

Nothing free about the Idaho lottery payout

Marty Trillhaase/Lewiston Tribune

Idaho's lottery generated \$45 million last year. It works out to \$28 million for Idaho's public schools and \$17 million for public buildings.

Other than a slight drop in the profit - down from \$49 million last year - that's good news. Since the lottery was launched 26 years ago, it has provided nearly \$695 million to schools and state government.

And give credit where credit is due - the State Lottery Commission is a lean operation. There's no lavish payroll and no excessive advertising budget.

Just the same, this is anything but free money.

For one thing, it's a hugely inefficient way to come up with cash for schools and state government. To generate the \$45 million profit, Idaho's lottery had to sell about \$211 million worth of tickets.

That's \$211 million not spent on other goods and services. Usually the customers who buy the most lottery tickets are the people least able to afford it.

The latest fiscal statement is not yet in, but past experience suggests:

- About 64 percent - roughly \$133 million - goes out in prizes. In other words, money is taken from a lot of people and provided to a far smaller number of winners. Some would call that income redistribution. Economic development, it is not.
- About 5.4 percent - roughly \$12 million - is paid as commission to retailers.
- About 4 percent - almost \$9 million - is paid to game contractors or to purchase scratch tickets and pulltabs.
- Less than 2 percent - \$3.6 million - is spent on advertising. The lottery cannot spend more than 3.5 percent of its proceeds on advertising.
- Barely 1 percent - about \$2.7 million - pays for the lottery's payroll.

If Idaho wanted to raise an extra \$45 million, it could go to far less trouble.

Raising the sales tax by less than 0.2 cents would do it.

So would cutting by half the so-called production exemption that allows industry to avoid the sales tax.

Idaho lawmakers could lower by one-fifth the exemption that allows professional services a sales tax break.

Or they could simply accept Obamacare's offer to expand Medicaid to about 78,000 working poor adults, a shift that would save taxpayers the \$52 million they now shell out every year to cover health care bills for the medically indigent.

Not only does a lottery involve a lot of economic disruption for relatively little gain, but it also creates a mirage. In the public mind, the lottery's profile is magnified. How many times since voters amended Idaho's Constitution in 1988 to permit a lottery have you heard someone say: "Why do they need to raise my taxes again for schools? Why do we have the lottery?"

And thanks to the lottery, gaming has proliferated throughout Idaho. Under federal law, once a state begins a lotto, bingo or selling scratch tickets, Indian tribes are free to launch their operations.

Whatever economic benefit gaming has brought Idaho's tribes, it was a largely unforeseen consequence of the 1988 constitutional amendment. About the only person sounding the alarm at the time was then-Attorney General - and now Idaho Supreme Court Justice - Jim Jones.

So getting a \$45 million lottery

dividend check will help a bit.

But it comes with a price. - M.T.