

Findings



Dedicated to the
Preservation of the Family

Saying No to Gambling

Excerpts from 2001 Public Hearing on a State Lottery

Compiled and edited by Alysse M. ElHage

Money was the reason cited most in support of a lottery at a recent public hearing, which was held on October 1, 2001, at the North Carolina General Assembly. Nearly 30 people spoke at the hearing, with lottery opponents outnumbering supporters by more than two to one. While the majority of speakers pointed out the devastating social and economic impact that state-sponsored gambling would have on North Carolina, lottery supporters argued that the state needs more money to fund education programs. Speakers in favor of the lottery included several educators, Georgia's attorney general, the director of the Georgia Lottery and Rep. Bill Owens (D-Pasquotank), who sponsored one of the four lottery bills introduced this session. Speakers opposed to the lottery included representatives from the North Carolina Family Policy Council, the John Locke Foundation, the North Carolina Budget and Tax Center, Citizens United Against the Lottery, the Common Sense Foundation, the Christian Action League and the North Carolina Council of Churches, as well as public and private individuals. Because of space limitations, we are unable to provide excerpts from the comments of every person who spoke at the hearing, but we have included several that exemplify the wide-range of arguments and concerns voiced against state-sponsored gambling. Following are selected excerpts:

Dr. William Friday
Former President,
University of North Carolina

"You've heard enough about the question—is this a consistent stable source of revenue? This is a study from *Business Week*, which is one of the gospels of American commerce. Its conclusion.... 'State

lotteries are not a stable source of income and their profits in more than half of the states now having them are in decline.' The next question, who plays the lottery? The National Gambling Impact Study.....[found] that gamblers with household incomes of less than \$10,000 bet nearly three times as much on lotteries as those with incomes over \$50,000. You've heard reference to Georgia this afternoon on numerous occasions. In a paper from the National Bureau of Economic Research, in an article on the Georgia Hope Scholarship Program, they published this finding: 'The sad fact is that the biggest spenders on the lottery are the poor families who gamble their meager earnings and pay for a college education for upper class young people.' It is that position that led Dean Smith to ask me to say to you on his behalf—he happens to have to be in California—these words: 'I am opposed to a state-sanctioned lottery in North Carolina because it will hurt many people that it is supposed to help. Numerous studies show a disproportionate share of lottery revenue comes from those who can afford it least. Enacting a lottery for the purposes of raising revenue is tantamount to raising taxes and requiring poor people to pay the most.' I came before a legislative committee in North Carolina for the first time 60 years ago. During those 60 years, I've seen this legislature and a courageous governor pass a bond vote to lift our people out of the mud. I saw this General Assembly face the issue when my generation came from World War II and the state of North Carolina had the highest rejection rate for physical disability for military service, you took hold of the good health program and did something about it....You helped build the Research Triangle, and for a quarter of a century, I've seen you build a community college and the university system....I'm very proud of your record of achievement. This

is why I come in opposition to a lottery. I do not want to see my state that has done so much for so many—always manifesting strong positive leadership—now to say to its young people: 'Yes, we're going to provide the best educational opportunity possible, but we must resort to gambling to find the dollars to do it.' Throughout our long history, North Carolinians have always responded promptly to the established needs of their children.....So this is why I do not believe it to be sound public policy to risk the quality and indeed the future of our educational system on an unstable gambling enterprise that uses our most vulnerable citizens as a primary revenue source. Speaking only for me, let me conclude by saying that I grew up in those hard Depression days that you've heard referred to. Times were hard, and everybody did without, and everybody shared one with another. And then came World War II, when we did more sharing. These experiences teach some very hard lessons, and one of them is this—that gambling one's personal resources is morally wrong and an unworthy example to set for your own children and your neighbor's children..."

Harlan Boyles
Former State Treasurer

"But ladies and gentlemen of the committee, you are now preparing yourselves to face an awesome responsibility—a responsibility that will have unknown and never ending implications to the people of North Carolina. My purpose this afternoon is to endeavor to impress upon each of you the perils of temptation. The temptation to chase an illusory pot of fools gold. The temptation to let others make your stewardship decisions for you. The temptation to altar the moral values upon which and about which we teach our children....The temptation that opens the doors of North Carolina to those who will exploit our people and

their financial resources for their own selfish purposes. The temptation that will subject our people to the same carpetbagger tactics so prevalent in North Carolina following the Civil War. In all candor, you have the future of our state and its people in your hands. You are the guardians of responsible government in North Carolina. Under your guidance, you have helped us achieve that philosophical reputation alluded to in the statement coined by my predecessor, treasurer Edwin Gill, that 'in North Carolina, we have made a habit of good government.' Meaning, of course, that we do not and have not resorted to matters of expediency in financing the programs and services of state government. Unquestionably, to adopt the often proposed public referendum puts in play and jeopardy the well-established separation of powers now embedded in our state constitution, so that now and forever, all issues of public controversy may well be resolved by voter initiatives and not by those who we elect to serve in the General Assembly. The state lottery will offer little, if any, relief to our unbridled, public spending problems here in North Carolina. Only a small percentage of the total funds collected from a state sponsored lottery will be allocated and available for the public good. State lotteries are neither a reliable source of revenue nor one that is dependable because the sales in the states that have lotteries have experienced major declines in their revenues over the years...And finally, the devastating social costs in terms of crime, absenteeism, family abuses, and the decline in retail food and clothing purchases, are never factored into the up front costs as they should be..."

Octavia Rainey
Citizen from North Carolina

"I have strong concerns about the lottery. In my neighborhood, we have issues with little minute marts that sell drug paraphernalia, malt liquor...heavy loitering. It has hurt our economic values. It is very hard to get housing built in the area. And you add the lottery on top of that, you have just hurt us. Let's talk about the impact on education. When I look at the lottery being used as a tool for gambling, gambling is really illegal. What happens when children come to school with dice or gamble in school? You will suspend those kids because there is a zero tolerance to gambling. I have strong concerns that I continue hearing [it] said that because Georgia's doing it, Virginia's doing it... You know, we have an issue that we tell our kids, 'You can't do what other kids do, don't bow down to peer pressure, don't follow other

kids.' We tell them that. We set that example, and we tell them don't do that. But when I hear talk of the lottery, I hear adults doing the same things that they tell kids not to do—do not bow down to peer pressure, do not follow others, you can't do what others do. But the state in return is doing the same thing. There's something seriously wrong with that picture. We also say that we want a zero tolerance. What happened to a zero tolerance to gambling? Have we justified that and made that right? That's wrong! I have strong concerns when we take wrong and then justify it and make it right just for the money. There comes a point and a time when we must stand up for what is right. And I say no to the lottery because it is wrong, it's setting bad examples for our kids, and we should not be following other states just because they do that. We teach our kids to say no to drugs, and I'm asking the General Assembly to say no to the lottery."

John Sanders
Former Director,
Institute of Government

"I will address one more question, and that is, can the General Assembly constitutionally delegate to the voters of the state the decision as to whether North Carolina should have a lottery? All of the bills that have been introduced in previous sessions and two of those introduced this year, call for the enactment of legislation to establish a lottery to be followed by a referendum of the people. That, I call a back-end referendum. Two bills introduced this year, one in the House, one in the Senate, call for a referendum of the people to be followed, if the referendum is favorable, by legislation implementing a lottery in North Carolina, and that's what I call a front-end referendum. In the back-end referendum, that is, can you enact legislation and then submit to the people of the state the question, "shall it take effect or not?" I think you cannot do that under the constitution of North Carolina because we have a republican form of government, in which the people have vested all of their law making power in the General Assembly except for about eight specific reservations, such as amending the constitution or calling a constitutional convention, in which they reserve the right to participate. So, I think that sort of referendum—and it was well established in a decision by the South Carolina Supreme Court about a year and a half ago—is not permitted under our constitution. As to a front-end referendum, the matter is not quite so clear. But I note that in the bill pending before you, the question is whether the

General Assembly "shall enact" legislation to provide for a [lottery]. Does that make it mandatory? That would be up to a court to say. I note also that the bill specifies how the proceeds of a lottery would be distributed if one goes into effect. That may also be a delegation to the people of the authority ultimately to establish at least the forum and uses of a referendum..."

Jim Trotter
Former General Counsel
for Governor Jim Martin

"I was born, raised and educated in North Carolina, and except for my years of military service in World War II, I have lived my entire life in North Carolina. I believe I know North Carolina. I believe I know North Carolinians. There are two truths that I would like to put to you in connection to the proposal that our state operate a lottery. State lotteries involve the gambling industry. To be successful, state lotteries have to engage in deceptive advertising. In my view, gambling and deceptive advertising are sleazy. North Carolina is not a sleazy state. North Carolinians are not sleazy people. In my view, the General Assembly should not put our state in the lottery business. In my view, this committee should not even be considering any of the bills that are the subject of this hearing. Now, let's look at my two truths: The gambling industry. If a state is to have a lottery, someone is going to have to operate the lottery. That someone has to know what he is doing, otherwise the lottery will fail. A state's need for someone that knows what he is doing to operate its lottery is what brings in the professional gamblers. The gambling industry has the expertise—they know the game.... Sometimes, they come in to operate the lottery as agents of the state. Other times they come in as consultants to boards and commissions or other entities established to operate the lottery. Either way, professional gamblers are involved. As state lotteries have gotten more and more competitive on an interstate basis—think of the recent Powerball lotteries—the need for lottery know how has intensified. The idea that in today's competitive interstate lottery environment, North Carolina can set up and operate a successful lottery free of the influence of professional gamblers is as naive as the belief in the tooth fairy. So, if North Carolina is to have a state lottery, professional gamblers will become a part of our state life. In my opinion, that is not a good thing. Deceptive advertising—the National Gambling Impact Study Commission concluded in 1999 that lottery advertise-

ments are inherently misleading and deceptive. Their conclusion is not surprising. Winning is an idea that has to be sold to entice players to play the lottery, but losing is the economic reality upon which lotteries are based. So, lottery advertising, ipso facto, must be deceptive. That is why the gambler's lottery expertise is so necessary. As a means of making proposed lotteries less objectionable, lottery advocates sometimes offer that a lottery might work with minimal or open advertising. Again, a deception. The advocates know the lottery will fail. They simply want to get the camel's nose inside the tent. North Carolina and North Carolinians have a long history of personal and state honor and integrity. That honor and integrity is what defines our state and defines us as North Carolinians.... It has blessed us with 200 plus years of good citizens and good government. These bills before you put that 200 plus years history at risk..."

Dan Gerlach
Director, North Carolina
Budget and Tax Center

"Between 1997 and 2000, the amount of money that went to state governments in terms of lottery proceeds and lottery taxes actually declined. It did not keep pace with the education needs. It did not keep pace with the needs of the common good. It therefore must be rejected, unless you want to spend many more Octobers here in Raleigh.....My experience is personal. Before I grew wise and became a North Carolinian, I lived in the state of New York, [and] I worked for the General Assembly there. One of the things I had to do was try to predict how much lottery revenue would come in. And in 1991, in the midst of a great recession, what happened is that people started hitting the jackpot every week, [which] threw off lottery projections. People started spending less because they were worried about the economy [which] threw off projections, and revenue estimates fell by 10 percent—10 percent year to year, not 10 percent off projections....So I tell you this is not the way to go. When lottery revenue start falling, the way to get people interested is to spend more on advertising, pump up the prizes, which means there is less there for the common good. The second thing is that the lottery tax revenues would increase the size of the tax package you just approved by 60 percent. It would go from \$620 million next year to almost a billion dollars in revenue. Now, let me tell you this. You spent a lot of time, not only on the size of the package, but on how it affected different groups of people....The governor

had a special concern, and his office called my office several times a day and on weekends, and I was at the governor's service to protect lower and middle income tax payers....But I have to tell you that the inclusion of the lottery tax package throws all that good work out. And because I spent too much time on it and because you spent too much time on it, I ask you to reject this unfair and completely unreliable tax....In states with a lottery, when it comes time to increase resources, as you just bravely did for education, what happens is people say, 'Well, don't we have a state lottery to take care of all the education needs in our state?' So basically, you'd have a \$350 million source of revenue called the lottery supposed to take care of all the needs of a 5.8 billion system of public education, which is the total amount we spend on state money there..."

Bill Brooks
President, North Carolina
Family Policy Council

"Over the past 10 years, we have read thousands of pages of research from hundreds of articles and reports. We have distilled some of our findings into several research papers, and I request they be included in the record. Some of our principal findings are as follows: A lottery is the name we have given to the gambling activity that for decades has been referred to by law enforcement officers as "the numbers racket." It has been a principal tool of organized crime to make money. People who operate the numbers racket in our state are breaking the law. The reason gambling has traditionally been considered a vice is that it is an activity that is harmful to the people who participate in it, and harmful to society in general. Let me give you three ways this harm occurs. Gambling through a state lottery hurts the poor and less educated. When a state operates a lottery, it tells its citizens through false advertising that they can become wealthy by gambling. And that's not true for all but a very few. Duke professors Clodfelter and Cook found that 98 percent of those who play state lotteries lose money. Even Governor Easley, when he was attorney general, condemned schemes which falsely promised that people would become wealthy. Numerous studies have found that the poor gamble on a lottery more than higher income groups. In Maryland, the poorest one third of the population purchase one half of the tickets. In Connecticut, those with incomes below \$5,000 spent 14 times more on the lottery than those with incomes above \$25,000 and in Maryland they spent 21 times more. All

legislation authorizing a lottery that has been introduced in the General Assembly requires the lottery commission to maximize revenue. In order to achieve this goal, across the country lottery commissions have found that 'certain disadvantaged socioeconomic groups tend to gamble proportionately greater amounts of their overall income' and marketing strategies have been directed at these groups. The National Gambling Impact Study Commission found that certain poor neighborhoods in Boston had almost 10 times the number of lottery outlets per capita as did more affluent areas. Our second major finding is that 5 percent of those who gamble will become problem or pathological gamblers. Often referred to as compulsive gamblers, these persons have their lives ruined by the state. And compulsive gamblers spend large sums on lotteries. Clodfelter and Cook report that five percent of lottery players (those who played \$3,870 or more in one year) account for 54 percent of total sales. Also, those who spend at least \$1,619 per year bought 82 percent of tickets. And a lottery is often the entry point for those who become compulsive gamblers and many states with a lottery eventually add casino gambling. Compulsive gambling is linked with increased rates of domestic violence, child abuse, divorce, suicide, alcohol abuse, drug abuse and other crimes. In addition, more than half of pathological gamblers end up stealing money, often from their employers. Senator Marc Basnight accurately portrayed the reality of compulsive gambling when he pointed out that a state lottery will take food off the plates of children. A Maryland state agency calculated that it costs society up to \$52,000 per year for each pathological gambler. Based on national prevalence rates and other research, including a Harvard University study, we estimate that as many as 400,000 citizens of our state will become compulsive gamblers if a lottery is legalized here. Our third major finding is that a lottery hurts retail business....Suffice it to say that over the years retailers have found that a dollar that is spent on a state lottery is a dollar that is not spent on retail sales. Lottery proponents claim to care about the loss of business to retailers in border counties but they forget to mention that same effect will be felt statewide if we have a lottery. And of course, a loss of retail sales means a loss of jobs and a loss of sales tax revenues. In conclusion, let me say that those of you listening to the various speakers here today may feel the debate between lottery proponents and opponents—is like two trains passing in the night. The reason for

this is that the gambling industry links the lottery—a bad revenue raising scheme but one that makes them millions of dollars—to a politically popular new government program, such as preschool for the disadvantaged. But those who study the issue realize that most of the money raised comes from a disadvantaged segment of society. Gambling always hurts society when it is allowed. It appeals to the worst in human nature and its success as a revenue raising measure depends on the active promotion of greed by the state...”

Chris Fitzsimon
Executive Director,
Common Sense Foundation

“By now, you’ve heard all the arguments against the lottery....One, that it is an unreliable source of revenue. Dedicating it to education, in our minds, would in essence be gambling—gambling with our children’s future. We’ve heard that it preys on the poor. That is an indisputable fact. Poor people play the lottery, not only more as a percentage of their income, but even in terms of sheer dollars. Here’s a slogan for you: ‘We get pre-K and the poor people pay!’ The General Assembly just spent months arguing over which tax is more regressive—how to raise revenue without hurting the poor and the working families. As you’ve heard, the lottery is much more regressive than any tax considered during that debate. Then, there is advertising. Many of my philosophical kindred spirits part company with me on the lottery, reasoning that people ought to have the right to spend their money any way they choose. And I agree with them. But that’s not what a state lottery does—allow people to buy tickets. It aggressively tries to trick people into buying tickets, and to spending their limited resources on a one in 10 million chance of getting rich. The horror stories are clear, and you’ve heard some of them. The state of Ohio targeting low income communities with advertising the day that welfare and social security checks come out. The state of Illinois erecting a billboard near poor housing projects with a slogan titled ‘This is your ticket out.’ We are appalled in North Carolina, I hope, when tobacco companies develop a cigarette directly aimed at young

African American males. We are disturbed when a beer company develops an ad campaign around a certain product, targeted at one race or one gender or one age group, and we should be. The lottery means the government will be doing the same thing we are appalled at—targeting the poor and vulnerable, trying to use sophisticated marketing techniques and focus groups to try to trick them into spending more and more of their money on the lottery, instead of paying their bills, going back to school and taking care of their families. It is not patronizing to suggest that those advertising techniques will work. It’s a fact they work at every other business in America, and they’ll work with the lottery. Because the state of North Carolina will soon discover what every state discovers—the ad campaigns will have to be more targeted, more aggressive and more deceptive to work. We’re not telling poor people how they can or can’t spend their money. They can spend it any way they choose. But we are opposed to the state government that we elect devising ways to trick them into spending their money because our political leaders haven’t yet mustered the political courage to raise enough revenue to close huge corporate tax loopholes or cut spending to pay for social services.....If it is truly about the money, and the state does not mind advertising to trick people into playing, I have another idea. The state currently makes millions of dollars taxing alcoholic beverages. The recent tax package raised alcohol taxes even higher....But if the schools really need the money, and we are already selling alcohol, I have a better idea than a lottery that would bring in millions of dollars right way with no commission, no bureaucracy, no referendum. Instead of establishing a lottery, Governor Easley could raise more money for education by going on television and asking North Carolinians, ‘Today, please buy another fifth of Jack Daniels on the way home, our schools need the money...’ We could target low income areas with heavy ads during certain shows. We could put up billboards in specific neighborhoods. ‘A fifth for your child’s future’ could be our slogan! We’d make a lot of money that way. There is no difference...”

Hope Morgan Ward
Director of Connectional Ministries,
United Methodist Church

“The United Methodist Church voices clear and strong opposition to a lottery or a referendum on the lottery in our state. As people of faith, we believe that our Creator desires abundant life for all people. Gambling in any form signals that such life is controlled by chance. All you need is a dollar and a dream. We believe this is false advertising at its worst, and we call upon you to reject these messages within our state. There are stronger truths, higher claims and greater loyalties to be lifted up and lived out....It’s the responsibility of government to put in place public policies that do not play to human weakness, but which draw citizens from strength to strength. A lottery is simply inconsistent, incongruent, and discordant with the way of life which we have claimed for North Carolina....But the way of life to which we are called in this state is a proactive, generous and abundantly helpful way of life—like spiritual images of salt, that flavors the whole pot, like leaven that causes the whole loaf to rise, like light that shines in darkness. In our wildest imaginations, I do not believe we can imagine the lottery serving as salt, as leaven, or as light....A few weeks ago, my husband and I drove north toward Memphis and Mississippi. Along the highway were billboards advertising Mississippi Riverboat Casinos....Two of them, particularly, are emblazoned in my consciousness. One, simply: ‘Win it back here.’ The other one: ‘Gambling out of control? Call 1-800-FORHELP.’ Those signs were as large as the invitation to gamble signs. I cannot forget them and the people those signs represent...”

The preceding excerpts were transcribed from an audio recording of a public hearing of the House Committee on Rules, Calendars and Operations held on Oct. 1, 2001 at the N.C. General Assembly, and have been edited for space.

Alyse ElHage is Director of Communications for the North Carolina Family Policy Council.

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