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

MS. PAUL: Thank you, Commissioner James, members of the Commission, members of the Commission staff, and distinguished guests. It is indeed a pleasure to be here this morning. My name is Rebecca Paul. I am President of the Georgia Lottery Corporation, a position I've held since the lottery began in 1993. Prior to that I was the Director of
both the Illinois and the Florida lotteries. I have been in the industry for thirteen years.

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

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

Now as I talk about what I had prepared in my text for you today, it appeared as if Mr. Seay had read my speech, because everything he told you, I was going to tell you. So, I will make all those remarks
as short as I can, and only hit the highlights of what he talked to you about.

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

Harvard, Yale and Princeton Universities all had lottery dollars as a part of their founding funding mechanisms. George Washington's army had some funding from lotteries to help during the Continental Congress days. In those days, as Mr. Seay told you, roads, bridges, schools, even churches were often built with lottery dollars. They fell out of favor in the
late 1800's, and in 1964 were brought back as state run
government lottery operated in New Hampshire.

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

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

Now, Georgia had yet a different reason for
starting the lottery. I know Governor Miller has
requested testifying before this Commission, I will
tell you what he'd say, if he were here. He had a
dream. His dream was that any child who graduated from
high school with a B average would have the opportunity
to go to college; the lottery has certainly made that
dream a reality.

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

Over 300,000 students have benefitted from
the HOPE Scholarship Program. And as an example, at
the University of Georgia, 97 percent of the Georgia
freshmen are there on lottery funded scholarships. It
has indeed changed the face of higher education in
Georgia as nothing has since the GI Bill.

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

This program has enjoyed tremendous
success. In fact, it was recently awarded a grant from
the Ford Foundation for being one of the top ten
innovations in American government for 1997. This
prestigious honor bestowed upon the program by the Ford
Foundation and Harvard's Kennedy School of Government
recognized the program as a model for other states in
preparing children for successful education and a promising future.

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

The other way, and the way that Mr. Seay had left out in his presentation, that the lottery makes a difference in Georgia is by funding computer technology in elementary and secondary schools. The goal being to make Georgia's schools ready for the 21st century. These initiatives include satellite dishes,
long distance learning capabilities, and are literally
insuring Georgia's students be prepared for the future.
All this, and in addition, non lottery
spending on education from the general fund has
increased since the lottery began. Fifty-two percent
of the general fund dollars went to education prior to
the lottery and 54 percent of the general revenue
budget goes to education today.
Now, that is what the lottery has done for
Georgia. Any other lottery director could you tell you
a similar story in terms of what the lottery has done
in their states. In Pennsylvania, for example, the
dollars go to senior programs. Since the lottery began
more than $10 billion have gone to fund senior health
care, housing, prescription drugs and eyeglasses. In
Colorado the funds are allocated to the Department of
Natural Resources, millions of dollars go to fund state
parks, recreation, wildlife protection, open spaces,
public buildings. In Minnesota the revenues go to the
environment and natural resources. In Wisconsin they
go to property tax relief. In Iowa they go to economic
development. In Arizona they build highways. And in
Massachusetts, as you'll hear more tomorrow, they go
back to local towns and communities.

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

A market research study conducted by the
Atlanta Journal Constitution found that in the metro
Atlanta area the typical lottery player was a white
male, he was over 25 years old, he had an annual income
in excess of $35,000 and had at least a high school
diploma. The research shows, and it's in your packets,
that our players were slightly older than the
marketplace. We had more male purchasers then female purchasers. The ethnicity was in line with the market. The annual income skewed higher than the marketplace. In fact, over 50 percent made more than $50,000 per year. And 57 percent of our players had some college, a college degree, or an advanced degree.

A study reported in a national magazine this year and I will quote from it, asked the question who buys lottery tickets, conventional wisdom has it that it is the poor, not so according to Scarborough Research. When the market research firm asked people who earned less than $25,000 when did you last buy a lottery ticket, the largest number said never. Meanwhile, more than 75 percent of those with household incomes above $50,000 a year admitted to past bouts of lotto fever. The largest percentage, 30 percent, said they had bought a ticket in the last year, had bought a ticket in the last month and 29 percent had bought a ticket within the last week.
As you might guess, this wide variety of people have numerous reasons for playing. Some people play for recreation, for entertainment, as part of a social group, and yes, they play in hopes that they might win whether it's a small thrill or a big jackpot.

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

No doubt many of you have seen recently circulated material openly critical of lotteries on a variety of charges. While I have no doubt that such information will not compromise the objectivity of this body as it makes way towards producing an unbiased and accurate report, I'd like to examine three areas of particular concern to lottery critics.
First, the affect of lotteries on the poor. As shown in the demographic profiles that I've cited, people of all income levels purchase lottery tickets. The typical player, as I have said, has more than a high school education, household income above the national average.

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

From my experience I have learned to examine cautiously many of the statistics floated about
who buys lottery tickets. First, it is important to keep in mind that lottery tickets are sold in retail outlets. There tend to be more retail outlets and therefore higher sales in highly populated urban areas. And often due to zoning laws, very few retail outlets, sometimes none, in very high income areas.

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

Likewise, the highest per capita county in the state in terms of lottery ticket sales, is from a sparsely populated rural county with a lower average income than Atlanta. This county happens to border South Carolina, whose citizens don't have a state lottery, so they come to that county to play. In fact,
16 percent of all sales in the Georgia Lottery come
from the surrounding states that don't have a lottery.
So even our state wide per capita sales are skewed by
non citizen players. Some statistics, therefore, must
be examined rigorously to find out their real value.

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

Second, lottery advertising. Advertising
is used to raise awareness and influence selection of
any product or service over another. I'm afraid, sir,
we do compete with Mars candy, with Frito Lay and with
Coca Cola. In Georgia, 75 percent of our ticket sales
happen at convenient stores. When a customer goes into
a convenient store and buys $18 worth of gas, and gives the clerk a $20 bill, my hope is they'll spend their $2 change on a lottery ticket and support education and not buy a Slim Jim.

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

I understand the Commission intends to look in depth at advertising at a later meeting. I hope at that time you'll call on advertising experts who can address to what degree advertising can or cannot have an affect on an individuals actions and choices.
Third, compulsive gambling. Problem gambling like other compulsive behaviors is indeed a pressing social concern. For most research I've seen however, lotteries seem to play a small role in the problem of gambling behavior. That is not to say compulsive gamblers don't buy lottery tickets along with the money they spend on other forms of gaming, legal and illegal. But experts say that playing the lottery does not exhibit the same characteristics which are important in fostering compulsive gambling, low odds, high excitement and a sense of mastering the game.

Nevertheless, all of us in the lottery industry are aware of this problem, concerned about it, and try to do as much as we can to address it. State efforts are determined by those who govern us. And run the gamut from putting 1-800 hotline numbers on lottery tickets, to mounting point of sale information about counseling programs and running public service announcements, providing funding for state or local
compulsive gambling programs. Again, what each
individual lottery does, is governed by the
rules set in its state legislature.

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

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

State lotteries are created by state
government for the benefit of state residents. We are
directly accountable to the legislature and through them to the people of our states. State lotteries have been established with a wide public support in response to public needs. We have and will continue to adopt and to change and to improve our efforts to meet these needs.

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

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