

# Educational lottery in alabama



## Who is winning in Alabama?: Administrative Considerations and Financial Impact of a Lottery in Alabama

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### Abstract

Issues concerning a proposed Educational Lottery in Alabama are discussed. Topics from both sides of the debate are addressed. Reasoning of why supporters desire a lottery to help fund a struggling school system. Opponent's concerns are addressed in reference to the lottery being a regressive tax or "poor tax." Alabamians express concerns of corruption and overspending. Questions of morality in the southern bible-belt region are recognized and conclusions are made to why a lottery will be slow to establish.

*Keywords:* education lottery, poor tax, regressive tax, morality, corruption

## Who is winning in Alabama: Administrative Considerations and Financial Impact Of A Lottery in Alabama

A hot topic of debate in Alabama over the last decade has been the introduction of a lottery. Specifically, an Education Lottery, to help fund higher education in the state. In an effort to secure alternate revenues for education funding and in light of the outward success of neighbor state lottery initiatives, a lottery has long been a dividing issue for the citizens of Alabama. In an era of ever increasing higher education costs and Alabama's traditionally poor national ranking in education, to many lottery supporters, this issue has been seen as a no brainer and an easy way to alleviate such

pressures on the state's education costs. For opponents, the lottery is simply a form of gambling contrary to traditional southern religious beliefs.

Alabama's more conservative citizens deem it a "poor tax" in their continued argument against such a proposition. Despite one's opinion, the desperate need for improved education and increased funding is seen by either side as important and thus has kept this issue wavering at the polls for more than a decade.

This paper will look to examine the concerns of both sides and weigh the financial, political, and policy concerns and realities. The concerns of traditional values will also be discussed. This will be in an effort to give basis and to truly understand this issue often clouded in opinion and political half-truths mired in obscure data. The unintended consequences of other state administrations to implement such a system will be also brought into question to further determine the true practicality of a lottery in Alabama.

Before we begin, it is important to understand the basics of a lottery and how it brings in revenue. The basic premise of a lottery is to pool together the sales of many low cost tickets. These tickets are entered into a random drawing in which one is selected as the winner. This winner is the beneficiary of the large collected pool of money. The entity providing the game or lottery, in this case the State, subtracts its cost for providing the game and in addition receives a portion of the money which is used to fund some purpose. In most state lotteries it is education, though some states fund multiple public initiatives such as care for the elderly for example or simply their general fund. Typically only half the collected pool is awarded as the

grand prize with the remainder divided on average to a 15 percent infrastructure cost and 35 percent benefit to the state (Nice, K 2003).

### Debate for the Lotterry in Alabama

The introduction of a lottery sounds like a fun and outwardly a simple way to raise millions for education without raising taxes. In Oregon, “ it does good things.” In New York, they are “ raising billions to educate millions.” Either way, it is “ good clean fun” (Vermont) giving “ big fun, bright futures” (South Carolina). These are just a few taglines lottery offices use in their advertising to promote their efforts. In 1963, there was only one state, Nevada, which offered casino gaming and still had no lottery. In 2013 only six states that did not offer casino gambling or a lottery, and of those states only two did not offer either (Ferraiolo, K 2013). It is only a sign of the times that Alabamians are wondering why we are one of the few exceptions and are asking why we do not have a lottery.

The argument for supporters of the lottery is pretty straight forward. It is a simple way to raise huge sums of money without raising taxes. The idea that millions if not billions in revenue can be collected voluntarily by those who wish to participate is an easy alternative to raising taxes. This outwardly simple idea when coupled with the fact that it is for a lofty cause such as education makes an Education lottery a very enticing proposition and somewhat easy to sell to the public. The apparent success of neighbor state’s programs, particularly Georgia and Tennessee, funding their education systems greatly contributes to this line of thought. Georgia alone claims more than 14. 3 billion dollars were raised for education since its

inception in 1996. Georgia is now averaging over a billion a year in revenue (Georgia. gov 2014).

Supporters of a lottery in Alabama often argue that as a state we are losing millions in revenue to our border states as thousands of citizens and millions of Alabamian's dollars are crossing the state lines to play lottery games. Revenue that would otherwise stay in Alabama goes to support those states and can be seen not as merely a missed opportunity to raise money for our education system but actually a loss in current revenue from money not spent in-state. It is estimated by Alabama's House Minority Leader Craig Ford that approximately 250 million dollars cross state lines every year.

#### Lottery, a Poor Tax

There is a laundry list of reasons people in Alabama do not support the lottery. The two main reasons opponents cite are that it is essentially a tax on the poor and secondly that it is a form of gambling. Citizens already skeptical of government fear the corruption involved whenever the government finds itself with large sums of money. There are numerous scandals that can be cited present in other state lotteries, the least of these scandals being the insolvency of Georgia's lotto system. Governor Nathan Deal of Georgia in 2012 was facing a 300 million dollar deficit and was quoted as saying that the lottery system was "on the brink of bankruptcy" (Young & McIntyre, 2012). Overall the informed citizen tends to see it as generally poor fiscal policy filled with potholes and the inadequacies always present in government. Lesser reasons to some are as simple as not wanting

to see “ play lotto” advertisements on every street corner and crevice throughout the state.

“ Poor Tax” is the name most often given to the lottery by its opponents. This the general term used to describe how the lotto acts as an involuntary tax on the poor or a regressive tax. The idea of riches and easy money, though in reality the odds of winning a significant amount is low, appeals directly to the poor and thus entices an already fiscally vulnerable population to waste/spend their limited dollars on the lottery. Put a simply, the lottery is seen as unfair to the poor as it represents a desperate need to spend money on false dreams. The term involuntary tax represents this thought that the desperate looking for a way out of poverty are falsely lured into thinking their money will benefit public programs. Although not mandatory, it still acts like a tax. The regressive tax inclusion of the term “ poor tax” refers to the idea that the low income or poor have less money to spend so as they pour money into the lottery, system they are spending a higher percentage of their income, into what again is effectively a tax as money is spent to the government to promote public programs. Either way the poor are the victims or at least the recipients of an undue burden of liability. This is all based on the assumption that higher income citizens will be less tempted or ultimately refuse to buy lottery tickets as they are too reasonable to see such diversions as good investments or not have the need for the money that could be won. It is hard to say why but no attempt has ever been made to restrict the impact of such ideas to help reduce the social impact of lottery systems on the poor passed rejecting the system all together (Ferraiolo, K. 2013).

Other concerns in Alabama relate to the perception of its immorality as a form of gambling. Gambling traditionally is against most religious beliefs and only more greatly so in the southern Bible belt region of Alabama. For some this is not just merely a concern but a hard divide. Where opinion can differ on how effective the fiscal reasoning for or against a lottery may waiver, the argument of the morality of such a system generally more clearly defined in minds of citizens. It is a long standing precedent by Christian organizations in Alabama that any form of gambling is seen as the beginning of the end for morality in Alabama. This is especially true for the citizens of Alabama as the topic of other more traditional forms of gambling are being legalized across the rest of the country. Citizens here in Alabama are far from such progressive initiative as much a much more conservative view on what constitutes gambling is held. Some citizens simply do not want to see the beauty of Alabama's landscape painted with a never ending supply of advertisements saying " play lotto here" and see that only as immoral, religion aside.

### The Winning Argument

This is where we will focus on the true fiscal realities of these arguments as they relate to Public Administration and implementation of a lottery initiative. First and foremost is the reality of how the revenue is generated. The main focus for most Alabamians and the most comparable system is Georgia. Since 1996, Georgia has raised billions of dollars for educational funding (GeorgiaGov, 2014). It has been a rough road for the Georgia system as it has been adjusted many times and faced much political pressure. Alabama has always had its fair share of corrupt politicians and a very

ambiguous form of fiscal delegation dependent on the administration of the time. This simply means lost or stolen money and little in the form of line-item spending. These issues make guaranteeing the money raised would benefit education alone difficult at best. There is no doubt that huge revenues have been generated by Georgia's lottery system but there are some major concerns as well. In 2011, Georgia's lottery system faced a 300 million dollar deficit. This is largely due to overzealous policies which do not merely supplement funding but guarantee certain levels. Such policy implementation can become very complicated and in Alabama, as many other state governments, public policy is not always formed from technical expertise but formed by and through political incentive. Simply put, there is little evidence that if put into place Alabama is adequately equipped to responsibly initiate such a system free from overspending and corruption as seen in all states that even now are still discovering and trying to perfect the right balance in both public policy and the fiscal operation of such a large system.

Next to address is the idea of whether it is really a poor tax or not. This is a debate that even divides experts. Data indicates both sides of the argument. The inaccuracy of data and the wide interpretation is so varied that the true answer is hard to find. The general consensus is that as lower income citizens spend money on lottery games, a much higher percentage of their income is allocated than would be for a higher income citizen. This is basic math. However the idea that the poor are more susceptible to wasteful spending is not necessarily supported either. Until you get into the very upper income brackets, the temptation to play the lottery does not



discriminate among class. Just as any other form of gambling does not discriminate on class, ethnicity, gender, or race. An addiction is an addiction free of such distinctions. It is merely the affordability of such a diversion that comes into question.

Next we must address the focus of morality. Opinion aside the lottery is a form of gambling according to the law of Alabama. This moral stance on the true negative effects to society which gambling brings is merely in the eye of the beholder as little data constitutes any overwhelmingly provable negative effects such as an increase in crime or fiscal stress such as bankruptcies. Overwhelmingly, 71% of Alabama's population supports all forms of gambling to be legal, though it is worth noting not everyone would participate even if they thought it should be legal. To many a lottery does not constitute gambling in a traditional sense such as casinos or sports betting. In one survey 12% of Alabamians took the moral stance that the lottery would be an acceptable form of gambling but not casinos. Only 5% surveyed were completely against all forms of gambling (Whitmire, K 2011).

One argument that does seem to stand true is we are losing millions of dollars to out of state gambling interests. An estimated 250 million dollar exported to other states lottery systems becomes a significant sum. Yet studies of economic growth, in states adjacent to other states which already have lotteries, see little if any economic growth (Walker, D. M. & Jackson, J. D. 1999). The money is simply redirected in favor of the public initiative the lottery was designed for with little net effect. This is money that would be useful here but again it would be at what moral price?

## Conclusion

Overwhelmingly Alabamians approve of both the lottery and gambling. If this is true why isn't there a lottery in Alabama? The answer mainly lies in the politics and the timing. Political activism in Alabama often rest in social groups. Here in Alabama, most social organizations have strong ties to their local churches. The people may vote, but ultimately the laws are made by the politicians. When it comes to the actions of politicians, their loyalty is to those who write the checks. As with all politics, it is the perception that seems to count. In Alabama, this perception must ultimately appeal to the church groups. Despite the church goers' true feelings, a southern tradition of Christianity does not find favor with anyone who truly wants to be outspoken for any form of gambling including the lottery. One politician, Senator Bryan Taylor, even attempted to introduce a bill to the state senate that would make even possession of a lottery ticket a felony (Stokes, R 2012).

Another important reason there is not a lottery in Alabama is change. Alabama is not particularly a backward place but here change is hard. People are hard to get a response from or to be educated on anything outside their daily lives. Alabamians are generally content in their daily lives and are fearful of any dramatic change. An endeavor, such as a lottery, being both a large undertaking and contrary to long held beliefs in Alabama can cause many to be fearful even when supported by majority opinion. A lottery in Alabama will eventually happen but it will be a slow process that no one is particularly motivated to undertake.

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