

## Expanded Lottery Offerings to Generate Revenue?

*by Jennifer Day & Angela Slovachek*

Spurred by budget shortfalls and bouts of Powerball Mania, state governments continue to explore opportunities to expand lottery offerings in order to generate additional revenue. While this is not a new phenomenon, states have the widest array of options to offer lottery participants. In 2011, Assistant U.S. Attorney General Virginia Seitz wrote a legal opinion stating that the Wire Act of 1961 was limited to sports betting, and lotteries that operated online would not be violating it.

While some states have been slow to go beyond an online subscription format (New York and New Hampshire), states such as Illinois and Georgia expanded operations in 2012. Online sales in Illinois, which are limited to Mega Millions, Powerball and other statewide draw games, are a small part of total sales, generating approximately \$13 million of over \$2.7 billion in sales during Fiscal Year 2014. The same holds true for Georgia, which generated over \$10 million of over \$3.7 billion in sales during the same time period. Michigan and Kentucky have also followed suit, offering residents the ability to purchase instant win, keno, and draw games online. Alternatively, Minnesota introduced online lottery in 2014, only to pull the plug in August of 2015.

While lottery revenues only make up a small portion of state tax revenues (2% on average), states are looking to fill budget gaps in a number of ways. For example, Wyoming did not introduce lottery until 2014 and is considering expanding offerings beyond draw games to help defray reductions in tax revenue from the oil and gas industry.

In addition to Wyoming, states that have traditionally opposed gambling in general are also considering the addition or expansion of lottery games. In Alabama, where voters defeated an amendment to establish a state lottery in 1999, a bill was introduced this spring to revisit the issue. Representative Craig Ford introduced a bill that would change the state constitution, creating a statewide lottery. The bill is still pending, but received initial support from both House and Senate committees.

Alternatively, Governor Greg Abbott of Texas has made it very clear that he is not interested in expanding the Texas Lottery. The Dallas Morning News reported that in November of 2015, he ordered staff at the Texas Lottery Commission to cease gathering information about sports betting and fantasy sports. This was in response to a trip the staff had taken to Delaware in order to learn about the state's lottery, which includes such games.



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Although Texas does not appear to be in the running for additional lottery offerings, other states are looking to Keno to generate additional revenue. In Connecticut, Keno gambling is being introduced across the state by the state lottery. North Carolina is also discussing the introduction of Keno, as well as other iLottery games.

While lottery revenue will not be the cure-all for states in need of additional tax revenue, state governments will continue to explore online opportunities and sports betting in order to stay competitive in the gaming market, while also earning revenue for the state coffers.

The Innovation Group mainly consults on lottery impacts for our brick and mortar clients or government entities, but also tracks the happenings in the market. While lotteries compete with any gaming offering in a state, it is important to keep abreast of the changes happening in access to these products. If you would like to learn more about lotteries, its impact on your operations, or overall market knowledge, please do not hesitate to get in touch with Angela Slovachek at [aslovachek@theinnovationgroup.com](mailto:aslovachek@theinnovationgroup.com).