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### **Proposition 1C**

Hi. I'm political analyst and Citizen Voice President Gary Dietrich. We're talking now about Proposition 1C for the upcoming statewide Special Election May 19<sup>th</sup> for Californians. This one dealing with the state lottery. Helping us with that today, State Senator Abel Maldonado is going to be representing the Yes side on this proposition. And on the No side, Jim Butler, who is the Executive Director of the California Coalition Against Gambling Expansion. Gentlemen, thanks for being with us today.

Proposition 1C, friends, what would it do very simply? It borrows from future lottery profits, about \$5 billion to be exact, to help deal with California's current state budget deficit. There are some other aspects that we'll get to as well. But I want to jump right in by asking the Senator to tell us, why Proposition 1C? Why do we need it here on May 19<sup>th</sup>?

Senator Abel Maldonado: We need it and it's very, very important. I think of all the propositions that are on the ballot, probably one of the easier ones to support. Why? Because it is a \$5 billion injection into the California state budget. If Proposition 1C fails, there is obviously more services going to be cut, education is going to be tapped, and obviously maybe some more tax increases for the people of California. So, for me, I think Proposition 1C is one of the most important initiatives on this ballot on May 19<sup>th</sup>.

Gary Dietrich: Jim, let me give you a chance to respond to this right off the bat.

Jim Butler: Fine, thanks. Proposition 1C is built on a simple premise. That Californians do not spend enough money on the lottery. It is bad social policy. It is bad political policy. It is bad economic policy. The entire idea is that in order for this to succeed, more and more people have to gamble on the lottery, and there will be companion costs. The social costs will go up. The economic balance will be out of balance. In fact, according to the legislative analyst, it will be more difficult to balance future budgets. The idea of taking money today to balance the budget will only make it more difficult to deal with any future aspects that develop. So I see it as a bad social policy with increased problems with gambling. The bad political decision is that it shifts some of the services from the state to the county without the money. And then, finally, bad economic policy.

Gary Dietrich: Alright, let's break some of this down so people can make sense out of it. Let's start with the fiscal part, Senator, because that's really what it's all about, and that is the \$5 billion. Why do we need the \$5 billion? Let's just start right there. It may be obvious to some, but perhaps not to all.

Senator Abel Maldonado: Well, let me tell you. We had a \$42 billion deficit and we were trying to close that gap. What were the choices? #1, we could have stopped the prison system. That would have saved \$10 billion. We could shut down CSU, UC, and community colleges, that's about \$12 to \$15 billion. So why 1C? 1C was an option that we have. The people of California said Yes to the lottery in 1984 and the people of California continue to support the lottery. What are we trying to do? We're trying to make it more efficient. We're trying to make the California lottery work. Why? It's what New York did, it's what Texas did, and it's what North Carolina did. And they saw these huge numbers come in and I think, why not securitize some of the resources that are going to come in once we reform this lottery system that we have in place. Education will continue to get funded, even a little bit more money. But more importantly the people will see a lottery system that works and get some resources back to the California state budget. I don't want more new taxes. I don't want to decimate education. I don't want to decimate health and human services. So this is a small part to a big puzzle that we're doing here. Proposition 1C is one of the other propositions that is very, very important to move California forward. That's what we're trying to do.

Gary Dietrich: Okay, let's stick with that, we'll get to the costs and everything in a minute. But, Jim, let's try and break this down for people in some fashion. Let's start with the \$5 billion. If the \$5 billion doesn't come from the state lottery, you know, that's always sort of the what if question, then what? So let's deal with that first. If not the \$5 billion from the lottery borrowing, then what?

Jim Butler: First of all, there's no guarantee that they will be able to adequately pay the amount that has been obligated by Proposition 1C. Even though they're going to borrow the \$5 billion that gives it to them right away, there's no guarantee that the lottery will be able to produce enough revenue to fund the securitization and so you have a bigger problem almost instantly.

Gary Dietrich: Because you have to make the payments for 20 to 30 years for this \$5 billion, correct?

Senator Abel Maldonado: Right, but we know that other states have done a better job, and we know that other states' lotteries have improved dramatically so why not California's?

Jim Butler: And the reason that he is talking about efficiency, that it's going to be more efficient, the simple number is the California state government is going to be encouraging people to buy more lottery tickets.

Gary Dietrich: That's how they create the revenues in order to have the \$5 billion, is that the bottom line?

Senator Abel Maldonado: Well, at the end of the day, we're trying to make it so there's a system in place that has a bigger payout. California is dead last. Dead last in efficiency. Dead last in prize payments. So what happens? The lottery goes down. We want an efficient lottery. At the end of the day, the people passed the ballot in 1984. They've said yes to the lottery. They've said yes to Native American gambling in California. They've said yes to horse racing. And frankly Reverend Butler would like to see none of that in California. Well, guess what? The people put it on. So what are we trying to do now? Let's make it a little bit more efficient so it can operate and we can use some of that money.

Gary Dietrich: Good discussion going here, but let's get back to the \$5 billion, make sure we deal with that hole first. So, what would we do to come up with this \$5 billion that guys like Senator Maldonado need to plug the hole in the budget deficit?

Jim Butler: And they're going to need more than that as he'll also be able to tell you, that the \$5 billion won't cover it because there's already a new anticipated shortfall, and you wonder how much you can take. What we need to do is actually say, we're not going to do it in this fashion. The legislature is now entertaining the notion of funding education solely with the budget and not with the lottery. That's the whole purpose.

Gary Dietrich: That's an important change, I think, that we haven't talked about yet, that the lottery would no longer fund education directly.

Jim Butler: Right. When it was approved in 1984, that was the purpose. I think the people said, yes, we might not be fond of gambling in California, but, we see this as a positive for education. It didn't live up to its hype, it never did, but people acknowledged and went with it. Now we're changing that. What would happen, I guess the simple question is if you simply said, fine, we're going to budget education with the budget and we will now close the lottery down completely. Instead of having \$3+ billion spent in the non-gambling sector of California, that went into commercial retail. That would be its own financial stimulus package. This is an opportunity for the legislature to do that. They've already decided they are going to fund education with the budget, not the lottery. And so all that is left is to say let's decide as a state that we're no longer going to exploit our people but instead encourage them not to gamble, but to either save or spend it in a positive way.

Gary Dietrich: Senator, I want to give you a chance to respond, especially to this specific idea that the state by doing these modernizations and tweaking and prize increases is encouraging people to gamble more. I want you to address that specific issue.

Senator Abel Maldonado: I don't think we're exploiting people. I don't think we're encouraging people. You have the choice to go down and buy the lottery ticket and the people have passed it and passed many gambling efforts here in California in the past. I appreciate Reverend Butler's comments. He'd like to see it go away and I think it's the people that want to see it, so why not? And he says well it's not going to be funded. Well, if Proposition 1C doesn't pass I can guarantee you that \$5 billion is probably going to be cut from education. So it's important that we get to the facts here, that we do have a big hole to plug, and I don't to do all these things that we're doing today in a special election. We have no other choice. There are no other choices here. The other choice is to raise taxes on everything else. People wouldn't go for that. I believe this is a small step forward. Why not make the California lottery just a little more efficient, like other states did? Then at the end of the day, move my home state of California forward into a direction where we don't have to decimate health and human services, education, transportation, and I can go on and on and on. Where's the money going to come from, Reverend? That's the question.

Jim Butler: And where's the extra money going to come from whenever you say you don't want to decimate these various programs, but you're going to certainly overextend them. With an increase in gambling, there will be an increase in crime, an increase in bankruptcies, an increase in homelessness, an increase in welfare. You may not want to believe it but that's the social cost. It's bad for individuals.

Senator Abel Maldonado: There's money in Prop 1C Reverend, that says there's going to be some resources there to help some of these folks that have gambling problems. You know that.

Jim Butler: Inadequate amounts. It's nice that there's something there and at the same time we already have, without any expansion, 1 million problem and pathological gamblers that cost California a billion dollars a year. Putting another million in there is going to make a difference. Somewhere in this whole thing we have to say the legislature is called to put the welfare of the people first above everything else and you say that it's not going to exploit the people of California, and I think it will. It encourages people to buy, you have advertisements that say be the next millionaire.

Senator Abel Maldonado: I've bought a lottery ticket, when I walk in, there's a big prize. Why not? I haven't won yet, but at the end of the day, it was my choice to buy it. The people of California are where I'm at on this. So why not securitize \$5 billion, Reverend? \$5 billion one time.

Jim Butler: It's not just one time because it can be expanded by a vote of the legislature. And further, the other thing that this does, and you say we can expand it, we can change it, and that will not be determined by a vote of the people. Prop 1C takes that away. We get to vote on it this time, and maybe make a decision, but in the future, it's left up to the legislature and the governor who will have a vested interest in doing everything possible to expand it.

Gary Dietrich: You mean, to decide how much more could be borrowed.

Jim Butler: Borrowed, plus they can change the rules. They can say, you know, we're not aggressive enough. We're going to change the game. We can change the amounts that go to the prizes.

Senator Abel Maldonado: That's exactly what other states have done, Reverend.

Jim Butler: We can change it and sell it on the internet. We can set up machines. There's any number of things and those decisions will no longer be left to the people of California. They will be left to the legislature and the governor who will have a vested interest in increased lottery sales. Now, lottery sales, as he knows, disproportionately, hit the poor urban non-white of California.

Senator Abel Maldonado: I disagree with that, Reverend. I disagree. The numbers show, people that are buying lottery tickets, for the vast majority, are people that are making more than \$75,000 per year, they're well educated, and they're the ones that have the resources to buy more lottery tickets.

Jim Butler: You might disagree, but unfortunately, that's not what the research shows. The research shows that in proportion to their income, people who are poor spend a larger percentage of their income on lottery tickets than people who are rich. It is absolutely their choice, and yet the state is the one that is not only benefiting, but will end up advertising and encouraging this. And in the time of economic crisis, these people are standing on the precipice of destruction, we don't need the state of California coming and giving them a push.

Senator Abel Maldonado: I think at the end, Gary, I don't know if I'm in love with the lottery, but I can tell you this. The lottery was put on the ballot by the voters. The people aren't saying do away with the lottery. Reverend Butler would love to do away with the

state lottery. So what are we going to do? Reform it a little bit. Make it a little bit more efficient to get more resources for California at no cost to the taxpayers.

Gary Dietrich: This is a passionate subject. Gentlemen, we're going to have to leave it here and I'm sorry about that, but folks, as you're well aware, and thank you very much because you've both done outstanding jobs of representing your positions on this. But there's no question that this is one of the more passionate, and it was when it first went on the ballot, as you know. When the lottery first went on the ballot for California, it was extremely passionate, and that passion remains today. It really comes down to obviously the \$5 billion and then the social cost and you guys clearly don't see eye to eye on either one of those. But folks, it is an important issue. It's one that we're all going to have a chance to vote on again on your May 19<sup>th</sup> special election ballot. And here's a great example of why the special election is so important. We're talking \$5 billion. That's not chump change. And you're talking about an issue, gambling, in California, that continues to stir many, many people to real passion. I want to encourage you to be part of today's process. You can not only watch today's video, but hear it in audio form and get transcripts of it, in writing, in Spanish and English, including written ballot measure summaries of all the ballot measures on the special election ballot, and other voter helps as well at [citizenvoice.org](http://citizenvoice.org). I want to thank our guests again who've been with us today, state Senator Maldonado representing the Yes on 1C side, and Jim Butler who's the Executive Director of the California Coalition Against Gambling Expansion. Gentlemen, thanks again. Friends, thanks for being with us. For more info, go to [citizenvoice.org](http://citizenvoice.org).

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