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Lottery as the most practical path to wealth?

Posted January 4, 2015

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Special to West Hawaii Today

In 2005, a survey commissioned by the Consumer Federation of America and the Financial Planning Association asked a sample of 1,000 adult Americans what would be the most practical way for them to accumulate several hundred thousand dollars. Most — 55 percent — of the respondents said, “Save something each month for many years.” But a significant number of people — 21 percent overall, 38 percent of those with incomes below \$25,000, and 31 percent of those 55 or older — thought the answer is “Win the lottery.”

When our legislators ponder the state’s budget picture, the idea of having a state lottery often bubbles up. Wouldn’t it be a revenue source that has the potential to be something people want, as opposed to something they despise? After all, people don’t have a choice whether to pay taxes, but they do have a choice about whether to buy a lottery ticket. A Reuters 2011 article states that 44 states, plus the District of Columbia and Puerto Rico, had lotteries. In fiscal 2009, Americans spent \$50.4 billion on lottery tickets, video lottery terminals and the like, and the states pocketed \$17.6 billion in lottery profits. Data compiled by the national Tax Foundation show that 11 of those states make more money from their lottery than they take in from corporate income tax.

Would a lottery be too much of a gamble for a state that needs stable revenue? Historically, people play the lottery during bad times when they might not have too much cash, as well as during good times when they have more money to spend. And it seems that many states rely on it a lot. The National Council of State Legislatures reports that lottery ticket sales accounted for 8 percent of state revenue in Massachusetts, 7 percent in Georgia and 4 percent in Florida, with a national average of 2.6 percent.

It's not all peaches and cream: CBS News said that in New Jersey, lottery revenue fell 9.2 percent in the fiscal quarter ending Oct. 31, nowhere close to the predicted 7.4 percent revenue gain. Officials in Maryland and Missouri also have bemoaned a drop-off in lottery sales in their respective states. Not a problem, said Terry Rich, one of the board members of Powerball, a collective of 22 states that joined together in 1987 to offer big money jackpots. "Our sales tend to spike when the jackpot is high."

In Hawaii, we base our state budget on economic predictions by our Council on Revenues. They might be able to predict economic conditions, but can they predict lottery sales?

Then, of course, the social impacts need to be considered. Studies cited by the Stop Predatory Gambling Foundation indicate lotteries have a reverse Robin Hood effect: They take from the poor and benefit the rich. How does this happen? The poor buy lottery tickets. Although the odds of winning big are infinitesimal, there are a fair number of people, mostly poorer people, who think they have no other practical way to become wealthy, as mentioned earlier in this article. For them, the lottery represents hope for escape from financial misery. That's why in South Carolina, for example, households earning under \$40,000 annually made up 54 percent of the state lottery's most frequent players.

A 2007 California Budget Project report observed that lottery sales are higher for individuals who have little or no formal education, are residents of urban areas, are between the ages of 45 and 65, and are not white. As one blog post puts it: "The games naturally appeal to poor people, which causes them to spend disproportionate amounts of their income on lotteries, which helps keep them poor, which keeps them buying tickets."

These games are run by state government. Opportunity or tragedy? You decide.

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