

# Mississippi House Lottery Study Working Group



**A STUDY OF THE ADVANTAGES AND  
DISADVANTAGES OF ESTABLISHING A  
LOTTERY IN MISSISSIPPI**

**THE INTENT OF THE GROUP IS NOT TO  
MAKE A RECOMMENDATION, BUT TO  
FIND THE FACTS**

*Working Group Members*

# Working Group Members



**Richard Bennett**

Mississippi House of Representatives, District 120 (Long Beach), House Gaming Chairman

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Vicksburg Mayor

**James Barber**

PEER Director

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Special Assistant to the Attorney General and Counsel to the Mississippi Gaming Commission

# Four Areas of Study

A decorative graphic consisting of a circle with a double-line border, positioned centrally below the title and above a horizontal dashed line.

- Background Issues
- Operational Issues
- Social Issues
- Economic Issues

# Background Issues: Questions we are considering

- Compile a profile of the 44 states with lotteries and the type of games offered.
- What are the advantages and disadvantages of becoming a member of the Multi-State Lottery Association? (33 of the 44 states with lotteries are members)
- Advantages/Disadvantages of requiring the names of members to be made public?
- What is the transition process and timeline for implementing a lottery?
- Why do we need a lottery in Mississippi?
- How will it improve Mississippi?
- We want to visit Arkansas and Louisiana to discover the disadvantages and advantages.

Today's Topic

5-25-17



# **LOTTERY 101**

**DAVID PRAY, PEER PRINCIPAL  
ANALYST**

# Lottery: Historical Overview



- Merchants began the first real lottery in Italy during the Middle Ages
- Italians brought lotteries to France in 1533
- Queen Elizabeth of England chartered the first government lottery in 1566
- English brought lotteries to America in the form of an authorized drawing to support the Jamestown settlement in 1612

# Lottery: Historical Overview



- Colonial colonies authorized lotteries as a means of financing public projects
- Lotteries were drawings with a fixed prize distribution
- Lotteries were popular due to the absence of other sources of public financing, such as taxes or public debt

# Lottery: Historical Overview



- Lotteries retained their popularity into the nineteenth century
- Objective continued to be the funding of public projects—e.g., roads, canals, and schools
- Opposition to lotteries grew because of the belief that they were morally corrupt, operated dishonestly, and created social problems
- States and the federal government outlawed lotteries by the end of the nineteenth century

# Lottery: Historical Overview



- Louisiana Lottery Company began in 1868 and operated from a monopoly position with a high profit margin
- Key to its success was national marketing with 90% of its revenue coming from out-of-state
- Despite states prohibiting lotteries, the Louisiana lottery, the only legal lottery in the country, relied extensively on business by mail

# Lottery: Historical Overview



- 1890—Congress prohibited the sale of lottery tickets by mail
- 1895—Congress prohibited all lottery activity by interstate commerce
- Federal legislation effectively ended the Louisiana lottery
- By 1894, no state permitted lotteries and 35 states had explicit constitutional prohibitions to lotteries

# Lottery: Historical Overview



- 1894 to 1964, no legal, government-sponsored lotteries operated in the US
- Depression-era spawned flurry of lottery proposals among the states
- Proposals would have directed lottery proceeds to unemployment relief, hospitals or other charitable causes
- 1953—Legislation introduced in Congress to establish a national lottery, which failed

# Lottery: Historical Overview



- Despite religious and social opposition, public acceptance of lotteries grew during the early- to mid-1900s
- Congress eventually enacted legislation that paved the way for state-run lotteries
- New Hampshire established the first state lottery in 1964

# Establishment Dates of State Lotteries

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- 1960s: New Hampshire, New York
- 1970s: Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Michigan, New Jersey, Ohio, Pennsylvania, Rhode Island, and Vermont

# Establishment Dates of State Lotteries



- 1980s: Arizona, California, Colorado, Florida, Idaho, Indiana, Iowa, Kansas, Kentucky, Minnesota, Missouri, Montana, Oregon, South Dakota, Virginia, Washington, West Virginia, and Wisconsin

# Establishment Dates of State Lotteries



- 1990s: Georgia, Louisiana, Nebraska, New Mexico, and Texas
- 2000s: Arkansas, North Carolina, North Dakota, Oklahoma, South Carolina, Tennessee, and Wyoming

# Mississippi Overview



- Mississippi Constitution of 1890 (Article 4, Section 98) barred lotteries
- “No lottery shall ever be allowed, or be advertised by newspapers, or other, or its tickets be sold in this state...”
- Voters repealed the section on November 3, 1992

# Mississippi Overview



- Although Section 98 was repealed, lotteries in Mississippi are still illegal
- Section 97-33-31: *“If any person, in order to raise money for himself or another, or for any purpose whatever, shall publicly or privately put up a lottery to be drawn or adventured for, he shall, on conviction, be imprisoned in the penitentiary not exceeding five years.”*

# Mississippi Overview



- Lack of a statutory definition of a lottery resulted in state courts relying on common law definitions of a lottery
- Mississippi Supreme Court held that bingo was not a lottery and that the term “lottery” is not synonymous with gambling

# Mississippi Overview



- Legislature defined “lottery” in the Gaming Control Act (Section 75-76-3 [6])
  - Player agrees to pay something of value for chances
  - Winning chance determined by a drawing
  - Holder of winning chance receives a prize
  - Player must not be required to be in a specific geographic location to win

# National Overview



- To date, 44 states have established a state-run lottery
- Exceptions—Alabama, Alaska, Hawaii, Mississippi, Nevada, and Utah

# National Overview



- Governance/Administrative Structure
  - Stand-Alone Agency (14 states)
  - Part of an Existing State Agency (13 states)
  - Independent Commission (10 states)
  - Quasi-Public Corporation (7 states)

# National Overview



- Types of Games Typically Offered
  - Instants (scratch-off and pull tabs)
  - Daily numbers
  - Lotto (Powerball, Mega Millions, Hot Lotto)
  - Monitor (Daily Keno, Keno)

# National Overview



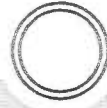
- Point of Sale
  - Approximately 207,000 locations in US (Usually conventional retail outlets)
  - Retailers paid a commission on ticket sales, usually ranging from 5% to 8%
  - Retailers may be paid a bonus if they sell winning tickets or exceed sales goals

# National Overview



- Gallup Survey (2016)
  - 40% of respondents who said they bought a state lottery ticket in the last 12 months earned \$36,000 or less annually
  - 53% of respondents who said they bought a state lottery ticket in the last 12 months earned \$90,000 or more annually

# National Overview



- Gallup Survey (2016)
  - Despite the growth of state-run lotteries, participation in lotteries has declined from 57% of Americans who purchase lottery tickets to 50% who purchase tickets

# National Overview



- FY 2016 Sales Proceeds = \$80.5 Billion
  - Instants, \$45.4 Billion
  - Daily numbers, \$10.2 Billion
  - Lotto, \$13.2 Billion
  - Monitor, \$4.4 Billion
  - All other, \$7.3 Billion

# National Overview



- FY 2016 Range of Total Sales Proceeds
  - New York, \$9.7 Billion (highest)
  - Wyoming, \$33.4 Million (lowest; newest lottery state)

# National Overview



- FY 2016 Range of Net Sales Proceeds (after prizes and expenses)
  - New York, \$3.3 Billion (highest)
  - Wyoming, \$2.0 Million (lowest)

# National Overview



- FY 2016 Contiguous States' Range of Total Sales Proceeds
  - Arkansas, \$455.6 Million
  - Louisiana, \$507.0 Million
  - Tennessee, \$1.6 Billion

# National Overview

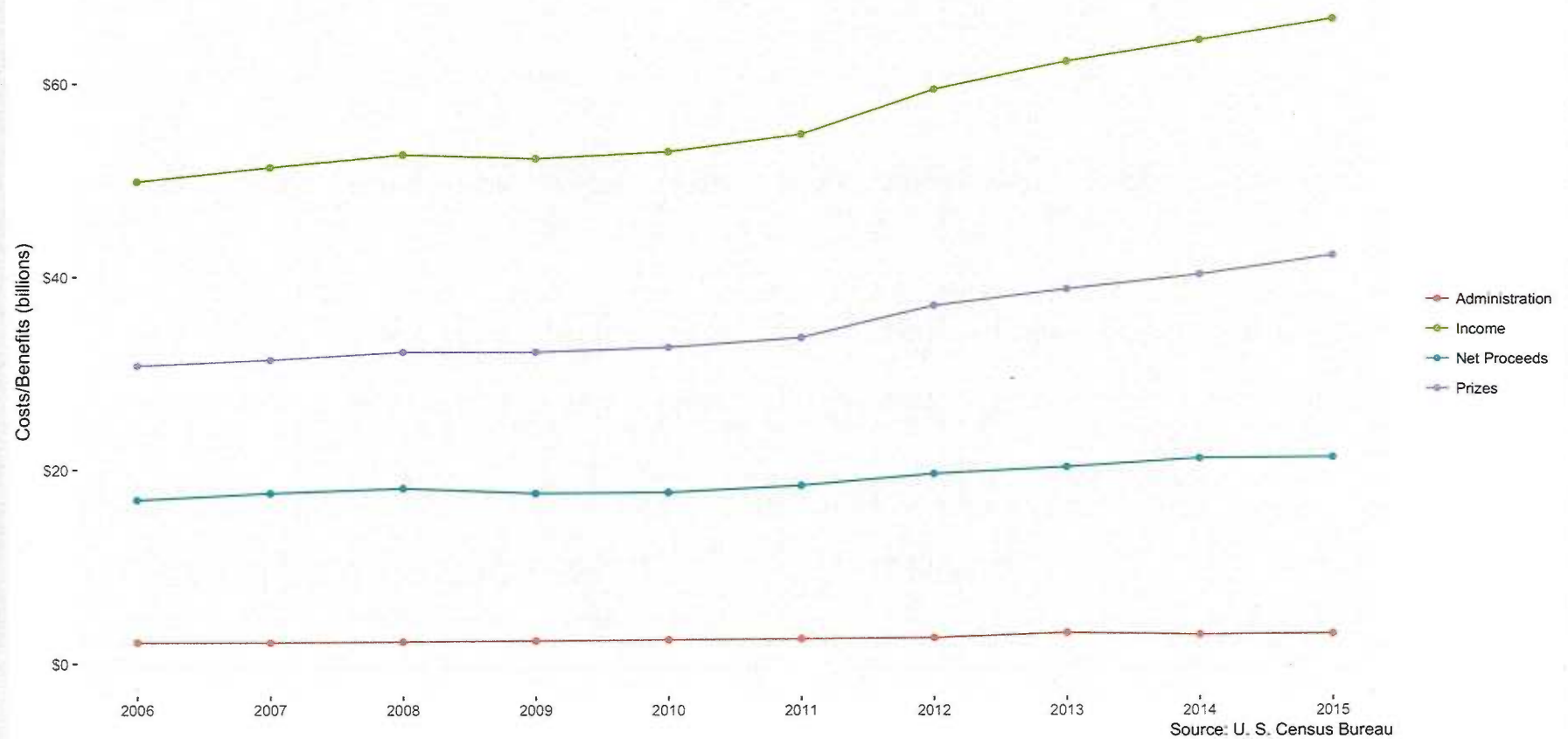


- FY 2016 Contiguous States' Range of Net Sales Proceeds (after prizes and expenses)
  - Arkansas, \$85.2 Million
  - Louisiana, \$177.9 Million
  - Tennessee, \$394.0 Million

# National Overview



United States: Lottery Costs and Benefits, FY 2006 - FY 2015




# National Overview



- Designated Purposes for Net Proceeds
  - Education-related programs only (17 states)
  - Transfer to General Fund (5 states)
  - Transfer to General Fund and select state programs (9 states)
  - Various local or state level purposes (13 states)

# What's Next for the Working Group?



After assessing the lottery landscape, this group will work to obtain information from a select number of states to begin a deep dive into understanding how they operate their lotteries.

- Gather research on economic benefits
- Compile data on the social impacts of a lottery
- Observe the behavioral impacts of a lottery in other states

# Second meeting: Operational Issues



- WILL MS JOIN W/ NAT'L LOTTERIES LIKE POWERBALL AND MEGAMILLIONS AND SMALLER MULTI-STATE LOTTERIES?
- WILL MS OFFER STATE-RUN GAMES EXCLUSIVE TO MS?
- WILL ADMIN/OPERATION BE BY STATE AGENCY OR CONTRACTED OUT TO A LOTTERY ADMINISTRATION?
- FOR STATES WITH AN IN-STATE LOTTERY PROGRAM, WHAT TYPES OF SECURITY/ACCOUNTABILITY CONTROLS ARE IN PLACE?

# Third Meeting: Social Issues



- WHAT ARE THE DEMOGRAPHICS OF PEOPLE WHO PLAY THE LOTTERY?
- DO PARTICULAR SOCIAL-ECONOMIC PORTIONS OF THE POPULATION REPRESENT A DISPROPORTIONATE SEGMENT OF LOTTERY PLAYERS?
- WHAT ARE THE SOCIAL COSTS TO THE STATE ASSOCIATED WITH LOTTERIES?

# Fourth Meeting: Economic Issues



- IS THIS SOUND ECONOMIC AND FINANCIAL POLICY?
- ARE THERE ECONOMIC IMPACT STUDIES CONDUCTED IN LOTTERY STATES, SPECIFICALLY THOSE STATES THAT HAVE RECENTLY BEGUN A LOTTERY OPERATION?
- HOW MUCH MONEY, IF ANY, DO WE LOSE TO OTHER STATES THAT HAVE THE LOTTERY?
- WHAT IS THE ANTICIPATED STATE REVENUE FROM A LOTTERY?
- HOW WOULD THE STATE'S PROCEEDS FROM A LOTTERY BE DIRECTED? CONSIDER OTHER LOTTERY STATE'S METHODS, DEDICATING FOR SPECIFIC PURPOSES, GOING STRAIGHT TO GENERAL FUND.

# Fourth Meeting: Economic Issues Continued



- WOULD OUT-OF-STATE INDIVIDUALS PURCHASE LOTTERY TICKETS?
- WHAT IF ALABAMA GETS A LOTTERY, TOO?
- WOULD OUT-OF-STATE INDIVIDUALS AT CASINOS PURCHASE LOTTERY TICKETS?
- HOW MUCH WILL WE LOSE IN SALES TAX ON MONEY THAT IS SPENT ON A LOTTERY VERSUS PURCHASING GOODS AND SERVICES?

# Questions?

