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## Powerball Fever: State Budget Bonanza? Or False Hopes?

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Many Americans have been rushing into buying lottery tickets in the last few days in hopes of becoming that lucky winner. The estimated jackpot for the January 13 Powerball lottery drawing is \$1.5 billion. Many states are hoping that the sales of Powerball tickets will translate into more revenues for state coffers. Every bit helps, but net revenues from lottery sales are not big in the scheme of state budgets. Gross lottery sales are substantial – about \$70.2 billion in fiscal year 2014, according to the [North American Association of State and Provincial Lotteries](#). But net revenues for state budgets after payment of prizes, administrative costs, and other expenses were only around \$18.1 billion, or 26 percent of sales, according to [research](#) by the Rockefeller Institute of Government.

Lotteries are a minor element in state fiscal systems, accounting for approximately 2 percent of state tax revenues on average (see Table 1). Lottery dependence exceeds 5 percent of tax revenue in South Dakota, Oregon, and Georgia, but net lottery revenues represent less than 1 percent of taxes in eleven states and less than 2 percent in another twelve states.

Lotteries often are advertised as boosting state spending on education or other dedicated purposes. Indeed, proceeds often are earmarked by law (see Table 1). States normally put revenues generated from the lottery in the general fund or in a dedicated fund targeted toward particular program areas, such as education, veterans' programs, environmental protection, and natural resources. However, it's normally up to legislators to decide how much of the lottery revenue will go to the dedicated program areas. Often they supplement these funds with general revenue.

Despite earmarking, higher lottery revenue does not necessarily translate into increased state spending on dedicated purposes, and lottery shortfalls do not necessarily translate into spending cuts for dedicated programs. When lottery revenue is higher than expected, states may be able to reduce nonlottery support for the dedicated program, freeing up funds for any purpose in the budget rather than increasing spending on the dedicated program. And when lottery revenue is lower than expected states may increase their nonlottery support rather than cutting spending for the dedicated program. So while dedicating lottery funds to popular purposes may increase public support for lotteries, it doesn't necessarily mean that spending on the dedicated purpose will be higher.

**Table 1: States Vary in Their Reliance on Lottery Revenues, Fiscal Year 2014**  
**States Are Ranked Based on Lottery Revenues as Share of Total Tax Revenues**

State	State-Local Gov. Revenue from Lottery (\$ mlns)	State Gov. Total Tax Revenues (\$ mlns)	Lottery Revenues as % of Tax Revenues	Where Does The Money Go To?
North Dakota	8	6,120	0.1%	General Fund, Multi-Jurisdictional Drug Task Force Fund, Compulsive Gambling Fund
Montana	12	2,656	0.5%	General Fund
Minnesota	127	23,129	0.5%	General Fund (education, local gov. assistance, public safety, environmental protection); Game & Fish Fund; Natural Resources Fund; Environment & Natural Resources Trust Fund
New Mexico	41	5,757	0.7%	Lottery Tuition Fund
Oklahoma	67	9,103	0.7%	Education
Washington	148	19,448	0.8%	Washington Opportunities Pathways Account; Education Legacy Trust Fund; Stadium and Exhibition Center Account; Economic Development; Problem Gambling
Vermont	23	2,963	0.8%	Education
Nebraska	38	4,877	0.8%	Education Innovation Fund; Environmental Trust Fund; Opportunity Grant Fund; State Fair; Compulsive Gamblers Assistance Fund
Iowa	74	8,272	0.9%	General Fund (education, natural resources, health & family services, public safety); Iowa Plan; CLEAN Fund; Veterans Trust Fund; Gambling Treatment Fund; Special Appropriations
Arkansas	82	8,937	0.9%	Education Trust Account
California	1,350	138,070	1.0%	Education Fund
Kansas	74	7,334	1.0%	Economic Development Initiatives Fund; General Fund; Correctional Institutions Building Fund; Juvenile Detention Facilities Fund; Problem Gambling Grant Fund
Wisconsin	169	16,411	1.0%	Funding for Property Tax Credits
Colorado	130	11,755	1.1%	Great Outdoors Colorado (GOCO); Conservation Trust Fund; Colorado Parks and Wildlife; Public School Capital Construction - Building Excellent Schools Today (BEST) program
West Virginia	64	5,380	1.2%	Education; Senior Citizens; Tourism & State Parks
Idaho	49	3,672	1.3%	State Permanent Building Fund; Public School Building Fund; Bond Equalization Fund
Arizona	176	13,084	1.3%	General Fund; Healthy Arizona; Mass Transit; University Bond Fund; Heritage Fund; Commerce Authority Arizona Competes Fund; Court-appointed Special Advocate Fund; Economic Security Homeless Services; Department of Gaming
Maine	52	3,847	1.3%	General Fund (local schools, higher education, health services, other programs)
Delaware	44	3,176	1.4%	General Fund (Education; Health & Social Services; Natural Resources & Environmental Control; Public Safety, Judicial & Corrections; Various Children, Youth & Family Organizations)
Indiana	251	16,847	1.5%	Build Indiana Fund (for reducing the motor vehicle excise tax & funding parks, roads & other local infrastructure projects); Local Police & Firefighters' Pensions; Teachers' Retirement Fund
Louisiana	171	9,695	1.8%	Minimum Foundation Program (K-12 public education); Department of Health & Hospitals, Office of Behavioral Health (problem gambling)
Rhode Island	58	2,966	2.0%	General Fund (for human services, education, public safety, general government, debt services, natural resources)
Illinois	777	39,183	2.0%	Common School Fund; Capital Projects Fund; Other State Funds
Connecticut	320	15,938	2.0%	General Fund (public health, libraries, public safety, education)
Kentucky	226	11,104	2.0%	General Fund (college scholarship and grant programs)
North Carolina	503	23,397	2.2%	Education
Texas	1,221	55,261	2.2%	Foundation School Fund; Fund for Veterans' Assistance & Other State Programs
Missouri	278	11,241	2.5%	Education
Maryland	521	18,929	2.8%	General Fund (pre-K-12 & higher education, public health, public safety, environment); Maryland Stadium Authority; Veterans Trust Fund
Ohio	765	27,021	2.8%	Education
Virginia	539	18,949	2.8%	Education
Tennessee	337	11,806	2.9%	Education
New York	2,235	76,979	2.9%	Education
Michigan	738	24,804	3.0%	School Aid Fund; General Fund; Community Health (gambling addiction programs)
Pennsylvania	1,081	34,193	3.2%	Local Services, Senior Centers & Meals; Low-Cost Prescription Assistance; Free & Reduced-Fare Transportation; Property Tax & Rent Rebates; Care Services
New Hampshire	72	2,283	3.2%	Education Trust Fund
New Jersey	965	29,679	3.3%	Education; Higher Education; Human Services; Military and Veteran's Affairs; Agriculture
South Carolina	327	8,933	3.7%	Education
Massachusetts	930	25,236	3.7%	Lottery revenues are distributed to the cities & towns. Lottery funds are not earmarked for specific programs, allowing cities & towns to choose how they would like to spend the funds
Florida	1,495	35,384	4.2%	Educational Enhancement Trust Fund
Georgia	945	18,629	5.1%	Education Account
Oregon	509	9,684	5.3%	Economic Development Fund (education; job creation & economic development; state parks; watershed enhancement); General Obligation Bond Fund
South Dakota	106	1,608	6.6%	General Fund (K-12 education, state universities, technical institutes); Capital Construction Fund (water & environment; ethanol fuel; state highway)
<b>Median</b>	<b>176</b>	<b>11,755</b>	<b>1.5%</b>	

Sources: Census Bureau (tax revenues); Rockefeller Institute review of state lottery agencies' reports.

Notes: Video Lottery Terminal revenues are excluded for the following six states: Delaware, Maryland, New York, Ohio, Rhode Island, & West Virginia.