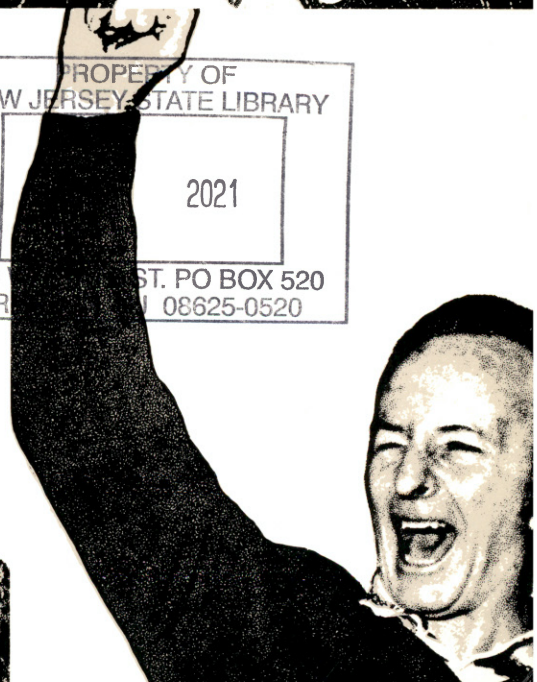




**1977
IT'S A
WINNER**

**NEW JERSEY STATE LOTTERY
ANNUAL REPORT 1977**



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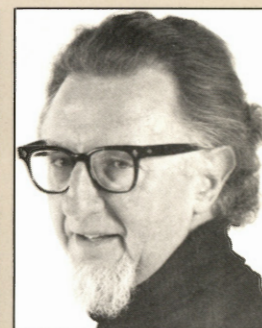
Message from the Director

The outstanding kind of record year enjoyed by the New Jersey Lottery in Fiscal '77 did not come easily. It was the culmination of twelve months of cooperation, dedication and hard work by the entire "family" of the Lottery — from the members of the New Jersey Lottery Commission to the staff of the Lottery. To all of them, I extend my sincere gratitude. Special thanks must go to my predecessor, Henry N. Luther III. As executive director for the first nine months of Fiscal '77, he provided the leadership that generated the momentum for a record year.

The records are meaningful, of course, only because they translate into a bottom line for all New Jersey citizens of more than \$78 million contributed by the Lottery to State education and institutions.

In Fiscal '78, the Lottery hopes to achieve more new records. This optimism is based on the remarkable sustained success of "Pick-It" and the introduction of "Pick-4," the "New Weekly" and new instant games. To the people of New Jersey, the Lottery extends its deep appreciation for their support and confidence.

Gloria A. Decker
Executive Director



Financial Summary

Gross Revenues	\$194,043,671
Prize Allocations	95,852,559
Funds Available for Contribution to Education and State Institutions for Fiscal Year Ended June 30, 1977	78,154,743

This report contains audited Fiscal 1977 (July 1, 1976 - June 30, 1977) figures and editorial content updated through February 1, 1978.

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Members of the New Jersey State Lottery Commission, shown here, are:

(top left)
Donald B. Valk
of Madison
Chairman, November 4, 1974 - June 1, 1977

(top right)
Reese Palley
of Atlantic City
Chairman, June 1, 1977 - Present

(second from top)
James J. Flynn, Jr.
of Perth Amboy, Vice Chairman

(third from top)
John L. Keaveney
of Shrewsbury

(bottom)
Jerome Seiden
of West Orange



A Winning Year

NEW RECORDS . . . In gross revenues . . . In contributions to the State for education and institutions . . . In prizes to the public.

Together, they were key elements in the remarkable success story written by the New Jersey State Lottery in Fiscal '77.

To report simply that new records were set for the seven-year history of the Lottery is almost an understatement. The old records were resoundingly shattered.

In total gross revenues, the Lottery approached the \$200 million milestone with revenues totaling \$194,043,671. This was nearly \$36 million greater than the previous high of \$158,364,188 in Fiscal '76.

A leap year for state aid!

The amount of money contributed by the Lottery to State education and institutions increased to \$78,154,743, a leap of \$12 million over the previous year. It surpassed by nearly \$10 million the previous all-time high of \$68.9 million dating back to the 1971-72 fiscal year when the Lottery was still a novelty and had little competition.

The Lottery's contributions to the State in Fiscal '77 amounted to 40.3 per cent of gross revenues, once again substantially above the required legal minimum of 30 per cent.

Millions more in prizes!

Prize allocations for the Lottery's winners in Fiscal '77 hit \$95,852,559, or \$20 million more than the record of \$78,833,447 achieved the previous year. The prizes accounted for 49.4 cents out of every dollar received by the Lottery — another significant new record. The previous high was 47.9 cents set in Fiscal '76.

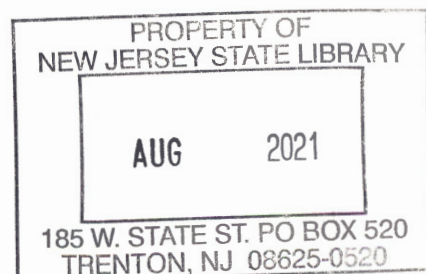
A tight ship!

These statistics spell out dramatically why the New Jersey State Lottery has a national reputation for sound business management. A total of 89.7 cents of every dollar received by the Lottery went directly back to the consumers in prizes or to the State for education and institutions.

Brendan Byrne
Governor



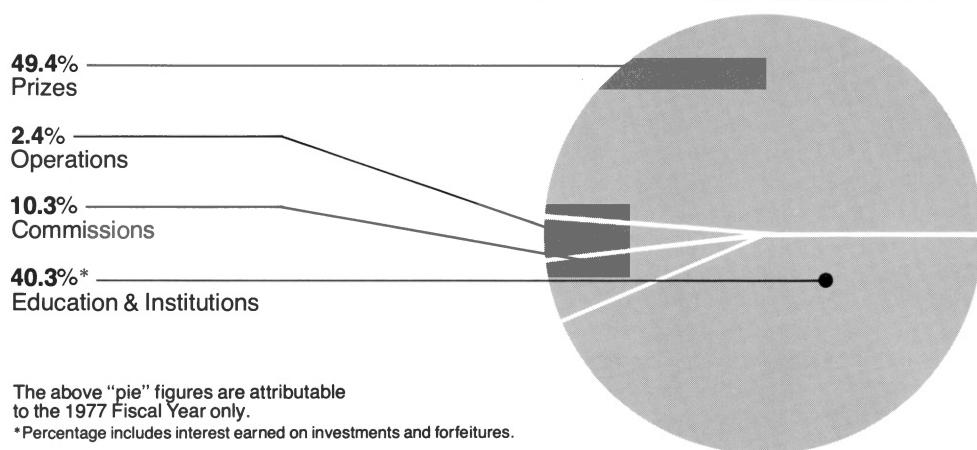
Gloria A. Decker
Executive Director



Thus, the cost of running the Lottery was only a little more than ten cents out of every dollar. This included 5.9 cents for commissions to Lottery agents and banks and actual operating expenses of only 2.4 cents. As any business would be, the Lottery is proud of that record.

Great games for a record response!

Records are only made possible, however, by the support of the public. In Fiscal '77, the public response to the Lottery's continuing



efforts to provide innovative and attractive games reached new highs.

Fiscal '77 will go into the Lottery's history book as the year when:

- Two new Instant Lotteries, the Presidential and Play Cards games, were introduced, along with a special game, Touchdown.
- The Lottery moved full-force into the television age with televised drawings five evenings a week of the popular "Pick-It" daily legal numbers game.
- The overwhelming success of "Pick-It" encouraged the Lottery to provide the nation's first weekly legal numbers game, "Pick-4", which also went on television.
- The leadership of the Lottery changed. In March, Henry N. Luther III left as executive director for appointment as

executive secretary to Governor Brendan T. Byrne. Gloria A. Decker, who had been deputy director for planning and research, was named acting director and was appointed by Governor Byrne as executive director when the new fiscal year began in July. In June, Reese Palley of Atlantic City was elected chairman of the New Jersey Lottery Commission, succeeding Donald B. Valk of Madison, and James J. Flynn, Jr. of Perth Amboy was re-elected as vice chairman.

A new high for "Pick-It"!

During Fiscal '77, "Pick-It" accelerated its role as the dominant force in the success of the New Jersey Lottery. The daily numbers game produced sales of \$97,451,808, which accounted for 50.2 per cent of the Lottery's gross revenues for the year. For the first time in its two-year history, "Pick-It" went over the \$2 million mark in sales for the week which ended March 2, 1977. Once that barrier was broken, sales continued to climb each week.

Two major new factors contributed to "Pick-It's" success. The number of "Pick-It" machines throughout the State went over the 750 mark in the spring of 1977, more than doubling the original system of 350 machines with which the game began in May of 1975. Televising the evening "Pick-It" drawings began on January 3, 1977, over the statewide network of New Jersey Public Television. This added an exciting new dimension to the game. People could now buy tickets on their way home from work, sit down after dinner in their



homes and watch TV to find out if they won — all in the same day.

A flying start for “Pick-4”!

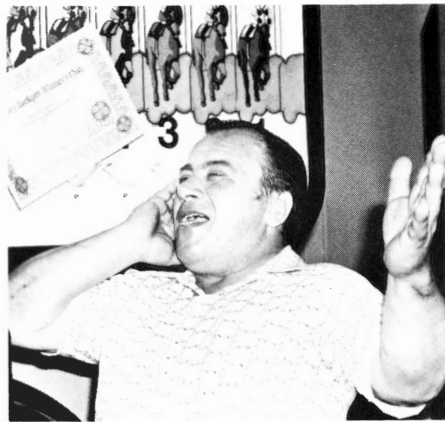
Just before the end of Fiscal '77, the Lottery, on June 9, introduced a weekly version of the legal numbers game, “Pick-4”. In addition to picking three numbers for a daily drawing, Lottery patrons also could select four numbers for a weekly drawing to be held every Thursday. The chief attraction was the lure of bigger prize payoffs, which was demonstrated spectacularly when the first drawing on June 16 produced a straight bet payoff of \$14,116.50 for a 50-cent bet.

An Instant success!

The Lottery's third instant game, the Presidential Instant Lottery, made its debut on August 2, 1976. Geared to public interest in the Bicentennial presidential election year, the game featured portraits of American presidents and colorful scenes from 20 decades of U.S. history. New Jersey's record of success with instant lotteries continued as the Presidential game sold more than 30 million \$1 tickets.

Sales up with “Touchdown”!

On December 1, 1976, the Lottery introduced a special new weekly game, Touchdown, with a football theme just as America's annual obsession with pro football was coming to a climax. The highlight was a Super Bowl '77 drawing with a \$1 million top prize. Touchdown sold 4.7 million \$1 tickets.



A big hand for “Play Cards”!

A totally new concept in instant games, Play Cards, was presented by the Lottery on March 21, 1977. To maintain public interest, it offered three different card games under the Play Cards theme during the lifetime of the game. The first two were variations of poker and the last was based on blackjack. The public registered its approval of the imaginative concept with a sell-out as approximately 36 million tickets were sold and an additional 24 million awarded as free prizes.

The millionaires club grows!

The New Jersey Lottery's Millionaires Club welcomed eight new members during the year. The earliest were Stanley Wapinski of Elizabeth and his daughter, Mrs. Wanda Oughton. They won the \$1 million prize based on the outcome of a special Lottery race in July 1976 at Monmouth Park which officially concluded the Garden Stakes special game.

The Weekly Lottery made millionaires of Fay Petrowsky of New York in November and Amadio Diamante of Rutherford in April.

The Presidential Instant Lottery produced three Grand Prize winners of \$1,000 a week for life (a minimum of \$1 million). They were Jean Pilch of Rahway in October, Anthony Jembrysek of Middlesex in November and William Corbett of Hoboken in March.

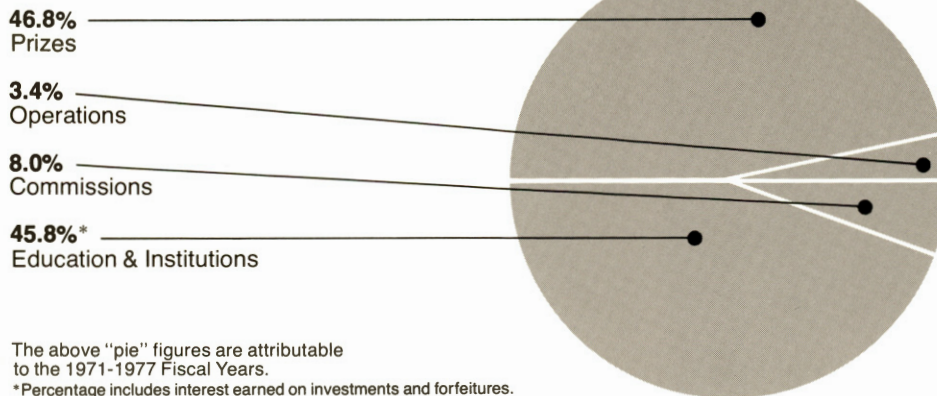
The Lottery traveled to New Jersey's new sports showplace, the Meadowlands Race Track, in March for the Touchdown game's Super Bowl '77 drawing. William G. Tuers of Ocean Township won the \$1 million top prize.

George Timko of Trenton on June 1 won the Play Cards Instant Lottery's first Grand Prize of \$1,000 a week for life.

It was an exciting conclusion to a memorable year in which the Lottery — thanks to you — was able to accomplish an outstanding series of all-time records.



One great year after another



The stage was set in Fiscal '77 to achieve a notable milestone in the seven-year history of the New Jersey State Lottery — the BILLION dollar mark in sales.

As of June 30, 1977, end of the last fiscal year, these were the figures which spelled out the impressive seven-year record of the Lottery:

- A total of \$841,400,000 in gross revenues, making it a virtual certainty that the billion dollar barrier would be smashed during the Lottery's eighth year.
- Total contributions of \$385,850,000 to the State for education and institutions.
- Prizes totaling \$393,971,000 that were shared by millions of winners. Fifty-seven millionaires were created by the Lottery.

The Lottery consistently has surpassed the legal requirement that a minimum of 30 per cent of gross revenues must go to education and institutions. For its first seven years, the Lottery contributed approximately 45 cents of every dollar to the State. Prizes have accounted for 46 cents of every dollar.

In November 1969, the people of New Jersey overwhelmingly approved the State Lottery referendum, setting in motion a Lottery record that has had integrity and innovation as hallmarks. From the day the first 50-cent Weekly ticket was sold on December 16, 1970, the New Jersey Lottery has achieved a national reputation as a pioneer and pacesetter.



The New Jersey "first" that is writing one of the most important chapters in the history of State Lotteries was the introduction of the first legal Lottery numbers game, "Pick-It," on May 22, 1975.

During its history of slightly over two years, through the end of Fiscal '77, "Pick-It" has been an astounding success with \$154,655,000 in gross revenues. It awarded \$77,327,000 in prizes, as its pari-mutuel system paid average winning odds of 574-1 for a straight bet, far above the 500-1 paid by the illegal numbers game.

The great success of "Pick-It" in New Jersey was contagious. In a little more than one year after New Jersey started it all, seven other States launched legal numbers games.

Despite these accomplishments in its first seven years, the New Jersey Lottery is neither complacent nor committed to the status quo.

Early in the new fiscal year, the Lottery completely revised the Weekly Lottery for the first time in three years. On September 7, 1977, the "New Weekly" replaced the "Jersey Jackpot" and offered a much broader prize structure rather than a few super prizes at the top. The public responded favorably.

One month later, on October 17, the Lottery introduced its fifth Instant Lottery, following up on the popularity and success of the first four games. The new game, "Lucky Horoscope," featured a colorful and imaginative theme based on the signs of the Zodiac.

Both new games were part of the Lottery's continuing commitment to innovation and change in the effort to give its consumers what they want.

Winners Scorecard

The following prizes were generated by the State Lottery from January 1, 1971 through June 30, 1977.

'Millionaire' Lottery Winners

Prize Amount	Total Winners	Total \$ Awarded
\$ 1,000,000	45	\$45,000,000
\$ 200,000	32	6,400,000
\$ 100,000	54	5,400,000
\$ 50,000	13	650,000
\$ 10,000	644	6,440,000
\$ 500	10,773	5,386,500
\$ 100	92,515	9,251,500
Sub-Total	104,076	\$78,528,000

Weekly Lottery Winners

Prize Amount	Total Winners	Total \$ Awarded
\$ 50,000	740	\$ 37,000,000
\$ 10,000	130	1,300,000
\$ 5,000	110	550,000
\$ 4,000	5,862	23,448,000
\$ 2,500	1,970	4,925,000
\$ 400	58,123	23,249,200
\$ 250	19,670	4,917,500
\$ 40	581,265	23,250,600
\$ 25	941,034	23,525,850
Sub-Total	1,608,904	\$142,166,150

Jersey Jackpot Winners

Prize Amount	Total Winners	Total \$ Awarded
\$ 250,000	58	\$14,500,000
\$ 50,000	85	4,250,000
\$ 25,000	58	1,450,000
Sub-Total	201	\$20,200,000

Touchdown Lottery Winners

Prize Amount	Total Winners	Total \$ Awarded
\$ 1,000,000	1	\$1,000,000
\$ 100,000	1	100,000
\$ 50,000	10	500,000
\$ 25,000	5	125,000
\$ 15,000	1	15,000
\$ 10,000	11	110,000
\$ 5,000	11	55,000
\$ 1,000	205	205,000
\$ 500	96	48,000
\$ 100	1,902	190,200
\$ 50	19,042	952,100
Sub-Total	21,285	\$3,300,300

Daily Lottery Winners

Prize Amount	Total Winners	Total \$ Awarded
Sub-Total	4,136,163	\$31,583,150

Daily Lottery Grand Prize Winners

Prize Amount	Total Winners	Total \$ Awarded
Sub-Total	5,342	\$1,090,400

Sweepstakes Lottery Winners

Prize Amount	Total Winners	Total \$ Awarded
Sub-Total	1,080	\$2,059,000

Garden Stakes Winners

Sub-Total \$3,591,520

Pick-It Lottery Winners

May 22, 1975 -
June 30, 1977 \$77,164,180

Pick-4 Lottery Winners

June 9, 1977 -
June 30, 1977 \$451,500

Instant Lottery Winners

June 16, 1975 -
June 30, 1977 \$64,091,600

GRAND TOTALS **\$424,225,800**

Comparative Statement of Revenues and Allocations of Revenues

	54 Months ended June 30, 1975	12 Months ended June 30, 1976	12 Months ended June 30, 1977	Total	Percent of Total Revenues
Revenues:					
Gross Sales	\$488,992,228	\$158,364,188	\$194,043,671	\$841,400,087	100.0
Less: Commissions to Agents and Banks	30,960,587	16,292,586	11,470,817	58,723,990	7.0
Commissions to Contractor			8,520,234	8,520,234	1.0
Net Revenues	\$458,031,641	\$142,071,602	\$174,052,620	\$774,155,863	92.0
Allocation of Revenues:					
Aid to Education & State Institutions ...	\$146,697,717	\$47,509,256	\$58,213,101	\$252,420,074	30.0
Allotted for Prizes	222,285,193	75,833,447	95,852,559	393,971,199	46.8
Operating Expenses	18,701,809	4,047,946	4,599,656	27,349,411	3.3
Start-Up Costs	686,137			686,137	.1
	\$388,370,856	\$127,390,649	\$158,665,316	\$674,426,821	80.2
Contributions available for aid to Education and State Institutions in excess of statutory mandate before interest income					
	\$69,660,785	\$14,680,953	\$15,387,304	\$99,729,042	11.8
Interest earned on investments and Prepayment of Annuity Contracts					
	8,679,950	899,449	882,708	10,462,107	1.2
Miscellaneous Income					
	130,117	86,771	4,051	220,939	
Miscellaneous Expense					
	(21,235)			(21,235)	
Contributions available for aid to Education and State Institutions in excess of statutory mandate	\$78,449,617	\$15,667,173	\$16,274,063	\$110,390,853	13.0
30% of Gross Sales					
	\$146,697,717	\$47,509,256	\$58,213,101	\$252,420,074	30.0
Contributions available for aid to Education and State Institutions in excess of statutory mandate					
	78,449,617	15,667,173	16,274,063	110,390,853	13.0
Forfeited Prize Awards					
	16,429,387	2,941,893	3,667,579	23,038,859	2.8
	\$241,576,721	\$66,118,322	\$78,154,743	\$385,849,786	45.8

Details of Education and Institution Costs to which Lottery Revenues were Applied in 1976-1977 State Budget

GENERAL STATE OPERATIONS	Amount
Department of Institutions and Agencies	
Increased costs of operation of Correctional Institutions	\$2,084,209
Increased costs of operation of Institutions for the Mentally Retarded	1,697,600
Operation of Homes for Disabled Veterans (Net costs)	
Memorial Home for Disabled Veterans, Menlo Park	\$1,495,259
Memorial Home for Disabled Veterans, Vineland	1,972,388
	3,467,647
Sub-Total	\$7,249,456

STATE AID	Amount
Department of Education	
Aid for Non-Public Education	\$3,500,000
Vocational Education	4,000,000
Sub-Total	\$7,500,000
Equalization and Incentive Aid	
Equalization and Incentive Building Aid } 34,250,544	
School Building Aid Debt Service }	
Sub-Total	\$41,750,544

CAPITAL CONSTRUCTION	Amount
Department of Institutions and Agencies	
Life Safety and Fire Protection Projects	
Institutions for Mentally Retarded	\$3,200,000
Psychiatric Hospitals	2,800,000
Sub-Total	\$6,000,000
Grand Total	\$55,000,000

Details of Other Education and Institution Costs to which Lottery Revenues Could Be Applied

STATE AID	Amount
Department of Education	
Equalization and Incentive Aid	
Equalization and Incentive Building Aid } \$22,000,000	
School Building Aid Debt Service }	
Grand Total	\$77,000,000

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 lotteries, on the drawing date.
2. For Pick-It and 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 August 2, 1976, the Lottery Commission established the Presidential Instant Lottery which was offered for a period of twenty weeks. The Lottery Commission records revenues

and related commissions, and allocations based on the total tickets, for which the agent has reported during weekly periods ending on Wednesday. Accordingly, revenues and related commissions and contractor compensation have been included in the operations for the applicable periods.

On March 21, 1977, the Lottery Commission established the "Play Cards" Instant Lottery which was offered for a period of twenty-four weeks. Revenues and related commissions and allocations for this game are recorded in the same manner as described in the preceding paragraph for the Presidential Instant Lottery.

On October 17, 1977, the Lottery Commission established the Lucky Horoscope Instant Game which is to be offered for a period of approximately eighteen weeks. Revenues and related commissions and allocations for this game are recorded in the same manner as the aforementioned Presidential Instant Lottery.

For all Instant Games, certain tickets entitle the purchaser to 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 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 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.

Fortunes smile on New Jersey



A winning team for the Lottery

(top left) **Joseph A. Mule**, Assistant Director
(top right) **William Carmody**, Deputy Director/Operations
(bottom left) **Richard Berns**, Deputy Director/Sales & Marketing
(bottom right) **Carl F. Russo**, Deputy Director/Security



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BENEFITS EDUCATION AND INSTITUTIONS