



GEORGIA STATE SENATE SENATE RESEARCH OFFICE

204 Coverdell Legislative Office Building | 404.656.0015
18 Capitol Square SW
Atlanta, GA 30334

ELIZABETH HOLCOMB
DIRECTOR

Legalized Gambling: A Survey of States

Provided below are research findings on the status of legalized gambling in each state and the impact of gambling expansion on lottery revenue, taking into account the various forms of legalized gambling present in every state. This research document was prepared to assist in panel preparation and discussion for the 32nd Biennial Institute for Georgia Legislators.

I. Current Status of Various Forms of Legalized Gambling

Legalized Gambling Among the States

The American Gaming Association released an annual [report](#) which provides an overview of the status of legalized gambling in every state.¹ Please find below a map, chart, and table outlining the status of the major forms of legalized gambling in each state. We categorized the data below to represent three major forms of gambling: lotteries, commercial casinos and racinos, and sports betting. A table representing each state’s legalization status on these forms of gambling is included at the end of this memo.

In total, 46 states have operating lotteries, 25 states have legalized commercial casinos or racinos, and 24 states have legalized sports betting.



¹ This report does not accurately reflect the current state of sports betting in Virginia which became legal in 2020 following the report. See <https://lis.virginia.gov/cgi-bin/legp604.exe?201+sum+SB384>.

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Less Common Forms of Gambling

In addition to the most common forms of gambling reflected above, several states have legalized less common forms of gambling:

- Six states (DE, MI, NV, NJ, PA, WV) have legalized electronic gaming devices, such as video gambling terminals, video lottery terminals, instant racing, and video poker machines, at non-casino locations;
- Five states (CA, FL, MN, MT, WA) have legalized card rooms; and
- 11 states (GA, IL, KY, ME, MI, NH, NY, NC, ND, PA, VA) have operational iLotteries, which allow online computer or mobile device lottery sales and games.

II. Potential Impact of Sports Betting and Commercial Casinos on Lottery Revenue

Please find below an analysis of lottery sales in several sample states which had existing lotteries and subsequently introduced either commercial casinos or sports betting.

Sports Betting

Since 2018 several states have introduced legalized sports betting into the marketplace. New Jersey, New Mexico, Rhode Island, and West Virginia all introduced sports betting to markets that already had state lotteries. When analyzing these states, we saw uniform increases in lottery ticket sales from 2017 to 2019. For each of these states, sports betting was introduced in 2018 and did not appear to offset increasing revenue trajectories of lottery ticket sales.

** A Note about Sports Betting*

*On May 14, 2018, the Supreme Court of the United States issued a ruling in *Murphy v. Nat'l Collegiate Athletic Ass'n*, overturning the Professional and Amateur Sports Protection Act (PASPA) effectively allowing states to legalize and sponsor sports betting. At the time of the decision, four states had legal sports betting which was grandfathered in prior to the passage of PASPA. Since the Supreme Court's decision, 20 additional states have legalized sports betting.*

New Jersey – Operational Sports Betting in 2018

Fiscal Year	2017	2018	2019
Lottery Ticket Sales	\$3,186,909,893	\$3,299,702,751	\$3,482,346,197

New Mexico – Operational Sports Betting in 2018

Fiscal Year	2017	2018	2019
Lottery Ticket Sales	\$126,041,264	\$134,029,109	\$143,630,735

Rhode Island – Operational Sports Betting in 2018

Fiscal Year	2017	2018	2019
Lottery Ticket Sales	\$732,108,625	\$736,997,872	\$784,120,332

West Virginia – Operational Sports Betting in 2018

Fiscal Year	2017	2018	2019
Lottery Ticket Sales	\$1,079,517,000	\$1,091,173,000	\$1,141,954,000

Commercial Casinos

In the past five years, three states have introduced commercial casinos in states where lotteries previously existed. Our data shows three different scenarios. Massachusetts introduced casinos into the market in 2018 and saw no decrease in the upward trajectory of lottery ticket sales. New York

introduced casinos in 2016 and there was a dip of about \$15,000,000 in lottery ticket sales in 2017, the following year. This, however, was followed by an increase of about \$200,000,000 in 2018. Lastly, Rhode Island, saw a decrease in lottery ticket sales of about \$150,000,000 in 2017, the year following the introduction of casinos. Lottery ticket sales increased in 2018, but has not yet returned to the pre-casino lottery ticket sales.

Currently 25 states have legalized commercial casinos and racinos.

Massachusetts – Operational Commercial Casinos in 2018

Fiscal Year	2016	2017	2018	2019
Lottery Ticket Sales	\$5,233,931,000	\$5,097,765,000	\$5,291,951,000	\$5,508,564,000

New York – Operational Commercial Casinos in 2016

Fiscal Year	2015	2016	2017	2018
Lottery Ticket Sales	\$9,156,336,000	\$9,690,511,000	\$9,675,722,000	\$9,973,519,000

Rhode Island – Legalized Commercial Casinos in 2016

Fiscal Year	2015	2016	2017	2018
Lottery Ticket Sales	\$867,054,081	\$876,463,849	\$732,108,625	\$736,997,872

Conclusion

The small sample size of state lottery revenues provided above seem to indicate a trend that new forms of gambling do not cause a decrease in lottery revenue. For most of these states, it is important to note that although, new gambling forms did not result in a decrease of lottery revenue, this does not necessarily mean there was no negative impact. Due to the recent nature of these changes, it is unclear what long term effects may be result and more data would be necessary to conclude a definite trend.

Outside Research of the Impact of New Legalized Gambling on Lottery Revenue

In addition to our own research, we reviewed several scholarly articles addressing the cannibalization of lottery revenues in different scenarios. These studies are dated, but provided some interesting trends to compare our own work against.

A scholarly article by Donald Elliot and John Navin in Public Finance Review of May 2002, found that “both casinos and pari-mutual betting have significant negative impacts on state gross lottery revenue.” They noted that for every \$1.00 spend in casinos, there is an estimated \$0.83 decrease in lottery proceeds.

Additionally, they found that, in general, states benefit from having both lotteries and casinos. This is largely due to the additional taxes paid by casinos and the increased revenue in tourist dollars spent. However, the authors concluded that the substitution occurring between pari-mutuel betting and lotteries, and lack of peripheral revenue generation, means lotteries suffer more from cannibalization of revenue by pari-mutual betting.²

In an article by Stephen Fink and Jonathan Rork, featured in Economics Bulletin, a different formula was used to estimate the cannibalization effect.³ They found that for each additional dollar a state

² Elliott, D. and J. Navin (2002) “Has Riverboat Gambling Reduced State Lottery Revenue?” *Public Finance Review* 30, 235-247.

³Fink, Stephen and Jonathan Rork, (2003) "The Importance of Self-Selection in Casino Cannibalization of State Lotteries." *Economics Bulletin*, Vol. 8, No. 10 pp. 1-8 (2003).

received in casino revenue, there was a corresponding decrease of \$0.56 in net lottery proceeds to the state.

While both articles found a decrease in net lottery proceeds to the state in the presence of casinos, neither estimate showed the state proceeds from gambling as a whole decreased.

Analysts: Katherine Russell; Ryan Bowersox

Types of Legal Gambling by State

State:	Lottery	Commercial Casinos/Racinos	Sports Betting
Alabama			
Alaska			
Arizona	Yes		
Arkansas	Yes	Yes	Yes
California	Yes		
Colorado	Yes	Yes	Legal not active
Connecticut	Yes		
Delaware	Yes	Yes	Yes
D.C.	Yes		Legal not Active
Florida	Yes	Yes	
Georgia	Yes		
Hawaii			
Idaho	Yes		
Illinois	Yes	Yes	Legal not active
Indiana	Yes	Yes	Yes
Iowa	Yes	Yes	Yes
Kansas	Yes	Yes	
Kentucky	Yes		
Louisiana	Yes	Yes	
Maine	Yes	Yes	
Maryland	Yes	Yes	
Massachusetts	Yes	Yes	
Michigan	Yes	Yes	Legal not active
Minnesota	Yes		
Mississippi	Yes	Yes	Yes
Missouri	Yes	Yes	
Montana	Yes		Legal not active
Nebraska	Yes		
Nevada		Yes	Yes
New Hampshire	Yes		Yes
New Jersey	Yes	Yes	Yes
New Mexico	Yes	Yes	Yes
New York	Yes	Yes	Yes
North Carolina	Yes		Legal not active
North Dakota	Yes		
Ohio	Yes	Yes	
Oklahoma	Yes	Yes	
Oregon	Yes		Yes
Pennsylvania	Yes	Yes	Yes
Rhode Island	Yes	Yes	Yes
South Carolina	Yes		
South Dakota	Yes	Yes	
Tennessee	Yes		Legal not active
Texas	Yes		
Utah			
Vermont	Yes		
Virginia	Yes		Legal not active
Washington	Yes		
West Virginia	Yes	Yes	Yes
Wisconsin	Yes		
Wyoming	Yes		