

State Lottery

Nevada lawmakers have repeatedly considered creating a state-run lottery to generate additional state revenue. In so doing, however, lawmakers have purposefully ignored the advice of their own consultants.

In 1988, Nevada lawmakers commissioned a tax study from the Urban Institute and Price Waterhouse.¹ This study is still regarded as the most significant and comprehensive examination of Nevada's fiscal structure.

The study contains an entire chapter that examines whether Nevada should adopt a state-run lottery and concludes that the state should not do so for several reasons.

Key Points

State-run lotteries do not generate significant revenues. Lottery revenues account for less than 3% of total tax revenues, on average, in states that administer these games.²

State-run lotteries are not stable revenue sources. Nationwide, state lottery revenues fluctuate dramatically from year to year – for many reasons. Data shows that lottery revenues have increased by as much as 250% percent year-over-year, and have decreased by as much as 50% percent year-over-year. This high degree of volatility renders budgetary planning based on these revenues extremely difficult.³

State-run lotteries are a highly regressive form of taxation. Studies indicate that individuals at the bottom of the income scale spend a far higher percentage of their income on state lottery purchases, making state lotteries a highly regressive implicit tax. In fact, as Price Waterhouse says, “The information indicates that as a tax, lotteries are among the most regressive.”⁴

In Nevada, a state-run lottery would compete directly with the private sector. Nevada is most unique among the states in the extent to which private-sector gaming is a legal enterprise. A state-run lottery would compete directly with private forms of lottery such as keno. Moreover, the state already draws revenue from these private-sector games through its array of gaming taxes.

Recommendations

Do not create a state-run lottery. As Price Waterhouse – the Nevada Legislature's own tax consultant – has concluded, “A state-run lottery fails every test of a ‘good’ tax policy. In Nevada, gaming should be left to the private sector.”⁵

¹Ed. Robert D. Ebel, *A Fiscal Agenda for Nevada*, The Urban Institute and Price Waterhouse, Prepared for the Nevada Legislature, University of Nevada Press, Reno, 1990.

²Ibid, p. 418.

³Ibid, p. 420.

⁴Ibid, p. 422.

⁵Ibid, p. 17.

State Lottery Revenues, by State, 2020 (In Thousands)

| State | Income | Prices | Administration | Net Proceeds |
|----------------|-------------|-------------|----------------|--------------|
| Alabama | . | . | . | . |
| Alaska | . | . | . | . |
| Arizona | \$1,023,405 | \$737,910 | \$42,211 | \$243,284 |
| Arkansas | \$531,443 | \$369,608 | \$44,448 | \$117,386 |
| California | \$6,622,003 | \$4,403,715 | \$313,998 | \$1,904,290 |
| Colorado | \$608,871 | \$424,560 | \$44,181 | \$140,130 |
| Connecticut | \$1,232,389 | \$822,243 | \$63,310 | \$346,837 |
| Delaware | \$303,083 | \$189,235 | \$10,776 | \$103,071 |
| Florida | \$7,090,784 | \$5,030,240 | \$189,907 | \$1,870,637 |
| Georgia | \$4,347,044 | \$3,045,570 | \$173,110 | \$1,128,364 |
| Hawaii | . | . | . | . |
| Idaho | \$255,657 | \$185,847 | \$13,896 | \$55,915 |
| Illinois | \$2,841,724 | \$1,842,188 | \$308,552 | \$690,984 |
| Indiana | \$1,289,404 | \$914,165 | \$72,502 | \$302,737 |
| Iowa | \$347,639 | \$236,317 | \$30,742 | \$80,580 |
| Kansas | \$249,305 | \$166,527 | \$17,569 | \$65,208 |
| Kentucky | \$1,132,397 | \$801,241 | \$58,161 | \$272,995 |
| Louisiana | \$480,233 | \$277,915 | \$25,860 | \$176,457 |
| Maine | \$293,293 | \$213,659 | \$16,845 | \$62,790 |
| Maryland | \$2,026,035 | \$1,369,036 | \$61,488 | \$595,511 |
| Massachusetts | \$5,246,038 | \$3,865,966 | \$101,761 | \$1,278,311 |
| Michigan | \$3,847,471 | \$2,640,004 | \$93,921 | \$1,113,546 |
| Minnesota | \$623,727 | \$440,231 | \$27,913 | \$155,584 |
| Mississippi | \$280,066 | \$198,263 | \$9,566 | \$72,237 |
| Missouri | \$1,423,039 | \$1,062,490 | \$54,154 | \$306,395 |
| Montana | \$59,855 | \$36,766 | \$7,872 | \$15,217 |
| Nebraska | \$171,708 | \$108,270 | \$20,389 | \$43,049 |
| Nevada | . | . | . | . |
| New Hampshire | \$369,151 | \$246,878 | \$22,752 | \$122,604 |
| New Jersey | \$3,030,187 | \$1,969,611 | \$113,158 | \$947,419 |
| New Mexico | \$127,053 | \$68,289 | \$11,948 | \$38,547 |
| New York | \$8,331,360 | \$4,623,604 | \$393,322 | \$3,314,434 |
| North Carolina | \$2,753,135 | \$1,957,586 | \$68,067 | \$725,486 |
| North Dakota | \$23,318 | \$12,669 | \$5,072 | \$5,577 |
| Ohio | \$3,237,953 | \$2,259,251 | \$87,740 | \$978,702 |
| Oklahoma | \$267,939 | \$166,693 | \$30,371 | \$70,875 |
| Oregon | \$927,391 | \$223,501 | \$127,734 | \$576,156 |
| Pennsylvania | \$4,139,905 | \$2,927,555 | \$106,924 | \$1,105,426 |
| Rhode Island | \$429,441 | \$156,724 | \$16,721 | \$255,997 |
| South Carolina | \$1,958,153 | \$1,424,229 | \$46,750 | \$487,174 |
| South Dakota | \$175,450 | \$36,147 | \$10,263 | \$129,040 |
| Tennessee | \$1,557,112 | \$1,092,050 | \$31,615 | \$433,497 |
| Texas | \$6,356,126 | \$4,442,358 | \$239,763 | \$1,674,006 |
| Utah | . | . | . | . |
| Vermont | \$128,726 | \$91,646 | \$9,698 | \$27,382 |
| Virginia | \$2,027,909 | \$1,318,103 | \$110,945 | \$598,860 |
| Washington | \$736,813 | \$530,238 | \$26,464 | \$180,111 |
| West Virginia | \$542,143 | \$127,853 | \$31,110 | \$383,180 |
| Wisconsin | \$684,462 | \$453,523 | \$48,840 | \$182,209 |
| Wyoming | \$22,546 | \$13,779 | \$2,620 | \$6,147 |

Source: U.S. Census Bureau, State Government Finances, Income and Apportionment of State-Administered Lottery Funds, 2020.