Consumer Issues and Policies: State Lotteries

Content analysis of 37 state lottery reports shows a wide range of formats and themes. The analysis provided consumer questions relevant to an examination of policies directing lotteries.

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Since 1963 37 states and the District of Columbia have enacted lotteries.[3] In addition, multi-state lotteries involve from three to 22 states.[4] U.S. ticket sales exceeded $28.5 billion in 1994 (U.S. Bureau of the Census, 1995, p. 314). States realized ten billion dollars after prizes and operating expenditures. With state's efforts to enhance revenues and provide players "instant fun" and "more instant fun" (Michigan ..., 1996), consumers must understand issues including costs and benefits—to themselves, their families, communities, and states.

From content analysis of 37 annual reports, state policies show differing efficiencies and priorities. State lottery revenues (1995) were 53% for prizes (range 47-69%), 32% for state (range 19-41%), and 14% for administration (range 6-29%). The state where consumer's lottery dollars result in the most prize money is not the state where the consumer/taxpayer sees the greatest benefit. Makela posed questions related to the consumer interest in "The State Lottery: ..." (1995). Self-interest by the education establishment was presented as a likely explanation for its lack of questioning of gambling (Schmidt, 1996). Questions involving consumers' right to information must be explored. Our research suggests these questions for examining states' lottery policies and actions.

1. **What portion of state revenue is from the lottery?** Is it a large enough portion to signal that the state is dependent on these funds? What funding alternatives exist?
2. **What do lottery proceeds fund? education? general fund?** In the last 15 years, states' lottery proceeds have been distributed—56% to education, 23% to general funds, 10% to cities, 9% to senior citizen programs, and the rest to other programs. Do beneficiaries have and show a vested interest in lottery growth? On what bases do programs receive funding—competitive grants? need based? per capita? legislative action? governor's discretion? Do lottery proceeds warrant the lottery infrastructure?
3. **How is the lottery administered?** Is it a state agency? A quasi-independent unit? Who serves on its board? To whom does it report? What are implications for oversight? responsibility to citizenry? contractual solicitation and acceptance?
4. **Is the lottery unit financially independent?** Does its financial report adequately account for income and expenses? Are expenses "low" due to access to resources for which the lottery is not responsible—buildings, communications, printing? What incentives are there to keep costs low?
5. **How/to what extent is the lottery promoted?** (1) to consumers? (2) to retailers? (3) to beneficiaries? and (4) to counter competition for consumers' dollars? Is advertising fair, free from deception?

References

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Endnotes

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3. States without lotteries—AL, AK, AR, HI, MS, OK, NV, NC, ND, SC, TN, UT, WY.
4. They are administered and reported within individual state's lottery.