



Assessment of Lottery and Gaming Programs Across the United States

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Introduction

The Office of the President Pro Tempore (Pro Temp) of the Alabama State Senate asked the Institute for Accountability and Government Efficiency (IAGE) at Auburn Montgomery to research lottery and gaming programs in other states. Specifically, the Pro Temp asked IAGE to:

1. Prepare lists of states with and without lotteries
2. Develop profiles of the lotteries in Alabama's border states and the U.S., including the:
 - a. Revenue generated by the lotteries;
 - b. The allocation of revenue generated by the lotteries among prizes, administrative costs, and proceeds available to the states;
 - c. The types of games each state's lottery allows; and
 - d. The programs funded from each state's share of lottery revenue.
3. List the reasons states without lotteries do not offer them;
4. Profile states that have entered into gaming compacts with Indian tribes;
5. Research and summarize the literature on monetary issues related to lotteries; and
6. Draft a summary of the implications for Alabama if the State were to consider sponsoring a lottery and/or Class III casino gaming.

The IAGE staff reviewed available data, information, and research on lotteries and gaming in the United States and Alabama's bordering states and offers the following findings.

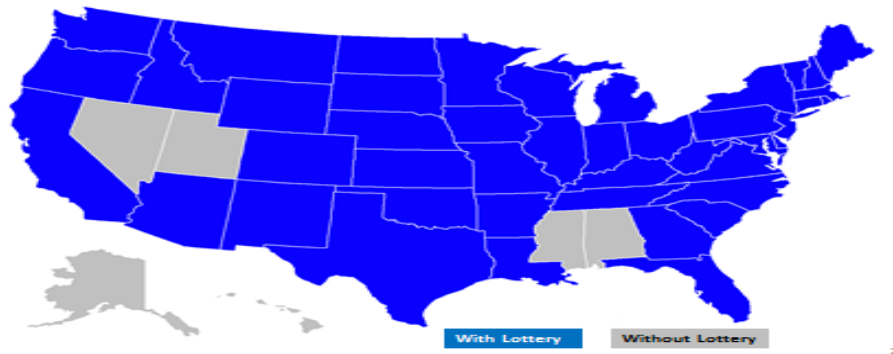
Lotteries

States with Lotteries

All but six (6) states (Alabama, Alaska, Hawaii, Mississippi, Nevada, and Utah) sponsor lotteries (Figure 1).

Figure 1

**States with and without Lotteries
2013**

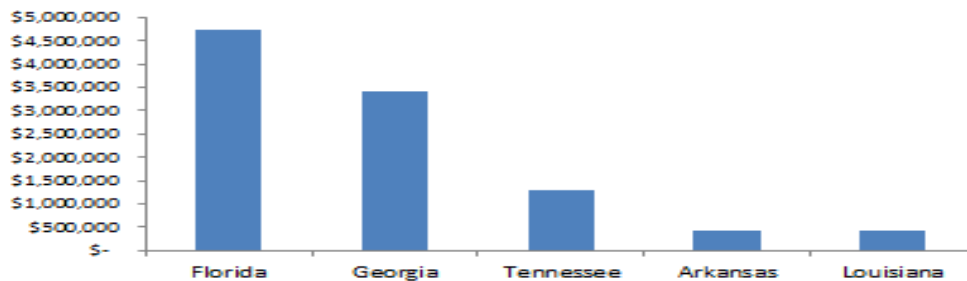


Lotteries in Alabama’s Bordering States

Except for Mississippi, all of Alabama’s bordering states sponsor lotteries. In 2013, bordering state lotteries generated from \$423 million (Louisiana) to \$4.8 billion (Florida) in revenue (Figure 2).

Figure 2

**Total Lottery Revenue—Border States
2013
(\$1000s)¹**

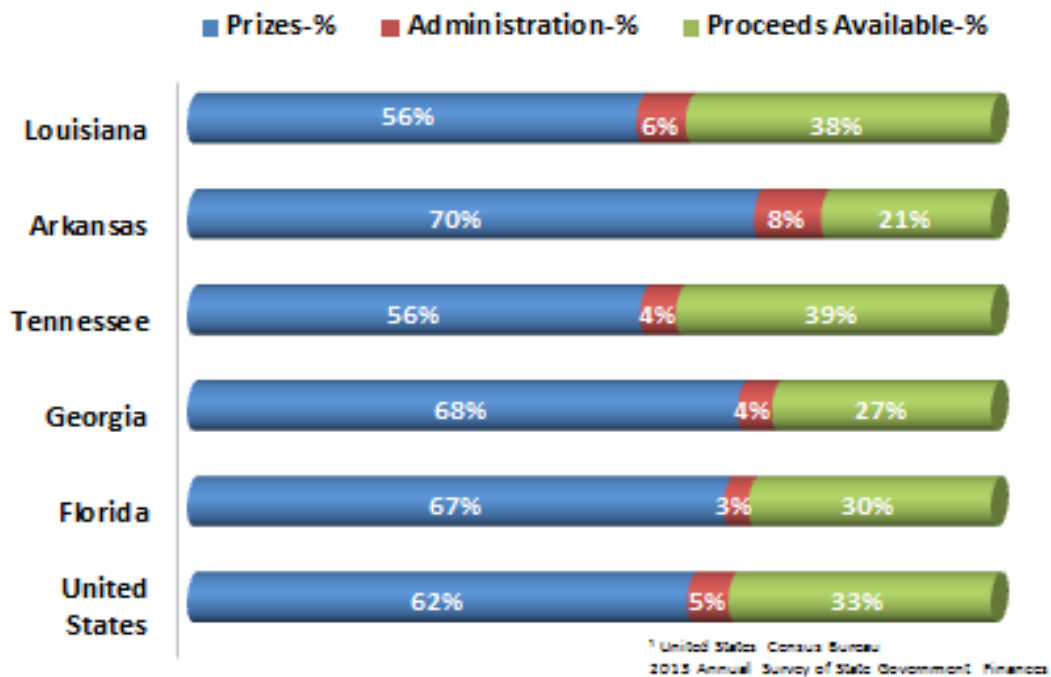


¹ United States Census Bureau
2013 Annual Survey of State Government Finances

Of the revenue generated from bordering states' lotteries in 2013, between 21% (Arkansas) and 39% (Tennessee) of the proceeds were available to fund programs in the states. For the United States, as a whole, 33% of lottery revenue was available for state-level programs. The following chart summarizes the allocation of lottery revenues to prizes, administrative costs, and proceeds available to the states for bordering states and the United States in 2013 (Figure 3).

Figure 3

**Lotteries in Alabama's Border States and the United States-2013
Prizes, Administration, and Proceeds Available—2013
(%)¹**



Arkansas

The following table summarizes the allocation of Arkansas' lottery revenue, the State's programs funded by the lottery, and the percentage of lottery revenue attributable to each of the lottery's ten (10) games in 2014 (Table 1).¹

Table 1

	Lottery Proceeds (\$ millions)	% of Lottery Revenue
Prizes	\$ 275	67%
Administrative Costs	54	13%
State Program Funding	82	20%
Total	\$ 411	
Programs Funded (\$ millions)	Education Trust Fund—\$81.7	
	Arkansas Department of Human Services—\$.2	
Games	Instant--scratch-off	78%
	Powerball	9%
	Mega Millions	5%
	Fast Plan	2%
	Natural State Jackpot	2%
	Cash 3	2%
	Cash 4	1%
	Decades of Dollars	1%
	Arkansas Million Dollar Raffle	0%
	Arkansas 50/50	0%

¹ Arkansas Lottery Commission *Annual Report-2014*

Florida

The following table summarizes the allocation of Florida’s lottery revenue, the State’s programs funded by the lottery, and the percentage of lottery revenue attributable to each of the lottery’s ten (10) games in 2014 (Table 2).¹

Table 2

	Lottery Proceeds (\$ millions)		% of Lottery Revenue
Prizes	\$	3,431	64%
Administrative Costs	\$	450	8%
State Program Funding	\$	1,500	28%
	Total	\$ 5,381	100%
Programs Funded (\$ millions)	Education Enhancement Trust Fund		
		\$1,495	
Games	Instant Games (Scratch-off)		64%
	Powerball		9%
	Lotto		7%
	Cash 3		6%
	Fantasy 5		5%
	Play 4		5%
	Mega Millions with Mega-plier		3%
	Mega Money		1%

¹ Florida Lottery Audited Financial Statement, FY 2014

Georgia

The following table summarizes the allocation of Georgia’s lottery revenue, the State’s programs funded by the lottery, and the percentage of lottery revenue attributable to each of the lottery’s ten (10) games in 2014 (Table 3).¹

Table 3

	Lottery Proceeds (\$ millions)	% of Lottery Revenue
Prizes	\$2,332	64%
Administrative Costs	381	8%
State Program Funding	927	28%
Total	\$3,640	100%
Lottery for Education Account—\$928		
Programs Funded (\$ millions)	<ul style="list-style-type: none"> • Tuition grants, scholarships or loans to undergraduate college students and teachers who seek advanced degrees in critical areas of need; 	
	<ul style="list-style-type: none"> • Voluntary Pre-Kindergarten programs; 	
	<ul style="list-style-type: none"> • Technology grants to train teachers in the use and application of advanced technology; and 	
	<ul style="list-style-type: none"> • Capital outlay projects for educational facilities 	
Games	Instant Games (Scratch-off)	60%
	Power Ball with Power Play	13%
	Lotto	7%
	Cash 3	6%
	Fantasy 5	6%
	Play 4	5%
	Mega Money	2%
	Others	1%

¹ Georgia Lottery Audited Financial Statement, FY 2014

Louisiana

The following table summarizes the allocation of Louisiana’s lottery revenue, the State’s programs funded by the lottery, and the percentage of lottery revenue attributable to each of the lottery’s ten (10) games in 2014 (Table 4).¹

Table 4

	Lottery Proceeds (\$ millions)	% of Lottery Revenue
Prizes	\$236	53%
Administrative Costs	51	11%
State Program Funding	160	36%
Total	\$447	100%
Programs Funded (\$ millions)	Lottery for Education Account	
	\$160	
Games	Instant Games (Scratch-off)	36%
	Power Ball	29%
	Pick 3	11%
	Pick 4	7%
	Mega Millions	6%
	Lotto	6%
	Easy 5	2%
	Others	3%

¹ Louisiana Lottery Audited Financial Statement, FY 2014

Tennessee

The following table summarizes the allocation of Tennessee’s lottery revenue, the State’s programs funded by the lottery, and the percentage of lottery revenue attributable to each of the lottery’s ten (10) games in 2014 (Table 5).¹

Table 5

	Lottery Proceeds (\$ millions)	% of Lottery Revenue
Prizes	\$794	62%
Administrative Costs	\$146	11%
State Program Funding	\$340	27%
Total	\$1,280	100%
	Lottery for Education Account	
	\$321.5	
Programs Funded (\$ millions)	After Schools Program Account	
	\$16.1	
Games	Instant Games (Scratch-off)	80%
	Power Ball	10%
	Cash 3	4%
	Cash 4	2%
	Mega Millions	2%
	Tennessee Cash	2%
	Hot Lotto	<1%

¹ Tennessee Lottery Audited Financial Statement, FY 2014

States without Lotteries

Six (6) states, including Alabama, do not sponsor lotteries. The following table lists the states and the reasons each has chosen not to sponsor a lottery program (Table 6).¹

Table 6

State	Reason
Alabama	<ul style="list-style-type: none">• Religious objections
Alaska	<ul style="list-style-type: none">• No competition from neighboring states• Remoteness of most of the population
Hawaii	<ul style="list-style-type: none">• Satisfied with revenue from tourism• No competition from neighboring states
Mississippi	<ul style="list-style-type: none">• Religious objections• Competition with casinos
Nevada	<ul style="list-style-type: none">• Competition with casinos
Utah	<ul style="list-style-type: none">• Religious objections

Gaming Compacts with Indian Tribes

A number of states have gaming compacts with Indian Tribes. A survey sponsored by the National Council of State Legislatures (NCSL) in 2007, which was updated in 2009, was somewhat successful in securing information about the prevalence of compacts and their financial impact in most of the states that have them. States that do not offer tribes an “exclusive” gaming franchise receive payments from the tribes intended to cover the states’ costs of regulating gaming at tribal casinos. States that offer tribes “exclusive” franchises receive payments to cover the cost of regulation plus a percentage of tribal casino revenue. The following table summarizes the findings from the NCSL’s 2009 survey (Table 7).²

¹ ["Seven states that don't have lotteries"](#). CNN Money. December 17, 2013.

² Tribal Gaming in the States (based on surveys conducted by the National Conference of State Legislatures in cooperation with the Wisconsin Legislative Fiscal Bureau; text by Art Zimmerman, Wisconsin LFB, January 2007; updated in 2009 with notes by Judy Zelio, NCSL)-data exclude some states from whom NCSL could not secure information

Table 7

States with and without Gaming Compacts				
State	Number of Tribes	Number of Casinos	Payments for Regulation (\$millions)	Additional Payments (\$millions)
With Exclusive Compacts				
Connecticut	1	2	\$10.0	\$454.0
California	66	58	\$19.6	\$297.8
Wisconsin	11	18	\$0.4	\$112.3
Arizona	21	23	\$8.0	\$74.4
New Mexico	13	18	\$1.3	\$56.7
Michigan	11	17	\$0.4	Unknown
New York	3	4	\$10.0	Unknown
Without Exclusive Compacts				
Colorado	2	2	\$0.0	\$0.0
Florida	1	7	Unknown	Unknown
Idaho	4	6	\$0.0	\$0.0
Iowa	3	3	Actual Costs	\$0.0
Kansas	4	4	\$1.7	\$0.0
Louisiana	3	3	\$1.5	\$0.0
Minnesota	11	17	\$0.2	\$0.0
Mississippi	1	2	\$0.0	\$0.0
Montana	5	5	\$0.0	\$0.0
North Carolina	1	1	\$0.0	\$0.0
North Dakota	5	5	\$0.0	\$0.0
Oklahoma	15	80	\$0.0	\$0.0
Oregon	9	9	\$1.8	\$0.0
South Dakota	8	9	\$0.0	\$0.00
Washington	27	25	\$3.3	\$0.0

Economic Assessment for Alabama

Potential Revenue from State-Run Lottery

Potential annual revenue from a state-run lottery system in Alabama was estimated to be **\$331,667,963**. This was estimated based on per capita lottery revenues in 43 states with state-run lottery systems and Alabama population.^{1, 2} The average (weighted) annual per capita lottery revenue in these 43 states was \$69.11.

Potential Revenue from Casinos

Potential gaming revenue generation in casinos was estimated based on gaming revenue per table and per slot machine in 11 states (Mississippi, New Jersey, Nevada, Illinois, Indiana, Iowa, Kansas, Ohio, Colorado, Missouri, and Pennsylvania) and the expected number of tables and slot machines in Alabama casinos.³ The average (weighted) annual casino gaming revenue among these states was \$57,764 per slot machine and \$564,985 per gaming table (based on the most recent available data). The gaming revenue and tax revenue estimates for Alabama are presented in Table 8.

Table 8. Potential annual revenue from casinos in Alabama

Casino	# Slots	# Tables	Gaming Revenue	Tax revenue @13%	Tax revenue @15%
Birmingham	3,000	80	\$218,491,588	\$28,403,906	\$32,773,738
Greenetrack	700	20	\$51,734,684	\$6,725,509	\$7,760,203
Victoryland	1,750	35	\$120,861,937	\$15,712,052	\$18,129,291
Mobile	1,500	26	\$101,336,007	\$13,173,681	\$15,200,401
Total	6,950	161	\$492,424,216	\$64,015,148	\$73,863,632

¹ 2013 Annual Survey of State Government Finances, United States Census Bureau.

² 2009-2013 American Community Survey 5-Year Estimates, United States Census Bureau.

³ State of Alabama Gaming Market Assessment and Impact Study, Global Market Advisors, LLC (2015).

Potential Economic Impact of Casinos

An economic analysis was conducted to identify the potential impacts of four casinos on Alabama economy. This analysis was performed using a methodology that combines the classic economic theory of input-output analysis with region-specific data to provide highly accurate and adaptable economic impact models. Input-output analysis is a means of examining relationships within an economy, both between businesses and between businesses and final consumers. It captures all monetary market transactions for consumption in a given time period. The estimated economic impacts are presented in Table 9. It serves, however, to first review the different economic impact measures and effects.

Impact Measures

Employment: Employment is the annual average of monthly jobs in an organization (this is the same definition nationally used by the Bureau of Labor Statistics and the Bureau of Economic Analysis). Thus, 1 job lasting 12 months = 2 jobs lasting 6 months each = 3 jobs lasting 4 months each. A job can be either full-time or part-time.

Labor income: Labor income includes employee wages and benefits.

Output: Output is the value of production. For manufacturers this is sales plus/minus change in inventory. For service sectors, output is equal to sales. For retail and wholesale trade, output is equal to gross margin and not gross sales.

Impact Effects

Direct effect: Direct effect is a single (or series of) production change(s) or expenditure(s) made by producers/consumers as a result of an activity or policy. Direct impact is, thus, the result of activities within a company itself.

Indirect effect: Indirect effect is the impact of local businesses/industries buying goods and services from other businesses/industries. For example, an Alabama casino may purchase cleaning supplies from another business in the state. The suppliers of cleaning products receive this income and then spend some of that income in Alabama, leading to further rounds of income and expenditures by other businesses and individuals.

Induced effect: Induced effect is the impact of additional household expenditures resulting from the direct and indirect impact. This is the impact of household expenditures from wages and salaries directly or indirectly supported by an organization. For example, employees of a casino may spend part of their salaries on new cars, which would lead auto dealer employees to spend part of their salaries on groceries, and so on.

Table 9. Annual economic impact of four casinos in Alabama

Annual Economic Impact of Casino Gaming			
	Employment	Labor Income	Output
Direct Effect	10,549	\$189,991,991	\$492,424,216
Indirect Effect	1,188	\$57,847,296	\$152,261,049
Induced Effect	1,656	\$64,408,581	\$189,925,051
Total Effect	13,393	\$312,247,868	\$834,610,316

Annual Tax Impact of Casino Gaming			
	Indirect Business Tax	Households Tax	Total Tax
	\$33,924,299	\$6,967,645	\$40,891,944

Annual Economic Impact of Casino Hotel Lodging			
	Employment	Labor Income	Output
Direct Effect	141	\$2,987,455	\$12,328,171
Indirect Effect	37	\$1,595,702	\$4,498,842
Induced Effect	31	\$1,191,356	\$3,513,119
Total Effect	208	\$5,774,513	\$20,340,133

Annual Tax Impact of Casino Hotel Lodging			
	Indirect Business Tax	Households Tax	Total Tax
	\$1,168,673	\$128,947	\$1,297,620

Notes:

1. The numbers given in this table represent the estimated total economic impact of the four casinos in 2016 dollars, based on their expected annual sales revenues (presented in the previous section). The economic impact of hotel lodging was estimated based on average annual hotel revenues in the United States.¹
2. Indirect business tax includes, if applicable, sales taxes, property taxes, special assessment taxes, documentary and stamp taxes, motor vehicle and business license fees, rents, royalties, and fines.
3. Household tax includes, if applicable, personal income taxes, property taxes, fishing/hunting taxes, motor vehicle license fees, and other fees and fines.

¹ 2014 Lodging Industry Profile, American Hotel & Lodging Association.