How the Texas Lottery Commission helped rich investors stack the odds
houstonchronicle.com

DraftKings CEO Talks Online Lottery Potential To Grow Sports Betting
legalsportsreport.com

Texas Lottery Commission Caught Misrepresenting Rule Change
texasscorecard.com

Lottery Discussion
A Cautionary Tale from Texas……

Lessons to Learn from TX Lottery Broken Promises

- Has the lottery paid for educating the children of Texas?
- Historical: Sales Tax vs. Lottery
- Not Incremental Dollars in Schools - Grown Government

The Arguments

The Responses

- Discretionary Income
- Lottery = Scratch Tickets
  - Impulse purchase with immediate gratification
- Where are the Sales gonna come from?
  - Economic & Census data

- Draw Games vs. Scratch Tickets propensity
- Tax rates, quantifying sales requirement

Lottery Games : Tax Rates

Draw Games: *Lotto, Multi State Games*

50% Prize Pool   12% Admin   38% Tax to State

Draw Games Assumptions- 50% prize pool, 12% Administrative, 38% tax rate

Instant Scratch Games: *Higher the price point, the lower the tax rate*

72% Prize Pool   12% Admin   16% Tax to State

Instant Ticket Games Assumptions- 72% prize pool, 12% Administrative, 16% tax rate

Texas Lottery Sales and Revenue
Fiscal Years 1992 - 2024
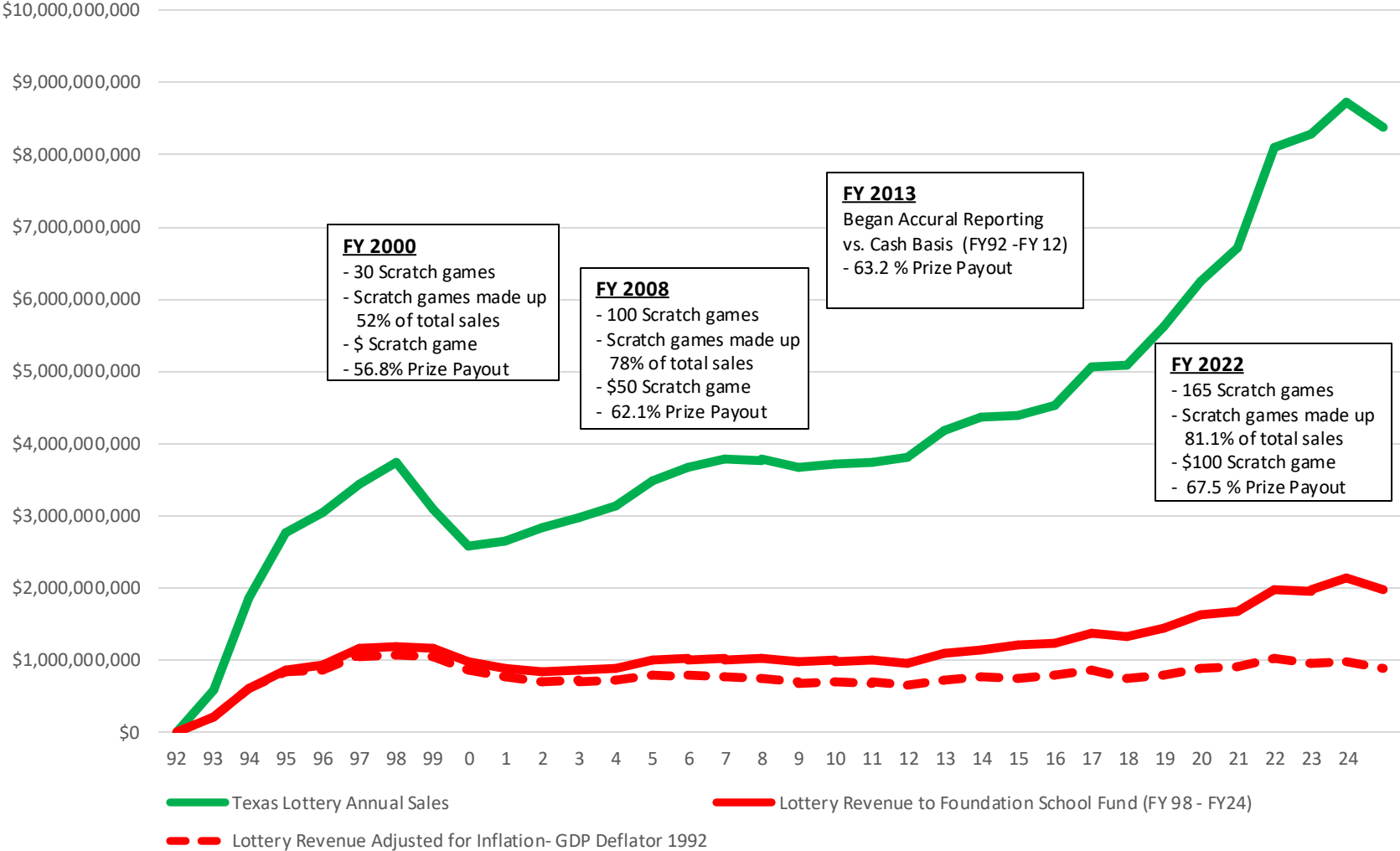
FY 2000
- 30 Scratch games
- Scratch games made up 52% of total sales
- $ Scratch game
- 56.8% Prize Payout

FY 2008
- 100 Scratch games
- Scratch games made up 78% of total sales
- $50 Scratch game
- 62.1% Prize Payout

FY 2013
Began Accural Reporting vs. Cash Basis (FY92 -FY 12)
- 63.2 % Prize Payout

FY 2022
- 165 Scratch games
- Scratch games made up 81.1% of total sales
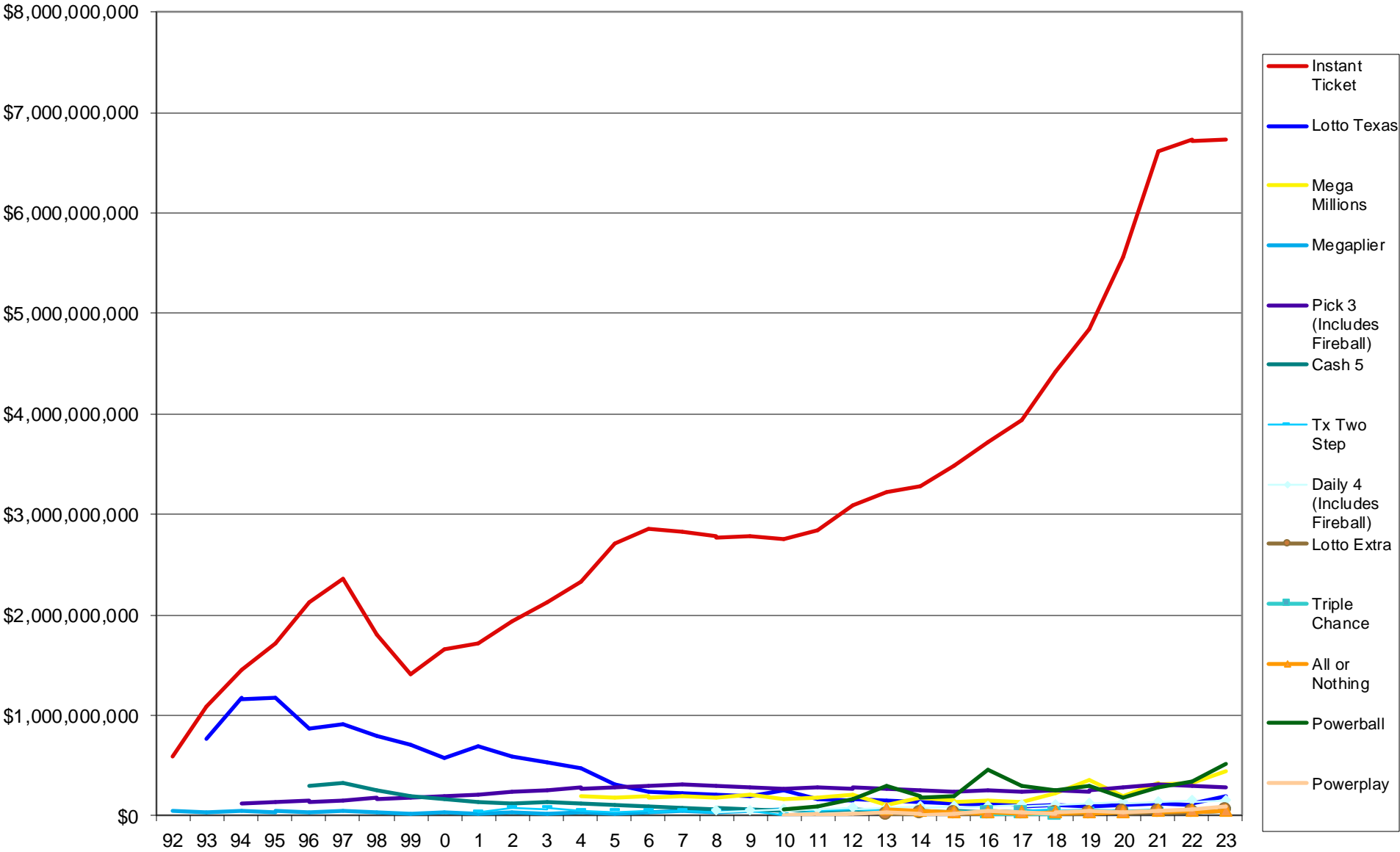- $100 Scratch game
- 67.5 % Prize Payout

Texas Lottery Annual Sales

Lottery Revenue to Foundation School Fund (FY 98 - FY24)
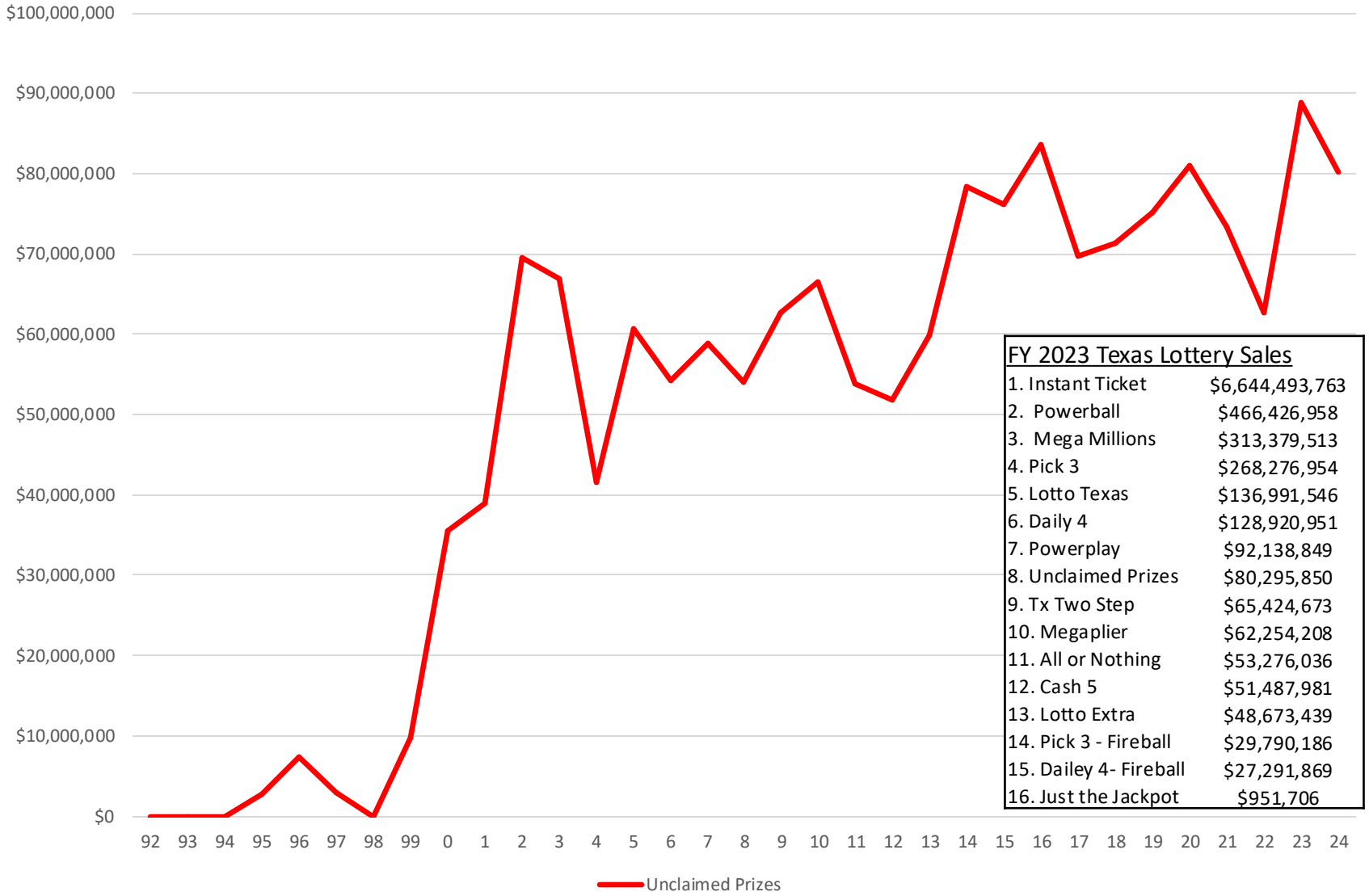
Lottery Revenue Adjusted for Inflation- GDP Deflator 1992

Texas Lottery Sales by Product
Fiscal Years 1992 - 2024

Legend:
- Instant Ticket
- Lotto Texas
- Mega Millions
- Megaplier
- Pick 3 (Includes Fireball)
- Cash 5
- Tx Two Step
- Daily 4 (Includes Fireball)
- Lotto Extra
- Triple Chance
- All or Nothing
- Powerball
- Powerplay

Texas Lottery Unclaimed Prizes
Fiscal Years 1992 -2024

FY 2023 Texas Lottery Sales

1. Instant Ticket	$6,644,493,763
2. Powerball	$466,426,958
3. Mega Millions	$313,379,513
4. Pick 3	$268,276,954
5. Lotto Texas	$136,991,546
6. Daily 4	$128,920,951
7. Powerplay	$92,138,849
8. Unclaimed Prizes	$80,295,850
9. Tx Two Step	$65,424,673
10. Megaplier	$62,254,208
11. All or Nothing	$53,276,036
12. Cash 5	$51,487,981
13. Lotto Extra	$48,673,439
14. Pick 3 - Fireball	$29,790,186
15. Dailey 4- Fireball	$27,291,869
16. Just the Jackpot	$951,706

—— Unclaimed Prizes

Lottery Games : Tax Rates

Draw Games: *Lotto, Multi State Games*

50% Prize Pool 12% Admin 38% Tax to State

Draw Games Assumptions- 50% prize pool, 12% Administrative, 38% tax rate

Instant Scratch Games: *Higher the price point, the lower the tax rate*

72% Prize Pool 12% Admin 16% Tax to State

Instant Ticket Games Assumptions- 72% prize pool, 12% Administrative, 16% tax rate

How Much has to Wagered?

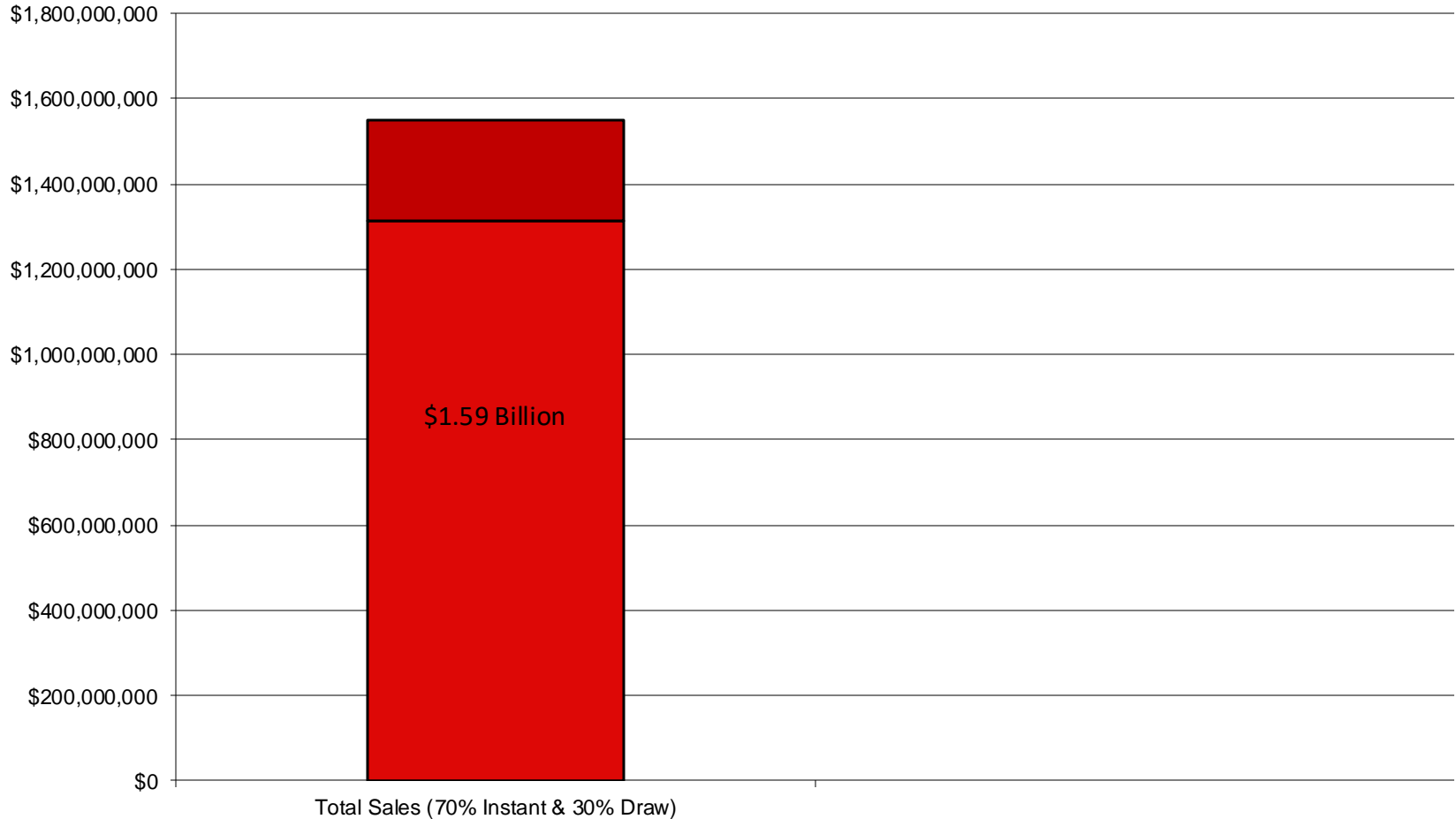*" projected to exceed $300 million annually, benefit education and education only"*
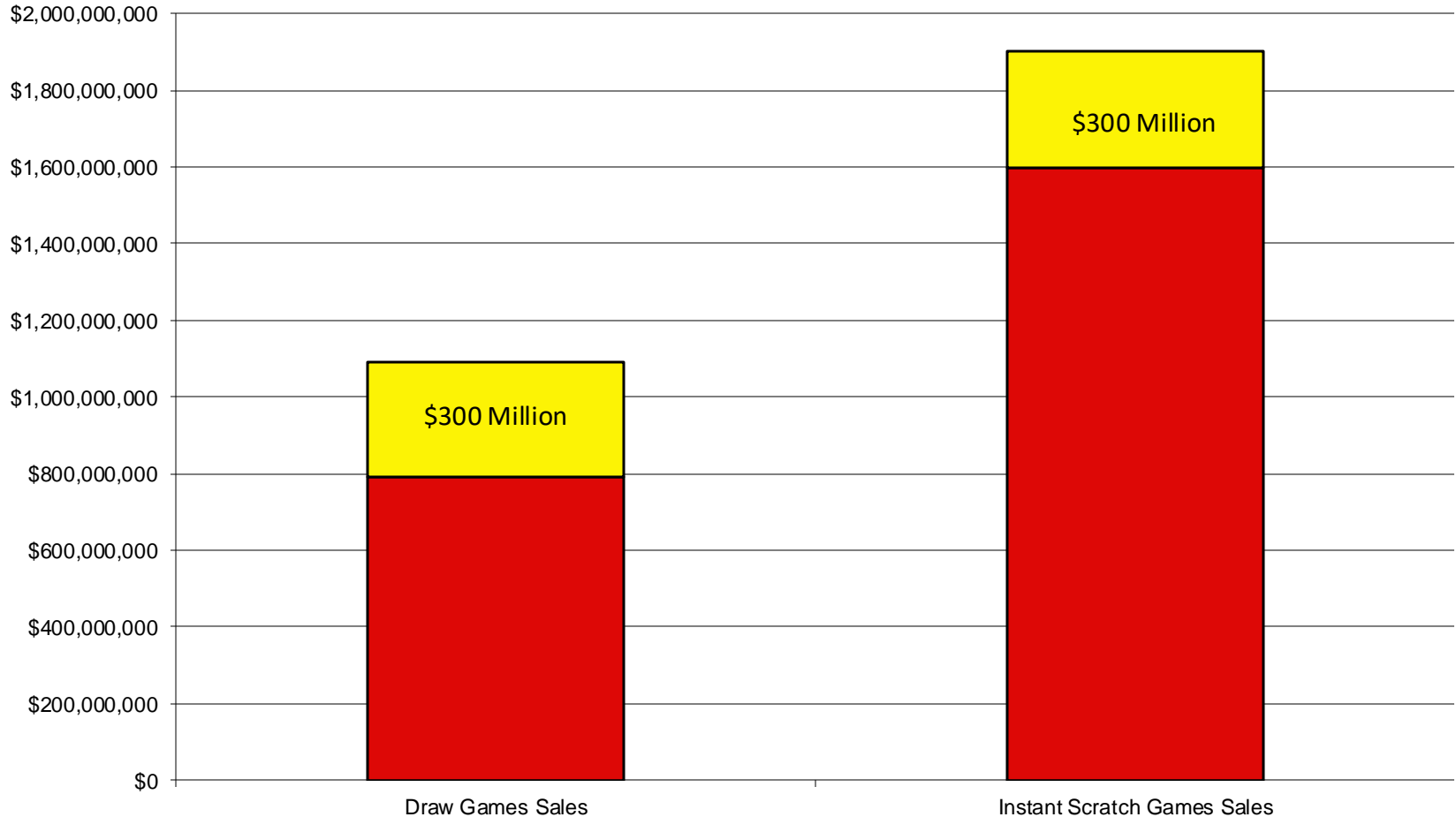
Draw Games Formula- $300 million is 38% of $789.5 Million
Instant Scratch Formula- $300 million is 16% of $1.87 Billion

Lottery Games : Projected Sales

"Discretionary Income ? Or Dollars redirected out of the current Local Economy?"
"

$1,800,000,000

$1,600,000,000

$1,400,000,000

$1,200,000,000

$1,000,000,000

$800,000,000

$600,000,000

$400,000,000

$200,000,000

$0

$1.59 Billion

Total Sales (70% Instant & 30% Draw)

Formula to generate $300 million:
- Instant Scratch games generating 70% of sales @ 16% tax rate
*- Draw game sales generating 30% of sales @ 38% tax rate*

Propensity in Local Communities

Sources & Methodology

- Fiscal Year 2023 Sales and Retailer Data from the Texas Lottery Commission

- Data from the Texas Legislative Council

- Data reported by the U.S. Bureau of the Census from the long-form questionnaire for the 2020 census

- 2020 Census, SF 3, SF1

Fiscal Year 2023 Top "5" Lottery Sales Legislative House Districts
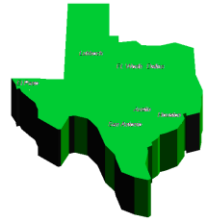
Ranking	Representative	Per Capita Income	FY23 Lottery Sales	Est. Contribution to Texas Education
#1	Rep. Campos	$26,414	$102.9 million	$25.2 million
#2	Rep. Gerdes	$32,783	$101.7 million	$24.9 million
#3	Rep. AJ Louderback	$31,278	$96.1 million	$23.6 million
#4	Rep. Lujan	$29,753	$95.9 million	$23.5 million
#5	Rep. Bernal	$32,158	$92.3 million	$22.6 Million

Source: 2018 – 2022 American Community Survey (ACS) 5-year Summary File analysis by Texas Legislative Council, Research Division & Texas Lottery Commission FY23 Sales Data and contributions to Texas Foundation School Fund at 24.5%

Fiscal Year 2023 Top "5" Per Capita Income Legislative House Districts

| Ranking	Representative	Per Capita Income	FY23 Lottery Sales	Est. Contribution to Texas Education
#1	Rep. Meyer	$104,418	$24.3 million	$5.9 million
#2	Rep. Johnson	$96,039	$29.5 million	$7.2 million
#3	Rep. Capriglione	$73,256	$38.5 million	$9.4 million
#4	Rep. Goodwin	$72,255	$26.9 million	$6.6 million
#5	Rep. Howard	$68,965	$39.4 million	$9.6 million

Source: 2018 – 2022 American Community Survey (ACS) 5-year Summary File analysis by Texas Legislative Council, Research Division & Texas Lottery Commission FY23 Sales Data and contributions to Texas Foundation School Fund at 24.5%

Annual Per Capita Income
Dallas Area Legislative House Districts
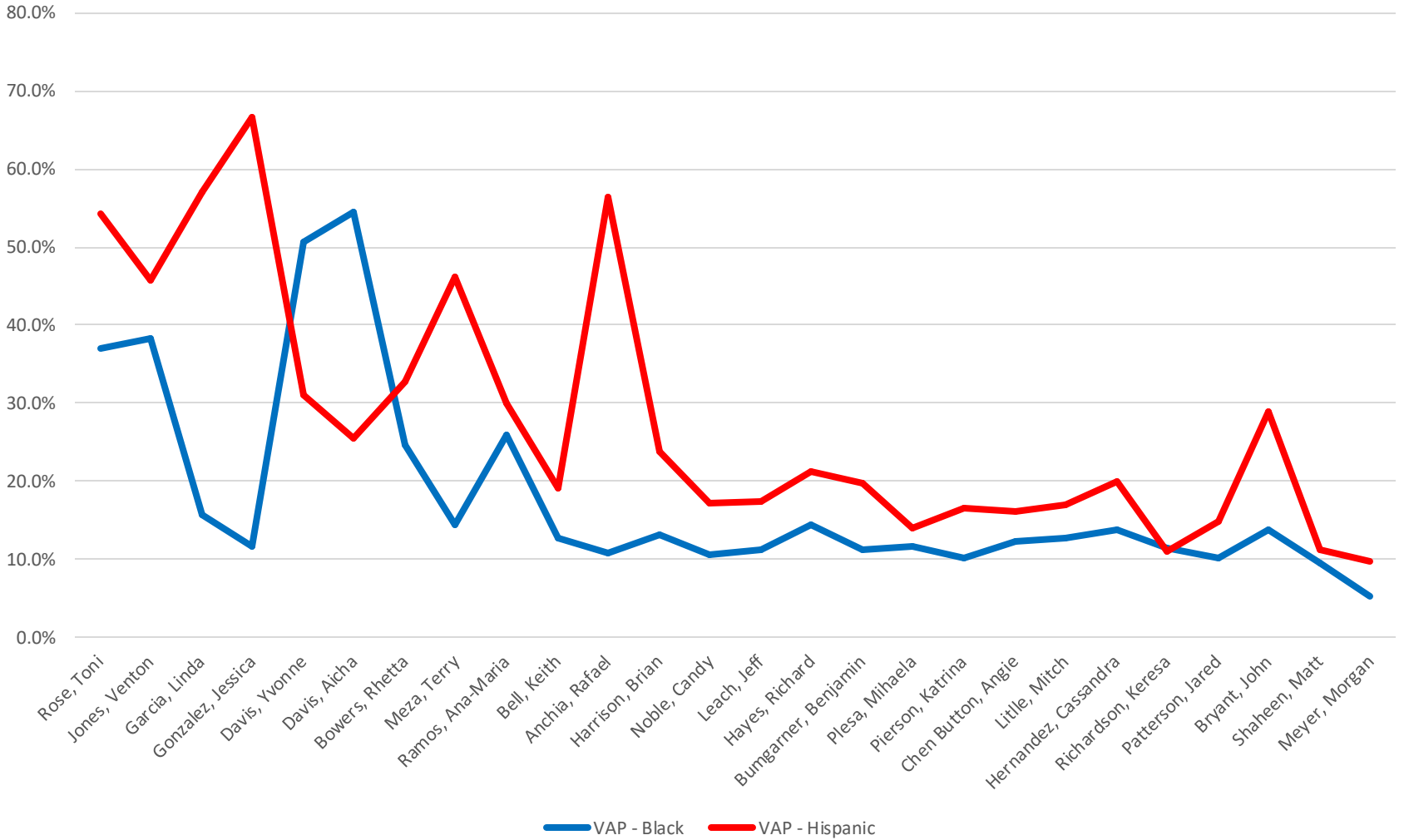### Source: 2018 - 2022 American Community Survey (ACS) Estimates
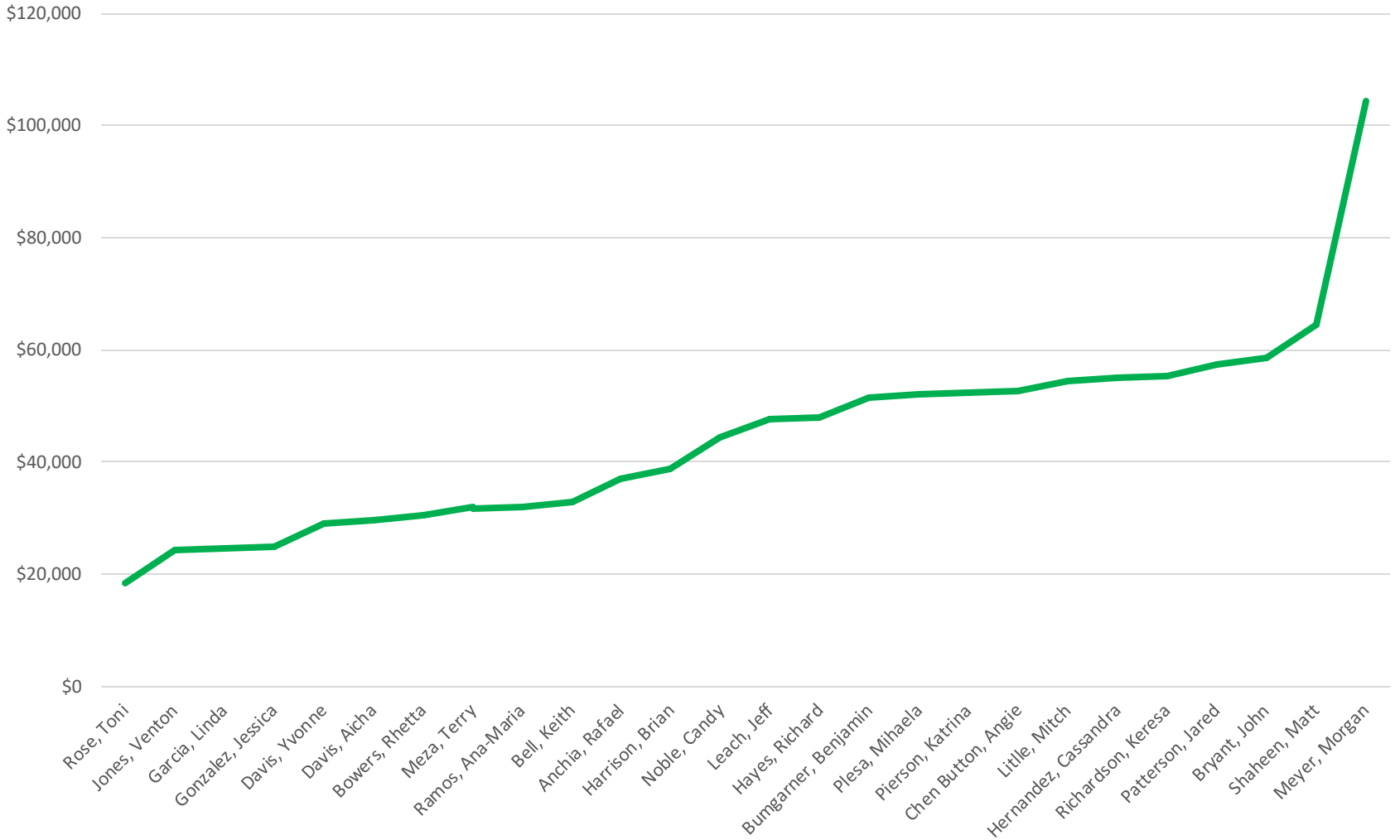
Selected Education (Age 25+) Characteristics
Dallas Area Legislative House Districts
Source: : 2018 - 2022 American Community Survey (ACS) Estimates


Legend: ■ Bachelor's Degree or Higher ■ Less than High School Graduate
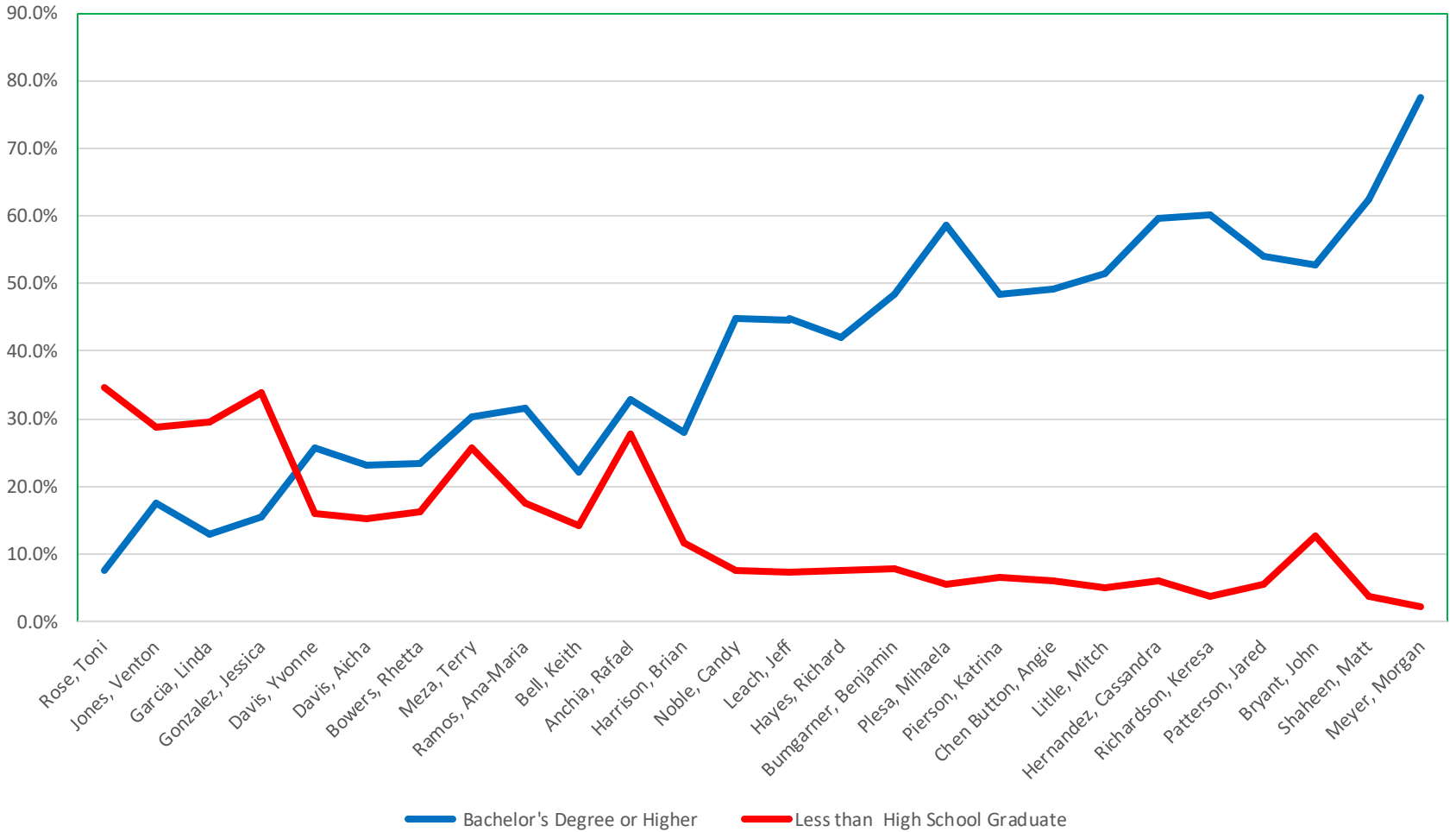
Voting Age Population (VAP)
Dallas Area Legislative House Districts
Source: 2020 Census


Legend: VAP - Black (blue line), VAP - Hispanic (red line)

Selected Labor (Age 16+) & Income Characteristics
Dallas Area Legislative House Districts
Source: 2018 - 2022 American Community Survey (ACS) Estimates

Households with Supplemental Security Income ——— Households with Public Assistance Income
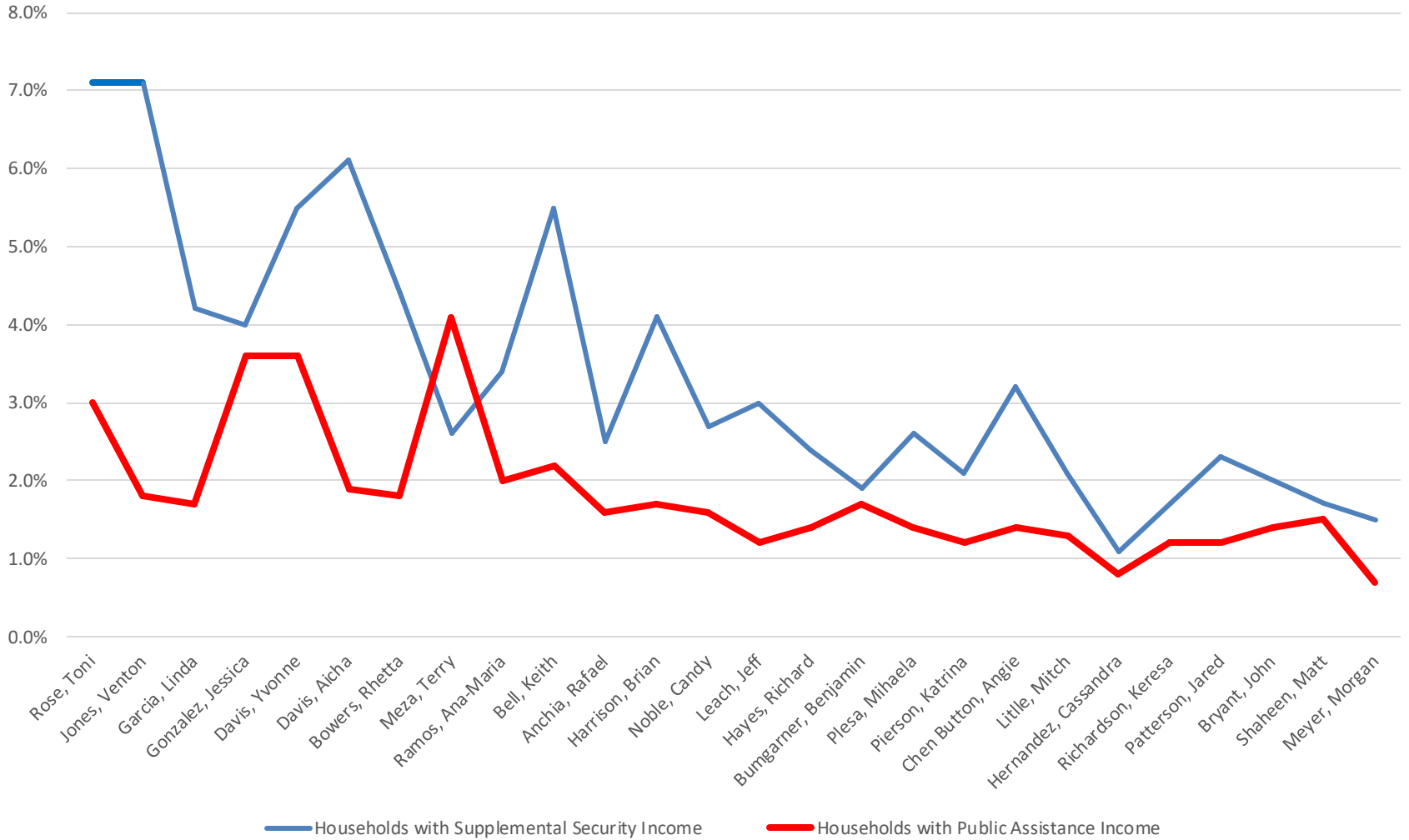
Est. Value of 1 yr. SNAP Benefits
Dallas Area Legislative House Districts
Note :This is only an Estimate: SNAP Utilization and Eligibility in Texas and Texas Legislative Districts
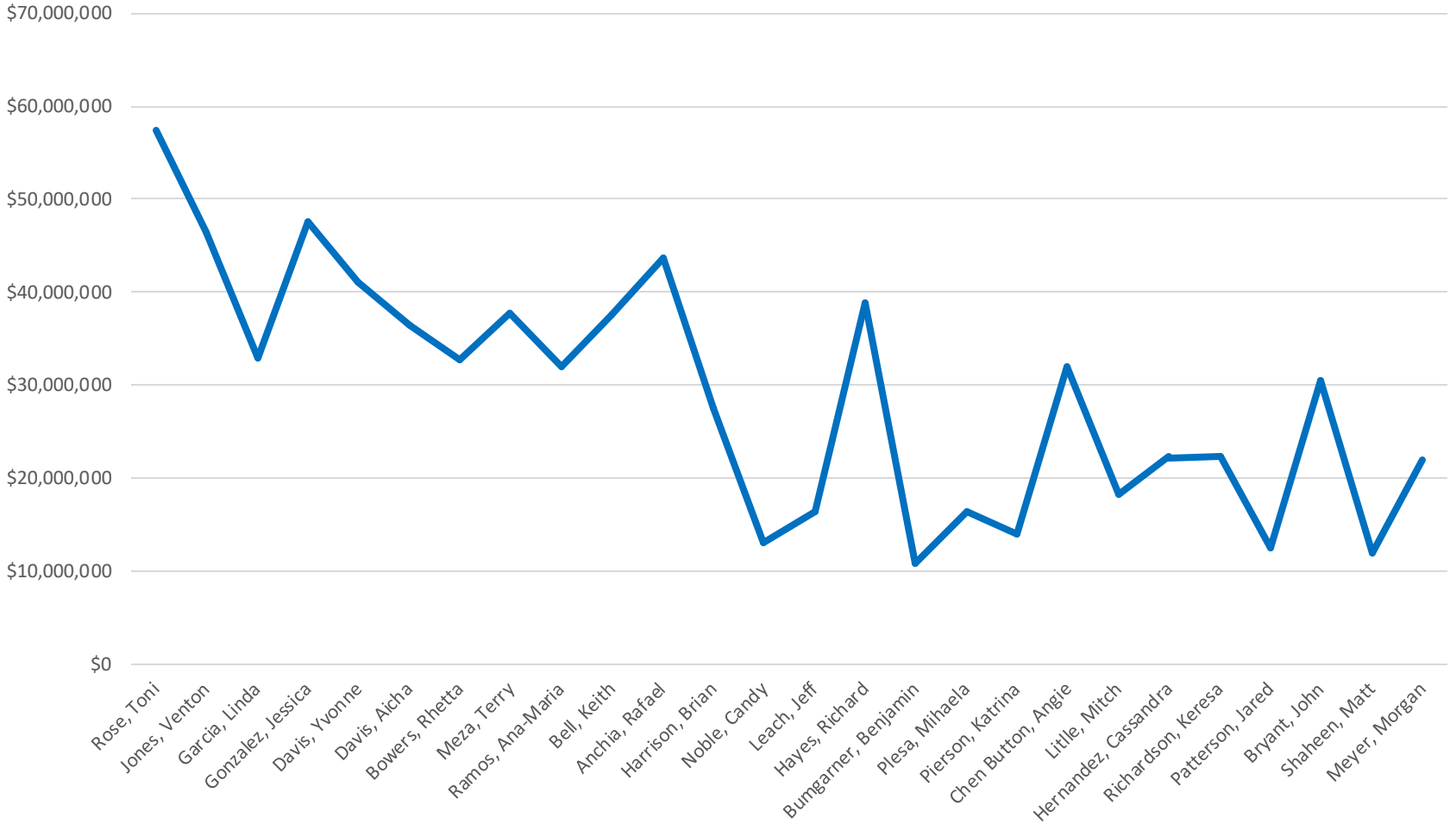
FY23 Total Texas Lottery Sales
Dallas Area Legislative House Districts
Source: Texas Lottery Commission FY23 Sales & Retailer Data (Actual Retailer Sales)
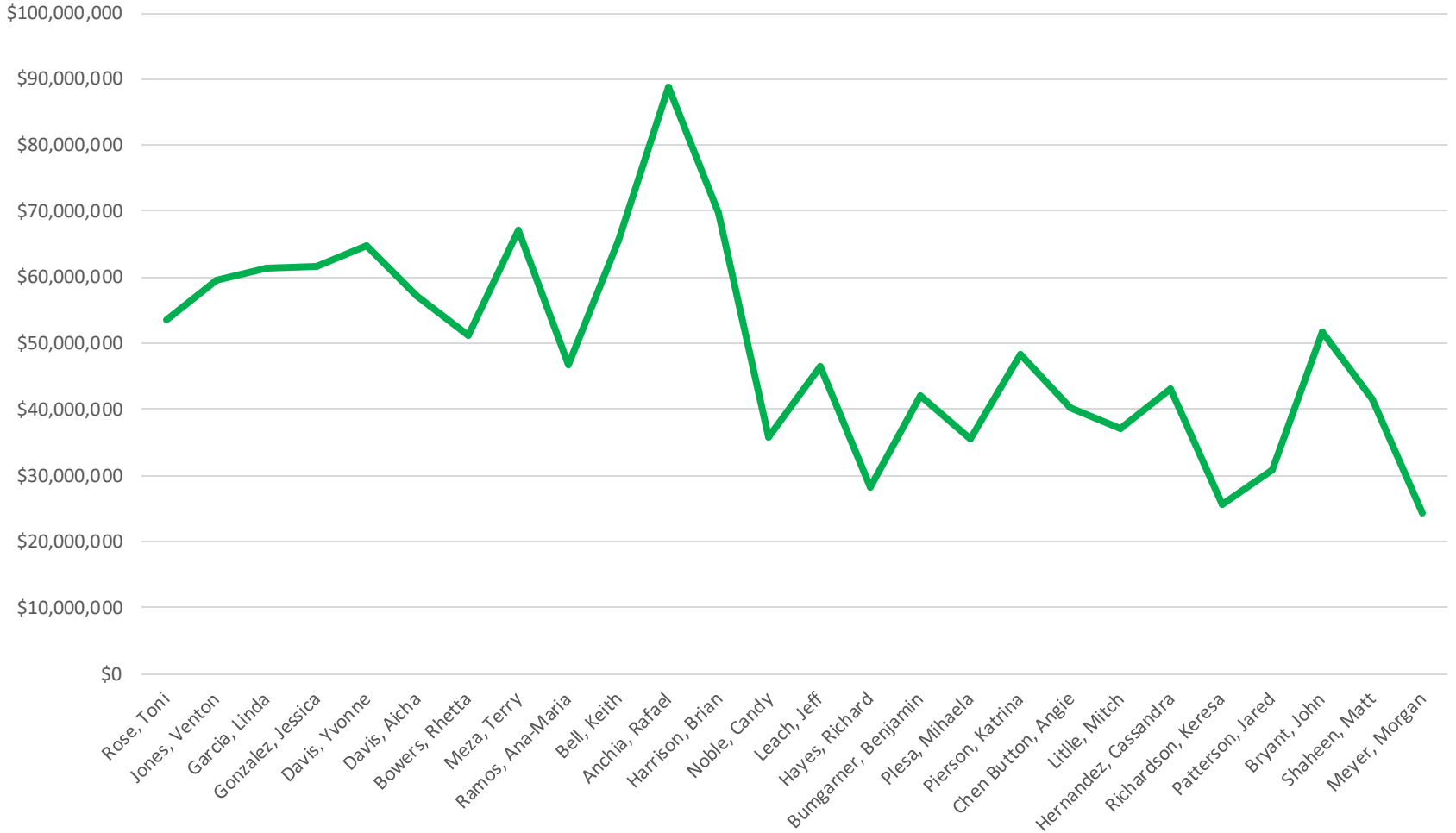
FY23 Total Texas Lottery Sales and Contribution to Foundation School Fund
Dallas Area Legislative House Districts
Source: Texas Lottery Commission FY23 Sales & Retailer Data (Actual Retailer Sales)

Percentage of Per Capita Income Spent on Lottery- Voting Age Population
Dallas Area Legislative House Districts
Source: Texas Lottery Commission FY23 Sales & Retailer Data & U.S. Bureau of the Census, 2000
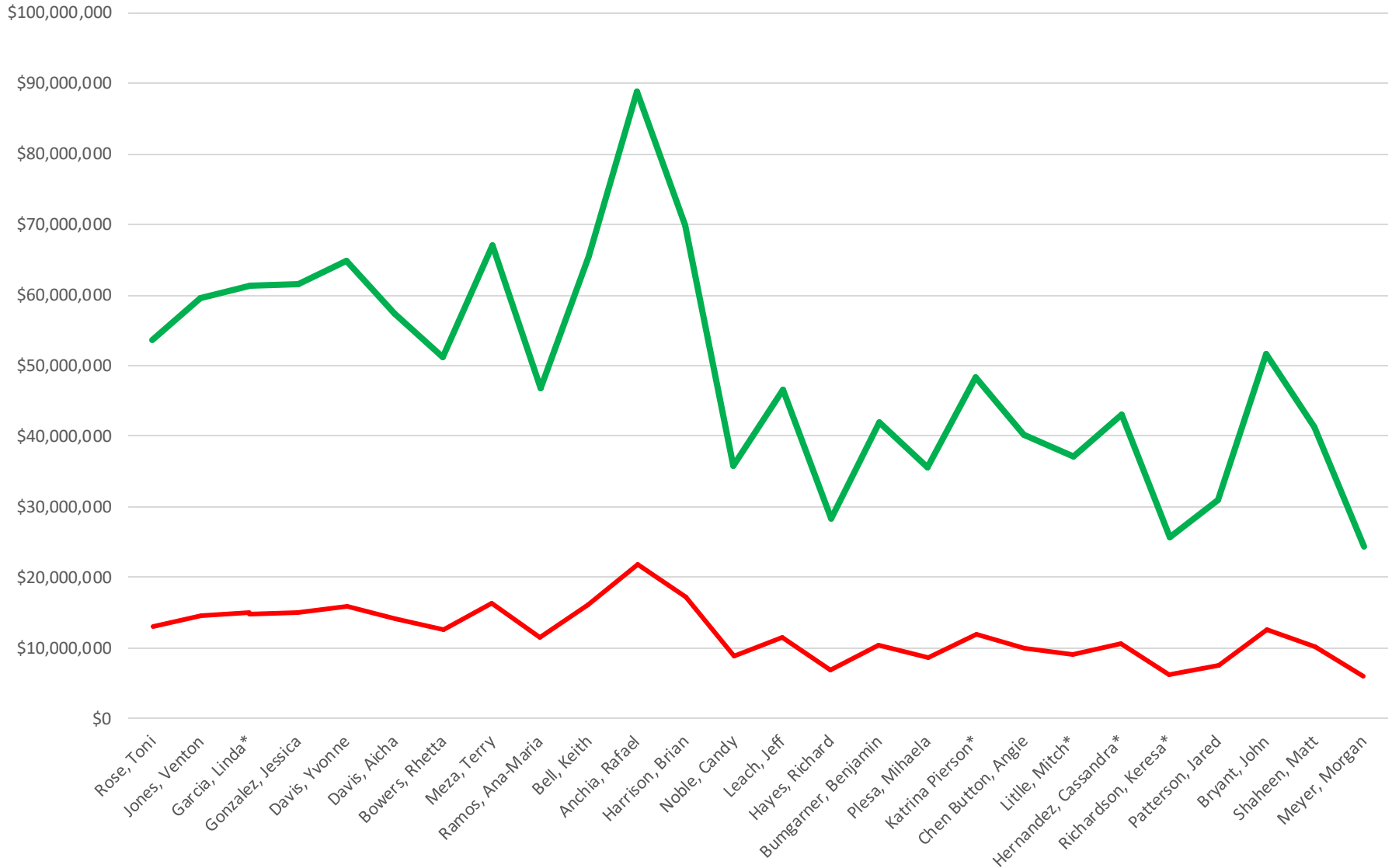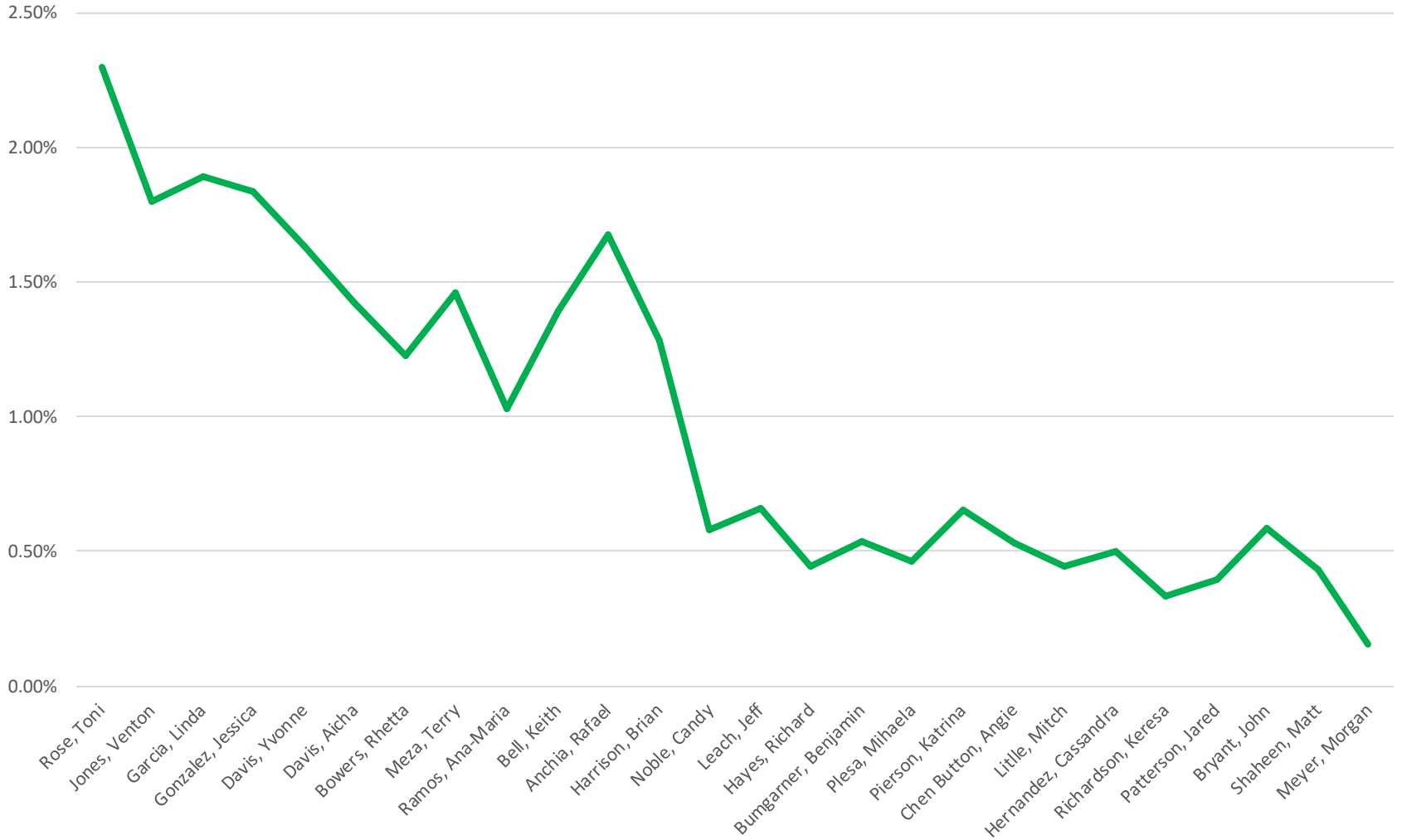
FY23 Total Texas Lottery Sales by Product
Dallas Area Legislative House Districts
Source: Texas Lottery Commission FY23 Sales & Retailer Data (Actual Retailer Sales)

Legend: All of Nothing, Cash Five, Daily 4, Instant Sales, Lotto, Mega Million, Pick 3, PowerBall, Tx 2 Step

X-axis districts: Rose, Toni; Jones, Venton; Garcia, Linda; Gonzalez, Jessica; Davis, Yvonne; Davis, Aicha; Bowers, Rhetta; Meza, Terry; Ramos, Ana-Maria; Bell, Keith; Anchia, Rafael; Harrison, Brian; Noble, Candy; Leach, Jeff; Hayes, Richard; Bumgarner, Benjamin; Plesa, Mihaela; Pierson, Katrina; Chen Button, Angie; Litle, Mitch; Hernandez, Cassandra; Richardson, Keresa; Patterson, Jared; Bryant, John; Shaheen, Matt; Meyer, Morgan

FY23 Texas Lottery Sales Validations/Prizes
Dallas Area Legislative House Districts
Source: Texas Lottery Commission FY23 Sales & Retailer Data (Actual Retailer Sales)

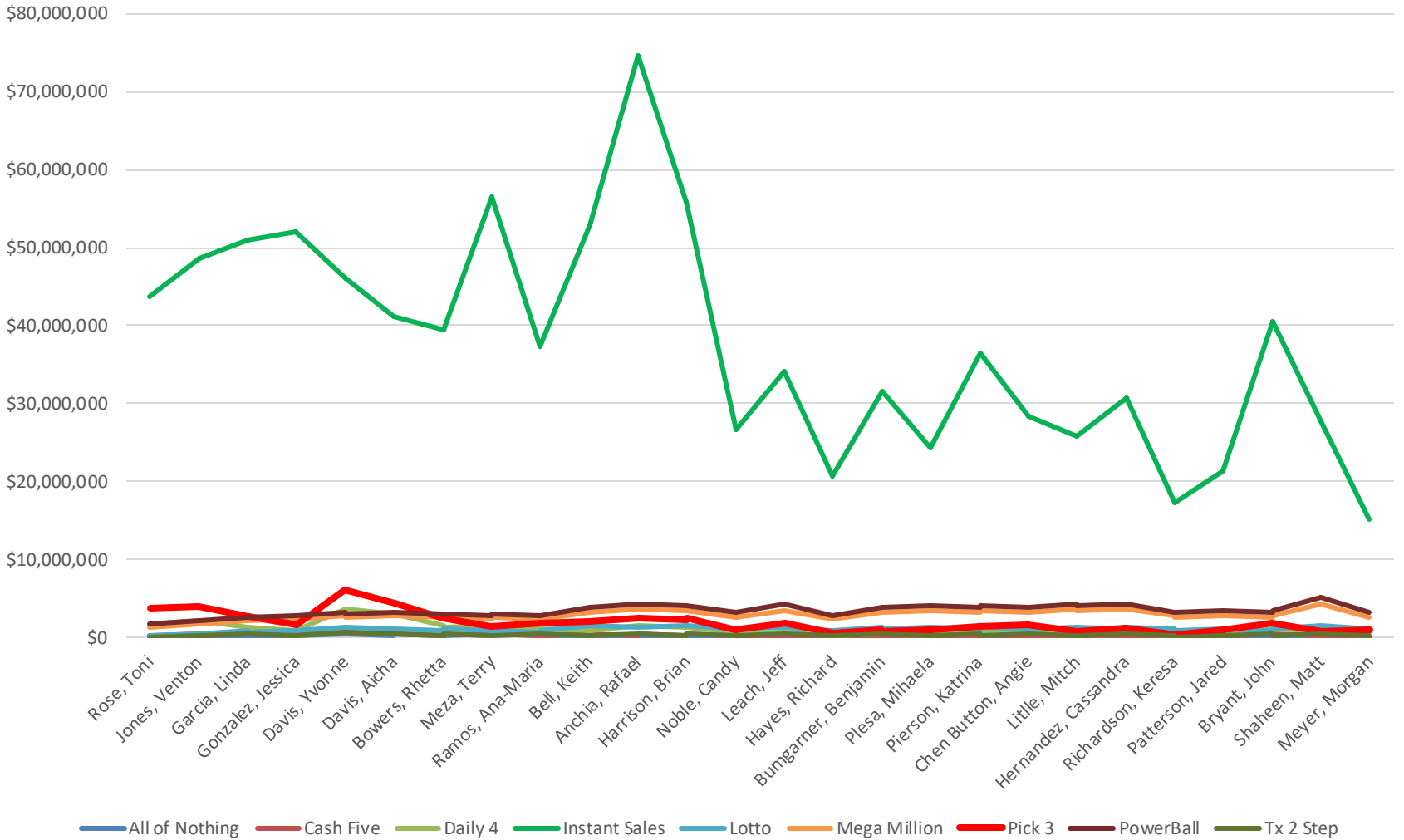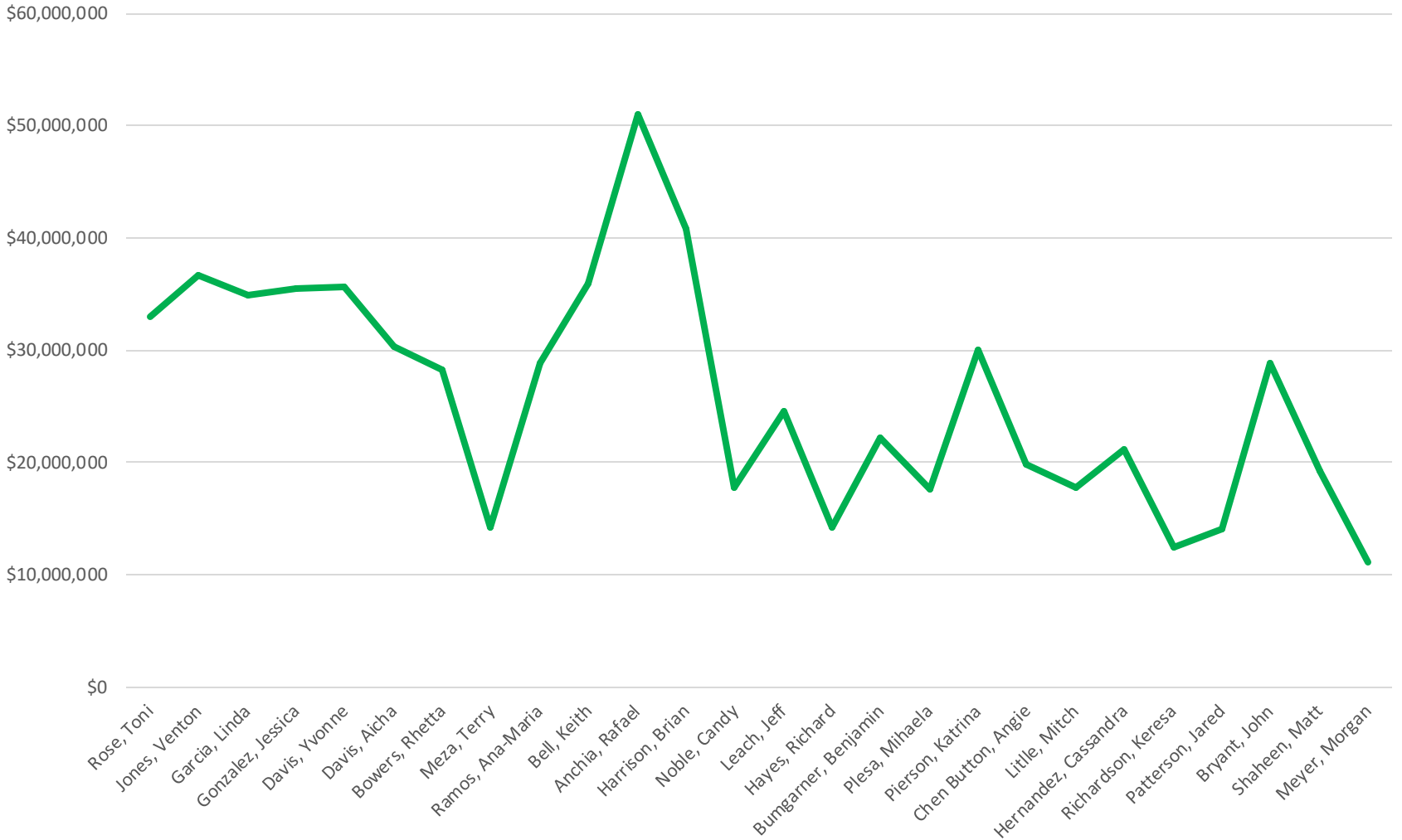# Lottery Couriers

NEWS

Jackpocket bets on becoming Uber Eats of lottery tickets

Targeting millenials, company's app and courier service handles ticket purchases for national, state games

Susannah Sudborough ssudborough@statesman.com
Published 4:27 p.m. CT June 27, 2019 | Updated 5:27 p.m. CT July 7, 2019

An intriguing lottery ticket ordering app recently launched in Texas, aiming to get more millennials to play the lottery and raising questions about the allure — and possible pitfalls — of digital gaming.

Headquartered in New York, Jackpocket offers the first third-party app in the U.S. that allows players to order tickets for state lottery games, along with Powerball and Mega Millions. Notably, a user can't actually buy a ticket on the app itself. Instead, Jackpocket provides a "courier service" app, similar to Uber Eats, DoorDash and Postmates. Users order a lottery ticket, and Jackpocket sends someone to purchase it from a brick-and-mortar retailer. Once the company acquires the ticket, a picture of it is uploaded to the app for the customer, along with other information such as the ticket's serial number.

Once a customer purchases a lottery ticket through the Jackpocket app, he or she receives a high-resolution photo of the ticket on a smart phone. The photo is a significant lure of the app since it reduces the risk of losing a ticket — short of losing your phone. [Courtesy photo] *Austin American-Statesman*
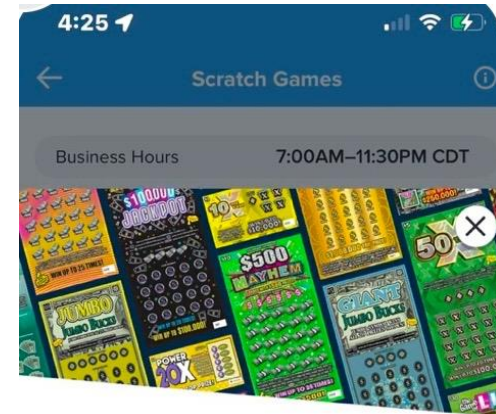
Scratch and win from your phone

Here's how it works:

- Choose your favorite Texas Lottery scratchers
- Scratch your tickets right in the app (no quarters necessary)
- Collect winnings less than $600 instantly!

Learn more ›

SHOP SCRATCHERS

Lottery Couriers
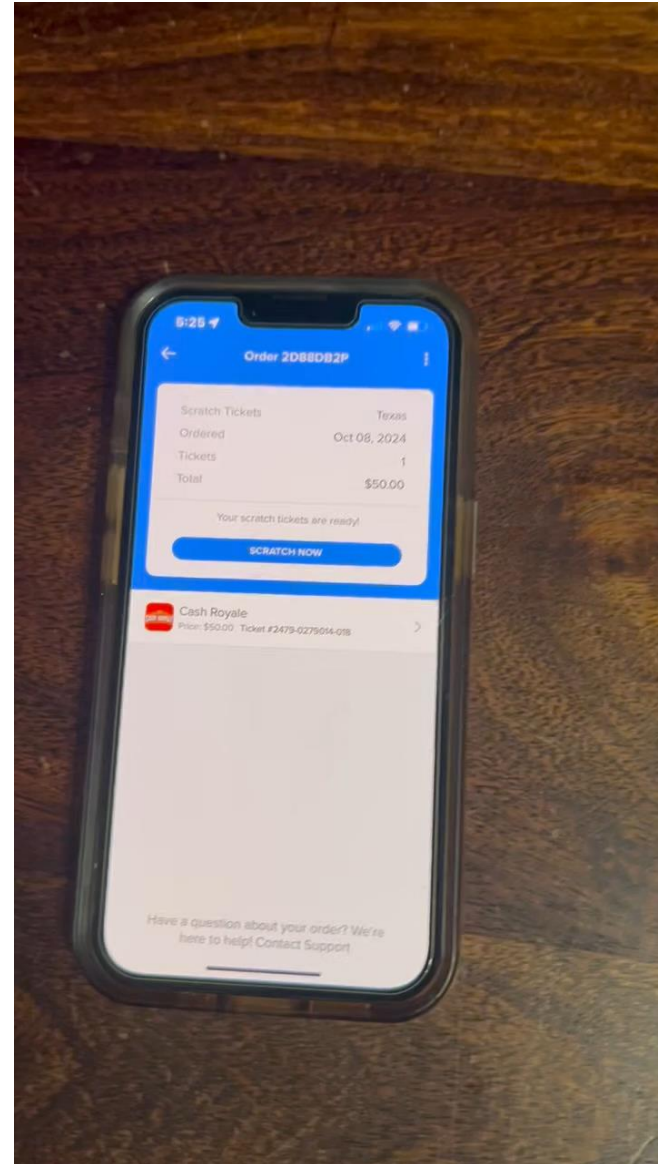
How rich investors stacked the odds for a $95M Texas Lotto win: A Houston Chronicle investigation

By **Eric Dexheimer** | Updated Oct. 3, 2024 10:57 a.m.

(X) (f) (✉)

Texas Lotto changes rules after a Houston Chronicle investigation

The reporting found a mass ticket buying scheme among wealthy investors.

▶ **Texas Lotto changes rules after a Houston Chronicle investigation**
August 22, 2024

○ TEXAS STANDARD

By Alexandra Hart | August 22, 2024 3:19 pm
Texas Standard Original

The surprising European links to a $95M Lotto Texas win

A group of investors won an April 2023 Texas Lotto jackpot with a low-risk bet after arranging to buy 25 million tickets at three different sites, covering most every possible winning combination.
Photo illustration / images courtesy Texas Lottery Commission,

$95 million Lotto Texas win had stacked odds, a Chronicle investigation found. Now there's new rules

10 key takeaways from the Chronicle's investigation into a stacked-odds $95M Texas Lotto win

By **Eric Dexheimer**, *Staff writer*

Indian Gaming

- Any consideration for expansion of gambling in the State of Alabama must include a complete understanding of how the Indian Gaming Regulatory Act ("IGRA") empowers federally recognized Indian tribes through Class III Tribal State Compacts and Land Acquisitions.

Florida-Seminole compact decision to have huge impact on online sports betting
espn.com

Indian Gaming

- IGRA Class I, II and III- Texas & Alabama
- "Actionable Class III game"- Lottery vs. Online Lottery
- Florida- Another Cautionary Tale
- Oklahoma - McGirt
- New IGRA Rules:
  - 25 CFR Part 151, Land Acquisitions
  - 25 CFR Part 293, Class III Tribal State Gaming Compact Process
- Out of State Tribes with Historic lands

Tribes battle over ancestral land — and a casino in California wine country

washingtonpost.com

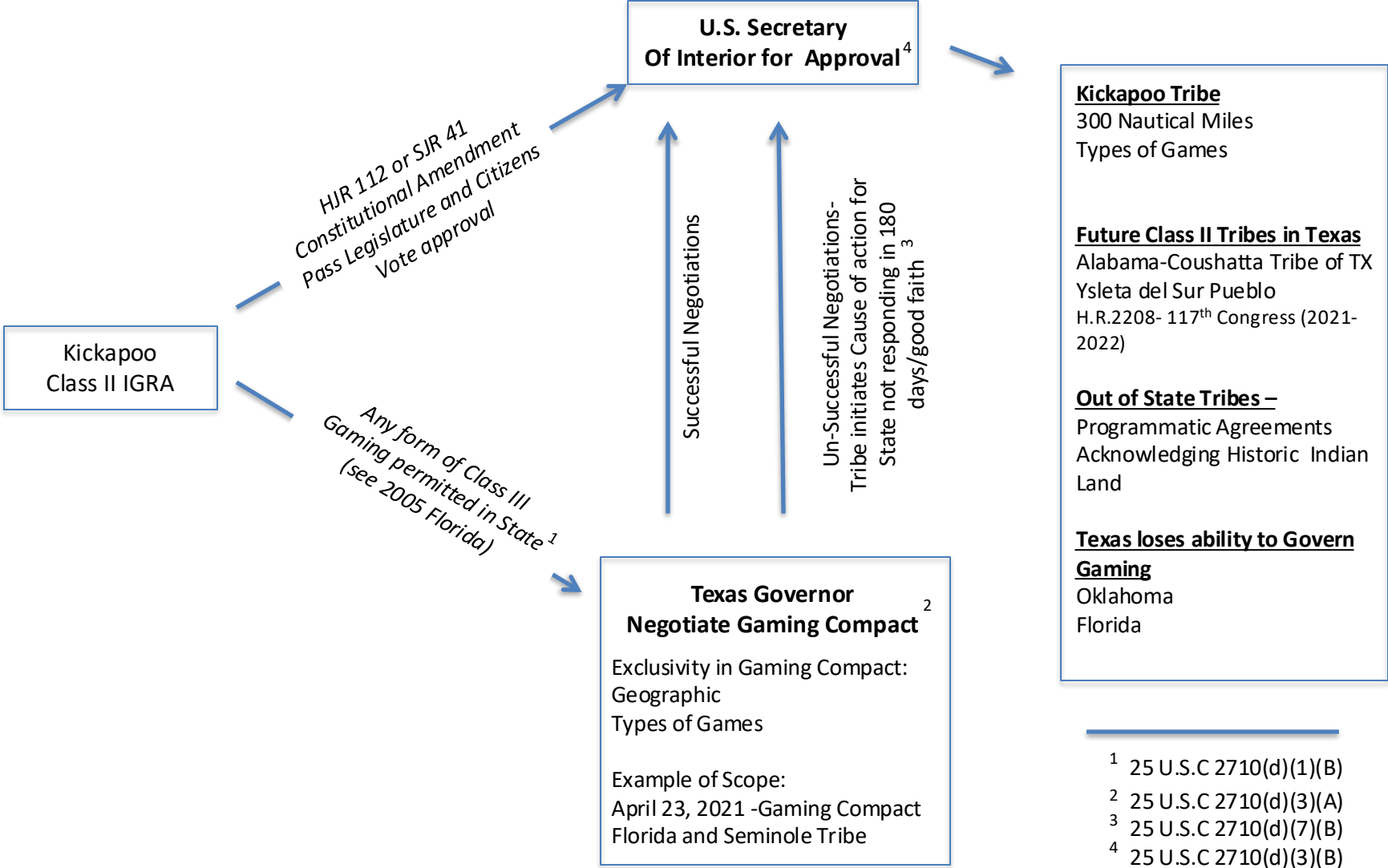# Analysis of "Out-of-State" Federally Recognized Indian Tribes' Ancestory Land by Texas Senate Districts

Texas Senators	Eastern Shawnee Tribe of Oklahoma	Alabama-Quassarte Tribal Town	Alabama- Coushatta	Commanche Tribe of Oklahoma	Choctaw Nation of Oklahoma	Ysleta del Sur Pueblo	Mescalero Apache	Kiowa Tribe of Oklahoma	Tonkawa Tribe of Oklahoma	Seminole Nation of Oklahoma	Jicarilla Apache Nation	Cherokee Nation	Delaware Nation	Coushatta Tribe of Louisiana	Tunica-Biloxi Indian Tribe	Absentee Shawnee Tribe of Oklahoma	Kickapoo of Kansas	Thlopthlocco Tribal Town	Muscogee (Creek) Nation of Oklahoma	Quapaw Tribe of Indians	Kialegee Tribal Town	United Keetoowah Band of Cherokee Indian	Poarch Band of Creek Indians	Kickapoo of Oklahoma	Caddo Nation of Oklahoma
Bryan Hughes	x		x	x	x		x	x	x		x	x			x	x	x	x	x	x	x	x	x	x	x
Bob Hall	x			x			x	x	x		x	x			x	x	x	x	x	x	x	x	x	x	x
Robert Nichols		x	x	x	x		x	x	x		x	x	x	x		x	x	x	x			x			x
Brandon Creighton		x	x	x	x		x	x	x							x									
Charles Schwertner	x	x	x	x			x	x			x	x				x	x								x
Carol Alvarado		x	x				x																		
Paul Bettencourt		x	x				x	x	x																
Angela Paxton	x		x				x	x	x						x				x	x	x	x	x	x	x
Kelly Hancock	x		x				x	x	x			x										x	x	x	x
Phil King	x		x				x	x	x			x										x	x	x	x
Mayes Middelton		x	x				x																		
Tan Parker	x		x				x	x	x			x			x							x	x	x	x
Boris Miles		x	x				x	x	x																
Sarah Eckhart	x	x	x				x	x	x																x
John Whitmire		x	x				x	x																	
Nathan Johnson	x		x				x	x	x		x											x		x	x
Joan Huffman		x	x				x	x	x																
Lois Kolkhorst	x	x	x	x			x	x	x																x
Roland Guiterrez	x	x	x	x		x	x	x	x	x		x										x		x	x
Juan Hinojosa	x		x				x	x	x													x		x	x
Judith Zaffarini	x	x	x				x	x	x													x			
Brian Birdwell	x		x				x	x	x			x					x	x				x		x	x
Royce West	x		x				x	x	x		x	x										x		x	x
Pete Flores	x	x	x	x			x	x	x	x												x		x	x
Donna Campbell	x	x	x	x			x	x	x	x												x		x	x
Jose Menendez		x	x				x	x	x																x
Morgan Lamantia			x				x	x	x																
Charles Perry	x		x	x			x	x	x	x	x	x			x			x				x		x	x
Cesar Blanco			x		x		x	x				x													
Drew Springer	x		x	x			x	x	x			x			x			x				x		x	x
Kevin Sparks			x			x	x	x	x		x											x		x	x

Sources: National Historic Preservation Act Section 106 Progammatic Agreements (Maps), and Historical Documents.

State of Texas Class II Paths to Class III Federal Gaming Classification- Model

Class II

Class III

U.S. Secretary Of Interior for Approval [4]

Kickapoo Class II IGRA

HJR 112 or SJR 41 Constitutional Amendment Pass Legislature and Citizens Vote approval

Any form of Class III Gaming permitted in State (see 2005 Florida) [1]

Successful Negotiations

Un-Successful Negotiations- Tribe initiates Cause of action for State not responding in 180 days/good faith [3]

Texas Governor Negotiate Gaming Compact [2]

Exclusivity in Gaming Compact:
Geographic
Types of Games

Example of Scope:
April 23, 2021 -Gaming Compact
Florida and Seminole Tribe

Kickapoo Tribe
300 Nautical Miles
Types of Games

Future Class II Tribes in Texas
Alabama-Coushatta Tribe of TX
Ysleta del Sur Pueblo
H.R.2208- 117th Congress (2021-2022)

Out of State Tribes –
Programmatic Agreements
Acknowledging Historic Indian Land

Texas loses ability to Govern Gaming
Oklahoma
Florida

[1] 25 U.S.C 2710(d)(1)(B)
[2] 25 U.S.C 2710(d)(3)(A)
[3] 25 U.S.C 2710(d)(7)(B)
[4] 25 U.S.C 2710(d)(3)(B)

DraftKings sued after father-of-two gambles away $1 million of his family's money

Exclusive: His kids' Christmas money and baptism gifts were also plundered, along with his wife's bank accounts and credit cards, according to a newly filed federal lawsuit
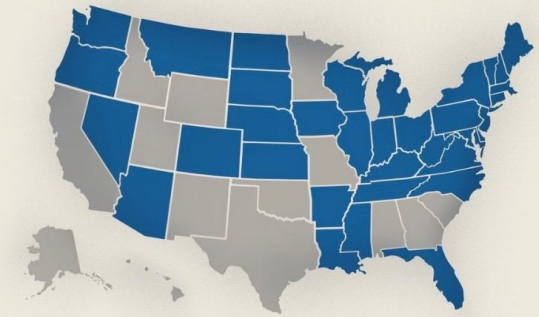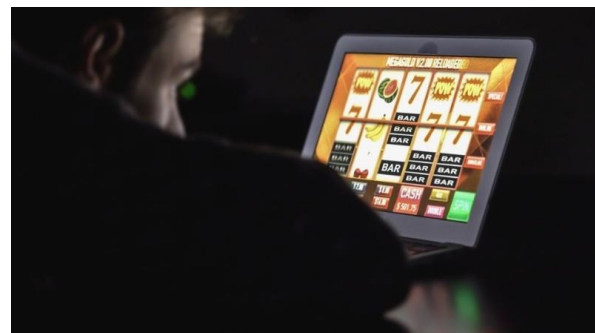
Legalized Gambling Increases Irresponsible Betting Behavior.

How the US became hooked on sports betting – and the cost

BET NOW

Notre Dame Men's Swim Team Suspended For Internal Gambling

Teens Are Developing 'Severe Gambling Problems' as Online Betting Surges

vice.com

Sports gambling takes a toll on Americans' checkbooks,

- **Sports Wagering Gross Gaming Revenue (GGR)/Tax Rate Models**

8% GGR Win Rate Model (Generate $90,000,000 a y year)

$11,250,000,000	Handle- Total Dollars Wagered
x 8%	GGR Win Rate % = 92% prize pool
$900,000,000	GGR/AGR (No Promotional Gaming Credits)
x10%	State Tax Rate
$90,000,000	Tax to the State

8% GGR Win Rate Model (Generate $60,000,000 a year)

$7,500,000,000	Handle- Total Dollars Wagered
x 8%	GGR Win Rate % = 92% prize pool
$600,000,000	GGR/AGR (No Promotional Gaming Credits)
x10%	State Tax Rate
$60,000,000	Tax to the State

8% GGR Win Rate Model with $300 million promotional gaming credit (Generate $90,000,000 a year)

$15,000,000,000	Handle- Total Dollars Wagered
x 8%	GGR Win Rate % = 92% prize pool
$1,200,000,000	GGR
($300,000,000)	Promotional Gaming Credits (Jan 2023 $320 million spent in Ohio)
$900,000,000	AGR - Adjusted Gaming Revenue
x10%	State Tax Rate
$90,000,000	Tax to the State

Study of Estimated
Economic & Social Costs

Business Profitability vs. Social Profitability: Evaluating the social contribution of industries with externalities, The case of the casino industry.

by

Earl L. Grinols PhD, Department of Economics, University of Illinois,

David B. Mustard PhD, Department of Economics, Terry College of Business, University of Georgia