

# TAKING A GAMBLE

## Pass it to keep money in N.C.

North Carolina is the only state on the entire East Coast without a lottery. Instead of spending their money in North Carolina, North Carolinians spend an average of \$300 million on lotteries in other states, so our money goes to fund schools in Tennessee, Georgia, South Carolina and Virginia.

This does not make sense. Right now, North Carolina faces a \$1.3 billion spending gap for the upcoming fiscal year. Teacher turnover rates are climbing, school buildings are bursting at the seams from student growth and students are packed in trailers across the state.

Why should we raise taxes to meet these demands or cut necessary programs when there is a source of funding that comes from N.C. residents and people

**TONY RAND**  
N.C. SENATE MAJORITY LEADER

from other states on a purely voluntary basis?

Based on the state's population, as well as on sales and profits in other Southeastern states, North Carolina could expect to generate between \$450 million and \$500 million a year in additional revenue if we choose to have an education lottery.

These resources would go to fund academic pre-kindergarten programs for at-risk students, such as More At Four, as well as to reduce class size in elementary grades. These programs have already proven to increase student success rates.

Money from a lottery could also be used to build new schools. We have struggled to fund new school construction to keep up with an ever-increasing student population.

With an additional source of revenue, we could build these new schools, decrease class size and improve the facilities in which our children spend the majority of their first 18 years of life.

A state lottery does not take money away from low-income families. National studies show that average lottery sales do not vary systematically by income. People with incomes of \$45,000 to \$75,000 are the most likely to play.

Further, people with incomes in excess of \$75,000 spend roughly three times as much on lotteries each month as do those with incomes under \$25,000.

Nor will the lottery encourage gambling in the state. According to national studies, the availability of a lottery has little or no impact on problem gambling rates.

Problem gamblers are only slightly more likely to be lottery players than are members of the general public. Furthermore, 70 percent of all adults in North Carolina have played the lottery at some time. We are already playing, but we are spending our money on schools in other states.

Other states have learned that an education lottery can be a reliable source of revenue. Lotteries now operate in 40 states across the country and in the District of Columbia. We need this revenue — if we do not want to raise taxes — to enhance our educational system and to prevent further deterioration of our schools.

When asked for better options, opponents of the education lottery become very quiet.

They have no better answer to ensure that we become the best-educated state in the nation while keeping taxes low enough to attract and retain businesses.

North Carolina should not continue to ignore this funding option, nor should North Carolina send money across our borders and stand alone without a lottery.

Contact Sen. Tony Rand, D-Cumberland, at [tonyr@ncleg.net](mailto:tonyr@ncleg.net).

## PROSPECTS ARE LOOKING BETTER FOR A STATE LOTTERY

If you look for "North Carolina" and "lottery" on a Google news search this week, you'll probably be assaulted by articles about Marvin Williams' prospects in the NBA Draft.

Further down the list of hits, however, readers will find stories about a momentous push for a lottery in the N.C. state legislature that might make it over the top this year.

Gov. Mike Easley has made passing a lottery a major legislative goal since his first election in 2000.

But a coalition of moral interests — ranging from the religiously conservative Rev. Billy Graham to the socially liberal Coach Dean Smith — have successfully blocked the passage of a lottery, which they say exploits the poor.

Despite polls which find more than two-thirds of North Carolinians supporting a lottery, the N.C. House hasn't mustered the support to pass one.

This year, the lottery has garnered the interest of several powerful House members, including that of Speaker Jim

Black, D-Mecklenburg. Black, who assembled a committee to craft lottery legislation last month, has stated that he would like an up-or-down vote to happen this week.

In recent days, House members have debated whether proposals to limit the amount of money that can be spent advertising a lottery will be enough to protect the poor.

After all, it's one thing for the legislature to let people gamble, but it's another matter for the state to be targeting the poor and enticing them to play.

On the other hand, North Carolinians are crossing state borders to play in a lottery, regardless of location.

If proponents have their way, Marvin Williams won't have to leave Chapel Hill to test a lottery. The question is whether we should have one waiting for him.

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## VIEWPOINTS CARTOON



By Philip McFee; [pip@email.unc.edu](mailto:pip@email.unc.edu)

## Luckily, lottery likely won't get passed in state

It is said that the prospects for passing a state lottery in North Carolina are brighter in 2005 than they have ever been. That might be true, but it doesn't mean that the lottery will pass.

I tend to doubt it will. There is a host of sound reasons why North Carolinians of varying ideological stripes see a government-run lottery as a bad idea. It would set a poor example for our children, take advantage of the gullible and apportion the cost of government in a way that is unfair and, in the long run, unreliable.

One often-stated reason to favor a government lottery in North Carolina is the proliferation of lotteries in neighboring states. There's just too much of our state's money flowing over the border into their treasuries, it is argued. We should keep that money here.

This is a plausible argument, but it's based on flawed data. Neighboring states do not pocket hundreds of millions of dollars a year from North Carolinians playing the lottery, as some allege.

Almost 60 percent of lottery expenditures are returned to players as prizes — meaning that about 60 percent of lottery money flowing out of the state flows back in later.

Subtracting these prizes and administrative costs, the revenue "loss" to neighboring states from North Carolina not having its own government lottery is about \$80 million to \$90 million. The total costs of operating a lottery — much of which will flow to out-of-state vendors — is far higher. "Keeping our dollars here" is the wrong reason to favor a lottery.

Another one I've increasingly heard is that a lottery might be bad, but taxes are worse. Given a \$1.3 billion budget gap in the coming year, why not use a lottery rather than higher taxes to pay government's bills?

**JOHN HOOD**  
CHAIRMAN, JOHN LOCKE FOUNDATION

Sorry, but government lotteries are not an alternative to taxes. They are taxes. The state would create a legal gambling monopoly and then tax its proceeds. You can consider it as a gross-receipts tax on the lottery "enterprise," in which case the rate would be about 31 percent. Or you can even view it as an excise tax on tickets, in which case the implicit tax rate would be 45 percent.

But isn't a lottery voluntary and a tax involuntary? Not really. People choose to play a lottery, yes, but they also choose to buy alcohol, cigarettes, gasoline and other products bearing taxes. The state's share of lottery revenue is still a tax. In fact, the effective lottery tax rate is far higher than the effective state tax rate on any other consumer expenditure. Thus, for every dollar people divert from some other purchase to buying lottery tickets, the government's tax bite grows.

Finally, some might say that at least lottery taxes supplant other, generally applied taxes. That's not true, either. States with lotteries have a somewhat higher combined tax burden — about 10 percent of personal income — than states without them — 9.5 percent — and the two groups show similar growth in taxes over time.

In other words, it's not true that in North Carolina we have a choice between a state lottery or more taxes, as some misguided state lawmakers and lottery supporters suggest. If North Carolina enacts a state lottery, we'll still get more taxes and spending. That's not any kind of game the taxpayers of the state should want to play.

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## Overburdened classrooms are more regressive

If you listen to the opponents, there are a lot of good reasons to reject the lottery in North Carolina. They call it a risky scheme and say that the income provided from its proceeds fluctuates from year to year. They say the lottery adversely affects people from lower income brackets, and they call it a tax on the poor and uneducated. The opponents always suggest that support for a lottery is somehow a digression from our state's and our country's historic traditions.

But happily for those of us concerned about education in this state, the lottery record doesn't support their rhetoric.

The truth is that the lottery is no more risky than a sales tax. Given smart management — the successful introduction of new games and a careful marketing plan — proceeds from the lottery almost always expand. According to the Georgia state auditor's office, revenue from lottery sales in that state doubled from \$362 million to \$752 million from 1994 to 2003. Only once — in 1998 — did the state fail to make more money on the lottery in that year than it did in the one before.

The opponents are right about one thing: Poor people do play the lottery. But average lottery sales don't vary systematically by income or education.

According to a report from Duke University researchers, fewer than half of the individuals with a household income of less than \$10,000 play the lottery, while more than 60 percent of people who make between \$50,000 and \$99,999 end up buying a ticket. The same report suggests that more college graduates buy lottery tickets than do high school dropouts.

And the argument that poor people aren't smart enough to make good choices with their income is a tad too paternalistic for my taste. Legislators in Raleigh can't force parents to

**MATT COMPTON**  
SENIOR HISTORY MAJOR

manage their family budgets in any particular way, and they can't stop N.C. residents from driving to any of the states on our border to buy a lottery ticket whenever they feel like it.

The state already collects money from the purchase of cigarettes and regulates the sale liquor. Are the opponents of the lottery really trying to suggest that buying a lottery ticket every week is a more dangerous vice than spending cash on booze?

And the idea that state-funded lotteries somehow diverge from the traditions of our Founding Fathers is just silly. The colonies in America were literally founded on a national lottery, when King James I created one to shore up funding for Jamestown in Virginia. Later, Ben Franklin and George Washington organized lotteries to help finance the Revolutionary War.

From 1790 to the Civil War, lotteries were used to pay for the construction of close to 50 colleges, 300 lower schools and 200 churches. And in 1801, the General Assembly authorized the University of North Carolina Lottery to pay for construction on this campus.

Opponents of the lottery say it's regressive, but let's talk about the education achievement gap. Classrooms with 30 kids in them are regressive. Six straight years of tuition increases at this school are regressive. The lottery is the start of a solution to problems with public education in this state, and all those people who are still opposed to it never have to buy a ticket — but they'll still reap the benefits.

What can possibly be regressive about that?

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## We will not win with a lottery

The lottery is popular with North Carolinians. Polls show there is a broad spectrum of support, even including church members.

A lottery feeds into our hope that we will win big, with just a small amount of money and effort, and live out our lives in ease and comfort.

It also doesn't seem reasonable that all of this potential money for our schools is leaking to surrounding lottery states for their educational systems.

So what could be wrong with passing the lottery in the legislature, if that's what the people want and we could keep our money at home?

There are three reasons I oppose the lottery, in spite of those persuasive arguments.

The first is that a lottery doesn't create jobs, other than a few convenience store clerks,

**ELLIE KINNAIRD**  
STATE SENATOR, D-ORANGE

and the profits go out of state. That is because a lottery would be administered by a national company that has no presence in North Carolina.

The second is that in order to keep the lottery profitable, it has to be advertised heavily.

It is unseemly for the state to advertise with nonstop TV and billboards splashed with messages urging people to gamble.

But that is what other states found it takes to make the lottery work.

North Carolina administers ABC liquor stores, but it doesn't put up big billboards saying, "Drink more alcohol" in order to increase revenues to the state.

While encouraging gambling with one hand, lottery states have found they have to set aside funds for treatment of gambling addiction with the other hand.

The third reason is that the legislature is tempted to supplant funds it formerly allocated for schools, relying on lottery funds to avoid tax increases to pay for education.

A former resident of Florida reported her local community couldn't pass school construction bonds because citizens thought the lottery was paying for everything related to education.

It is a myth to think a large amount of our money is going to other states with a lottery because, after subtracting the profits and winning, a lottery yields much less than the perceived money drain to surrounding states.

Although many feel the lottery is a moral issue, I feel that is not part of our discussion as a policy-maker.

How a person spends his or her money is not under our purview. Whether to rent a DVD to watch on Saturday night or to buy a lottery ticket is each person's choice.

But what should be of concern is the disproportionate effect of playing the lottery on low-income people.

While people from all diverse socio-economic groups play the lottery, the impact on low-income people is greater.

The proportion of their income spent on tickets is greater than a higher-income person's and can reduce the amount for a family's necessities.

Add a gambling addiction, and the result is devastating.

We as policy-makers do have to factor that into our decision on whether or not to vote for the lottery. I cannot overlook that aspect of the lottery.

Taking all those arguments together, I cannot vote for the lottery.

I predict the lottery will pass this year, and I predict we will be sorry five years from now, but by then the legislature will itself be addicted, and we will be stuck with a bad revenue system.

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