

PUBLIC HEARING

New Jersey Legislature
before
ASSEMBLY JUDICIARY COMMITTEE
on

Assembly Concurrent Resolution No. 22
proposing to amend Article IV, Section
VII, paragraph 2, of the Constitution
of the State of New Jersey
(State lotteries)

PROPERTY OF
NEW JERSEY STATE

MAY 21 1968

135 W. State Street
Trenton, N. J.

Held:
May 7, 1968
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman James M. Coleman, Jr. (Chairman)
Assemblyman Alfred E. Fontanella
Assemblyman Richard A. Olsen
Assemblyman Paul Policastro

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ASSEMBLYMAN JAMES M. COLEMAN, JR. (Chairman): I would like to call this public hearing to order.

This is a hearing being conducted by the Assembly Judiciary Committee to consider Assembly Concurrent Resolution No. 22, sponsored by Assemblyman Brown, Chief Sponsor; and Assemblymen McLeon, Fekety, Friedland, Jackman and Digiammo; as directed by the Constitution, Article IX, Section I. Assembly Concurrent Resolution No. 22 would amend Article IV, Section VII of the Constitution. I will read paragraph C for the record:

"It shall be lawful for the Legislature to authorize the conduct of State lotteries restricted to the selling of rights to participate therein and the awarding of prizes by drawings when the entire net proceeds of any such lottery shall be for State institutions, State aid for education."

I would first like to introduce the members of the Committee and will start by saying that I am Assemblyman James M. Coleman, Jr. from Monmouth County; I am Chairman of the Judiciary Committee. On my left is Assemblyman Policastro; to my immediate right, Assemblyman Olsen and Assemblyman Fontanella; all are members of the Senate Judiciary Committee.

If there is anyone in the Chamber who desires to testify after Assemblyman Brown has finished, I would ask them to come forward and give their name, address and state the organization on whose behalf they are testifying.

I will now call on Assemblyman Brown, Chief Sponsor

of this Resolution.

A S S E M B L Y M A N J O H N F. B R O W N: My name is John F. Brown, Assemblyman from Ocean County. I wish to thank Assemblyman Coleman and members of the Judiciary Committee for the opportunity to speak to you today on ACR 22 which will amend the State Constitution to permit a State Lottery, the proceeds of which shall be used for state institutions and state aid for education.

ACR 22 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 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 who oppose the lottery, whose critical observations are based on the relatively "small" revenue gained by those states, I can only say 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 ACR 22 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 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, 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 efficiently 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, will produce revenue which will 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 22 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, Mr. Chairman.

ASSEMBLYMAN COLEMAN: I neglected to advise at the outset that this hearing would be conducted by members of the Committee asking any questions, and the members of the Committee will not be subjected to questions, but should

there be anyone in the Chamber who wishes to ask a question of the witness, if they will submit it to the Committee we will see that it is answered.

Do any members have any questions of Assemblyman Brown?

ASSEMBLYMAN POLICASTRO: I would like to ask a question.

Assemblyman, you mentioned a substantial amount, have you any idea as to the amount the State would possibly get out of this, assuming that it's a dollar ticket? I don't know what the price would be.

ASSEMBLYMAN BROWN: Assemblyman Policastro, I feel, from the estimates posed to us, anywhere from twelve to forty million dollars - the estimates are so far below the potential that I truly believe that if the lottery is run properly, and I mean patterned after one of the most efficient operations, and that is the illegal operation, where the tickets could be purchased through a machine, where there would be many, many outlets, possibly in most licensed premises, that the lottery in the State of New Jersey could take in well in excess of two hundred million dollars a year. I believe it's true that there is close to a billion dollars now taken out of the State of New Jersey in the illegal operations of lottery and other forms of gambling.

ASSEMBLYMAN POSICASTRO: Then looking at what's happening in New York, you would try to have more outlets than they have in New York.

ASSEMBLYMAN BROWN: Considerably more, yes.

ASSEMBLYMAN POLICASTRO: But in spite of the fact that now they're taking in an average of five or six million a month, you still think we could do better?

ASSEMBLYMAN BROWN: Yes, I do.

ASSEMBLYMAN FONTANELLA: Mr. Brown, by way of introduction I wish to say that I am in complete accord with your proposition that gambling should be allowed in the State of New Jersey as set forth in your resolution. However, I would like to know whether or not it's possible, for puposes of the resolution, to define what we mean by gambling or do you want to leave this up to the common sense of the word rather than to some legal definition of the word.

ASSEMBLYMAN BROWN: At this time, Assemblyman Fontanella, as I stated in my prepared statement, I think to go into the mechanics of a lottery before the people have chosen whether or not they would have one would not be germane to this particular hearing. However, my thoughts essentially would be to stay away from the word sweepstake, use that as a part of the lottery. But the big money that is now taken in by the illegal operations in the State of New Jersey is not through sweepstakes, it is through a thing called the numbers racket. And this came about principally on the repeal of prohibition. The major leaders of organized crime were literally put out of business, bootlegging, and they looked for another lucrative illegal operation and they found the numbers racket in Harlem. This is where it started and it has now expanded. And I think for us to be

able to take this money, that is now being taken illegally, and put it to good use rather than the use it is now being put to can only be on the credit side of any legislation.

ASSEMBLYMAN FONTANELLA: You are thinking specifically of the type of lottery that is conducted in the Commonwealth of Puerto Rico. They have actually a numbers lottery there. They have numbers. In other words, a person purchases a slip with a number on it and this number is drawn every so often by the government. This is what's in your mind.

ASSEMBLYMAN BROWN: Well, Assemblyman Fontanella, there are so many forms of lottery that I truly feel, for the purpose of this hearing, that the mechanics of it should be left to a later date when public opinion has shown itself as to what it desires. I think the purpose now is to determine do the people or do not the people want this particular thing.

ASSEMBLYMAN FONTANELLA: Well, on the issue, have you received any mail or statements from groups of individuals or society as to what position they take on this yet?

ASSEMBLYMAN BROWN: I received initially, on the first release that a lottery bill was put in by me, a great deal of mail. I made the mistake, frankly, of issuing a release several weeks later saying I have not had one letter opposing it and that, of course, immediately opened the floodgates to those opposed. But I do believe that if this is allowed to go on the ballot it will get an overwhelming majority of people who are in favor of it.

ASSEMBLYMAN OLSEN: I noticed in the resolution itself the statement that the state lottery could gross at least \$60 million annually with a net profit of thirty or thirty-five million. I was under the impression that the percentage of gross essentially retained is quite a bit less than that.

What I'm thinking of is back in 1965 when there was some discussion along these lines, I was told at one point that in order to run a lottery effectively you've got to put up about 50% of your gross for a prize, to make it attractive, and then your administrative costs would bring it down. And I was wondering, this comes out to about 50% here or maybe a little bit more.

ASSEMBLYMAN BROWN: Well, I can say this, the amount of administrative cost would depend solely upon the manpower used and the amount of outlets. Now there is a new concept. I was in New York last week and saw a lottery machine. It's quite a fascinating piece of machinery developed by a company that is now in the process of trying to sell this to New York State and they feel quite optimistic that it will be successful. This machine would operate similarly to any vending machine. You can put a dollar bill in, it must be face up, and there is a little window which opens and you write your choice on a slip of paper and you get the receipt, and that immediately is phoned by direct wire into a central headquarters and you are recorded as to where you were, the machine itself, the number you picked, etc., etc.

Now I think this concept, with the growing

popularity in other states and in other countries, will certainly be a reality. Should the State of New Jersey accept this lottery concept, I think this will be the coming thing and, of course, these people who manufacture this machine feel they can put out a ticket for something around three-quarters of a cent per ticket. This would mean, based on their studies, that in the first year of operation in New York State the purchase of these machines would pay for itself in the first year of operation as opposed to the administration problems they have today, because rather than having someone physically there, other than occasional maintenance and taking the revenue from the machine, there is no problem.

ASSEMBLYMAN OLSEN: Outside of your initial cost your administrative cost goes way down.

ASSEMBLYMAN BROWN: That's right.

ASSEMBLYMAN POSICASTRO: One more question. Assemblyman, would you favor, if this passed and were put in operation, a person buying could buy only a share, say 25¢ worth, 50¢ worth, like the numbers, as they do today?

ASSEMBLYMAN BROWN: This would be my personal choice, Assemblyman Policastro. This would be my personal choice. However, I think the initial problem, as I stated before, is to get the public's feeling. Now the mechanics can always be worked out later and my own thoughts are very flexible on it because, as I stated, the least amount of revenue anticipated would considerably swell the state's treasury and I think would swell it in a manner that would

be most palatable to the people.

ASSEMBLYMAN FONTANELLA: I have just one last question.

Is off-track betting encompassed within the concept of gambling as contained in this resolution?

ASSEMBLYMAN BROWN: It could be.

ASSEMBLYMAN FONTANELLA: But it is not specifically intended.

ASSEMBLYMAN BROWN: No.

ASSEMBLYMAN COLEMAN: Assemblyman Brown, you say it could be encompassed in this?

ASSEMBLYMAN BROWN: Well, in the broadest sense of a lottery. I say, if you want to interpret what can be done, if that's your question, what can openly be done with a lottery, it's a very flexible thing and, of course, it would be up to the Legislature to define exactly what the Legislature wanted. And as I said before, that's the reason I stayed away from the word sweepstake itself because this would allow flexibility within the Legislature.

ASSEMBLYMAN POSICASTRO: What you mean then, if you want to use the sweepstakes and the lottery basis, we never could use any other system. You would confine it to horse racing.

ASSEMBLYMAN BROWN: That's correct.

ASSEMBLYMAN FONTANELLA: It's my understanding then that the whole purpose of this resolution is to have prepared for this year's election a proposal for the voters of the State to determine whether or not they would like to raise

money for the operation of the State of New Jersey, specifically for institutions and for education, by way of this voluntary donation to the State where they have an opportunity to gain some money or by way of ultimate taxation as is presently being proposed, either sales tax or income tax. This is the motivation behind the resolution.

ASSEMBLYMAN BROWN: That is correct.

ASSEMBLYMAN COLEMAN: Is there anything further from any members of the Committee?

Assemblyman Brown, do you have anything further?

ASSEMBLYMAN BROWN: No. I again will thank you for the opportunity to have you hold this hearing and the opportunity to speak.

ASSEMBLYMAN COLEMAN: I would like the reporter to make ACR 22 a part of the record. (See p. 33)

I would like to advise those here that Senator Musto has submitted a statement. He was unable to appear here today. The statement consists of 16 pages. I am sure you all know that Senator Musto sponsored similar legislation in the past and I think is the sponsor this year of a concurrent resolution in the Senate dealing with the same subject. And I also request that the reporter make Senator Musto's statement a part of the record. (See p.17)

Mr. Bergen.

G E O R G E B E R G E N: My name is George Bergen, 221 Cotter Avenue, Neptune.

ASSEMBLYMAN COLEMAN: Are you here as an individual or representing someone?

MR. BERGEN: As an individual.

ASSEMBLYMAN COLEMAN: All right. Proceed, Mr. Bergen.

MR. BERGEN: I would like to say that for 11 years I worked for the Legalized Games of Chance Control Commission. I was the first Investigator hired by them in 1954. And in my travels around the State dealing with churches, volunteer fire groups, veterans organizations, - for 11 years I heard, "Why don't we have a State Lottery?" And I must say right now that I agree with Assemblyman Brown that we should have one. If we only make \$1 million a year, it's another million in the treasury that we need, after listening to the Governor the other night, for institutions, roads, and so forth. Every possible way that we can raise money without taxing the people looks good.

There was a statement the other day in the paper by Legalized Games of Chance Control, and I think the figure was \$60 million gross from bingo alone in the State of New Jersey. Now the State of New Jersey receives no money from this at all. The license fee goes to the municipality and I think the operation costs of legalized games of chance, the last I knew, was somewhere in the neighborhood of \$260,000 a year, a drain from the State Treasury with no money coming in. But I say, if this is run properly, - I have not projected any of the figures, I listened to what Mr. Brown said this morning, but, as I said before, if it's only \$1 million, it's another million dollars that we've found. That's all I have to say. Thank you.

ASSEMBLYMAN COLEMAN: Do any members of the Committee have any questions of Mr. Bergen?

ASSEMBLYMAN OLSEN: I do have one question. I just want to clear this in my own mind.

You feel then, if a lottery is enacted, after the resolution is put to the people, assuming it passes and so forth, - if a state lottery is enacted it should be under control of the Legalized Games of Chance Commission, or that it would offset the drain that this Commission is now placing on state revenues?

MR. BERGEN: I didn't quite hear the last part there.

ASSEMBLYMAN OLSEN: That the Legalized Games of Chance Control Commission would operate the lottery and thereby stop the drain that it is currently putting on state revenues.

MR. BERGEN: No, I don't think it should go in the hands of Legalized Games of Chance because, you take your boardwalk games, they come under Alcoholic Beverage Control; Legalized Games of Chance Control is your church groups and your volunteer firemen. And there is a conflict between both of those laws, if you study them. On the boardwalk games you have children of any age that can reach up and place a dime on a game up there can play it; Legalized Games of Chance, you can't conduct or buy a chance unless you are 16 years old. There's a conflict in that law right there.

There is a good income from the boardwalk games and the license fees that the State gets but the State gets

nothing from Legalized Games of Chance. I don't think this should be incorporated. I think those two should be incorporated under one. But I think the lottery should be a separate entity by itself.

And I do say this one thing, this should be left up to the people. When we voted on legalized games of chance there was an overwhelming vote for it and I think if you put this up to the vote of the public this will go over with a great majority and it should be left up to the public to decide this.

ASSEMBLYMAN POLICASTRO: Mr. Bergen, do you think traveling around, - in your experience with these things I suppose you get around to some of these churches and places where they have these bingos and everything else. Do you think that they would oppose this?

MR. BERGEN: No, I don't think so, because I don't think it's going to take anything away from the churches or the boardwalk games at all.

ASSEMBLYMAN POLICASTRO: I mean, has there been any talk that you've heard of in going around to these places?

MR. BERGEN: Well, I'm no longer connected, I haven't been connected with this for six years, but I do have some connections with them and you still hear it, the public talks about it, why don't we have a state lottery. You hear it all the time.

ASSEMBLYMAN POLICASTRO: I mean, the sponsors of

these bingo games, they naturally, I think, would be opposed to it.

MR. BERGEN: I don't think so.

ASSEMBLYMAN COLEMAN: I might say for the purpose of the record, according to Senator Musto's statement, and I have every reason to believe his figures would be correct, in talking about bingo he said there were 43,000 bingo games throughout the State last year and the gross receipts were \$66 million.

ASSEMBLYMAN FONTANELLA: Mr. Bergen, you told us what you thought could be the barest minimum of possible income to the State of New Jersey, what do you estimate to be a reasonable amount of maximum income that the State of New Jersey could receive from legalized gambling?

MR. BERGEN: I think, just picking a figure out of the air, a million dollars a month, \$12 million a year, that's minimum.

ASSEMBLYMAN FONTANELLA: What do you think would be a reasonable maximum?

MR. BERGEN: A maximum?

ASSEMBLYMAN FONTANELLA: Yes.

MR. BERGEN: \$30 million.

ASSEMBLYMAN FONTANELLA: Per year?

MR. BERGEN: Per year, without any trouble.

ASSEMBLYMAN COLEMAN: Is there anything further of Mr. Bergen?

Thank you.

Is there anyone else here in the Chamber who wishes

to testify at this public hearing? (No response)

I think that since this hearing was called for 10 A. M. and there being no one else in the Chamber who intends to testify at this time, after conferring with the Committee we have decided to take a short recess in the event that there may be some people on their way here and might arrive a little late. It's now 10:30 and we will reconvene at a quarter of 11. If there are no other witnesses at that time, we will conclude the hearing.

I want to thank Mr. Bergen and Assemblyman Brown for appearing here and testifying.

(Recess)

(After recess)

ASSEMBLYMAN COLEMAN: Ladies and gentlemen and members of the Judiciary Committee, at 10:30 we took a brief recess in the event that some people who had intended to testify at this hearing were delayed, and we said we would reconvene at 10:45. It is now 10:45. Is there anyone else in the Chamber who wishes to testify at this public hearing on Assembly Concurrent Resolution No. 22?

Hearing no response, I am going to declare this hearing concluded, and I want to thank again those who came here and the members of the Committee and, of course, Mr. Alito for your assistance.

(Hearing concluded)

Statement of Senator William V. Misto
of Hudson County on ACR 22 of 1968
(Constitutional Amendment to permit a State
lottery) at public hearing May 7, 1968.

ACR 22 is similar to many proposals which I have sponsored or supported in the Legislature, and in fact it is nearly identical to SCR 10 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 22. They have differed in the purposes for which they would earmark the revenues of a lottery. SCR 10 of this year would both earmark these revenues for (1) State aid to education, (2) State institutions, (3) a veterans bonus and (4) State county and local roads; ACR 22 would use the money for the first two purposes only. ACR 12 of last year would have put the proceeds to a veterans bonus and to roads. ACR 21 of last year would have had the proceeds paid into the general Treasury without a dedicated object.

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. In any case, the question of dedication need not concern us too much, since

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there is hardly any likelihood of funds from a lottery--or any other revenue source--lying idle because the amount raised exceeds the financial needs to which it can be applied.

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 Supplemental 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 1966 the State's four racetracks had a total attendance of 3,254,111 persons, and wagering amounted to \$321,734,254. The State's share in these wagering transactions provides a major source of State revenue. In his proposed 1969 budget Governor Hughes has estimated \$34 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."

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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.

Last year, 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.

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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 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.

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"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.

In his budget message this year, Governor Hughes suggested that we consider a lottery as one means of raising the large sums which the State needs. His position, however, has been that we should not put the lottery question to referendum this year because it might create in the minds of some voters the notion

that if we pass the lottery we can afford to turn down some other financing proposals which the Governor may find it necessary to make.

This strikes me as illogical. Whether or not the lottery is on the ballot this November, those who look upon it as an alternative to other financing proposals can still use it as a weapon to attack whatever else the Governor recommends.

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, but the "neighborhood" seems to have run down over the past few years--or perhaps the estimators have become more cautious. This year the State Treasurer put the figure at \$40,000,000. Others have been more cautious. Governor Hughes has spoken in terms of a \$14,000,000 to \$30,000,000 range--with odds in favor of the lower part of the range--and this was even before he received the State Economic Policy Council report which supported his conclusions.

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In disparaging the revenue potential of a State lottery the State Economic Policy Council has offered Governor Hughes a report which coincides nicely with the Governor's own preconceptions as he has previously expressed them -- namely, that a lottery wouldn't raise all the money New Jersey needs and that it might do actual harm if it persuades people that the State can meet its needs without new taxation.

The EPC report supports this point of view with the semblance of an analytical foundation -- but a semblance only. On closer inspection the analysis turns out to be a tissue of flimsy assumptions and synthetic statistics.

In fairness to the Yale University expert who performed the actual analysis, he concedes at the very outset that "any attempt to evaluate potential revenues from a lottery in New Jersey is beset with difficulties" and that "lack of relevant and useful information precludes straight-forward estimating procedures."

The estimator's report is candidly replete with many phrases warning any reader about the unreliability of the methods which

he has been forced to use. And when he finally comes to the essential point of fixing an estimate of the probable gross receipts he finally refers to it as "our best guess". This "guess" is that "annual revenues of a New Jersey lottery would fall between \$25 and \$28 million." On the basis of this "guess" it is then calculated that the net return to the State treasury would be between \$12.5 and \$14 million.

The word "guess" is, however, conspicuously absent from the EPC's summary of this analysis. The Council calls it an "estimate" -- which sounds more impressive -- and says: "A study prepared for the Council suggests that a lottery is likely to have very limited value as a major revenue-raising method." It points out that an amount between \$12.5 and \$14 million is "a small amount relative to state needs."

There is no quarreling with that last statement, but it ignores some important facts:

1. That this "estimate" is in fact a guess upon which little reliance can be placed.
2. That \$14 million looks small in comparison with State needs not because it is small change, but because State needs are very great.
3. That the fact that the State needs a lot of money is

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not an automatic justification for turning down any revenue source which can't pay the whole bill with one check.

4. That the potential revenues of a lottery can vary considerably according to the methods which the State uses in conducting it. (This was one of the first points made by the expert who conducted the study for the EPC.)
5. That even if a lottery didn't make a dime for the State in revenue it would still be meeting a demand for legal gambling which the New Jersey public obviously has, and would simultaneously undercut part of the financial support of organized crime in the State.

As to the argument that we should not have a State lottery because it gives people the illusion that we can have a painless methods of meeting State needs without taxation -- this argument is self-contradictory.

If a lottery cannot, in fact, raise "significant" new revenues, then the best way to prove this is by having a lottery. People may debate the probable estimates endlessly; but there is no debating 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.

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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 \$34 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 the distinguished President of the Senate, Mr. 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;

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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.

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 8, 1968

By Assemblymen BROWN, McLEON, FEKETY, FRIEDLAND,
JACKMAN and DIGIAMMO

Referred to Committee on Judiciary

A CONCURRENT RESOLUTION proposing to amend Article IV, Section VII, paragraph 2, of the Constitution of the State of New Jersey.

1 BE IT RESOLVED *by the General Assembly of the State of New Jersey (the*
2 *Senate concurring):*

1 1. The following proposed amendment to the Constitution of the State
2 of New Jersey is hereby agreed to:

PROPOSED AMENDMENT

3 Amend Article IV, Section VII, paragraph 2, to read as follows:

4 2. No gambling of any kind shall be authorized by the Legislature unless
5 the specific kind, restrictions and control thereof have been heretofore sub-
6 mitted to, and authorized by a majority of the votes cast by, the people at
7 a special election or shall hereafter be submitted to, and authorized by a
8 majority of the votes cast thereon by, the legally qualified voters of the
9 State voting at a general election, except that, without any such submission
10 or authorization;

11 A. It shall be lawful for bona fide veterans, charitable, educational, re-
12 ligious or fraternal organizations, civic and service clubs, volunteer fire
13 companies and first-aid or rescue squads to conduct, under such restrictions
14 and control as shall from time to time be prescribed by the Legislature by
15 law, games of chance of, and restricted to, the selling of rights to partici-
16 pate, and the awarding of prizes, in the specific kind of game of chance some-
17 times known as bingo or lotto, played with cards bearing numbers or other
18 designations, 5 or more in one line, the holder covering numbers as objects,
19 similarly numbered, are drawn from a receptacle and the game being won
20 by the person who first covers a previously designated arrangement of
21 numbers on such a card, when the entire net proceeds of such games of
22 chance are to be devoted to educational, charitable, patriotic, religious or

23 public-spirited uses, in any municipality, in which a majority of the qualified
24 voters, voting thereon, at a general or special election as the submission
25 thereof shall be prescribed by the Legislature by law, shall authorize the
26 conduct of such games of chance therein.

27 B. It shall be lawful for the Legislature to authorize, by law, bona fide
28 veterans, charitable, educational, religious or fraternal organizations, civic
29 and service clubs, volunteer fire companies and first-aid or rescue squads to
30 conduct games of chance of, and restricted to, the selling of rights to par-
31 ticipate, and the awarding of prizes, in the specific kinds of games of chance
32 sometimes known as raffles, conducted by the drawing for prizes or by the
33 allotment of prizes by chance, when the entire net proceeds of such games
34 of chance are to be devoted to educational, charitable, patriotic, religious or
35 public-spirited uses, in any municipality, in which such law shall be adopted
36 by a majority of the qualified voters, voting thereon, at a general or special
37 election as the submission thereof shall be prescribed by law and for the
38 Legislature, from time to time, to restrict and control, by law, the conduct of
39 such games of chance, and

40 C. It shall be lawful for the Legislature to authorize the conduct of
41 State lotteries restricted to the selling of rights to participate therein and
42 the awarding of prizes by drawings when the entire net proceeds of any such
43 lottery shall be for State institutions, State aid for education.

1 2. When this proposed amendment to the Constitution is finally agreed to,
2 pursuant to Article IX, paragraph 1 of the Constitution, it shall be submitted
3 to the people at the next general election occurring more than 3 months after
4 such final agreement and shall be published at least once in at least one news-
5 paper of each county designated by the President of the Senate and the
6 Speaker of the General Assembly and the Secretary of State, not less than
7 3 months prior to said general election.

1 3. This proposed amendment to the Constitution shall be submitted to the
2 people at said election in the following manner and form:

3 There shall be printed on each official ballot to be used at such general
4 election, the following:

5 1. In every municipality in which voting machines are not used, a legend
6 which shall immediately precede the question, as follows:

7 If you favor the proposition printed below make a cross (X), plus (+)
8 or check (✓) in the square opposite the word "Yes." If you are opposed
9 thereto make a cross (X), plus (+) or check (✓) in the square opposite the
10 word "No."

11 2. In every municipality the following question:

	Yes.	Shall the amendment of Article IV, Section VII, paragraph 2, of the Constitution, agreed to by the Legislature authorizing the conducting of State lotteries by the selling of rights to participate therein and the awarding of prizes by drawings, when the entire net proceeds of any such lottery shall be used for State institutions, State aid for education, be adopted?
	No.	

STATEMENT

Conventional methods of taxation have reached a level which has evoked increasing public resistance to increase in taxes, yet the need for additional revenue confronts legislative bodies annually. The programs requiring these additional expenditures are mainly in the field of public welfare, public roads and education, ones which cannot lightly be set aside.

Throughout recorded history governments have recognized the presence of some measure of the gambling instinct in many of their citizens and have turned to lotteries as a source of revenue.

Our colonial ancestors in all 13 colonies established and operated lotteries for many purposes: schools, colleges, churches, bridges, docks, canals, turnpikes, poor relief, and government buildings. The practice was continued by various State Legislatures until almost the end of the nineteenth century.

Today we are familiar with the Irish Sweepstakes and the football pools in Great Britain, while a lesser known lottery in Puerto Rico nets the government \$90,000.00 per week.

In 1963, New Hampshire enacted legislation authorizing a State lottery. This lottery yielded to the State a net revenue of approximately \$5.3 million in the initial 18 months of operation, all of which is earmarked for state aid to education.

In the summer of 1965, the New Jersey State Treasurer indicated to Governor Hughes that a State lottery could gross at least \$60 million annually with a net profit of \$30 to \$35 million.

New Jersey, in 1965, netted over \$28.6 million from racing and larger profits from the tracks went to private individuals, yet few would recommend the discontinuance of racing. In recent years we have authorized bingo and raffles for charitable purposes based on a referendum approved by a majority of the

electorate. In the November 1966 election, the people of the State of New York approved a constitutional amendment which permits the State Legislature to devise a State Lottery, the proceeds of which will provide additional funds for education in the State of New York. It is evident, therefore, that the public does not condemn gambling per se, if it is for a worthy cause.

Illegal gambling, on the other hand, is a multi-billion dollar business in the United States taking much and giving little to the participants, yet it illustrates the basic desire of a large segment of the population to risk a small amount to gain a sizable one. Surveys have shown a majority of people to be in favor of limited gambling, and it is estimated that over half the nation's adults have broken laws against gambling providing, in the main, tremendous profit for an unsavory element of the population.

In almost every instance, the establishment of legal, government-sponsored lotteries has provided an outlet for the gambling urge and protected the bettor against being cheated; it has guaranteed the honesty of the operation and merely transferred the profits from the hoodlum element to the public benefit.

It is a well known fact that many of our senior citizens are retired on pensions and extremely limited incomes which do not permit them to live with the dignity they justly deserve. Many of these men and women, retired not by choice but because of the retirement regulations of their former employers, are still capable and anxious to pursue gainful employment within the limits of their advanced years. A State lottery would have the additional benefit of providing employment opportunities suitable for senior citizens.

It is the purpose of this resolution, therefore, to provide authority by constitutional amendment for State lotteries dedicated to the support of public welfare, education.