

## Lottery: Harming Alabama's Most Vulnerable

Gambling proponents contend that people spend only their disposable, “entertainment” funds on gambling. Playing the lottery is thus made to appear as a “voluntary tax” that makes money for the state while you are doing it.<sup>1</sup> In reality, those hardest hit by lottery losses are those who can least afford it: the poor, minorities, underage gamblers and senior citizens.

**The poor.** People from all income levels gamble, yet the poor are most adversely affected because it is harder for them to afford a loss. Unfortunately, low-income households spend a larger percentage of their income on lotteries than those with more wealth, “possibly because they see few role models of financial success achieved through conventional means” according to John Welte, a senior research scientist at the Research Institute on Addictions in Buffalo, New York. Welte notes, “Gambling may be viewed as one of the few opportunities for financial advancement, and perhaps provides the lure as a means for easily gaining money.”<sup>2</sup>

There is ample evidence the poor play the lottery more than other segments of the population:

A landmark study on lottery play conducted by researchers at Duke University in 1999 found that households with annual incomes below \$25,000 spent almost \$600 per year on lottery tickets, while those from households earning more than \$100,000 spent only \$289.<sup>3</sup>

Between 1994 and 2013, residents in the ten poorest counties in Georgia spent an average of \$351 per person on lottery tickets, compared to \$196 per person in the state's ten wealthiest counties. Not only do the poor in Georgia spend more on lottery tickets, they receive less educational aid from lottery funds than their wealthier

### ISSUE SNAPSHOT

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African Americans are more likely to lose a higher proportion of their incomes purchasing lottery tickets than whites, and are twice as likely as whites to be problem gamblers or gambling addicts.

Between 1975 and 1998, the number of elderly Americans involved in gambling increased from 35% to 80%

neighbors. Since 1994, students in the ten wealthiest counties received an average of 41 cents back per dollar in some form of education benefit for every dollar spent on the lottery in their counties. By comparison, the poorest counties received only 26 cents.<sup>4</sup>

The difference between rich and poor counties is particularly stark regarding the receipt of HOPE Scholarship funds: poor counties averaged 11 cents back per dollar for college scholarships, while wealthier counties averaged 25 cents. In Oconee County, the sixth wealthiest county in Georgia, its students received a staggering 57 cents back in scholarship funds for every dollar spent on lottery tickets. On the other hand, the residents of Clay County, the poorest county in Georgia, spent an average of \$710 per person, only to receive four cents back per dollar in HOPE scholarships.<sup>5</sup>

A similar analysis in North Carolina in 2014 found that, while lottery ticket sales averaged \$238 per person in the state, the ten counties with the highest per-capita sales

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averaged \$475 per person, with four counties reporting sales of more than \$500 per resident. The poverty rates in these same high-sales counties averaged 42% higher than the rest of the state.<sup>6</sup>

In South Carolina, households earning less than \$40,000 comprise 28% of the state's population but make up 54% of frequent lottery players.<sup>7</sup>

In New York, a 2008 analysis of Census-based community data found that, as median household income increases, lottery ticket sales as a percentage of total household income drops sharply, from 4% of income in households earning \$20,000 per year to less than 0.5% in households earning more than \$90,000 per year.<sup>8</sup>

**Minorities.** Like the poor, minorities tend to play the lottery in disproportionately large amounts. A 2012 survey of almost 5,000 Americans published in the *Journal of Gambling Studies* found that African Americans and Native Americans were more likely to play the lottery (20.6 days per year and 25 days per year, respectively) than whites (14.1 days), Hispanics (14.4 days) or Asians (8.1 days).<sup>9</sup> Research at the state level supports these findings:

In South Carolina, a 2009 survey conducted for the state lottery found that African Americans comprise 20% of the state's adult population but account for 38% of frequent players. Of the daily games such as Pick 3 and Pick 4, more than 50% of players were African American.<sup>10</sup>

In Georgia, African Americans constitute 31% of the state's population, yet make up 44% of the population in the ten counties with the highest per-capita lottery ticket sales between 1994 and 2013. These same counties received only 13 cents back per dollar for total education benefits and only seven cents back per dollar for HOPE scholarships.<sup>11</sup> Earlier research for the state's Department of Human Resources found that 48% of all problem or pathological gamblers in Georgia are non-white.<sup>12</sup>

African Americans are also more likely to lose a higher proportion of their incomes purchasing lottery tickets than whites, according to research published in 2009 by sociologists Brandon Lang and Megumi Omori at Bloomsburg University of Pennsylvania.<sup>13</sup> According to

research by Charles Clotfelter and his associates at Duke University, African Americans spent \$998 per-person on lottery tickets in 1999, compared to \$210 for whites.<sup>14</sup> Similar results were found in a 2005 survey in Texas, where African Americans spent an average of \$684 a year on the lottery, compared to about \$250 for whites.<sup>15</sup>

Not only do African Americans spend more money on the lottery than whites, they are also more likely to be victimized by gambling addiction. According to a 2010 report in *The American Journal on Addictions*, African-American adults are twice as likely as whites to be problem gamblers or gambling addicts.<sup>16</sup>

**Underage gamblers.** Ironically, some of the biggest losers in states with lotteries are not old enough to legally gamble. It is estimated that two-thirds of adolescents have gambled at least once in their lives,<sup>17</sup> with the lottery being the most popular gambling activity.<sup>18</sup>

So many teenagers are gambling that many become addicted to it. A landmark study published in the *American Academy of Pediatrics* notes that five percent of teenagers are already addicted to gambling, and another 10% are at risk of becoming problem gamblers.<sup>19</sup> As many as 90% of the nation's problem gamblers started gambling when they were adolescents, according to Dr. Michael Gordon, an Atlanta addictionologist who specializes in treating pathological gamblers.<sup>20</sup>

According to research conducted at McGill University in Montreal, the average pathological gambler starts serious gambling at the age of 10.<sup>21</sup> Much of this gambling is with parents and grandparents, so most children with gambling problems do not appear to feel the need to hide their gambling from their families.<sup>22</sup> Of even greater concern is the finding that the time between the beginning of gambling and becoming a problem or pathological gambler is significantly decreasing: that is, it is taking less time for underage gamblers to become gambling addicts.<sup>23</sup>

**The elderly.** According to the National Council on Problem Gambling, senior citizens are one of the fastest growing groups of gamblers. Between 1975 and 1998,

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the number of elderly Americans involved in gambling increased by 45 percentage points, from 35% to 80%.<sup>24</sup>

As the number of senior citizens who gamble increased, so has the prevalence of those who have developed gambling problems. At least one of every ten senior citizens is at risk of financial problems because of gambling, according to a 2005 study released by the University of Pennsylvania.<sup>25</sup> What makes this problem particularly troubling is that many seniors are on fixed incomes, making it very difficult to repay these losses without having a job.<sup>26</sup>

## Policy Recommendation

There is no truth to the idea that lotteries are a “victimless vice” that only exists to entertain its players while benefiting noble causes such as education. The experiences of other states show that lotteries attract and entrap disproportionate numbers of the poor, minorities, underage gamblers, and the elderly. Because Alabama is a poorer state with an above-average percentage of minorities, legalizing a lottery would jeopardize large subpopulations of the state with the possibility of devastating economic and social consequences. It makes no economic sense for Alabama or any other state to legalize and promote a product that can do so much harm to the most vulnerable of its citizens.

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<sup>1</sup> Ivan L. Zabilka, *Position Paper Concerning Casinos*, THE FAMILY FOUNDATION 3 (1994).

<sup>2</sup> Cathy Wilde, *People in Poor Neighborhoods are Twice as Likely to Have Gambling Problems, Study Finds*, NEWS CENTER (University of Buffalo: Jan. 3, 2014), [www.buffalo.edu/news/releases/2014/01/001.html](http://www.buffalo.edu/news/releases/2014/01/001.html).

<sup>3</sup> CHARLES T. CLOTFELTER ET AL., STATE LOTTERIES AT THE TURN OF THE CENTURY: REPORT TO THE NATIONAL GAMBLING IMPACT STUDY COMMISSION (Apr. 23, 1999), available at <http://govinfo.library.unt.edu/ngisc/reports/lotfinal.pdf>.

<sup>4</sup> Lottery data: *Georgia Lottery: Where the Money Goes*, GEORGIA LOTTERY, [www.galottery.com/lotterybenefitsgeorgians/](http://www.galottery.com/lotterybenefitsgeorgians/) (last viewed Jan. 23, 2015). Population data from U.S. CENSUS BUREAU, *Population and Housing Unit Estimates*, [www.census.gov/popest/index.html](http://www.census.gov/popest/index.html) (last viewed Jan. 23, 2015). Poverty data from AMERICAN FACT FINDER, U.S. CENSUS BUREAU, *Selected Economic Characteristics: 2009-2013 American Community Survey 5-Year Estimates, Table DP03*,

[http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_13\\_5YR\\_DP03&prodType=table](http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_5YR_DP03&prodType=table) (last viewed Jan. 23, 2015).

<sup>5</sup> *Id.*

<sup>6</sup> Sarah Ovaska, *N.C.'s Lottery Still a Big Draw in Poor Areas*, NORTH CAROLINA POLICY WATCH (June 17, 2014), [www.ncpolicywatch.com/2014/06/17/n-c-s-lottery-still-a-big-draw-in-poor-areas/](http://www.ncpolicywatch.com/2014/06/17/n-c-s-lottery-still-a-big-draw-in-poor-areas/).

<sup>7</sup> John Lyon, S.C. *Studies Show Poor, Blacks Most Likely to Play Lottery Often*, ARKANSAS NEWS BUREAU (July 26, 2009),

<http://stoppredatorygambling.org/wp-content/uploads/2012/12/South-Carolina-Lottery-Demographics-2009.pdf>.

<sup>8</sup> Brent Kramer, *The New York State Lottery: A Regressive Tax*, TAX ANALYSTS 962 (Mar. 29, 2010), available at [http://fiscalpolicy.org/StateTaxNotes\\_LotteryRegressive.pdf](http://fiscalpolicy.org/StateTaxNotes_LotteryRegressive.pdf).

<sup>9</sup> Grace M. Barnes et al., *Gambling on the Lottery: Sociodemographic Correlates across the Lifespan*, 27 JOURNAL OF GAMBLING STUDIES 575, 575-586 (2011), available at [www.ncbi.nlm.nih.gov/pmc/articles/PMC4103646/](http://www.ncbi.nlm.nih.gov/pmc/articles/PMC4103646/).

<sup>10</sup> Lyon, *supra* note 7.

<sup>11</sup> *Georgia Lottery: Where the Money Goes*, GEORGIA LOTTERY, *supra* note 4. Demographic data from AMERICAN FACT FINDER, U.S. CENSUS BUREAU, *ACS Demographic and Housing Estimates: 2009-2013 American Community Survey 5-Year Estimates, Table DP05*, [http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_13\\_5YR\\_DP05&prodType=table](http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_5YR_DP05&prodType=table) (last viewed Jan. 27, 2015).

<sup>12</sup> RACHEL A. VOLBERG, GEMINI RESEARCH, *GAMBLING AND PROBLEM GAMBLING IN GEORGIA* 20 (1995).

<sup>13</sup> K. Brandon Lang & Megumi Omori, *Can Demographic Variables Predict Lottery and Pari-mutuel Losses? An Empirical Investigation*, 25 JOURNAL OF GAMBLING STUDIES 171, 171 (2009), available at <http://link.springer.com/article/10.1007/s10899-009-9122-3>.

<sup>14</sup> CLOTFELTER ET AL., *supra* note 3.

<sup>15</sup> SCHOOL OF URBAN AND PUBLIC AFFAIRS, THE UNIVERSITY OF TEXAS AT ARLINGTON, *DEMOGRAPHIC STUDY OF TEXAS LOTTERY PLAYERS* 16 (Dec. 2005), available at [www.txlottery.org/export/sites/lottery/Documents/demographicreport2005dec.pdf](http://www.txlottery.org/export/sites/lottery/Documents/demographicreport2005dec.pdf).

<sup>16</sup> Declan T. Barry et al., *Differences in the Associations between Gambling Problem Severity and Psychiatric Disorders among Black and White Adults*, 20 THE AMERICAN JOURNAL ON ADDICTIONS 69, 69-77 (2011), available at [www.gamblingresearch.org/content/differences-associations-between-gambling-problem-severity-and-psychiatric-disorders-among](http://www.gamblingresearch.org/content/differences-associations-between-gambling-problem-severity-and-psychiatric-disorders-among).

<sup>17</sup> D. F. Jacobs, *Youth Gambling in North America: Long Term Trends and Future Prospects*, GAMBLING PROBLEMS IN YOUTH 2 (2005), [http://link.springer.com/chapter/10.1007/0-306-48586-9\\_1](http://link.springer.com/chapter/10.1007/0-306-48586-9_1).

<sup>18</sup> J. R. Felsher et al., *Lottery Playing Amongst Youth: Implications for Prevention and Social Policy*, 20 JOURNAL OF GAMBLING STUDIES 127, 127-153 (2004), available at <http://youthgambling.mcgill.ca/en/PDF/Publications/2004/Lottery%20Playing%20Amongst%20Youth%20-%20Implications%20for%20Prevention%20and%20Social%20Policy%202004.pdf>.

<sup>19</sup> Tom Nugent, *1 Million Teens Addicted to Gambling: U.S. Report*, 15 AAP NEWS 7 (1999).

<sup>20</sup> *Id.*

<sup>21</sup> Rina Gupta & Jeffrey L. Derevensky, *Familial and Social Influences on Juvenile Gambling*, 13 JOURNAL OF GAMBLING STUDIES 179, 179-192 (1997); and Rina Gupta & Jeffrey L. Derevensky, *Adolescent Gambling Behavior: A Prevalence Study and Examination of the Correlates Associated with Excessive Gambling*, 14 JOURNAL OF GAMBLING STUDIES, 227, 227-244 (1998).

<sup>22</sup> *Id.*, and R. Ladouceur et al., *Parents' Attitudes and Knowledge Regarding Gambling Among Youths*, 14 JOURNAL OF GAMBLING STUDIES, 83, 83-90 (1998).



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<sup>23</sup> *Id.*, and Gupta & Derevensky, *Familial and Social Influences on Juvenile Gambling*, *supra* note 21.

<sup>24</sup> NATIONAL OPINION RESEARCH CENTER, GAMBLING IMPACT AND BEHAVIOR STUDY 8 (1999), *available at*

[www.norc.org/PDFs/publications/GIBSFinalReportApril1999.pdf](http://www.norc.org/PDFs/publications/GIBSFinalReportApril1999.pdf).

<sup>25</sup> Stacey Burling & Amy S. Rosenberg, *Senior Gamblers Risking Finances, Study Finds*, PHILLY.COM (Jan. 19, 2005), [http://articles.philly.com/2005-01-19/news/25436972\\_1\\_older-gamblers-compulsive-gambling-rani-desai](http://articles.philly.com/2005-01-19/news/25436972_1_older-gamblers-compulsive-gambling-rani-desai).

<sup>26</sup> *Id.*