South Carolina House of Representatives

Legislative Update & Research Reports

Robert J. Sheheen, Speaker of the House

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Bills Introduced

Here is a sampling of the bills introduced in the House during the past week. Not all the bills introduced are featured here. The bills are organized by the standing committees to which they were referred.

Agriculture and Natural Resources Committee

Sanitary Landfill (H.3991, Rep. Hodges). This bill would prohibit the establishment, operation or authorization of a sanitary landfill by a political subdivision within a half mile of an adjoining county in South Carolina or a bordering state without the consent of the adjoining county.

Education and Public Works Committee

Advisory Council to the Higher Education Commission (H.4000, Rep. T. Rogers). The South Carolina Association of Student Body Presidents would be made an advisory council to the State Commission on Higher Education if this bill is enacted.

Medical, Military, Public and Municipal Affairs Committee

Medically Indigent Task Force (S.689, Sen. McLeod). This joint resolution establishes a task force to study health care coverage for the state's medically indigent. The resolution outlines the make-up of the 20-member legislative task force, which will make recommendations for expanding health care coverage for the indigent. The report is due a year after passage. According to the joint resolution, there is an estimated 450,000 South Carolinians who are uninsured, and half of these are in working families. In addition, the resolution notes that more than one-fourth of the state's population is at risk of becoming medically indigent.

Child Care Facility Regulations (S.710, Sen. Nell Smith). This lengthy bill would overhaul the state's child care facility regulations. The primary purpose of the bill is to provide equal protection for all children in out-of-home care and establish statewide minimum standards for all child day care facilities. The proposed bill is compromise legislation worked out among church facilities and other day care facilities to strengthen the current day care laws.

Under the bill, an 11-member independent board will be appointed by the governor, representing public, private for-profit and church affiliated child care facilities. Also on the board will be a parent representative, a pediatrician, an educator and a member of the business community. The DSS Commissioner and Human Service Finance Commission director would serve ex-officio. An advisory committee would be established in each congressional district to advise the statewide board.

The bill requires that all child care workers undergo both a SLED and FBI background check. Currently, just the SLED check, costing $10, is required of employees at licensed day care centers, group homes and public day care facilities. The FBI check would include fingerprinting and cost $14.

Additional provisions include requiring any public facility receiving public funds to be licensed and establishment of required child-to-staff ratios at all facilities. The bill does not regulate religious instruction, nor are YMCA and recreational programs covered by the bill.

Judiciary Committee

South Carolina Contraband Forfeiture Act (H.3998, Rep. T. Rogers). This bill establishes that any personal property used or involved in the commission of a felony will be declared contraband and is subject to forfeiture. This includes any motor vehicle or aircraft. The seized property will be sold at public auction to the highest bidder. Proceeds will be applied first to any lien against the property, next to the cost incurred from seizing, storing and maintaining the vehicle or property. Solicitor's and court costs will also be covered by the sale. The remaining balance will be turned over to the law enforcement agency that made the seizure.

Campaign Literature Distribution (S.184, Sen. Passailaigue). This bill would prohibit the distribution of campaign literature within 200 feet of the main entrance to a polling place, rather than within 200 feet of the building used as the polling place.

Without Reference

Tax Refunds and Court Decisions (S.721, Sen. Waddell). Under state law, a taxpayer has up to three years to apply for a tax refund. Under this bill, that three year statute of limitation would not apply to refunds claims made in the wake of a court decision, which declares a South Carolina tax law unconstitutional. This occurred recently when the U.S. Supreme Court declared unconstitutional a Michigan law that taxed the pensions of federal retirees but exempted state and local government retirees from state taxation. South Carolina was among 15 other states which had similar tax provisions.

Highlights of the Auto Insurance Reform Act

Three weeks ago, the House passed H.3695, the Automobile Insurance Reform Act. Since that time, the House Research Office has received a number of requests for a summary of the highlights of the bill. The following is that summary. It is organized in such a way so it can be easily adapted to speeches, newsletters, newspaper columns or correspondence.

We hope to follow this summary with highlights of the Senate-passed auto insurance bill, when such a summary is available.

On April 19, the House gave third reading to H.3695, the Automobile Insurance Reform Act, after lengthy debate and many amendments. Last week the bill was recalled from the Senate Banking and Insurance Committee and amended by the Senate.

Highlights of the House-passed bill include:

Reductions for Safe Drivers:

Mandatory Rate Rollback

South Carolina drivers who qualify for the Safe Driver Discount would see an across-the-board mandated rate reduction of 5 percent after September 30, 1989.

Increase in Safe Driver Discount

Those qualifying for the Safe Driver Discount would see more savings. Another provision of the bill requires the Safe Driver Discount to be increased from 15 to 20 percent by those insurance companies whose Safe Driver Discounts are 15 percent. Currently, an estimated 80 percent of the drivers in South Carolina receive the Safe Driver Discount.

Reduction of Recoupment Fee

For those drivers who have zero merit rating points (good drivers), the recoupment fee would be reduced by 50 percent. The recoupment fee, charged all insured drivers, goes back to the Reinsurance Facility to cover the losses of those drivers ceded to the facility. Under this provision, the losses from the 50 percent reduction would be redistributed among those drivers with one or more merit rating points, which means their recoupment fee will increase.

Cracking Down on Uninsured Motorists

Insurance Windshield Sticker

Owners of motor vehicles would be required to place an identifying sticker indicating insurance coverage on the front windshield of their vehicles above the inspection sticker.

Towing of Uninsured Vehicles

Any uninsured vehicle involved in an accident must be towed and stored by the county or city where the accident occurred until the owner can produce proof of insurance coverage.

Proof of Insurance and Moving Violations

Proof of insurance forms would have to be submitted by any driver involved in a moving violation, when a license check indicates the vehicle is not insured. The form must be completed, verified and turned into the State Highway Department within 15 days of the violation.

Proof of Insurance upon Renewal of License

Under the House bill, any person applying or renewing his driver's license must complete a proof of insurance form. Failure to complete the form would result in suspension of the license. People applying for licenses who do not own a motor vehicle must submit an affidavit stating that neither they nor any resident relative own a motor vehicle.

Minimum Insurance Coverage

The minimum insurance policy term would be 90 days under the House bill. The policy could not be cancelled except for bad check or proof the vehicle was sold.

Lapses of Insurance

Drivers who allow their insurance to lapse will be fined $5 a day for the lapse in coverage. The Highway Department would be required to identify the lapses in coverage when the driver provides a proof of insurance form in response to a registration cancellation notice.

Property Damages and the Uninsured Motorist

Uninsured motorists would be prevented from collecting for property damage to their vehicles by the at-fault driver under the House bill. In addition, an insured driver would not have his recoupment fee raised if he is required to collect on his uninsured motorist coverage.

Better Consumer Protection and Information

Shopper's Guide and Buyer's Guide

The Chief Insurance Commissioner would be required to prepare and make available to the public a price shopper's guide for automobile insurance. In addition, all insurance companies would be required to produce an auto insurance buyer's guide to send to their customers at renewal time or with premium notices.

Notification of Ceded Policies

This provision, called the "Sunshine Amendment" in the House bill, would require an insurance company to inform a policyholder whether his policy has been ceded to the Reinsurance Facility. The request from the policyholder must be made in writing.

Consumer Advocate

The House bill gives the State Consumer Advocate more power to intercede on behalf of consumers. Under the House bill, the Consumer Advocate can intervene in federal court in representing the consumer's interest, intervene in the rate making process before the State Insurance Commission, and audit insurance companies and companies regulated by the state Public Service Commission.

Fines for Avoiding the Mandate to Write

The House bill establishes stiff fines for a company or agent who attempts to avoid the mandate to write.

More Information from the Top Insurers

Any automobile insurance company doing business in the state must annually report to the General Assembly the amount of its premiums, the claims paid, and the amount of cash reserves at the beginning and end of the year. In addition, any insurer writing more than 5 percent of the automobile insurance business in the state must provide more detailed data on their operations.

Safety Belts

The House bill requires all front seat passengers age 15 or younger to wear seat belts. Children under six are still covered by the child safety seat statutes, which have stricter requirements for restraining children. A $10 fine can be issued to violators of the seat belt provisions. Warning tickets will be issued for the first three months after the law goes into effect.

Changes in Structure

Removal of Mandated Personal Injury Protection Coverage

Like the original LCI proposal, the House-passed bill removed PIP coverage from the mandate to write. This was the only coverage currently mandated that was removed from this requirement.

Uniform Objective Standards

One of the major provisions of Act 166 created a 25 percent higher rate for drivers who fail the objective standards. However, since there is a wide variation among the premiums charged by the various insurance companies, one driver who fails the objective standard may be paying considerably less than another driver. Since many of these drivers are ceded to the Reinsurance Facility, the Facility is losing money on the drivers who pay the lesser premiums.

The House-passed bill would establish a uniform objective standard rate, which would be equal to 125 percent of the rate used by servicing carriers of the Reinsurance Facility.

Expansion of Class Plans

The bill requires the Chief Insurance Commissioner to promulgate a uniform class plan with 240 classes, similar to the ISO 202 plan. Currently, South Carolina has 22 uniform classes as promulgated by the Chief Insurance Commissioner. This is up from 10 uniform classes in place from 1974 to 1988. Many states have no restrictions on the number of classes they may have.

The advantage of having a greater number of classes is that it allows a driver to be placed in a class that more closely parallels his own driving experience. The more classes, the more closely the rates can reflect individual circumstances.

Uninsured Motorist Coverage

The bill allows insurance companies to offer both stackable and non-stackable uninsured motorist coverage. Consumers who choose non-stackable uninsured motorist coverage would receive a 15 percent rate reduction on the coverage. This section of the bill also raises the deductible for uninsured motorist coverage from $200 to $250.

Anti-Rebate Statute

Automobile insurance would be exempted from the state anti-rebate statute under this bill. South Carolina currently prohibits an insurance agent from reducing the size of his commission in order to make a sale. The bill would allow -- but not require -- an agent to lower his commission if he wished, thereby fostering more competition among agents.

Expenses Allowed Insurance Companies

The House-passed bill would restrict the expense figures used by the insurance companies in rate filings to no more than the average expense figures for the top ten most efficient companies.

Reconstitution of the Reinsurance Facility Board

The board of the Reinsurance Facility would be restructured under provisions of the bill. The proposed board would have 14 members appointed by the governor. All members must be state residents. Of the 14, six would represent consumers. Four members would represent designated agents, serving carriers, voluntary agents and voluntary insurance carriers. The remaining four board members would be the chairmen of the Senate Banking and Insurance Committee and the House Labor, Commerce and Industry committees, the Consumer Advocate and the Chief Insurance Commissioner, or their designees. The Chief Insurance Commissioner would serve as board chairman.

Proposals Not Included in the House Bill

A number of major provisions in the original LCI bill did not make it into the final version of the bill, as passed by the House. The House bill <u>does not</u>:

-- Eliminate punitive damages coverage. This was part of the original LCI bill. According to one report, South Carolina is the only state in the nation which requires, by statute, that punitive damages be covered in a policy. This requirement was not changed by the House.

-- Repeal the mandate to write physical damages coverage as proposed in the LCI bill. The LCI bill proposed removing the mandate to write on both comprehensive and collision coverage, which in effect would have repealed all physical damages coverage from the mandate to write.

The House-passed bill removes the mandate only from PIP coverage, which was originally proposed in the LCI bill.

The LCI bill also proposed establishing mandatory deductibles of $100 for collision and $50 for comprehensive, which the House voted down. This maintains the current provision that does not require a deductible for comprehensive coverage. Currently, about 80 percent of the voluntary market carries a $200 collision deductible; 57 percent carry a $100 comprehensive deductible, while 38 percent carry smaller deductibles.

-- Require that 50 percent of any punitive damages awarded in an automobile case -- after costs and attorneys fees -- go to reducing losses of the Reinsurance Facility. A comprehensive study of punitive damages awards estimated that they equaled 23 percent of the facility's losses in 1983, 1 percent in 1984 and 4 percent in 1985.

-- Reduce the limit on ceding policies to the Reinsurance Facility in order to reduce the size of the facility. The LCI bill proposed reducing the limit from 40 percent to 35 percent by July 1, 1990 and from 35 percent to 30 percent by July 1, 1991.

-- Limit the recovery of non-economic loss to 25 percent of the economic loss except in cases of permanent impairment, serious disfigurement, death, etc. Economic loss is defined as medical bills and lost wages. Non-economic loss is defined as intangible injuries such as pain and suffering, mental anguish and punitive damages. Payment for non-economic loss comprises most of the personal injury payments made in South Carolina.

Research Report: The Pros and Cons of State Lotteries

Introduction

Creation of a state lottery has become a perennial issue before the General Assembly. Each January as the Legislature convenes, news reports explore the possibility of passing a statewide lottery. Recent statewide polls show that lotteries are supported by a majority of the public.

Although no lottery bills have been introduced in the House this session, two bills are pending before the Senate Finance Committee. S.180 would amend the state Constitution to allow a state lottery, with proceeds divided among the Indigent Health Care Fund, programs for the elderly and the handicapped, and for equipment for public education.

Enabling legislation for S.180 is contained in S.325. This legislation contains statutory provisions to legalize a state-run lottery, exempt lottery prizes from gross income, and exempt the gross proceeds from sales tax. This bill also calls for a $1.4 million start-up appropriation.

More and more states, looking for new sources of revenue, are jumping on the lottery bandwagon. Despite the trend toward state lotteries, there are a growing number of experts who, after studying the trends, are raising questions about the ramifications of state lotteries. The following report explores the pros and cons of the issue.

The Growing Trend Toward Lotteries

Governments throughout the world are finding lotteries an acceptable method of raising revenue. According to Gaming and Wagering Business Magazine, lottery sales worldwide totaled $45 billion in 1986. Most government-run lotteries in other countries occur at the subnational level, but Great Britain conducts national lotteries. Two popular forms of lotteries in Great Britain are horse-racing and bingo.

This research report was researched and written by USC Legislative Intern Kristi McLean.

In the United States, 29 states and the District of Columbia are now operating lotteries. The most recent additions are Virginia and Wisconsin, which created lotteries last fall.

There is evidence that lotteries are a growth industry. Nationally, ticket sales, which were $1.7 billion in 1977, rose to $12.5 billion in 1986. Projections for 1988 are in the $13 billion range. In 1987, state lotteries netted $5.6 billion in profits for the states. The average percentage of gross lottery revenues allocated to prizes was 50 percent; to administration, 11 percent; and to the state for allocation, 39 percent. According to a recent report to the New Jersey Commission on Gambling, the volume of legalized gambling in the United States increased by 950 percent between 1974 and 1987.

Questions Raised About Lotteries

The entry of states into the lottery business has raised the question of what the proper role of government should be in connection with lottery operations. Also, the question has been raised regarding what state lotteries actually are.

One view is that state lotteries are simply public enterprises established by law as monopolies. The rationale for placing any enterprise in the public sector is to equitably provide goods or services that cannot be provided efficiently in the private sector. Therefore, one economic model for lotteries is the model of a state-run monopoly.

Another perspective views state lottery profits as a form of implicit excise tax. According to this viewpoint, traditional concepts used to evaluate any tax -- its efficiency, equity, and burden -- should be used to evaluate lotteries.

The Role of State Government

Lottery adoption is a unique trend in state government nationwide. State governments are more accustomed to raising money through taxes rather than selling and peddling a product to the public.

Because many factors influence lottery ticket sales and revenues -- promotion and advertising, ease of purchase, number and location of outlets, number and size of prizes -- questions have been raised regarding the role states have to assume in order to promote their lottery -- an effort that in essence promotes gambling.

For a lottery to succeed, its products must be fun and constantly new. Because of this, state-operated lotteries usually follow a pattern in changing from one form of a lottery game to another.

Usually, they begin with some form of a weekly drawing. Once the novelty of this type of lottery wears off, the amount of money generated declines. Another form of the lottery is then introduced -- usually an "instant" form which involves the purchase of a ticket with a "rub off" square. Some figure or symbol will indicate if the ticket is a winning ticket. Usually interest and revenues decline again.

The lottery then introduces some form of the "numbers" or player selection game known as "Lotto." In this type of game, the bettor chooses a combination of numbers. In the numbers game, players choose three-to four-digit numbers. In Lotto, players select six numbers between 1 and 49. A winning number is usually selected on a daily basis. Lotto or "numbers" games are the only ones which have sustained any real momentum among the different forms of state-operated lotteries.

How Lottery Proceeds are Divided

The following chart illustrates the division of lottery revenues among prizes, expenses to the state, and the state profits in some of the states operating lotteries. The "per-capita gambled" column represents how much was wagered per person in that state. The last column represents the state profit per-capita after the prizes and state expenses are subtracted from the total lottery revenues.

DIVISION OF LOTTERY PROCEEDS

	% of Bets Awarded As Prizes	Expenses As % of Revenues	State Profit As % of Revenues	Per-Capita Gambled	State Profit Per-Capita
Arizona	45.6%	19.4%	35.0%	$37.95	$13.26
California (1)	49.7	11.3	39.0	66.97	26.27
Colorado	55.4	19.0	25.6	34.45	8.79
Connecticut	50.7	4.7	44.6	135.20	60.13
Delaware	48.0	11.3	40.7	65.78	26.83

	% of Bets Awarded As Prizes	Expenses As % of Revenues	State Profit As % of Revenues	Per-Capita Gambled	State Profit Per-Capita
Illinois	49.1	8.9	42.0	114.36	47.84
Iowa (1)	47.1	21.5	31.4	28.33	8.98
Maine	51.7	17.8	30.5	33.29	10.18
Maryland	47.0	7.9	45.1	163.55	73.72
Massachusetts	59.0	9.7	31.3	240.10	75.54
Michigan	47.0	12.5	40.5	109.97	45.67
Missouri (1)	46.0	15.2	38.8	41.16	16.12
New Hampshire	48.3	20.4	31.3	33.86	10.77
New Jersey	49.5	8.8	41.7	130.94	55.31
New York	44.1	11.1	44.8	74.06	34.18
Ohio	49.2	10.2	40.6	87.49	35.70
Oregon	51.5	18.5	30.0	32.54	9.88
Pennsylvania	50.2	9.0	40.8	111.36	45.49
Rhode Island	46.3	16.5	37.2	58.76	22.26
Vermont	49.9	23.4	26.7	23.19	6.25
Washington	45.5	14.3	40.2	41.09	16.57
Washington,D.C.	49.3	20.8	29.9	189.54	57.29
West Virginia(2)	49.1	11.6	39.3	27.36	10.85

Source: Laventhol & Horwath

1. State began lottery during year covered. Per capita results reflect nine months of betting in California, 11 months in Iowa and six months in Missouri.

2. West Virginia results cover 15 months.

All figures bases on fiscal 1986, which ended in June for all lotteries except Massachusetts (November), Washington, D.C. and Michigan (September), and New York (March).

"Irreversible Process"

Two Duke University public policy professors, Charles T. Clotfelter and Philip J. Cook, are examining the "irreversible process" of lottery adoption nationwide. In a recent article entitled "Lotteries: Profits and Promises" in the Duke Alumni Magazine, the professors indicate that the issues surrounding the creation of lotteries are more complicated than simply whether or not a state should create one. As Dr. Clotfelter is quoted as saying, "It's not simply whether you go for a lottery or not. In fact, almost all the states have gone for exactly the same thing. There's this carbon copy that goes around and gets peddled. But there's no reason a state has to take that whole thing, lock, stock, and barrel. They can take parts of it."

According to Cook and Clotfelter, there are two choices that every state can make whether they are creating a lottery or already have one. The first choice is whether the state is going to promote the lottery, and if so, how are they going to do this? The article quotes Dr. Clotfelter as saying: "Officials are involved in saying 'You should read,' 'You should stay in school,' 'You should not use drugs.' These are important functions. Should another function be 'You should buy lottery tickets'?"

The second choice is how much money the state wants to make. According to Dr. Cook, once a lottery is established, "There's the situation of a lot of pressure to increase profits from the state and once the dynamic gets set up, there's an openness to consider new products and innovate."

Proponents and Opponents

There are two traditional sources of opposition to the lottery's popularity and revenue potential. One source opposing the lottery are religious groups that view gambling as immoral.

The second source comes from civic-minded spokesmen who view the lottery as inconsistent with the principles of good government. Political leaders often oppose lottery adoption because they believe it is not in the public interest for government to promote gambling or become dependent on lottery revenues. These leaders usually point out the drawbacks of the lottery as a source of state revenue and how inappropriate it is for the state to encourage people to gamble.

Critics of state lotteries also argue that lotteries are an inefficient method of raising revenue. Usually 40 to 50 percent of the total revenues are spent for administrative overhead and prizes, compared to the administrative overhead of two to three percent for other types of taxes.

Lottery supporters contend that a demand for gambling will exist whether or not the state is involved, and that it is more desirable for the state to collect gambling revenues for public purposes, such as education or health care, than for criminal elements to derive the profits.

Supporters also contend that in addition to providing state revenues, lotteries must be judged as providing a unique service that consumers want. A tax has no comparable consumer service by-product. Proponents also point to the lottery as an American tradition, which supported Jamestown, Harvard, Yale, and many colonial-era bridges and masonic halls. When all is said and done, there are two facts about state lotteries that are inescapable: They are capable of generating large amounts of revenue which can be used for public purposes, and they are attractive to a willing public which is ready to play.

Social and Economic Impact

Dr. H. Roy Kaplan, an associate professor of managerial sociology at the Florida Institute of Technology, has studied the social and economic impacts of state lotteries. Kaplan feels there are more progressive forms of revenue generation than lotteries.

In an article entitled "The Social and Economic Impact of State Lotteries" published in The Annals of the American Academy, Kaplan wrote, "By legalizing more types of gambling and making it easier for people to engage in such activities, states may be creating a moral dilemma: a choice between their responsibility to provide for the general welfare of citizens on the one hand, and encouraging people to participate in activities that may be pathological on the other."

Dr. Kaplan also questions how well lotteries have served as sources of revenue for states. According to U.S. Census Bureau statistics, lotteries provided 1.9% of total state revenue in 1986. A National Science Foundation study of lotteries and off-track betting shows that states could generate the same amount of revenue derived from lotteries by increasing sales tax rates by half a percent. The state of Pennsylvania is used as an example.

In 1983, the Pennsylvania lottery grossed $885.4 million and netted $355.4 million in revenue for the state. In that same year, the state increased its income tax rate from 2.2% to 2.45%, generating approximately $200-250 million in revenues. Raising the state income tax by one-quarter of a percent generated almost as much money for Pennsylvania as the total net lottery revenues.

Lotteries and Education Funding

Lottery proponents say that the money raised from the games has found its way into needed programs and projects, and that many states use lottery revenues in specified areas, such as education. But Susan A. MacManus, a professor of public administration and political science at the University of South Florida, has found that in states where lottery proceeds are earmarked for education, taxpayers do not realize the proceeds only fund a small proportion of the state's total education budget.

In Florida, 35 percent of the lottery revenue goes to education. This translates into 5.16 percent of Florida's total education budget for 1988-89. Betty Castor, Florida's commissioner of education, predicts that in 1989-1990, the lottery will fund only 3 percent of the public education budget -- enough revenue to run Florida's schools for seven days.

Florida officials are concerned that lottery money ends up as an unreliable replacement for -- rather than an addition to -- regular education funding. "What has actually occurred in many states is a fiscal-substitution shell game. Legislators simply substitute lottery revenues for those from sales and income taxes and use the tax revenues that previously funded education to support other functions. The result of this game is often no fiscal gain for public education," according to Dr. MacManus.

Before-and-after studies of changes in education funding in state budgets show reductions have occurred in Michigan, Illinois, and New Jersey after their lotteries went on-line. In Florida, Link Jarrett, policy director for budget and management at the Florida Department of Education, notes that the state general fund contribution to education dipped slightly as the lottery took up the slack.

California School Superintendent Bill Honig is an outspoken critic of the lottery as a school-funding source for his state. In California, the schools' share of the state budget has dropped 1.5 percent since 1986. A state education department analysis shows that total education spending in 1988 was $4,223 per student without adding in lottery funds. Adjusted for inflation, the spending in 1989 is $4225 per student with lottery funds added, and $4,083 per student without lottery funds.

Do Business and Bureaucracy Mix

In a recent State Government Magazine survey, states shared their experiences running lotteries. These states advise that a lottery should be run as an independent business, that it should have the flexibility to respond to a changing market, and that it should have established safeguards to ensure its integrity and security. Successful state lotteries are run as businesses with minimal state restrictions.

Because the lottery is a type of gambling, public confidence in the integrity of the enterprise is vital. According to Jack Ratekin, public information officer of the Iowa state lottery, "The bottom line is security. If nobody trusts the lottery, no one buys tickets." Lotteries also should be operated by those with experience in bringing new products to the market.

Steve Caputo, deputy director of the Oregon Lottery, agrees that the lottery must be run as a business. State officials must make policy decisions regarding how much revenue they want the lottery to raise. "If expectations are to have the lottery as a viable revenue raiser, you must give it the tools to advertise and market a product," he said.

Ralph Peters, formerly the director of both the Vermont and West Virginia lotteries, observed that "Most important is to keep politics out of it." However, tying the lottery to a bureaucracy for policy making or purchasing decisions can slow it down and reduce the quality of its products.

For states considering lotteries there are valuable lessons to be learned from recent lottery start-ups. Peters warns of three dangers a state faces in starting a lottery: over-forecasting revenues, not anticipating a second-year sales slump, and the failure to run the lottery as a business.

Peters also warns of the expectations that a lottery can cure the fiscal problems of the state, which will not happen. As Nancy Hill, the pubic relations and drawing manager of West Virginia's lottery, said, "The lottery was never intended to be a cure-all. It's a contributor -- $53 million is not insignificant. But it can't, for example, go very far in funding education."