



# How Lotteries Are Bad For Players, Winners, And States

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By [Bryce Covert](#) on May 20, 2013

The [highest Powerball jackpot in history](#), \$590.5 million, is waiting to be claimed by the winner in the small town of Zephyrhills, Florida. While the lucky winner may feel a sense of exhilaration, there can be huge down sides of the lottery for those who play, those who win, and the state governments that rely on the revenues.

With odds stacked sky high against actually winning a jackpot, lottery players [lose an average of 47 cents on the dollar](#) for each ticket. With such low payouts, tickets act as an [implicit tax of 38 percent](#).

Yet poor people are far more likely to buy tickets than their wealthier counterparts. They spend a larger percentage of their income on the lottery, and [many studies of state lotteries](#) have found that low-income Americans account for most of the sales and that sales are highest in the poorest areas. One study found that a reason for this is that “[lotteries set off a vicious cycle](#) that not only exploits low-income individuals’ desires to escape poverty but also directly prevents them from improving upon their financial situations.” The loss in income of buying tickets that provide no reward is harder to bear on a slim budget.

Those who win may not be much better off, however. The National Endowment for Financial Education estimates that as much as 70 percent of those who land sudden windfalls [lose the money within several years](#). Lottery winnings have led some to drugs, bankruptcy, and family fractures.

The revenues from lottery tickets act as a regressive tax because states use them to fund many public services, such as education. Lotteries netted 11 states [more revenue than their corporate income tax](#) in in 2009. But [states don’t fare well either in the long run](#). While states that have lotteries increased per-capita spending on education at first, after some time they ended up decreasing overall spending, while states without them increased investment. One study found that “nonlottery states spend, on average, [10 percent more of their budgets on education](#) than lottery states.” In fact, lottery revenues may not end up increasing funds and could actually increase budget imbalances. There are only so many tickets that a state’s population can buy, making it a short or medium term fix but not a long term source of revenue.

The chances of winning the Powerball jackpot were very low at just 1 in 175.2 million. One person has likely won it and will now face the challenges of managing a huge influx of new money. The rest of the residents and the state's revenues are not likely to fare as well.