

Issue Brief

North Carolina Family Policy Council

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LOTTERY WOES

Talking points on the negative economic and social impact a lottery would have on North Carolina

1) Lotteries abuse the poor and less educated by enticing them to throw away hard-earned dollars. Studies show that lottery players with household incomes under \$10,000 per year wagered nearly three times as much as those with household incomes over \$50,000.¹ The highest per capita spending on the lottery is among those who have not completed high school with high school dropouts spending almost four times as much annually as college graduates.²

2) Easy access to gambling through a state lottery means most citizens will gamble. Of those who do, studies consistently show five percent of adults will become compulsive gamblers.³ The risk for adolescents is even greater with at least 13 percent becoming compulsive gamblers.⁴ Over time a lottery would create approximately 150,000 to 200,000 compulsive gamblers in the state.⁵ Interestingly, the top five percent of lottery players account for 54 percent of total sales.⁶

3) Lotteries hurt retail businesses. Retail merchants in southeastern Virginia lost \$430 million over three years to the lottery.⁷ Lost sales mean fewer businesses and fewer jobs. Every dollar that goes to a lottery is a dollar that cannot be spent somewhere else—or saved.

4) As one commentator has said, "a lottery is to gambling as marijuana is to drug use."⁸ The experience of other states demonstrates that once a lottery is adopted, other forms of gambling will soon follow—bringing increased social ills such as crime, prostitution, domestic violence, child abuse, drugs and increased illegal gambling. One study revealed that between one quarter and one half of spouses and at least one in 10 children of compulsive gamblers have been the victims of abuse.⁹ Among both pathological and problem gamblers, about a third have been detained or arrested by police (compared to about one in 20 of non-gamblers). About 21 percent of pathological gamblers and 10 percent of problem gamblers have been incarcerated.¹⁰ The lifetime divorce rate for problem and pathological gamblers measure at 39.5 and 53.5 percent respectively, compared to nongamblers who measure at 18.2 percent.¹¹

5) Putting the state in the gambling business through a state lottery sends the wrong message to our children. Most parents raise their children to study hard, work hard and learn to manage money. States with lotteries say to children, "Don't worry about these things, just gamble, hit the jackpot, and you'll be rich." Is this the message we want the state sending to our children and citizens on a daily basis?

6) Linking gambling proceeds to a "worthy cause" does not eliminate its social ills. If these causes were such a high priority, they would already be funded by the \$14 billion dollar plus state budget. If these programs need funding, there are better ways to raise funds. In fact, gambling is an inefficient way for the state to raise money, as it would keep only 34 cents of every dollar spent on the lottery.¹²

7) "All that money going to other states" is not really so much. No one knows for sure, but lottery supporters claim that North Carolinians are spending as much as \$275 million per year buying lottery tickets in Virginia, South Carolina and Georgia (mostly residents from border counties).¹³ If this is true, then they're only hurting their own local economies. Each of these states only keeps about 34 cents of every dollar spent, equaling a total state share of approximately \$93.5 million of all three states combined. This equals less than 0.67 percent of our current \$14 billion-plus state budget. Even if North Carolina has a lottery that generates \$1 billion in sales, the state would keep about \$340 million or so each year—that still equals just 2.4 percent of the entire state budget.

8) Despite all of the "hype" regarding lottery revenues and worthy causes, those who will gain the most from gambling are the lottery companies. Sixteen percent of lottery revenues go to pay administrative and operational costs.¹⁴ The gambling industry will siphon a large amount of this money out of the state and will use it to expand their operations here and elsewhere. Furthermore, lottery companies spend hundreds of thousands of dollars in lottery revenues gained from other states to hire lobbyists and make campaign contributions to promote the expansion of gambling in North Carolina.

9) A lottery referendum is unconstitutional. In the document that establishes our state government—the N.C. Constitution—the people have given all legislative power to the General Assembly, reserving for themselves the right to vote on bond issues and constitutional amendments.¹⁵ Lawmakers are elected to make the hard decisions. The General Assembly has the power to create a state lottery at any time. Because a state lottery fails to pass any reasonable test of good public policy, lottery proponents know they could never muster the votes to pass a lottery bill the normal way. To avoid this problem, they have adopted a strategy used by the gambling industry in at least 27 states so far. They tell pro-gambling legislators, who worry what their constituents will think, to say: "I'm personally against the lottery, but I'll vote to let the people vote."

ENDNOTES

¹ Clotfelter, Charles T., Phillip J. Cook, et. al. *State Lotteries At the Turn of the Century*. Report to the National Gambling Impact Study Commission. Duke University. April 23, 1999. Table 10.

² Ibid.

³ Shaffer, Howard J., Matthew Hall and Joni Vander Bilt. "Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-analysis." Harvard Medical School, Division on Addictions. December 15, 1997. Page iii-iv.

⁴ Ibid.

⁵ Ibid. Estimate based on current N.C. census numbers when compared to the expected percentage of adult and adolescents who will become problem and pathological gamblers.

⁶ Clotfelter, Charles T., Phillip J. Cook, et. al. *State Lotteries At the Turn of the Century*. Report to the National Gambling Impact Study Commission. Duke University. April 23, 1999. Page 13.

⁷ "The Impact of the Lottery on Hampton Roads Retail Sales." Prepared by the Staff of the Hampton Roads Planning District Commission. December 1991.

⁸ York, Frank. "State Lotteries, The Marijuana of Problem Gambling." *Findings*. North Carolina Family Policy Council. June 1998.

⁹ National Research Council. "Pathological Gambling: A Critical Review." April 1, 1999. Page 5-2.

¹⁰ National Opinion Research Center (NORC). "Gambling Impact and Behavior Study, report to the National Gambling Impact Study Commission." April 1, 1999. Page 47-48.

¹¹ Ibid. Page 48-49.

¹² North Carolina General Assembly. "Lottery for Education/Infrastructure." House Bill 1. Session 2001. and "2001 Education Lottery." House Bill 511. Session 2001.

¹³ Spartanburg Herald-Journal. "North Carolina scratching its lottery itch in S.C." January 14, 2002.

¹⁴ North Carolina General Assembly. "Lottery for Education/Infrastructure." House Bill 1. Session 2001. and "2001 Education Lottery." House Bill 511. Session 2001.

¹⁵ N.C. Constitution art. II, §1, art. V, §§ 3.1, 3.4, 4.2, 4.3.