

January 8, 2001

The Honorable Rick Perry
The Honorable C. Tom Clowe, Jr.
The Honorable Anthony J. Sadberry
The Honorable Elizabeth Whitaker
Members of the 77th Legislature

Ladies and Gentlemen:

In accordance with Section 466.021 of the Texas Government Code, I am providing you with the results of the biennial demographic study of Texas Lottery players.

This survey was conducted for the Texas Lottery Commission by the Office of Survey Research in the College of Communication at the University of Texas at Austin. The procedures used for this study produced a truly random and representative sampling of Texans age 18 years and older. The results can be generalized to the entire adult population of Texas. The survey and the survey process were designed in consultation with Texas Lottery officials.

The results of the survey provided valuable insight into the way Texans of various ages, incomes, genders, ethnicity, levels of education and geographic locations play the Texas Lottery. The findings from the current Demographic Study demonstrate trends that are consistent with the 1999, 1997, and 1995 studies.

The survey found that approximately 63 percent of all adult Texans have played at least one Texas Lottery game in the past year. This percentage of play is down slightly from the percentage of play reported in the 1999 Study. However, a change seen from the 1999 Demographic Study was the increase in the amount of reported monthly spending. This increase coincides with recorded increases in sales as a result of the return of the prize payout and the changes to the *Lotto Texas* matrix. Reported play for all games was up for the period covered by this 2001 Study.

It is important to note that those with the lowest levels of education and income were the least likely to play the games of the Texas Lottery. These findings are consistent with previous findings and what we currently understand about our players, despite the participation myths to the contrary. Not only are Texans who fall within these lower income and education groups significantly less likely to participate in the Texas Lottery, they represent a relatively small proportion of our player base.

It is significant to note that of the 63 percent of adult Texans who play the Texas Lottery, less than 12 percent of lower education groups and less than 6 percent of lower incomes reported that they purchase more than \$250 in tickets per year. This finding supports the

contention that we have stressed that the Texas Lottery is an enjoyable form of entertainment, and we have encouraged our players to play responsibly in regards to their Texas Lottery purchases.

This report includes an executive summary of the survey results, as well as several charts and graphs of the relationships among the various responses.

If you need additional copies of this report, more information about the study and its results, or if you have other questions about the Texas Lottery Commission, please do not hesitate to contact me.

Respectfully submitted,

Linda Cloud
Executive Director

Executive Summary

STATUTORY AUTHORITY

Section 466.021 of the Texas Government Code: “The executive director shall, every two years, employ an independent firm experienced in demographic analysis to conduct a demographic study of lottery players. The study shall include the income, age, sex, race, education, and frequency of participation of players.”

SURVEY METHODOLOGY

In accordance with Section 466.021 of the Texas Government Code, the Texas Lottery Commission engaged an independent firm experienced in demographic analysis to conduct a statewide survey of Texas Lottery players. The Commission entered into an interagency contract with the Office of Survey Research in the College of Communication at the University of Texas at Austin. Ms. Veronica Inchauste and Mr. O’Neil Provost supervised the survey, which was conducted in October and November 2000. Characteristics of the survey included the following:

- The questionnaire was drafted by the staff at the Office of Survey Research in consultation with Texas Lottery officials.
- The final copy of the questionnaire was programmed to create an electronic instrument by using the CATI (Computer Assisted Telephone Interviewing) software. The use of an electronic questionnaire minimized data transcription errors, prevented the accidental entry of out-of-range numbers and automatically moved from question to question within the survey instrument.
- The questionnaire was translated into Spanish to allow participation by Spanish-speaking Texans who were not fluent in English.
- A random digit dialing (RDD) sample was obtained in order to allow each household with a telephone in Texas (including those with unlisted numbers) an equal probability of being selected for participation. This sampling method was used to obtain a representative sample of Texas households with telephones.
- A total of 1702 interviews were completed with adult Texans 18 years of age and older. Respondents were selected by using the “last birthday method”. Interviewers asked to speak with the adult in the household who had the most recent birthday. This respondent selection method assured a random selection of adults within each household.

- The overall response rate for the survey was 68 percent, a statistically acceptable response rate.
- The margin of error for a sample of 1702 was approximately plus or minus 2.4 percent.
- The survey results are presented unweighted by demographic data and for each of the Texas Lottery games.

RESULTS

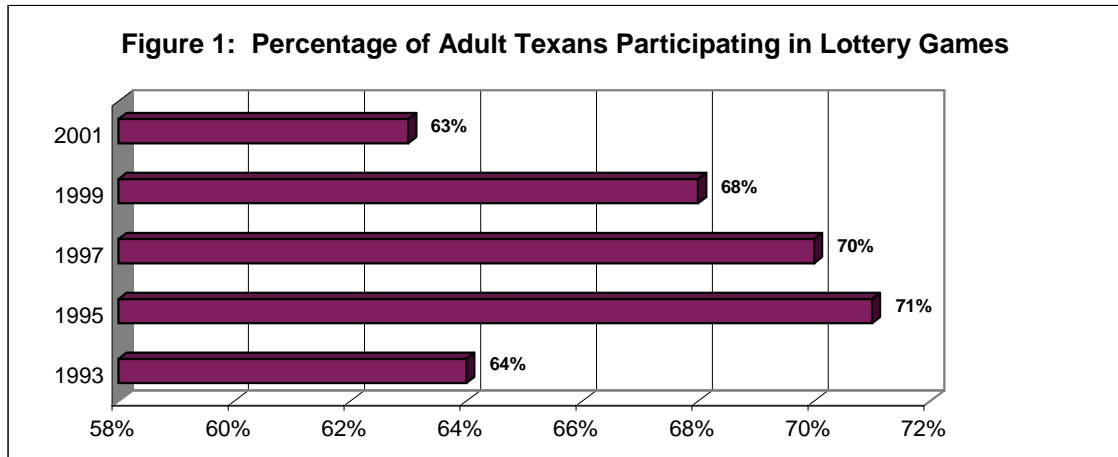
Demographics of the Sample

A total of 1702 interviews were completed with adult Texans 18 years of age or older during October and November of 2000. Sixty-three percent of the respondents reported playing Texas Lottery games within the past year. Thirty-seven percent of the respondents did not play any Texas Lottery games within the past year. The entire sample (players and non-players) consisted of 47 percent males and 53 percent females. Sixty-five percent of the respondents were Caucasian, 23 percent were Hispanic, 9 percent were Black or African-American, and 3 percent were classified as “other”. The most common age group for respondents was 36-45 years old. The highest reported percentage for family income was in the \$50,000-plus range. A majority of the entire sample had some college education. As compared to the 1999 study, the group of participants in this study was similar in gender, age, and ethnicity. However, the current sample reported higher family incomes and education levels than the 1999 sample.

Adult Texans Participation in Texas Lottery Games

The results of the demographic study revealed that approximately 63 percent of all adult Texans have purchased at least one Texas Lottery ticket in the past year. This is down 5 percent from the 1999 survey. The typical Texas Lottery player reported an average annual spending of \$572.64, or about \$11.01 per week, on all Lottery products. This percentage is up approximately 25 percent from the 1999 survey. It is important to note that self-reported spending figures, particularly when they are extrapolated for periods in excess of a year, tend to be exaggerated. However, statistical measures were put in place to make the self-reported figures as accurate as possible and respondents were not asked to extend their spending beyond one year. The figures contained in this report are internally consistent and represent an accurate representation of the material presented.

- The percentage of adult Texans who report purchasing Texas Lottery products in the past 12 months (63 percent) is less than the 1999 Demographic Study, which found that 68 percent of adults had participated in Texas Lottery games. Figure 1 depicts the changes in percentage of Adult Texans playing Lottery games since start-up.



Adult Texans Participation By Lottery Game

- Table A shows that the largest section of the population, 87 percent, reported playing *Lotto Texas*, the twice-weekly on-line game. Sixty-three percent of the sample played one or more of the Texas Lottery's Scratch games (Instant games). Thirty-two percent of adult Texans reported playing *Cash 5*, 27 percent reported playing *Pick 3* and 28 percent reported playing *Texas Million*. All percentages for reported play are up from the 1999 Survey results. It is important to note that these percentages are a reflection of the individual games and not overall play, which may explain the differences in the percentages reported.
- All games were reported to be played at least once per week. *Lotto Texas* was played more frequently at two times per week. Overall reported spending per month was greatest for Scratch games, followed by *Pick 3*. Spending per play was similar to overall spending with the average amounts for Scratch games and *Cash 5* at the top of the list. Note that these amounts are reported figures for players of the specific games. Table A provides a list of the participation percentages, spending amounts, and purchase rates.

Table A: Adult Texans Participation by Texas Lottery Game

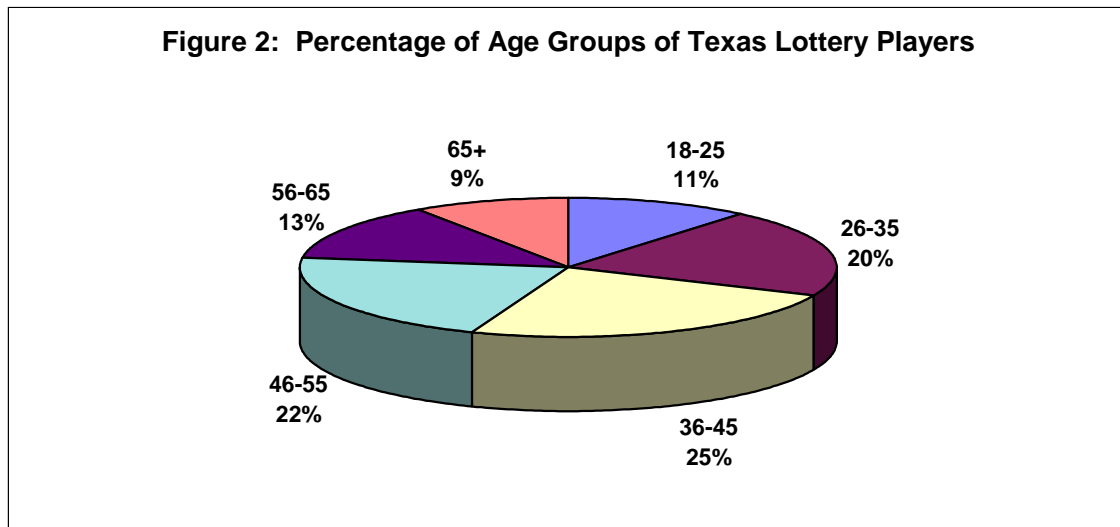
Played Texas Lottery?	Yes	No
Survey:	1072	630
Percent:	63%	37%
Average Spent per Year	\$572.64	
Average Spent per Month	\$47.72	
Played <i>Lotto Texas</i>?	Yes	No
Survey:	916	141
Percent:	87%	13%
Average Spent per Month	\$17.44	
Average Spent per Play	\$2.93	
Average Times Played per Month	4.06	
Years Playing <i>Lotto Texas</i>	Greater than 5 years	
Played Scratch Games?	Yes	No
Survey:	663	397
Percent:	63%	37%
Average Spent per Month	\$18.39	
Average Spent per Play	\$3.05	
Average Times Played per Month	5.78	
Years Playing Scratch Games	Greater than 5 years	
Played <i>Pick 3</i>?	Yes	No
Survey:	286	765
Percent:	27%	73%
Average Spent per Month	\$17.47	
Average Spent per Play	\$2.87	
Average Times Played per Month	4.25	
Years Playing <i>Pick 3</i>	Greater than 5 years	
Played <i>Cash 5</i>?	Yes	No
Survey:	331	717
Percent:	32%	68%
Average Spent per Month	\$16.26	
Average Spent per Play	\$2.97	
Average Times Played per Month	4.27	
Years Playing <i>Cash 5</i>	Greater than 5 years	
Played <i>Texas Million</i>?	Yes	No
Survey:	292	747
Percent:	28%	72%
Average Spent per Month	\$14.01	
Average Spent per Play	\$2.51	
Average Times Played per Month	2.87	
Years Playing <i>Texas Million</i>	Between 1 and 2 years	

Note: Averages are of those who play that particular game.

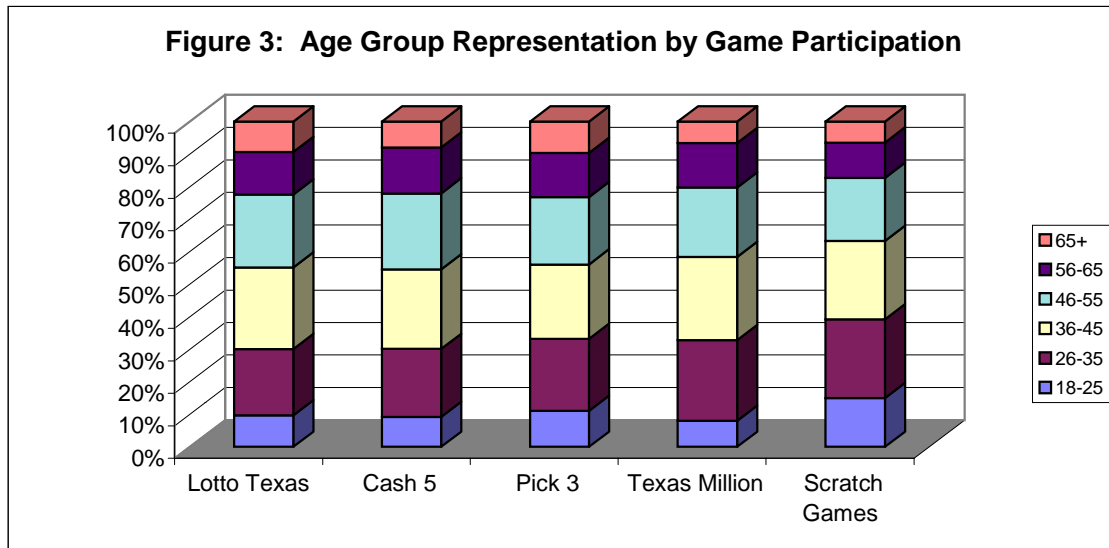
Age of Texas Lottery Players

Those most likely to play fall in the age range of 26 to 65 years. Approximately 63 percent of Texans in this age range play the Texas Lottery.

- Approximately 53 percent of adult Texans in the youngest age range (18 to 25 years) described themselves as Texas Lottery players.
- Adult Texans over 65 years of age represent the least frequent players.
- Compared with the 1999 Texas Lottery Demographic Study, the reported play for the age groups is similar. Figure 2 demonstrates the percentage of play represented by each age group for the 2001 Survey.



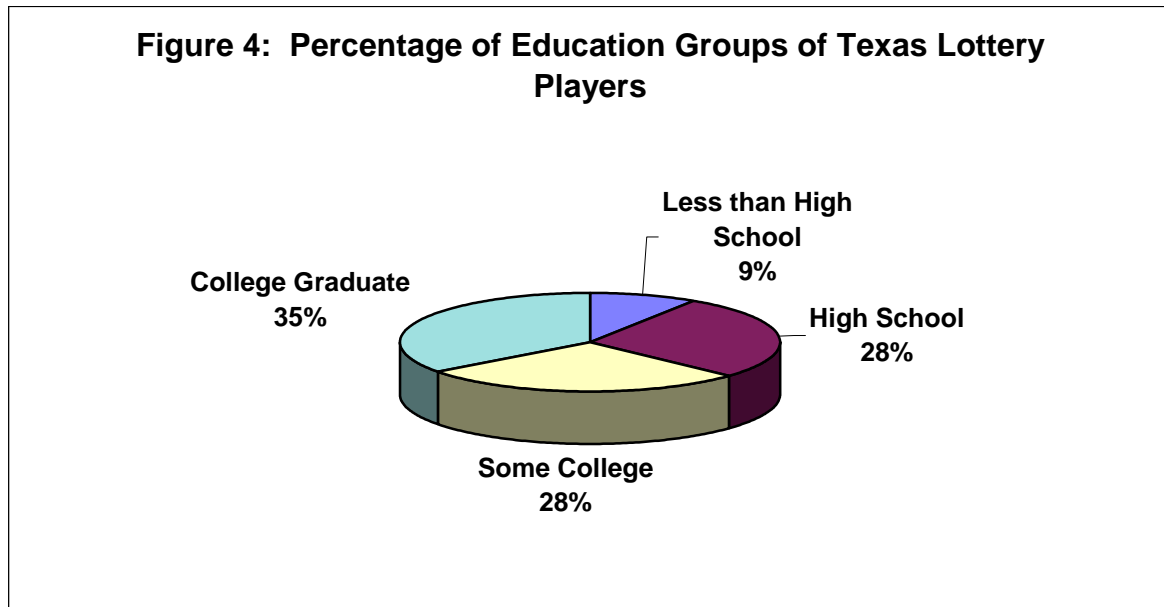
- The most common age range for any Lottery player is 36 to 45 years of age. This age group represents the largest player proportion of any of the Lottery’s five games. However, for all games the age of players ranges from 26 to 45 years of age. For example, Figure 3 shows that Scratch games are the most popular with players ages 26 to 45. It is important to note that players 25 years and younger and players 56 years and older represent the smallest age group proportions of Lottery game play.



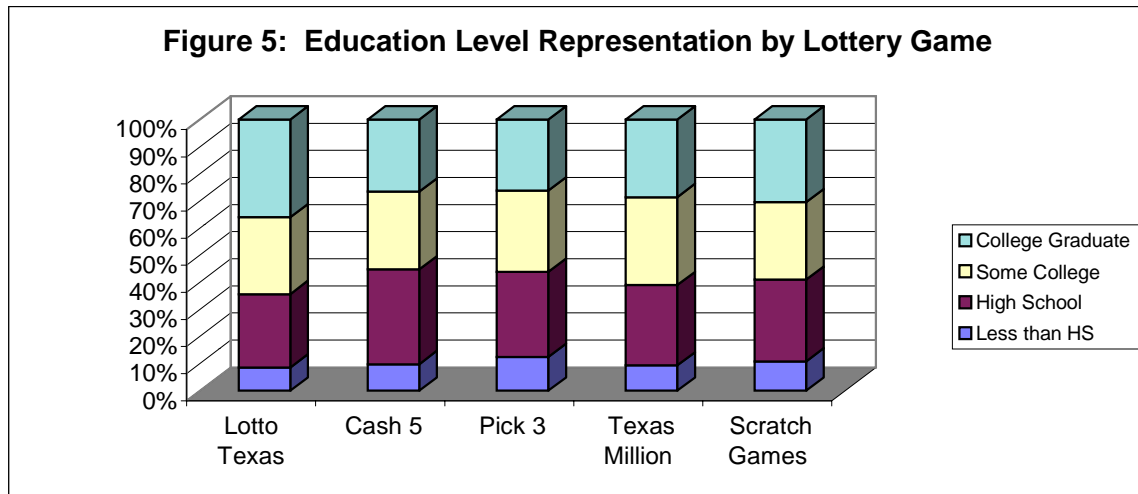
Education Level of Texas Lottery Players

Contrary to popular belief, it is not the least educated who play the lottery. In fact, this study again suggests that those with the lowest level of education are the least likely to play Texas Lottery games. These statistically significant findings replicate the 1999, 1997, and 1995 studies.

- College graduates and those with some college education (35 and 28 percent, respectively) were the most likely to play Lottery games.
- Only 9 percent of the Lottery playing population has less than a high school education. This segment is by far the least likely segment to play Lottery games. Figure 4 shows the percent each education group represents in the playing population.



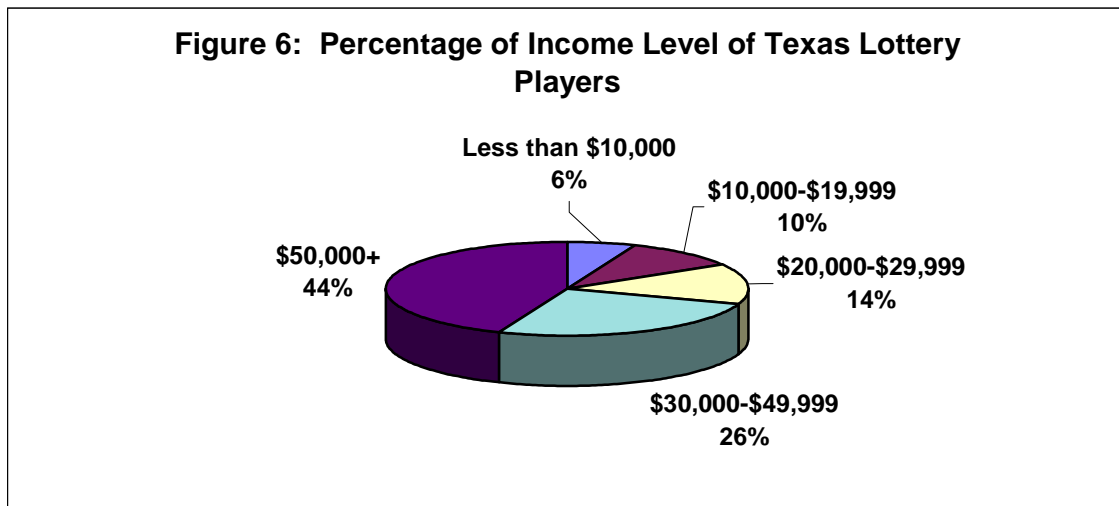
- College graduates represent a greater proportion of *Lotto Texas* and *Scratch* games players. High school graduates represent a greater proportion of *Pick 3* and *Cash 5* players. Texans with some college education represent the greatest proportion of *Texas Million* players. Figure 5 demonstrates the percentage breakdown of game play by education level.



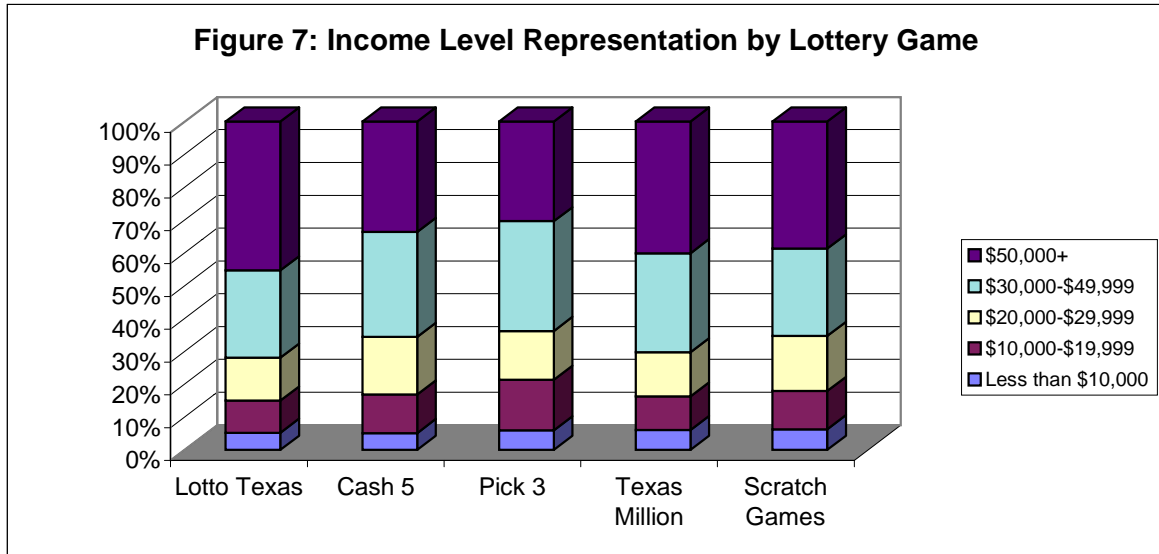
Income Level of Texas Lottery Players

Similar to education level, it is a myth that the lowest income levels are more likely to play lottery games. Again, this study shows that those with the lowest income level are the least likely to play the Texas Lottery. These statistically significant results replicate the 1999, 1997, and 1995 studies.

- Texans most likely to play are those earning \$30,000 and above, with a greater proportion of this group earning \$50,000 or more. The reported family income for players has substantially increased over the 1999 Survey.
- Players with incomes less than \$10,000 are the least likely group to play Lottery games, followed by Texans with annual family incomes of \$10,000 to \$19,000. Figure 6 depicts the percentage represented by each income level group.



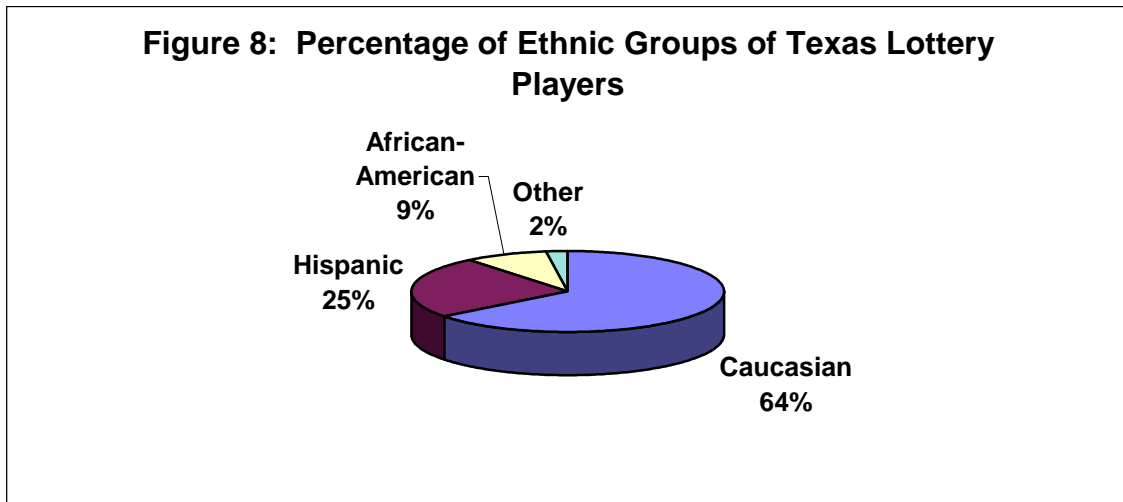
- Adult Texans earning \$50,000 or more per year are most likely to play *Lotto Texas*, *Cash 5*, *Texas Million*, and *Scratch Games*. Adult Texans with annual family incomes of \$30,000 to \$49,999 represent the greatest proportion of *Pick 3* players. Figure 7 shows the percentage breakdown of game play by income level.



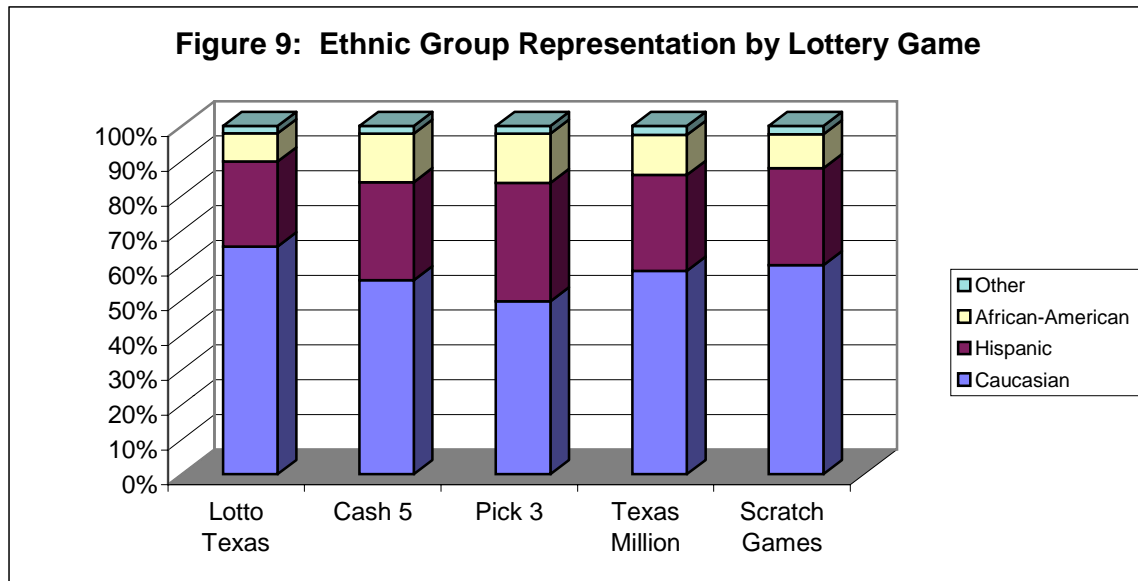
Ethnic Makeup of Texas Lottery Players

There is very little difference among ethnic groups concerning the incidence with which each plays the Texas Lottery games, in relation to representation within the state. The ethnic groups are relatively proportionate across the games.

- Caucasians (64%) represent the greatest number of players, followed by Hispanics (25%). These percentages are similar to past surveys and to the state demographics. Figure 8 demonstrates the ethnic representation of Lottery players.



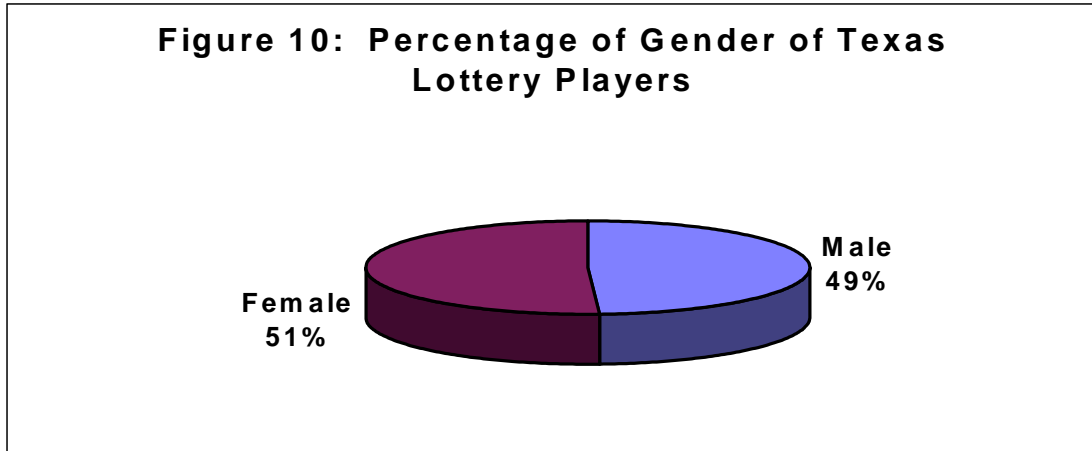
- The play of individual games is similar to overall Lottery participation, with the exception of *Pick 3*. Although Caucasians represent a larger proportion of *Pick 3* play, Hispanics represent a larger proportion of *Pick 3* play as compared to other Lottery games. Figure 9 shows the ethnic representation by game for all Lottery games.



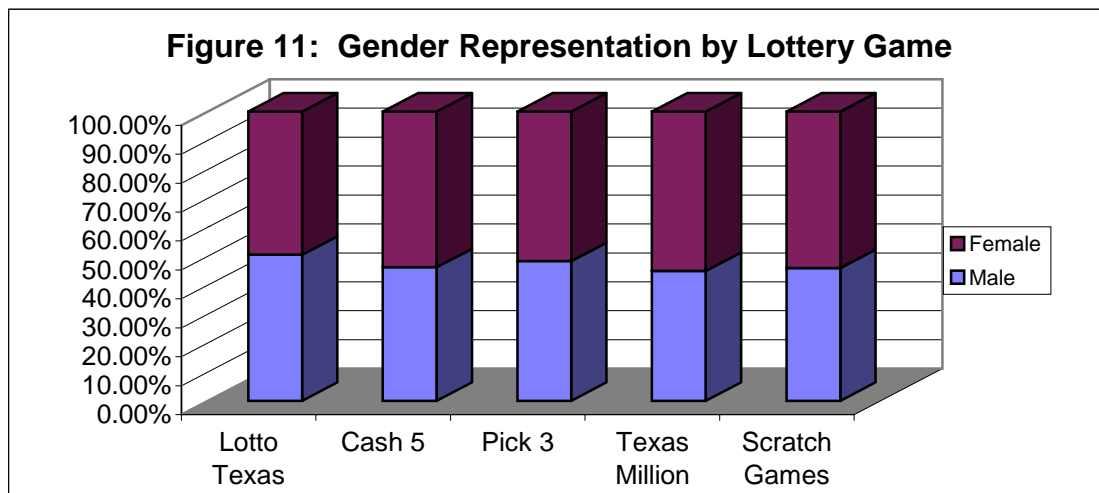
Gender of Texas Lottery Players

Although relatively comparable in Lottery participation, women now represent a slightly greater proportion of the overall playing population.

- Figure 10 shows that the playing population is nearly equally represented by males and females.



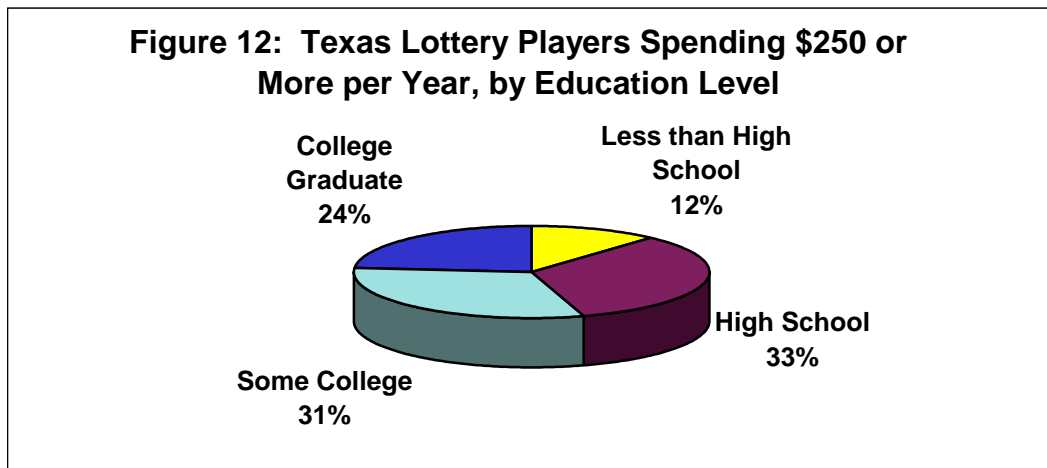
- Participation for *Lotto Texas* and *Pick 3* is very similar to the overall Lottery participation. Women represent a slightly greater proportion of the playing population for *Cash 5*, *Texas Million*, and *Scratch Games*, as shown in Figure 11.



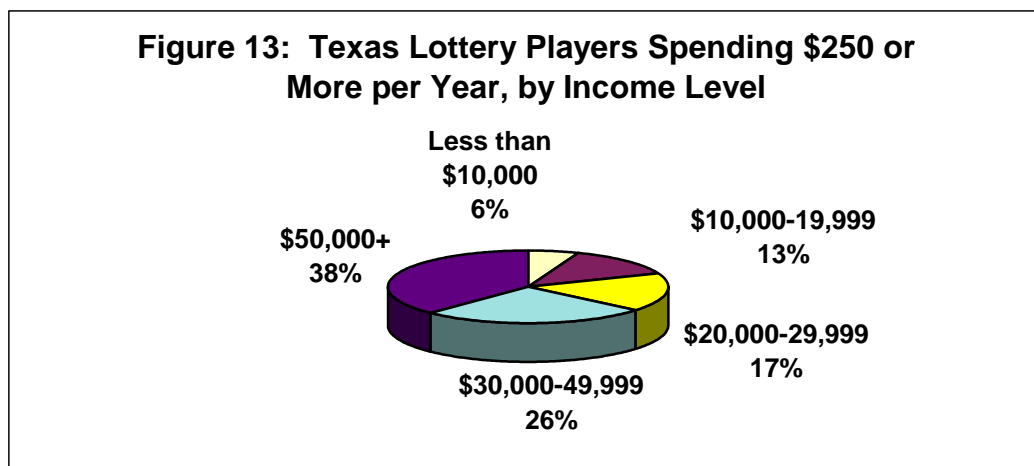
Players Spending on Texas Lottery Games

Spending patterns differ among the various demographic player segments. However, this section demonstrates that there does not exist any disproportionate spending nor does participation in Lottery games act as a regressive measure for those of lower education and income levels.

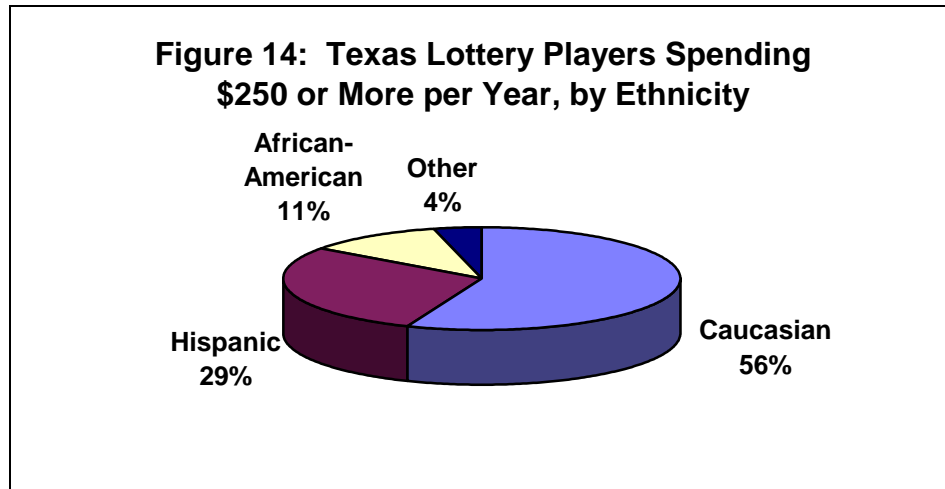
- Texans with the lowest levels of education are the least likely to play Lottery games. They also represent the smallest percentage of those players spending over \$250 per year on Texas Lottery games. As Figure 12 shows, individuals with less than a high school education comprise only 12 percent of the population of players who reported purchasing \$250 or more in Texas Lottery tickets per year. This finding is consistent with that of the 1999 Survey.



- Texans with the lowest income levels are also the least likely to play Lottery games. They represent the smallest percentage of those players spending over \$250 per year on Texas Lottery games. As Figure 13 shows, individuals who earn less than \$10,000 per year comprise only 8 percent and individuals reporting incomes of \$10,000 to \$19,999 represent only 13 percent of the population of players who reported that they purchase \$250 or more in Texas Lottery tickets per year. Players who earn \$50,000 and more per year comprise the largest percent of players who yearly purchase \$250 or more of Texas Lottery games. No income group represented a disproportionate amount of spending on Lottery games, in relation to the general demographics of the current study.



- As Figure 14 shows, the proportion of an ethnicity spending \$250 or more per year on Texas Lottery games is reflective of the total sample of players. No ethnic group represented a disproportionate amount of spending on Lottery games, in relation to the overall demographics of the study sample.



- Although males and females were similar in their overall participation, males buy more of the tickets. Women reported that they spend more in the \$101-\$250 category, whereas men reported that they spend more in the \$601-plus range. Approximately 50 percent of males and 40 percent of females reported that they spend \$250 or more per year on Texas Lottery games.

Summary of Texas Lottery Participation

Although this current study indicated a decrease in the overall percentage of participation, data did show that spending for individual games has increased. As stated previously, this increase in spending can be attributed to the return of the prize payout and the change in the *Lotto Texas* matrix. As with previous studies, the demographics of players of Texas Lottery games demonstrate that adult Texans of middle to upper incomes and with some level of college education are the more frequent participants. Finally, spending on Lottery games does not appear to disproportionately represent any demographic group.