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## Gambling Alert - October 31, 2022



### **State lotteries are increasingly ceding control to multinational firms**

The companies that run state-backed lotteries already have a heavy hand in how the games are operated. But in the years ahead, their control over lotteries is expected to expand significantly while state officials take a step back.

Analysts who track the industry say the largest companies are trying to forge what one calls “enhanced partnerships” with the states, and what others refer to as “privatization” programs that will transfer most of the day-to-day management and strategic decision-making from states to private companies.

The lottery industry in the U.S. is dominated by two giants, International Game Technology PLC and Scientific Games Holdings LP, and a handful of smaller companies including Intralot SA and Pollard Banknote Ltd. These companies are likely to continue to dominate this market, which boasted \$82 billion in ticket sales in the 2020 fiscal year, because states are reluctant to risk hiring an upstart to run such a high-profile business.

Lottery systems nationwide are evolving into quasi-privatized operations, with state governments assuming an oversight role while private companies reap millions running this sophisticated form of gambling.

These companies provide the software and computer systems that help run games such as Pick 4 in Kentucky and Maryland, Cash Pop in Florida and Lotto in Colorado. Some of the companies also print instant scratch-off tickets, process winning tickets and manufacture terminals — including video lottery terminals — used at retail locations.

While these companies play a vital role in all of the 45 states that operate lotteries, plus Washington, D.C., the industry is transitioning, according to analysts, in a way that will give them nearly total control as private managers of state lotteries.

“The transition that is taking place will let the companies effectively provide more service and manage almost everything end to end,” said Adam McLaren, a vice president and senior analyst at Moody’s Investors Service in New York. [READ](#)

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