

MINUTES OF THE MEETING OF THE HOUSE STATE ADMINISTRATION COMMITTEE  
March 26, 1983

CHAIRMAN JOE BRAND called the meeting to order at 8:30 a.m. in Room 129 of the Capitol building, Helena, Montana.

Roll call was taken and all members were present except Representative Francis Bardanouve who was absent.

HOUSE BILL 920

REPRESENTATIVE ROBERT J. PAVLOICH presented the bill to the committee for consideration. He stated that this is not a slot machine bill; it is a lottery bill. He provided the members with various pieces of literature on other states' lottery programs explaining how these lotteries have been working elsewhere. Eighteen other states have lotteries and presently six others are considering starting them. He said that they predict that there will be \$70 million earned in the next biennium. It is apparent that the higher and middle income people will be the ones that will take a strong interest in the lottery system. It won't be the lower income people so it will not effect that segment of the population too much. The revenue generated from the sales of these lottery tickets will go into the general fund, therefore lowering the tax base for the public. It is a choice that the public can make; they are not being forced to purchase these lottery tickets.

The local governments and the university systems will all get their share of these revenues when the money goes into the general fund.

The state of Colorado predicts that they will raise \$140 million over the next biennium. It is three times more than they had felt that they would raise. On the first draw they were selling an average of 1.4 million tickets per day. When it got down to the end of the first draw, they were averaging 2.0 million tickets per day.

PROPONENTS

SENATOR LAWRENCE G. STIMATZ gave a brief explanation of the bill and said that you can't argue with success. The director of the lottery would be attached to the Department of Revenue for administrative purposes only. It would be run under the state lottery law of Montana. This bill will not include slot machines. There would need to be a loan from the general fund to start this program but this loan must be paid back by January 30, 1984. He indicated that there should be approximately \$10 million income from this lottery program in the first year. Some of the other states have had problems in the past, but they have all kept the lottery programs. If we don't play, we don't pay anything. Those that do not believe in this kind of thing have that right, but they should not tell the rest of us what we should or should not do.

Washington and Colorado began this program just recently, and it is going to be a financial success. This bill is patterned after existing legislation in other states but mostly from the Michigan law.

The director of the program is chosen by the Governor and confirmed by the Senate. He is attached to the Department of Revenue, and he has the full power to hire and fire his staff. He will run a state lottery and that is all that he will run. He will not have the power to run any kind of game that he might choose. It would be necessary to have \$250,000 to start this program from the general fund. This is common in every state that has started the lottery, but it has been paid back within the first year that the program was in action.

REPRESENTATIVE DAVE BROWN spoke as a proponent to this bill and stated that the bill has fifty members of the House's support. He mentioned the bingo card games at Safeway stores and other private businesses and comparing this type of "gambling", it is no different than the lottery program being presented to this committee today. This does not bring with it the same argument that "casino gambling" brings. This is an optional thing, and it raises good revenue for the state of Montana.

WALT VALACICH, Cascade County Senior Citizens Group, Great Falls, stated that he was chosen by all the senior citizens of Montana to speak in favor of this bill. This board is for the lottery bill, and they represent 3,000 members that think it should be available in this state. He then explained the portion of the bill that would benefit the senior citizens and explained that parts of this bill have been removed would have benefitted them even more. Still they are in favor of it as it is presented today. This is not "sinful".

ROBERT VANDERVERE, Citizen, Helena, told the committee that he has not polled all the members of his senior citizen group but he is sure that they are for this bill. He also mentioned the Safeway bingo game. He mentioned that the last time that he checked at the store they did not have any bingo cards available and yet the game is still being advertised. This is not right and the lottery program would not do that to the citizens of Montana.

MURDO CAMPBELL, Citizen, Helena, testified in support of this bill. He mentioned that he had testified on this bill in the Senate, and he still believes that the state of Montana needs to find a source of revenue. A lottery could be a good source for this need. A state lottery is the best vehicle available to provide the funds that are badly needed. The lottery allows you the opportunity to help fund this revenue, but you are not being forced to do so. No one is forced to do this if it is against their belief.

REPRESENTATIVES PHILLIPS, O'CONNELL, KOEHNKE, PISTORIA AND MCCORMICK all spoke in support of this piece of legislation.

OPPONENTS

CATHY CAMPBELL, Montana Association of Churches, Helena, spoke in opposition to this bill. Basically they are against this bill because of the gambling aspect. She mentioned the defeat of Initiative 92, the gambling initiative. This died by an almost two to one vote, after the people pushing its passage had outspent the opponents by more than 10 to 1. The voters of Montana said that there are two things that they didn't want: expansions of gambling and the state in the gambling business.  
EXHIBIT A

She mentioned that it will cost about 65 cents to raise \$1 under this bill. If you sold ten million tickets you could raise \$3.5 million. Maine has been in the lottery business for the past eight years and only in the last year have they had over \$500,000 in the general fund as revenue from the lottery program. Yet they have created a \$1.25 million bureaucracy. It is correct that the lower income people do not buy more tickets, but it is more per capita because of their lower income.

She read an article from a magazine regarding video lotteries that are new. This article is in the Public Gaming Magazine. They are concerned that the state would then have to take on the responsibility to set up something to rehabilitate these habitual lottery users, or those people who become "hooked" on the game. This would change the dreams of the people. Most people have to lose most of the time in order for the state to make any money.

A lot of people are still watching to see what you, the legislators do on this bill. A vote of the people is desired.

SHAWN JENSEN, Citizen, Helena, spoke in opposition to House bill 920. He mentioned that Initiative 92 has defined the feelings of the public in November. This bill does not have the same language but it is the same concept. He indicated that he did not feel that this was a function of the state. When the Senate lottery bill was on the floor in the Senate, Senator Towe said he supported it because of the maid who works 9-5 and had hopes of someday winning. I do not support this concept at all.

REPRESENTATIVE GLENN MUELLER spoke as a strong opponent to this legislation. He stated that the people have already said by their vote on Initiative 92 that they do not want any more gambling legislation.

THERE BEING NO ADDITIONAL PROPONENTS TO HOUSE BILL 920, REPRESENTATIVE PAVLOVICH CLOSED.

Representative Pavlovich said that this is not a gambling bill as such.

He then mentioned a suggested amendment to the bill to eliminate the electronic device so it would be like a slot machine. He said that the fiscal note that is attached to the bill is out of proportion, and it is ridiculous. This bill would have to go before the Appropriations Committee to get the money approved to set up the program. It will cost approximately 20 percent to set up the lottery program. We are not saying the lottery will make alot of money during the first part. It will be under the Department of Revenue so we will not be creating a bureaucracy. In the Initiative 92 language, a lottery was not mentioned and this has a sunset provision in it so that it will be reviewed at the end of two years.

#### COMMITTEE QUESTIONS

REPRESENTATIVE WALTER SALES asked Representative Pavlovich if the mechanical portion will be taken out of the bill, how would a person receive their payment for winning on the lottery. Representative Pavlovich explained how it is handled in other states. If a person were to win up to \$5 they would receive payment right then and there; if it is more than that they would have to send it in to the state.

REPRESENTATIVE GLENN MUELLER stated that the people had just passed an initiative that was against gambling, but then you say that this is not gambling. Representative Pavlovich replied that there is no language in Initiative 92 that mentioned lottery.

REPRESENTATIVE PAUL PISTORIA ask Cathy Campbell if it were not true that many Montana residents go to Nevada and spend revenue money that could be left in Montana through this type of legislation. Cathy Campbell replied that she did not know.

REPRESENTATIVE BRENT BLISS asked who had paid for the consultant that put the information together on this bill. Representative Pavlovich replied that he had not charged anything to do this. It was for informational purposes only.

REPRESENTATIVE BILL HAND asked if Ms. Campbell was correct in stating that the Maine lottery was not paying off as well as it should have. Representative Pavlovich replied that this was true for awhile but it is doing pretty well now.

REPRESENTATIVE CHESTER SOLBERG asked if the percentage of pay-off that was being estimated was about the same as that of other states. He mentioned that he thought that most of the games in

Nevada paid off at about 80 percent. Representative Pavlovich replied that lotteries are different than slot machines. They do not have the overhead, and it is run by the state.

REPRESENTATIVE FRANCIS KOEHNKE ask Ms. Campbell about her representation of the churches. Did she poll the membership or the leadership of these churches? Ms. Campbell replied that she spoke to the leadership on this.

REPRESENTATIVE JERRY DRISCOLL replied that if we have a sales tax it will be mandatory, not by choice, as this legislation would be .

Representative Pavlovich stated that in response to the question of Representative Koehnke, he has talked to the church leadership in Butte and they are not opposed to this bill. He offered to call them and discuss it again if that were necessary. This is the Greek Orthodox that have said that they are not opposed to this bill.

Representative Brown stated that he was in Maine last summer and their system is working quite well now. It is doing much better than they had expected. They are getting good revenues from it. Also in Washington D.C. they started a lottery and their sales were extraordinary.

REPRESENTATIVE BRENT BLISS asked about the appointment of the director to the state lottery. When he is hired, will he have to hire a consultant to teach him about the lottery program and how to run it? Representative Pavlovich replied, "Yes".

REPRESENTATIVE BILL HAND inquired about the price breakdown of the \$1 ticket. Representative Pavlovich explained that 45 cents is for prize money, 20 cents is operating expenses (to start with) and this should be depreciated down to 5 cents, 22 1/2 cents to the general fund and 22 1/2 to the local governments where the tickets are sold.

REPRESENTATIVE JOHN RYAN asked if anyone knew how much the state of Montana was getting out of poker machines, tables, etc. Representative Pavlovich replied that the state was getting nothing now because there isn't a law that covers that.

REPRESENTATIVE FRANCIS KOEHNKE asked if any state had started a lottery and quit. Representative Pavlovich replied, "No".

REPRESENTATIVE BILL HAND asked Ms. Campbell if the tax on liquor and cigarettes is contributed to the state of Montana, then how could they say that was alright but this type of thing would not be. Ms. Campbell replied that they never said that these two things were alright, but they have never really taken a stand on taxation.

REPRESENTATIVE "MAC" McCORMICK stated that bingo games come right under the same thing as gambling, and it is done by many churches and other organizations.

EXECUTIVE SESSION

REPRESENTATIVE WALTER SALES MOVED to accept the proposed amendments to House Bill 920 and this was seconded by Representative Glenn Mueller.

ROBERT PERSON, Legislative Council, read the proposed amendments to the committee and explained them. The portion being eliminated is repealed by Senate Bill 137, and he said that this entire section should be stricken with new language added.

REPRESENTATIVE JOHN PHILLIPS pointed out that the bill doesn't mention starting a board anywhere that he could find. It mentions a director, but it doesn't mention the board. Representative Pavlovich mentioned that this was drafted in taxation and it was suppose to include that language but it could have been left off. It should be in the bill though and if this committee wanted to include the language as an amendment he would not mind.

CHAIRMAN BRAND suggested that "board" should be put into the language in the appropriate place and it should be a "5-member board" appointed by the Governor and approved by the Senate.

The question being called, the motion carried by unanimous voice vote.

REPRESENTATIVE HELEN O'CONNELL MOVED House Bill 920 DO PASS AS AMENDED and this was seconded by Representative Francis Koehnke.

REPRESENTATIVE GLENN MUELLER MOVED A SUBSTITUTE MOTION DO NOT PASS AS AMENDED and this was seconded by Representative Walter Sales.

The question being called for, DO NOT PASS AS AMENDED, the motion failed. Representatives Solberg, Mueller, Sales and Bliss voted "aye", and the remaining members presented voted "nay".

The motion died and the decision is reversed. House Bill 920 was reported out of committee this date as DO PASS AS AMENDED.

Chairman Brand will carry the bill on the House floor.

This bill should have a Statement of Intent attached to it when it is sent to Appropriations.

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REPRESENTATIVE JERRY DRISCOLL MOVED for adjournment and it was seconded by Representative Joe Hammond. Unanimous voice vote.

The meeting adjourned at 9:45 a.m.

Respectfully submitted,

  
REPRESENTATIVE JOE BRAND, CHAIRMAN

Cleo Anderson, Secretary to Committee

MARCH 26

19 83

MR. SPEAKERWe, your committee on STATE ADMINISTRATIONhaving had under consideration HOUSE Bill No. 920first reading copy ( white )  
color

"AN ACT ESTABLISHING A STATE LOTTERY AND PROVIDING FOR AN OFFICE OF  
DIRECTOR OF THE STATE LOTTERY AND FOR PERSONNEL TO OPERATE THE STATE  
LOTTERY: PROVIDING AN APPROPRIATION: PROVIDING FOR THE APPROPRIATION  
TO BE REPAID: AMENDING SECTIONS 2-8-103 AND 23-5-202, MCA; AND  
PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Respectfully report as follows: That HOUSE Bill No. 920

1. Title, line 5.

Following: "PROVIDING FOR"

Insert: "A STATE LOTTERY BOARD,"

2. Title, line 6.

Following: "LOTTERY"

Insert: ", "

3. Page 1, line 15.

Following: line 15

Insert: "(1) 'Board' means the state lottery board created by  
[section 3]."

4. Page 1, line 17.

Strike: "2"

Insert: "4"

XXXXX  
DO PASS



MARCH 26, 1983

5. Page 2

Following: line 1.

Insert: "NEW SECTION. Section 3. State lottery board --  
allocation ---composition -- compensation -- quorum.

(1) There is a state lottery board.

(2) The board consists of 5 members, who must reside in Montana. The members are appointed by the governor and confirmed by the senate.

(3) At least 1 member of the board must be an attorney admitted to the practice of law in Montana. At least 1 member of the board must be a certified public accountant licensed in Montana. At least 1 member of the board must have at least 5 years of experience as a law enforcement officer.

(4) After initial appointments, each board member shall be appointed to a 4-year term of office, and the terms must be staggered.

(5) The governor may remove a board member for good cause. The governor must fill any position on the board that becomes vacant for any reason within 30 days of the occurrence of the vacancy. The term of the member appointed to fill a vacancy runs to the end of the term of the member whose absence created the vacancy.

(6) The board shall choose 1 of its members as chairman.

(7) Three or more members constitute a quorum to do business, and action may be taken by a majority of a quorum.

(8) Board members are entitled to compensation, to be paid out of the state lottery fund, at the rate of \$100 for each day in which they are engaged in the performance of their duties and are entitled to travel, meals, and lodging expenses, to be paid out of the state lottery fund, as provided in Title 2, chapter 18, part 5.

(9) The board is allocated to the department of revenue for administrative purposes only, except that only subsections

(1)(a), (2)(e), (3)(a), and (3)(b) of 2-15-121 apply to the board."

Renumber: subsequent sections

6. Page 2, lines 5 and 6.

Strike: "governor with the consent of the senate"

Insert: "board"

7. Page 2, line 6.

Strike: "governor"

Insert: "board"

8. Page 2, line 17.

Following: "lottery"

Insert: "after a study of other state lotteries and begin operation of games within 150 days after the effective date of this act]"

MARCH 26

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9. Page 7, line 13.

Following: "."

Strike: Lines 13 through 15

10. Page 14, line 18.

Strike: "6(9)"

Insert: "7(9)"

11. Page 14, line 19.

Strike: "6(11)"

Insert: "7(11)"

12. Page 14, line 22.

Strike: "7"

Insert: "8"

13. Page 14, line 24.

Strike: "11"

Insert: "12"

14. Page 14, line 25.

Strike: "12"

Insert: "13"

15. Page 15, line 1.

Strike: "14"

Insert: "15"

16. Page 15, line 5 through page 19, line 15.

Strike: Section 18 in its entirety

Insert: "NEW SECTION. Section 19. Sunset Review.

(1) The state lottery board created by [section 3] and the office of the director of the state lottery created by [section 4] terminate July 1, 1987.

(2) The legislative auditor shall conduct a performance audit of the board and the office of director of the state lottery under the provisions of Title 2, chapter 8, part 1, MCA, and report the results of the audit prior to the commencement of the legislative session of 1987."

17. Page 19, line 19.

Following: "through"

Strike: "17"

Insert: "18"

AS AMENDED DO PASS

## VISITORS' REGISTER

HOUSE State Admin.

COMMITTEE

BILL HB 920

Date 3-26-83

SPONSOR

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

### Washington State

Scientific Games was awarded the contract to start up the Washington State Lottery on January 24, 1983. Indicated sales for the first 2 weeks were \$21,000,000 in a state with a population of 2,900,000. The Colorado Lottery's computer system uses an all-new "non-reactive" system of ticket distribution and has daily general ledger capabilities.

### Colorado

The Colorado Lottery began sales January 24, 1983. Indicated sales for the first 2 weeks were \$21,000,000 in a state with a population of 2,900,000. The Colorado Lottery's computer system uses an all-new "non-reactive" system of ticket distribution and has daily general ledger capabilities.

### District of Columbia

A joint venture consisting of Scientific Games and Games Production Inc. of Washington D.C. was awarded a contract to start up the lottery on June 7, 1982. 78 days later on August 25, sales to the public were started. Sales, in this jurisdiction with 800,000 people, exceeded all expectations. In the first game, 20,000,000 \$1 tickets were sold. A second game with 30,000,000 \$1 tickets went on sale on October 25 and is just now ending.

### Vermont

Scientific Games was chosen to start up the Vermont State Lottery on December 8, 1977. Within 61 days, sales began on the state's first game.

### Arizona

The Arizona Lottery began sales on July 1, 1981—69 days after Scientific Games was awarded the contract to start up the Lottery. Sales in the first year were \$117,000,000—far in excess of anyone's projections or expectations. Sales of the most recent instant game (its 8th) have averaged \$2,400,000 per week in this state with 2,700,000 people.

### New York

Scientific Games was awarded the contract to start the New York Lottery on June 23, 1976. On September 8, 1976, 76 days later, the

New York Lottery went on sale to the public using tickets and systems that have insured its continued successful, trouble-free administration ever since.



PAUL  
SILVERGLEID  
CONSULTANT

A STATE LOTTERY FOR MONTANA

"QUESTIONS AND ANSWERS".

Prepared By  
PAUL SILVERGLEID CONSULTANT

January 31, 1983

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THOROUGHBRED, HARNESS & GREYHOUND RACING • OTB • LOTTERY • JAIALAI • CASINOS

## "QUESTIONS AND ANSWERS"

Question: What is the anticipated gross sales volume of a lottery in Montana ?

Answer: Based on the sales volume in fifteen current lottery states a Montana lottery will gross (total sales) \$32,000,000 yearly.

Question: Based on that level of sales what is the anticipated profit ?

Answer: \$13,000,000 (40% of sales).

Question: How much of the \$32,000,000 in sales will be returned to ticket buyers as prizes ?

Answer: In most lottery states 45% of lottery sales is returned as prizes. Based on Montana's anticipated sales volume this would amount to \$14,400,000 a year.

Question: Where will lottery tickets be sold ?

Answer: Based on experience in other lottery states approximately 800 Montana businesses will be licensed to sell lottery tickets. These businesses will include drug stores, super markets, convenience stores, newsstands, etc.

Question: Are these businesses paid for selling lottery tickets ?

Answer: Yes. Merchants are usually paid 5% of their sales as commissions or \$5 for every \$100 worth of tickets that are sold. In Montana licensed agents should receive \$1,600,000 yearly in commissions.

Question: What states presently have lotteries ?

Answer: Connecticut, Vermont, Massachusetts, Maine, New Hampshire, New York, Rhode Island, New Jersey, Arizona, Maryland, Pennsylvania, Delaware, Michigan, Illinois and Ohio. Washington state began its' lottery last November and Colorado started its' lottery this month (January '83). There is also a lottery in the nations capitol. The population of the above states is close to 100,000,000 ...over 40% of the nations population.

Question: How are the lottery programs doing ?

Answer: Business is "booming" according to an article in the New York Times. Sales in 1983 are expected to exceed four billion dollars (\$4,000,000,000). Washington state sold 50,000,000 instant lottery tickets during the first month of sales and made a profit of \$20,000,000 in that month !

Question: Are all state lotteries profitable ?

Answer: Yes. As in any other business some lotteries perform better than others. If Montana does as well as Connecticut yearly sales will reach \$44,000,000 and yearly profits \$17,600,000.

Question: What percentage of the residents of the state will purchase lottery tickets ?

Answer: At one time or another at least 50% of the residents of Montana (400,000) will purchase lottery tickets. Yearly, per capita spending is around \$40...or approximately 80¢ to \$1.00 a week.

Question: What about organized crime and lotteries ?

Answer: There is no empirical evidence anywhere of an infiltration of a state-run lottery by organized crime. Letters from lottery Directors indicate that legal lotteries have impacted illegal numbers games. According to a 1975 National Gambling Commission study 11% of the American public wagers illegally. This same study points out that illegal wagering in lottery states is only 6%...almost 50% less than the national average. A 1981 Connecticut study reports a drop in illegal gambling since the onset of that states legalized gambling programs.

Question: Aren't most lottery tickets bought by low income people ?

Answer: No. Studies performed in lottery states indicate that low income families buy fewer lottery tickets in proportion to their percentage of the population than any other income level. A vast majority of ticket buyers have a high school or college education..and earn between \$12,000 and \$28,000 a year. The Connecticut study mentioned in the previous question reported "no increases in welfare cases...no increases in bankruptcies...and no increases in compulsive gamblers".

Question: Are minors allowed to buy lottery tickets ?

Answer: Most states prohibit the sale of lottery tickets to minors. However, most states allow minors to receive lottery tickets as gifts.

Question: I have heard of a few problems that have arisen concerning state-run lotteries. Have they been resolved and what has been the effect of these problems on the people in the states where these problems have arisen ?

Answer: I can not think of any facet of our society that has not had problems. There are problems in industry, labor unions, government, education and the media. Problems in lotteries have been few and far between. Polls indicate that 75% of the residents of lottery states approve the lottery. State lotteries have become stronger because of the few problems and the industry has learned from its' past mistakes. Today's computer technology has aided lottery programs and insures the integrity of all lottery games. Perhaps the best indicator of the acceptability of lotteries is continually rising sales volumes...with more people participating in state-run lotteries than in any other form of legalized gambling.

Question: Would a lottery in Montana have a negative effect on the economy of the state ?

Answer: Definitely not. Remember 45% of the money spent buying tickets will be returned to players in prize money. 40% of the money will end up in the state treasury. 5% will be paid to Montana businessmen as commissions. Of the balance (10%) most of it will be spent paying the salaries of lottery staff, for advertising and promoting the lottery, for rent and utility bills and for all the other costs involved in the operation of the lottery. In essence almost all of the money spent on lottery tickets will stay in the state of Montana.

Question: I have heard that there were terrible problems with lotteries in the 1800's.

Answer: During that period of time most of the lotteries were run by private individuals and many were corrupt. Modern lotteries are run by state government and not private individuals.

Question: How might a lottery be run in Montana ?

Answer: People with experience in administering lotteries can be hired to oversee lottery operations. Additional support will come from people with experience in law enforcement, attorneys, marketing experts and accountants. Lottery staff in Montana might number 40 to 50. Almost every lottery state will offer Montana help in establishing its' lottery.



TABLE II

This table shows the index of participation of each income group for each different type of lottery game in five lottery states based on the national income distribution. Note that lower income individuals participate less in every instance.

## ANNUAL HOUSEHOLD INCOME (1980 Dollars)

	% Over \$56,000	% \$34,000- \$56,000	% \$23,000- \$33,999	% \$18,000- \$22,999	% \$11,000- \$17,999	% \$6,700- \$10,999	% Under \$6,700
□ \$1 INSTANT GAMES (76 Games)							
New Jersey - 9 Games	135	143	120	96	80	74	67
New York - 17 Games	133	126	110	95	89	84	84
Michigan - 25 Games	113	145	123	97	72	71	74
Illinois - 13 Games	110	134	121	94	81	76	78
Pennsylvania - 12 Games	65	84	107	118	105	95	93
□ 50c WEEKLY DRAW-TYPE (22 Games)							
New Jersey - 2 Games	140	145	120	96	79	73	66
New York - 4 Games	115	124	114	98	88	81	83
Michigan - 2 Games	120	152	124	94	69	69	71
Illinois - 11 Games	115	134	120	94	81	75	78
Pennsylvania - 3 Games	70	86	107	118	103	93	92
□ \$1 WEEKLY DRAW-TYPE (24 Games)							
New York - 2 Games	133	126	107	94	90	84	86
Michigan - 4 Games	123	153	123	93	68	69	71
Illinois - 13 Games	110	132	120	95	82	77	80
Pennsylvania - 5 Games	68	85	107	118	104	94	92
□ \$2 INSTANT 'HORSE RACE' GAMES (2 Games)							
New York - 1 Game	133	126	110	95	89	83	84
Pennsylvania - 1 Game	65	84	107	118	105	94	93
□ \$5 DRAW-TYPE GAMES (6 Games)							
New Jersey - 1 Game	138	146	120	96	78	71	65
New York - 1 Game	130	126	110	95	88	83	84
Michigan - 1 Game	125	159	124	92	66	66	69
Pennsylvania - 3 Games	73	87	108	118	103	92	90
□ \$10 DRAW-TYPE GAMES (7 Games)							
New York - 7 Games	148	132	111	93	86	78	80
□ WEEKLY LOTTO (1 Game)							
New York - 1 Game	108	106	101	98	98	97	96
□ WEEKLY KENO (1 Game)							
New York - 1 Game	140	128	107	93	90	84	86
□ PERCENT OF U.S. POPULATION WITH INCOME LEVEL SHOWN							
	4.0%	13.7%	23.0%	18.9%	12.0%	11.0%	17.3%

## □ NOTE:

This graph is based on analysis of 6,504,237 recorded winners of large prizes in 140 different lottery games of 24 categories from five lottery states. The data represents all valid, in-state, centrally-recorded winners in all 140 games in all 5 states from the time of each lottery's inception (which ranged from 1971 to 1976) until spring 1981. The analysis was performed by Scientific Games Inc. of Atlanta, Georgia.

# Lottery's Game 2 begins Monday

By TIM MCGOVERN  
Rocky Mountain News Staff Writer

Game 2 of the Colorado lottery begins Monday and will feature a top prize of \$1,000 a week for life and will allow instant winners of \$50 and more to participate in the grand prize drawing.

Lottery director Owen Hickey unveiled the ticket design, theme ("3 of a Kind") and rules for Game 2 at press conferences in Pueblo and in Denver Tuesday.

He reminded players that more than 3 million tickets remain on retail shelves for Game 1, which ends Sunday, and that 13,000 prizes of \$50 or more still are unclaimed, including about 45 prizes of \$10,000. More than half the state's 2,015 outlets, however, have sold out of Game 1 tickets, he said, and there could be a four-day period beginning Thursday when tickets will be scarce or unavailable.

The grand prize drawing for Game 1 will be April 27, when two \$1 million prizes and 18 other prizes will be awarded. Ticket sales for Game 1 will halt Sunday. Game 2 ticket sales begin at noon Monday.

The rules and ways of winning in Game 2 vary somewhat from Game 1.

The object of the game still is to match three of a kind; but in Game 2 players will try to match not dollar amounts as in

Game 1 but playing card symbols — aces, kings, queens, jacks, tens and nines.

Prizes will be awarded as follows:

- 3 aces: \$10,000
- 3 kings: \$1,000
- 3 queens: \$500
- 3 jacks: \$50
- 3 tens: \$5
- 3 nines: \$2

The game will include nearly 36 million tickets and about \$17.7 million in prizes. The odds of winning a prize on a single ticket in Game 2 will improve very slightly over Game 1 odds (from 8.29 to 1 to 8.22 to 1).

As in Game 1, \$2 and \$5 instant winners may be claimed from the retailer who sold the ticket; claimants of \$50 winners and above must visit lottery offices to fill out forms.

Unlike Game 1, however, everyone who wins \$50 or more ("jacks or better," Hickey said) and who claims winnings within 30 days will be eligible for the grand prize drawing for \$1,000 a week for life. There will be about 56,800 such prizes awarded, including 55,100 of the \$50 variety.

An elimination drawing will select 10 finalists whose names will be entered in the grand prize drawing. Of these, eight will win \$10,000, one will win \$50,000 and one will claim the grand prize of \$1,000 a

\$1 COLORADO INSTANT  
LOTTERY GAME

Win \$10,000 Instantly!



3 of a Kind

RUB 6 CARD SYMBOLS. GET 3 OF A KIND TO WIN.  
● 3 ACES ... \$10,000  
● 3 JACKS ... \$500  
● 3 KINGS ... \$1,000  
● 3 QUEENS ... \$500  
● 3 10's ... \$50  
● 3 9's ... \$50



WIN \$1,000 A WEEK FOR LIFE!  
Claimed winners of \$50, \$500, \$1,000 or \$10,000 are eligible for entry into Grand Prize Drawing (\$1,000,000 per week).

Game 2 lottery tickets will look like this when you purchase them. All of the "play spots" will be covered by either a spade, heart, diamond or club.

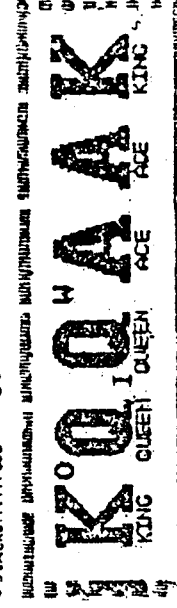
\$1 COLORADO INSTANT  
LOTTERY GAME

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3 of a Kind

RUB 6 CARD SYMBOLS. GET 3 OF A KIND TO WIN.  
● 3 ACES ... \$10,000  
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● 3 QUEENS ... \$500  
● 3 10's ... \$50  
● 3 9's ... \$50



WIN \$1,000 A WEEK FOR LIFE!  
Claimed winners of \$50, \$500, \$1,000 or \$10,000 are eligible for entry into Grand Prize Drawing (\$1,000,000 per week).

When you scratch the latex covering from those symbols, you'll reveal aces, kings, queens, jacks, tens and nines. Three of a kind and you're a winner.

week for life.

Because the top prize is open-ended, there's no way to say just what its total value will be, Hickey said. That will depend on how long the winner lives. For

instance, in the case of an 18-year-old winner who lives to age 72, the total prize would be \$2.8 million. (In case of early death, the winner's estate would be guaranteed at least \$1 million.)

# WASHINGTON WINS AGAIN!

Thanks to you, Washington's first Instant Lottery Game was incredibly successful—bringing more than

~~\$20,000,000~~ into our state's General Fund.

And now, with an equally successful second game, we expect to double those funds.

What this adds up to is more money for the things that matter most. Like education—from kindergartens to colleges and universities.

With more books, more funding for our state libraries.

The General Fund also contributes to our natural resources—our parks and recreation; creating and maintaining environments for our generation and generations to come.

There's also a sizeable contribution to human resources—to help

people like veterans and the blind. Because

what comes into the General Fund goes right back into human rights, human potential, to keep Washington working and growing.

And to keep Washington moving, the General Fund also filters down to our roads, highways, our transportation, even our State Patrol.

The General Fund is used to improve the quality of our lives and our environment right here in Washington.

For our ecology, our air, water,

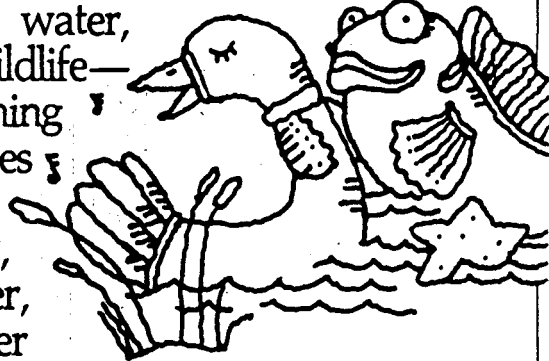
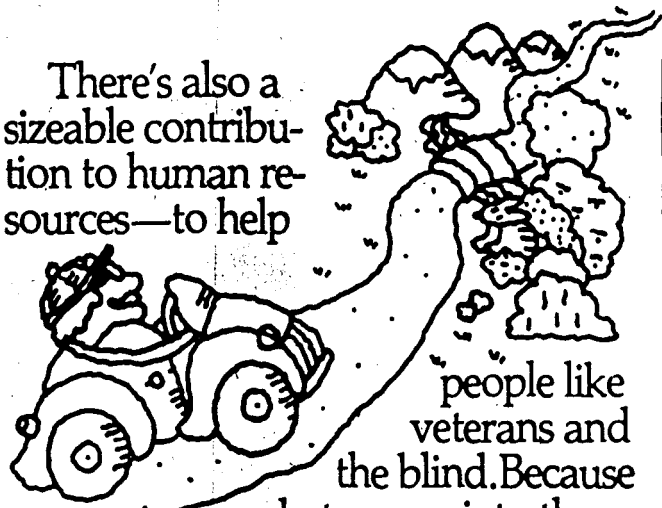
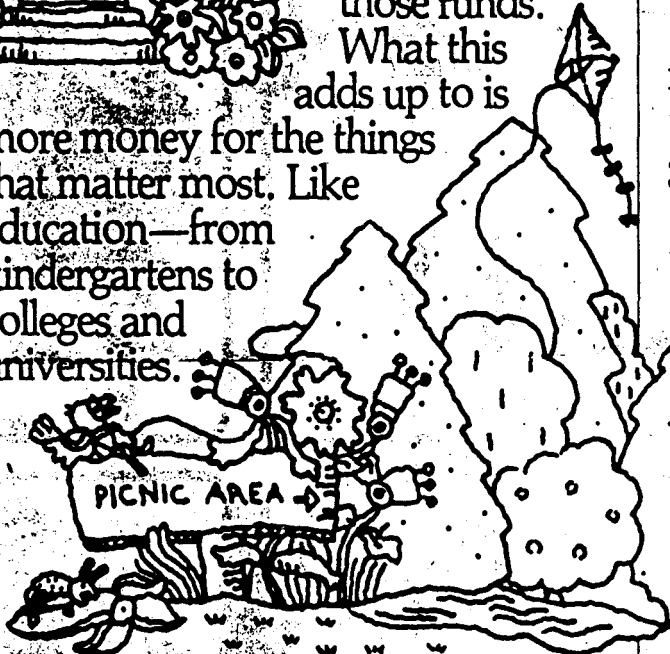
fish, wildlife—everything that goes into a cleaner, stronger, healthier

Washington. For ourselves, our children and their children.

So keep following the fun, Washington. Because when you play, everyone wins.



The new Lottery game starts Monday, March 14.  
Get ready to discover Buried Treasure!



WE ARE  
NEXT  
WINNER.

## STATE LOTTERY

This chart illustrates several fiscal years of lottery systems that exist in the named fourteen states.\* For purposes of validity in passing a lottery in the state of Montana, the population of the already existing lottery states have been listed. Four years of fiscal information have also been presented for each lottery state where the information has been available. Included are the states' first full fiscal year of operation, and, for comparison value, the operating fiscal years of 1978, 1979, 1980, and 1981. For each year, the gross earnings is given. Following this is a list of how the gross earnings are appropriated. Appropriation of the money includes the prizes that are returned to the consumers of the lottery sales, the operating expenses of the lottery systems, referred to as O.E.\*\*, and the distribution of profits to the states. Most of the money distributed to the states is placed in a General State Revenue Fund, denoted as G.F., which functions in much the same way as tax money. If the profits to the state are used in other ways, it will be noted. The listing of the revenues and expenses is termed as following: for ten million dollars, it is written \$10.00.

\*Other states where information on the lottery system was not available or where a lottery system has been recently instituted include Colorado, Vermont, Washington, and Washington D.C.

\*\*In many instances, the actual operating expenses were not listed rather "other expenditures" was used as a title. Since operating expenses include commissions, payroll, advertising, and bank fees, it can be assumed that "other expenditures" are co-existent as operational expenses.

STATE (population)	FIRST FULL FISCAL YEAR OF OPERATION	OPERATING FISCAL YEAR 1971	OPERATING FISCAL YEARS '78 '79 '80
Arizona (2,702,161)	1981 Gross Allocations: Prizes \$117.92 O.E. \$53.06 G.F. \$13.85 \$51.00 (general fund is allotted to cities and towns for use in transportation or, optionally for cultural enhancement.)	1981 Gross Allocations: Prizes \$117.92 O.E. \$53.06 G.F. \$13.85 \$51.00 (general fund is allotted to cities and towns for use in transportation or, optionally for cultural enhancement.)	
Connecticut (3,115,000)	1973 Gross Allocations: Prizes \$34.71 O.E. \$15.62 G.F. \$2.59 \$13.91	Gross Allocations: Prizes \$70.00 O.E. \$19.30 G.F. \$71.00	Gross Allocations: Prizes \$109.18 O.E. \$54.48 G.F. \$14.90 \$41.80 \$119.86 \$60.76 \$19.00 \$43.10 \$122.78 \$62.28 \$9.34 \$46.16
Delaware (582,000)	1976 Gross Allocations: Prizes \$7.61 O.E. \$3.77 G.F. \$2.52 NA	Gross Allocations: Prizes \$25.70 O.E. \$10.05 G.F. \$2.61 \$12.66 (general fund includes funding to transportation, criminal justice, medicare, welfare, and education.)	Gross Allocations: Prizes \$5.40 O.E. \$2.60 G.F. \$1.20 \$1.60 \$12.00 \$5.90 \$1.90 \$4.20 \$15.14 \$8.10 \$1.51 \$5.53
Illinois (11,229,000)	1975 Gross Allocations: Prizes \$190.15 O.E. \$85.53 G.F. \$18.11 \$87.28	Gross Allocations: Prizes \$216.00 O.E. NA G.F. NA \$88.60 (general fund includes funding to education, transportation, human and health services, and environmental and natural resources.)	Gross Allocations: Prizes \$56.29 O.E. \$14.06 G.F. \$9.57 \$32.65 \$48.00 \$36.09 \$12.32 \$32.55 \$90.01 \$45.81 \$9.46 \$34.74

STATE (population)	FIRST FULL FISCAL YEAR OF OPERATION	OPERATING FISCAL YEAR	OPERATING FISCAL YEAR	OPERATING FISCAL YEAR
Maine (1,097,000)	1975 Gross Allocations: Prizes O.E. G.F.	\$5.20 \$2.20 \$1.11 \$1.20	\$3.75 \$4.34 \$1.12 \$2.91	Gross Allocations: Prizes O.E. G.F. \$6.82 \$3.07 \$2.23 \$1.38 \$6.57 \$2.96 \$2.15 \$1.59 \$5.37 \$2.80 \$1.69 \$.88
Maryland (4,216,446)	1974 Gross Allocations: Prizes O.E. G.F.	\$35.16 \$14.76 \$3.64 \$14.76	\$385.60 \$182.77 \$12.34 \$	Gross Allocations: Prizes O.E. G.F. NA NA NA NA NA NA \$353. \$174. \$12.6 \$166.
Massachusetts (5,769,000)	1973 Gross Allocations: Prizes O.E. Commonwealth	\$75.94 \$34.10 \$2.59 \$32.60	\$224.2 NA NA (in a Commonwealth, the money is divided between cities and towns to use as they see fit.)	Gross Allocations: Prizes O.E. Commonwealth \$157.20 \$87.53 \$22.7 \$46.95 \$162.33 \$89.76 \$22.78 \$49.79 \$152. \$89.7 \$13.7 \$48.6
Michigan (9,181,000)	1974 Gross Allocations: Prizes O.E. School Fund	\$137.38 \$61.82 \$14.42 \$61.14	\$519.96 \$253.22 \$132.70 \$134.00	Gross Allocations: Prizes O.E. School Fund \$341.01 \$155.23 \$44.52 \$141.26 \$425.87 \$200.14 \$48.53 \$177.21 \$444. \$237. \$51.7 \$185.
New Hampshire (920,616)	1965 Gross Allocations: Prizes O.E. Schools	\$3.90 \$1.40 NA NA	\$12.50 \$6.13 \$1.96 \$4.41	Gross Allocations: Prizes O.E. Schools NA NA NA NA \$11.1 \$5.67 \$2.26 \$3.53

STATE Population	FIRST FULL FISCAL YEAR OF OPERATION	OPERATIONS FISCAL YEAR 1981	'78	'79	'80
New Jersey (364,158)	1972 Gross Allocations: \$137.54 Prizes \$61.89 O.E. \$34.38 Schools and State Institutions \$41.27	Gross Allocations: \$417.03 Prizes \$208.07 O.E. \$37.13 Schools and State Institutions \$175.98	Gross Allocations: NA Prizes NA O.E. NA Schools and State Institutions NA	NA NA NA NA	\$320.44 \$173.77 \$6.06 \$140.61
New York (17,648,000)	1965 Gross Allocations: NA Prizes NA O.E. NA Schools NA	Gross Allocations: \$236.20 Prizes \$101.30 O.E. \$19.00 Schools \$98.00	Gross Allocations: \$197.16 Prizes \$78.22 O.E. \$30.35 Schools \$88.60	\$189.96 \$73.88 \$30.63 \$85.45	\$165.79 \$72.81 \$12.84 \$80.12
Ohio (10,797,419)	1975 Gross Allocations: \$110.92 Prizes \$49.92 O.E. \$15.97 G.F. \$48.17	Gross Allocations: \$296.00 Prizes \$150.20 O.E. \$35.70 G.F. \$110.10	Gross Allocations: \$100.97 Prizes \$45.40 O.E. \$15.66 G.F. \$39.92	\$68.07 \$30.59 \$16.37 \$21.10	\$126.02 \$61.36 \$26.93 \$37.72
Pennsylvania (11,866,728)	1973 Gross Allocations: \$126.21 Prizes \$54.40 O.E. \$14.28 G.F. \$57.52	Gross Allocations: \$427.00 Prizes NA O.E. NA G.F. \$180.00	Gross Allocations: \$295.86 Prizes \$142.97 O.E. \$40.67 G.F. \$112.27	\$351.41 \$173.53 \$42.95 \$138.06	\$387.40 \$189.81 \$46.61 \$154.31
Rhode Island (929,000)	1975 Gross Allocations: \$15.05 Prizes \$7.53 O.E. \$2.52 G.F. \$5.00	Gross Allocations: \$34.80 Prizes \$17.10 O.E. \$4.60 G.F. \$13.10	Gross Allocations: \$24.56 Prizes \$11.57 O.E. \$3.82 G.F. \$9.18	\$30.58 \$14.17 \$4.49 \$11.93	\$28.70 \$14.97 \$2.08 \$11.91

\*excluding commissions.

Information collected from individual state packets on lottery, the 1982 Annual Report and Directory released by the National Association of State Lotteries, and information found in the Segregation Research Library, Helena, Montana.



March 26, 1983

MR. CHAIRMAN AND MEMBERS OF THE HOUSE STATE ADMINISTRATION COMMITTEE:

WORKING TOGETHER:

American Baptist Churches  
of the Northwest

American Lutheran Church  
Rocky Mountain District

Christian Church  
(Disciples of Christ)  
in Montana

Episcopal Church  
Diocese of Montana

Lutheran Church  
in America  
Pacific Northwest Synod

Roman Catholic Diocese  
of Great Falls

Roman Catholic Diocese  
of Helena

United Church  
of Christ  
Montana Conference

United Presbyterian Church  
Glacier Presbytery

United Methodist Church  
Yellowstone Conference

United Presbyterian Church  
Yellowstone Presbytery

I am Cathy Campbell of Helena, speaking for the Montana Association of Churches, an ecumenical organization representing nine denominations.

We are opposed to House Bill 920, as we are to any attempt to expand authorized gambling.

You'll remember what happened only a few months ago with Initiative 92, the gambling initiative. By an almost two to one vote, after the people pushing its passage had outspent the opponents by more than 10 to 1, the voters of Montana said that there are two things we do not want:

1. We do not want an expansion of gambling, and
2. We do not want the state in the gambling business.

Yet here is House Bill 920 which would put the state directly in the gambling business by establishing a state lottery.

What is wrong with a state lottery? Lots of things. Lotteries will make money, No doubt about that. Gambling always makes money for somebody.

But as a way of raising revenue, state lotteries are inefficient. Only about one third of the money collected from the citizens will go to benefit the programs for which the lottery is being proposed. In other words, it will cost about 65 cents to raise a dollar, whereas the Department of Revenue now spends about 2 cents to raise a dollar. A lottery is far less efficient than raising money by almost any other form.

The original fiscal note estimated that the state would sell \$10 million dollars worth of lottery tickets. I question this assumption; I think it is too high based on the experience of rural states which have lotteries. Selling \$10 million dollars worth of tickets would raise about \$3.5 million in revenue based on the breakdown given in the bill. Using the same breakdown in the bill, the state would have to sell \$60 million worth of tickets to raise \$20 million dollars.



That would mean \$75 per capita in ticket sales, or \$300 for a family of four, if every family bought lottery tickets. But everyone won't. If about 75% of the people buy tickets, that would come to about \$450 dollars a year for a family of four.

Even if a lottery would sell that many tickets, is that the kind of business you want the state to be in? Do you really want to try to induce people to spend that much money buying lottery tickets? Do you think your constituents would like it?

Lets look at Maine, a state with characteristics more similar to Montana than those of the large, urban states where lotteries tend to be found. Maine has a population of about 1.1 million and a geographic area about one-fourth the size of Montana. Population density and large cities ~~do~~ seem to make a lot of difference in lottery sales. It is easier to generate a lot of hoopla with the various kinds of lottery promotions in big cities.

After eight years of lottery operation, only in the last year has the amount of money going to the general fund exceeded the operating expenses of the lottery by more than \$500,000. In fact, in two of the last three years, the lottery cost more to run than it contributed to state coffers. And even in its best year, the lottery contributed less than  $\frac{1}{2}$  of 1% to the state general fund. Yet, for this, Maine has developed a 1.25 million dollar, 28 person buracracy.

State lotteries are regressive. People with lower incomes tend to bet a larger percentage of their incomes. In this sense, the lottery operates in the same manner as a regressive tax.

You've heard descriptions of the average lottery ticket buyer that ~~would~~ pretty much like the average citizen. Lower imcome people do not appear to bet more money than those with higher incomes. However, the same amount bet necessarily represents a larger proportion of lower incomes, and this is what a regressive tax is.

There are several studies that show this. Most are very technical and make dull reading. Articles from the National Tax Journal and Journal of Social Issues report findings that:

State-run lotteries..."do constitute a particularly inequitable revenue base.... Although purchasers do receive benefits from lottery purchases, the revenue collected constitutes a regressive tax and is all the more objectionable in light of the fact that many states appear to have adopted lotteries rather than implementing or expanding progressive income taxes. (National Tax Journal, Dec. 1975)

"...daily 'numbers' games...do appear to be increasing the regressivity of state revenue structures." (N.T.J., December, 1979)

A study reported in the Journal of Social Issues, 1979 shows that "revenues from state lotteries are drawn more regressively than state sales taxes, the latter a common target of fiscal reformers precisely for its regressiveness."

So state lotteries are regressive, with the lower income people supporting a proportionately larger share of the burden of providing the prize money, advertising, security and bureaucracy.

Once a state is in the lottery business, the stability of its revenues can be maintained only with constant promotion. This results in new games and gimmicks, and increased public advertising which will be seen by children and youths. In fact, an article in the Denver Post two months ago described "a new kind of game that has lottery directors all over the country swooning with anticipation-the video lottery." "It's aimed at attracting a new set of players - the younger people who up to now have not thought lotteries were interesting enough to bother with." (1/14/83).

Now I'd like to discuss this video lottery. It was described in an article in the Public Gaming magazine you have all received. (Jan, 1983) There is nothing in HB 920 which would prohibit these video lotteries.

The article suggests that it's best to use dollar bills so that the player doesn't have to bother the bartender. After all, a study has shown that tavern patrons carry a significantly larger number of bills than quarters.

"If the players enjoy the game this is offered, it is likely they will play until they use up their dollar bills (or quarters if the machine plays for a quarter).

"Our studies lead us to believe poker and blackjack will be the most popular game themes for a video lottery. ...On the otherhand, there are a wide variety of other

~~them.~~

themes that can be used. Some of these include sports games, maze games, space shooting games, and familiar object selections."

"One thing appears certain--the video lottery machine should not look like a slot machine..."

"The video machine should not have a "one arm" handle. It should not have rotating wheels or fruit symbols, and there should be no coin hopper for the payment. Winnings should be accumulated as credits (with plenty of noise and visual fanfare) that can be "played off."

How nice. You can put money into a machine, and if you win it will crash and bang and light up, and you are even allowed to put all the money you win back into the machine.

Now what do you think your constituents, who just voted almost 2-1 against an expansion of gambling, will think of this?

In terms of the morality of a lottery, it is questionable at best to have the state in the role of actively promoting gambling. Gambling, for many people, is addictive and destructive. Some people maintain that any state with a lottery has a responsibility to deal with the compulsive gambler by setting up a state-financed treatment center. Three lottery states have already done so.

And how do we tell our children that gambling is a questionable policy if the state is out there promoting it? A state lottery puts the state in the position of being a "huckster" that unconscionably entices people into ignoring the odds and betting again and again.

Government sponsorship of gambling is not consistent with its responsibility to govern justly and wisely. I believe that state-operated gambling, which is what a state lottery is, contributes to the erosion of citizens' confidence in government. Whether rightly or wrongly, there seems to be a declining confidence in government at all levels, and the state's sponsorship of gambling would only provide additional reasons for people to be skeptical about their leaders' wisdom and competence.

What if the state lottery doesn't raise the promised funds? What will happen to the programs the lottery is supposed to help fund? Don't these programs deserve a more reliable and responsible funding source?

This state's taxes have traditionally come from taxes based on a person's ability to pay or property owned.

4

A lottery however, would change this and raise revenues by exploiting peoples' dreams of wealth. Dreams that will almost certianly not be fulfilled by the lottery. After all, for the state to make any money at it, most of the people will have to loose, most of the time.

I realize that legitimate concern about the state budget is prompting people to consider all possible means of raising revenue. But a state lottery is not a responsible or acceptable way to do it.

You cannot ignore the results of I - 92. Even Public Gaming said that as the first step in starting a state lottery "A vote of the people is desireable." (p.37) Well, Montanans have already voted. The gambling interests spent over \$130,000 trying to convince the voters of this state that gambling would help the economy and reduce taxes. The people didn't buy that arguement in November, and they aren't going to buy it now.

HB 920 clearly represents an expansion of gambling. The fact that a state lottery was not specifically mentioned in I-92 does not obscure that fact.

Most people feel very strongly that once the state has gone to the expense of having the people speak on an issue, their voice should be listened to. Many people will be watching to see how this Legislature deals with the initiatives of last November.

It would be a real mistake to pass this bill. I HOpe you'll defeat it in this committee.

AMENDMENTS TO HOUSE BILL 920

1. Page 2. Line 17.

Following: "lottery;"

Strike: (;)

Insert: "after a study of other state lotteries and begin operation of games within 150 days after (The effective date of this act)."

2. Page 7. Line 13.

Following: "thereon"

Strike: Remainder of Line 13 and all of 14 through "device" on Line 15.

BP/mac

STATEMENT OF INTENT  
\_\_\_\_\_ Bill No. \_\_\_\_\_ [LC 1437]

Under section 4 the director of the state lottery must establish and operate a state lottery and adopt policies and rules regarding:

- 1) the operations of the lottery director and his staff;
- 2) the price, number, and size of tickets;
- 3) the drawing of lottery winners;
- 4) lottery tickets or chance sales and ticket sales agents;
- 5) the immediate payment of small prizes; and
- 6) other matters relating to the successful operation of the lottery.

A state lottery is primarily a business operation and has as a purpose the earning of net revenue. The successful operation of a state lottery, as shown by the experience of other state lotteries, depends to a large degree upon the ability of a lottery staff well-versed in business matters to operate the lottery as a business and without undue constraint by statute or administrative rule. The success of a lottery also depends upon the operation of the lottery within a statutory framework ensuring the integrity of the staff and all phases of the operation of the lottery and the avoidance of even the appearance of any illegalities or conflicts of interest.

To these ends, it is contemplated that the director will be conversant with the types of administrative rules necessary to the successful operation of the lottery and will adopt rules ensuring the integrity and success of the lottery.

In accord with the theory that a lottery is primarily a business, it is contemplated that the rules will change, or allow changes in the operation of the lottery, consistent with statutes as new business techniques and ideas, new games and prizes, better outlets for ticket sales, and better management techniques are discovered. The lottery should include a large number of small prizes.