

Casino Journal
April, 1999
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Lucky Numbers

*The success of state lotteries has more
to do with strategy than fortune.*

Hop on the Internet someday, and visit the home page of any state lottery. Along with the day's lucky numbers, you'll find a collection of bar graphs and pie charts depicting the exact amount of revenue the state receives and the breakdown of each lottery dollar into tangible programs like education, police pensions and road construction.

Flip on the tube in South Carolina, and you might meet "Bubba," a grinning hillbilly sporting a Georgia Bulldog's T-shirt and thanking the folks who've opened their wallets to buy Georgia lottery tickets. The implication of this not-so-subtle campaign is that South Carolina students deserve a cut of the lottery cash currently funding Georgia's HOPE scholarship fund.

What do Bubba and nylottery.org have in common? They prove that state lotteries are a slick, serious and competitive business, with a lot to offer local governments and a lot to teach the private sector.

According to a recent article in the Washington Post, lotteries produced around \$36 billion in sales and \$12 billion in profits during the FY 1997-98, outselling Walt Disney, McDonalds and Microsoft.

And numbers are going to be hot in state politics this year, as several Southern states lunge toward legalization, and a few others plot new paths for their existing games:

South Carolina

Governor-elect Jim Hodges - and his pal "Bubba" - handily defeated incumbent David Beasley on a pro-lottery campaign last year, promising an education program similar to Georgia's HOPE scholarship fund.

In late January, the Senate followed up by voting 37-8 for a lottery referendum in 2000, challenging the state's 104-year ban on lotteries. Curiously, the state already has a burgeoning video poker industry, which could face a vote on increased regulations and fees on the same day.

("Bubba" is playing prominently in the pro-lottery campaign, with good reason. Currently, South Carolinians account for over 5% of total Georgia lottery sales, and the top Georgia lottery retailer is a restaurant near the South Carolina border.)

Alabama

Nose to nose with South Carolina, Alabama is sprinting for a state lottery to match the success of surrounding states and provide new education dollars.

Former lieutenant governor Don Siegelman was elected Governor in November on that vision, promising to institute a state lottery dedicated to college scholarships, a pre-kindergarten program and school computers.

Incumbent Fob James Jr. has long been an opponent of a state lottery on moral grounds - but failed to present any convincing alternative for bankrolling the state's ambitious education plans.

Tennessee

It looks like one of nation's most rigid gambling holdouts is about to fold out. Behind Hawaii and Utah, Tennessee has been most resistant to any forms of gambling, consistently nixing lottery bills for decades.

But with an eye on the recent elections in South Carolina and Alabama, and under pressure from education officials, long-time gambling opponent Governor Don Sundquist is changing his tune on a public gambling referendum.

At the same time, the state's Higher Education Commission has targeted a numbers game as one of the best options for higher education funding.

But Tennessee's constitution expressly prohibits a lottery, and amending that document is an arduous process. Barring a constitutional convention, the measure couldn't actually reach voters before 2002.

Indiana

The lottery isn't anything new to the Hoosier State - in fact, the Indiana game has traveled a rocky road since it launched in 1989.

The first rough spot came when lawmakers started chipping away from designated lottery funds like teacher pensions and firefighter retirement funds, to pay for popular projects like excise tax relief and emergency needs like flood assistance.

Now, one lawmaker has introduced a bill to outlaw the 700 automated lottery vending machines that sit in supermarkets and convenience stores around the state. Sen. Marvin Riegsecker points to a recent survey indicating two of three high school seniors admit playing the lottery.

But the bill would mean an estimated \$11 million in lost revenues, and is expected to choke in the hands of pragmatic lawmakers.

New York

While lottery-vending machines get a rough rap in Indiana, New York's governor wants a drastic deregulation of Quick Draw, the keno-style game opponents like to call "video crack."

A provision of George Pataki's new budget would allow Quick Draw machines to operate 24 hours a day, in around 1,000 additional venues. Pataki hopes his plan would increase revenue from the machines by \$45 million each year.

The measure would also permanently extend the game, which was scheduled to expire March 31 of this year under its authorizing legislation.

Pataki also wants to raise the prize value of instant scratch-off tickets by 10% to boost sales, dropping the percentage allocated to education by 10%.

Florida

A big goof put the nation's big game in the spotlight and cost Florida's lottery secretary her job this year, when Governor Jeb Bush backed away from the interstate Powerball lottery.

Former secretary Marcia Mann had signed up with Powerball a few days after Bush was elected, evidently without consulting state lawmakers.

On Feb. 2 Bush announced Florida wouldn't play ball after all, for fear Powerball spending would compromise the school construction and scholarship programs funded by Florida's existing lottery.

Florida would have been the first big lottery state to join. The other states with large lotteries - NY, California, Texas and Pennsylvania – have declined for the same reasons.

Nebraska

Nebraska is facing a common dilemma for states awash in lottery dollars, yet strapped for cash for projects that fall outside of designated expenditures.

One lawmaker recently proposed diverting 30 percent of state lottery proceeds for repairs on state-owned buildings. This would mean drastic cuts to the state's education and environmental trust funds.

While construction projects are at least a common and visible use of lottery proceeds, former governor Ben Nelson says the state should stick with the revenue allocation plan approved by voters in 1992.

So, what does the success of state lotteries mean to private gambling campaigns and companies?

First, there's the friend-or-foe dilemma: should casinos regard lotteries as competitors, or gateways to gaming expansion?

Empirically, states with existing lotteries are far more receptive to additional forms of gambling. Seldom will an electorate approve video poker before they accept scratch-off lotto tickets.

But beyond that, the private sector could learn a lesson or two from lottery promoters. There is a reason why lotteries - no less regressive, no less addictive, and no less invasive than casinos or video poker - are more palatable to the public.

Any good gambling legislation should allocate revenue to popular and visible programs like education and infrastructure, instead of melting into slush funds or bankrolling lawmakers' pet projects.

And no good deed should go unnoticed: an ongoing public awareness campaign is critical. Too often, private ventures forget to keep their communities informed after campaigns are won and licenses are granted.

If you need evidence, log back onto the Web or pick up a phone book, and try to find out exactly how your casino tax revenues are spent.

The bottom line? If Bubba can secure a gaming campaign, so can anyone.

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