

DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.

Return to the referring page.

Las Vegas SUN

January 27, 2003

Georgia study finds lottery hurts the poor

ASSOCIATED PRESS

ATHENS, Ga. -- People who play the Georgia lottery the most are those who can least afford it, and they're less likely to benefit from it, according to a University of Georgia study.

The state-run lottery, whose proceeds go to scholarships and other education programs, tends to help those who don't need it, said the UGA study by the Carl Vinson Institute of Government. The report was commissioned three years ago by the Georgia General Assembly.

"The people who play the lottery more than a couple of times a week tend to be less well-educated, lower income and minority," said Thomas J. Pavlak, a co-author of the study. "It's also the case that benefits of the HOPE Scholarship overall go to young people who are from families who are better educated, have higher incomes and are less likely to be minority."

The lottery funds the HOPE Scholarship, which pays public college tuition for Georgia students with a B average. Lottery money also goes to the state's pre-kindergarten program.

But the study also shows that the lottery is "not as regressive as most people would argue" because pre-K programs and two-year colleges traditionally service less-educated and lower-income families, Pavlak said.

That means at least some of the lottery's education benefits find their way into the pockets of families who play the games.

The report outlines three ways the HOPE Scholarship could be improved to reduce its regressiveness and increase services to those of lower education levels:

...

Lottery money could be used for after-school tutoring, remedial classes and other educational programs.

...

People who need scholarships the most would benefit more if minimum high school grade requirements were reduced below a B average for those whose incomes fall below a certain level.

...

Scholarships could be restricted to students whose families' incomes is below a certain level.

The study was conducted by Pavlak and Joseph McCrary. It surveyed 803 statistically random and representative Georgians in 2000.

More than 95 percent of UGA's current in-state freshmen are on the HOPE Scholarship. But 39 percent of UGA students lose HOPE before they graduate.

Arguments against a Nevada Lottery

Lotteries do not raise substantial amounts of revenue.

- Lottery contributions to state budgets are modest (see Table 4).
- Out of the average dollar wagered on all lottery games in 1997, just 33 cents went to state treasuries (about 55 cents was returned to players in the form of prizes and another 12 cents went to pay operating costs).
- In 1997, total revenues from the 38 state lotteries amounted to only about 2.2 percent of the own-source general revenue for those same states. By contrast, state general sales taxes and income taxes each averaged one quarter of all own-source general revenue collected by states.
- The idea that lotteries can replace tax revenue is illusory. When introduced, lotteries attract a significant amount of play, however, as the newness wears off so also does the level of play. The state is then in a position where it must broaden the lottery's availability and implement more aggressive marketing and advertising schemes to maximize profits from its product.

Lotteries should not be an activity of state government.

- The state should not compete with Nevada's largest private industry.
- A state lottery is an enterprise operated as a legal monopoly by the state, producing a service and selling it directly to the citizens. A state-run lottery would unfairly compete with Nevada's largest employer, capital investor, property tax payer and general fund contributor.
- The Nevada Legislature is currently studying ways in which it can curtail state operations that compete with private industry. Creating a state lottery in Nevada would be inconsistent with that effort.
- In lotteries as in no other state function, states have adopted the tools of commercial marketing, including product design, promotions, and advertising. In 1997 state lotteries spent a total of \$400 million to advertise their products, which amounts to about 0.9 percent of total sales in that year. This does not count the free publicity provided by newspaper coverage of winners and winning numbers.

- Aside from tourism, a lottery would be the state's biggest business venture. State lottery agencies adopt marketing practices that are intended to persuade people to spend more on this form of gambling than they otherwise would. Most state lotteries are operated to make as much money as possible for the state. States must ask themselves whether the desire for greater government revenues justifies the effort to entice people to gamble more than they would otherwise want.
- **Lottery directors are under constant pressure from state political authorities to maintain levels of revenues and, if possible, to increase them. As a result, considerations of public welfare become secondary goals leading to an inherent conflict of interest. *How can a state government ensure that its pursuit of revenues does not conflict with its responsibility to protect the public?***
- By establishing a lottery, state lawmakers would be converting gambling dollars from an activity that pays 6.25% in taxes and invites bricks & mortar investment and job creation to one that doesn't.
- Today's lottery operations are not just your typical scratch off cards. Video Lottery Terminals (VLT's) resemble slot machines.

Lotteries do not have the same positive economic impact as casino gaming operations.

- Lotteries do not create jobs.
- Lotteries do not create additional capital investment opportunities that create jobs and tax revenues.

Lotteries disproportionately impact lower income individuals and families.

- Lottery spending places a disproportionate burden on household budgets of poor and minority households.
- Males, blacks, high-school dropouts, and people in the lowest-income category are heavily over-represented among those who are in the top 20 percent of lottery players. (NGISC).

- Income has little relationship to lottery play overall up to \$50,000, and drops off sharply at higher incomes. Hence lottery expenditures represent a much larger burden on the household budget for those with low incomes than for those with high incomes.
- A recent survey conducted by National Opinion Research Corporation (NORC) showed that the top 5 percent of players (those who played \$3870 or more) accounted for 54 percent of total sales, the top 10 percent those who played \$2593 or more) accounted for 68 percent of total sales and the top 20 percent (those who played \$1619 or more) accounted for fully 82 percent. *It is the relatively small group of atypically heavy players who cause average sales to be as large as they are.*
- Advertising and marketing lottery products tends to try and motivate non-players to play, encourage players to play more often or to play more types of games, or to encourage lapsed players to start playing again. *Thus state lotteries are bound to target more heavily those individuals on the lower-income scale.*

A Lottery is a tax

- For all practical purposes, the profits derived from a lottery amount to an implicit tax and are comparable to an excise tax levied at a certain rate on the purchases of a particular product. Three aspects of an implicit tax are: 1) earmarking for a specific purpose; 2) its importance to state revenues; 3) its rate.

Earmarked lottery revenues tend to become replacement funds.

- While earmarking might be an excellent device for engendering political support for a lottery, there is little evidence that earmarked lottery revenues actually increase funds available for the specified purpose. Legislatures tend to allocate general revenues away from the earmarked use, thus blunting the purpose of the earmarking – the lottery funds simply become replacement revenues.

Table 4

State Own-source Revenues and Lottery Revenues, 1997
(amounts in millions of dollars)

State	Own-source general revenue (a)	Lottery revenue (b)	Lottery as percent of total
Arizona	8,262	79.7	0.96%
California	73,584	711.9	0.97%
Colorado	7,349	92.7	1.26%
Connecticut	10,071	252.6	2.51%
DC*	2,986	34.2	1.14%
Delaware	2,797	66.7	2.38%
Florida	25,984	802.4	3.09%
Georgia	13,707	558.5	4.07%
Idaho	2,552	17.7	0.70%
Illinois	23,355	571.2	2.45%
Indiana	12,132	172.0	1.42%
Iowa	6,352	42.5	0.67%
Kansas	5,425	55.9	1.03%
Kentucky	8,967	152.0	1.70%
Louisiana	9,200	98.4	1.07%
Maine	2,760	40.0	1.45%
Maryland	11,388	392.3	3.44%
Massachusetts	18,002	696.0	3.87%
Michigan	25,590	563.4	2.20%
Minnesota	13,581	84.1	0.62%
Missouri	10,054	131.3	1.31%
Montana	1,920	6.3	0.33%
Nebraska	3,576	19.5	0.54%
New Hampshire	1,807	51.3	2.84%
New Jersey	20,600	612.4	2.97%
New Mexico	4,990	20.5	0.41%
New York	44,912	1,530.6	3.41%
Ohio	21,799	750.4	3.44%
Oregon	7,768	72.8	0.94%
Pennsylvania	25,792	691.0	2.68%
Rhode Island	2,392	42.2	1.76%
South Dakota	1,247	5.9	0.47%
Texas	31,746	1,161.1	3.66%
Vermont	1,386	23.6	1.70%
Virginia	14,545	331.1	2.28%
Washington	14,101	94.2	0.67%
West Virginia	3,998	43.9	1.10%
Wisconsin	13,012	132.6	1.02%
TOTAL	509,691	11,205	2.20%

(a) General revenues minus intergovernmental transfers.

(b) Sales-prizes-operating expenses. See Table 2.

Source: Table 2 and Bureau of the Census Web Site, State Finances
1997, Excel file. www.census.gov/govs/www/st97.html.

Annual Per Capita Lottery Sales, by HH Income Overall-Total Players

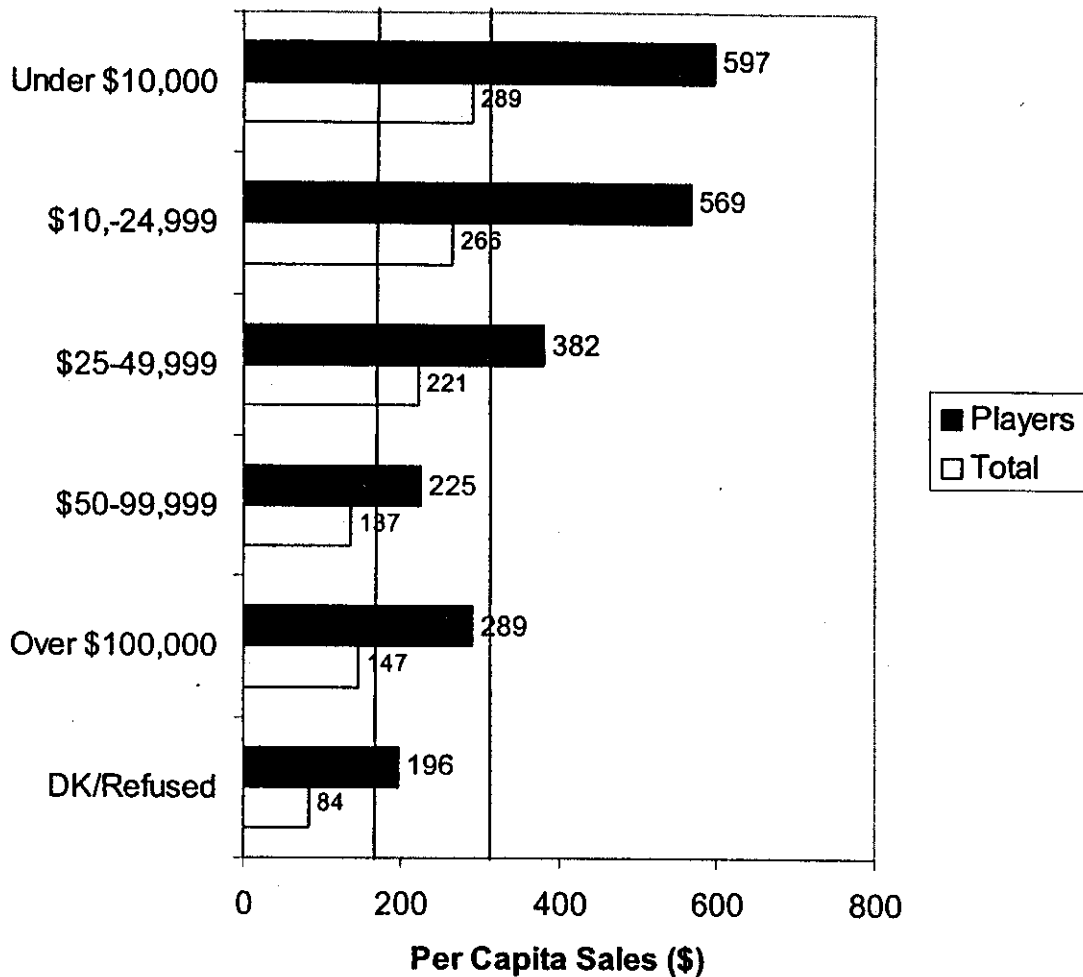


Figure 5. 1998 Per Capita Sales by Educational Attainment

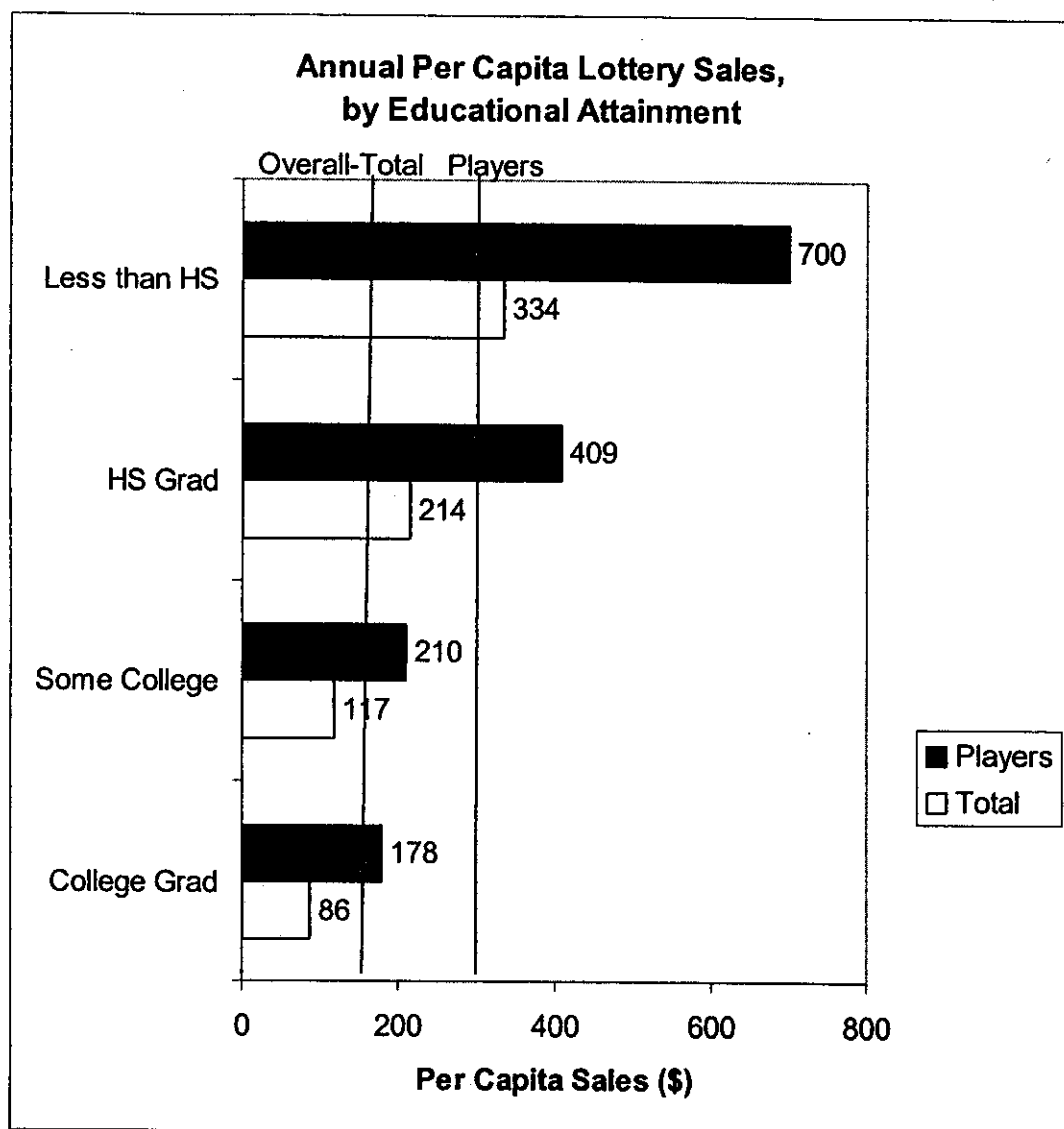


Figure 6. 1998 Per Capita Sales, by HH Income

Table 10. Socioeconomic Patterns in Participation and Per Capita Play.

Socioeconomic Characteristics	Participation Rate	Annual Per Capita Play-Lottery Players (Adjusted)	Annual Per Capita Play-Overall (Adjusted)
Dropout	47.7%	\$700	\$334
High school graduate	52.4%	\$409	\$214
Some college	55.6%	\$210	\$117
College graduate	48.0%	\$178	\$86
HH Income<\$10,000	48.5%	\$597	\$289
\$10,000-24,999	46.7%	\$569	\$266
\$25,000-49,999	57.9%	\$382	\$221
\$50,000-99,999	61.2%	\$225	\$137
Over \$100,000	51.0%	\$289	\$147
Don=t Know/Refused	43.0%	\$196	\$84

Note: Sales figures adjusted for under-reporting using ratios in Table 6.

Source: National Survey on Gambling Behavior, National Opinion Research Center, University of Chicago, 1999.

Table 11. Household Income and Per-Household Lottery Expenditures.

Household Income	Number of Adults Per Household	Annual Per Household Play- Overall (Adjusted)
<\$10,000	1.8	\$520
\$10,000-24,999	1.9	\$505
\$25,000-49,999	2.1	\$464
\$50,000-99,999	2.2	\$301
Over \$100,000	2.3	\$338

Note: Sales figures adjusted for under-reporting using ratios in Table 6.

Source: National Survey on Gambling Behavior, National Opinion Research Center, University of Chicago, 1999.

Table 12. Characteristics of Heaviest Lottery Players.

Demographic Group	Percentage of Heaviest Players	Percentage of US Adults
Male	61.4%	48.5%
Black	25.4%	12.2%
HS Dropouts	20.3%	12.3%
HH Income Under \$10,000	9.7%	5.0%
Median Age	47.5	43.0

Note: Heaviest lottery players defined as those in the top 20% of lottery purchasers.

Source: National Survey on Gambling Behavior, National Opinion Research Center, University of Chicago, 1999.

Lottery Sales and Profit Analysis Selected Jurisdictions, 1999 - 2000

Jurisdiction	Population (in millions)	FY '99 Sales	FY '99 Profit	FY '00 Sales	FY '00 Profit	Annual Sales/ Capita	Sales Change
Arizona	5.13	268.26	80.50	255.55	75.44	49.81	-4.74%
California	33.87	2,501.69	900.80	2,598.38	948.04	76.72	3.86%
Colorado	4.30	358.00	96.66	370.96	89.34	86.27	3.62%
Connecticut	3.41	871.00	271.31	837.51	254.49	245.60	-3.85%
Delaware (1)	0.78	527.43	166.90	556.45	185.44	713.40	5.50%
District of Columbia***	0.57	209.26	67.50	215.51	69.00	378.09	2.99%
Florida	15.98	2,178.59	802.82	2,324.39	883.27	145.46	6.69%
Georgia	8.19	2,034.31	646.70	2,313.55	683.75	282.48	13.73%
Idaho	1.29	90.45	20.60	86.51	18.24	67.06	-4.36%
Illinois	12.42	1,524.40	540.00	1,503.86	515.25	121.08	-1.35%
Indiana	6.08	681.43	204.84	582.63	165.40	95.83	-14.50%
Iowa	2.93	184.07	45.83	178.21	44.77	60.82	-3.18%
Kansas	2.69	198.92	60.31	192.56	57.77	71.58	-3.20%
Kentucky	4.04	583.15	161.82	583.68	162.21	144.48	0.09%
Louisiana	4.47	289.04	106.93	276.38	99.85	61.83	-4.38%
Maine	1.27	144.54	41.30	147.91	39.57	116.46	2.33%
Maryland	5.30	1,088.15	400.00	1,175.14	401.01	221.72	7.99%
Massachusetts	6.35	3,365.16	809.14	3,697.97	853.27	582.36	9.89%
Michigan***	9.94	1,768.70	622.30	1,694.75	618.51	170.50	-4.18%
Minnesota	4.92	390.01	85.74	397.29	86.52	80.75	1.87%
Missouri	5.60	513.33	154.79	508.02	153.25	90.72	-1.03%
Montana	0.90	30.00	6.80	29.90	5.80	33.22	-0.33%
Nebraska	1.71	72.36	18.31	68.17	16.65	39.87	-5.79%
New Hampshire	1.24	199.20	64.00	190.81	61.52	153.88	-4.21%
New Jersey	8.41	1,658.20	651.95	1,839.80	719.93	218.76	10.95%
New Mexico	1.82	89.23	19.62	110.61	24.54	60.77	23.96%
New York*	18.98	3,697.63	1,413.33	3,629.26	1,365.14	191.21	-1.85%
Ohio	11.35	2,144.73	696.20	2,209.10	661.02	194.63	3.00%
Oregon (1)	3.42	728.51	310.64	760.01	292.28	222.23	4.32%
Pennsylvania	12.28	1,668.66	668.22	1,679.86	671.96	136.80	0.67%
Puerto Rico	3.81	257.00	87.80	287.10	108.10	75.35	11.71%

Lottery Sales and Profit Analysis Selected Jurisdictions, 1999 - 2000

Jurisdiction	Population (in millions)	FY '99 Sales	FY '99 Profit	FY '00 Sales	FY '00 Profit	Annual Sales/ Capita	Sales Change
Rhode Island (2)	1.05	741.38	133.43	864.32	150.28	823.16	16.58%
South Dakota (2)	0.75	548.21	97.07	581.05	100.34	774.73	5.99%
Texas**	20.85	2,572.55	875.00	2,657.29	876.91	127.45	3.29%
Vermont	0.61	70.39	19.05	75.92	18.93	124.46	7.86%
Virginia	7.08	934.60	321.40	973.00	323.50	137.43	4.11%
Washington	5.89	473.40	112.84	452.81	98.98	76.88	-4.35%
West Virginia (1)	1.81	392.62	119.25	447.97	139.64	247.50	14.10%
Wisconsin	5.36	428.20	134.88	406.70	109.90	75.88	-5.02%
Total	246.85	36,476.76	12,036.58	37,760.89	12,149.81	152.97	3.52%

Notes:

Results are unofficial and unaudited

* FY ends 3/31

** FY end 8/31

*** FY end 9/30

(1) Includes net VLT sales (Cash in less cash out)

(2) Include gross VLT sales (Cash in)

(3) Does not include Casino sales or profits