



“Living in Truth: Lotteries Worsen Opportunity, Reduce Mobility Out of Poverty and Deepen Budget Problems”

A Briefing on State Lotteries by Stop Predatory Gambling

Exempt from truth-in-advertising laws, more than \$2 billion is spent by states every year marketing messages like this D.C. Lottery ad, which in this case is exploiting Martin Luther King's image and message to sell lottery tickets.

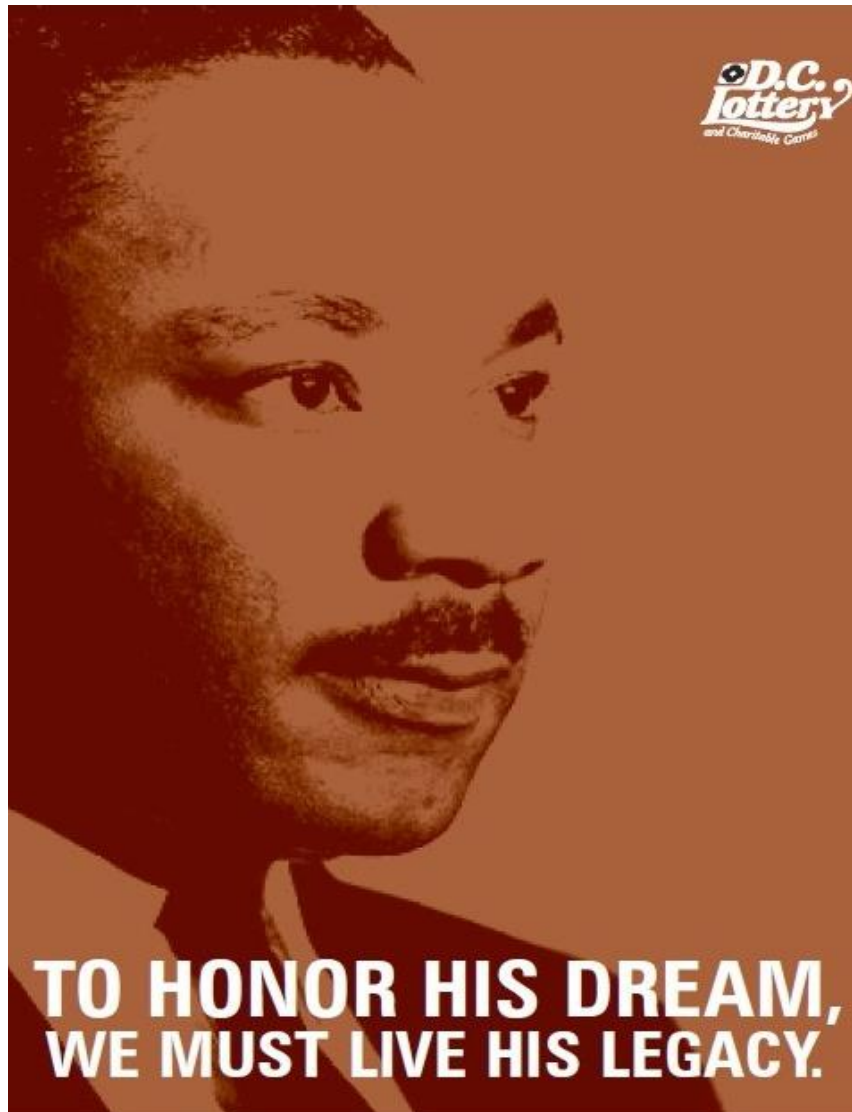


Table of Contents

SUMMARY.....	3
1. State Lotteries Are a Form of Consumer Financial Fraud Causing Life-Changing Financial Losses for Millions of Citizens.....	4
2. Lotteries Are a Root Cause of the Lack of Mobility Out of Poverty and Unfairness of Opportunity Facing Millions of American Families Today.....	9
3. Lotteries Are Blatantly Trying to Get Kids to Develop a Gambling Habit.....	15
4. You Pay Even If You Don't Play: Citizens Who Don't Gamble End Up Paying Higher Taxes for Less Services and Worse State Budget Problems Over the Long Term.....	17
5. A Way Forward.....	19

Background on Stop Predatory Gambling

A 501c3 non-profit based in Washington, DC, Stop Predatory Gambling is a national social reform network of individuals and partner groups with members of more than 1 million people. Our mission is to improve the lives of the American people with compassion and fairness, using education and advocacy to free us of the impoverishment, exploitation, and fraud that commercialized gambling spreads. We are one of the most diverse organizations in the United States, one in which conservatives work side-by-side with progressives for the common good.

For media inquiries about this brief on state lotteries, please contact Stop Predatory Gambling's Les Bernal at (202) 567-6996 or les@stoppredatorygambling.org.

SUMMARY

A nation of small earners, who could be small savers, has been turned into a nation of habitual gamblers on course to lose more than \$1 trillion of wealth to government-sanctioned gambling over the next eight years.¹ **At least half of this wealth – \$500 billion – will be lost to state lotteries. It's America's biggest most-neglected problem today.**

Commercialized gambling has become so normalized by states that few thought leaders in philanthropy, politics, and academia have challenged the immensity of the harm it has cause.

The dominance of lotteries is not the result of a citizens' movement. States have transformed gambling from a private and local activity into the public voice of American government, such that ever-increasing appeals to gamble, and ever-expanding opportunities to gamble, now constitute the main ways that our government communicates with us on a daily basis.

Building assets, the accumulation and investment of savings, are key for anyone looking to make a better life. A home, a college fund, retirement accounts, a stock portfolio—these assets are the hallmarks of middle and upper class America, and they are all the result of savings. ***Creating wealth by accumulating and investment of savings is the direct opposite of commercialized gambling.***

The purpose of this briefing is to spotlight four truths about state lotteries and propose a way forward:

- Truth #1: State Lotteries Are a Form of Consumer Financial Fraud Causing Life-Changing Financial Losses for Millions of Citizens
- Truth #2: State Lotteries Are One of the Root Causes of the Lack of Mobility Out of Poverty and Unfairness of Opportunity Facing Millions of American Families Today
- Truth #3: Lotteries Are Blatantly Trying to Get Kids to Develop a Gambling Habit
- Truth#4: You Pay Even If You Don't Play: The Majority of Citizens Don't Gamble and They End Up Paying Higher Taxes for Less Services and Worse State Budget Problems Over the Long Term, Footing the Bill for the Inevitable Budget Deficits State Lotteries Leave Behind

¹ H2 Gambling Capital, 2018 <https://h2gc.com/>

Truth #1: State Lotteries Are a Form of Consumer Financial Fraud Causing Life-Changing Financial Losses for Millions of Citizens

- **What separates commercialized gambling like lotteries from every other business, including vices like alcohol and tobacco, is it's a big con game based on financial fraud and exploitation.** Citizens are conned into thinking they can win money on games that are designed to get them fleeced in the end. If you pay for a pizza, a ticket to a sporting event, or a glass of wine, that's what you receive in return. In commercialized gambling, what you receive is a *financial exchange* offering *the lure* that *you might* win money. But this financial exchange is mathematically rigged against you so inevitably you lose your money in the end, especially if you keep gambling. **Success only comes at someone else's expense.**
- **Lottery gambling games are forms of consumer financial fraud, similar to price-gouging and false advertising.**
 - Lottery gambling games, especially the most profitable ones like video gambling machines, instant scratch off tickets, and Keno, *are designed mathematically so users are certain to lose their money the longer they play.* (See Figure 1 which depicts a chart for video gambling machines.)

Figure 1: Addiction By Design by MIT Professor Dr. Natasha Schull, Pg. 112

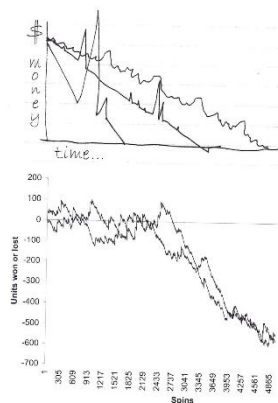


Figure 4.2. *Top:* Projected play trends for three different games, assuming the same initial bankroll. The shortest line represents a game with “high volatility” and “low hit frequency”; the longest shows “low volatility” and “high hit frequency”; the middle line shows moderate volatility and frequency. Drawn for the author by game designer Nicholas Koenig. *Bottom:* Play outcomes for two simulated gamblers on the same gambling machine, set at a hold percentage of only 5 percent. The graph follows the two gamblers from their first bet through 5,000 spins, representing four to eight hours of play (depending on the speed of the machine and the speed of play). The downward slope illustrates the “churn” by which play funds are gradually eroded over time. Although both gamblers experience wins, the house edge gradually consumes the winnings as they are reinvested in play. Assuming that each bets \$3.00 per spin, their averaged loss at the end of the play period is \$900.00. Graph built by gambling analyst Nigel Turner.

- **When states bring in lotteries, the almost sole focus has been *to maximize profits, not protect the public interest*.** That's because a fundamental and irreconcilable conflict exists between the interests of state lotteries and the public good: the state is charged with protecting the public from the very business practices that generate more revenue for the state.
- **Examples of the predatory and deceptive business practices used by state lotteries across the nation include:**
 - **Lottery gambling games are designed to entice citizens to keep spending and losing, exploiting aspects of human psychology and inducing impulsive, irrational behavior.**² Every feature of lottery gambling games, the appearance of the scratch tickets, the colors, the titles, the imprinted images, the purchase location, and the mathematical structure of the games themselves are all carefully market-researched and calibrated to maximize the effect on the lottery gambler. Lotteries invest in sophisticated market research to better target citizens and increase the amount of money they lose on lottery games.³
 - **State-run lotteries have been exempted from truth-in-advertising laws enforced by the Federal Trade Commission. Because of this, state lotteries have wide latitude in how they can promote their product, exaggerate chances of winning, and aggressively lure more citizens to lose their money.** Other industries and companies are all subject to truth-in-advertising laws which mandate advertising must be truthful and non-deceptive, advertisers must have evidence to back up their claims, and advertisements cannot be unfair.
 - State lotteries are pushing lottery scratch tickets as high as \$50 in low income communities to citizens who earn a minimum wage of \$7.25 an hour in those same states.⁴ It takes seven hours of work to lose it all on a \$50 ticket.

² Natasha Dow Schull, PhD, *Addiction By Design, Machine Gambling in Las Vegas*, (2012), available at <http://press.princeton.edu/titles/9156.html>

³ "State spends millions to sway flinty Mainers to spend more on lottery tickets," Maine Center for Public Interest Reporting, October 22, 2015 <http://pinetreewatchdog.org/state-spends-millions-to-sway-flinty-mainers-to-spend-more-on-lottery-tickets/>

⁴ Several lotteries like Colorado, Indiana, and Texas sell \$50 scratch tickets.

- **Some state lottery media plans declared that lottery promotions should be timed to coincide with the receipt of government benefits, payroll and Social Security payments.**⁵
- **The modern video lottery gambling machine is designed to get every user “to play to extinction” – until all their money is gone.**⁶ “I want to keep you there as long as humanly possible,” said one video gambling machine operator. “That’s the whole trick, that’s what makes you lose.”⁷ **The design is so effective that there are 11 different independent studies that show 40%-60% of video gambling machine profits are taken from citizens who can’t stop using them.** They have been turned into video gambling machine addicts.⁸
- **It is also by design that the Lottery is manipulating the payout rate on scratch off lottery tickets to get the financially desperate to gamble and lose even more.** A higher payout rate for scratch tickets usually results in getting citizens to wager and lose even more. People often take the money they win and they plough it right back into buying more lottery tickets. By offering such a high payout rate like 80% for a \$30 scratch off, what lotteries are really doing “is juicing the ticket.”⁹ It is the lottery equivalent of how tobacco companies used additives to make cigarettes more addictive to the user.
- **These habitual lottery players are the lifeblood of state lotteries. *The New York Times* revealed lotteries extract 80 percent or more of its profits from 10 percent of its players - money derived from lottery outlets which are heavily concentrated in lower income areas.**¹⁰

⁵ The National Gambling Impact Study Commission Report, sponsored by the U.S. Congress, 1999
www.govinfo.library.unt.edu/ngisc/research/lotteries.html

⁶ Natasha Dow Schull, PhD, Beware: Machine Zone Ahead, Washington Post, July 6, 2008,
<http://www.washingtonpost.com/wp-dyn/content/article/2008/07/04/AR2008070402134.html>

⁷ Natasha Dow Schull, PhD, Addiction By Design, Machine Gambling in Las Vegas, (2012), available at
<http://press.princeton.edu/titles/9156.html> Pg 126.

⁸ Institute for American Values, Why Casinos Matter Institute for American Values, Council on Casinos, Why Casinos Matter, Thirty-One Evidence-Based Propositions from the Health and Social Sciences, September 2013, Pg. 18,
<http://americanvalues.org/catalog/pdfs/why-casinos-matter.pdf>

⁹ “California Lottery’s Scratchers to pay more prizes,” The Los Angeles Times, April 15, 2010
<http://articles.latimes.com/2010/apr/15/local/la-me-lottery15-2010apr15>

¹⁰ “For Schools, Lottery Payoffs Fall Short of Promises,” The New York Times, October 7, 2007

http://www.nytimes.com/2007/10/07/business/07lotto.html?pagewanted=3&sq=lottery%20payoffs%20fall%20short%20of%20promises&st=cse&scp=1&_r=0

- Lotteries mail hundreds of thousands of households coupons for free Powerball and instant tickets to introduce gambling games to “infrequent players.”¹¹
- Lotteries also offer bonuses to retailers who increase year-over-year gambling revenues by getting citizens to lose more money.¹²
- States like Texas now entice citizens to buy lottery tickets in the checkout lanes of Dollar General stores. Shoppers at the discount giant can now grab lottery tickets while in line to pay for their other purchases. Clusters of lottery tickets reminiscent of gift cards hang from a colorful jackpot display by the register, virtually impossible to overlook.¹³
- **Lotteries damage more than just a citizen’s financial well-being. Their predatory practices also severely harm the public’s health.**
 - ***At least 1 out of every 20 citizens have had their lives turned upside down because they became addicted to commercialized gambling.***¹⁴ This figure does not account for the reality that each gambling addict has at least 1-2 people close to them whose lives have also been severely harmed.
- **The worst pain of this gambling addiction problem will be felt by the state’s African-American community, especially its women.**
 - Results of a large nationally-representative study that investigated ethnicity and rates of problem gambling found that ***African-Americans had twice the rate of gambling addiction compared to whites and they were also more likely to be women in the lowest income brackets.***¹⁵

11 "State spends millions to sway flinty Mainers to spend more on lottery tickets," Maine Center for Public Interest Reporting, October 22, 2015 <http://pinetreewatchdog.org/state-spends-millions-to-sway-flinty-mainers-to-spend-more-on-lottery-tickets/>

12 "State spends millions to sway flinty Mainers to spend more on lottery tickets," Maine Center for Public Interest Reporting, Oct. 22, 2015 <http://pinetreewatchdog.org/state-spends-millions-to-sway-flinty-mainers-to-spend-more-on-lottery-tickets/>

13 "Buying Lottery Tickets Just Got More Convenient. Maybe Too Convenient," Stateline Pew Trusts January 10, 2020 <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2020/01/10/buying-lottery-tickets-just-got-more-convenient-maybe-too-convenient>

14 National Institute for Health, May 2011 <http://newsinhealth.nih.gov/issue/May2011/Feature1>

15 “Disordered gambling among racial and ethnic groups in the US: results from the national epidemiologic survey on alcohol and related conditions,” Alegria AA, Petry NM, Hasin DS, Liu SM, Grant BF, Blanco C *CNS Spectr.* 2009 Mar; 14(3):132-42.

- **Lotteries market the slogan of “responsible gambling” but it’s merely another part of the fraud they carry out. *It is a sham.*** The revenue model hinges upon getting citizens to lose control of themselves, ultimately causing harm to them and the people around them.
 - **NYU Professor Natasha Schull reported in her acclaimed book *Addiction By Design* that people who follow “responsible gambling” guidelines made up 75% of the players but contribute a mere 4% of gambling profits.¹⁶**

“They only bring in 4% of our revenues, the responsible gamblers,” the author of the study said. “If responsible gambling were successful then the industry would probably shut down for lack of income.”¹⁷

- **When a practice is fraudulent, its advocates will speak of it fraudulently. One example of this reality is the “They’re-Going-Out-of-State-To-Gamble” narrative, a phony, recycled public relations strategy used by gambling interests in almost every state in America to breathe artificial life into efforts to establish lotteries.**
 - Big national lottery gambling operators like Scientific Games and International Gaming Technology (IGT), often *running lotteries in neighboring states*, fund lobbying campaigns to legalize lotteries in the states without them. “Legalize the lottery and recoup the money going out of state,” they deceitfully cry. ***They profit as the lottery vendor in those nearby states!*** They pit one state against another state, over and over again, in a continuing race to the bottom in which the only winner are the big gambling interests.

- **Another example of when a practice is fraudulent its advocates will speak of it fraudulently is the misleading call by the gambling lobby to “Let the People Vote.” History shows what they are really saying is “Let Us Buy the Vote.”**
 - It’s blatantly disingenuous for any gambling lobbyist or public official to say a fair debate leading to an informed, educated public will happen during a commercialized

¹⁶ Focal Research Consultants, The 1997/98 Nova Scotia Regular VL Players Study Highlight Report, at 11, available at <http://stoppredatorygambling.org/wp-content/uploads/2012/12/Novia-Scotia-Problem-Gambling-Study.pdf>

¹⁷ NATASHA DOW SCHULL, PHD, ADDICTION BY DESIGN, MACHINE GAMBLING IN LAS VEGAS, Pg. 267 (2012), available at <http://press.princeton.edu/titles/9156.html>

gambling referendum campaign because it won't. If every legislator in a state was outspent 3 to 1 during his or her campaign, most would lose reelection regardless of their merit. **Yet some legislators allow commercialized gambling operators to hijack the ballot process by outspending predatory gambling opponents by a margin of at least 250 to 1. How many sitting elected officials would win a campaign if they were outspent by at least 250 to 1?**

Here are just a few examples of the massive spending that has occurred in other states:

- In Colorado, gambling interests outspent opponents 1,734 to 1.¹⁸
- In Massachusetts, citizens collected signatures to place a casino repeal referendum on the 2014 ballot. Gambling interests spent more than \$15 million to defeat it.¹⁹ In the last 30 days, gambling interests including MGM ran more than 4000 TV ads. Repeal advocates ran zero because it was too costly to go on TV. **In addition to the massive difference in ad spending, almost none of the TV ads run by gambling interests even mentioned the word casino.**²⁰
- In Maryland, another MGM-led casino campaign spent more than \$40 million to pass a statewide ballot question.²¹
- In Ohio, gambling companies spent almost \$50 million to pass a ballot question allowing them to open casinos in the state.²²

18 "Never a Sure Bet," a 2009 report from the National Institute on Money in State Politics, <http://stoppredatorygambling.org/wp-content/uploads/2012/12/Never-A-Sure-Bet-Report-from-National-Institute-on-Money-in-State-Politics.pdf>

19 [https://ballotpedia.org/Massachusetts_Casino_Repeal_Initiative,_Question_3_\(2014\)](https://ballotpedia.org/Massachusetts_Casino_Repeal_Initiative,_Question_3_(2014))

20 To view the casino advertising aired to block casino repeal in MA 2014, visit Stop Predatory Gambling's YouTube channel SPGAmerica: <https://www.youtube.com/playlist?list=PLA6B145FA31CCA40A>

21 "MGM gets the deal for Maryland's sixth casino," The Washington Post, December 20, 2013

https://www.washingtonpost.com/local/mgm-gets-the-nod-to-build-marylands-sixth-casino-at-national-harbor-in-prince-georges/2013/12/20/059e7276-693e-11e3-a0b9-249bbb34602c_story.html?utm_term=.87301d4b47cb

22 "Ohio Casino Approval referendum, Question 3, 2009

[https://ballotpedia.org/Ohio_Casino_Approval_and_Tax_Distribution,_Amendment_3_\(2009\)](https://ballotpedia.org/Ohio_Casino_Approval_and_Tax_Distribution,_Amendment_3_(2009))

Truth #2: State Lotteries Are One of the Root Causes of the Lack of Mobility Out of Poverty and Unfairness of Opportunity Facing Tens of Millions of Americans Today

- The Dave Ramsey Show, hosted by personal finance expert Dave Ramsey, is the 5th most downloaded podcast in the United States.²³ Why? Because tens of millions of people are broke!
 - **60% of Americans have less than \$1000 in savings.**²⁴
 - **50% of the U.S. population has zero or negative net wealth.**²⁵
- Amid this financial distress, Americans are suffering life-changing losses of personal wealth to commercialized gambling, especially state lotteries. The sheer size and scope of these financial losses lacks any comparison:
 - **Over the next eight years, the American people are on course to lose more than \$1 trillion of their personal wealth to government-sanctioned gambling.**²⁶ At least half of this personal wealth – \$500 billion – will be lost to state lotteries.
- **State governments concentrate lottery outlets in economically-distressed regions to entice more citizens from the lower rungs of the income ladder.**
 - Studies find that lottery outlets are often clustered in neighborhoods with large numbers of minorities, who also are at greatest risk for developing gambling addictions.²⁷

23 Apple Podcasts, March 2020 <https://podcasts.apple.com/us/podcast/the-dave-ramsey-show/id77001367>

24 Bankrate's Financial Security Index, 2018, <https://www.bankrate.com/banking/savings/financial-security-0118/>

25 The Quarterly Journal of Economics, Emmanuel Saez and Gabriel Zucman, Vol. 1, May 2016, Issue 2, Wealth Inequality in the United States Since 1913: Evidence from Capitalized Income Tax Data, Pg. 554. <http://gabriel-zucman.eu/files/SaezZucman2016QJE.pdf>

26 H2 Gambling Capital, 2018 <https://h2gc.com/>

27 "A geospatial statistical analysis of the density of lottery outlets within ethnically concentrated neighborhoods," Journal of Community Psychology, April 2010 <https://onlinelibrary.wiley.com/doi/abs/10.1002/jcop.20376>

- One of the nation’s most respected lottery researchers, Duke University professor Charles Clotfelter has said, “It’s one of the easiest things to measure. The lottery is something for poorly educated and lower-income people.”²⁸ Georgia State University Professor Ross Rubenstein, another top expert on lotteries, has said there is no debate among scholars on whether lotteries prey on the poor: “There’s simply no disagreement about it.”²⁹
- **Those who are financially desperate look to lotteries as a way to improve their lives and help them escape their financial condition. It’s become a Hail Mary investment strategy, one that dooms them to inevitable failure.³⁰ Lottery marketing openly plays to this financial desperation.**
- Cornell University economist David Just and his colleagues found "a strong and positive relationship" between lottery ticket sales and poverty rates after examining data from 39 states over 10 years. “Finding that desperation motivates lottery consumption by the poor has some troubling policy implications," they wrote. "Rather than seeking fun and exciting entertainment, the poor appear to play because of an ill-conceived belief that participation will improve their financial well-being."³¹
- **Bankrate found that players earning less than \$30,000 a year spent 13 percent of their annual income on lottery tickets; for people earning more than \$80,000, that figure was 1 percent.³²**
- Bankrate also found that 28 percent of Americans who earn less than \$30,000 per year play the lottery weekly compared to 19 percent who earn more than \$80,000.³³

28 “Texas Lottery relies increasingly on the poor and less educated, studies show,” The Austin Statesman, September 7, 2010 <http://www.statesman.com/news/news/state-regional-govt-politics/texas-lottery-relies-increasingly-on-the-poor-and-nRxb4/>

29 “Texas Lottery relies increasingly on the poor and less educated, studies show,” The Austin Statesman, September 7, 2010 <http://www.statesman.com/news/news/state-regional-govt-politics/texas-lottery-relies-increasingly-on-the-poor-and-nRxb4/>

30 “Hitting the Jackpot or Hitting the Skids: Entertainment, Poverty, and the Demand for State Lotteries,” Garrick Blalock, David R. Just, and Daniel H. Simon, 2004 <http://stoppredatorygambling.org/wp-content/uploads/2014/07/Cornell-University-Entertainment-Poverty-and-the-Demand-for-State-Lotteries1.pdf>

31 “Want False Hope With That Lottery Ticket?” The Hartford Courant, July 3, 2009 http://articles.courant.com/2009-07-03/news/poor-gamble-scratch-0703_1_connecticut-lottery-lottery-customers-lottery-ticket

32 “Vices like drinking, smoking and gambling cost Americans more than \$2,400 per year,” Bankrate, December 12, 2019 <https://www.bankrate.com/surveys/financial-vices-december-2019/>

33 “Adding it up: Here’s how much Americans spend on financial vices,” Bankrate, September 12, 2018 <https://www.bankrate.com/personal-finance/smart-money/financial-vices-september-2018/>

- Americans in the lowest fifth socioeconomic status group had the highest rate of lottery gambling (61%) and the highest mean level of days gambled in the past year (more than 26 days), a fancy way of saying they gambled much more often.³⁴
 - According to the Connecticut Lottery's own internal research, revealed after a public records request by *The Hartford Courant*, the best customers are lower-income and the least-educated residents.³⁵ One analysis by Kopel Research Group Inc. for the Connecticut Lottery said that "those with less education appear to be significantly more likely to have played the instant games, and to play them more frequently than those more educated."³⁶
 - Lottery jackpots only become "progressive" — meaning that high earners spend more on tickets than more than low earners — when the jackpot is at least \$1 billion or more (in 2018 dollars), according to a study by Emily Oster, a professor of economics at Brown University.³⁷
- **Some lottery officials try to minimize the amount of money the poor lose on lottery games, declaring this may not be such a bad thing if the poor basically play the lottery as a cheap form of entertainment. Not so, says Cornell's David Just and his fellow researchers.**
- The facts show, according to Just, that "the poor appear to play because of an ill-conceived belief that participation will improve their financial well-being. However, when we look for the telltale signs of entertainment behavior, they are absent. We don't see evidence that changes in the availability or price of other entertainment, movies for example, lead to changes in lotto purchases. Rather, we find there are big jumps in lottery purchases when the poverty rate increases, when unemployment increases, or when people enroll on welfare. Lottery playing among the poor is a Hail

34 "Gambling on the Lottery: Sociodemographic Correlates Across the Lifespan," *The Journal of Gambling Studies*, December 2011 Pgs. 575-586 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4103646/>

35 "Want False Hope With That Lottery Ticket?" *The Hartford Courant*, July 3, 2009 http://articles.courant.com/2009-07-03/news/poor-gamble-scratch-0703_1_connecticut-lottery-lottery-customers-lottery-ticket

36 "Want False Hope With That Lottery Ticket?" *The Hartford Courant*, July 3, 2009 http://articles.courant.com/2009-07-03/news/poor-gamble-scratch-0703_1_connecticut-lottery-lottery-customers-lottery-ticket

37 "Are All Lotteries Regressive? Evidence from the Powerball," *National Tax Journal*, June 2004 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=522742&mod=article_inline

Mary investment strategy — a small ray of hope among the hopeless. But this false hope is, by design, an attempt to lure the emotional decision-maker.”³⁸

- In its own research, the Consumer Federation of America reaffirmed this truth, finding that almost 40% of those who earn less than \$25,000 pointed to the state lottery as a solution to build wealth.³⁹
- **Difficult economic times provide state lotteries the chance to further intensify their profit-making from the state’s desperate poor because citizens play the lottery *even more* when times are tough**, according to a study by Yale’s Emily Haisley in *The Journal of Behavioral Decision Making*.⁴⁰
- **Most lottery winners were found to be receiving state benefits.**
 - In 2015, the Maine Department of Health and Human Services analyzed data from the Bureau of Alcohol and Beverage and Lottery Operations on individuals who won money in the state lottery. Some 4,865 winning tickets of \$1,000 or more were cashed in by 3,685 individuals receiving state benefits over the previous five years, reaching \$22 million in lottery jackpots of various sizes. **So — unless they were an unusually lucky group of people — they likely spent far more than any other group on tickets.**⁴¹
 - A study of lottery spending by the Federal Reserve Bank of St. Louis showed the money comes largely from Social Security, unemployment and other forms of government support.⁴² Government, in other words, is paying government — with an enormous amount of money being siphoned off by gambling interests.

38 “The big swindle: In lotteries, the poor are the biggest losers,” by David Just, CNN Opinion <http://www.cnn.com/2013/12/18/opinion/lottery-poor-just-opinion/>

39 “How Americans view personal wealth vs. how financial planners view this wealth: Americans Think Wealth Is Harder For Them to Accumulate Than Do Planners,” Consumer Federation of America, January 9, 2006

40 “Want False Hope With That Lottery Ticket?” The Hartford Courant, July 3, 2009 http://articles.courant.com/2009-07-03/news/poor-gamble-scratch-0703_1_connecticut-lottery-lottery-customers-lottery-ticket

41 “5 reasons NOT to play the Mega Millions lottery,” Marketwatch, Oct. 23, 2018 https://www.marketwatch.com/story/is-this-1-billion-scratch-card-game-a-new-high-or-low-for-us-lotteries-2017-05-12?mod=newsviewer_click

42 “Income and Lottery Sales: Transfers Trump Income from Work and Wealth,” Federal Bank of St. Louis, Research Division, August 2008 <http://research.stlouisfed.org/wp/2008/2008-004.pdf>

- **Lotteries spread throughout the South when states began tying lottery revenue to college scholarships for individual students, framing the lottery as a panacea for middle-class taxpayers whose education could be funded entirely by gambling revenue.**
 - Georgia's lottery scheme- cynically labeled the HOPE scholarship program- hasn't significantly increased the number of kids going to college who otherwise would not have, studies have concluded.⁴³ The percentage of Georgians with degrees would have climbed anyway, due to job market demands and more access to loans or other aid.⁴⁴
 - Instead, the lotteries have redistributed money from poor gamblers to high-achieving middle- and upper-class students. Georgia's HOPE program overwhelmingly benefits some of the wealthiest counties in the state, even though the poorest counties lose far more money gambling on the Georgia Lottery which funds the scholarships.⁴⁵

- **How do the lives of the tiny portion of citizens who win a lottery jackpot turn out after their obligatory photo holding an oversized check is shamelessly broadcast by lottery public relations staff?**
 - Studies show that lottery winners are more likely to declare bankruptcy within three to five years than the average American.⁴⁶
 - Nearly one-third of U.S. lottery winners declare bankruptcy.⁴⁷

43 "Now 20, what has HOPE accomplished?" The Atlanta Journal Constitution, Sept. 6, 2013 <https://www.ajc.com/news/state--regional-govt--politics/now-what-has-hope-accomplished/7tvZcMVQGSKQ19VDOgOc3M/>

44 "Now 20, what has HOPE accomplished?" The Atlanta Journal Constitution, Sept. 6, 2013 <https://www.ajc.com/news/state--regional-govt--politics/now-what-has-hope-accomplished/7tvZcMVQGSKQ19VDOgOc3M/>

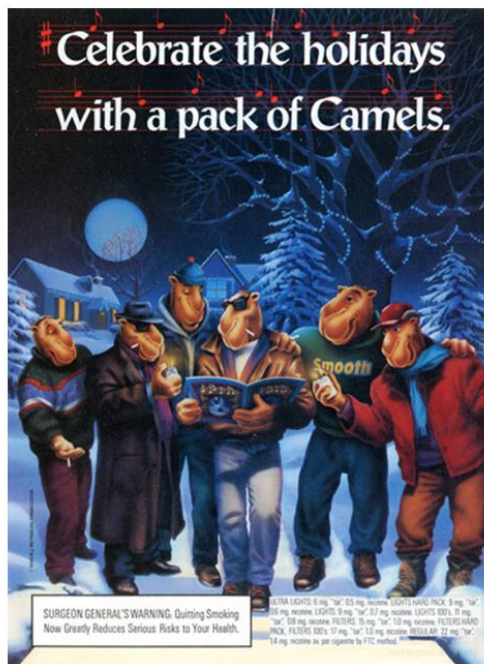
45 "Now 20, what has HOPE accomplished?" The Atlanta Journal Constitution, Sept. 6, 2013 <https://www.ajc.com/news/state--regional-govt--politics/now-what-has-hope-accomplished/7tvZcMVQGSKQ19VDOgOc3M/>

46 "The Ticket to Easy Street? The Financial Consequences of Winning the Lottery," Review of Economics and Statistics, MIT Press, July 21, 2011 https://www.mitpressjournals.org/doi/abs/10.1162/REST_a_00114#.VpLMM1J327Q

47 "Nearly One-Third of U.S. Lottery Winners Declare Bankruptcy," Wolf Street, Apr 17, 2018 <https://wolfstreet.com/2018/04/17/nearly-one-third-of-u-s-lottery-winners-declare-bankruptcy/>

Truth #3: Lotteries Are Blatantly Trying to Get Kids to Develop a Gambling Habit

- The future of state lotteries hinges upon luring kids to develop a gambling habit so that a new generation can get hooked on gambling. It's well-established that the younger children start gambling, the more likely it is they will become habitual gamblers and also problem gamblers.⁴⁸
- Public records requests confirm lotteries are hungrily trying to lure young people to gamble for the first time by explicitly developing lottery games and marketing efforts for this constituency.⁴⁹
- Many state lottery operators use cartoon-like imagery in their marketing to normalize gambling for kids, modeling the same business practices used by tobacco companies in ad campaigns like “Joe Camel.”



In an effort to greatly increase their market share of young smokers, R.J. Reynolds initiated the now infamous Joe Camel campaign for the Camel brand in 1988. The campaign faced almost immediate criticism for influencing children to smoke.



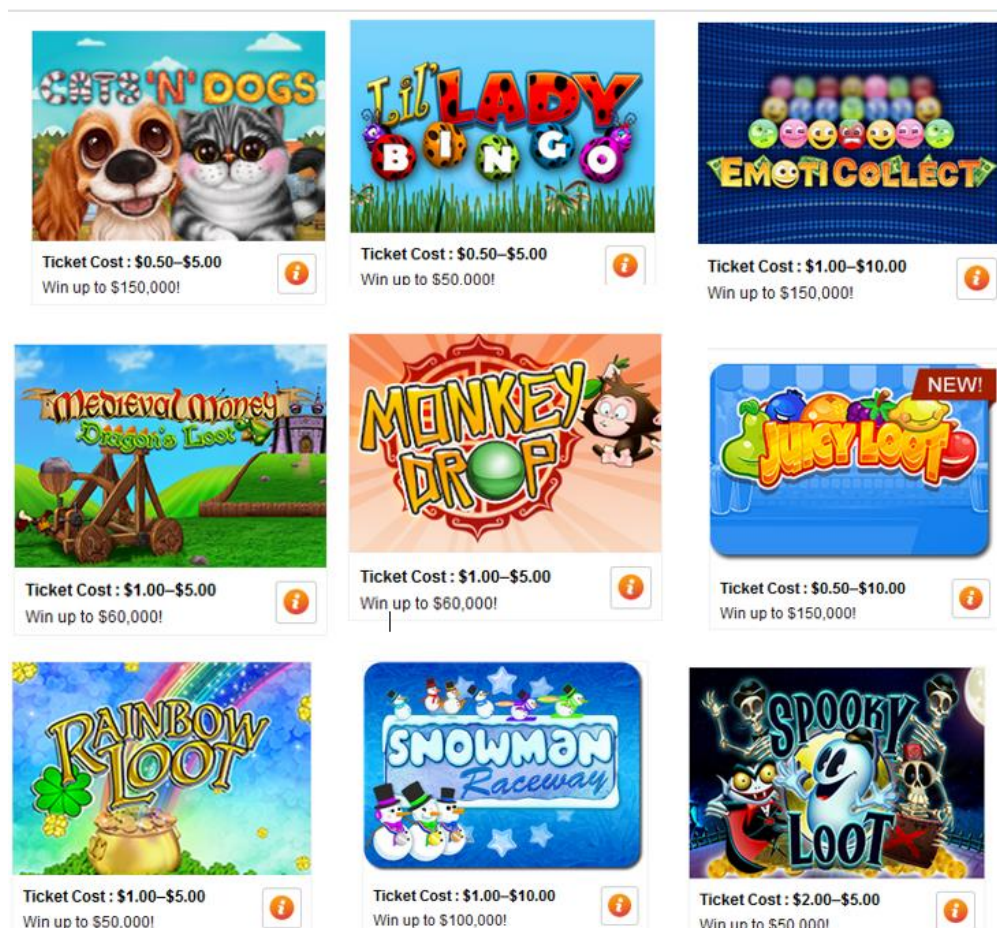
A 2015 Mass Lottery scratch ticket marketing the image of “Frosty the Snowman,” an iconic character for most children.

⁴⁸ “The Dangers of Youth Gambling Addiction,” New York Council on Problem Gambling, Know the Odds http://knowtheodds.org/wp-content/uploads/2013/05/NYCPG_ebook_YouthGambling_052114.pdf

⁴⁹ Public records request filed by Stop Predatory Gambling and Muckrock to the Massachusetts Lottery, 2010 <https://www.muckrock.com/foi/massachusetts-1/massachusetts-lottery-records-260/>

- Today, lotteries are aggressively trying to market lottery gambling games using the internet.⁵⁰ Internet gambling is especially addictive for youth who have grown up playing video games, spending hours on their devices. Lotteries are setting up an entire generation of young people to become problem gamblers by making it omnipresent in everyday life, *even in their own homes.*

A marketing practice used by lotteries to attract young people to internet gambling is “free-to-play” games. “Free-to-Play” means the base game is free but to go any further, the user will need to start using real money to gamble. It’s the commercialized gambling equivalent to the tobacco companies giving away free cigarettes in local neighborhoods to get young people hooked on smoking. Below are a dozen online lottery gambling games being marketed by the Georgia Lottery which are similar to those marketed by other state lotteries. Notice the amount of gambling games using child imagery and themes.



Georgia Lottery Online Gambling Games in 2020 Source: Georgia Lottery website

⁵⁰ “Put the Lottery Online,” By MA Treasurer Deborah Goldberg, Boston Globe, Jan. 28, 2019 <https://www.bostonglobe.com/opinion/2019/01/28/put-lottery-online/IQV1N2Qvbi1DEWVA3z5VWI/story.html>

Truth #4: You Pay Even If You Don't Play: The Majority of Citizens Who Don't Gamble End Up Paying Higher Taxes for Less Services and Worse State Budget Problems Over the Long Term, Footing the Bill for the Inevitable Budget Deficits State Lotteries Leave Behind

In 1969, New Jersey congressman Cornelius Gallagher wrote that if the Garden State enacted a lottery “we could abandon all taxation in New Jersey and increase every service in our state four times over.”⁵¹

Today, New Jersey has a state lottery, several casinos, online casino gambling, and commercialized sports betting. Yet the state is in the worst fiscal condition of any U.S. state, ranking 48th in the nation in George Mason University Mercatus Center’s report on the fiscal condition of states.⁵²

New Jersey exemplifies how government-sanctioned gambling has been a spectacular failure as a revenue source. **It's proven to be THE biggest budget gimmick** and the calling card of anti-reform politicians across the United States.

- **Gambling lobbyists and some public officials continue to tout state lotteries as a way to raise tax revenue. But history has shown repeatedly that this argument is either overstated or wrong.** A 2016 national report by the Rockefeller Institute at State University of New York-Albany found that while states creating new revenue streams from gambling may see momentary bumps in tax income, **“the revenue returns deteriorate—and often quickly”** concluding that in **“the long-run, the growth in state revenues from gambling activities slows or even reverses and declines.”**⁵³

51 “The U.S. has a lottery problem. But it’s not the people buying tickets.” The Washington Post, September 13, 2017 <https://www.washingtonpost.com/news/made-by-history/wp/2017/09/13/the-u-s-has-a-lottery-problem-but-its-not-the-people-buying-tickets/>

52 “Ranking the States by Fiscal Condition 2018 Edition,” George Mason University Mercatus Center <https://www.mercatus.org/publications/urban-economics/state-fiscal-rankings>

53 Lucy Dadayan, State Revenues from Gambling: Short-Term Relief, Long-Term Disappointment, The Nelson A. Rockefeller Institute of Government (2016), http://www.rockinst.org/pdf/government_finance/2016-04-12-Blinken_Report_Three.pdf

- This happens in part because income from lotteries does not grow over time like general tax revenue. Yet expenditures on education and other programs will grow more rapidly than gambling revenue. **As a result, new lottery gambling operations that are intended to pay for normal increases in state spending add to, rather than ease, long-term budget imbalances.**⁵⁴
- **Another key factor why lotteries ultimately lead to higher taxes for all citizens is the major social costs that lotteries leave behind end up being footed by all taxpayers.**^{55 56 57} **Gambling operators don't pay for the harms they cause families, businesses, and communities. Taxpayers do.**
- Many states tout lotteries as a way to improve education yet these states have not seen significant improvement in their education rankings over the last two decades.⁵⁸
- Despite the public relations campaigns by state lotteries professing all the “benefits” they provide the public, most citizens regard the lotteries as a loser for our society. Lotteries lack authentic grassroots support. The Massachusetts Lottery’s own survey data *showed less than 1 out of 10 people* agreed with the statement that “the lottery improves the quality of life for the state’s citizens.”⁵⁹ The only people who claim otherwise are the state lotteries themselves, the gambling-interest groups who market and sell the games, and the political officials who approve of the scheme. The rest of us are all the losers.

54 Lucy Dadayan at el, For the First Time, A Smaller Jackpot, Nelson A. Rockefeller Institute of Government, September 21, 2009, at 19-20, http://www.rockinst.org/pdf/government_finance/2009-09-21-No_More_Jackpot.pdf

55 Cornell Univ. Professor David Just, “The big swindle: In lotteries, the poor are the biggest losers,” CNN, Dec. 18, 2013 <https://www.cnn.com/2013/12/18/opinion/lottery-poor-just-opinion/index.html>

56 Social Costs of Problem Gambling, Problem Gambling Research and Intervention Project, Georgia State University, <https://goo.gl/kcgQv2>

57 Dr. Earl Grinols and Dr. David Mustard, MIT Press, Review of Economics and Statistics, Feb. 2006, <https://www.mitpressjournals.org/doi/abs/10.1162/rest.2006.88.1.28?journalCode=rest>

58 “The U.S. has a lottery problem. But it’s not the people buying tickets.” The Washington Post, September 13, 2017 <https://www.washingtonpost.com/news/made-by-history/wp/2017/09/13/the-u-s-has-a-lottery-problem-but-its-not-the-people-buying-tickets/>

59 SocialSphere poll done for MA Lottery, May 7, 2009, Pg. 17 (Pg 147 on Muckrock FOIA Request <https://www.muckrock.com/foi/massachusetts-1/massachusetts-lottery-records-260/#296722-responsive-documents>)

A Way Forward

Tens of millions of Americans are broke and many lack substantial opportunity to change their financial standing. There have been partial policy solutions put forward from the political parties to help solve this urgent problem: tax cuts; tax credits; raising the minimum wage; increasing taxes on the rich...none of which represent a consequential fix.

There is at least one way forward *that is* a consequential fix. A nation of small earners, who could be small savers, has been turned into a nation of habitual gamblers on course to lose more than \$1 trillion of personal wealth to state-sanctioned lotteries and local casinos over the next eight years.

We believe an initiative to denormalize commercialized gambling by reducing the amount of gambling losses by citizens by 50% over the next eight years will do as much as any single policy proposal to dramatically improve the financial and social well-being of ordinary Americans. It would put \$500 billion back into the hands of the people and our communities.

Here is a partial list of reform proposals that would help our country achieve this consequential goal:

- To safeguard the health of minors, no kids under should be exposed to gambling ads and marketing on TV, radio, at point-of-sale, or on the internet.
- Ban “loot boxes” and other elements of commercialized gambling that are currently being engineered into video games that kids under 18 are playing.
- Restrictions on the inducements offered to gamblers to keep them gambling or luring them to start gambling after they have stopped.
- End the predatory practice of allowing commercialized gambling on credit, whether by credit card or “markers,” (interest-free loans issued by casinos.) It’s inconceivable that states encourage citizens to fund their gambling addiction using debt.
- Capping staking levels on all electronic gambling machine-style games, regardless whether it is a physical machine or online, to \$2.00 or less. There is no justification for staking levels above \$2.00.
- Require commercialized gambling interests to be treated the same under civil litigation laws as any other business.

- Reduce the overall amount of lottery games being marketed to the public. For example, Texas was promoting 92 lottery scratch off games for sale in November 2019.
- No advertising or marketing of commercialized gambling to low income populations.
- Ban the sale of lottery products in check-cashing outlets, which serve unbanked people.
- No high dollar lottery tickets should be sold in low income areas, ending the practice of selling tickets greater than \$5.00.
- Reduce the amount of locations where extreme forms of gambling like electronic gambling machines are being marketed by the state.
- Reduce the speed of the commercialized gambling being offered by states. Many of the most harmful forms of commercialized gambling are also the fastest like electronic gambling machines, online gambling, and scratch tickets.
- Create an Office of the Public Advocate committed to public service in representing state citizens in any matter that is covered by the authority of the state gambling commissions, as well as proceedings before state and federal agencies and courts, so that they are protected from being exploited and cheated by commercialized gambling operators. This is similar to what many states do in representing state utility consumers.
- Require state lotteries to track and report re-wagers and quantify their relationship to sales and subsequent prizes. Lotteries advertise the billions of dollars in prizes paid to players of their instant scratch lottery games. These announcements are celebrated by the lotteries. The prize amounts are used to justify the operation of the state lottery and to entice participation. But a significant amount of these prizes never leave the store with the players, and instead are re-wagered for higher price point tickets, such as a \$30 ticket.
- Require that state problem gambling councils collect and report annual data on state gambling addiction numbers and on the effectiveness of the problem gambling interventions being funded (changing the measurement from how many calls are taken to how many people are moved from addicted to not addicted).

To support our efforts or for more information, please visit

www.StopPredatoryGambling.org

or call (202) 567-6996