

## Case 3-C

### The facts behind the ads: Oregon changes a campaign

LEE WILKINS

*University of Missouri*

Beginning in 2010, the Oregon Lottery employed an ad campaign with the slogan: “97 cents of every dollar comes back to Oregon”. Print ads distributed over the next two years sometimes went even further. One that ran in the Portland Oregonian in 2012 claimed that “ninety-seven cents represents over \$500 million dollars that is returned to Oregonians every year to help support job creation, schools, state parks and watersheds.”

Oregon, like many states, established a lottery in 1980s through an amendment to the state’s Constitution that was approved by the voters. The Oregon lottery was approved in the midst of the 1984 recession, and supporters hoped that lottery proceeds would help to turn the state’s economic situation around. Voters also have specified how the money will be allocated through various ballot measures. Since its inception, lottery officials say that the lottery has paid out more than \$19 billion in prize money and more than \$7 billion to support activities specified by the voters. The statute enacting the program specified that at least 50% of the lottery proceeds be awarded as prize money and that no more than 16% of the gate fund administrative activities.

Lotteries have always been controversial. President Thomas Jefferson favored them as a form of painless taxation. Contemporary public officials have noted that because gambling is so common, legalizing it and regulating it to insure the integrity of the system is important. States have also used lottery proceeds to plug budgetary holes. Critics have objected to lotteries for a variety of reasons ranging from a moral objection to “games of chance” to a public policy based concern that relying on revenues from gambling—which are not always consistent—shifts the burden from traditional taxpayers to the vagaries of gamblers who may not contribute the same amount of money to a state’s general fund from year to year. Phrased more simply, this criticism asserts that it is too big a gamble to fund important public programs such as education or environmental preservation on lottery winnings.

Oregon’s lottery became a particularly important revenue stream. The state is one of a very few that charges no sales tax; property taxes in Oregon are high in comparison to neighboring states and its income tax is higher than some surrounding states as well. But, without a sales tax—and Oregonians have defeated state-wide sales tax proposals multiple times—that state itself has fewer consistent revenue streams than most. Like all state lotteries, Oregon’s lottery is heavily marketed, and claims that the state benefits from the lottery have always been part of the marketing pitch.

In June 2012, the lottery decided to phase out its two-year-old campaign. The reason: the campaign had been given a “pants on fire” truthfulness rating by PolitiFact Oregon. The “pants on fire” rating was not only a way of questioning the truth of the claims, it suggested that the claims themselves were ridiculous in the extreme.

As reported by the Portland *Oregonian*, the lottery campaign’s claims were based on math that included something called “churn”—a process where by a gambler’s initial bet—say \$20—is added to a players “winnings”—say \$10—resulting in \$30 of revenue even though the \$10 winning never existed as money in the system. The claim also assumes that all winners were from Oregon—unlikely—and that the winners spent all of their winning within the state—

equally unlikely. State representative Carolyn Tomei, A Democrat from the Portland suburb of Milwaukie, asserted that all the winning were not going back to the state. “I looked at that ad and thought, ‘What is the public supposed to take away from that?’ It’s so people will feel good about the lottery, and what is the point of that?”

It took the lottery less than a week to mothball the “97% campaign” after the Oregon PolitiFact rating. Lottery spokesperson Chuck Baumann told the Oregonian that the lottery was moving on to a new campaign but that it still stood by the 97-cent figure.

### **Micro Issues**

1. What sorts of advertising claims should be examined by organizations such as Oregon PolitiFact? Why?
2. Would it be more truthful to note that playing the Oregon lottery is part of what Jefferson called a painless tax? What might be the likely outcome of such an inclusion?
3. Do you think those who play state lotteries are aware that they are paying additional taxes? Should it matter? Is let the buyer beware an appropriate ethical standard in the case of a state regulated and voter approved lottery?
4. Do you find this ad and its claims deceptive? Is making residents feel good about the lottery itself ethical?

### **Mid-range Issues**

1. Advertisers often use something called creative vagueness in crafting slogans and claims. Should the claims in ads be as fast-based as the information in news stories?
2. Should advertisements for products and services be subject to the same sort of scrutiny as ads that support governmental activities?
3. Did the Oregon lottery respond appropriately to the “pants on fire” judgment?

### **Macro Issues**

1. Is a lottery an adequate mechanism to support something as crucial as public education?
2. Develop what you believe is an ethical campaign for a local lottery.