With the adoption of Public Act 239 in the summer of 1972, lawmakers in Michigan sought to generate new revenues in support of the state’s public education system by embracing a mechanism with a storied past in American history — the public lottery. In doing so, the Wolverine State became the first in the Midwest to establish a modern state lottery, following the lead of a handful of northeastern states and helping to usher in a new wave of interest in state-sanctioned gambling across the entire country.

Eight years earlier, New Hampshire had become the first state to establish a lottery, some seven decades after the last previous state lottery — in Louisiana — had disappeared. But the trend that New Hampshire and Michigan helped to ignite in the 1960s and ‘70s was more of a revival than an innovation.

Lotteries have long played an important role in this country, and their earliest use predates American independence. Shortly after Jamestown was settled in 1607, the struggling colony’s financier, the Virginia Company of London, was permitted by the British Crown to sponsor a lottery with proceeds earmarked for the benefit of the new colony.

Eventually, lotteries were established in all 13 of the original colonies, usually for the purpose of funding capital projects, including the construction of roads, bridges and even churches. In time, lotteries were also used to help finance the American Revolution, as well as the U.S. Civil War and the post-war reconstruction of the southern states.

Over the years, lotteries fell in and out of favor with the public and lawmakers alike as needs changed and philosophical views related to state-sanctioned gambling clashed. In the mid-19th century, New York became the first state to constitutionally ban lotteries and other forms of gambling. Other states followed suit as the century came to a close, the trend often fueled by scandal and corruption in connection with existing lotteries.

When the Louisiana lottery was abolished in 1894, not long after Congress outlawed all interstate lottery commerce, state-sponsored sweepstakes essentially vanished for 70 years. The modern Michigan lottery, like its predecessor in New Hampshire, was intended to help fund education. And according to Jeff Holyfield, director of public relations at the Michigan Lottery, that’s exactly what it’s done.

The lottery poured more than $742 million into the state’s School Aid Fund in fiscal year 2014 alone, he says. That figure represents 6.5 percent of the fund’s total revenues and amounts to $485 for every student in the state’s K-12 education system.

Between 1972 and 1992, nine of the other 10 Midwestern states followed Michigan’s lead, and in 2004, the region’s lone holdout, North Dakota, finally did likewise. Two years ago, Wyoming became the 44th U.S. state to establish a public lottery, and it would appear that state-sanctioned gambling — in a variety of forms — is here to stay.

Nationwide, state lotteries generated more than $70 billion in total sales in FY 2014. Some critics argue that the state share of this total should be higher (states retain less than 30 percent of the total take while paying out about two-thirds in prizes), but in an era of fiscal uncertainty, lottery revenues remain a welcome addition to the bottom line in cash-strapped states.

And lotteries remain very popular in the states that have established them. Holyfield points to research indicating that 73 percent of all adults in Michigan buy at least one lottery ticket per year. The challenge, he says, is to keep players coming back — especially for a “mature lottery” such as Michigan’s, which depends on a constant infusion of new games to maintain player interest.
“A lottery is a different sort of critter compared to other agencies,” he says, “because we’re a business, and we’re in business to make a profit.”

First in the Midwest highlights noteworthy “firsts” in state government that occurred in this region. Please contact Mike McCabe [2], CSG Midwest director, if you have ideas for future articles.

By:
Friday, June 26, 2015 at 10:51 AM

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