



Can the lottery be a win-win?
Local businesses say it helps their bottom line, but more lottery retailers are in low-income areas

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By Courtney Mabeus

On a recent Friday, a man in a T-shirt and red baseball cap plays some numbers at the red machine nestled onto the corner of the countertop, right next to a plastic case of about 30 scratch-off lotto tickets.

The man exits the store and re-enters. He seems irritated. This same scene repeats itself, despite the fact that it's a boiling day, nearly 100 degrees.

The shop was the first in Frederick County to become a Maryland Lottery Agent Plus in 1997 -- meaning it can cash up to \$5,000 in winnings rather than the \$600 allowed to regular agents.

A black-and-white laminated newspaper article about that day hangs on the wall above the lottery machine and the man's head.

Gupta said the man, who would not give his name and mumbled only in passing that he had lost \$4,000, comes into the store often.

Sometimes, Gupta wonders about her customers. She has a family, after all, she says.

As a store owner, however, Gupta can't let her thoughts wander too far. She has a business to run and three children she's helping put through college.

"It's good for my business," Gupta said when asked about people who come in to play the lottery.

"We do wonder, but we can't be wondering about too many things."

Gupta's store ranked No. 3 overall in Frederick County for commissions -- a total of \$274,928.60 earned from the lottery from 2008 through 2011, according to data received through a Maryland

Public Information Act request The Frederick News-Post made for earnings of all lottery retailers.

"The commission is our income," Gupta said. "The good thing about lottery is we don't have to put any money in it. There's no investment."

Adding the numbers up

The lottery is a win-win for store owners. That's a sentiment shared by nearly all the operators who spoke to The Frederick News-Post.

More than 4,200 retailers offer lottery games across the state, including about 155 in Frederick County as of May 30.

In total, Frederick County retailers sold more than \$178.9 million in lottery tickets and games, including online games such as Keno and Racetrax, from 2008 through 2011. During that same period, those retailers cashed a little more than \$76 million in winnings, according to Maryland Lottery data.

Frederick County lottery retailers took in a little more than \$9.6 million in commissions, which are currently based on 5 percent of sales and 3 percent in cashing out winners, during that time. Prior to fiscal 2010, retailers' commissions had been based on 5.5 percent of sales and 3 percent of cashes.

According to an analysis by The News-Post, many retailers are concentrated in less affluent sections of the county, near dense shopping areas or along commercial corridors on the outskirts of the city of Frederick.

Seven of the county's top 10 retailers were in areas where the average median income ranged from \$42,529 to \$66,978, according to U.S. Census data. Three others were in areas where the median income ranged from \$80,579 to \$99,050. In all, median incomes for the entire county ranged from \$39,505 to \$136,341, according to the census.

"That's the only way you're going to make your money, if you offer it all," said Dawna Keyser from behind the counter at Brown's Liquors & Deli, an Agent Plus retailer. Brown's, which is on East Patrick Street near downtown Frederick, is the county's No. 4 ranking retailer, with a total of \$250,236.68 earned from 2008 to 2011.

Eric Van owns Festival Major Liquors, the county's top-earning lottery retailer -- also an Agent Plus -- with more than \$349,890.89 in commissions during the four-year period.

"If someone wasn't playing here, they'd be playing somewhere else," he said.

Lottery earnings

Since it began in 1973, the Maryland Lottery has earned more than \$36.1 billion, with about \$12.8 billion going toward services meant to benefit state residents, including public schools, safety and health.

Even with the economic downturn in recent years, the lottery has broken its own earning records for 15 straight years. On July 23, Director Stephen Martino announced sales for fiscal 2012, which ended June 30, totaled \$1.795 billion -- an increase of \$80.4 million or 4.7 percent from the previous year. In total, lottery players took more than \$1.066 billion in prizes. It generated more than \$556 million in revenue to the state's general fund for fiscal 2012, 7 percent more than last year, according to the lottery.

Lottery sales are the fourth-largest source of income in the state, Martino said.

"Lottery is not recession-proof, but I think lotteries are recession-resistant," Martino said. "I don't think there's any doubt that we're ubiquitous here in the state."

Less than a mile from Festival Major Liquors, Mike Patel stood behind the counter at A-1 Choice, the No. 2 lottery retailer in the county with a total of \$279,433.25 in revenue from 2008 to 2011. He's not an Agent Plus, like Festival Major, so he said he relies on his customer service to bring people in.

Business has dropped off, Patel said, even though he has a brand-new, free-standing red lottery machine that allows customers to buy tickets unassisted. Some of the customers who had lived in the neighborhood of small, aging houses and apartments behind the store moved away seeking cheaper housing.

Patel recognizes his customers are mostly lower-to-middle income. He said a lot of people don't recognize playing the lottery is a form of gambling. If someone wants to play, "they're going to play," Patel said, mentioning several other stores along the commercial strip nearby.

"They can play wherever they want," Patel said.

Like Patel, some store owners said the lottery business has waned a bit recently, including Van and Gupta.

While the lottery ebbs and flows with each jackpot announced, overall it has been good at Brown's, Keyser said.

On a recent warm Friday, a steady stream of customers kept Keyser busy behind the counter at selling lottery tickets and deli items including hot dogs and iced tea, an item for which the 60-year-old shop is known.

Keyser credited big jackpots like that of the \$640 million Mega Millions purse from this past spring with increasing her earnings as a retailer.

"People will just try about anything to get a little extra money," Brown said.

East Side Liquors owner John Chim said his business was doing fine despite the economic downturn. The East Street store -- the county's No. 9-ranking lottery retailer with \$158,348.57 earned from 2008 to 2011 -- sits along a commercial strip not far from a gritty section of row houses on the edge of downtown.

"Business is good for me," Chim said on a recent Friday afternoon as a man stood nearby playing Keno.

"Everybody wants the economy to get better regardless," Chim said. "I hate to see the economy downsize."

Who's responsible?

Some critics say lotteries target lower-to-middle-income players. But where personal responsibility lies and what role the government should play, if any, is at the crux of the argument.

"There's no debate about whether lotteries prey on the working class of the state of Maryland," said Les Bernal, executive director of the Washington-based nonprofit Stop Predatory Gambling.

Bernal said the government ignores the issue and exploits the working class.

"Instead of working to expand the middle class through opportunity and efforts to improve social mobility, what we're doing is to help steer these people into deeper debt and more dysfunction," he said.

Some others don't feel as strongly. Joanna Franklin, director for training at the University of Maryland Center for Problem Gambling, said demographic data is open to interpretation. It's not uncommon to find more lottery machines and vendors in places where people are more densely packed, she said.

"I don't think the concentration of the machines can (be assumed) to be a targeting of the poor," Franklin said.

According to the Maryland Lottery's most recent survey -- which was conducted by phone and on the Internet with about 800 random participants in July 2011 -- about half of state residents play the lottery.

Women and men are about equal when it comes to playing, with women edging out men 52 percent to 48 percent. Sixty-nine percent of players were white, 23 percent were black and about 5 percent were Asian. Forty-seven percent of respondents reported annual incomes of \$50,000 or more; 11 percent said they earn less than \$25,000 and 19 percent made between \$25,000 and \$50,000 annually.

The lottery's marketing campaigns are designed to appeal broadly to all potential players, Martino said. It is meant "solely for entertainment purposes," he said.

For the most part, retailers said it's not up to them to police how their customers spend their money.

"If you tried to have a conscience about it and someone comes in (and) spends their last three or four dollars, you'd be out of business," Golden Mile Liquors co-owner Chris Simpson said. His shop, about a mile from Gupta's, ranked No. 6 for lottery sales, with \$178,432.70 in revenue earned from 2008 to 2011.

Adults should make the decision for themselves, Keyser said.

"What's the difference in going to a casino?" Keyser said. "You've got to know what your limits are as an adult."

Playing to win

For lottery players, winning is a gamble.

Kenny Dice played Keno at Hillcrest on a recent Tuesday morning. Dice, who works at a Giant supermarket and lives nearby, said he has played the game for two or three years.

The first time he played, he won \$2,700, he said.

He used some of his winnings to pay bills and gave some to his girlfriend. Though he plays "a lot less" than he used to, he still spends \$20 to \$30 a week on the game, he said.

On this particular day, Dice broke even. With four kids between the ages of 10 and 20, Dice said if he ever did hit the big time, he'd spend it on "a house, car. Make sure my kids are set for college."

At A-1 Choice, Patel stood behind the counter as classic rock, including John Mellencamp's "Small Town," played over the store's sound system.

Pauline Onley, who works at a local Travelodge, pointed out a winning \$500 ticket taped near a display of scratch-offs. That's hers from July 8, she said. Onley plays about \$5 worth a day with the exception of Fridays, when she plays about \$20 worth. She's been coming into Patel's shop for about 10 years. Onley and Patel joked about how he had to call 911 when she won.

Onley, who pointed out a new car in the parking lot, said she planned to put the money in the bank. When asked why she played, Onley responded: "That's a good question."

"I just do it because to me, it's fun," Onley said. "I work every day."

"Adding it up."

This map shows where most Frederick County lottery retailers are located and how much they took in and cashed out during 2011.

