

HI-1736/2-CC

INCREASED LEGAL GAMBLING IN NEW YORK A Policy Analysis

VOLUME III

Chartbook to accompany
REPORT BY HUDSON INSTITUTE TO:
THE NEW YORK STATE GAMBLING COMMISSION

JANUARY 12, 1973

Max Singer, Project Leader
Basil Candela, Associate Project Leader



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12 January 1973

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TABLE OF CONTENTS

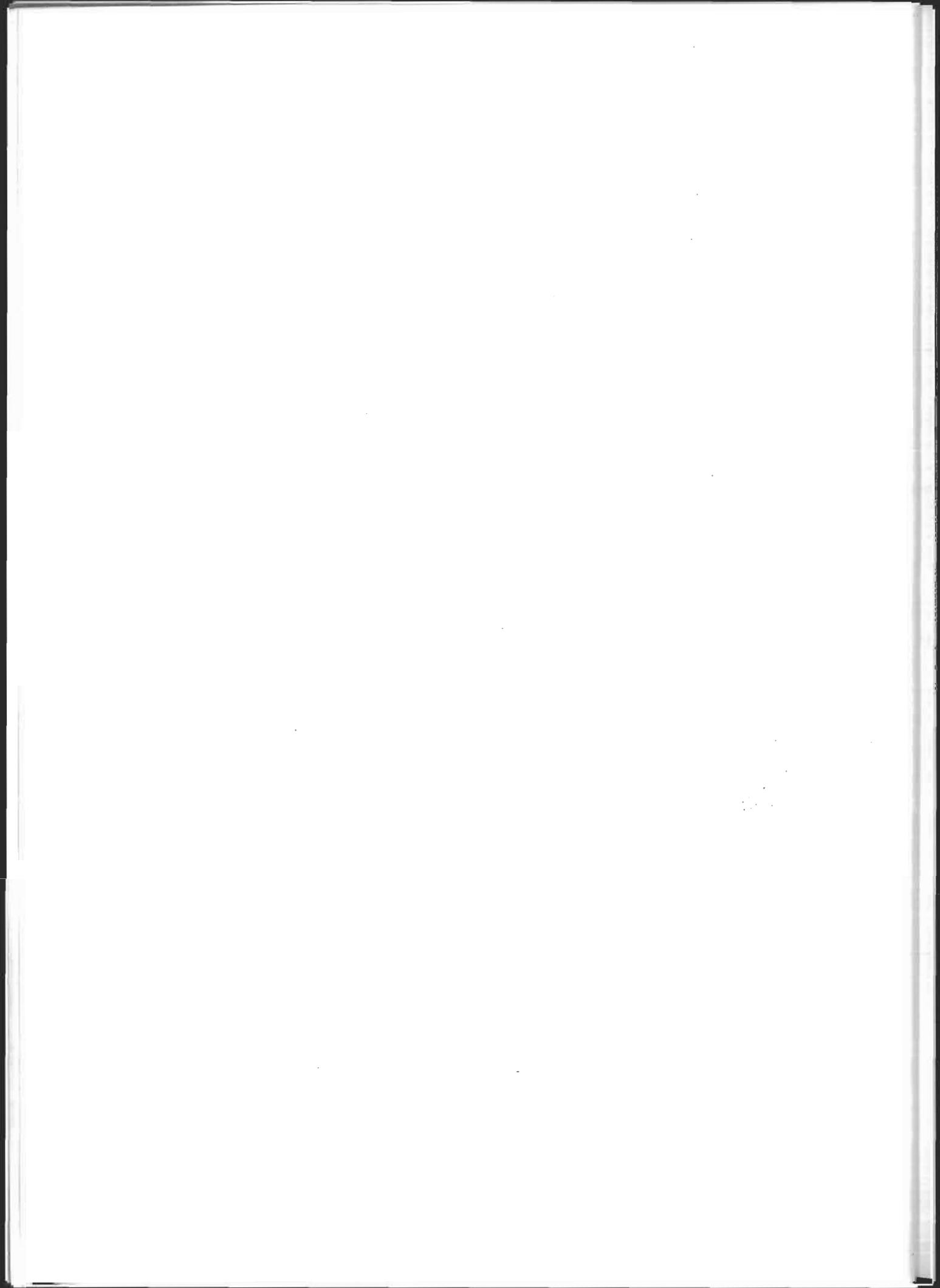
	Page
Introduction.	ii
Acknowledgements.	iii
The Legalization Argument	1
New York State Bingo and Lottery History.	2
New York City Off-Track Betting Experience.	3
New York State Revenues--National Sports Attendance Figures	4
New York State Illegal Numbers Game	5
New York State Illegal Sports Betting--Overall Gambling Revenues--Ticket Systems Comparison	6
Nevada Casino Industry.	7
New York State Casino Program Criteria.	8
Estimates of Two New York Casino Programs	9
Attitudes and Opinions on Gambling, Crime and Corruption.	10-11
Survey of the States: Status of Gambling Legislation	12
Estimates of Illegal Gambling Volume in U.S.A..	13



INTRODUCTION

Hudson Institute has found the use of a chartbook to be an extremely useful tool for the presentation of data. It is designed to give the interested reader a quick, and hopefully complete view of facts and opinions of knowledgeable people. The purpose, of course, is to help shape the reader's thinking on the subject being examined and aid in the formation of his decisions if he is in a policy-determining position.

This chartbook is supplementary to the Institute's report HI-1736-RR as part of our contract with the New York State Gambling Commission. The main report's conclusions and recommendations are based in large part on the material shown on the following pages.



ACKNOWLEDGMENTS

The study team for this project included Frank E. Armbruster, David S. Bernard, B. Bruce-Briggs, Raymond D. Gastil, Jess Marcum, Jane Newitt, Ralph F. Salerno, Stuart Sessions, Michael E. Sherman, and Doris Yokelson.

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We cannot list all the men of the Police and Justice Departments with whom we talked, but we extend our appreciation to them for their courtesy, consideration and patience. However, we do particularly acknowledge:

Commissioner William McCarthy, New York City
Detectives John Murray, Arthur Penner, Al Welsome and
Patrolman Dennis Cunningham of the New York City
Public Morals Squad
District Attorney Ronald Goldstock, New York City
Commissioner Frank Felicetta, Buffalo
Commissioner Joseph Battaglia, Rochester
Chief Thomas Sardigno, Syracuse
Chief Edward McArdle, Albany
Superintendent William Kirwan, State Police
Deputy Superintendent George Infante, State Police
Dick Gannon, State Organized Crime Task Force

During the course of the study we consulted a number of people, many of whom did not wish to be quoted or mentioned, but we would like to take this occasion to thank those who were helpful. They include "Jimmy" and "Mike" who taught us something about bookmaking.

The Legalization Argument

The arguments for and against the legalization of gambling are presented on this page. The charts summarize the statements that can be usually found in books or articles dealing with the subject. Hudson Institute does not necessarily agree with the positions; they are presented to give the reader a sense of the popular rhetoric.

Gambling, of course, has been going on since recorded history began, in one form or another. References to it are in the Bible. Nevertheless, there appears to be an in-bred feeling that it is somewhat immoral even in its most "harmless" forms. Attempts at legalization, therefore, have tried to make it more acceptable by relating its profits to the support of high purpose projects; education, hospitals, schools, etc. These have usually been in the forms of lotteries and their past history in the United States has not been exemplary.

Chart 1 presents the general arguments in favor of legalization of gambling. Of all these arguments, past history seems to support that the overwhelming interest is to provide revenue.

Anticipated funds became part of the State budget and where goals are not achieved for one reason or another, discontent with the system arises and a mad scramble may begin to increase the profit picture. This point is made in item 8 of Chart 5 which suggests that the desire for maximization of profits is irresistible; in the case of a State-run program, the entity established to administer the game is subject to public disapproval for whatever mistakes in economic projection or general management it makes.

Reference is made to the other pages of this chartbook which will address items relating to the numbers game, sports betting and casinos.

HI-1736/2-CC

1b

POSITIONS ADVANCED IN FAVOR OF INCREASED LEGALIZATION OF GAMBLING① GENERAL

1. GAMBLING IS A NORMAL HUMAN ACTIVITY WHICH PROVIDES ENTERTAINMENT AND THRILL. FOR MANY PEOPLE THE DESIRE TO GAMBLE CANNOT BE ELIMINATED. IT IS BETTER TO HAVE PEOPLE GAMBLING LEGALLY THAN ILLEGALLY
2. ANTI-GAMBLING LAWS ARE NOT AND PERHAPS CANNOT BE SERIOUSLY ENFORCED. LEGALIZATION WOULD REDUCE COSTS OF POLICE. POLICE CAN DEVOTE THEIR ENERGIES TO MORE IMPORTANT WORK. WOULD REDUCE COURT CLOGGING, PLEA BARGAINING ASSOCIATED WITH GAMBLING ARRESTS. LEGALIZATION WOULD REDUCE CORRUPTION OF POLICE AND PUBLIC OFFICIALS, WOULD ELIMINATE A CAUSE OF DISRESPECT FOR THE LAW
3. PROVIDES STATE REVENUE
4. REMOVES INCOME FROM ORGANIZED CRIME WHICH CAN FINANCE OTHER CRIME OR BE USED TO TAKE OVER LEGITIMATE BUSINESS
5. WOULD PROVIDE GREATER INCENTIVE FOR DRIVING OUT ILLEGAL GAMBLING ACTIVITIES
6. THERE IS ALREADY LEGALIZED GAMBLING ESTABLISHED IN BINGO, ON-TRACK AND OFF-TRACK BETTING, LOTTERY, AND A GREAT AMOUNT OF PERSONAL GAMBLING INVOLVING 2/3 OF ALL ADULTS
7. THE BETTING PUBLIC WOULD BE GUARANTEED A PAYOFF WHEN THEY WIN AND POSSIBLY A BETTER PAYOFF THAN THE ILLEGAL GAMES
8. FURTHER LEGALIZATION WILL NOT SIGNIFICANTLY INCREASE AMOUNT OF COMPULSIVE GAMBLERS; THOSE THAT EXIST ARE GAMBLING ALREADY.

⑤ GENERAL

1. HISTORICALLY LEGALIZATION OFTEN RESULTS IN REMOVAL OF PREVIOUS EFFECTIVE CONTROL
2. CORRUPTION AND SCANDAL WILL FOLLOW FURTHER LEGALIZATION
3. NO WAY FOR THE STATE TO RAISE MONEY; DOES NOT HAVE AN IMPORTANT EFFECT ON THE OVERALL BUDGET
4. WILL PROVIDE ATTRACTION FOR COMPULSIVE GAMBLERS
5. WILL MAKE NEW GAMBLERS
6. GAMBLING IS PARASITICAL; DENIES HARD WORK AND DISCIPLINE; CONTRIBUTED NOTHING IN THE WAY OF USEFUL SERVICES OR NEW WEALTH
7. EASY INCOME WILL BE A SUBSTITUTE FOR GOOD GOVERNMENT FISCAL POLICIES
8. THERE IS AN IRRESISTIBLE TENDENCY TO ENCOURAGE THE MAXIMIZATION OF INCOME AND THE MAXIMIZATION OF PROFIT WHICH WILL DECREASE THE EMPHASIS ON OTHER OBJECTIVES. LEGALIZED BETTING WILL ULTIMATELY BE REJECTED BY THE PUBLIC
9. IF BRIBES TO POLICE TO OVERLOOK ILLEGAL GAMBLING ARE STOPPED, POLICE MAY BE TEMPTED TO ACCEPT BRIBES TO OVERLOOK WORSE CRIMES

② POLICY (NUMBERS)

1. PRESENT PAYOFF UNFAIR TO BETTORS. LARGER PAYOFF MAY BE POSSIBLE THAN THAT GIVEN BY ILLEGAL GAME
2. ELIMINATE RUNNER AS AN INSTRUMENT FOR OTHER CRIME
3. MAY POSSIBLY BE CONSTITUTIONAL ALREADY (LOTTERY)
4. PROFITS CAN BE HIGH

③ SPORTS BETTING

1. CAN BE ARRANGED TO ATTRACT PRIMARILY BIG BETTORS REDUCING AMOUNT OF LOSSES OF POOR PEOPLE
2. MAY INCREASE POPULAR INTEREST IN SPORT WHERE BETTING IS ALLOWED
3. FOR SPORTS-POOLS, LARGER RETURNS TO BETTORS MAY BE POSSIBLE THAN THAT GIVEN BY ILLEGAL GAME

④ CASINOS

1. WOULD STIMULATE OTHER BUSINESS IN AREAS WHERE LOCATED. RESORT AREA POPULATION WOULD NOT BE AS SEASONAL. HOTELS WOULD HAVE BETTER OCCUPANCY RATE
2. CAN BE ARRANGED TO ATTRACT ONLY HIGH BETTORS (REDUCING LOSSES OF POOR PEOPLE)
3. N.Y. STATE CASINOS WOULD BE ACCESSIBLE BY CAR TO THE HIGH DENSITY OUT-OF-STATE POPULATIONS ADJACENT TO IT. CASINOS WOULD ATTRACT OUT-OF-STATE VISITORS AND REVENUE
4. LARGE NUMBERS OF PEOPLE TRAVEL BY AIR TO NEW YORK. THE STATE WOULD BENEFIT BY THEIR ATTENDANCE AT CASINOS
5. IT IS POSSIBLE TO RUN CASINOS HONESTLY. LEGITIMATE CORPORATIONS HAVE BOUGHT CASINO OPERATIONS IN LOS VEGAS

POSITIONS ADVANCED IN OPPOSITION TO FURTHER LEGALIZATION OF GAMBLING⑥ POLICY (NUMBERS)

1. UNFAIR TAX ON POOR
2. POLICY IS A BLACK GAME; OPERATION AND PROFITS SHOULD REMAIN IN THE BLACK COMMUNITY
3. RUNNERS NOW EXTEND CREDIT, PAY BILLS FOR PEOPLE IN NEED
4. PEOPLE MAY BET WITH WELFARE MONEY
5. PAYOFFS IN EXCESS OF 600 DOLLARS (IF ODDS ARE ABOVE 299 TO 1) SUBJECT TO DISCLOSURE OF IDENTITY. WINNERS MAY NOT CHOOSE TO BE IDENTIFIED

⑦ SPORTS-BETTING

1. PAYOFFS IN EXCESS OF 600 DOLLARS (IF ODDS ARE ABOVE 299 TO 1) SUBJECT TO DISCLOSURE OF IDENTITY. WINNERS MAY NOT CHOOSE TO BE IDENTIFIED
2. 10% FEDERAL EXCISE TAX WILL BE LEGALLY IMPOSED MAKING LEGAL ENTITY NON-COMPETITIVE WITH ILLEGAL HEAD-TO-HEAD (NON-PARIMUTUEL) SPORTS-BETTING
3. FIXING OF SPORTS EVENTS WILL OCCUR
4. EASY ACCESS TO SPORTS PARLOR AND SPORTS BETTING WILL INCREASE ABSENTEEISM; DECREASE WORK EFFICIENCY
5. WILL ULTIMATELY INCREASE ILLEGAL GAMBLING, ESPECIALLY FROM THOSE REQUIRING CREDIT AFTER LOSING CASH TO LEGAL SYSTEM
6. HEAD-TO-HEAD BETTING IS A HIGH FINANCIAL RISK OPERATION
7. DIFFICULT FOR LEGAL ENTITY TO OFFER ROUND-ROBIN, IF-BETS, REVERSES, PARLAYS, ETC.
8. BOOKMAKER WILL USE LEGAL OPERATION AS A LAYOFF MECHANISM

⑧ CASINOS

1. NEW YORK STATE CASINOS ARE NOT AS ATTRACTIVE AS PRIVATELY RUN CASINOS. EXTENSION OF CREDIT IS NECESSARY WHICH STATE CANNOT DO. EXTENSION OF COMPLIMENTARY SERVICES ARE NECESSARY WHICH STATE CANNOT DO
2. FERTILE GROUND FOR INCREASED PROSTITUTION, QUESTIONABLE ENTERTAINMENT, DRUNKENNESS, ETC.
3. DIFFICULT TO KEEP ORGANIZED CRIME OUT. STATE WILL BE CHEATED BY CROOKED DEALERS AND MANAGERS
4. WILL HURT RECREATIONAL AREAS WHERE NOT LOCATED
5. WILL LEAD OTHER STATES TO CREATE CASINO ENTERPRISE
6. WILL ATTRACT NEW GAMBLERS. WILL ULTIMATELY INCREASE N.Y. STATE MONEY FLOW TO NEVADA
7. PROVIDES EASY ACCESS TO COMPULSIVE GAMBLER
8. NEVADA'S CRIME RATE MAY BE HIGH BECAUSE OF CASINOS. NEW YORK STATE CRIME RATE WOULD INCREASE
9. NOT WORTH THE TROUBLE AND EFFORT. ENTIRE NEVADA GROSS DROP IS ABOUT 650 MILLION DOLLARS. IF NEW YORK SET UP AN INDUSTRY JSUT AS LARGE AND PROFIT WAS 15%, STATE INCOME WOULD BE ABOUT 100 MILLION DOLLARS; LESS THAN 2% OF PRESENT STATE BUDGET, LESS IN THE FUTURE
10. DOES NOT CREATE NEW MONEY; TRANSFERS MONEY.

New York State Bingo and Lottery History

Charts 1 and 2 present New York State Bingo regulations and history. Charitable or special non-profit organizations (the firemen's benevolent associations, etc.) are allowed to conduct bingo. The State's take is nominal.

Bingo is considered by most people as being a truly inoffensive type of gambling providing entertainment and enjoyment to the participants (mostly women and the elderly) at a reasonable price. The very extensive Roman Catholic Church program lends credence to this view. Of course, some apparent fanatics do exist, participating in the game afternoons and evenings for most days of the week.

Chart 2 indicates that the average paid per player is about \$6.00 per session of which more than half is returned to him. The popularity of the game is evident and the net profit of \$44 million in fiscal 1972--about \$10,000 average per sponsoring organization--appears significant.

To play a lottery does not take much money, but many regard it as a most pernicious form of gambling where the attraction of a large fortune and the rather sensational news stories that occur when a winner is announced creates an incentive to gamble, especially by those people who can least afford it.

Some lotteries have rendered far more money to the operators than the charities they were supposed to help. Nevertheless, the lure of easy revenue from conducting a lottery appears irresistible and indications are that the general public will tolerate its existence if it can be convinced it is run fairly and honestly. The Federal Government prohibits interstate ticket sales.

Of course, the object of the lottery is to come up with a game type and payoff frequency that appeals most to the public, and variations on the same essential theme are numerous (one or several large prizes and a series of smaller ones based on a number determined by some acceptable means; superprizes are introduced in the same way). This leads to each new system "going to school" on the ones in operation.

New Hampshire began the recent trend in 1964. It was followed by New York, New Jersey, Connecticut, Pennsylvania, Massachusetts and now Michigan. New York began with \$1 lotteries held monthly with several \$2 and \$3 special lotteries conducted throughout the year. The system was cumbersome and required the player to fill out a form. New Jersey instituted a 50 cent weekly lottery without such formalities and it immediately proved superior to the New York system. New York soon switched. Recently, New Jersey has attempted to go one better by the

New York State Bingo and Lottery History (cont'd)

introduction of a daily lottery vended mainly through retail agents, as the weekly lottery was. For the weekly lottery, the agent must absorb the costs of all unsold tickets that are not returned in time for processing before the deadline. He will try to hold his unsold tickets as long as possible in order to maximize sales and then rush to a central point for processing. For the daily lottery, the agent buys the number of tickets he thinks he can sell and the unsold tickets cannot be returned (daily processing of unsold tickets would be too difficult). It is yet too soon to tell whether the daily system as established will prove successful.

It is reported that the New Jersey weekly lottery siphoned off about 15% of the illegal numbers business in that State ("Everybody wants a Piece of the Action," Newsweek, April 10, 1972) and it is hoped that the daily lottery would accomplish even more. Pennsylvania's lottery appears to be structured to capture some of the numbers action, offering two, three-digit numbers on each ticket (as well as the main lottery number) that provide a chance for winning.

Charts 3 to 6 give New York State's lottery experience. A discrepancy in the grand total numbers is noted between Charts 4 and 5. Comparing Charts 5 and 6, the increased public acceptance in a 50 cent weekly lottery is evident. Monthly gross sales of the \$1 lottery were about \$3 million. Weekly gross sales of the 50 cent lottery are about \$2 million. In fiscal 1973, the Educational Fund should realize substantially more revenue than fiscal 1972.

Chart 7 presents a somewhat critical view of the lottery operations. The reference date of 1969 should be noted. While New York's Educational Fund will not receive \$200 million even in fiscal 1973, it looks like it will hit well over \$50 million, a not-insignificant sum for a relatively harmless game. Chart 7 may point up the undesirability of publicly over-estimating success.

① NEW YORK STATE BINGO REGULATIONS

1. CHARITABLE AND/OR NON-PROFIT ORGANIZATIONS ONLY
2. CAN CONDUCT UP TO 35 GAMES ON ANY ONE OCCASION
3. MAXIMUM PRIZE FOR A GAME IS \$250
4. MAXIMUM AGGREGATE PRIZES FOR AN OCCASION IS \$1000
5. STATE TAX - \$7.50/OCCASION
6. MUNICIPALITY TAX - \$5.00/OCCASION PLUS 3% OF NET PROFIT

② NEW YORK STATE BINGO HISTORY

DATES	4/1/68 TO 3/31/69	4/1/69 TO 3/31/70	4/1/70 TO 3/31/71	4/1/71 TO 3/31/72
NUMBER OF ORGANIZATIONS	3765	3972	4211	4576
NUMBER OF OCCASSIONS	86,000	92,000	96,000	107,000
NUMBER OF GAMES	2,376,000	2,522,000	2,604,000	2,866,000
NUMBER OF PLAYERS	22 MILLION	23 MILLION	24 MILLION	26 MILLION
GROSS RECEITS DOLLARS	112 MILLION	123 MILLION	133 MILLION	149 MILLION
PRIZES DOLLARS	71 MILLION	77 MILLION	82 MILLION	92 MILLION
GROSS PROFIT DOLLARS	41 MILLION	46 MILLION	51 MILLION	57 MILLION
NET PROFIT DOLLARS	32 MILLION	35 MILLION	39 MILLION	44 MILLION

BY TELEPHONE FROM NEW YORK STATE BINGO COMMISSION.

③ NEW YORK STATE 50¢ LOTTERY ALLOCATIONS

- 40% OF GROSS TO PURSES
- 45% OF GROSS TO STATE EDUCATIONAL FUND
- 15% OF GROSS FOR ADMINISTRATION AND OPERATING COSTS OF WHICH 6% IS FOR AGENTS' FEES AND 1/2% IS FOR DISTRIBUTION FEES THROUGH BANKS

④ NEW YORK LOTTERY FINANCIAL HISTORY

FISCAL YEAR	GROSS SALES \$-MILLIONS	LOTTERY EDUCATION FUND \$-MILLIONS
1968	-	8.881
1969	-	27.515
1970	-	25.989
1971	-	30.334
1972	80.527	34.304

NEW YORK STATE STATISTICAL YEARBOOK - 1972
NEW YORK STATE TAX COMMISSION ANNUAL REPORT 1971-72

⑥ NEW YORK STATE 50¢ LOTTERY HISTORY

(FIGURES IN MILLIONS OF DOLLARS)

1972		GROSS SALES	WEEK OF	GROSS SALES	
JANUARY	20	1.600	AUGUST	3	1.897
	27	1.870		10	1.929
FEBRUARY	3	2.061		17	1.949
	10	2.163		24	1.953
	17	2.464		31	1.958
	24	2.697	SEPTEMBER	7	1.898
MARCH	2	2.611		14	1.873
	9	2.793		21	1.972
	16	2.894		28	1.978
	23	2.935	OCTOBER	5	2.046
END OF FISCAL YEAR 1972	30	2.971		12	2.096
				19	2.072
APRIL	6	2.913		26	2.068
	13	2.762	NOVEMBER	2	2.039
	20	2.877		9	2.058
	27	2.840		16	2.068
MAY	4	2.737		23	2.019
	11	2.711		30	2.104
	18	2.667	DECEMBER	7	1.887
	23	2.593			
JUNE	1	2.493	TOTAL TO DATE	107.359	
	8	2.306	EDUCATIONAL FUND TO DATE	48.232	
	15	2.474	SUMMER SPECIAL		
	22	2.379	SEPTEMBER 20		
	29	2.305	TOTAL SALES	9.199	
JULY	6	2.180	EDUCATIONAL FUND	4.139	
	13	2.127			
	20	2.145			
	27	1.995			

BY TELEPHONE FROM NEW YORK STATE DEPARTMENT OF TAXATION & FINANCE.

⑤ NEW YORK STATE LOTTERY FINANCIAL HISTORY

FISCAL YEAR 1972
(FIGURES IN MILLIONS OF DOLLARS)

\$1 MONTHLY LOTTERIES	GROSS SALES	COMMISSIONS	LOTTERY FUND EDUCATION	LOTTERY PRIZE ACCOUNT	LOTTERY FUND ADMINISTRATION
APRIL 1971	3.252				
MAY 1971	3.475				
JUNE 1971	3.398				
JULY 1971	3.109				
AUGUST 1971	2.977				
SEPTEMBER 1971	2.966				
OCTOBER 1971	2.965				
NOVEMBER 1971	2.835				
DECEMBER 1971	2.660				
TOTAL	27.641	1.566	12.436	11.054	2.584
<u>SPECIAL LOTTERIES</u>					
\$2 MARCH-APRIL 1971	7.045				
\$3 JUNE-JULY 1971	5.178				
\$2 AUGUST-SEPTEMBER 1971	3.484				
\$3 OCTOBER-NOVEMBER 1971	3.640				
\$2 DECEMBER 1971-JANUARY 1972	2.976				
TOTAL	22.325	1.252	10.048	8.931	2.092
<u>50¢ WEEKLY NUMBERED LOTTERIES</u>					
LOTTERY W032 THROUGH LOTTERY W132, COVERING DRAWING DATES JANUARY 20, 1972 THROUGH MARCH 30, 1972	27.074	1.739	12.183	10.829	2.321
GRAND TOTALS	<u>77.040</u>	<u>4.558</u>	<u>34.667</u>	<u>30.814</u>	<u>6.999</u>

NEW YORK STATE DEPARTMENT OF TAXATION AND FINANCE.

⑦ THE MOST NOTABLE FACT IS THAT THE NEW YORK LOTTERY HAS, LIKE NEW HAMPSHIRE'S, SORELY DISAPPOINTED ITS ADVOCATES. MONTHLY SALES AVERAGED \$5.5 MILLIONS AT THE BEGINNING, AND THIS AVERAGE HAS NOW SAGGED TO \$4 MILLIONS. IN ITS FIRST YEAR, INSTEAD OF PRODUCING \$200 MILLIONS FOR NEW YORK SCHOOL'S, AS HAD BEEN HOPED, THE LOTTERY CONTRIBUTED ONLY A DROP-IN-THE-BUCKET \$36.5 MILLIONS. SO APPARENTLY THE NEW HAMPSHIRE EXPERIENCE IS BEING CONFIRMED: PUBLIC LOTTERIES OF WORTHY MEIN AND RUN IN PRISTINE PURITY SIMPLY DO NOT AROUSE THE AMERICAN PUBLIC OR APPEAL TO ITS "GAMBLING INSTINCT" ENOUGH TO MATTER MUCH ONE WAY OR THE OTHER.

THE NEW HAMPSHIRE AND NEW YORK LOTTERY EXPERIMENTS HAVE POSED NO THREATS IN THEIR SHORT LIVES TO DATE, EXCEPT PERHAPS AS DOOR-OPENERS FOR OTHER STATES. BUT LOTTERY PROPOSALS ARE DANGEROUS, AND PUBLIC LOTTERIES ARE NOT VERY EFFECTIVE AS REVENUE MEASURES. A NATIONAL LOTTERY SHOULD NOT BE UNDERTAKEN BY THE UNITED STATES, BUT IF AN EXPERIMENT IN THIS FIELD EVER WERE LAUNCHED IT OUGHT TO BE PATTERNED AFTER THE BRITISH AND RUSSIAN BOND-PREMIUM SCHEMES, SHOULD BE ON A SMALL SCALE, AND SHOULD BE ADMINISTERED THROUGH THE TREASURY DEPARTMENT OR THE POSTAL SERVICE.

RUFUS KING, "GAMBLING AND ORGANIZED CRIME," PUBLIC AFFAIRS PRESS, WASHINGTON, D.C., 1969, PP. 162-169.

New York City Off-Track Betting Experience

Off-track betting came to New York City in April 1971 after approval the year before. Chart 1 lays down the basic ground rules subject to some "hold loss" provisions. Under these provisions, Off-Track Betting guarantees to the tracks on which they accept bets 90% of the revenue from average daily track admissions of year 1969 (after admission taxes) and 100% of the average daily pari-mutuel revenues of year 1969. Off-Track Betting has faced many problems in its shake-down years, not the least of which has been with its computer program which has not measured up to expectations.

Chart 2, taken from the Off-Track Betting managerial summary indicates that as of February 1972, the average bet at Off-Track Betting was \$2.98. Chart 3 calculations were made using this average bet to determine the actual cost per ticket for the fiscal year 1972 (abbreviated) based on the expenses listed in Off-Track Betting's annual report. Almost 100 million tickets were sold in fiscal 1972 at an average cost of 33.4 cents per ticket. On bets as low as \$2.00, O.T.B. barely recovers its average costs although such bets are profitable because they return more than their marginal costs. It appears gross profit was something like \$50 million (including breakage, etc.) and expenses about \$33 million.

Charts 4 and 5 are presented to show the effect of branch additions. Chart 4 was compiled from information supplied by Off-Track Betting from their records. Successive Fridays were selected as an acceptable indication of daily action. The gross profit, at 15% of the gross handle, was calculated and plotted against the number of Off-Track Betting branches on Chart 5. (Three high volume days of over \$300,000 income are not shown.) The slope of the income curve decreases as more locations are added, indicating a decreasing volume per location probably due to overlapping of territories of influence. The branch operating costs average about \$1,000 per day. The slope of the curve that matches this figure is where the number of locations is about 70. The drawing of the curve is admittedly rough, but if it is accurate, adding successive locations above 70 has at least, temporarily, decreased Off-Track Betting's net profit. As of this writing, there are over 100 locations.

In testimony before the House Select Committee on Crime, June 7, 1972, Howard Samuels stated that profit for the next fiscal year should be about \$54 million on a gross handle of \$706 million. Chart 4 indicates that the gross handle estimates should be achieved.

The branch locations obviously can handle more bets than they are actually processing, as indicated by such stellar days as 4/30/71, 15/14/71, 6/4/71, 5/5/72, 5/19/72 and 6/9/72 when action was stimulated by special events such as the Kentucky Derby and the Preakness. To spread fixed costs, Off-Track Betting needs to increase volume. Stimulation may come from televising the races and Off-Track Betting officials are pursuing this avenue strongly, requesting that permission be granted for this purpose.

New York City Off-Track Betting Experience (continued)

Off-Track Betting is being blamed for several adverse happenings, but Mr. Ball's statement in Chart 6, if quoted correctly, appears a little far fetched. (Mr. Ball did acknowledge that bad weather and lottery also may have had something to do with recent bingo revenues.) In Chart 7, Mr. Samuels is obviously feeling the wrath of trackmen, such as those in Chart 8 and is apparently calling for a change in the overall law affecting the divisions of profit on-tracks as well as off-tracks.

Mr. Ernest Morris, mentioned in Chart 8, is the avowed foe of Schenectady Off-Track Betting, the only other city in the State besides New York City where off-track betting is being conducted. Mr. Morris has, on occasion, changed the starting positions of horses at the last minute to confuse the Off-Track Betting System.

In July of this year, Governor Rockefeller appointed the Delafield Commission to investigate the effects of Off-Track Betting on New York State tracks.

Reference is made to the following page 4 of this chartbook for data about attendance at State tracks.

④ OFF-TRACK BETTING HISTORY
(FRIDAY SAMPLINGS - THOUSANDS OF DOLLARS)

DATE	NUMBER OF BRANCHES	TOTAL HANDLE	GROSS PROFIT (15% OF HANDLE)
4/9/71	3	77	11
4/16	3	117	17
4/23	4	160	24
4/30	7	848	127
5/7	7	240	36
5/14	9	1,042	156
5/21	9	299	44
5/28	9	310	46
6/4	11	850	127
6/11	11	346	51
6/18	13	360	54
6/25	13	417	62
7/2	13	402	60
7/9	13	364	54
7/16	14	440	66
7/23	15	419	62
7/30	16	351	52
8/16	16	559	83
8/13	17	630	94
8/20	18	511	76
8/27	18	486	72
9/3	20	526	79
9/10	22	618	92
9/17	22	653	97
9/24	24	530	79
10/1	25	652	97
10/8	26	723	108
10/15	26	759	113
10/22	26	825	123
10/29	27	881	132
11/5	29	859	128
11/12	30	918	137
11/19	31	891	133
11/26	31	758	113
12/3	34	955	143
12/10	34	984	147
12/17	34	797	119
12/24	34	603	90
12/31	35	990	148
1/7/72	36	1,062	159
1/14	39	1,068	160
1/21	41	1,169	175
1/28	43	1,088	163
2/4	44	1,309	196
2/11	45	1,237	185
2/18	45	1,275	191
2/25	45	1,251	187
3/3	48	1,060	159
3/10	49	1,323	198
3/17	53	1,391	208
3/24	56	1,516	227
3/31	58	1,250	187
4/7	61	1,383	207
4/14	63	1,498	224
4/21	66	1,571	235
4/28	69	1,674	251
5/5	70	2,277	341
5/12	72	1,601	240
5/19	74	2,552	382
5/26	76	1,637	245
6/2	77	1,742	261
6/9	78	2,303	345
6/16	79	1,708	256
6/23	79	1,667	250
6/30	79	1,622	243
7/7	79	1,715	257
7/14	79	1,542	231
7/21	80	1,525	228
7/28	81	1,643	246
8/4	83	1,735	260
8/11	84	1,859	278
8/18	86	1,813	272
8/25	86	1,711	256
9/1	87	1,740	261
9/8	89	1,766	264
9/15	89	1,880	281
9/22	90	1,774	266
9/29	90	1,777	266

① OFF-TRACK BETTING GROSS HANDLE DISTRIBUTION

83% RETURNED TO BETTORS AT HARNESS TRACKS
84% RETURNED TO BETTORS AT FLAT TRACKS
0.5% TO STATE OFF-TRACK BETTING COMMISSION
1% TO TRACK OPERATORS
0.5% TO BE USED TO INCREASE PURSES

OF THE 15% (APPROXIMATE) PROFIT, THE EXPENSES OF THE OFF-TRACK BETTING SHALL BE PAID

OF NET REVENUE REMAINING, 80% PAID TO NEW YORK CITY AND 20% TO NEW YORK STATE UP TO \$200 x 10⁶. ABOVE \$200 x 10⁶, SPLIT IS TO BE 50/50

② OFF-TRACK BETTING AVERAGE SIZE BET

WIN	\$3.83
PLACE	3.70
SHOW	5.07
DAILY DOUBLE	2.32
EXACTA	2.31
SUPERFACTA	3.00
AVERAGE	\$2.98

OTB MANAGERIAL SUMMARY, OFFICE OF THE STATE COMPTROLLER, REPORT NO. N.Y.C.-1-73

③ OFF-TRACK BETTING COST/TICKET ESTIMATE
JULY 29, 1971 TO JUNE 30, 1972

GROSS HANDLE - \$292 x 10⁶
NUMBER OF TICKETS (BETS) = (292 x 10⁶/\$2.98) = 98 x 10⁶

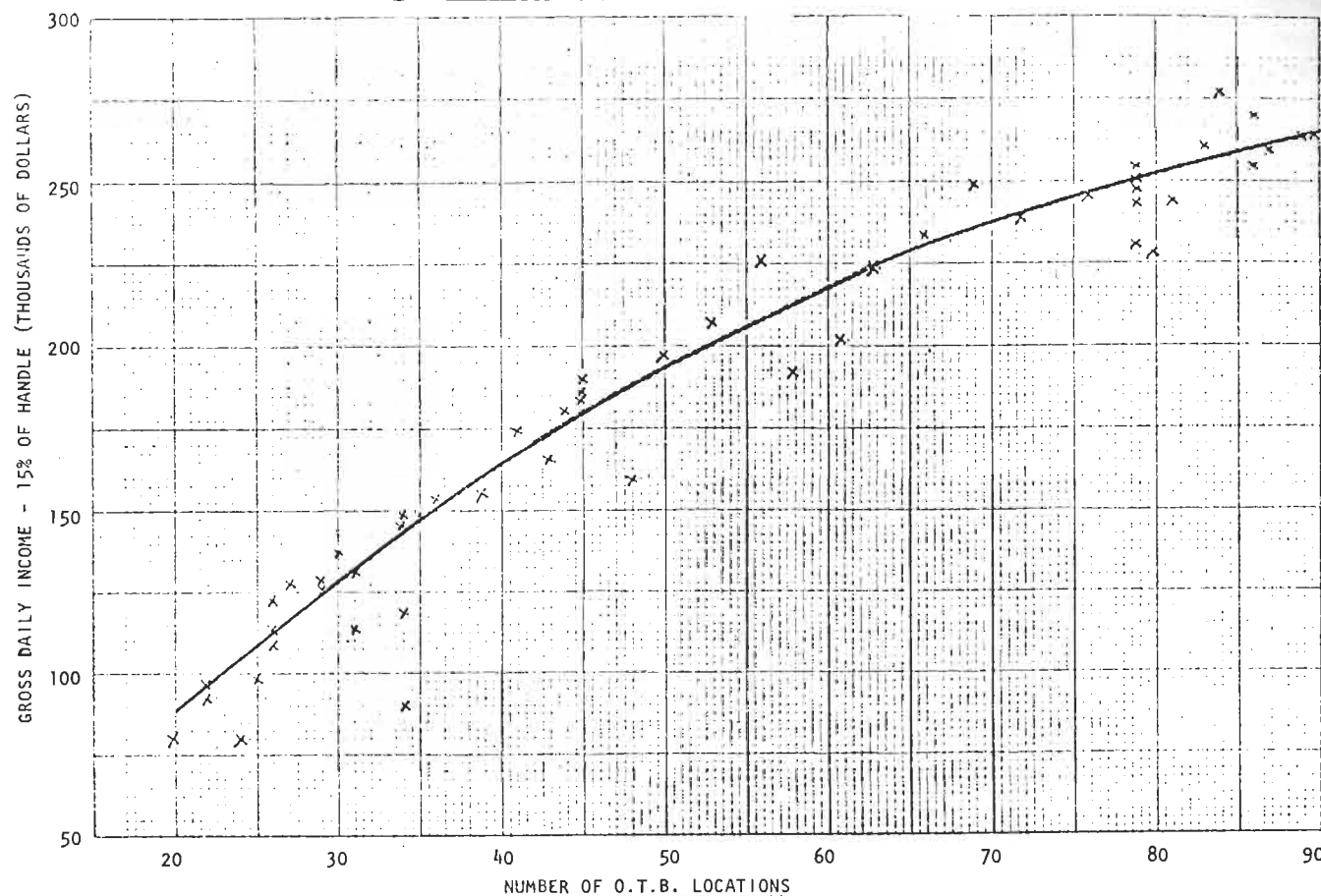
EXPENSES	MILLIONS	COST/TICKET
OPERATING	\$21.589	22.0¢
ADMINISTRATIVE AND SELLING	8.134	8.3¢
DEPRECIATION AND AMORTIZATION	2.759	2.8¢
INTEREST	.264	0.3¢
		33.4¢

NEW YORK CITY OFF-TRACK BETTING CORPORATION ANNUAL REPORT, 1972

⑥ "I AM INCLINED TO THINK" SAID IRA M. BALL, THE (BINGO) COMMISSION CHAIRMAN "THAT OFF-TRACK BETTING IN NEW YORK CITY MAY BE THE MAIN FACTOR IN CUTTING INTO THE AMOUNT OF BINGO DOLLARS AVAILABLE."

ROCKLAND COUNTY JOURNAL-NEWS, OCT. 29, 1972

⑤ FRIDAY OFF-TRACK BETTING VOLUME HISTORY



⑦ -- I READILY ACKNOWLEDGE THAT THE PRESENT PROVISIONS IN THE LAW FOR COMPENSATING THE RACE TRACKS AND THE HORSEMEN ARE MOST PROBABLY INADEQUATE. THAT BEING SO, I PLEDGE MY EFFORTS TO SEE THAT EQUITABLE CHANGES ARE MADE IN THAT LAW, SO THAT ALL ELEMENTS OF RACING, PARTICULARLY THE HARD PRESSED HORSEMEN, CAN MAINTAIN NORMAL AND HEALTHY GROWTH.

TESTIMONY OF HOWARD J. SAMUELS BEFORE HEARING OF THE NEW YORK STATE HARNESS RACING COMMISSION, 820 SECOND AVENUE, NEW YORK, N.Y., OCTOBER 14, 1971

⑧ OTHER HARNESS SPOKESMEN (BESIDES LEON GREENBERG, PRESIDENT OF MONTICELLO RACEWAY) WHO SOUNDED OFF AGAINST O.T.B. INCLUDED ERNEST MORRIS, PRESIDENT OF SARATOGA RACEWAY; DR. HARRY ZWEIG, PRESIDENT OF HARNESS HORSE BREEDERS ON NEW YORK STATE INC.; AND THEODORE ZORNOW, PRESIDENT OF THE UNITED STATES TROTTING ASSOCIATION.

NEW YORK TIMES, NOV. 3, 1972

New York State Revenues-
National Sports Attendance Figures

Chart 1 shows that in fiscal 1972, New York State tax collections amounted to some \$6.7 billion. Total revenues from gambling were about 3% of this figure and actually less than the sales and use tax increase from 1971 to 1972. These figures may support some arguments that attempt to discourage gambling simply for the sake of increasing State revenue; that the net results are not worth the effort.

Chart 2 breaks down the revenue to State governments from gambling. Attention is brought to the increasing amounts of pari-mutuel taxes up to fiscal year 1971. Chart 1 shows the slump that happened in fiscal 1972.

Chart 3 indicates that attendance at New York State race tracks has hardly kept up with the growth of the national attendance; indeed the flat tracks have regressed. Track officials have increased racing days per years and races per day with little increase in attendance or revenue. Off-Track Betting is held partly to blame, but it appears other forces are at work here as well. The average horse player is a relatively older man as compared to the enthusiasts of other sports. Declining attendance is attributed in part to the inability of the horse racing industry to capture the imagination and interest of the young people by being denied the ability to televise all horse races (excepts some special events) in the same manner as other professional sports (whose compounded growth from 1963 to 1971 has been 7.3%.) The argument is advanced that restrictions based on the premise that televising the races may help the illegal book-maker are not applied to sports, except locally, and should not be applied to horse racing.

Because revenue from the pari-mutuel tax is declining, because Off-Track Betting needs a shot in the arm, and because the track and horse owners are complaining, it may be expected that this argument will intensify in the near future and receive some political approval.

HI-4

HI-1736/2-CC

4b

① NEW YORK STATE TAX COLLECTION

SOURCE	FISCAL YEAR ENDED MARCH 31	
	1972	1971
PERSONAL INCOME TAX	\$2,516,256,776	\$2,550,206,953
BUSINESS TAXES:		
CORPORATION AND UTILITIES (ART. 9)	333,620,019	272,663,502
CORPORATION FRANCHISE TAX (ART. 9-A)	601,357,398	433,787,387
UNINCORPORATED BUSINESS TAX	68,467,542	63,155,521
BANK TAX	111,173,378	75,347,051
INSURANCE PREMIUM	32,166,263	25,656,173
UNRELATED BUSINESS INCOME TAX (a)	106,629	9,917
TOTAL	\$1,146,891,229	\$ 870,619,551
USER TAXES AND FEES:		
SALES AND USE TAX (b)	\$1,532,794,564	\$1,175,897,955
MOTOR VEHICLE FEES (c)	224,084,907	220,631,956
MOTOR FUEL TAX	408,419,930	385,313,659
ALCOHOLIC BEVERAGE TAXES	122,336,133	116,797,130
ALCOHOLIC BEVERAGE CONTROL LICENSES	32,960,538	32,887,173
CIGARETTE TAX	273,284,077	262,610,735
HIGHWAY USE TAX	27,024,414	25,533,035
FUEL USE TAX	4,215,030	3,869,637
TOTAL	\$2,625,119,593	\$2,223,541,280
REVENUE FROM OTHER ACTIVITIES:		
PARI-MUTUEL TAX (d)	\$ 165,541,843	\$ 171,030,767
OFF-TRACK BETTING (e)	897,010	
RACING ADMISSIONS TAX	3,658,522	3,654,326
ESTATE TAX	177,285,899	130,104,071
REAL ESTATE TRANSFER TAX	6,761,293	5,159,740
BOXING EXHIBITIONS TAX	456,620	220,364
LOTTERY	34,304,047	32,505,602
TOTAL	\$ 388,905,234	\$ 342,674,870
GRAND TOTAL	\$6,677,172,832	\$5,987,042,654

- (a) EFFECTIVE JANUARY 1, 1970. FIRST RECEIPTS FEBRUARY, 1971.
- (b) FIGURES EXCLUDE LOCAL SALES AND USE TAXES.
- (c) INCLUDES MOTOR VEHICLE INSPECTION FEES; \$2,230,916 IN 1972; \$2,171,983 IN 1971.
- (d) INCLUDES COLLECTIONS OF UNCASHED PARI-MUTUEL TICKETS AND OTHER UNCLAIMED FUNDS; \$966,730 IN 1972; \$837,206 IN 1971, AND NEW YORK RACING ASSOCIATION FRANCHISE FEES OF \$243,000 IN 1972 AND \$272,000 IN 1971.
- (e) EFFECTIVE APRIL 22, 1970. FIRST COLLECTIONS MAY, 1971.

ANNUAL REPORT 1971-72, NEW YORK STATE TAX COMMISSION, DIVISION OF THE TREASURY, DIVISION OF THE LOTTERY.

② NEW YORK STATE

REVENUE TO STATE & LOCAL GOVERNMENTS FROM GAMBLING (MILLIONS)

FISCAL YEAR	PARI-MUTUEL TAX	OTHER RACING REVENUE a	LOTTERY	BINGO FEES b	LOCAL GOVERNMENTS c	TOTAL
1961-62	\$ 95.3	\$ 3.1	\$	\$ 0.9	\$ 4.8	\$ 104.1
1962-63	110.6	3.3		0.3	4.7	118.9
1963-64	123.3	3.7		0.3	5.5	132.8
1964-65	135.6	4.3		0.3	5.4	145.6
1965-66	140.9	4.5		0.3	6.0	151.7
1966-67	144.0	4.8		0.4	6.0	155.2
1967-68	142.3	4.8	8.9	0.4	24.4	180.8
1968-69	151.7	4.9	27.5	0.6	6.8	191.5
1969-70	158.5	5.0	26.0	0.7	6.9	197.1
1970-71	169.9	4.8	30.3	0.8 d	9.5 d	215.3
TEN YEAR TOTAL	\$ 1,372.1	\$ 43.1	\$92.7	\$ 5.0	\$80.0	\$1,593.0

a) RACING ADMISSIONS TAX, UNCASHED WINNING TICKETS, AND RACING FRANCHISE FEES
b) FISCAL YEARS FROM OCTOBER 1 TO SEPTEMBER 30, AND SUPPLIERS FEES ON CALENDAR YEAR BASIS
c) RACING ADMISSION TAX, LOTTERY AND BINGO LICENSE FEES.
d) ESTIMATED

FROM REPORT OF JOHN LAUBER, FISCAL CONSULTANT TO N.Y. STATE SENATE, SEPTEMBER 1972.

③ NATIONAL ATTENDANCE FIGURES

YEAR	PRO BASEBALL	PRO BASKETBALL	PRO FOOTBALL	PRO HOCKEY	ALL PRO	FLAT TRACKS	HARNESS TRACKS	ALL TRACKS	ALL TOTAL	% TRACKS TOTAL	NEW YORK FLAT TRACKS	NEW YORK HARNESS TRACKS	ALL NEW YORK TRACKS
1963	20,477,080	2,048,664	5,372,240	2,732,642	30,630,626	38,091,417	18,076,508	56,167,925	86,798,551	65	7,045,268	8,330,669	15,375,937
1964	21,280,841	2,069,529	6,010,924	2,822,635	32,183,920	40,099,880	20,434,604	60,534,484	92,718,413	65	7,387,705	9,315,603	16,703,308
1965	22,441,900	2,314,637	6,416,405	2,941,164	34,114,106	40,540,199	21,670,527	62,210,726	96,324,832	65	7,269,183	9,015,472	16,284,655
1966	25,172,200	3,102,116	7,498,413	3,084,750	38,827,488	40,658,466	23,251,941	63,910,407	102,737,895	62	7,162,451	9,291,993	16,454,444
1967	24,308,353	3,649,511	8,234,621	4,938,043	46,130,528	40,308,763	22,243,639	62,552,402	108,782,930	58	7,044,464	8,970,124	16,014,588
1968	23,102,745	4,427,297	7,617,317	5,550,613	40,697,972	41,517,104	22,889,284	64,406,388	105,104,360	61	7,109,131	8,821,226	15,930,357
1969	27,109,691	5,146,858	8,942,500	5,992,065	47,191,114	42,893,379	24,518,776	67,412,155	114,603,269	59	6,812,847	9,278,071	16,090,918
1970	28,752,793	6,194,606	9,533,333	7,257,679	52,008,411	44,854,675	25,078,069	69,932,744	121,941,155	57	7,097,718	9,361,110	16,458,828
1971	29,193,351	6,642,634	10,076,035	7,609,368	53,521,388	46,642,583	26,166,157	72,808,740	126,330,128	58	6,933,718	9,795,731	16,729,449
					8 YEAR COMPOUNDED GROWTH			8 YEAR COMPOUNDED GROWTH	8 YEAR COMPOUNDED GROWTH		8 YEAR COMPOUNDED GROWTH	8 YEAR COMPOUNDED GROWTH	8 YEAR COMPOUNDED GROWTH
					7.2%			3.2%	4.8%		(-)	2.0%	1.0%

REFERENCES: NEW YORK STATE RACING COMMISSION
NEW YORK HARNESS RACING ASSOCIATION
U.S. DEPARTMENT OF COMMERCE POCKET DATA BOOK, USA, 1971
THE DAILY RACING FORM

New York State Illegal Numbers Game

The numbers game, or "policy", has a long history in New York having roots in the illegal lottery established by immigrant Italians. The game has changed somewhat over the years, but it is still essentially a daily lottery, which number is selected by some established formula. Chart 1 shows the most common way of determining the number today; the "New York Way". It can be seen that there are six ways to bet on the day number; on any single action number, either bolita or the straight three digit number. The bettor has the same opportunity every night. Since the formula is based on horse races, the numbers game operates when they do, six days a week. Other methods of establishing the number are based on the track handle or the Treasury statement.

Items 1 and 3 of Chart 2 explain the odds given for each type of bet. The fact that single action numbers are paid off at higher odds (based on the theoretical chance of winning) than bolita or straight number; i.e., 7 to 1 (8 for 1), may give some indication that the runner acts as entrepreneur for this type of bet rather than sharing the profits with a controller or bank. Chart 2 indicates that there is more than one payoff in town for the three digit number. It seems somewhat unreasonable that this should be so. Knowledgeable people suggest the higher payoff to the winner comes out of the bank's profit and since this is already 10% in the "550" game, a payoff at 600 to 1 would cut this in half. There may be more reduced payoff or "cut" numbers, (as shown on Chart 5) for popular selections associated with the "600" game or some other way of equating the profits between the two games.

There may be some variation in distribution of funds as determined by each bank's operation, but the data presented in Charts 1 to 3 may be taken as representative.

New York State illegal numbers volume estimates are shown in Chart 4. Data shown was secured from personal interviews with police officials in the cities shown. New York City appeared to have the best estimates but they assume that they have documented only 2/3 of all the action. Estimates for other cities should be considered very rough. Chart 6 gives the personnel breakdown of these known organizations. Individual Manhattan banks are said to run up to a volume of \$60,000 per day.

The recent Oliver Quayle and Co. poll performed for the Fund for the City of New York led to an estimated numbers volume of over half a billion dollars. Some interesting findings of this study are itemized in Chart 9.

From the information in Charts 4 and 6, the total number of people in the State associated with the numbers game operations can be estimated at 25,000.

Charts 7 and 8 give the results of a survey of the Bedford-Stuyvesant Community in Brooklyn. We call attention in Chart 8 that monetary figures are presented in constant 1957-59 dollars. The estimated volume of play

New York State Illegal Numbers Game (Continued)

increase from 1963 to 1970 tripled in constant dollar terms and, of course, the spread would be even greater in current dollars. Mean value of a bet would be somewhat greater than 50 cents in current dollar terms.

Attention is directed to items 11, 12 and 14 of Chart 9. They have a tendency to refute some of the arguments presented against the legalization of the numbers games (see Chart 6, page 1). In a recent article, Livingston Wingate and Basil Patterson, both respected black public figures call the numbers game a black operation and state that profits should remain in the black community, that the runner is benevolent and extends credit. ("The Black Mafia Moves into the Numbers Racket," Fred J. Cook, New York Times Magazine, April 4, 1971). According to the Quayle survey, the game is more white and middle class than black and poor in the City of New York although item 13 acknowledges that a greater percentage of blacks and Puerto Ricans play numbers than whites. In the main, the runner is hardly what some people imagine him to be.

Chart 10 suggests that the once Italian controlled numbers game is slowly giving way to black and latin operations. The Institute's interviews with police officials seems to bear this out. The Buffalo numbers racket is almost 100% black with some black bankers but with ties to Italian organized crime elements. In Rochester, the game is also heavily black; there are two main banks, one Lebanese and one Italian. In Syracuse, there are also two main banks, one black and one Italian. In the Albany, Schenectady-Troy-Amsterdam area, play is said to be mixed. There appears to be a large volume operation played by "everybody" in the Schenectady G.E. plant (see Chart 4).

Francis Ianni (Chart 10) a Columbia University Professor of Anthropology believes in the requirement to keep the numbers game in the black community; recommends a locally controlled and operated game and a community based low interest high risk loan facility which could reduce dependency on loan sharking. ("Discussion Draft of a Proposal to Establish a Model Community Actions Program to Combat Organized Crime" Francis A.J. Ianni, Columbia University).

1 THE NEW YORK WAY OF CALCULATING THE DAILY NUMBER

FOR THE DAY NUMBER AT SELECTED FLAT TRACK:

1. ADD ALL THE WIN, PLACE AND SHOW PARI-MUTUEL PAYOFFS (FOR A \$2.00 BET ON EACH OF THEM) FOR THE FIRST THREE RACES--THE ADDITION OF 18 PAYOFFS. SELECT THE NUMBER TO THE LEFT OF THE DECIMAL POINT. THIS NUMBER (X) GIVES THE FIRST "SINGLE ACTION NUMBER"
2. REPEAT FOR THE FIRST FIVE RACES--THE ADDITION OF 30 PAYOFFS. THIS NUMBER (Y) GIVES THE SECOND "SINGLE ACTION NUMBER" AND COMPLETES THE "FRONT BOLITA (XY)"
3. REPEAT FOR THE FIRST SEVEN RACES--THE ADDITION OF 42 PAYOFFS. THIS NUMBER (Z) GIVES THE THIRD "SINGLE ACTION NUMBER, COMPLETES THE "BACK BOLITA (YZ)" AND COMPLETES THE DAY NUMBER (XYZ)

FOR THE NIGHT NUMBER, REPEAT AT SELECTED HARNESS TRACK

2 ECONOMICS OF THE ILLEGAL SYSTEM

1. PAYOFF ON THE NUMBER IS USUALLY 550 TO 1 OUT OF A THEORETICAL CHANCE OF ONE IN A THOUSAND
2. APPROXIMATE MONEY DIVISION IS AS FOLLOWS:
WINNING BETTOR - 50% AFTER TIPPING RUNNER
RUNNER 30% WITH TIP
CONTROLLER 10%
BANK 10%
3. THERE IS SOME EVIDENCE OF A "600 TO 1" GAME. BOLITA'S PAY OFF AT 60 TO 1. SINGLE ACTION PAYS OFF AT 7 TO 1. POPULAR NUMBERS ARE CUT (NOT PAID OFF AT 550 TO 1) CORRUPTION AND LEGAL PAYMENTS ABOUT 5% OF GROSS BET
4. BANKS PROFIT IS ACTUALLY BETWEEN 5% AND 10% OF GROSS BET
5. THERE IS SOME HISTORY OF DEFAULTS BY BANKERS WHO DISAPPEAR WHEN SIZEABLE WINS ARE MADE BY BETTORS

3 DYNAMICS OF THE ILLEGAL SYSTEM

1. BETTOR GIVES RUNNER MONEY AND TELLS HIM TYPE OF BET DESIRED. RUNNER USUALLY MARKS DOWN BET BUT GIVES BETTOR NO RECEIPT. RUNNER KEEPS 25% OF GROSS MONEY BET, TURNS BETTING SLIPS OVER TO CONTROLLER. MAY ACT AS ENTREPRENEUR FOR "SINGLE ACTION" BETTING HIMSELF.
2. CONTROLLER COLLECTS SLIPS AND MONEY FROM SEVERAL RUNNERS. TAKES 10% OF THE GROSS BET FOR HIS PAYMENT. MAKES TALLY SHEET (WORK) OF BETTING SLIPS. MAY HOLD MONEY UNTIL NUMBER IS ESTABLISHED. GIVES RUNNER MONEY TO PAY OFF BETS. DELIVERS PROFIT AND ALL WORK TO BANK
3. BANK PROCESSES AND CHECKS ALL WORK, TAKES CARE OF CORRUPTION PAYOFFS, FINES AND REQUIRED LEGAL COSTS
4. RUNNER DELIVERS MONEY TO WINNERS, RECEIVES 10% OF PAY-OFF AS TIP

4 ILLEGAL NUMBERS VOLUME ESTIMATES

NEW YORK CITY

1. \$360 MILLION ANNUALLY CONSISTING OF \$241 MILLION DOCUMENTED ACCOUNTS PLUS A 50% ESTIMATE OF \$120 MILLION FOR UNDOCUMENTED ACCOUNTS (LETTER DATED APRIL 3, 1972 FROM DEPUTY CHIEF INSPECTOR HUEBSCH OF PUBLIC MORALS DIVISION TO COMMANDING OFFICER OF THE ADMINISTRATIVE DIVISION). THIS WOULD EXCLUDE THE SINGLE ACTION AND BOLITA BETS NOT RUN THROUGH THE BANK
2. \$576 MILLION ANNUALLY (OLIVER QUAYLE AND COMPANY STUDY #1458A. MARCH 1972. PREPARED FOR FUND FOR THE CITY OF NEW YORK. BASED ON ASKING PEOPLE HOW MUCH THEY BET ON THE AVERAGE)

BUFFALO

\$22 MILLION ANNUALLY

ROCHESTER

\$6 TO 7 MILLION ANNUALLY

SYRACUSE

\$3 MILLION ANNUALLY

ALBANY - SCHENECTADY - TROY - AMSTERDAM AREA

NO ESTIMATE VENTURED. A LARGE POLICY OPERATION IS SAID TO EXIST IN THE GENERAL ELECTRIC PLANT IN SCHENECTADY

5 A CUT-NUMBER SHEET

Combinations are all the possible ways of arranging the digits, i.e.,

COMBINATION			
521 and 235			
400 to 1			
--			
STRAIGHTS			
123	300	600	900
100	400	700	628
200	500	800	962
AND ALL TRIPLES			
400 to 1			
Starting July 25, 1962			

Tripled are 000 - 111-222 etc.

6 ESTIMATED SPECIFIC NEW YORK CITY POLICY ORGANIZATIONS

	BANKS	CONTROLLERS	RUNNERS OR COLLECTORS
MANHATTAN	30	264	3717
BRONX	8	36	553
QUEENS	6	66	749
BROOKLYN	10	184	2666
TOTALS	54	550	7685

PERSONAL INTERVIEW WITH REPRESENTATIVES OF THE NEW YORK CITY PUBLIC MORALS SQUAD

7 A SURVEY OF THE BEDFORD-STUYVESANT COMMUNITY IN NEW YORK CITY

1. PROFITS TO MEMBERS OF ORGANIZED CRIME HAVE RISEN FROM \$25.50/CAPITA IN 1963 TO \$214/CAPITA IN 1970. THIS WAS EQUIVALENT, IN TERMS OF PER CAPITA INCOME, TO 2.2% AND 9% RESPECTIVELY. POPULATION WAS STABLE OVER THIS PERIOD AT 280,000.
2. AREA INCOME ROSE FROM \$274 MILLION TO \$584 MILLION FROM 1963 TO 1970. OF THIS, WELFARE PAYMENTS ROSE FROM \$25 MILLION TO \$77 MILLION. TOTAL CITY INCOME ROSE FROM \$30.74 BILLION TO \$48.40 BILLION IN SAME TIME PERIOD.
3. IN 1970, BEDFORD-STUYVESANT HAD 3.4% OF N.Y.C. POPULATION, 1.2% OF ITS LEGAL INCOME, 6.9% OF ITS WELFARE PAYMENTS AND CONTRIBUTED 15.5% OF CITY NUMBERS VOLUME (\$37 MILLION OUT OF \$236 MILLION). \$11 MILLION IS ESTIMATED TO HAVE GONE TO ORGANIZED CRIME.
4. COST OF NARCOTICS TO ADDICTS ROSE FROM \$5.5 MILLION TO \$51.5 MILLION FROM 1963 TO 1970.
5. THE MEAN VALUE OF A POLICY BET IN 1970 WAS 37.08 CENTS (CONSTANT DOLLARS - 1957-59=100).
6. A ONE DOLLAR INCREASE IN BUSINESS PROFITS AND WAGES WILL INCREASE POLICY VOLUME BY 10 CENTS.
7. VARIABLES HAVING NO SIGNIFICANT EFFECT ON POLICY PLAY INCLUDED PER CAPITA INCOME (MOST VARIATION IS ACCOUNTED FOR BY THOSE WHO HAVE JOBS), RACIAL COMPOSITION, POPULATION AND AVERAGE VALUE OF BET.
8. A MILLION DOLLAR INCREASE IN POLICY VOLUME WILL RESULT IN APPROXIMATELY 28 MORE COLLECTORS AND 2 MORE CONTROLLERS.

8 FACTORS RELATING TO THE VOLUME OF POLICY PLAY* IN BEDFORD-STUYVESANT AREA OF NEW YORK CITY

YEAR	\$ VOLUME OF POLICY PLAY (000,000)	MEAN VALUE OF A BET (CENTS)	POPULATION (000)	PERCENT BLACK	PER CAPITA INCOME	BUSINESS PROFIT PLUS WAGES (000,000)	NUMBER OF		
							BANKS	CONTROLLERS	COLLECTORS (RUNNERS)
1963	\$ 8.61	16.18c	285	76%	\$1066	\$252.1	7	35	762
1964	9.36	18.12	281	76	1137	262.7	7	40	892
1965	9.55	22.28	282	77	1190	272.7	7	64	1039
1966	11.38	21.55	285	80	1276	287.9	7	72	1068
1967	10.75	29.41	285	80	1481	331.9	6	72	1140
1968	11.95	32.23	281	81	1618	341.7	6	73	1239
1969	16.25	36.04	281	81	1763	381.6	6	74	1269
1970	26.06	37.08	280	82	1847	412.4	5	76	1345

*ALL DOLLAR FIGURES ARE IN CONSTANT NEW YORK CITY DOLLARS (1957-59 = 100).

THE IMPACT OF ORGANIZED CRIME ON AN INNER CITY COMMUNITY, LASSWELL & McKENNA, THE POLICY SCIENCES CENTER, INC., NEW YORK CITY, DECEMBER 1971.

9 A SURVEY OF THE NEW YORK CITY NUMBERS GAME

1. PLAYED BY 24% OF 5,636,000 ADULT (18 AND OVER) POPULATION
2. LEGAL NUMBERS GAME WOULD BE PLAYED BY 39%-45% OF ADULTS
3. 79.5% OF ADULT POPULATION FEEL NUMBERS GAME SHOULD BE LEGALIZED
4. 42% OF PRESENT NUMBERS PLAYERS BET EVERY DAY
5. THE MOST POPULAR NUMBERS BET IS \$1.00
6. THE AVERAGE AMOUNT BET BY EACH PLAYER IS ABOUT \$1.40 PER DAY
7. TOTAL ANNUAL BETS EXCEED \$0.5 BILLION
8. 49% OF BETTORS GO TO MEET RUNNER AS HE MAKES HIS DAILY ROUNDS
9. 13% OF BETTORS GO TO "STATIONARY" RUNNER
10. RUNNERS MEET 34% OF BETTORS AT THEIR HOMES OR PLACE OF WORK
11. 82% OF BETTORS DON'T BET ON CREDIT
12. 91% OF BETTORS CLAIM RUNNER HAS NEVER LOANED MONEY OTHER THAN FOR BETTING ON CREDIT
13. 55% OF BLACKS AND PUERTO RICANS AND 40% OF WHITES PLAY NUMBERS
14. THE GAME IS MORE WHITE AND MIDDLE CLASS THAN NON-WHITES AND POOR

A STUDY OF THE NUMBERS GAME IN NEW YORK CITY, OLIVER QUAYLE & CO., MARCH 1972, (PERFORMED FOR THE FUND FOR THE CITY OF NEW YORK)

- 10 -- THE EVIDENCE OF THIS DISPLACEMENT IS ALREADY APPARENT. IN NEW YORK CITY, FOR EXAMPLE, BLACKS, PUERTO RICANS, AND CUBANS ARE NOW DISPLACING ITALO-AMERICANS IN THE CONTROL AND OPERATION OF THE POLICY OR NUMBERS RACKET...CURRENT ESTIMATES ARE THAT UPWARD TO ONE-FORTH OF THE POLICY RACKET IN NEW YORK HAS ALREADY CHANGED HANDS.

THE IMPACT OF ORGANIZED CRIME ON AN INNER CITY COMMUNITY. LASSWELL & McKENNA, THE POLICY SCIENCES CENTER, INC., N.Y.C., DECEMBER 1971.

FRANCIS A.J. IANNI, "FORMAL AND SOCIAL ORGANIZATION IN AN ORGANIZED CRIME 'FAMILY': A CASE STUDY," UNIVERSITY OF FLORIDA LAW REVIEW, VOL. XXIV, NO. 1, FALL 1971, P. 41

New York State Illegal Sports Betting--Overall Gambling
Revenues--Ticket Systems Comparison

In Chart 1, illegal bookmaking in New York City is estimated to be a \$1.4 billion enterprise by the police. This is based on wiretapping evidence and seized records which have established a documented account total of \$926 million, and to which is added 50% for unknown or unrecorded action. An examination of these figures with the police reveals that a good amount is estimated coming in from outside the City limits--from Westchester, Nassau and areas in New Jersey--and another percentage represents "lay-off" money or betting transfers between bookmakers. Taking these factors into consideration, the police estimate that actual play for New York City residents as part of the documented accounts is \$500 million. Lay-off money was estimated at \$200 million and non-city residents are felt to contribute the remainder at about \$225 million. If an arbitrary 50% is added for unknown action to the \$500 million estimated for New York City residents, the total would amount to some \$750 million. This estimate compares with that of Oliver Quayle and Co.: \$428 million on sports and \$84 million on horses with no action stated for hockey matches.

Data from other cities in the State was estimated from personal interviews with law enforcement officials in those cities.

Chart 2 is a breakdown of the bookmaking organization documented by the New York City police. Two thousand people are said to be doing over \$926 million worth of (documented) business.

Chart 3 itemizes the main points of a recent study performed for the Fund for the City of New York. Seventy-four percent of the betting volume with bookmakers is made by 20% of the betting population, 40% of which say that most of their bets are made on credit.

Chart 4 is a sports pool card. Relatively little seems to be known by the police about the dollar volume of pool betting. The Quayle estimate places New York City illegal activity at \$35 million. There is a general feeling that cards are distributed throughout every major building or manufacturing plant in the State.

Chart 5 is our estimate of New York State overall gambling revenues today, both legal and illegal. We estimate a total volume at \$4 billion with an overall net profit to the operators at about \$360 million.

State sponsored games competitive with illegal numbers or sports-betting involve the selling of a ticket to the bettor. The bettor would have the right to pick his selection, like O.T.B. ticket sales, but unlike the lottery. As might be imagined, problems of handling, distributing, validating, processing and paying off winners intensify as the time between sale of ticket and payoff shortens; i.e., from weekly to daily. The present illegal numbers game is a manually sold and manually processed system and operational costs are about 40% of gross volume. If the average bet is \$1.00, this means that the average

New York State Illegal Sports Betting--Overall Gambling
Revenues--Ticket Systems Comparison (Continued)

cost per "ticket" is 40 cents. This does not mean that the runner will not accept a 50 cent bet; their volume governs their "salary." In the case of competing numbers game with the requirements that the payoffs to the bettor be higher than the illegal system and which requires that a high volume of bets as small as possible be accepted, the State must watch its ticket sales costs very closely.

Chart 6 lists three systems suitable for State sponsored bettor option games either individually or in combination. A manually sold-manually processed ticket system is severely limited on its sales time. For truly "daily" games, any interruption in the distribution, validation and processing sequence due to bad weather, accident or a host of other factors would seriously disrupt the system. Even if computer batch processing were used, the problem is only partially relieved. For widespread distribution, a large number of retail agents would be used and the difficulties entailed with this group descending daily on batch processing centers can be imagined. It will be very interesting to see if the New Jersey lottery is successful. Systems I and II are best suited for weekly or the pseudo-daily games described in our main report. System III using retail machines tied on-line to a computer similar to O.T.B. can instantly validate and process a ticket and is probably the only system suitable for a "daily" game.* Another factor in its favor is that the computer can be programmed to accept a multiple of different bets. Initial costs for widespread distribution are, however, high.

If the New York lottery can be used as an example, the cost for systems I and II should be about 7-1/2 cents per ticket for reasonably high volume operations; that is, cost for a weekly game at 50 cents per ticket is now held to 15% of the sale price. This cost would be academic for a high priced sports bet, but not for betting on a legal alternative to the numbers game. The cost for System III should be 5 to 10 cents per bet irrespective of whether the system is weekly or daily, if adequate volume can be maintained and if the correct computer system is installed. The present day cost for O.T.B. is about 30 cents per bet.

*The illegal numbers organization successfully runs a daily manual game, but certain characteristics of the operation may be necessary for success. We are not able to design a simple obviously workable manual game in this brief study that would successfully compete with the illegal one; a clever operator might be able to figure out a way to do it. We hesitate to say that it cannot be done.

1 NEW YORK STATE
ILLEGAL SPORTS BETTING VOLUME ESTIMATES

NEW YORK CITY

- \$1.389 BILLION WITH BOOKMAKERS ANNUALLY CONSISTING OF \$926 MILLION DOCUMENTED ACCOUNTS PLUS A 50% ESTIMATE OF \$463 MILLION FOR UNDOCUMENTED ACCOUNTS (LETTER DATED APRIL 3, 1972 FROM DEPUTY CHIEF INSPECTOR HUEBSCH OF PUBLIC MORALS DIVISION TO COMMANDING OFFICER OF THE ADMINISTRATIVE DIVISION). FROM PRIVATE DISCUSSIONS--85% SPORTS, 15% HORSES
- \$688 MILLION ANNUALLY ON FOOTBALL, BASKETBALL, BASEBALL; \$428 MILLION WITH BOOKMAKERS, \$35 MILLION BETTING CARDS OR SHEETS AND \$225 MILLION PRIVATE BETS WITH FRIENDS. SPORTS BETTORS ALSO BET \$84 MILLION ON HORSES WITH BOOKMAKERS (OLIVER QUAYLE AND COMPANY STUDY, #1493, 1972 PREPARED FOR FUND FOR THE CITY OF NEW YORK.)

BUFFALO

\$15 MILLION WITH BOOKMAKERS ANNUALLY--70% SPORTS, 30% HORSES

ROCHESTER

\$30 MILLION WITH BOOKMAKERS ANNUALLY--60% SPORTS, 40% HORSES

SYRACUSE

\$15 MILLION WITH BOOKMAKERS ANNUALLY--50% SPORTS, 50% HORSES

ALBANY-SCHENECTADY-TROY-AMSTERDAM AREA

\$30-40 MILLION WITH BOOKMAKERS ANNUALLY. RECENT PUBLIC RECORDS SUGGEST \$25 MILLION BOOKMAKING ACTION IN SCHENECTADY.

3 A SURVEY OF SPORTS BETTING IN NEW YORK CITY
ON FOOTBALL, BASEBALL AND BASKETBALL GAMES

- 25% OF 5,699,000 ADULT POPULATION ARE BETTORS
- 18% OF THESE SPORTS BETTORS PLACE SOME OF ALL OF THEIR BETS WITH BOOKMAKERS
- BETTING IS MOSTLY WHITE AND UPPER-MIDDLE CLASS
- OVER 90% OF SPORTS BETTORS FAVOR LEGALIZATION AND WOULD BET WITH THE LEGAL SYSTEM
- A GREAT MAJORITY OF BETTORS NEVER BET ON CREDIT. AMONG HEAVY BETTORS (\$500 OR MORE PER YEAR), 40% SAY THAT HALF OR MORE THAN HALF OF BETS ARE MADE ON CREDIT. HEAVY BETTORS CONSTITUTE 20% OF BETTING POPULATION.

	FOOTBALL	BASKETBALL	BASEBALL	TOTAL
PRIVATE BET WITH FRIENDS	\$ 69 MILLION	\$ 70 MILLION	\$ 86 MILLION	\$225 MILLION
BETTING CARDS	25 MILLION	5.8 MILLION	4.7 MILLION	35 MILLION
BET THRU BOOKMAKERS	189 MILLION	118 MILLION	122 MILLION	428 MILLION
TOTAL	\$282 MILLION	\$194 MILLION	\$213 MILLION	\$688 MILLION
MOST PREVALENT BET	\$5.00	\$5.00	\$5.00	-
% OF GROSS BET BY HEAVY BETTORS	85	81	76	81
% OF BOOKMAKERS BETS BY HEAVY BETTORS	76	73	71	74

"A STUDY OF BETTING ON SPORTS IN NEW YORK CITY," OLIVER QUAYLE & COMPANY, STUDY #1493, 1972 (PREPARED FOR FUND FOR THE CITY OF NEW YORK)

4 ILLEGAL SPORTS POOL CARD

All information and material in this publication is strictly for news matter only, and not as an inducement to violate any law.

TIRES LOSS UNLESS PICKED

1 WINS IN 2... 10 for 1	10 WINS IN 10... 200 for 1
2 WINS IN 3... 10 for 1	10 WINS IN 10... 250 for 1
3 WINS IN 4... 10 for 1	10 WINS IN 10... 300 for 1
4 WINS IN 5... 10 for 1	10 WINS IN 10... 350 for 1
5 WINS IN 6... 10 for 1	10 WINS IN 10... 400 for 1
6 WINS IN 7... 10 for 1	10 WINS IN 10... 450 for 1
7 WINS IN 8... 10 for 1	10 WINS IN 10... 500 for 1

CONSOLATION PRIZE
9 Out of 10... 25 for 1
11 Out of 12... 25 for 1

College Football--Saturday, Oct. 14, 1972

INDIANA U	WISCONSIN U	E
STANFORD	WASHINGTON U	E
NAVY (R)	SYRACUSE	+3
WASHINGTON STATE	OREGON U	+3
TEXAS TECH	TEXAS A&M	+3
DUKE	CLEMSON	+7
NO. CAROLINA (R)	HARVARD	+7
OKLAHOMA STATE	KENTUCKY	+7
NORTHWESTERN	VIRGINIA TECH	+7
TULANE	IOWA U	+7
AIR FORCE (R)	MIAMI (Fla.)	+7
CORNELL (R)	BOSTON COLLEGE	+10
PURDUE	PENN U	+10
FLORIDA STATE	MINNESOTA	+10
MICHIGAN U	MISSISSIPPI STATE	+10
DARTMOUTH (R)	MICHIGAN STATE	+14
PENN STATE	PRINCETON	+14
OKLAHOMA U (TV)	ARMY	+14
ARKANSAS	TEXAS U	+14
COLORADO U	BAYLOR	+14
U. C. L. A.	IOWA STATE	+14
L. S. U.	OREGON STATE	+14
NO. CAROLINA STATE	AUBURN	+14
YALE (R)	WAKE FOREST	+17
OHIO STATE	BROWN	+17
ALABAMA U	ILLINOIS	+24
NEBRASKA U	FLORIDA U	+24
SO. CALIFORNIA	MISSOURI U	+32
NOTRE DAME (R)	MISSOURI U	+32
	CALIFORNIA U	+32
	PITTSBURGH	+35

Pro Football--Sunday, Oct. 15, 1972

CLEVE. BROWNS (Req-TV)	CHI. BEARS	+4
D. COWBOYS (TV)	BALT. COLTS	+4
WASH. REDSKINS (Req-TV)	S.L. CARDS	+7
N.Y. JETS (TV-R)	N.E. PATRIOTS	+8
PITT. STEELERS (Req-TV)	HOUS. OILERS	+10
M. DOLPHINS (Req-TV)	S.D. CHARGERS	+10
ATL. FALCONS (Req-TV)	N.O. SAINTS	+10
K.C. CHIEFS (Req-TV)	CIN. BENGALS	+10
MINN. VIKINGS (Req-TV)	D. BRONCOS	+10
S.F. 49ers (TV-R)	N.Y. GIANTS	+10
L.A. RAMS (Req-TV)	PHIL. EAGLES	+13
OAK. RAIDERS (Req-TV)	BUFFALO BILLS	+13

NAME _____ AMT. _____
NO. OF SELECTIONS _____
(PLEASE CIRCLE ALL SELECTIONS)

No 23851

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TIRES LOSS UNLESS PICKED

1 WINS IN 2... 10 for 1	10 WINS IN 10... 200 for 1
2 WINS IN 3... 10 for 1	10 WINS IN 10... 250 for 1
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OKLAHOMA STATE	KENTUCKY	+7
NORTHWESTERN	VIRGINIA TECH	+7
TULANE	IOWA U	+7
AIR FORCE (R)	MIAMI (Fla.)	+7
CORNELL (R)	BOSTON COLLEGE	+10
PURDUE	PENN U	+10
FLORIDA STATE	MINNESOTA	+10
MICHIGAN U	MISSISSIPPI STATE	+10
DARTMOUTH (R)	MICHIGAN STATE	+14
PENN STATE	PRINCETON	+14
OKLAHOMA U (TV)	ARMY	+14
ARKANSAS	TEXAS U	+14
COLORADO U	BAYLOR	+14
U. C. L. A.	IOWA STATE	+14
L. S. U.	OREGON STATE	+14
NO. CAROLINA STATE	AUBURN	+14
YALE (R)	WAKE FOREST	+17
OHIO STATE	BROWN	+17
ALABAMA U	ILLINOIS	+24
NEBRASKA U	FLORIDA U	+24
SO. CALIFORNIA	MISSOURI U	+32
NOTRE DAME (R)	MISSOURI U	+32
	CALIFORNIA U	+32
	PITTSBURGH	+35

Pro Football--Sunday, Oct. 15, 1972

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K.C. CHIEFS (Req-TV)	CIN. BENGALS	+10
MINN. VIKINGS (Req-TV)	D. BRONCOS	+10
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L.A. RAMS (Req-TV)	PHIL. EAGLES	+13
OAK. RAIDERS (Req-TV)	BUFFALO BILLS	+13

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No 23851

5 ESTIMATE OF NEW YORK STATE OVERALL GAMBLING REVENUES - MILLIONS

	HANDLE	GROSS PROFITS	OPERATOR REVENUES
<u>LEGAL</u>			
ON-TRACK	1,600	290	170
OFF-TRACK	300	54	18
BINGO	150	57	44
LOTTERY	80	50	35
<u>TOTAL LEGAL</u>	<u>2,130</u>	<u>451</u>	<u>267</u>
<u>ILLEGAL</u>			
NUMBERS	600	300	30-50
SPORTS BETTING	1,200	120	30-60
SPORTS POOL CARDS	50	25	10
<u>TOTAL ILLEGAL</u>	<u>1,850</u>	<u>445</u>	<u>95</u>
<u>GRAND TOTAL</u>	<u>4,000</u>	<u>900</u>	<u>360</u>

6 COMPARISON OF TICKET SYSTEMS
'PICK-YOUR-OWN' OPT 'ON

- SYSTEM I - MANUAL SALES-MANUAL PROCESSING
- SYSTEM II - MANUAL SALES; COMPUTER BATCH PROCESSING
- SYSTEM III - RETAIL MACHINE; ON-LINE COMPUTER

ITEM	SYSTEM I	SYSTEM II	SYSTEM III
LIMITATIONS ON SALES TIME	VERY HIGH	HIGH	NONE
INITIAL COST	LOW	MEDIUM	HIGH
REQUIRED PROCESSING TIME	VERY HIGH	HIGH-MEDIUM	VERY LOW
ACCOUNTING COSTS	HIGH	MEDIUM	LOW
PAY-OFF DIFFICULTY	HIGH	MEDIUM	LOW

2 DOCUMENTED NEW YORK CITY BOOKMAKER ORGANIZATIONS

- 61 PRINCIPAL OPERATORS
- 50 IDENTIFIED RUNNERS
- 1,483 UNIDENTIFIED RUNNERS
- 326 OTHERS

ABOUT 2,000 PEOPLE TOTAL INCLUDING OTHER FRINGE OPERATORS

PERSONAL INTERVIEW WITH REPRESENTATIVES OF THE NEW YORK CITY PUBLIC MORALS SQUAD.

Nevada Casino Industry

The success of Nevada's gambling enterprise was, and still is, its proximity to the large population centers of California, as indicated in Charts 1 and 2. Over 21 million out-of-state visits are paid to Las Vegas in the South and Reno-Tahoe in the North, about 3/4 from around California.

Nevada already had legalized gambling when the Syndicate, mainly through the activities of Bugsy Siegel, opened the Flamingo on the Strip in Las Vegas in 1946. The population of the State was small, and what existed was already used to the idea of legalized gambling. No real opposition existed. By luck or excellent marketing analysis, which would include the legal status of gambling operations in the State, the above-mentioned lack of opposition from other business interests, the proximity to Los Angeles, and the increasing ease of travelling (decreasing cost) by automobile and airplane, the steady growth of this enterprise is history, and testament to the fact that a large number of people want to enjoy themselves gambling in this way. The success of Nevada, coupled with increasing public pressures in areas where illegal activities were being conducted, may have contributed to the decline of other gambling houses throughout the country as the operators shifted their attention to an area where conducting business would be easier as well as profitable.

The circles shown in Chart 1 indicated line of sight distances of 200 miles from Las Vegas in the south and Reno-Tahoe in the north. Since these areas are so successful, these distances can be used as an estimate of an area of influence of a casino location.

The men of the Syndicate who were responsible for the growth of Las Vegas are much older (if they are still alive) than when they started the business there. If public information can be believed, they have been perhaps entirely bought out of their positions by business corporations such as MGM, Hughes, Hilton, and Continental Connector. They may still be around but their interests today are not what they used to be in the past and should certainly diminish further with time. Those Nevada organizations which were not Syndicate controlled, such as Harold's and Harrah's, have also gone the "private" to "public" ownership route. The situation for any other state trying to install a competing system is to be faced with a huge and growing Nevada industry operated by private enterprise of high calibre.

It should be pointed out that the transition from private to (profitable) public corporate ownership was, in some cases, not as smooth as it should have been. Running a casino, where daily cash flow is high, involves many hands and this evidently posed some problems for some corporations. New imported management seems to be solving the problems where they existed.

Nevada Casino Industry (Cont'd)

Gambling, when run like other consumer business in a competitive atmosphere, requires advertising and promotion. Promotional activities include providing quality lodging, food, drink, and entertainment, and the extension of credit and complimentary services to recognize gamblers. This recognition is "reading faces" in large part, and requires real expertise and judgment on the part of the management.

Chart 3, drawn from the annual reports of the Public Corporations shown, breaks down the operational costs of some successful casino enterprises. Of course, each balance sheet must be examined and analyzed individually. For example, "Administrative and General" costs may include some items that others specifically break down and itemize separately. Nevertheless, it appears that casino operational expenses are about 40% of casino revenues and that earnings before taxes should be at least 15-20% of revenues (i.e. gross winnings minus losings). The earnings of the Showboat Corporation are somewhat remarkable, but it shows what can be accomplished if controls are tight.

The new public corporations are bullish on the success of the future casino business, as shown in Chart 4. Any competing State system may expect to be facing a much larger giant than the present-day operations.

Charts 5 and 6 show how Nevada revenues have grown because of the industry. Recessions or "tight money" did not seem to disturb the steady growth pattern much, and one may expect the the financial future for the State of Nevada will be bright indeed.



2 POPULATION - 1970

STATE	AREA	CITY
NEVADA	493,000	
CALIFORNIA	19,994,000	
LOS ANGELES	7,032,000	2,816,000
SAN FRANCISCO	3,111,000	716,000

STATISTICAL ABSTRACT OF THE UNITED STATES, 1972

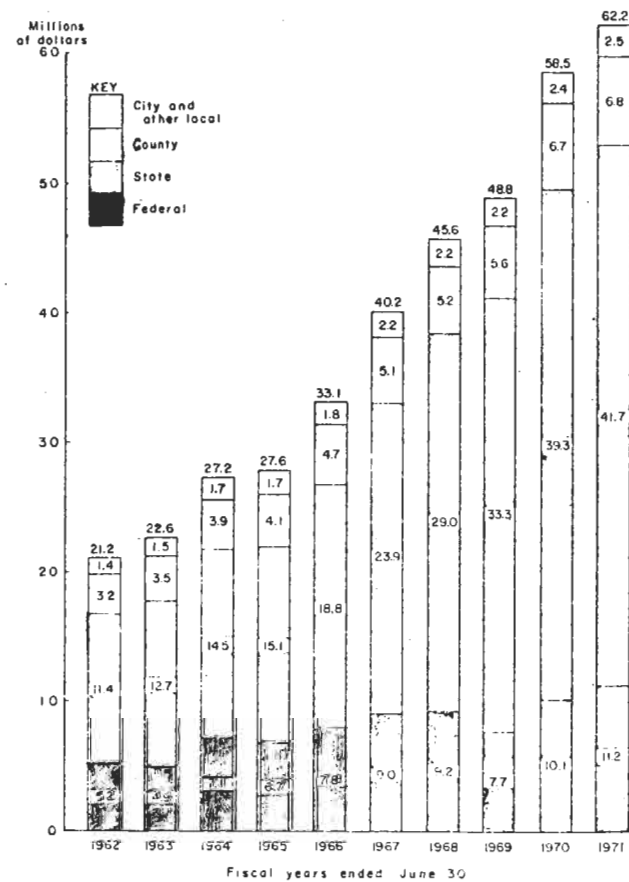
3 REPRESENTATIVE NEVADA CASINO OPERATIONS

	HARRAHS & SUBSIDIARIES 1972		RECRION & SUBSIDIARIES 1970		GOLDEN NUGGET INC. 1971		SHOW BOAT INC. 1971	
	DOLLARS ROUNDED	% CASINO OPERATIONS REVENUE	DOLLARS ROUNDED	% CASINO OPERATIONS REVENUE	DOLLARS ROUNDED	% CASINO OPERATIONS REVENUE	DOLLARS ROUNDED	% CASINO OPERATIONS REVENUE
REVENUES								
CASINO OPERATIONS	67,800,000	--	51,000,000	--	12,900,000	--	8,900,000	--
FOOD AND BEVERAGE	21,900,000	--	--	--	3,600,000	--	2,400,000	--
LODGING	2,900,000	--	30,700,000	--	--	--	800,000	--
OTHER	1,200,000	--	2,600,000	--	570,000	--	670,000	--
TOTAL	93,800,000	--	84,300,000	--	17,100,000	--	12,600,000	--
EXPENSES								
CASINO OPERATIONS	20,700,000	31%	21,000,000	41%	5,400,000	42%	3,600,000	40%
FOOD AND BEVERAGE	14,000,000	--	--	--	2,900,000	--	2,200,000	--
LODGING	1,400,000	--	20,800,000	--	--	--	600,000	--
ADVERTISING	3,100,000	4.5%	2,200,000	4.3%	--	--	710,000	8.0%
ENTERTAINMENT	8,300,000	12.0%	7,700,000	15.0%	--	--	--	--
COMPLIMENTARY	--	--	--	--	--	--	--	--
ACCOMMODATIONS	7,300,000	11.0%	6,500,000	13.0%	1,700,000	13.0%	--	--
ADMINISTRATIVE	20,100,000	30%	3,300,000	6.5%	2,800,000	22%	650,000	7.3%
AND GENERAL	--	--	--	--	--	--	--	--
UTILITIES AND	--	--	2,600,000	5.1%	--	--	700,000	7.9%
MAINTENANCE	2,900,000	4.3%	2,500,000	4.9%	900,000	7.0%	320,000	3.6%
DEPRECIATION	1,500,000	2.2%	--	--	--	--	--	--
RENT	900,000	1.4%	2,900,000	5.7%	820,000	6.4%	--	--
BAD DEBTS	--	--	--	--	--	--	--	--
TOTAL	80,300,000	--	75,700,000	--	15,200,000	--	9,100,000	--
EARNINGS BEFORE TAXES	12,300,000	18.0%	8,600,000	17.0%	1,900,000	15.0%	3,500,000	39.0%

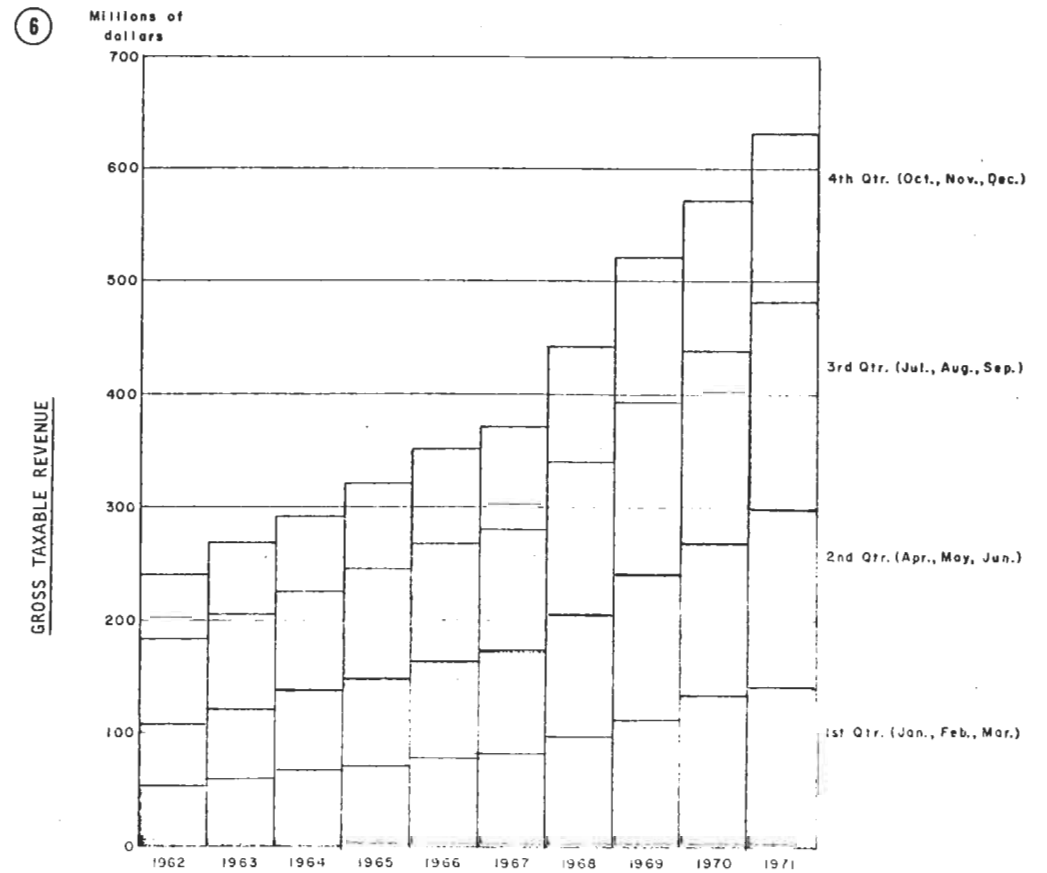
NOTE: TOTALS MAY NOT ADD UP EXACTLY DUE TO ROUNDING

COMPILED FROM ANNUAL REPORTS

5 AMOUNT OF DIRECT LEVIES ON THE GAMING INDUSTRY



DIRECT LEVIES ON GAMING IN NEVADA, NEVADA GAMING COMMISSION, NOVEMBER 30, 1971



QUARTERLY REPORT OF THE STATE OF NEVADA GAMING CONTROL BOARD, FOURTH QUARTER OF 1971.

4 -- 6,000 TO 8,000 HOTEL ROOMS ARE DUE TO BE ADDED (TO LAS VEGAS) BY LATE 1974 --- ABOVE THE 16,000 HOTEL ROOMS (AND ABOUT 10,000 MOTEL ROOMS) AVAILABLE AT THE BEGINNING OF THIS YEAR.
WALL STREET JOURNAL, SEPT. 27, 1972, P.38

New York State Casino Program Criteria

There is only a relatively small amount of casino-type gambling in New York State that exists today confined in the main to illegal "floating" crap games. While there may be large amounts of money transferred in these games, there is no estimate of the magnitude of play in New York. That these games may exist is acknowledged by the authorities in the large cities throughout the State but they are furtive; confined to the local groups of hustlers, bookmakers, gamblers, etc. that are known to each other. The public at large is not invited to play and newcomers - whether a legitimate shooter from out-of-town or just someone to be fleeced - must be vouched for by some recognized member of the group. The question about whether a legitimate (casino) business can be taken away from an illegal one, as with policy or bookmaking, is not pertinent. The argument, then, for entering this business because there is an illegal counterpart to be eradicated does not exist in any meaningful way. Reference is made to Charts 4 and 8 on Page 1 for the positions advanced, pro and con, regarding legalization of casino gambling.

The development of a state sponsored casino "industry" has a fascination all its own. Proponents and dissidents alike may agree that there is an apparent romanticism attached to casinos for a significant sector of the population, especially for "high class" operations. During discussions in the performance of this contract, some people (obviously not youngsters) recalled with nostalgia the "good old days" at Saratoga where operations were once conducted openly with finesse and taste, however illegal they were. It was only after these interests, being offered apparently irresistible terms, sold out to members of mob organizations, that decline and finally elimination came about.

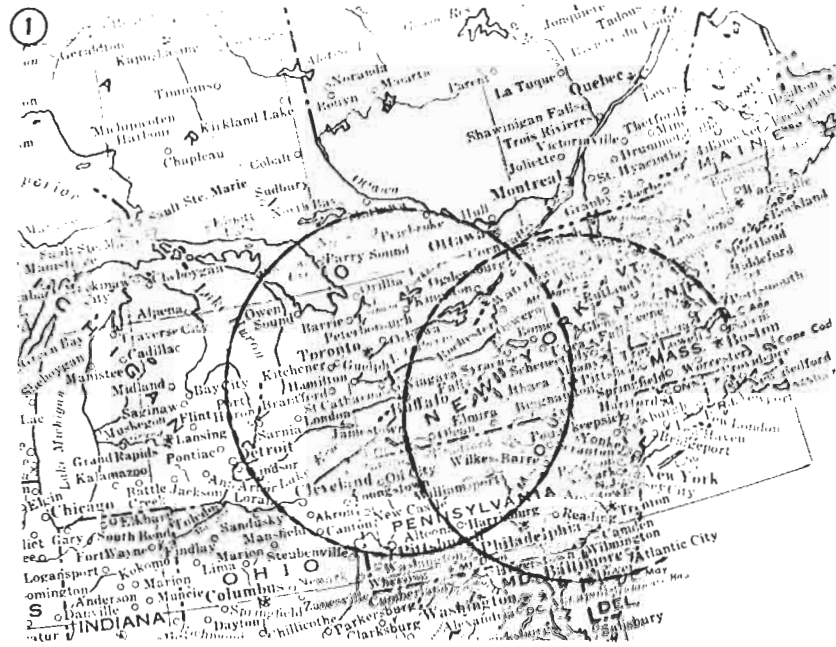
Charts 1, 2 and 3 are presented to show the areas and populations that may be influenced by a New York State Casino program, using the Nevada experience as an example; i.e. within 200 miles of anticipated casino locations. People normally associate casinos with resort areas. The 200 mile circles shown in Charts 1 and 2 have been drawn using Niagara Falls, Monticello, Saratoga, and New York City* as centers of casino activities. Chart 4 is the other side of the coin; places where casinos might be set up which would attract New Yorkers to gamble out-of-state. Chart 5 is submitted to show the present economic data for those areas where New York State casinos would most likely be located.

*New York City is a resort area if measured by the absolute number of tourists or visitors, but much less so if measured by the ratio of visitors to residents. It is an area of dense population and one to which a significant number of visitors come, both of which help insure casino operational success. It is included for these reasons.

New York State Casino Program Criteria (Cont'd.)

In discussing the possibility of installing casinos in the Catskill resort areas, the owner of one very large hotel-recreation complex was not too enthusiastic. He, of course, would prefer to have a casino near his location if casinos were to be established in the area. But he was really more concerned about the adverse New York State tax structure he had to contend with than his competitors in other states did not.

Chart 6 outlines some fundamental facts relevant to estimating potential New York casino volume. A conservative approach is suggested, relying on a population equivalent to New York State's to determine anticipated volume. We refer to the main report for a more complete discussion of this position. Volume in 15-20 years is estimated to equal Nevada's today if a program were established in New York which would be structured to appeal to all classes, like Nevada's. A program for only rich patrons would have a much smaller volume of business.



5 NEW YORK STATE INCOME - DOLLARS

AREA	1970 PER. CAPITA	1970 INCOME TOTAL THOUSANDS	1964 PER CAPITA	1964 INCOME TOTAL THOUSANDS	1970 PC 1964 PC	6 YEAR GROWTH % PC	1970 TOTAL 1964 TOTAL	6 YEAR GROWTH % TOTAL
NEW YORK STATE	4,771	87,111	3,180	56,156	1.50	7.0	1.55	7.6
NEW YORK CITY	5,061	40,266	3,341	27,175	1.52	7.2	1.48	6.8
NIAGARA COUNTY	3,642	864	2,420	604	1.50	7.0	1.43	6.1
SARATOGA COUNTY	2,866	350	2,096	210	1.37	5.4	1.67	8.9
SULLIVAN COUNTY	3,673	193	2,431	117	1.51	7.1	1.65	8.7
USA	3,920	799,000	2,574	491,000	1.52	7.2	1.62	8.4

NEW YORK JUMPED FROM 6TH PLACE TO 2ND PLACE IN PER CAPITA INCOME FROM 1964 TO 1970.

NEW YORK STATE STATISTICAL YEARBOOK, 1972; UNITED STATES STATISTICAL ABSTRACTS.

3 POPULATION

NEW YORK STATE	18,260,000
NEW JERSEY	6,103,000
PENNSYLVANIA	11,329,000
MARYLAND	3,113,000
DELAWARE	449,000
WASHINGTON, D.C.	765,000
CONNECTICUT	2,544,000
MASSACHUSETTS	5,160,000
NEW HAMPSHIRE	609,000
VERMONT	389,000
DETROIT, MICHIGAN (REGION)	4,250,000
AKRON, OHIO (REGION)	679,000
CLEVELAND, OHIO (REGION)	2,064,000
TORONTO, CANADA (REGION)	2,086,000
MONTREAL, CANADA (REGION)	2,570,000
OTTAWA, CANADA (REGION)	300,000
RHODE ISLAND	947,000

STATISTICAL ABSTRACTS OF THE UNITED STATES - 1972.
THE 1973 WORLD ALMANAC.

4 OUT-OF-STATE LOCATIONS POTENTIALLY ATTRACTIVE TO NEW YORKERS WHO MAY WANT TO GAMBLE

- MONTREAL
- ATLANTIC CITY
- DETROIT
- POCONOS
- MARYLAND
- DELAWARE
- WEST VIRGINIA
- CONNECTICUT
- RHODE ISLAND
- MASSACHUSETTS

6 NEW YORK STATE CASINO VOLUME ESTIMATES

1. NEVADA HAS APPROXIMATELY 21 MILLION VISITOR-TRIPS PER YEAR MOSTLY FROM CALIFORNIA. GAMBLING VOLUME TODAY (1971) IS \$632 MILLION WHICH CONSISTS OF \$225 MILLION FROM SLOT MACHINES AND \$407 MILLION FROM GAME AND TABLE REVENUE.
2. LOS ANGELES AND SAN FRANCISCO ARE ABOUT 200 MILES FROM NEVADA CASINOS. OUT-OF-STATE POPULATION WITHIN 200 MILES OF SUGGESTED LOCATIONS FOR NEW YORK CASINOS IS ABOUT 30-40 MILLION.
3. IF NEW YORK STATE BEGAN A CASINO BUILDING PROGRAM IT IS IMAGINED THAT OTHER SURROUNDING STATES WOULD FOLLOW SUIT IN SELF-DEFENSE. FOR ESTIMATING PURPOSES IT IS ASSUMED THAT NEW YORK CASINO VOLUME SHOULD BE BASED ON NEW YORK POPULATION ALONE.
4. NEW YORK STATE'S POPULATION AND PER CAPITA INCOME IS SIMILAR TO CALIFORNIA'S. IF NEW YORK INSTITUTED A CASINO BUILDING PROGRAM TO BE COMPLETED IN 15-20 YEARS IT WOULD BE SOMEWHAT EQUAL TO NEVADA'S VOLUME TODAY OF \$630 MILLION.

Estimates of Two New York Casino Programs

Based on the criteria shown on Page 8, an estimate of two possible New York State casino programs were roughed out to give a feel for the associated monetary requirements over time. Charts 1 to 3 present the picture of a Nevada-type program that is set up to appeal to all classes; Charts 4 to 6, an "affluent" casino proposal deliberately set up to restrict gambling by the poor.

In the first case, assuming that the ultimate New York program will look like Nevada's today, Chart 1 is constructed to estimate where the volume of play will come from, based on a casino population of about 21 million visits. The calculations show averaged losses; it is recognized that some people come away from a casino as winners.

The casino program is based on the construction of about 30 large casinos. The average casino criteria is shown on Chart 2. As cited in the Institute's main report, a casino of this size would have 10-12 crap tables, 40-50 "21" tables, two roulette wheels, a Keno or Bingo game, and 800 to 1,200 slot machines. The main equipment cost is for the slot machines which run about \$1,100 apiece. We estimate that it would be preferable to build the average casino in two stages with the first stage construction costing about 60% of the total due to higher site preparation costs, etc. Overall casino costs are estimated at \$60 per square foot for site and construction; equipment cost is estimated at \$1,600,000. No cost is included for dining or drinking accommodations which might be franchised out to private interests and which should in any event be practically self-sufficient.

We assume that a "shake-down" period of a year will be required to start up any new first-stage unit and that volume during this time will be 50% of normal.

Chart 3 presents what is considered a reasonable casino building program that could be carried out by a single organization; no organization has opened casinos at this rate, but if a number of P.B.C.'s were established, they could proceed in parallel and the identity as a whole would grow faster. The gross annual volume is determined from the total units constructed the year before. Using simple cash flow, it can be seen that with reasonably good management producing profit at 20% of the gross volume, the system should be able to pay back building costs by about the fifth year (exclusive of working capital). If poorly managed so that profit is only 10% of gross volume, the system could be returning money to the State in the sixth year. Cash requirements to begin the system, outside of State administration costs and working capital, would not exceed \$3 million in the first case and \$4 million in the second. After completion, the profit of a well-managed system should be \$125 million annually.

If New York State chose to establish an "affluent" casino program, Charts 4 to 6 are estimated to apply. Chart 4 indicates that the big

Estimates of Two New York Casino Programs (Cont'd.)

bettors shown in Chart 1 should still frequent this type of casino program, but the small players would be reduced to about 30%. The total gross annual volume of such a program would be some \$270 million. We assume the individual casinos will be smaller than for the program above; there would be no Bingo or Keno and the number of slot machines would drop to 200 to 300 high-priced play machines.

Using the same approach as above, Chart 6 indicates that an "affluent" casino program could be in the black after 4 years and even if poorly managed, the cash requirements should not exceed \$1.5 million above State administration costs and working capital. Annual profit of a well-managed system should be about \$55 million after completion. Conceivably, the State may choose to start out with an "affluent" program in some areas since initial costs are smaller for equal returns, and then phase in casinos set up for mass appeal. The same buildings and equipment can be used for either type of operation.

It should be stressed that the above charts are estimates. The program, of course, could proceed differently. We imagine that the State could make more profit than shown on Charts 3 and 6 and it certainly might do worse.

① BREAKDOWN ESTIMATE OF NEVADA-TYPE CASINOS' HOLD

NUMBER OF PEOPLE	RANGE OF MONEY LOST PER VISIT	AVERAGE AMOUNT LOST	TOTAL LOST
19 x 10 ⁶	\$ 0- 40	\$ 20	\$380 x 10 ⁶
2 x 10 ⁶	40- 120	80	160 x 10 ⁶
0.10 x 10 ⁶	120-1000	600	60 x 10 ⁶
0.01 x 10 ⁶	1000 & UP	3000	30 x 10 ⁶
			<u>\$630 x 10⁶</u>

② ESTIMATES FOR NEVADA-TYPE CASINOS PROGRAM

- 14,000 SQUARE FOOT CASINO SHOULD YIELD \$20 MILLION OF WINNINGS ANNUALLY
- CONSTRUCTION COST ESTIMATED AT \$800,000.
- EQUIPMENT COST ESTIMATED AT \$1,600,000.
- BUILD UNITS IN TWO STAGES OF 7,000 SQUARE FEET EACH. FIRST STAGE CONSTRUCTION COST SHOULD BE ABOUT 60% OF TOTAL CONSTRUCTION COST. FIRST STAGE COST WOULD TOTAL \$1,300,000; SECOND STAGE \$1,100,000.
- ASSUME FOR FIRST YEAR OF OPERATION THAT A FIRST STAGE WOULD YIELD \$5 MILLION VOLUME OR 50% OF NORMAL YIELD

④ BREAKDOWN ESTIMATE OF 'AFFLUENT' CASINOS' HOLD

NUMBER OF PEOPLE	RANGE OF MONEY LOST PER VISIT	AVERAGE AMOUNT LOST	TOTAL LOST
5 x 10 ⁶	\$ 0- 40	\$ 20	\$100 x 10 ⁶
1 x 10 ⁶	40- 120	80	80 x 10 ⁶
0.1 x 10 ⁶	120-1000	600	60 x 10 ⁶
0.01 x 10 ⁶	1000 & UP	3000	30 x 10 ⁶
			<u>\$270 x 10⁶</u>

⑤ ESTIMATES FOR 'AFFLUENT' CASINOS

- 8,000 SQUARE FOOT CASINO SHOULD YIELD \$16 MILLION OF WINNINGS ANNUALLY.
- CONSTRUCTION COST ESTIMATED AT \$500,000.
- EQUIPMENT COST ESTIMATED AT \$600,000
- BUILD UNITS IN TWO STAGES OF 4,000 SQUARE FOOT EACH. FIRST STAGE CONSTRUCTION COST SHOULD BE ABOUT 60% OF TOTAL CONSTRUCTION COST. FIRST STAGE COST WOULD TOTAL \$600,000 SECOND STAGE \$500,000
- ASSUME FOR FIRST YEAR OF OPERATION THAT A FIRST STAGE WOULD YIELD \$4 MILLION VOLUME OR 50% OF NORMAL YIELD

③ 'NEVADA-TYPE' CASINO PROGRAM

END OF YEAR AFTER APPROVAL	NUMBER OF FIRST STAGE UNITS	COST FIRST STAGE UNITS MILLIONS	NUMBER OF SECOND STAGE UNITS	COST SECOND STAGE UNITS MILLIONS	TOTAL NUMBER OF HALF UNITS	GROSS ANNUAL VOLUME MILLIONS	PROFIT AT 20% OF GROSS MILLIONS	CASH FLOW CUMULATIVE (NO DEPRECIATION) MILLIONS	PROFIT AT 10% OF GROSS MILLIONS	CASH FLOW CUMULATIVE (NO DEPRECIATION) MILLIONS
1	0	0	0	0	0	0	0	0	0	0
2	1	1.300	0	0	1	0	0	- 1.300	0	-1.300
3	2	2.600	0	0	3	5	1,000	- 2.900	0.500	-3.400
4	1	1.300	1	1,100	5	20	4,000	- 1.300	2,000	-3.800
5	2	2.600	1	1,100	8	45	9,000	+ 4,000	4,500	-3,000
6	1	1.300	1	1,100	10	70	13,000	+14,600	7,000	+1,600
7	2	2.600	2	2,200	14				9.500	+6.300
8	2	2.600	1	1,100	17					
9	3	3.900	2	2,200	22					
10	2	2.600	2	2,200	26					
11	2	2.600	2	2,200	30					
12	3	3.900	3	3,300	36					
13	2	2.600	2	2,200	40					
14	2	2.600	2	2,200	44					
15	3	3.900	3	3,300	50					
16	3	3.900	3	3,300	56					
17	0	0	3	3,300	59					
18	0	0	3	3,300	62					
19	0	0	0	0	62	620	124,000		62,000	

⑥ 'AFFLUENT' CASINO PROGRAM

END OF YEAR AFTER APPROVAL	NUMBER OF FIRST STAGE UNITS	COST FIRST STAGE UNITS MILLIONS	NUMBER OF SECOND STAGE UNITS	COST SECOND STAGE UNITS MILLIONS	TOTAL NUMBER OF HALF UNITS	GROSS ANNUAL VOLUME MILLIONS	PROFIT AT 20% OF GROSS MILLIONS	CASH FLOW CUMULATIVE (NO DEPRECIATION) MILLIONS	PROFIT AT 10% OF GROSS MILLIONS	CASH FLOW CUMULATIVE (NO DEPRECIATION) MILLIONS
1	0	0	0	0	0	0	0	0	0	0
2	1	0.600	0	0	1	0	0	-0.600	0	-0.600
3	2	1.200	0	0	3	4	0.800	-1,000	0.400	-1.400
4	1	0.600	1	0.500	5	16	3.200	+1,100	1.600	-0.900
5	2	1.200	1	0.500	8	36	7.200	+6.600	3.600	+1.000
6	1	0.600	1	0.500	10					
7	2	1.200	2	1,000	14					
8	3	1.800	1	0.500	18					
9	2	1.200	2	1,000	22					
10	3	1.800	2	1,000	27					
11	0	0	2	1,000	29					
12	0	0	2	1,000	31					
13	0	0	3	1,500	34					
14	0	0	0	0	34	272	54,400		27,200	

Attitudes and Opinions on Gambling, Crime and Corruption

Chart 1 presents the results of a national survey that was taken about the time of the Kefauver hearings. It is interesting that most people at that time regarded State and Federal collusion worse than City. Chart 2, a more recent survey, indicates that people overwhelmingly want the police to stop vice and gambling, assumed to be illegal gambling.

In Chart 3, the Committee for Economic Development calls for governmental operation of gambling to compete with the illegal systems.

Chart 4 lists the main opinions of the recent Fund for the City of New York study. All items are pertinent, but we bring special attention to numbers 6, 13, 14, and 15 specifically regarding the numbers racket. Hudson Institute agrees that a legal game can be created to compete with the illegal one, but prefers to be a little more conservative in the possible payback percentage than the suggested 82.5% in the Fund's report.

A person is guilty of a Class "E" Felony if he is engaged in book-making to the extent that he accepts (or has betting slips) in any one day more than 5 bets totalling more than \$5,000; if in the numbers racket he has money totalling more than \$500 (that can be traced to the numbers business) or slips indicating 500 plays. Charts 5 and 6 indicate how seriously felony arrests are processed through the courts. Rather than take this route of combatting organized crime, other tactics can be suggested.

Federal or state law requires corporations and other business entrepreneurs to:

1. Withhold federal, state and (where applicable) city income taxes from employees' salaries and forward same to the appropriate agency of government.
2. Pay sales taxes and/or gross receipts taxes.
3. Take deductions from their employees for Social Security Benefit payments, which must be matched by the employer.
4. Maintain Workmen's Compensation, Disability Benefits and other forms of insurance coverages required by law.
5. Pay corporate and personal income taxes on profits.

Obviously, the operators of illegal gambling in New York State have never complied with the requirements of these statutes, and yet there

has been almost no attempt made at enforcing these laws. By comparison to the requirements of a prosecution for violation of a penal statute, i.e. rules of evidence; proof beyond a reasonable doubt, etc., government could exercise much more leverage in the application of these laws which allow for liens on bank accounts and other property; seizure of funds; less burden of proof on government.

More than 20 years ago Frank Ericson (at that time America's largest bookmaker) was compelled to pay \$5,000,000 in federal taxes and about \$1,000,000 to the State of New York, although he was never convicted of the penal law violation of bookmaking.

Part of the reason for our low conviction rate in gambling cases arises from the fact that we depend entirely upon the physical evidence of written records of betting, or upon the observations which can be made by a police officer. This latter takes the form of his saying that he saw "apparent U. S. Currency" being passed along with a slip of paper upon which there were notations of some sporting event of the current time or notations which can be interpreted as a form of lottery bet. There has been some justifiable criticism that we coerce policemen to commit perjury very frequently in their zeal to enforce the gambling laws.

Our penal laws makes it illegal to accept a gambling wager, but it does not make it illegal for a person to bet.

If the bettors' inconvenience (fine, requirement to testify) were to outweigh his benefit from the pleasure of gambling and losing his money, he might abandon the practice, or at least reduce it considerably.

This kind of tactical strategy is very likely to bring forth his testimony. That would mean fewer felony gambling arrests (the time and manpower consumed would so dictate) but certainly many more convictions than the 93 obtained over a 6-year period after 19,491 felony gambling arrests.

Chart 7 is an interesting interpretation of who really is the victim of organized crime-run gambling by Harvard Professor of Economics, Thomas C. Schelling, Consultant to the President's Task Force Committee on Organized Crime (1967) and fellow member of Hudson Institute.

Chart 8 outlines pertinent portions of the Knapp Commission report on corruption in the judicial system. The Commission recommends repeal of the criminal laws against gambling.

① GAMBLING ATTITUDES - CRIME AND CORRUPTION

GAMBLING

"DO YOU THINK THERE IS ANY TIE-UP BETWEEN GAMBLERS AND PERSONS IN GOVERNMENT IN WASHINGTON? IN THIS STATE? IN THIS CITY?"

NATIONAL TOTAL	YES	NO	NO OPINION
IN WASHINGTON	76%	8%	16%
IN THIS STATE	66	13	21
IN THIS CITY	53	24	23

AMERICAN INSTITUTE OF PUBLIC OPINION, APRIL 27, 1951.

④ A STUDY'S OPINIONS ON NUMBERS AND SPORTS BETTING

- GAMBLING SHOULD ONLY BE LEGALIZED WHEN IT IS LIKELY TO ELIMINATE ILLEGAL BETTING
- SOME GAMES CAN BE LEGALIZED WITHOUT A CONSTITUTIONAL AMENDMENT
- PUBLIC REVENUE POTENTIALS ARE NOT AS GREAT AS THEY APPEAR
- ATTEMPTS TO MAXIMIZE MONETARY PROFITS ARE LIKELY TO BE SELF-DEFEATING
- LEGALIZING SOME FORMS OF GAMBLING SHOULD BE THOUGHT OF AS A TOOL IN THE CAMPAIGN TO ELIMINATE ORGANIZED ILLEGAL GAMBLING
- IT IS POSSIBLE TO SUPPLANT THE NUMBERS RACKET WITH A COMPETITIVELY ATTRACTIVE LEGAL GAME THAT WILL GIVE PLAYERS A MUCH BETTER PAYOFF (82.5% OF HANDLE) AND EQUAL CONVENIENCE
- POOL CARDS CAN BE SOLD LEGALLY THAT WOULD PAY PLAYERS FAR MORE THAN THEY NOW RECEIVE, BUT LEGALIZING POOL BETTING WOULD HAVE LITTLE IMPACT ON ORGANIZED CRIME OR OFFICIAL CORRUPTION--EVEN FROM A REVENUE-RAISING STANDPOINT, GOVERNMENT POOLSELLING WOULD BE DISAPPOINTING
- SPORTS BETTING CANNOT BE LEGALIZED IN A FORM THAT WILL SUCCESSFULLY CHALLENGE THE LARGE ILLEGAL BOOKMAKING NETWORK
- LOTTERY HAS HAD NO APPRECIABLE EFFECT ON THE ILLEGAL NUMBERS GAME
- LEGAL GAMBLING IS AN UNRELIABLE REVENUE SOURCE THAT REQUIRES CONSTANT PROMOTION. COMPARED WITH OTHER FORMS OF TAXATION, IT IS WASTEFUL OF HUMAN AND FINANCIAL RESOURCES. IT REQUIRES VALUABLE SKILLS AND ADMINISTRATIVE COSTS ARE RELATIVELY HIGH
- A GOVERNMENT BOOKMAKING OPERATION WOULD HAVE TO OFFER CREDIT IF IT WERE TO HAVE ANY CHANCE TO ATTRACT PRESENT BETTORS
- PARI-MUTUEL SPORTS BETTING WOULD NOT ATTRACT MANY OF ILLEGAL BOOKMAKING'S PRESENT CUSTOMERS, WHO ARE ACCUSTOMED TO FIXED ODDS.
- A COMPETITIVELY SUCCESSFUL LEGAL NUMBERS GAME MUST OFFER THE SAME CONVENIENCE AND BETTING FORMAT, OFFER GREATER PRIZES, RESPOND TO THE PROPRIETARY FEELINGS OF BLACK AND PUERTO RICAN PLAYERS TOWARD THE PRESENT GAME.
- THE NUMBERS GAME SHOULD BE OPERATED LOCALLY--BY ROUGHLY TWENTY LOCAL CORPORATIONS, PROFIT OR NON-PROFIT. TICKET MANUFACTURE, DISTRIBUTION AND COLLECTION, DAILY FINANCIAL AND TICKET ACCOUNTING, COMPUTER PROCESSING AND WINNER VALIDATION SHOULD BE PERFORMED CENTRALLY, EITHER BY A SUB-AGENCY OR A PRIVATE CONTRACTOR DIRECTLY RESPONSIBLE TO THE POLICY BOARD.
- IN THE ILLEGAL NUMBERS BUSINESS, 5% IS PROBABLY AN UPPER LIMIT FOR PROTECTION COSTS. FOR A BANK PAYING WINNERS 500 TO 1, PROFIT IS 14.5%; FOR A BANK PAYING WINNERS 600 TO 1, PROFIT IS 5.5%.

"LEGAL GAMBLING IN NEW YORK," THE FUND FOR THE CITY OF NEW YORK, NOVEMBER, 1972.

② GAMBLING ATTITUDES - CRIME AND CORRUPTION

GAMBLING

"IN SOME PLACES VICE AND GAMBLING BRING A CONSIDERABLE AMOUNT OF MONEY TO THE COMMUNITY, EVEN THOUGH THEY MIGHT GIVE IT A BAD NAME. DO YOU THINK THE POLICE IN SUCH PLACES SHOULD GENERALLY NOT INTERFERE WITH VICE AND GAMBLING AT ALL, SHOULD ACT ONLY ON COMPLAINTS, OR SHOULD THE POLICE MAKE EVERY EFFORT TO STOP THE VICE AND GAMBLING?"

NATIONAL TOTAL	
NOT INTERFERE	2%
ACT ON COMPLAINTS	21
STOP	73
DON'T KNOW	4

PHILLIP H. ENNIS, CRIMINAL VICTIMIZATION IN THE UNITED STATES: A REPORT OF A NATIONAL SURVEY, NATIONAL OPINION RESEARCH CORPORATION, MAY, 1967, P. 61.

⑤ THE JUDICIAL SYSTEM AT WORK
FELONY GAMBLING STATISTICS FOR NEW YORK STATE

YEAR	ARRESTS	INDICTMENTS	FELONY CONVICTIONS	STATE PRISON SENTENCES	LOCAL JAIL SENTENCES	FINES
1965	5,122	271	21	1	3	9
1966	4,413	307	11	0	1	6
1967	3,429	206	13	0	6	4
1968	1,912	161	8	0	3	1
1969	2,096	281	15	0	1	13
1970	2,519	273	25	0	7	9
6 YRS. TOTALS	19,491	1,499	93	1	21	42

1971 ANNUAL REPORT OF THE NEW YORK STATE JOINT LEGISLATIVE COMMITTEE ON CRIME.

⑥ -- IT THEREFORE SEEMS CLEAR THAT THE LARGE EXPENDITURE OF MAN-HOURS AND MANPOWER BY POLICE, DISTRICT ATTORNEYS AND THE JUDICIARY IN THE SO-CALLED ENFORCEMENT OF THE GAMBLING LAWS IN NEW YORK CITY, FROM MAKING SURVEILLANCES TO ARRESTS AND THROUGH ALL PROSECUTIVE ACTIONS AND JUDICIAL PROCEEDINGS HARDLY JUSTIFIES THE INCONSEQUENTIAL RESULTS THAT ARE OBTAINED.

"REPORT OF AN INQUIRY CONCERNING ILLEGAL GAMBLING ACTIVITIES IN THE VICINITY OF A 'SOCIAL CLUB' IN THE BRONX, NEW YORK CITY, AND THE EFFECTIVENESS OF GAMBLING LAW ENFORCEMENT IN CONNECTION THEREWITH," STATE OF NEW YORK COMMISSION OF INVESTIGATION, DECEMBER, 1971.

③ --ALL STATUTES AND ORDINANCES THAT MAKE UNORGANIZED (AND CHARITABLE-RELIGIOUS) GAMBLING CRIMINAL SHOULD BE REPEALED; EFFORTS TO PROHIBIT CONDUCT SOCIALLY ACCEPTABLE TO TENS OF MILLIONS OF CITIZENS ARE UNJUSTIFIABLE AS WELL AS UNENFORCEABLE.

--WE RECOMMEND EXTENSIVE EXPERIMENTATION WITH GOVERNMENTAL OWNERSHIP AND OPERATION OF GAMBLING ARRANGEMENTS THAT SUBSTITUTE EFFECTIVELY FOR THE NUMBERS RACKETS, HORSE ROOMS, AND BETTING POOLS THAT NOW FORM THE MAIN SOURCE OF INCOME FOR ORGANIZED CRIME. EXPERIMENTS MONITORED AND FOUND SUCCESSFUL SHOULD BE WIDELY COPIED BY OTHER STATES.

"REDUCING CRIME AND ASSURING JUSTICE," COMMITTEE FOR ECONOMIC DEVELOPMENT, JUNE 1972.

⑦ -- THE INTERPRETATION THAT I WANT TO SUGGEST IS THAT ORGANIZED CRIME DOES INDEED HAVE A VICTIM. THE VICTIM IS THE BOOKMAKER--THE MAN WHO SELLS ILLEGAL SERVICES TO THE PUBLIC. AND THE CRIME OF WHICH HE IS THE VICTIM IS THE CRIME OF EXTORTION. HE PAYS TO STAY IN BUSINESS.

THOMAS C. SCHELLING, "WHAT IS THE BUSINESS OF ORGANIZED CRIME?" JOURNAL OF PUBLIC LAW, VOL. 20 #1, EMORY UNIVERSITY LAW SCHOOL, ATLANTA GEORGIA, 1971

⑧ --PLAINCLOTHESMEN, PARTICIPATING IN WHAT IS KNOWN IN POLICE PARLANCE AS A "PAD," COLLECTED REGULAR BI-WEEKLY OR MONTHLY PAYMENTS AMOUNTING TO AS MUCH AS \$3,500 FROM EACH OF THE GAMBLING ESTABLISHMENTS IN THE AREA UNDER THEIR JURISDICTION, AND DIVIDED THE TAKE IN EQUAL SHARES. THE MONTHLY SHARE PER MAN (CALLED THE "NUT") RANGED FROM \$300 AND \$400 IN MIDTOWN MANHATTAN TO \$1,500 IN HARLEM. WHEN SUPERVISORS WERE INVOLVED THEY RECEIVED A SHARE AND A HALF. A NEWLY ASSIGNED PLAINCLOTHESMAN WAS NOT ENTITLED TO HIS SHARE FOR ABOUT TWO MONTHS, WHILE HE WAS CHECKED OUT FOR RELIABILITY, BUT THE EARNINGS LOST BY THE DELAY WERE MADE UP TO HIM IN THE FORM OF TWO MONTHS' SEVERANCE PAY WHEN HE LEFT THE DIVISION....

--THE LAWS AGAINST GAMBLING, PROSTITUTION, AND THE CONDUCT OF CERTAIN BUSINESS ACTIVITIES ON THE SABBATH ALL CONTRIBUTE TO THE PREVALANCE OF POLICE CORRUPTION IN OBVIOUSLY DIFFERENT DEGREES OF SERIOUSNESS. HOWEVER, THEY HAVE ONE CHARACTERISTIC IN COMMON--THEY ARE LAWS WHICH ARE DIFFICULT TO ENFORCE BECAUSE THE "VICTIMS" OF THESE CRIMES ARE USUALLY WILLING PARTICIPANTS AND SELDOM COMPLAIN TO THE POLICE....

--THE CRIMINAL LAWS AGAINST GAMBLING SHOULD BE REPEALED. TO THE EXTENT THAT THE LEGISLATURE DEEMS THAT SOME CONTROL OVER GAMBLING IS APPROPRIATE, SUCH REGULATION SHOULD BE BY CIVIL RATHER THAN CRIMINAL PROCESS. THE POLICE SHOULD IN ANY EVENT BE RELIEVED FROM ANY RESPONSIBILITY FOR THE ENFORCEMENT OF GAMBLING LAWS OR REGULATIONS....

"SUMMARY AND PRINCIPAL RECOMMENDATIONS," THE KNAPP COMMISSION, AUGUST 3, 1972, PP. 1 & 18.

Attitudes and Opinions on Gambling, Crime and Corruption (Cont'd)

The Charts 1 to 9 are self-explanatory. Attention is brought to Chart 5 where Ramsey Clark challenges the illegal gambling estimates of the 1967 President's Crime Commission. The feelings of the Sport Commissioners on legalized gambling on sport events is shown on Chart 9.

HI-1736/2-CC

11b

① ...LASTLY THE IDEA OF LUCK IS NOT ONLY EMBODIED IN A VISUAL EMBLEM. IT SERVES AN 'INVISIBLE' BUT SUBTLE FUNCTION OF SOCIAL LUBRICATION. IF, ALL OF A SUDDEN, THE BELIEF IN LUCK AND ITS NUMEROUS PROGENY WERE TO CEASE, ENVY, MALAISE, DISILLUSIONMENT, AND DESPAIR WOULD REAR THEIR UNPREPOSSESSING HEADS. I DO NOT SAY THIS WITH ANY INTENTION OF GREETING THE IDEA OF LUCK AS A BENIGN AND GRACEFUL ADORNMENT OF HUMAN LIFE. I MEAN ONLY THAT IN THE DAWN OF CIVILIZATION FROM WHICH WE ARE BARELY EMERGING--IF INDEED WE HAVE ENTERED IT--THE BELIEF IN LUCK MAY BE THE LESSER OF TWO EVILS.

"CHANCE, SKILL, AND LUCK" JOHN COHEN. PENGUIN BOOKS BALTIMORE, MD. 1960, P-128.

② WITH THE RESULT THAT FOR THE PAST QUARTER CENTURY GAMBLING HAS STOOD ALONE AS THE SINGLE MOST IMPORTANT CRIMINAL CHALLENGE TO THE NATIONAL WELFARE, CORRUPTING PUBLIC OFFICIALS AND FINANCING OTHER MORE VICIOUS CRIMINAL ACTIVITIES.

GAMBLING CANNOT BE DEALT WITH EFFECTIVELY BY LICENSING PRIVATE PROMOTERS. THERE ARE SEVERAL EXPERIMENTS IN LICENSING CURRENTLY GOING ON IN THE UNITED STATES, AND WITHOUT EXCEPTION THEY ARE NEGATIVE. NEVADA, ALMOST COMPLETELY ENSLAVED TO GAMBLER-GANGSTER FORCES, HAS PROVIDED A BASE OF OPERATIONS FOR ORGANIZED CRIME. UNLESS THE SITUATION CHANGES BECAUSE OF THE RECENT ACTIVITIES OF HOWARD HUGHES THERE, THE PLIGHT OF NEVADA SHOULD RIGHTLY BE A MATTER OF CONCERN TO THE ENTIRE NATION.

THE CASE FOR STATE-CONDUCTED GAMBLING (LOTTERIES) IS VERY WEAK, BASED ON PRESENT EXPERIENCE.

IT IS ACCORDINGLY CONCLUDED THAT GAMBLING SHOULD NOT BE LEGALIZED, EITHER BY LICENSING PRIVATE OPERATORS OR BY DIRECT GOVERNMENT PARTICIPATION. NO PUBLIC AUTHORITY CAN LONG WITHSTAND THE PRESSURES AND CORRUPTING EFFECTS OF LEGALIZED GAMBLING ENTERPRISES. PARIMUTUEL OPERATIONS ARE NOT ALTOGETHER AN EXCEPTION TO THIS, THOUGH CONDUCTING PARIMUTUELS IS NOT THE SAME AS RUNNING OTHER GAMBLING GAMES BECAUSE TRACKS DO NOT GAMBLE WITH THEIR PATRONS. BUT IT IS NOT REALISTIC TO TALK OF RESTRICTING THE PARIMUTUEL TRACKS; THEY ARE SIMPLY TOO POWERFUL TO BE DISLODGED.

FINALLY, IF CONGRESS COULD BE PERSUADED TO MAKE A MORE SWEEPING APPROACH THERE ARE THREE ADDITIONAL STEPS THAT COULD BE TAKEN:

(A) ENACTMENT OF A GAMBLING PROHIBITION BASED NOT ON TAX POWERS OR THE INTERSTATE COMMERCE CLAUSE, BUT ON CONGRESS' CONSTITUTIONAL AUTHORITY TO REGULATE CURRENCY, UNDER WHICH A FEDERAL CRIMINAL PENALTY COULD BE IMPOSED DIRECTLY ON ANYONE USING MONEY COINED OR PRINTED BY THE UNITED STATES MINT IN A GAMBLING ENTERPRISE

(B) THE CREATION OF A BUREAU OF GAMBLING IN THE TREASURY DEPARTMENT, INDEPENDENTLY STAFFED WITH ENOUGH AGENTS TO ENFORCE EXISTING FEDERAL TAX LAWS WITH RESPECT TO ALL GAMBLING ACTIVITIES IN THE FIELD, AND CHARGED WITH CENTRAL RESPONSIBILITY FOR COORDINATING ALL RELATED FEDERAL EFFORTS (NOT AS A PROHIBITION MEASURE, BUT TO DRIVE GAMBLING ACTIVITY OUT INTO THE OPEN--AND INCIDENTALLY, PROBABLY, TO TAP A VERY LARGE SOURCE OF ADDITIONAL REVENUE FOR UNCLE SAM).

(C) ENACTMENT AND ENFORCEMENT OF A COMPREHENSIVE SET OF LAWS REQUIRING ACCOUNTING FOR CAMPAIGN FUNDS AND DISCLOSURE (POSSIBLY TO SOME MONITORING BODY RATHER THAN PUBLICLY) OF PERSONAL ASSETS FOR PUBLIC OFFICIALS AND EMPLOYEES AT THE FEDERAL LEVEL AND AS FAR INTO STATE AND LOCAL GOVERNMENTS AS THE FEDERAL GRANT-IN-AID STRINGS COULD BE PULLED.

"GAMBLING AND ORGANIZED CRIME," RUFUS KING, PUBLIC AFFAIRS PRESS, WASHINGTON, D.C. 1969, P. 14

- ③ 1. GAMBLING IS A FUNDAMENTAL HUMAN ACTIVITY
 2. GAMBLING IS HARMFUL
 --PSYCHOLOGICALLY AND SOCIOLOGICALLY, GAMBLING, WHILE GIVING SOME SORT OF SATISFACTION, IS AT THE SAME TIME A TREMENDOUSLY DISRUPTIVE FORCE AND FAILS TO INTEGRATE ITSELF WITH THE WHOLE LIFE OF THE COMMUNITY. AS A WANT SATISFACTION, IT IS UNSATISFACTORY, AS ITS REPERCUSSIONS IN OTHER PARTS OF THE COMMUNITY MAKE ITS SOCIAL COST EXORBITANT. WHILE GAMBLING EVERYWHERE IS ATTENDED BY DISRUPTION, IN AMERICA ESPECIALLY THIS DISRUPTION TAKES AN UNUSUALLY VIOLENT FORM. GRAFT, MURDER, LARCENY, ARE REGULAR AND RECURRENT RESULTS OF GAMBLING OPERATIONS, AND GAMBLING GENERALLY IS INEXTRICABLY ENTWINED WITH CRIME. INDIVIDUALLY, GAMBLING HAS CAUSED THE RUIN OF PERSONS AND FAMILIES THAT WOULDN'T HAVE OCCURRED IN THE ABSENCE OF GAMBLING PARTICIPATION. SOCIALLY, GAMBLING HAS CAUSED GANG WARS, THEFT, MURDER, AND GRAFT. THESE OCCURRENCES ARE TOO FREQUENT AND REGULAR TO BE SHRUGGED OFF AS ISOLATED INSTANCES THAT ARE "BOUND TO HAPPEN."
 3. GAMBLING IS SUPPRESSIBLE

"THE NATURE OF GAMBLING," DAVID D. ALLEN, COWARD-McCANN, INC. N.Y. P.122-126.

④ HISTORY CLEARLY REFLECTS THAT LEGALIZED GAMBLING IN AMERICA HAS NEVER ELIMINATED ANY ABUSES. INSTEAD, IT HAS GREATLY INCREASED ECONOMIC, SOCIAL AND POLITICAL EVILS. THERE IS NO PLACE FOR LEGALIZED GAMBLING IN AN ENLIGHTENED SOCIETY.

"GAMBLING--SHOULD IT BE LEGALIZED?," BY VIRGIL W. PETERSON, P. 150.

⑤ --THE WEALTH AND INCOME OF ORGANIZED CRIME ARE EXAGGERATED BEYOND REASON. TWENTY-SIX BILLION DOLLARS IS A FIGURE SUGGESTED BY SOME AS ITS ANNUAL GROSS INCOME, AND BY OTHERS AS ITS NET PROFIT. EVEN THE PRESIDENT'S CRIME COMMISSION IN 1967 ESTIMATED \$6 OR \$7 BILLION AS THE PROBABLE NET INCOME FOR ORGANIZED CRIME ON WHICH IT DOES NOT PAY TAXES...THE HIGH ESTIMATES OF SYNDICATE INCOME WOULD AVERAGE \$1 MILLION A YEAR FOR 26,000 INDIVIDUALS AND THE LOW A MILLION EACH FOR 6- TO 7,000 PERSONS. EVEN THE LOWER ESTIMATE OF THE CRIME COMMISSION IS WILDLY IMPROBABLE. THE FBI SETS THE TOTAL MEMBERSHIP OF LA COSA NOSTRA AT LESS THAN 6,000. WHERE CAN SO MUCH MONEY GO? HOW COULD IT REMAIN SO WELL HIDDEN?

"CRIME IN AMERICA," RAMSEY CLARK, SIMON & SCHUSTER, N.Y.C. 1970, P.73

⑥ --A MASSIVE, THOROUGHLY DOCUMENTED APPRAISAL OF GAMBLING BY THE FUND FOR THE CITY OF NEW YORK, WHICH WINDS UP WITH A FLAT RECOMMENDATION THAT NUMBERS BETTING BE LEGALIZED. IT IS A RECOMMENDATION WE FIND PERSUASIVE, DESPITE OUR RELUCTANCE TO SEE THE CITY OR STATE MOVE EVEN DEEPER INTO THE ENCOURAGEMENT BY GAMBLING.

--AS IN THE CASE OF BINGO, LOTTERIES, ON-TRACK AND OFF-TRACK BETTING, THE LEGALIZATION OF NUMBERS BETTING WOULD PROBABLY IMPROVE THE ODDS IN THE CONSTANT FIGHT AGAINST ORGANIZED CRIME AND OFFICIAL CORRUPTION.

"GAMBLING ODDS," EDITORIAL, THE NEW YORK TIMES, DECEMBER 13, 1972, P. 34.

⑦ THE GAMBLER IS A PSYCHO-SOCIOLOGIST WHO UNCONSCIOUSLY WANTS TO LOSE.

GAMBLING IS A TYPICAL, CHRONIC, AND REPETITIVE EXPERIENCE IN HIS LIFE.

GAMBLING ABSORBS ALL HIS OTHER INTERESTS LIKE A SPONGE.

THE GAMBLER IS PATHOLOGICALLY OPTIMISTIC ABOUT WINNING AND NEVER "LEARNS HIS LESSON" WHEN HE LOSES.

THE GAMBLER CANNOT STOP WHEN HE IS WINNING.

NO MATTER HOW GREAT HIS INITIAL CAUTION, THE TRUE GAMBLER EVENTUALLY RISKS MORE THAN HE CAN AFFORD.

THE GAMBLER SEEKS AND ENJOYS AN ENIGMATIC THRILL WHICH CANNOT BE LOGICALLY EXPLAINED, SINCE IT IS COMPOUNDED OF AS MUCH PAIN AS PLEASURE.

"PSYCHOLOGY OF GAMBLING," EDMUND BERGLER, M.D.

⑧ ---IT HAS BEEN D.A. (DISTRICT ATTORNEY, KINGS COUNTY) GOLD'S POSITION THAT GAMBLING SHOULD BE LEGALIZED, EXCEPT FOR "LAS VEGAS," OR CASINO-TYPE GAMBLING. MR. GOLD WOULD LIKE TO SEE THE O.T.B. EXPANDED STATEWIDE, AND EXPANDED TO INCLUDE ALL FORMS OF GAMBLING, GAMES AND NUMBERS, AS WELL AS HORSE RACING. UNTIL THAT TIME COMES, HOWEVER, IN RECOGNITION OF THE IMPORTANCE OF GAMBLING PROCEEDS TO ORGANIZED CRIME, MR. GOLD FIRMLY BELIEVES THAT THE LAWS REGARDING ILLEGAL GAMBLING SHOULD BE STRICTLY ENFORCED.

"MAJOR POLICY GAMBLING RING IS SMASHED" IMMEDIATE RELEASE FROM THE OFFICE OF THE DISTRICT ATTORNEY, KINGS COUNTY

⑨ ...YESTERDAY, SPOKESMEN FOR THE NATIONAL DISTRICT ATTORNEYS ASSOCIATION ENDORSED THE OPPOSITION OF ORGANIZED SPORTS TO GAMBLING ON THEIR GAMES.

DECLARING THAT HIS VIEWS REPRESENTED AT LEAST 90% OF THE NDAAs MEMBERSHIP, THE ORGANIZATION'S PRESIDENT, CAROL VANCE, CITED THE POSSIBILITY THAT GAMBLING COULD RUIN THE INTEGRITY OF SPORTS AS ONE OF THE MAJOR OBJECTIONS TO WAGERING ON THE OUTCOME OF FOOTBALL, BASKETBALL, BASEBALL AND HOCKEY GAMES.

"IT'S NOT EVEN THE 'FIX' THAT WE'RE CONCERNED ABOUT," ADDED PETE ROZELLE, PRO FOOTBALL COMMISSIONER, "AS THE SUSPICION OF A 'FIX.' AND IF MILLIONS OF PEOPLE ARE BETTING ON A GAME, IT'S ALMOST CERTAIN THEY'LL BE SUSPICIOUS OF ANYTHING THAT HAPPENS ON THE FIELD THAT AFFECTS THEIR WINNING OR LOSING A BET. QUARTERBACKS SHOULD NOT BE CONCERNED ABOUT POINT SPREADS."

ALSO ON HAND AT A PLAZA HOTEL PRESS CONFERENCE TO EMPHASIZE THEIR UNALTERABLE REJECTION OF LEGALIZED BETTING ON SPORTS WERE BASEBALL COMMISSIONER BOWIE KUHN; WALTER KENNEDY, HEAD OF THE NATIONAL BASKETBALL ASSOCIATION; ROBERT CARLSON, AMERICAN BASKETBALL ASSOCIATION CHIEF, AND DON RUCK, SITTING IN FOR NATIONAL HOCKEY LEAGUE PRESIDENT CLARENCE CAMPBELL.

"D.A.'S OPPOSE BETTING ON SPORTS," DAILY NEWS, FRIDAY, SEPTEMBER 29, 1972

Survey of the States: Status of Gambling Legislation

New York State makes the most money from legalized gambling. Nevada ranks sixth in this department, but it received 40% of its revenue from this source, which is far and away the largest percentage of any State. New Hampshire isn't doing too badly in second place.

HI-173E 12

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12b

STATE	FORMS OF GAMBLING LEGALIZED	STATUS OF LEGISLATION	STATE REVENUE FROM GAMBLING	PERCENTAGE OF TOTAL STATE REVENUE					
ALABAMA	NONE	72-REFERENDUM PASSED IN MOBILE TO ALLOW DOG RACING			NEW HAMPSHIRE	LOTTERY, PARIMUTUEL BETTING ON HORSES	72-PARIMUTUEL BETTING ON DOGS LEGALIZED; TALK OF OFF-TRACK BETTING	70-LOTTERY \$ 915,000 71-HORSES \$10,193,000	70 1% 71 8.6%
ALASKA	FOR NON-PROFIT ORGANIZATIONS: BINGO, ICE CLASSICS, FISH DERBIES: SOME COIN-OPERATED MACHINES.				NEW JERSEY	PARIMUTUEL BETTING ON HORSES; BINGO STATE LOTTERY	72-BILL OKAYED TO STUDY OFF-TRACK BETTING, CASINOS HEARINGS UNDER WAY.	70-LOTTERY \$40,000,000 71-HORSES \$35,419,000	70 3% 71 2.3%
ARIZONA	PARIMUTUEL BETTING ON HORSES, DOGS; SOME SLOT MACHINES	71-BINGO LEGISLATION ADOPTED	71-\$ 4,320,000	.8%	NEW MEXICO	PARIMUTUEL BETTING ON HORSES; BINGO FOR RELIGIOUS OR CHARITABLE GROUPS		71-\$ 890,000	.3%
ARKANSAS	PARIMUTUEL BETTING ON HORSES, DOGS	72-DISCUSSION A LOTTERY	71-\$ 6,275,000	1.6%	NEW YORK	PARIMUTUEL BETTING ON HORSES; BINGO OFF-TRACK BETTING; STATE LOTTERY	72-BILL PASSED LEGISLATURE WHICH WOULD ALLOW CHANGES IN ORDER TO LEGALIZE ALL OTHER KINDS OF GAMBLING; MUST PASS NEXT LEGISLATURE AND VOTE OF THE PEOPLE	71-HORSES ON-TRACK \$170,000,000 71-OFF-TRACK \$14,000,000	71 2.8% 71 .2%
CALIFORNIA	PARIMUTUEL BETTING ON HORSES; JAI ALAI DRAW POKER	72-LOTTERY BEING DISCUSSED; OTB LEGISLATION KILLED; BINGO LEGISLATION KILLED IN COMMITTEE (JUNE)	71-\$64,859,000	1.1%	NORTH CAROLINA	NONE			
COLORADO	PARIMUTUEL BETTING ON HORSES, DOGS; BINGO	LOTTERY QUESTION UP TO VOTERS IN NOVEMBER, 1972	71-\$ 4,196,000	.8%	NORTH DAKOTA	(NONE)	4/72-VOTERS APPROVED PROPOSAL TO PERMIT LEGISLATURE TO ENACT LAW AUTHORIZING A LOTTERY, BUT PROPOSED NEW CONSTITUTION (WITH LEGALIZATION WRITTEN IN) DEFEATED		
CONNECTICUT	BINGO; PARIMUTUEL BETTING ON HORSES BOTH ON AND OFF-TRACK (NOT YET IN OPERATION) STATE LOTTERY (2/72)				OHIO	PARIMUTUEL BETTING ON HORSES; BINGO	4/72-STATE SUPREME COURT RULED CONSTITUTIONAL AMENDMENT ON LOTTERIES COULD NOT APPEAR ON BALLOT. SENATE AND HOUSE APPROVED AMENDMENT	71-\$16,813,000	.9%
DELAWARE	PARIMUTUEL BETTING ON HORSES; BINGO	DISCUSSING LOTTERIES AND OFF-TRACK BETTING	71-\$ 7,785,000	3.5%	OKLAHOMA	LOTTERIES FOR MERCHANT AND COMMUNITY CHESTS.			
FLORIDA	PARIMUTUEL BETTING ON HORSES, DOGS; JAI ALAI	LOTTERIES AND OFF-TRACK BETTING BEING DISCUSSED	71-\$53,960,000	3.4%	OREGON	PARIMUTUEL BETTING ON HORSES, DOGS	71/72-LOTTERY LEGISLATION OKAYED. LEGAL BARRIERS TO PUBLIC GAMBLING REMOVED.	71-\$ 2,685,000	.6%
GEORGIA	NONE				PENNSYLVANIA	PARIMUTUEL BETTING ON HORSES; LOTTERY	71-OTB BILL DEFEATED; 72-NEW OTB BILL BEING WRITTEN WHICH WOULD ALLOW RACING ASSN. TO RUN, ALL MONEY BET INCLUDED IN TRACK POOLS, ONLY STATE RACES, 10%-RACING; 5%-STATE; 2%-EDUCATION	71-\$20,119,000	.6%
HAWAII	(NONE)	72-"SOCIAL GAMBLING" LEGALIZED; BILL TO LEGALIZE COCK FIGHTING BUT NOT WAGERING ON COCK FIGHTS INTRODUCED; EFFORTS FOR PARIMUTUEL BETTING ON HORSES			RHODE ISLAND	PARIMUTUEL BETTING ON HORSES; BINGO	72-DEMOCRATS PROPOSING LEGISLATION TO LEGALIZE BETTING ON DOGS, JAI ALAI SPORTS BETTING AND OTB. MAY BE ON NOVEMBER BALLOT. OTB BEING STUDIED UNDER 1971 LEGISLATION.	71-\$12,373,000	4.5%
IDAHO	PARIMUTUEL BETTING ON HORSES	72-PROPOSED CONSTITUTIONAL AMENDMENT PREMITTING LOTTERIES AND BINGO WAS DEFEATED.	71- 121,000	.06%	SOUTH CAROLINA	NONE			
ILLINOIS	PARIMUTUEL BETTING ON HORSES	72-TALK OF OFF-TRACK BETTING	71-\$45,799,000	1.4%	SOUTH DAKOTA	PARIMUTUEL BETTING ON HORSES, DOGS	71-LOTTERY BILL DEFEATED	71-\$ 1,461,000	1.1%
INDIANA	NONE				TENNESSEE	NONE			
IOWA	NONE				TEXAS	CARD GAMES AND DOMINOES IN FAMILY RESIDENCES			
KANSAS	BINGO FOR CHARITY OR NON-PROFIT ORGS.				UTAH	NONE			
KENTUCKY	PARIMUTUEL BETTING ON HORSES; SOME PINBALL MACHINES	72-OFF-TRACK BETTING BILL TABLED (EFFECTIVELY KILLED) BILL TO STUDY OTB PASSED.	71-\$ 6,284,000	.8%	VERMONT	PARIMUTUEL BETTING ON HORSES; BINGO		71-\$ 2,940,000	2%
LOUISIANA	PARIMUTUEL BETTING ON HORSES; BINGO		71-\$ 5,164,000	.5%	VIRGINIA	LIMITED BINGO	71-CONSTITUTIONAL CHANGE MADE TO ENABLE LEGISLATION		
MAINE	PARIMUTUEL BETTING ON HORSES; BINGO		71-\$ 1,736,000	.7%	WASHINGTON	PARIMUTUEL BETTING ON HORSES	71/72-LOTTERY LEGISLATION PASSED AND LEGAL BARRIERS REMOVED TO PUBLIC GAMBLING STATE VOTE; NOVEMBER, 1972	71-\$ 2,873,000	.2%
MARYLAND	PARIMUTUEL BETTING ON HORSES; BINGO; SLOT MACHINES IN SOME COUNTIES	4/72-OTB BILL KILLED. LOTTERY UP TO VOTERS IN NOVEMBER, 1972.	71-\$14,679,000	1.2%	WEST VIRGINIA	PARIMUTUEL BETTING ON HORSES		71-\$10,440,000	2.3%
MASSACHUSETTS	PARIMUTUEL BETTING ON HORSES, DOGS; LOTTERY (3/72)	71-BEANO LICENSING AUTHORIZED. 72-TALK OF OFF-TRACK BETTING	71-\$25,026,000	1.6%	WISCONSIN	NONE			
MICHIGAN	PARIMUTUEL BETTING ON HORSES	5/71-OTB LEGISLATION PASSED THE HOUSE 5/72-PRIMARY VOTED FOR REPEAL OF BAN ON LOTTERIES AND BINGO 5/72-SENATE BILL INTRODUCED FOR A LOTTERY	71-\$23,238,000	.9%	WYOMING	PARIMUTUEL BETTING ON HORSES; BINGO	OTHER FORMS NOW BEING CONSIDERED	71-\$ 18,000	.02%
MINNESOTA	NONE	EFFORTS FOR PARIMUTUEL BETTING ON HORSES							
MISSISSIPPI	NONE								
MISSOURI	BINGO	4/71-CONSTITUTIONAL CHANGE SO PARIMUTUEL BETTING CAN BE LEGALIZED							
MONTANA	(NONE)	72-VOTERS OKAYED MEASURE FOR LEGISLATURE TO ACT TO LEGALIZED BINGO AND RAFFLES NO CASINOS							
NEBRASKA	PARIMUTUEL BETTING ON HORSES; BINGO		71-\$ 2,237,000	.7%					
NEVADA	PARIMUTUEL BETTING ON HORSES; OFF-TRACK BETTING, CASINOS; SPORTS WAGERING; BINGO	72-PROPOSAL INTRODUCED TO ALLOW TELEPHONE BETTING	71-\$41,000,000	40%					

"HOW MANY GAMES IN TOWN?--SHOULD GAMBLING BE LEGALIZED," MARCUM AND ROWEN, SEPT. 11, 1972. (UNPUBLISHED WORKING PAPER PREPARED FOR THE 20TH CENTURY FUND)

Estimates of Illegal Gambling Volume in U. S. A.

The Marcum and Rowen paper tabulates various illegal gambling estimates in Chart 1. Ambiguity exists when the referenced author does not clearly define whether the "gross" figures represent handle or take and whether the "take" figures represent gross or net. In Chart 2, Marcum and Rowen submit their estimates. The operator's net revenue, or profit after expenses, is estimated at \$1.67 billion and tends to strengthen Mr. Ramsey Clark's statement on Chart 5 of Page 11.

Hudson Institute's estimate for net take by illegal gamblers in New York State is \$70 to \$120 million (Chart 5 on Page 6).

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13b

① SOURCE	GROSS HANDLE (AMOUNT BET)	GROSS TAKE (AMOUNT LOST BY BETTORS TO OPERATORS)	NET TAKE (PROFITS OF OPERATORS AFTER EXPENSES)
JOHN SCARNE (1961)	\$500 BILLION	\$100 BILLION	
PRESIDENT'S CRIME COMMISSION (1967)	\$20-\$50 BILLION (AMBIGUOUS)	\$6-\$7 BILLION (AMBIGUOUS)	
RUFUS KING (1969)	NOT LESS THAN \$20 BILLION (AMBIGUOUS)	\$6-\$7 BILLION (AMBIGUOUS)	
TIME (1970)			\$10 BILLION
ADVOCATES (1972)			
MR. DUKAKIS	\$ 20 BILLION		
MR. COLE	\$50 BILLION (AMBIGUOUS)		
NEWSWEEK (1972)	\$ 40 BILLION		\$ 7 BILLION
US NEWS & WORLD REPORT (1972)			
H. PETERSON, DEPT. OF JUSTICE	\$50 BILLION (AMBIGUOUS)		
COMMITTEE FOR ECONOMIC DEVELOPMENT (1972)		\$20-\$50 BILLION	\$6 OR \$7 BILLION TO \$16 OR \$17 BILLION
HOWARD SAMUELS (OTB) 1971 TESTIMONY	\$ 20 BILLION		\$ 3 BILLION (AMBIGUOUS)

② PRESENT ESTIMATED ILLEGAL REVENUES
(IN BILLIONS OF DOLLARS)

	HANDLE	GROSS TAKE	OPERATORS NET. REV.
OFF-TRACK BETTING	5.50	1.00	.50
LOTTERIES	.20	.10	.05
NUMBERS	2.50	1.00	.25
CASINOS	2.00	.40	.15
SPORTS BETTING	12.00	.70	.50
BINGO**	.30	.15	.10
CARDS**		.07	.05
SLOT MACHINES***	.40	.10	.07
TOTAL	22.90	3.52	1.67

*DOES NOT INCLUDE GAMES OPERATED BY CHURCHES OR CHARITIES
**OTHER THAN IN CONJUNCTION WITH CASINOS

"HOW MANY GAMES IN TOWN?--SHOULD GAMBLING BE LEGALIZED," MARCUM AND ROWEN, SEPT. 11, 1972.
(UNPUBLISHED WORKING PAPER PREPARED FOR THE 20TH CENTURY FUND)

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