVISION OF THE STATE LOTTERY  
PROVIDED FOR AID TO EDUCATION AND STATE INSTITUTIONS  
FISCAL YEAR ENDED JUNE 30, 1974**

**Resources**

Current Year Revenues Available For Transfer From State Lottery Fund For Education and Institutions	\$46,394,391
Prior Year Surplus Available For Transfer From State Lottery Fund For Education and Institutions	<u>8,773,609</u>
Total Revenues Available For Transfer From State Lottery Fund For Education and Institutions	<u>\$55,168,000</u>

**GENERAL STATE OPERATIONS**

**Department of Education**

Drug Control Programs Relating to Education	\$ 79,000
Regional Education Improvement Center	197,000
Services and Costs for the Deaf	109,000
Technology for Children, Magic Muse, and Teen Arts Programs	<u>134,000</u>
Subtotal	<u>519,000</u>

**Department of Higher Education**

Thomas A. Edison College	198,000
Council for Higher Education in Newark	107,000
Scholarships and Student Loans	2,079,000
Additional College Students	10,796,000
College of Medicine and Dentistry	<u>1,577,000</u>
Subtotal	<u>14,757,000</u>

**Department of Institutions & Agencies**

Dept. Management & Support Services	3,003,000
Division of Correction and Parole	3,109,000
Division of Mental Retardation	5,864,000
Division of Mental Health & Hospitals	<u>2,388,000</u>
Subtotal	<u>14,364,000</u>

**STATE AID**

**Department of Education**

Career Development	1,329,000
Innovative Education Grants	237,000
State Aid to Local School Districts	<u>17,911,000</u>
Subtotal	<u>19,477,000</u>

**Department of Higher Education**

County College Operation Costs Including Provision for 4,323 Additional Students	<u>1,782,000</u>
Subtotal	<u>1,782,000</u>

**CAPITAL CONSTRUCTION**

**Department of Institutions & Agencies**

Institution Advance Planning and Design	118,000
State Prison at Trenton—Renovation	142,000
State Prison at Rahway—Renovation	173,000
Administrative Segregation Units at Trenton and Rahway Prisons at Vroom Building	1,851,000
Additional Fire Protection at Totowa Training School	142,000
Renovation of Food Service Building at Woodbine State School	133,000
New Lisbon State School—Renovation	167,000
Woodbridge State School—Air Conditioning of Cottages	1,306,000
Ancora Psychiatric Hospital—Roof Repairs	158,000
N.J. Neuropsychiatric Institute— Fire Protection Systems	<u>79,000</u>
Subtotal	<u>4,269,000</u>

Grand Total, Fiscal Year 1973—1974

\$55,168,000

## WINNERS SCORECARD

The following prizes were generated by the State Lottery from January 1, 1971 through June 30, 1974:

### 'Millionaire' Lottery Winners

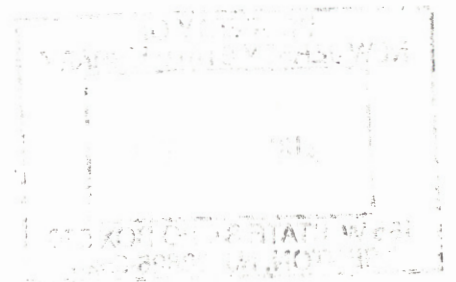
Amount of Cash Prize	Total Winners	Total \$ Awarded
\$1,000,000	34	\$ 34,000,000
\$ 200,000	32	\$ 6,400,000
\$ 100,000	43	\$ 4,300,000
\$ 50,000	2	\$ 100,000
\$ 10,000	567	\$ 5,670,000
\$ 500	8,365	\$ 4,182,500
\$ 100	87,130	\$ 8,713,000
Sub-Total	96,173	\$ 63,365,500

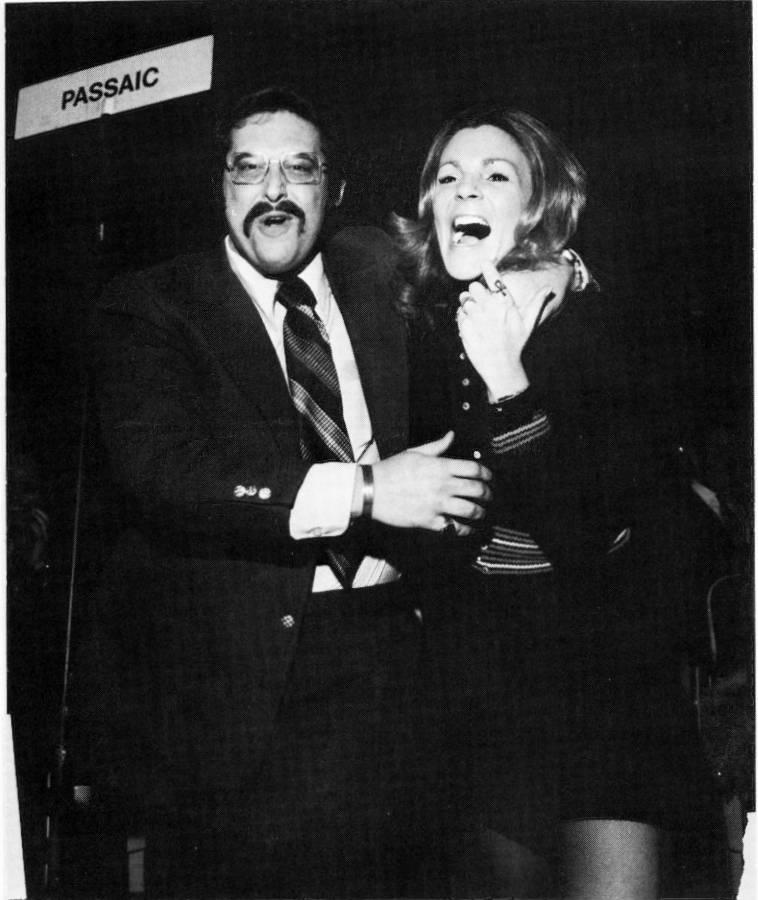
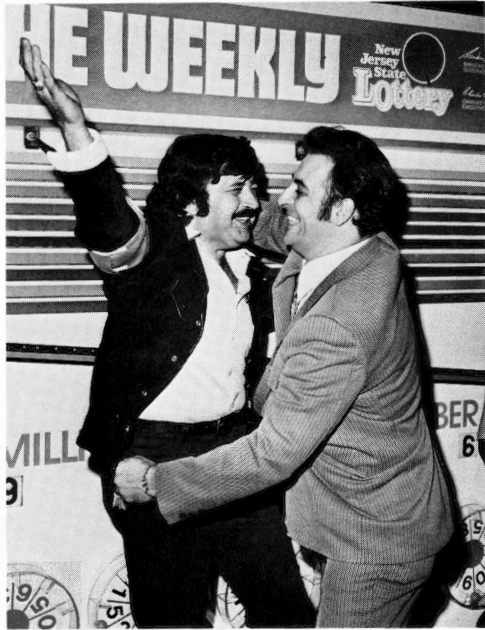
### Weekly Lottery Winners

\$ 50,000	697	\$ 34,850,000
\$ 5,000	66	\$ 330,000
\$ 4,000	5,862	\$ 23,448,000
\$ 2,500	1,177	\$ 2,942,500
\$ 400	58,123	\$ 23,249,200
\$ 250	11,600	\$ 2,900,000
\$ 40	581,265	\$ 23,250,600
\$ 25	115,882	\$ 2,897,050
Sub-Total	774,672	\$113,867,350

### Daily Lottery Winners

Amount of Cash Prize	Total Winners	Total \$ Awarded
\$ 10,000	43	\$ 430,000
\$ 2,500	969	\$ 2,422,500
\$ 1,000	41	\$ 41,000
\$ 225	19,294	\$ 4,341,150
\$ 25	330,469	\$ 8,261,725
\$ 2.50	3,695,900	\$ 9,239,750
Sub-Total	4,046,716	\$ 24,736,125
Grand Totals	<u>4,917,561</u>	<u>\$201,968,975</u>





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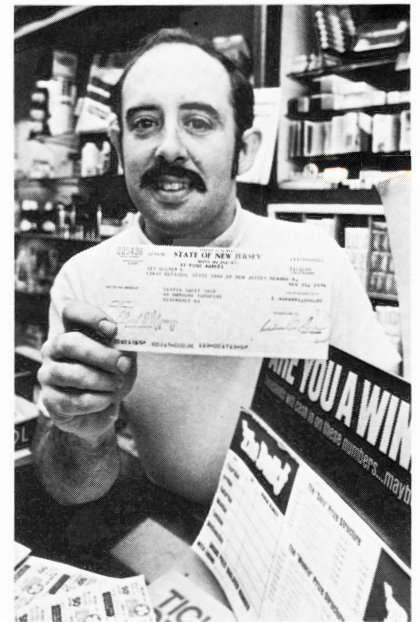
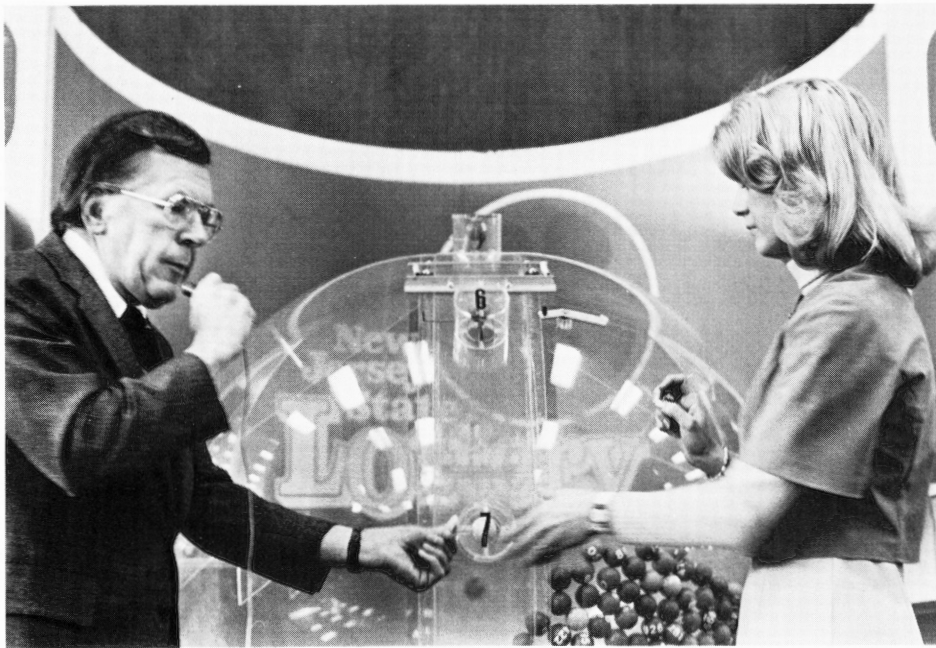
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 TRENTON, NJ 08625-0520

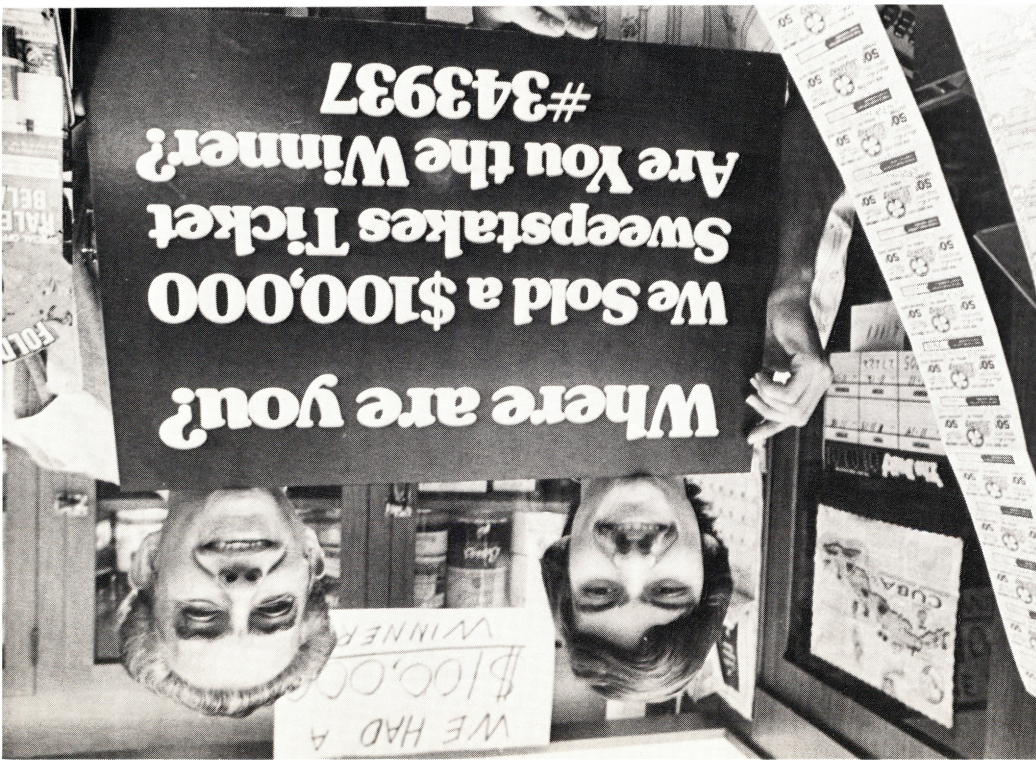
## IN RETROSPECT

The degree of consumer acceptance towards a future "Jersey Sweepstakes," a "Jackpot" or a "Three Digit Pick-Your-Own-Number Game" pretty much tells us what lies ahead for the Lottery. New Jersey must have attractive, fun games. No longer is the New Jersey Lottery "the only game in town." With the addition of Delaware's game in January 1975, all New Jersey bordering states currently conduct lotteries, further emphasizing the need to be highly competitive.

As mentioned earlier, in the Letter of Review, New Jersey prides itself on the fact that it has been an innovator in Lottery operations. Future innovation to meet changing needs is a challenging necessity. Without such innovation, all past accomplishments will wash away.

Meeting this challenge is a goal shared by all Lottery personnel.





## COMMISSION RECOMMENDATIONS

In the two previous Lottery Annual Reports, the Commission urged our Washington legislators to repeal certain Federal laws, most notably those which prohibited the Lottery to use broadcast media and the mails to disseminate information and news of other legitimate activities.

With the help and extensive efforts of New Jersey's representatives and senators, the passage of a long awaited bill lifting the antiquated restrictions imposed on the Lottery became a reality in January of 1975. To those people who worked so hard in the Lottery's behalf, we extend our sincere thanks. These inroads should enable the Lottery to operate more efficiently.

But there are still many restrictions imposed on the Lottery. We urge the legislators to repeal Federal statutes which still prohibit the Lottery to use the mails in inter-state activities. And most importantly, we urge Washington to alleviate federal income tax from Lottery winnings.

## ACKNOWLEDGEMENTS

The overwhelming success of the Jersey Sweepstakes reinforces the fact that New Jersey continues to be an innovator in new games appealing to the public. We are confident such innovation will benefit both the "Weekly" and "Daily." The Commission again expresses its thanks to Governor Brendan T. Byrne, to members of the New Jersey Legislature, and to officials of all other governmental agencies for their continued cooperation in making the New Jersey Lottery a viable institution and a major source of revenue for State aid to education and institutions.

To the public at large, the Commission is most grateful for its continued support and is confident that tens of thousands more during the year ahead will find that participation in the State Lottery is an exciting as well as a rewarding experience.

## **NEW JERSEY STATE LOTTERY OFFICES**

New Jersey State Lottery  
Taxation Building  
State & Willow Streets  
Trenton, New Jersey 08625  
609-292-4331

### **SOUTHERN DISTRICT**

Harry Van Sciver, District Manager  
New Jersey State Lottery  
Arcade Building  
Tennessee Ave. & Boardwalk  
Atlantic City, N.J. 08401  
609-344-0700

Atlantic, Burlington, Camden,  
Cape May, Cumberland,  
Gloucester & Salem Counties

### **CENTRAL DISTRICT**

Harris B. Fried, District Manager  
New Jersey State Lottery  
272-D Highway #9  
Howell, New Jersey 07731  
201-780-2420, 21, 22  
(east side Route 9, south  
of Freehold Circle)

Mercer, Middlesex, Monmouth  
& Ocean Counties

### **NORTHWEST DISTRICT**

Gil Bagot, District Manager  
New Jersey State Lottery  
25 Route 22  
Springfield, New Jersey 07081  
201-648-2500, 01, 02, 03, 04

Essex, Hunterdon, Morris  
Somerset, Sussex, Union &  
Warren Counties

### **NORTHEAST DISTRICT**

John Nuneville, District Manager  
New Jersey State Lottery  
25 Route 22  
Springfield, New Jersey 07081  
201-648-3834, 35

Bergen, Hudson & Passaic  
Counties

