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Powerball odds growing against players, but changes may boost N.J. revenue

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The Powerball lottery jackpots are about to get bigger – but so too will the odds against winning, a change that will likely mean fewer winners but more money for the states that run the game.

The changes come as multistate lottery sales have dropped by a third in New Jersey, cutting into one of the state's biggest revenue sources. Slower sales could mean less for education programs and housing for veterans and the disabled.

And it comes as lottery officials here and in other states are blaming “jackpot fatigue,” the claim that sales drop because customers aren't excited by smaller jackpots. Experts and lottery critics, however, said any change that makes bigger jackpots might either backfire — since there would be far fewer winners of big payouts, causing players to keep away — or have just a short-term effect on sales.

The change is set to take effect Oct. 4 and was made by the consortium that oversees the multistate lottery; states that offer the game must agree to the new rule.

Once the change is in place, the odds against winning the Powerball will grow by two-thirds – from a one-in-175,223,510 chance of winning to one in 292,201,338, according to the New Jersey Lottery.

Put another way, it's 400 times more likely an individual will get struck by lightning than win the Powerball jackpot under the new rules. As it stands now, winning this lottery is only 250 times more likely than facing a lightning strike.

Players currently win by matching five numbers from a set of 59 white balls and a sixth – the Powerball — from a set of 35 red balls. Numbers are drawn twice a week. If no one matches all

six numbers in a drawing, the jackpot increases by at least \$10 million. In October, the number of white balls available will increase to 69, while the pool of red balls will decrease to 26.

Even though the game is being tweaked to lower the chances on jackpots, there will be better overall odds of winning other prizes – but those prizes come with far, far smaller payouts of between \$4 and \$50,000.

Lottery spokeswoman Judith Drucker said it will be possible to win up to \$2 million on certain matches with the Power Play feature, which costs an additional dollar.

The announcement of the changes comes as New Jersey begins the third year of a contract with Northstar New Jersey to run the sales and marketing of the lottery. Since taking over in 2013, Northstar has yet to meet its net income targets – money sent back to the state – and it has already slashed its projections twice for the 2016 fiscal year, which started July 1.

The New Jersey Lottery Commission is expected to formally accept the rule change; no date has been set for that action.

Governor Christie and state officials have pointed to national declines in sales of the two major multistate lotto games, Powerball and Mega Millions, for those missed targets. In New Jersey, sales of those two games had dropped by nearly 30 percent from July 2014 through April, according to testimony by Andrew Sidamon-Eristoff, who left his job as state treasurer last week. The drop in sales is linked, state officials say, to fewer jackpots of \$300 million or more. And they have pointed to jackpot fatigue as a major driver of those declines.

“We are hopeful that the public will respond positively to the new changes that provide better odds for winning any prize while significantly increasing the prize amounts in all non-jackpot-level prizes,” Drucker said in a statement Thursday.

Larger jackpots mean more money for the states – but also mean there are more losers.

“This is a strategy that Powerball folks use every few years to raise the odds of not winning. So it clearly is intended to raise the jackpots but at the same time is quite unfair to the player at the early stages as the jackpots build,” Richard McGowan, a Boston College business professor who studies lotteries and gambling, wrote in an email from El Salvador, where he is teaching a summer course. “This seems to be another attempt to try and build up jackpots so that the

infrequent player, those [who] only play when the jackpot breaks \$300 million, will play more often.”

The impending change will be the eighth for Powerball since it launched in 1992. The most recent was in 2012, when the cost increased from \$1 to \$2, while at the same time the minimum jackpot doubled from \$20 million to \$40 million.

But if the theory of jackpot fatigue holds true, the Powerball redesign will have a limited shelf life before players again lose interest, said Aaron Abrams, an associate math professor at Washington and Lee University in Virginia.

“It’s certainly a short-term fix, and you can see they’ve changed the rules over and over and over again. They come up with gimmicks,” Abrams said. “Lotteries are in business and they’re in business to make money, and this is marketing. They change the game in an attempt to get attention and spur sales, generate interest and get people excited about the lottery.”

The latest changes were decided by the Multi-State Lottery Association without any input from New Jersey, Drucker said, but the state has been seeking ways to draw casual players to the lotto games of Powerball and Mega Millions after ticket sales had fallen off. The lottery has not yet released financial information for the 2015 fiscal year that ended June 30.

It was not clear Thursday how much more income states could expect due to the Powerball changes. Drucker said that “it will be contingent on sales, as with all games.”

Even though sales of Powerball and Mega Millions have declined and Northstar has not reached its income targets, overall ticket sales are as strong as ever. In the 2014 fiscal year, sales reached \$2.9 billion, and a lottery official said last month that sales for 2015 were “close to \$3 billion.”

Les Bernal, national director of Stop Predatory Gambling, a “transpartisan” non-profit opposed to government-sanctioned gambling, said the changes to Powerball are “Exhibit A” of how states seek more money from residents by marketing “false hope.”

“They’ll keep pushing it to new extremes because it’s the only way it can continue,” Bernal said.