

CITY COUNCIL MEETING
OCTOBER 3, 1984

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COMMUNICATIONS
CITY CLERK

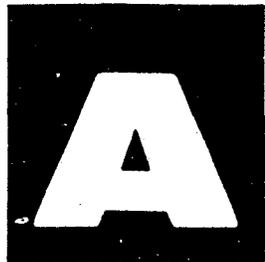
City Clerk Reimche presented information regarding Proposition 37 - California State Lottery which had been received.

2015
PROPOSITION 37
CALIFORNIA STATE
LOTTERY

No formal action was taken by the Council on the matter.



QUESTIONS



AND

ANSWERS

About
Proposition

37

**CALIFORNIA
STATE
LOTTERY**

"It's time for a California Lottery"—San Francisco Examiner, February 5, 1984

Q Are there any state-operated lotteries in the United States now?

A Yes — in 17 states.

Q Are they profitable?

A Yes — all of them.

Q What about California?

A California's constitution must be changed to establish a state lottery.

Q How is that done?

A By voting **yes** on Proposition 37 on the November ballot.

Q How much money would a California state lottery raise?

A Conservative estimates put the gross ticket sales at about \$1.7 billion in the first year.

Q That's **conservative**?

A Here's how it was calculated: Two western states that recently started lotteries were used as a base. Washington's per capita sales (\$59.26) and Colorado's (\$71.97) combine for an average of \$65.62. This was applied to California's population for the first year's sales. Result: \$1.7 billion.

Q How would the lottery income be divided?

A No more than 16% could be spent running the lottery — with at least 1/3 of that going to retailers in ticket sale commissions. The remaining 10% to 11% would cover all other expenses — administration, security, ticket production and distribution, promotion and such. One-half the total income would go back to the public in prizes. The balance — at least 34% — would go for public education. But education would actually get considerably more.

Q How come?

A Because the Lottery Act allocates, with minor exceptions, the unredeemed prize money

and all the unspent portion of allowable operating expenses to education. This could add another 6% of the gross sales. Thus, education would get about 40% of the gross, or 46% of the net income. That would put more than \$680 million in new money into education in the first year alone.

Q In view of the huge size of California's budget, will the lottery funds that go to public education really be significant?

A Yes, indeed! It will equal all the state's income last year from horse racing, alcoholic beverage taxes and liquor license fees, cigarette taxes, estate and gift taxes put together — with more than \$140 million left over!

Q You say this lottery money will go to education. But won't the state just cut back its school and college appropriations and let education depend almost entirely on the lottery?

A No — because you, the People of California, declare right in the Act you pass, that your intent is to provide **additional** money for our schools.

Q So what does that mean?

A It means that, whenever necessary, the courts can be called upon to enforce the intent of the People. This carries tremendous legal weight. Expert legal opinions confirm that it's enforceable.

Q How will the education money be divided?

A An equal amount will go for every equivalent full-time student in California public schools — kindergarten through university.

LOTTERIES NEW?

Lotteries have been with us more than 300 years. They helped finance the Revolutionary Army and such schools as Princeton, Harvard and Yale.

"We're all for it!"—KNBC-TV, Los Angeles, June 12, 1984

Q How do we know that the lottery money will be spent for such essentials as salaries, textbooks and equipment?

A Because the Act specifically declares the lottery money must be spent exclusively for educational purposes and none may be used for land purchases, building construction or research.

Q Are there any other restrictions on how the money may be spent?

A No. That's all subject to local control — by the respective school boards, by the State University and Colleges Board of Trustees and by the University of California Board of Regents.

Q What can this additional money do for our elementary and high schools?

A It can provide very welcome relief to many local school districts that are now near bankruptcy.

Q Have lotteries been used to raise money for education in the past?

A Yes. Lotteries helped finance such schools as Princeton, Harvard and Yale. Currently, net proceeds from lotteries in Michigan, New York, New Jersey, New Hampshire and Ohio go to public education.

Q How about organized crime and the state lotteries?

A **There has not been one instance of infiltration by organized crime.**

Q Don't the lotteries drain away food and rent money from people in the poverty income levels? I've heard that poor people are more inclined than others to buy lottery tickets excessively.

A That's been proved wrong by numerous studies in lottery states showing low-income citizens buy fewer tickets proportionately than their percentage of the population. **It is the middle-income people, not the poor, who play lotteries in the greatest proportion.**

Q How about kids. Can they play the lottery?

A No. California would prohibit the sale of tickets or payment of prizes to anyone under 18.

Q Would establishment of the California State Lottery interfere with church/charity bingo games?

A Absolutely not.

Q How about those draw-poker parlors that are legal in some parts of California?

A They would not be affected.

Q Could money from the General (tax) Fund be used to help run the lottery?

A No. There will be a temporary line of credit for start-up funds. This must be repaid to the state's General Fund — with interest — within a year. In most states, this has been done much sooner. In Washington, the state's General Fund was repaid in full within 30 days of the start of the lottery ticket sales.

Q But couldn't the lottery come back later for more of the taxpayers' money if it needed it?

A No. The Lottery Act prohibits other "appropriations, loans or other transfers of state funds" to the lottery.

Q Who will run the California State Lottery?

A The state, itself. A lottery director and the California State Lottery Commission, which will consist of five members, will be appointed by the Governor, subject to Senate confirmation.

Q Political cronies of whoever is Governor. Right?

A Hardly. The Lottery Act prohibits the Governor from appointing more than three commissioners from the same political party.

77% of Californians Favor State Lottery - California (Field Instit

Q Couldn't some fast-talking crooks hoodwink that group of citizens on the commission?

A It would be difficult. One commissioner must have at least five years of law enforcement experience and another must be a Certified Public Accountant.

Q What about financial safeguards?

A Numerous strict "watchdog" provisions are included in the Act. For example: Monthly and quarterly reports of the lottery operations and all financial transactions must be submitted to the Governor, Attorney General, State Controller, State Treasurer and Legislature.

In addition, the Controller is required to conduct quarterly post-audits of all accounts and transactions and an independent firm of Certified Public Accountants must be engaged to conduct an annual audit.

Q Are there any protections to keep the drawings honest?

A There certainly are. Here are some very important provisions of the act:

- Drawings must be conducted in public.
- No tickets may be drawn by lottery employees.
- Drawings must be witnessed by an **independent** Certified Public Accountant.
- A videotape and audio tape record of every drawing must be made and preserved.
- All equipment used in a drawing must be inspected by the independent CPA and a lottery employee **before** and **after** each drawing.
- Lottery commissioners, employees and their spouses, children, brothers, sisters and parents are not allowed to purchase tickets or receive prizes.

Q Will lottery tickets be sold by street vendors cluttering the sidewalks as in some other nations?

A No — only by established retail outlets.

Q Are there any restrictions on hiring the lottery staff?

A Yes. The lottery security division is required to investigate the qualifications of all prospective employees. No one who has been convicted of a felony — or any gambling-related offense whatever — may serve as a lottery commissioner, officer or employee of the lottery.

Q Is an independent law enforcement agency involved in assuring lottery security?

A Yes. The Act makes it mandatory for the deputy director in charge of the security division to confer with the Attorney General and his deputies to assure "the integrity, security, honesty and fairness of the lottery."

Q How are sales agents compensated?

A They retain a commission on each ticket sold. In most states, Lottery Commissions have set this at 5%. Some also pay volume incentives.

Q I've heard about people who won a million dollars or more in lotteries in other states. Is that it — a million dollars or nothing?

A No. The lottery is not a pie-in-the-sky scheme. Of course, it's great to become an instant millionaire, but more people play for entertainment and the chance of winning some of the far more numerous smaller prizes.

Q How numerous and what kind of smaller prizes?

A In a typical recent instant game in Washington State, there were **more than 6 million winners** — ranging from free lottery tickets to such cash prizes as \$2, \$5, \$25 and upward through \$1,000, \$10,000 and more. The grand prize was \$1,000-a-week for life with a guaranteed \$1 million.

Q Will California State Lottery winners have to pay state income taxes or any local taxes on their winnings?

A No. Winnings are exempt from state and local taxes but they will be subject to federal income taxes.

ute) Poll May 1983

✓ CHECKPOINTS

- ✓ **Under this initiative, our State Constitution, for the first time, would outlaw gambling casinos in California. Only the voters could change that.**
- ✓ **Off-limits to kids! No one under 18 could buy a lottery ticket or receive a prize.**
- ✓ **Studies show low-income people buy the fewest lottery tickets per capita. Middle-income earners buy the most.**
- ✓ **Except for a short-term line of credit for start-up, no state tax money could ever be used by the lottery.**
- ✓ **The Lottery Act would not interfere with church/charity bingo games or draw poker now legal in parts of the state.**

CALIFORNIANS for BETTER EDUCATION

1308 Old Bayshore Highway, Suite 200
Burlingame, California 94010
(415) 579-7077

1720 East Garry Avenue, Suite 236
Santa Ana, California 92706
(714) 261-2464



Place
Stamp
Here

CALIFORNIANS FOR BETTER EDUCATION
1308 Old Bayshore Highway, Suite 200
Burlingame, California 94010

YES! I want to help pass Proposition 37 - the State Lottery! I will help by:

- | | |
|---|---|
| <input type="checkbox"/> You may use my name publicly | <input type="checkbox"/> Being a community speaker |
| <input type="checkbox"/> Contacting friends & neighbors | <input type="checkbox"/> Making a donation of \$_____ |
| <input type="checkbox"/> Writing letters to editors | <input type="checkbox"/> Distributing literature |
| <input type="checkbox"/> Working on a special event | <input type="checkbox"/> Working on election day |
| <input type="checkbox"/> Phoning radio/TV talk shows | |

Signature _____

Name _____

Please Print Please Circle Mr Mrs Ms

Address _____

City _____ Zip _____ County _____

Home Phone (_____) _____ Work Phone (_____) _____

Occupation _____ Employer _____

Business Address _____

Republican Democrat Independent School-age children? Yes No

Paid for by Californians for Better Education, Barry Fadem, Treasurer


RL
City Atty
Date 06
P.A.

Californians for **Better** **Education**

19-September-84

Mr. Ron Stein
City Attorney
221 W. Pine
Lodi, CA 95240

Dear Mr. Stein,

Public education is one of the most important services provided by government. Today, however, our schools are chronically underfunded. This problem demands our immediate attention. As a representative of your community's concerns, it is essential that you take the lead in addressing this problem.

Californians For Better Education has organized in support of the California State Lottery Act--the "Lottery For Education." The initiative, which will be on the November ballot, will provide significant financial support to California public education.

All of the net revenue generated annually from the lottery -- estimated at \$680 million in the first year -- will go directly to local school boards and governing bodies. Also, the Act explicitly requires that the lottery revenue be used as supplementary funding for California schools.

There is widespread support for the initiative. A California Poll shows that 77% of all Californians support a lottery. Over one million Californians signed petitions to put the initiative on the ballot. Already, the San Francisco, San Diego, San Jose and Oakland Boards of Education have endorsed the initiative.

California schools must be adequately funded. Today, they are not. A state lottery, while not the panacea for our schools' financial troubles, will go a long way in our continuing effort to provide the additional funding California Schools so crucially need.

I have enclosed information on the initiative. Your support would be very valuable in our attempt to provide a reliable and additional source of revenue for our schools.

I look forward to speaking with you soon.

Sincerely,


Robert Kaplan
Field Representative

SEP 21 1984

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Santa Ana, CA 92705
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ELECTED OFFICIALS ENDORSE PROP 37

SUPERVISORS:

George Barber, President, San Joaquin
John Begovich, Member, Amador
Sal Cannella, Member, Stanislaus
Ernest Carpenter, Member, Sonoma
Rod Diridon, Member, Santa Clara
John George, President, Alameda
Jay Goetting, Supervisor-elect, Napa
Daniel Hamburg, Member, Mendocino
Willie Kennedy, Member, San Francisco
Becky Morgan, Member, Santa Clara
Harold Moskowitz, Member, Napa
Wendy Nelder, President, San Francisco
Charles Santana, Member, Alameda
Tom Torakson, President, Contra Costa
Mel Varrelman, Member, Napa
Doris Ward, Member, San Francisco

MAYORS:

City of Tracy
Oscar Brownell, City of Seal Beach
Jonathon Cannon, City of Garden Grove
William Cunningham, City of Huntington Park
Rotea Gilford, Deputy Mayor, City of San Francisco
Dan Griffin, City of Buena Park
Alex Guiliani, City of Hayward
Shirley Lewis, V. Mayor, City of San Jose
Carrey Nelson, City of Brea
Richard Partin, City of Cypress
Robert Pokorny, V. Mayor, City of Vacaville
Verne Roberts, City of Antioch
Randall Ronk, City of Stockton
John Sutton, City of Brea
Charles Sylvia, City of Los Alamitos
J. Tilman Williams, Mayor Pro-Tempore, City of Garden Grove

CITY COUNCIL MEMBERS:

Blanco Alvarado, City of San Jose
Jerry Estruth, City of San Jose
Cole Eyraud, City of Desert Hot Springs
Susan Hammer, City of San Jose
Robert Henning, City of Lynwood
Dick Hildebrand, City of Walnut Creek
William Jennings, City of Santa Monica
Barbara Kondylis, City of Vallejo
Milt Krieger, City of Garden Grove
Mary Moore, City of Oakland
Ray O'Neal, City of Bellflower
A. Ronald Perkins, Culver City
Pete Schouten, City of Dixon
Earl Sherburn, City of Palmdale
Iola Williams, City of San Jose

(over)

COUNTY DEMOCRATIC AND REPUBLICAN CENTRAL COMMITTEES:

San Francisco County Democratic Central Committee
Shasta County Democratic Central Committee
Frank Ammerman, Chair, Tehama County Democratic Central Committee
Rudy Cardenas, Chair, Imperial County Democratic Central Committee
Gary Carmichael, Orange County Republican Central Committee
Mary Mahoney, Chair, Contra Costa County Democratic Central Committee
Marge Morris, Calaveras Democratic Central Committee
Chris Portway, Chair, Riverside County Democratic Central Committee

SCHOOL BOARDS:

Berkeley Board of Education
Bolinas/Stinson Board of Education
Carlsbad Board of Education
Dixon Board of Education
Emery Board of Education
Forestville Board of Education
Martinez Board of Education
Moorpark Board of Education
Oakland Board of Education
San Diego Board of Education
San Francisco Board of Education
San Jose Unified Board of Education
San Lorenzo Board of Education
Vacaville Board of Education

OTHERS:

Robert Campbell, Assemblyman, 11th District
Joseph Montoya, Senator, 26th District
Robert Naylor, Assemblyman, 20th District
Joseph McNamara, Police Chief, City of San Jose

MEDIA ENDORSEMENTS:

San Francisco Chronicle
San Francisco Examiner
KGO-TV S.F.
KNBC-TV L.A.
KABC-TV L.A.
KHJ-TV L.A.
KNBC-RADIO S.F.
Beverly Hills Courier
Fremont Argus
Hayward Daily Review
Yuba City Valley Herald
Antelope Valley Press (Lancaster)
Gardena Valley News-Tribune
Kingsburg Recorder
Portola Reporter/Feather River Bulletin
St. Helena Star

Californians for **Better** **Education**

CALIFORNIA STATE LOTTERY GENERATES NEARLY \$700 MILLION FOR PUBLIC EDUCATION AND MORE THAN \$850 MILLION TO PRIZE WINNERS IN FIRST YEAR ALONE!

In May, a record number of signatures of California voters were submitted to the Secretary of State to qualify an initiative for the November ballot. This initiative will seek the creation of a state-operated lottery to benefit public education.

As you know, California is facing ever-increasing problems in meeting the critical financial needs to support our public education -- a system which has always ranked among the best in the nation. The creation of a state lottery to provide additional, supplementary money for education is a viable method of fulfilling this financial need. In a recent California Field Poll, 77% of California voters favored a state-operated lottery.

Clearly, the voters of our state overwhelmingly support the concept of a state-run lottery for public education. Seventeen states have turned to lotteries as a successful method of generating revenue since New Hampshire established the first lottery in 1964. Nationwide, lottery gross sales have raised \$202.2 billion since then. In Pennsylvania alone, fiscal year 1983 gross sales were \$885 million.

The projections for California show that after expenses and prize payment, public education would receive more than \$680 million in the first year. This amount is equal to the state's income last year from horse racing, alcoholic beverage taxes and liquor license fees, cigarette taxes, estate and gift taxes combined, plus \$140 million.

BENEFITS TO PUBLIC EDUCATION

Provisions in this California lottery initiative require that net proceeds from the California state-operated lottery be spent exclusively for public education -- K through 12, community colleges, the State University and Colleges and the University of California -- to be allocated to each educational level on the basis of ADA (average daily attendance) and, when applicable, full-time equivalent enrollment.

This money will go directly into the California State Lottery Education Fund -- without need for legislative appropriation or approval. The State Controller will send state warrants directly to each school district and the respective governing bodies of the California State University and Colleges and the University of California.

(over)

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Each education level will be assured new money for education each year. Based on the ADA and full-time enrollment allocation system, this would mean an estimated \$127 new dollars for each full-time equivalent student in California. On the basis of this year's enrollment figures, K-12 levels would receive approximately \$539 million; community colleges, \$93 million; State University and Colleges, \$31 million and the University of California, \$18 million.

UNIQUE FEATURES OF THE LOTTERY ACT OF 1984

--Public education will have a guaranteed source of supplementary income.

--Money will go directly to each school district, the Board of Regents and Board of Trustees. Local public education officials will control the purse strings. Funds received must be spent for education purposes, not for capital improvements, land purchases or research.

--This tremendous source of supplementary income is a continuing and growing source of revenues.

--The Act also places a constitutional prohibition on Nevada and New Jersey-type casinos.

--The lottery would be run by a lottery director, and the California State Lottery Commission, which will consist of five members, all appointed by the Governor, subject to Senate confirmation. No more than three members of the Commission may be from the same political party.

--Each educational level will be assured a portion of the lottery proceeds.

WE HOPE YOU WILL JOIN CALIFORNIA VOTERS IN THEIR STRONG SUPPORT FOR ADDITIONAL MONEY FOR PUBLIC EDUCATION.

Californians for **Better** **Education**

THE POOR AND STATE LOTTERIES

Opponents of state-oriented lotteries claim that people from lower-income households buy a disproportionate number of lottery tickets and, thus, intensify the effects of their poverty.

Dependable studies, however, show that this simply is not true. Here are some examples:

WASHINGTON: The State of Washington has conducted demographic profiles of state lottery players since inception of its lottery games. A 1983 report declared: "The 'poor' and the 'uneducated' are not buying tickets at above-average rates...Those with household incomes between 0 and \$5,000 played 3.37 less than their percentage of the population and those in the \$5,000 to \$10,000 category played 14.5% less...The greatest play in relation to their proportion of the state's population came from the \$25,000 to \$30,000 income bracket. Those players participated at a rate of 20% higher than their proportion of the state's population."

CONNECTICUT: The Hartford Courant summarizing a 1981 study by Economic Research Associates wrote:

"Results of the study showed that legalized gambling (state lottery) does not create compulsive gambling...add to the state's welfare rolls...cause increased bankruptcies...or deprive families of life's necessities."

NEW YORK, PENNSYLVANIA, ILLINOIS, MICHIGAN, NEW JERSEY: New Orleans Mayor Ernest N. Morial, in an article published in the Baton Rouge Sunday Advocate of November 21, 1981, wrote in part:

"Research shows that persons from middle-income households are the most active lottery participants. Studies conducted in five (lottery) states (New York, Pennsylvania, Illinois, Michigan and New Jersey) show that the highest level of participants are from those with incomes between \$18,000 and \$34,000 per year. And in each state, the lowest levels of participation are from households earning less than \$11,000 per year.

"It is the middle class, not the poor, who play lotteries in the greater proportion."

DELAWARE: A study conducted by the University of Delaware College of Business and Economics in 1979 found just 11 percent of families earning less than \$10,000 participated in lotteries and the median income of families buying tickets was \$19,200.

COLORADO: Colorado State Lottery Director Owen Hickey, reporting on first-year (1983) demographic studies:

"The lottery is really the game of males and females between 25 and 55 with household incomes between \$18,000 and \$36,000 and they have 11 or 12 years of school."

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May 10, 1984

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CRIME AND STATE LOTTERIES

Do State-Operated Lotteries Attract Organized Crime?

Recent declarations by officials in the states which operate lotteries and the 1971 findings of a task force commissioned by then-California Attorney General Evelle J. Younger to study legalized gambling agree there is no organized crime involvement and they attribute this fact primarily to tight security measures and the absence of profit opportunities to reward criminal intrusion.

Reporting on New York, the task force sums up findings of those who have probed the question: the New York State Lottery created virtually no law enforcement problems; and, the New York operation is trustworthy and untainted by any serious attempt to corrupt the lottery or lottery officials.

"The primary reason for this," the task force reported, "is that there is not sufficient profit available to organized crime groups to make protected involvement in the state lottery attractive to organized criminal groups."

The task force's findings are further supported by recent observations of past and present officials of lottery-operating states:

OHIO -- Edwin C. Taylor, Executive Secretary, Ohio Lottery, 1981: "We have no known infiltration by organized crime, although there were many accusations and innuendos at the beginning of the Ohio Lottery in 1974."

MASSACHUSETTS -- Dr. William E. Perrault, Executive Director, Massachusetts Lottery, 1981: "The record of (state) lotteries in the United States for the past 18 years has not had one incident of association with organized crime..."

MICHIGAN -- Gus Harrison, former Commissioner, Michigan State Lottery: "Lottery opponents invariably argue that organized crime gleefully awaits the installation of state lotteries. I can categorically and unequivocally deny this. Neither Michigan nor any state, to my knowledge, has had any difficulty in this regard."

PENNSYLVANIA -- Lynn R. Nelson, Executive Director, Pennsylvania Lottery, 1981: "There has been no evidence, not even an allegation, that organized crime has infiltrated any of the state-operated lotteries in the United States."

DELAWARE -- Ralph F. Batch, Director, Delaware Lottery, 1981: "During my lottery experience in New Jersey, Illinois and Delaware, I have neither directly nor indirectly encountered any evidence whatsoever of any infiltration or resemblance thereof by any crime into the affairs of (state) lotteries."

NEW HAMPSHIRE -- James M. Kennedy, former Director, New Hampshire Sweepstakes Commission: When New Hampshire authorized the first state lottery in 1963, "Opponents made dire predictions of crime infiltration...Stringent security measures were implemented from the beginning and there has never been any possibility of infiltration by the criminal elements."

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May 10, 1984