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10 CHAIRPERSON JAMES: We'll now  
11 hear from Ms. Paul, and thank you so much for being  
12 here with us this morning.

13 MS. PAUL: Thank you, Commissioner James,  
14 members of the Commission, members of the Commission  
15 staff, and distinguished guests. It is indeed a  
16 pleasure to be here this morning. My name is Rebecca  
17 Paul. I am President of the Georgia Lottery  
18 Corporation, a position I've held since the lottery  
19 began in 1993. Prior to that I was the Director of

1 both the Illinois and the Florida lotteries. I have  
2 been in the industry for thirteen years.

3                   However, I am here today as President of  
4 the North American Association of State and Provincial  
5 Lotteries, a trade association that is the only  
6 association that every lottery in the United States and  
7 Canada belongs to. Our purpose is to share information  
8 so that we can learn from each other, so that our  
9 lotteries can be stronger, yes more successful and yes  
10 more socially responsible.

11                  I would like to, with Commissioner James,  
12 before I begin, express the sympathy that all of us in  
13 the lottery industry have in regards to the tragedy in  
14 Connecticut last week. Otho, you heard was asked to  
15 testify before this Commission, he was a friend, a  
16 colleague and he will be missed.

17                  Now as I talk about what I had prepared in  
18 my text for you today, it appeared as if Mr. Seay had  
19 read my speech, because everything he told you, I was  
20 going to tell you. So, I will make all those remarks

1 as short as I can, and only hit the highlights of what  
2 he talked to you about.

3                   Lotteries are established and run under the  
4 direction of state governments. The profits of those  
5 dollars go directly back to those states in the  
6 critical areas of state and local services. They have  
7 a long history. They started in 1532 in Italy, became  
8 a popular form of entertainment, found their way from  
9 Italy to England, and from England to this country.  
10 The first lottery held in this country was in 1608,  
11 that was the great Virginia Lottery, it helped settlers  
12 with their problems of famine and disease.

13                   Harvard, Yale and Princeton Universities  
14 all had lottery dollars as a part of their founding  
15 funding mechanisms. George Washington's army had some  
16 funding from lotteries to help during the Continental  
17 Congress days. In those days, as Mr. Seay told you,  
18 roads, bridges, schools, even churches were often built  
19 with lottery dollars. They fell out of favor in the

1 late 1800's, and in 1964 were brought back as state run  
2 government lottery operated in New Hampshire.

3                   Since then, 37 states and our nation's  
4 capital, either by public referendum where the people  
5 of the state voted for a lottery or through the act of  
6 a state legislature, started a lottery. They were  
7 started for many reasons, in some states the lottery  
8 started to replace illegal numbers games, with  
9 government's belief that with the state running the  
10 lottery they eliminated the risk of corruption and the  
11 profits would then indeed go to public good.

12                  Many lotteries started because their  
13 citizens were playing in an adjoining state, without  
14 any of the dollars that go to the public good from the  
15 play of the lottery benefiting their own state. So if  
16 the state next door had a lottery they would start one  
17 next door, and therefore, their own citizens would  
18 benefit from the public good.

19                  Now, Georgia had yet a different reason for  
20 starting the lottery. I know Governor Miller has

1 requested testifying before this Commission, I will  
2 tell you what he'd say, if he were here. He had a  
3 dream. His dream was that any child who graduated from  
4 high school with a B average would have the opportunity  
5 to go to college; the lottery has certainly made that  
6 dream a reality.

7                   A third of our funding goes into a program  
8 called the HOPE Scholarship Program. It's pretty  
9 simple. You graduate from a Georgia high school with a  
10 B average and the lottery will pay your way to college,  
11 tuition, books and fees, if you go to school in the  
12 state university system, it's one hundred percent of  
13 your tuition. If you go to a private institute in the  
14 state of Georgia you get a tuition equalization grant  
15 which will help defray the cost of that tuition.

16                  Over 300,000 students have benefitted from  
17 the HOPE Scholarship Program. And as an example, at  
18 the University of Georgia, 97 percent of the Georgia  
19 freshmen are there on lottery funded scholarships. It

1 has indeed changed the face of higher education in  
2 Georgia as nothing has since the GI Bill.

3 Governor Miller also envisioned a program  
4 designed to prepare children for their educational  
5 paths. A voluntary pre kindergarten program for four  
6 year olds which would give children the tools they  
7 needed both socially and educationally to start school.  
8 This program originally designed for at-risk four year  
9 olds, has since expanded to all four year olds. This  
10 year there are 65,000 four year olds in the state of  
11 Georgia in exclusively funded pre kindergarten  
12 programs, exclusively lottery funded pre kindergarten  
13 programs.

14 This program has enjoyed tremendous  
15 success. In fact, it was recently awarded a grant from  
16 the Ford Foundation for being one of the top ten  
17 innovations in American government for 1997. This  
18 prestigious honor bestowed upon the program by the Ford  
19 Foundation and Harvard's Kennedy School of Government  
20 recognized the program as a model for other states in

1 preparing children for successful education and a  
2 promising future.

3 Furthermore, studies have shown that the  
4 program has indeed had its desired effect. The first  
5 group of four year olds that went to the lottery funded  
6 pre kindergarten program in 1993-94 when they finished  
7 the first grade, tested not only higher than their own  
8 classmates on the Iowa Basic Skills Test, they tested  
9 higher than the national average on the Iowa Basic  
10 Skills Test. Something that hadn't happened before in  
11 Georgia. And Georgia's children today are entering the  
12 first grade ready to learn. Our governor believes that  
13 makes a difference.

14 The other way, and the way that Mr. Seay  
15 had left out in his presentation, that the lottery  
16 makes a difference in Georgia is by funding computer  
17 technology in elementary and secondary schools. The  
18 goal being to make Georgia's schools ready for the 21st  
19 century. These initiatives include satellite dishes,

1 long distance learning capabilities, and are literally  
2 insuring Georgia's students be prepared for the future.

3 All this, and in addition, non lottery  
4 spending on education from the general fund has  
5 increased since the lottery began. Fifty-two percent  
6 of the general fund dollars went to education prior to  
7 the lottery and 54 percent of the general revenue  
8 budget goes to education today.

9 Now, that is what the lottery has done for  
10 Georgia. Any other lottery director could you tell you  
11 a similar story in terms of what the lottery has done  
12 in their states. In Pennsylvania, for example, the  
13 dollars go to senior programs. Since the lottery began  
14 more than \$10 billion have gone to fund senior health  
15 care, housing, prescription drugs and eyeglasses. In  
16 Colorado the funds are allocated to the Department of  
17 Natural Resources, millions of dollars go to fund state  
18 parks, recreation, wildlife protection, open spaces,  
19 public buildings. In Minnesota the revenues go to the  
20 environment and natural resources. In Wisconsin they

1 go to property tax relief. In Iowa they go to economic  
2 development. In Arizona they build highways. And in  
3 Massachusetts, as you'll hear more tomorrow, they go  
4 back to local towns and communities.

5                   In inviting me here today, you asked me to  
6 address who plays the lottery. As I've tried to  
7 explain a lottery, each state has its own approach, its  
8 own products, its own preferences. Each state's  
9 lottery players will reflect the demographic profile of  
10 that state. On average, however, a typical player will  
11 be someone who has graduated from high school, has some  
12 additional education, and an annual household income of  
13 just over \$34,000.

14                  A market research study conducted by the  
15 Atlanta Journal Constitution found that in the metro  
16 Atlanta area the typical lottery player was a white  
17 male, he was over 25 years old, he had an annual income  
18 in excess of \$35,000 and had at least a high school  
19 diploma. The research shows, and it's in your packets,  
20 that our players were slightly older than the

1 marketplace. We had more male purchasers than female  
2 purchasers. The ethnicity was in line with the market.  
3 The annual income skewed higher than the marketplace.  
4 In fact, over 50 percent made more than \$50,000 per  
5 year. And 57 percent of our players had some college,  
6 a college degree, or an advanced degree.

7                   A study reported in a national magazine  
8 this year and I will quote from it, asked the question  
9 who buys lottery tickets, conventional wisdom has it  
10 that it is the poor, not so according to Scarborough  
11 Research. When the market research firm asked people  
12 who earned less than \$25,000 when did you last buy a  
13 lottery ticket, the largest number said never.  
14 Meanwhile, more than 75 percent of those with household  
15 incomes above \$50,000 a year admitted to past bouts of  
16 lotto fever. The largest percentage, 30 percent, said  
17 they had bought a ticket in the last year, had bought a  
18 ticket in the last month and 29 percent had bought a  
19 ticket within the last week.

1                   As you might guess, this wide variety of  
2 people have numerous reasons for playing. Some people  
3 play for recreation, for entertainment, as part of a  
4 social group, and yes, they play in hopes that they  
5 might win whether it's a small thrill or a big jackpot.

6                   Many people as Mr. Seay said, appreciate  
7 that the money they spend goes to what they see as a  
8 valuable community program. In Georgia, where all the  
9 lottery funds are dedicated to the three progressive  
10 educational programs I described, a survey done again  
11 by the Atlanta Journal Constitution found support for  
12 these programs was cited as the reason to play.

13                  No doubt many of you have seen recently  
14 circulated material openly critical of lotteries on a  
15 variety of charges. While I have no doubt that such  
16 information will not compromise the objectivity of this  
17 body as it makes way towards producing an unbiased and  
18 accurate report, I'd like to examine three areas of  
19 particular concern to lottery critics.

1                   First, the affect of lotteries on the poor.

2   As shown in the demographic profiles that I've cited,  
3   people of all income levels purchase lottery tickets.

4   The typical player, as I have said, has more than a  
5   high school education, household income above the  
6   national average.

7                   But virtually everyone who plays the  
8   Lottery, regardless of their income level, for them  
9   lotteries are basically inexpensive entertainment.  
10   They buy a ticket for the same reason they buy a can of  
11   soda, a snack or a newspaper, go to a ball game or to a  
12   movie, play their weekly bridge game or go out for a  
13   beer on St. Patrick's Day. To imply that people from  
14   certain socioeconomic segments shouldn't play the  
15   lottery or somehow are less competent to make a  
16   decision about how they want to spend their money is no  
17   more valid then telling them we know best what they  
18   should eat, wear or read.

19                  From my experience I have learned to  
20   examine cautiously many of the statistics floated about

1 who buys lottery tickets. First, it is important to  
2 keep in mind that lottery tickets are sold in retail  
3 outlets. There tend to be more retail outlets and  
4 therefore higher sales in highly populated urban areas.  
5 And often due to zoning laws, very few retail outlets,  
6 sometimes none, in very high income areas.

7                   Lottery ticket sales also tend to reflect  
8 where people work or where they shop rather than where  
9 they live. The area with the highest per capita ticket  
10 sales in Atlanta, for example, is in downtown where  
11 virtually no one lives, but, over one million people  
12 come to work everyday from all socioeconomic levels.  
13 They buy their tickets where they work, not necessarily  
14 where they live.

15                  Likewise, the highest per capita county in  
16 the state in terms of lottery ticket sales, is from a  
17 sparsely populated rural county with a lower average  
18 income than Atlanta. This county happens to border  
19 South Carolina, whose citizens don't have a state  
20 lottery, so they come to that county to play. In fact,

1   16 percent of all sales in the Georgia Lottery come  
2   from the surrounding states that don't have a lottery.  
3   So even our state wide per capita sales are skewed by  
4   non citizen players. Some statistics, therefore, must  
5   be examined rigorously to find out their real value.

6                 Many criticisms are expressed in terms of a  
7   higher percentage of household income spent on lottery  
8   tickets by lower income players. It's true. Five  
9   dollars a week is a larger part of a disposable income  
10   for a person making \$25,000 a year, than it is of  
11   someone who makes \$60,000 a year. But when my husband  
12   and I go to dinner and a movie, that tab represents a  
13   much higher portion of our household income than it  
14   would for Bill Gates.

15                Second, lottery advertising. Advertising  
16   is used to raise awareness and influence selection of  
17   any product or service over another. I'm afraid, sir,  
18   we do compete with Mars candy, with Frito Lay and with  
19   Coca Cola. In Georgia, 75 percent of our ticket sales  
20   happen at convenient stores. When a customer goes into

1 a convenient store and buys \$18 worth of gas, and gives  
2 the clerk a \$20 bill, my hope is they'll spend their \$2  
3 change on a lottery ticket and support education and  
4 not buy a Slim Jim.

5                   How each lottery handles its advertising is  
6 government by the charter set by its own state  
7 legislature. It's interesting to note that on an  
8 average the lottery spends one to two percent of its  
9 revenue on advertising its products. Where the average  
10 consumer product company spends five to eight percent  
11 on advertising. For soft drinks and bottled water, as  
12 an example, the figure is five percent. For soap and  
13 detergent it's nine percent. And for sugar, for candy,  
14 it's 17.4.

15                  I understand the Commission intends to look  
16 in depth at advertising at a later meeting. I hope at  
17 that time you'll call on advertising experts who can  
18 address to what degree advertising can or cannot have  
19 an affect on an individuals actions and choices.

1                   Third, compulsive gambling. Problem  
2 gambling like other compulsive behaviors is indeed a  
3 pressing social concern. For most research I've seen  
4 however, lotteries seem to play a small role in the  
5 problem of gambling behavior. That is not to say  
6 compulsive gamblers don't buy lottery tickets along  
7 with the money they spend on other forms of gaming,  
8 legal and illegal. But experts say that playing the  
9 lottery does not exhibit the same characteristics which  
10 are important in fostering compulsive gambling, low  
11 odds, high excitement and a sense of mastering the  
12 game.

13                  Nevertheless, all of us in the lottery  
14 industry are aware of this problem, concerned about it,  
15 and try to do as much as we can to address it. State  
16 efforts are determined by those who govern us. And run  
17 the gamut from putting 1-800 hotline numbers on lottery  
18 tickets, to mounting point of sale information about  
19 counseling programs and running public service  
20 announcements, providing funding for state or local

1 compulsive gambling programs. Again, what each  
2 individual lottery does, is governed by the  
3 rules set in its state legislature.

4 In Georgia, for example, the legislature  
5 has put aside \$200,000 from the lottery to the state's  
6 gambling treatment program. The Massachusetts program  
7 which was designed by their legislature, you'll hear  
8 more about tomorrow.

9 My purpose in being here today was to help  
10 the Commission, and others present at this hearing,  
11 learn a little bit more about state lotteries, the  
12 reasons 37 states and the nation's capital have chosen  
13 to set up those lotteries, their role in raising  
14 revenues for vital community programs, their  
15 contributions to the public welfare. I hope I've  
16 succeeded and I want to leave you today with what those  
17 of us in the lottery industry see as the real  
18 advantages of state lotteries.

19 State lotteries are created by state  
20 government for the benefit of state residents. We are

1 directly accountable to the legislature and through  
2 them to the people of our states. State lotteries have  
3 been established with a wide public support in response  
4 to public needs. We have and will continue to adopt  
5 and to change and to improve our efforts to meet these  
6 needs.

7 Now if I may go back to Georgia for just  
8 one moment. In four years, we've done three things, we  
9 provided entertainment for millions of Georgians, we've  
10 provided millions of dollars to many lucky Georgians,  
11 and we have made education better for all Georgians.  
12 And that's something I'm very proud of.

13 CHAIRPERSON JAMES: Thank you so much. And  
14 we're going to reserve questions until we get to the  
15 end, unless a Commissioner has a burning one that he  
16 just can't wait for.