

# WAGERING IN ILLINOIS

2017 UPDATE



Commission on Government  
Forecasting and Accountability

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***Commission on Government Forecasting  
and Accountability***

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## EXECUTIVE SUMMARY

The following document is the Commission's 2017 edition of Wagering in Illinois. This edition marks the 25<sup>th</sup> anniversary of the Commission's first report, which was completed in 1992 in accordance with Senate Resolution 875 (87<sup>th</sup> General Assembly). That report examined the legally-sanctioned forms of wagering as a means of determining their economic impact as well as the potential for further expansion of the gaming industry. The 2017 edition updates previous releases and provides further analysis of State gaming with the focus on riverboat gambling, video gaming, horse racing, and the lottery. The highlights of these topics are shown below.

- In FY 2017, the State's share of tax revenues from wagering in Illinois reached \$1.310 billion, a 7.9% increase from FY 2016 levels. The continued growth in video gaming tax revenues paid into the Capital Projects Fund (\$44 million increase in FY 2017 to \$296 million) and the increase (\$58 million) in lottery transfers was more than enough to offset the \$7 million loss in riverboat gaming transfers. [Although, it should be mentioned that the timing of lottery transfers falling into FY 2017 combined with disappointing FY 2016 levels creates a misleading level of growth for lottery transfers in FY 2017]. Horse racing related State revenues continued its downward trend generating only \$6 million.
- Lottery transfers (and other State-related lottery revenues) comprised 56.3% of total gaming revenues in FY 2017, whereas riverboat transfers comprised 20.6%, and horse racing comprised 0.5%. Video gaming's growth in Illinois' gaming market continued in FY 2017, comprising 22.6% of these gaming revenues in FY 2017, significantly up from its FY 2014 value of 9.1%.
- Statewide adjusted gross receipts (AGR) for Illinois riverboats in FY 2017 were down 1.6% from FY 2016 levels, while admissions declined 5.8%. Modest increases in AGR at the casinos in Aurora and Des Plaines were offset by AGR declines at the other eight Illinois casinos. State revenues generated from riverboat gambling totaled \$393.0 million in FY 2017, which was a 1.9% decline from FY 2016 levels. Increased competition from video gaming continues to be a major contributing factor for these declines.
- Before the addition of Des Plaines, in FY 2011, Illinois had the lowest amount of gaming revenue (in terms of AGR) of the casino-operating states in the Midwest. The addition of the casino in Des Plaines allowed Illinois to rise ahead of Iowa between FY 2012 and FY 2015. But five consecutive years of declining revenues

has Illinois (\$1.406 billion in FY 2017) again trailing Iowa (\$1.453 billion), in addition to Missouri (\$1.719 billion) and Indiana (\$2.130 billion).

- In July 2009, Public Act 96-0034 became law, legalizing video gaming in Illinois. By the end of FY 2017 (June 2017), 26,873 video gaming terminals were in operation across Illinois – up from 23,891 in June 2016. In FY 2017, video gaming machines generated \$1.202 billion in net terminal income. This produced \$60 million in tax revenues to local governments (up from \$51 million in FY 2016) and over \$300 million to the Capital Projects Fund (up from \$255 million in FY 2016).
- Despite the fact that the City of Chicago is not participating in video gaming, Cook County still has by far the most video gaming terminals of any county in the State with 4,571 terminals (FY 2017). The counties of Lake, Sangamon, Will, and Winnebago round out the top five. In regards to municipalities, Springfield had the highest amount of video gaming terminals in FY 2017 with 635 terminals. Rockford ranked 2nd, followed by Decatur and Joliet.
- Gaming related revenues from riverboat casinos fell 1.6% in FY 2017. However, when combined with video gaming totals, gaming revenues as a whole actually increased 6.4% statewide in FY 2017. When shown together, revenues from these two gaming formats have increased from \$1.641 billion in FY 2012 to \$2.608 billion in FY 2017, an increase of \$967 million or +58.9% during this five-year period.
- Not all areas of the State, especially areas already with available gaming options (nearby casinos) experienced this level of growth. For example, there were approximately 10,405 video gaming terminals in the Chicago Metropolitan Statistical Area in FY 2017, which is the equivalency of adding over eight full-size casinos to this region. When adding the revenues generated by these video gaming terminals to the decreased AGR levels of casinos in the Chicago Area (including Indiana's 5 casinos), overall gaming in the Chicago Area has only increased slightly, going from \$2.246 billion in FY 2012 to \$2.438 billion in FY 2017. This is an average annual increase in gaming revenues of only 1.7%.
- Illinois' total horse racing handle amount decreased from \$593 million in CY 2015 to \$571 million in CY 2016, a decline of 3.9%. This decline occurred despite the fact that advance deposit wagering increased \$22 million or 15.3% and on-track wagering increased \$2.7 million or 3.2%. These increases were offset by a \$37.6 million decline in intertrack wagering and a \$10.0 million

decrease in off-track wagering. The overall horse racing handle total in 2016 was 40.1% below levels from just ten years ago.

- The horse racing industry is finding it difficult to compete not only with other racetracks in other states who are able to offer higher purses, but also with the abundance of other gambling opportunities that now exist in the State. The inability to survive financially led to the closing of two of Illinois' horse tracks in 2015: Balmoral Park and Maywood Park. Currently, only three Illinois horse tracks remain in operation: Arlington Racecourse in Cook County, Hawthorne Race Course in Cook County, and Fairmount Park in Madison County.
- In FY 2017, the Illinois Lottery had \$2.85 billion in sales which was a decline of approximately 0.5%, or about \$14 million, from FY 2016. While instant ticket sales grew \$60 million in FY 2017, this increase was offset by \$74 million in declines from the draw games. Powerball sales, which fell \$56 million in FY 2017, were the main driver of this decline.
- Transfers to the Common School Fund totaled \$720.3 million in FY 2017. This was an increase of \$43.4 million or 6.4%. This total is somewhat misleading as \$14.5 million of FY 2016 money slipped into FY 2017 due to the time necessary to process the transfer from the Lottery to the Office of the Comptroller during the last weekly transfer in FY 2016. Transfers to special causes declined 10.9% to \$2.9 million. The amount transferred to the Capital Projects Fund (CPF) was \$15 million. This amount from CPF is up from \$0 and \$15 million that was transferred in FY 2015 and FY 2016, respectively, but well below the \$145 million transferred in FY 2014.
- Illinois had the 12th largest lottery in the U.S. in FY 2016, based on total sales. The per capita average of lottery sales in Illinois was \$223 which was 23<sup>rd</sup> out of the 45 lotteries in the U.S. Per capita sales were basically flat at \$222 in FY 2017.
- In September 2015, the State and the Northstar Lottery Group entered into a termination agreement that would lead to a new private lottery manager. A request for proposal (RFP) for a new private manager was initiated in July 2016. Only one firm, Camelot, submitted a bid to be the new manager. According to the Lottery, the State is currently still evaluating the submitted proposal. Northstar continues to manage the Lottery until a new manager is approved.





## OVERVIEW OF GAMING IN ILLINOIS

Up until five years ago, tax revenues from wagering in Illinois came from three primary sources – riverboat gambling, the lottery, and horse racing. But in September 2012, a new form of wagering entered the scene as the first legalized video gaming machines were put into operation. This new revenue source continues to thrive in Illinois as net terminal income from video gaming surpassed \$1.35 billion in FY 2017, nearly tripling its totals from just three years ago (\$485M in FY 2014). While video gaming in Illinois has continued to grow, the revenue performance of Illinois' other gaming formats has been mixed.

The majority of gaming-related State designated tax revenue continues to come from the Lottery (\$738 million in FY 2017). While its revenues were up \$58 million or 8.5% in FY 2017, its totals remain well below the \$815 million received just three years ago in FY 2014. Tax revenues from riverboat casinos continue to disappoint, falling another \$7 million to \$270 million in FY 2017. This is down from a high of nearly \$700 million a little over a decade ago. And the struggles of the horse racing industry continued in FY 2017, generating a mere \$6 million.

Despite the lack of growth in these historically prominent revenue sources, State designated tax revenues from overall gaming in Illinois grew 7.9% in FY 2017 to \$1.310 billion, an increase of \$95 million. This is the highest combined tax revenue total for these wagering sources since \$1.321 billion was receipted in FY 2007. Video gaming's revenues are a major reason for this overall increase as this form of gaming has more than offset the revenue declines from the other struggling gaming formats. A table displaying a history of State-related revenues from the gaming industry is shown on the following page. Chart 1, below, graphically displays the historical performance of gaming-related revenues in Illinois since 1975.

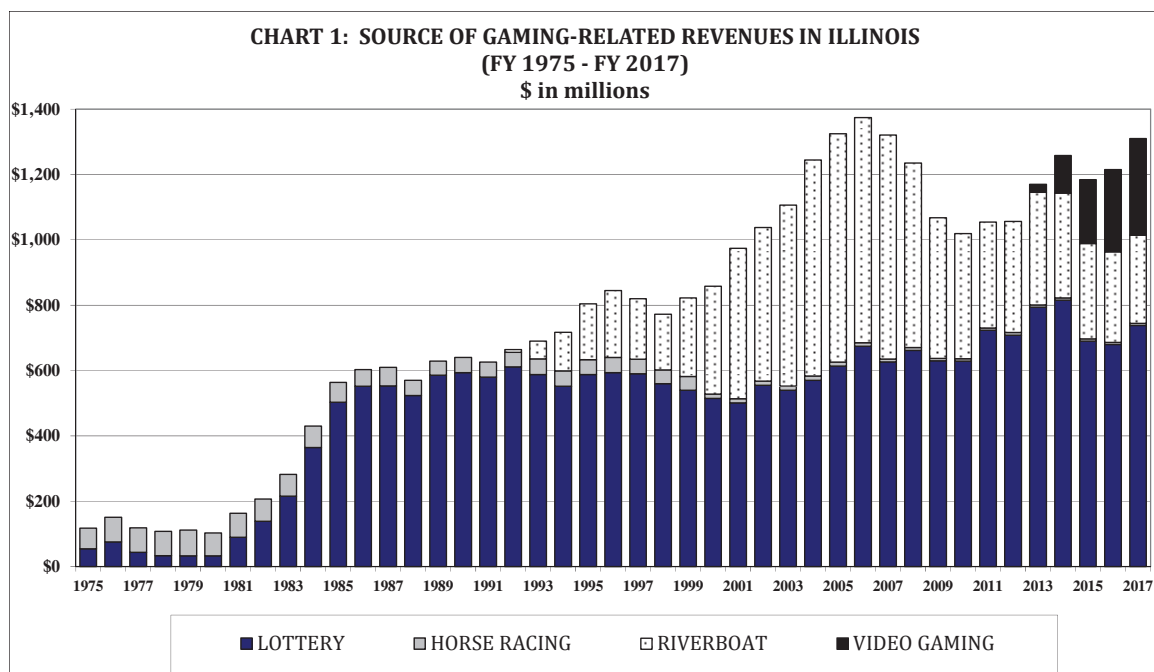


TABLE 1: STATE GAMING REVENUE (\$ in Millions)						
FISCAL YEAR	LOTTERY <sup>(1)</sup>	HORSE RACING <sup>(2)</sup>	RIVERBOAT <sup>(3)</sup>	VIDEO GAMING <sup>(4)</sup>	TOTAL	PRIOR YEAR % CHANGE
1975	\$55	\$63	\$0	\$0	\$118	N/A
1976	\$76	\$75	\$0	\$0	\$151	28.0%
1977	\$44	\$75	\$0	\$0	\$119	-21.2%
1978	\$34	\$74	\$0	\$0	\$108	-9.2%
1979	\$33	\$79	\$0	\$0	\$112	3.7%
1980	\$33	\$70	\$0	\$0	\$103	-8.0%
1981	\$90	\$73	\$0	\$0	\$163	58.3%
1982	\$139	\$68	\$0	\$0	\$207	27.0%
1983	\$216	\$66	\$0	\$0	\$282	36.2%
1984	\$365	\$65	\$0	\$0	\$430	52.5%
1985	\$503	\$61	\$0	\$0	\$564	31.2%
1986	\$552	\$51	\$0	\$0	\$603	6.9%
1987	\$553	\$57	\$0	\$0	\$610	1.2%
1988	\$524	\$46	\$0	\$0	\$570	-6.6%
1989	\$586	\$43	\$0	\$0	\$629	10.4%
1990	\$594	\$46	\$0	\$0	\$640	1.7%
1991	\$580	\$46	\$0	\$0	\$626	-2.2%
1992	\$611	\$45	\$8	\$0	\$664	6.1%
1993	\$588	\$48	\$54	\$0	\$690	3.9%
1994	\$552	\$47	\$118	\$0	\$717	3.9%
1995	\$588	\$45	\$171	\$0	\$804	12.1%
1996	\$594	\$46	\$205	\$0	\$845	5.1%
1997	\$590	\$45	\$185	\$0	\$820	-3.0%
1998	\$560	\$42	\$170	\$0	\$772	-5.9%
1999	\$540	\$42	\$240	\$0	\$822	6.5%
2000	\$515	\$13	\$330	\$0	\$858	4.4%
2001	\$501	\$13	\$460	\$0	\$974	13.5%
2002	\$555	\$13	\$470	\$0	\$1,038	6.6%
2003	\$540	\$13	\$554	\$0	\$1,107	6.6%
2004	\$570	\$13	\$661	\$0	\$1,244	12.4%
2005	\$614	\$12	\$699	\$0	\$1,325	6.5%
2006	\$674	\$11	\$689	\$0	\$1,374	3.7%
2007	\$627	\$9	\$685	\$0	\$1,321	-3.9%
2008	\$662	\$9	\$564	\$0	\$1,235	-6.5%
2009	\$630	\$7	\$430	\$0	\$1,067	-13.6%
2010	\$629	\$7	\$383	\$0	\$1,019	-4.5%
2011	\$723	\$7	\$324	\$0	\$1,054	3.4%
2012	\$708	\$8	\$340	\$0	\$1,056	0.2%
2013	\$794	\$7	\$345	\$24	\$1,170	10.8%
2014	\$815	\$7	\$321	\$114	\$1,258	7.5%
2015	\$690	\$7	\$292	\$196	\$1,184	-5.8%
2016	\$680	\$6	\$277	\$252	\$1,215	2.6%
2017	\$738	\$6	\$270	\$296	\$1,310	7.9%

(1) Figures represent all Lottery Transfers with the vast majority going into the Common School Fund. Also included are revenues from "special causes" games and revenues transferred into the Capital Projects Fund. The FY 2017 figure includes \$14.7M in revenues collected in FY 2016, but officially receipted in FY 2017.

(2) Figures equal State revenue generated, not allocated.

(3) Figures represent appropriations (FY 1992-FY 1995) and transfers (FY 1996-FY 2017) into the Education Assistance Fund and revenues deposited into the Common School Fund. It does not include revenues distributed to local governments or statutory distributions of revenues from the Des Plaines

(4) Figures include revenues paid into the Capital Projects Fund (5/6 of the 30% tax). It does not include the portion paid to local governments (1/6 of the 30% tax). This figure does not match the Gaming Board's fiscal year totals due to an approximate one-month lag between reported activity and receipts.

Sources: Comptroller's Office, Illinois Department of Revenue, Illinois Gaming Board, and Illinois Racing Board.

As the previous charts show, in the early years of wagering, horse racing was the primary source of gambling in Illinois. But in the 1980s, the lottery emerged as the top revenue producer of wagering revenues. During the 1990s and into the 2000s, riverboat revenues as a percentage of total gaming revenues increased dramatically. After years of the lottery being the top producer of gaming revenues, FY 2003 was the first of five consecutive years that riverboat revenues topped lottery as the largest source of gaming-related revenues. However, declines in riverboat transfers, coupled with modest lottery growth, again placed lottery as the largest contributor of gaming revenues in Illinois.

In FY 2017, lottery transfers (and other State-related lottery revenues) remained the largest generator of gaming revenues, comprising 56.3% of the revenue total. However, this percentage has declined from a recent high-mark of 67.8% in FY 2013. Riverboat transfers, which comprised over 50% of gaming related revenues just a decade ago, fell to 20.6% in FY 2017. In just its fifth year of generating tax revenues, video gaming's composition has now surpassed that of riverboat casinos in this metric, growing to its FY 2017 composition value of 22.6%. This percentage will likely continue to increase over the next few years as video gaming approaches full-implementation. Horse racing revenues continued to comprise a relatively miniscule 0.5%.

The overall decline in the composition of riverboat casino receipts occurred as a result of disappointing revenue performances from casinos throughout the State. The Rivers Casino in Des Plaines, which opened in July 2011, continued to be, by far, the largest revenue producing casino in Illinois, generating \$429 million in adjusted gross receipts (AGR) in FY 2017. But, this casino has only had revenue growth of 0.3% over the past two years. The four "older" casinos in the Chicago metropolitan area saw their AGR totals fall 0.6% in FY 2017; part of a 20.0% decline over the past five years. The five downstate casinos in Illinois fell 4.3% over the past year and have fallen 24% over the last five years. Competition from the newer Des Plaines casino and the rapid development of video gaming in Illinois has no doubt played a large part in these downward trends.

The growth of video gaming and the popularity of the Des Plaines' casino have not only impacted other Illinois casinos, but have also impacted nearby casinos from bordering states. The Riverboat Gambling section includes a detailed look of the revenue performance of Illinois' casinos, as well as the revenue returns of other casinos throughout the Midwest, and discusses how these results compare.

The 2017 Spring Legislative Session again involved numerous discussions on expanding gambling in Illinois as a method of increasing revenues and jobs for the State. And, like past years, these efforts failed to garner enough support for passage. But because these discussions continue, the Commission has again included in this report an analysis of the major parts of gaming expansion that are often proposed in gaming legislation. They include adding additional positions, allowing slot machines at horse tracks, and adding additional casinos across Illinois.

Some would argue that significant gaming expansion has already taken place with the rapid growth of video gaming in Illinois. By the end of FY 2017, the number of video gaming terminals in operation across Illinois had risen to 26,873, the equivalent of over 22 full-size (1,200 positions) Illinois riverboat casinos. While the number of new terminals being introduced per month has slowed, current trends would indicate that this total could reach 28,000 by the end of FY 2018. This figure is without the City of Chicago and numerous other communities in Illinois participating in video gaming due to local government bans on this form of gambling. The Video Gaming section provides a breakdown of the location and performance of the gaming terminals currently established across the State, along with a discussion of how the riverboat casino industry has been impacted by the emergence of video gaming.

As the popularity of video gaming grows in Illinois, the polar opposite seems to be the case for the horse racing industry. The amount wagered on Illinois horse racing (the handle) in 2016 was at \$571 million, which is 40.1% below levels seen just a decade ago. To make matters worse, two of Illinois' five major racetracks, Maywood Park and Balmoral Park, closed at the end of 2015.

Because of the ongoing struggles of the horse racing industry, proponents continue to lobby for slot machines at their tracks as a way to augment revenues. Details regarding the impact of slot machines at other racetracks across the country, as well as other pertinent information relating to horse racing, are provided in the Horse Racing section.

The largest amount of revenues from gaming-related sources continues to come from the State's lottery program. However, total lottery sales fell 0.5% below FY 2016's results and have remained relatively stagnant over the last five years. Lottery-related transfers did grow \$58 million in FY 2017, but this growth is somewhat misleading as \$14.5 million of FY 2016 money slipped into FY 2017 due to the timing of when the transfer was processed. Furthermore, even though Lottery-related transfers did grow to \$738 million in FY 2017, this total is well below the \$815 million transferred in FY 2014. This falloff is primarily because the amount transferred to the Capital Projects Fund has dropped from a high of \$145 million in FY 2014 to \$8 million in FY 2015, \$0 in FY 2016, and \$15 million in FY 2017.

The lack of growth in lottery sales is considered disappointing as higher totals were expected under the private management company, Northstar. Due to this poor performance, the State and Northstar entered into a letter of termination related to the private management agreement in September 2015. A 2016 request for proposal for a new private manager, however, resulted in only one bid, Camelot. At the time of this report, the State is currently still evaluating the submitted proposal and Northstar continues its day-to-day control of the Lottery. A discussion on this termination of the private management agreement, along with other statistics surrounding the Lottery is included in the Lottery section of this report.

TABLE 2: THE STATUS OF ILLINOIS GAMING BASED ON STATE REVENUE, GAMING HOLD, AND PER CAPITA SPENDING							
	2011	2012	2013	2014	2015	2016	2017*
<b>POPULATION (IN MILLIONS)</b>	12.9	12.9	12.9	12.9	12.8	12.8	12.8
<b>HORSE RACING (CY)</b>							
STATE REVENUE (IN MILLIONS)	\$ 7	\$ 8	\$ 7	\$ 7	\$ 7	\$ 6	\$ 6
GAMING HOLD (IN MILLIONS)	\$ 154	\$ 150	\$ 138	\$ 140	\$ 134	\$ 127	\$ 123
% CHANGE IN GAMING HOLD	-5.4%	-2.8%	-7.8%	1.7%	-4.5%	-5.3%	-3.2%
** PER CAPITA SPENDING	\$ 12	\$ 12	\$ 11	\$ 11	\$ 10	\$ 10	\$ 10
% CHANGE IN PER CAPITA SPENDING	-5.6%	-2.8%	-7.9%	1.8%	-4.3%	-5.0%	-3.0%
<b>LOTTERY (FY)</b>							
LOTTERY TRANSFERS (IN MILLIONS)	\$ 690	\$ 708	\$ 794	\$ 815	\$ 690	\$ 680	\$ 738
GAMING HOLD (IN MILLIONS)	\$ 964	\$ 1,115	\$ 1,113	\$ 1,103	\$ 1,098	\$ 891	\$ 1,081
% CHANGE IN GAMING HOLD	4.1%	15.7%	-0.2%	-0.9%	-0.4%	-18.9%	21.4%
** PER CAPITA SPENDING	\$ 75	\$ 87	\$ 86	\$ 86	\$ 86	\$ 70	\$ 85
% CHANGE IN PER CAPITA SPENDING	4.0%	15.6%	-0.3%	-0.8%	-0.2%	-18.7%	21.7%
<b>RIVERBOATS (FY)</b>							
AMOUNT TO EAF & CSF (IN MILLIONS)	\$ 324	\$ 340	\$ 345	\$ 321	\$ 292	\$ 277	\$ 270
GAMING HOLD (IN MILLIONS)	\$ 1,351	\$ 1,641	\$ 1,595	\$ 1,488	\$ 1,459	\$ 1,429	\$ 1,406
% CHANGE IN GAMING HOLD	-3.8%	21.5%	-2.8%	-6.7%	-1.9%	-2.1%	-1.6%
** PER-CAPITA SPENDING	\$ 105	\$ 127	\$ 124	\$ 116	\$ 114	\$ 112	\$ 110
% CHANGE IN PER CAPITA SPENDING	-4.0%	21.4%	-2.9%	-6.6%	-1.7%	-1.8%	-1.4%
<b>VIDEO GAMING (FY)</b>							
AMOUNT TO CAPITAL PROJECTS FUND	\$ -	\$ -	\$ 24	\$ 114	\$ 196	\$ 252	\$ 296
GAMING HOLD (IN MILLIONS)	\$ -	\$ -	\$ 96	\$ 456	\$ 783	\$ 1,006	\$ 1,184
% CHANGE IN GAMING HOLD				375.0%	71.6%	28.6%	17.7%
** PER CAPITA SPENDING	\$ -	\$ -	\$ 7	\$ 35	\$ 61	\$ 79	\$ 93
% CHANGE IN PER CAPITA SPENDING				375.4%	72.0%	28.9%	17.9%
<b>ALL WAGERING</b>							
TOTAL REVENUE (IN MILLIONS)	\$ 1,021	\$ 1,056	\$ 1,170	\$ 1,257	\$ 1,184	\$ 1,215	\$ 1,310
GAMING HOLD (IN MILLIONS)	\$ 2,469	\$ 2,906	\$ 2,942	\$ 3,188	\$ 3,475	\$ 3,453	\$ 3,794
% CHANGE IN GAMING HOLD	-1.0%	17.7%	1.2%	8.3%	9.0%	-0.6%	9.9%
** PER CAPITA SPENDING	\$ 192	\$ 226	\$ 228	\$ 248	\$ 271	\$ 270	\$ 297
% CHANGE IN PER CAPITA SPENDING	-1.1%	17.6%	1.2%	8.4%	9.2%	-0.3%	10.1%
*THE FY 2017 GAMING HOLD FIGURES FOR HORSE RACING AND LOTTERY ARE ESTIMATES.							
** PER CAPITA SPENDING EQUALS GAMING HOLD DIVIDED BY POPULATION.							
Note: Table updated 10/17/17.							
SOURCES: ILLINOIS RACING BOARD, ILLINOIS DEPT. OF REVENUE, ILLINOIS GAMING BOARD, CENSUS.GOV.							

Table 2, above, displays the differences between horse racing, the lottery, riverboat gambling, and video gaming in terms of State revenue, gaming hold, and per capita spending. For the purposes of this examination, the term “gaming hold” refers to the amount of money that gaming facilities keep after paying gaming winners. For horse racing and the lottery, the gaming hold is equal to the difference between the total wagered and the amount paid to winners. For riverboat casinos, this is adjusted gross receipts. For video gaming, gaming hold is equal to net terminal income. (Note: the 2017 amounts are estimates for Lottery and horse racing).

As Table 2 reveals, FY 2017 State gaming revenues totaled approximately \$1.310 billion. The gaming industry’s FY 2017 estimated gaming hold total of \$3.794 billion increased 9.9% from FY 2016 levels. Per capita spending increased an estimated 10.1% to approximately \$297 in FY 2017. These increases are mainly due to two reasons: the growth in video gaming’s net terminal income and the anticipated increase in the gaming hold of the Lottery in FY 2017.

The 17.7% increase in the State’s video gaming value for the gaming hold, or net terminal income as it is commonly referred to by the Gaming Board, is not surprising due to the continued growth of video gaming terminals across Illinois. The expansion of video gaming terminals has provided more opportunities for gaming, thus, causing per capita spending in gaming related venues to rise statewide.



On the other hand, the growth in the gaming hold for the Lottery is a bit more surprising because Lottery sales have remained relatively stagnant over the past couple of years. A closer look shows that the FY 2016 gaming hold value for the Lottery was lower than usual due to higher-than-normal prize payouts. At the time of this report, the FY 2017 prize payout figures were not available (which is needed to calculate the gaming hold). As a result, the Lottery figures for FY 2017 are projections. While the table assumes a more typical gaming hold value for the Lottery in FY 2017 (thereby creating the “high” growth rate), time will tell if the FY 2016 levels are an abnormality or if a new trend of higher prize payouts and, thus, lower gaming hold values is taking place.

The remainder of this report looks at each of Illinois’ gaming sources individually. The first section to be discussed is Illinois’ riverboat industry, followed by video gaming, horse racing, and the Lottery. The report concludes with a brief look at miscellaneous gaming in Illinois including bingo, pull-tabs, and charitable games.

# **RIVERBOAT GAMBLING**



## **RIVERBOAT GAMBLING**

Illinois became the second state to legalize riverboat casinos in February 1990 with the passage of the Riverboat Gambling Act (Public Act 86-1029). The State receives revenue from licensed riverboat gambling through license fees, wagering taxes, and admission taxes. The wagering tax is based on the adjusted gross receipts (AGR) of a riverboat, while the admission tax is based on the number of patrons visiting the facility. Because of this tax structure, adjusted gross receipts and admissions figures are the principal components that determine the amount of tax revenue collected by the State each year. While the State receives the majority of the revenue from riverboat gaming, a portion of the wagering tax and the admissions tax is distributed to the county and municipality where a gambling boat docks.

The Riverboat Gambling Act set the original wagering tax at an amount equal to 20 percent of a licensee's annual adjusted gross receipts. At that time, it authorized ten riverboat casino licenses, and specified that each licensee may operate two riverboat casinos at a single-specified location. Since the State's first riverboat casino – the Alton Belle – was launched on September 11, 1991, Illinois has experienced several major changes in the riverboat industry. Past changes include: the closure of the Silver Eagle in 1997; the creation of the graduated tax structure in 1998; the approval of dockside gambling in 1999; multiple changes to the wagering and admission tax rate structure, the hold harmless provision in FY 2006 and FY 2007, and impact fees paid to the horse racing industry.

Since many of these topics were covered in earlier Commission reports, this section will focus on topics affecting FY 2017 and beyond. It opens by providing a basic summary of Illinois' riverboat tax structure, as well as a synopsis of FY 2017 riverboat casino statistics and how these numbers compare to past years. It includes a discussion on factors that are currently impacting Illinois casinos and others that could impact the industry in the future, such as increased video gaming competition and gaming expansion.

During the Spring 2017 Legislative Session, debate regarding gaming expansion revolved around SB 0007. This piece of legislation would create a large Chicago casino, five additional riverboat casinos, three racetrack casinos, and would allow additional gaming positions at current locations. In May 2017, SB 0007 passed the Senate. However, at the time of this report, the bill remains in the House. While gaming expansion bills like SB 0007 have so far failed to receive support for legislative advancement, this section analyzes this type of gaming proposal and discusses factors that could affect how much revenue could be generated if this type of legislation were enacted.

**Wagering Tax Graduated Structure:** On July 1, 2005, the wagering tax graduated rate schedule statutorily declined from a 70% maximum tax rate to a maximum tax rate of 50%. The graduated rate schedule currently is set as follows:

Adjusted Gross Receipts			Current Rates
up to	- \$25.0	million	15.0%
\$25.0	- \$50.0	million	22.5%
\$50.0	- \$75.0	million	27.5%
\$75.0	- \$100.0	million	32.5%
\$100.0	- \$150.0	million	37.5%
\$150.0	- \$200.0	million	45.0%
over	\$200.0	million	50.0%

The local governments where each riverboat docks receive 5% of the AGR of the riverboats with the State receiving the remainder of the wagering tax revenue.

**Admission Tax Rate:** Under P.A. 94-0673, the admission tax was reduced from a range of \$3 to \$5 per admission to a range of \$2 to \$3 per admission. The precise amount for each riverboat is dependent on a riverboat's admission totals for the previous calendar year. The local governments receive \$1 of each admission tax collected, with the State receiving the remaining admission tax revenues.

**Des Plaines Casino Revenue Distribution:** With the opening of the 10<sup>th</sup> riverboat license in Des Plaines in July 2011, under Illinois statute, 15% of the adjusted gross receipts of the new casino was to be paid into the Horse Racing Equity Fund, 2% was to be paid into the Cook County Criminal Justice System, and 2% was to go to Chicago State University. However, due to how the statutory language was worded, there was not an avenue to properly transfer revenues from the State Gaming Fund to the Horse Racing Equity Fund and to Chicago State University without appropriation. (The transfer to the Cook County Criminal Justice System has been allowed to take place).

In response, P.A. 98-0018 (SB 1884) was enacted to provide language to allow these casino revenues to be distributed. In July 2013, the following "one-time" distributions were made from the revenues already collected:

- 1) **\$92 million** transferred to the **School Infrastructure Fund**
- 2) **\$23 million** transferred to the **Horse Racing Equity Fund**

After July 2013, revenues from the Des Planes Casino are to be distributed as follows:

- 1) **2% of AGR** of Des Plaines Casino to **Cook County Criminal Justice System**
- 2) **\$1.6 million per year** to the **Chicago State University Education Improvement Fund**, subject to appropriation
- 3) **\$66.4 million per year** to the **School Infrastructure Fund**.



## **Data Analysis**

The tables below and on the following page provide a summary of the performance of each of the State's ten active riverboat licenses during fiscal years 2012 thru 2017 based on adjusted gross receipts, admissions, and State, local, and total revenue generated. The information comes from the Illinois Gaming Board's *Monthly Riverboat Casino Report(s)*.

<b>TABLE 3: ILLINOIS RIVERBOAT ADJUSTED GROSS RECEIPTS</b>						
<b>(FY 2012 - FY 2017)</b>						
<b>(\$ in millions)</b>						
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Des Plaines	\$393.5	\$410.1	\$421.5	\$428.2	\$424.7	\$429.3
Joliet Harrah's	\$215.3	\$206.5	\$196.2	\$195.8	\$185.8	\$182.6
Elgin	\$226.7	\$201.4	\$180.2	\$168.8	\$170.0	\$166.4
Aurora	\$159.9	\$149.2	\$131.8	\$125.1	\$119.7	\$121.2
Joliet Hollywood	\$135.7	\$141.0	\$123.6	\$123.9	\$125.2	\$120.0
East St. Louis	\$132.1	\$128.7	\$116.2	\$106.8	\$108.1	\$107.0
Metropolis	\$102.7	\$91.8	\$80.6	\$83.6	\$82.4	\$79.7
East Peoria	\$116.2	\$112.0	\$100.1	\$93.2	\$86.0	\$78.9
Rock Island	\$87.5	\$85.5	\$77.6	\$77.3	\$76.7	\$72.1
Alton	\$70.9	\$68.5	\$59.8	\$56.6	\$50.4	\$48.3
<b>TOTAL</b>	<b>\$1,640.6</b>	<b>\$1,594.8</b>	<b>\$1,487.6</b>	<b>\$1,459.4</b>	<b>\$1,428.9</b>	<b>\$1,405.6</b>
<b>% INCREASE</b>	<b>21.5%</b>	<b>-2.8%</b>	<b>-6.7%</b>	<b>-1.9%</b>	<b>-2.1%</b>	<b>-1.6%</b>
<b>SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT</b>						

<b>TABLE 4: ILLINOIS RIVERBOAT ADMISSIONS</b>						
<b>(FY 2012 - FY 2017)</b>						
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Des Plaines	3,894,173	3,846,084	3,633,523	3,463,309	3,346,849	3,187,953
Joliet Harrah's	1,828,825	1,721,408	1,606,567	1,594,741	1,530,609	1,429,434
Elgin	1,719,111	1,634,974	1,470,024	1,341,104	1,366,731	1,320,807
Aurora	1,438,442	1,338,499	1,140,285	1,072,737	1,018,597	1,000,218
Joliet Hollywood	1,306,020	1,326,579	1,143,896	1,084,189	1,101,637	1,047,889
East St. Louis	1,940,539	1,791,770	1,542,603	1,311,198	1,226,581	1,142,751
Metropolis	825,745	718,985	628,458	702,039	655,981	563,224
East Peoria	1,204,672	1,154,330	1,037,744	997,589	920,257	808,396
Rock Island	1,309,522	1,260,803	1,108,979	1,073,840	1,026,313	973,516
Alton	900,658	818,856	701,461	625,566	532,252	509,339
<b>TOTAL</b>	<b>16,367,707</b>	<b>15,612,288</b>	<b>14,013,540</b>	<b>13,266,312</b>	<b>12,725,807</b>	<b>11,983,527</b>
<b>% INCREASE</b>	<b>22.7%</b>	<b>-4.6%</b>	<b>-10.2%</b>	<b>-5.3%</b>	<b>-4.1%</b>	<b>-5.8%</b>
<b>SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT</b>						

**TABLE 5: STATE REVENUE GENERATED FROM ILLINOIS RIVERBOATS  
(FY 2012 - FY 2017)**

	(\$ in millions)					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Des Plaines*	\$117.3	\$157.9	\$162.6	\$165.3	\$163.4	\$165.2
Joliet Harrah's	\$67.2	\$62.7	\$58.1	\$57.5	\$53.0	\$51.7
Elgin	\$74.8	\$60.9	\$52.3	\$46.2	\$46.6	\$44.5
Aurora	\$44.1	\$38.4	\$33.0	\$29.9	\$28.0	\$28.2
Joliet Hollywood	\$34.4	\$35.4	\$30.1	\$29.2	\$29.8	\$28.1
East St. Louis	\$33.5	\$32.5	\$28.6	\$24.6	\$24.2	\$24.2
Metropolis	\$21.1	\$19.1	\$15.8	\$16.1	\$15.9	\$15.0
East Peoria	\$27.0	\$26.0	\$22.3	\$19.6	\$17.8	\$15.6
Rock Island	\$17.1	\$16.9	\$14.7	\$14.1	\$14.0	\$13.0
Alton	\$13.5	\$12.8	\$10.7	\$9.6	\$8.2	\$7.7
<b>TOTAL</b>	<b>\$449.9</b>	<b>\$462.6</b>	<b>\$428.1</b>	<b>\$412.1</b>	<b>\$400.8</b>	<b>\$393.0</b>
% INCREASE	19.5%	2.8%	-7.5%	-3.7%	-2.7%	-1.9%
Des Plaines Distributions*:	(\$74.8)	(\$77.9)	(\$76.7)	(\$76.8)	(\$76.8)	(\$76.8)
<b>Total after Distributions:</b>	<b>\$375.1</b>	<b>\$384.7</b>	<b>\$351.4</b>	<b>\$335.3</b>	<b>\$324.0</b>	<b>\$316.2</b>
% INCREASE	-0.4%	2.6%	-8.6%	-4.6%	-3.3%	-2.4%
* Of the State revenues generated by Des Plaines in FY 2012 and FY 2013, a portion (\$75M in FY 2012 and \$78M in FY 2013) was statutorily set aside to be paid into other funds, including the Horse Racing Equity Fund, the Cook County Criminal Justice System, and Chicago St. University. P.A. 98-0018 altered the distribution language to provide that the Horse Racing Equity Fund will receive only \$23M (one-time in July 2013) and will receive no additional transfers in the future. Chicago St. will receive \$1.6M per year, but received no one-time transfers in July 2013. The School Infrastructure Fund received a one-time payment of \$92M in July 2013 and will annually receive \$66.4M per year from this revenue source. The Cook County Criminal Justice System continues to receive 2% of Des Plaines' AGR.						
SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT						

**TABLE 6: LOCAL REVENUE GENERATED FROM ILLINOIS RIVERBOATS  
(FY 2012 - FY 2017)**

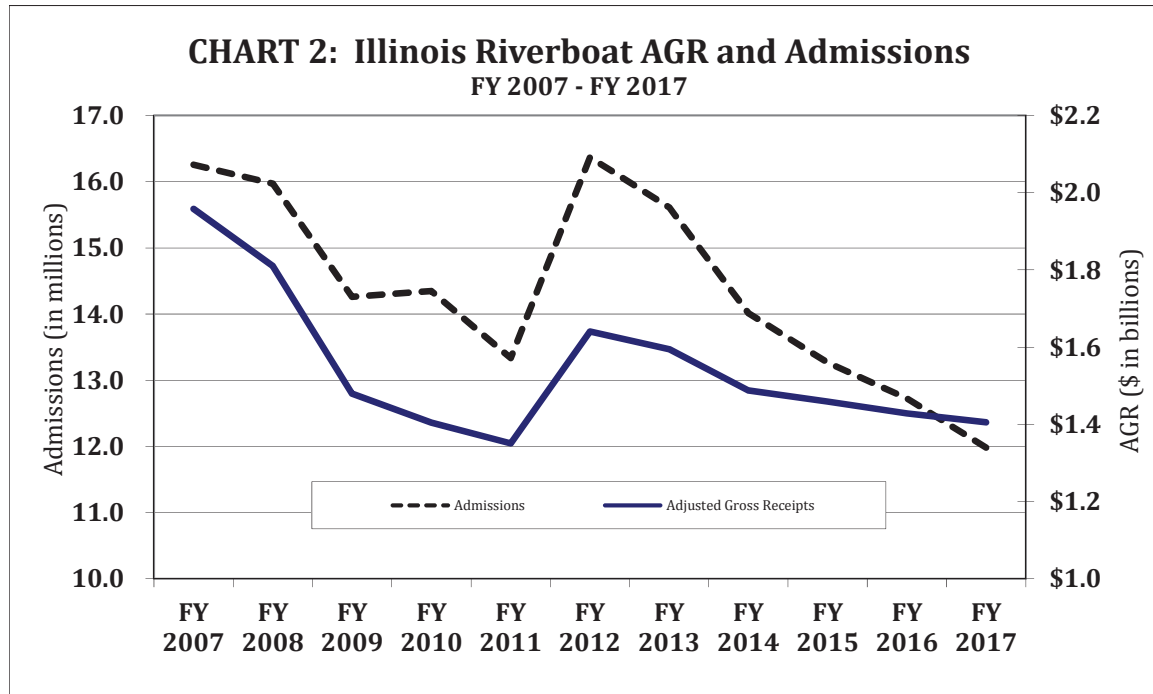
	(\$ in millions)					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Des Plaines	\$23.6	\$24.4	\$24.7	\$24.9	\$24.6	\$24.7
Joliet Harrah's	\$12.6	\$12.0	\$11.4	\$11.4	\$10.8	\$10.6
Elgin	\$13.1	\$11.7	\$10.5	\$9.8	\$9.9	\$9.6
Aurora	\$9.4	\$8.8	\$7.7	\$7.3	\$7.0	\$7.1
Joliet Hollywood	\$8.1	\$8.4	\$7.3	\$7.3	\$7.4	\$7.0
East St. Louis	\$8.5	\$8.2	\$7.4	\$6.7	\$6.6	\$6.5
Metropolis	\$6.0	\$5.3	\$4.7	\$4.9	\$4.8	\$4.5
East Peoria	\$7.0	\$6.8	\$6.0	\$5.7	\$5.2	\$4.8
Rock Island	\$5.7	\$5.5	\$5.0	\$4.9	\$4.9	\$4.6
Alton	\$4.4	\$4.2	\$3.7	\$3.5	\$3.1	\$2.9
<b>TOTAL</b>	<b>\$98.4</b>	<b>\$95.4</b>	<b>\$88.4</b>	<b>\$86.2</b>	<b>\$84.2</b>	<b>\$82.3</b>
% INCREASE	21.7%	-3.1%	-7.3%	-2.4%	-2.4%	-2.3%
SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT						

**TABLE 7: TOTAL REVENUE GENERATED FROM ILLINOIS RIVERBOATS  
(FY 2012 - FY 2017)**

	(\$ in millions)					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Des Plaines	\$140.8	\$182.2	\$187.3	\$190.1	\$188.0	\$189.9
Joliet Harrah's	\$79.8	\$74.7	\$69.5	\$68.9	\$63.9	\$62.2
Elgin	\$87.9	\$72.6	\$62.8	\$56.0	\$56.4	\$54.1
Aurora	\$53.5	\$47.2	\$40.7	\$37.2	\$35.0	\$35.3
Joliet Hollywood	\$42.5	\$43.8	\$37.4	\$36.5	\$37.1	\$35.1
East St. Louis	\$42.0	\$40.8	\$35.9	\$31.2	\$30.8	\$30.6
Metropolis	\$27.0	\$24.4	\$20.4	\$21.0	\$20.7	\$19.5
East Peoria	\$34.0	\$32.8	\$28.3	\$25.2	\$23.0	\$20.3
Rock Island	\$22.8	\$22.4	\$19.7	\$19.1	\$18.9	\$17.6
Alton	\$17.9	\$17.1	\$14.4	\$13.1	\$11.3	\$10.6
<b>TOTAL</b>	<b>\$548.3</b>	<b>\$557.9</b>	<b>\$516.5</b>	<b>\$498.3</b>	<b>\$485.0</b>	<b>\$475.3</b>
% INCREASE	19.9%	1.8%	-7.4%	-3.5%	-2.7%	-2.0%
SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT						

### **Statewide Historical Perspective**

The recent downward trend in Illinois' riverboat casino statistics continued in FY 2017. This downward trend culminates a ten-year period full of "ups and downs". Over the last decade, numerous factors have influenced the performance of Illinois riverboats, including the indoor smoking ban, the tumultuous economy, the opening of the casino in Des Plaines, and the introduction of video gaming. These factors have created dramatic fluctuations in the performance of the State's riverboats, specifically, in terms of adjusted gross receipts (AGR) and admissions. These fluctuations can be seen in the below graph.



Illinois' gambling numbers began this recent ten-year period strong as the State's total AGR increased 4.7% in FY 2007. But things changed in FY 2008 as AGR levels fell 7.5% and admissions fell 1.8%. The indoor smoking ban and the struggling economy were considered the primary reasons for this turnaround. These factors, now fully embedded into the gaming environment, caused riverboat figures to fall even more sharply in FY 2009 as receipts fell nearly \$331 million or -18.3%. Admissions were down 1.7 million patrons or -10.7%. In FY 2010 the falloff continued as total AGR dropped another 5.0%. Admissions held flat in FY 2010, increasing a minuscule 0.6%. The trend continued in FY 2011 with AGR levels falling 3.8% for the fiscal year and admissions falling 7.1%.

In FY 2012, riverboat figures finally improved as adjusted gross receipts and admissions increased 21.5% and 22.7%, respectively. The opening of the Des Plaines casino was the primary reason for this dramatic improvement. However, declines in riverboat figures have occurred ever since: FY 2013: -2.8% for AGR and -4.6% for admissions; FY 2014: -6.7% for AGR and -10.2% for admissions; FY 2015: -1.9% for AGR and -5.3% for admissions; FY 2016: -2.1% for AGR and -4.1% for

admissions; and FY 2017: -1.6% for AGR and -5.8% for admissions. As is discussed later in the report, it is believed that the growth of video gaming throughout Illinois is the main contributor to the recent statewide falloff in riverboat numbers.

### **Casino by Casino Perspective**

On an individual basis, the performance of Illinois' ten riverboats has been mixed. Eight of the ten casinos saw their AGR levels fall in FY 2017. The largest decline came from the Par-a-Dice Casino in East Peoria (-8.2%). Only two casinos experienced an increase in adjusted gross receipts in FY 2017: the Rivers Casino in Des Plaines was up 1.1% and the Hollywood Casino in Aurora was up 1.3%.

In terms of attendance, all ten casinos saw their admission totals fall in FY 2017. Two casinos experienced double-digit decreases: Metropolis Harrah's (-14.1%) and East Peoria's Par-A-Dice (-12.2%). And for the second consecutive year, even the highly attended Rivers Casino in Des Plaines experienced a decline (-4.7% in FY 2017). Still, Des Plaines is by far the most attended casino in Illinois with 3.2 million admissions in FY 2017 and makes up 26.6% of all casino admissions in Illinois.

<b>TABLE 8: ILLINOIS RIVERBOATS BY AGR AND ADMISSIONS</b>							
<b>ADJUSTED GROSS RECEIPTS</b>							
	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Des Plaines</b>	N/A	N/A	4.2%	2.8%	1.6%	-0.8%	1.1%
<b>Joliet Harrah's</b>	-6.9%	-8.9%	-4.1%	-5.0%	-0.2%	-5.1%	-1.8%
<b>Elgin</b>	0.0%	-20.8%	-11.1%	-10.5%	-6.3%	0.7%	-2.1%
<b>Aurora</b>	-3.5%	-10.4%	-6.6%	-11.7%	-5.1%	-4.4%	1.3%
<b>Joliet Hollywood</b>	-5.8%	-8.1%	3.9%	-12.4%	0.2%	1.0%	-4.2%
<b>East St. Louis</b>	-8.4%	3.2%	-2.6%	-9.7%	-8.1%	1.2%	-1.1%
<b>Metropolis</b>	-11.5%	2.7%	-10.7%	-12.2%	3.7%	-1.4%	-3.2%
<b>East Peoria</b>	0.8%	0.6%	-3.6%	-10.6%	-6.9%	-7.7%	-8.2%
<b>Rock Island</b>	9.8%	5.3%	-2.3%	-9.3%	-0.3%	-0.8%	-5.9%
<b>Alton</b>	-5.5%	-6.2%	-3.4%	-12.7%	-5.4%	-11.0%	-4.2%
<b>TOTAL</b>	-3.8%	21.5%	-2.8%	-6.7%	-1.9%	-2.1%	-1.6%
<b>ADMISSIONS</b>							
	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Des Plaines</b>	N/A	N/A	-1.2%	-5.5%	-4.7%	-3.4%	-4.7%
<b>Joliet Harrah's</b>	-14.7%	-9.6%	-5.9%	-6.7%	-0.7%	-4.0%	-6.6%
<b>Elgin</b>	-2.9%	-16.2%	-4.9%	-10.1%	-8.8%	1.9%	-3.4%
<b>Aurora</b>	-2.3%	-3.2%	-6.9%	-14.8%	-5.9%	-5.0%	-1.8%
<b>Joliet Hollywood</b>	-3.5%	-5.0%	1.6%	-13.8%	-5.2%	1.6%	-4.9%
<b>East St. Louis</b>	-9.4%	-0.8%	-7.7%	-13.9%	-15.0%	-6.5%	-6.8%
<b>Metropolis</b>	-19.6%	0.0%	-12.9%	-12.6%	11.7%	-6.6%	-14.1%
<b>East Peoria</b>	-5.5%	-3.9%	-4.2%	-10.1%	-3.9%	-7.8%	-12.2%
<b>Rock Island</b>	6.3%	-5.3%	-3.7%	-12.0%	-3.2%	-4.4%	-5.1%
<b>Alton</b>	-11.2%	-8.4%	-9.1%	-14.3%	-10.8%	-14.9%	-4.3%
<b>TOTAL</b>	-7.1%	22.7%	-4.6%	-10.2%	-5.3%	-4.1%	-5.8%
SOURCE: ILLINOIS GAMING BOARD							

## **Tax Revenue Analysis**

The amount of tax revenues collected from Illinois casinos is directly related to each riverboat's adjusted gross receipts and admissions. Riverboats that saw increases/decreases in these figures saw similar changes in the amount of State revenues collected. As shown below, State revenues from Illinois casinos fell 1.9% in FY 2017. And when including the statutory distributions from the Des Plaines Casino, the falloff worsens to -2.4%.

<b>TABLE 9: ANNUAL PERCENT CHANGE OF RIVERBOAT STATE REVENUES</b>								
<b>Comparison of FY 2014 thru FY 2017</b>								
<b>\$ in millions</b>								
	<b>FY 2014 STATE REVENUE*</b>	<b>Annual % change</b>	<b>FY 2015 STATE REVENUE*</b>	<b>Annual % change</b>	<b>FY 2016 STATE REVENUE*</b>	<b>Annual % change</b>	<b>FY 2017 STATE REVENUE*</b>	<b>Annual % change</b>
Des Plaines*	\$162.6	3.0%	\$165.3	1.7%	\$163.4	-1.1%	\$165.2	1.1%
Joliet Harrah's	\$58.1	-7.4%	\$57.5	-0.9%	\$53.0	-7.8%	\$51.7	-2.6%
Elgin	\$52.3	-14.2%	\$46.2	-11.6%	\$46.6	0.7%	\$44.5	-4.4%
Aurora	\$33.0	-14.0%	\$29.9	-9.5%	\$28.0	-6.4%	\$28.2	0.9%
Joliet Hollywood	\$30.1	-15.0%	\$29.2	-3.1%	\$29.8	2.0%	\$28.1	-5.7%
East St. Louis	\$28.6	-12.2%	\$24.6	-13.9%	\$24.2	-1.8%	\$24.2	0.0%
Metropolis	\$15.8	-17.4%	\$16.1	1.9%	\$15.9	-0.8%	\$15.0	-6.0%
East Peoria	\$22.3	-14.3%	\$19.6	-12.2%	\$17.8	-9.3%	\$15.6	-12.4%
Rock Island	\$14.7	-12.8%	\$14.1	-3.9%	\$14.0	-1.1%	\$13.0	-6.8%
Alton	\$10.7	-16.4%	\$9.6	-10.3%	\$8.2	-14.3%	\$7.7	-7.0%
<b>TOTAL</b>	<b>\$428.1</b>	<b>-7.5%</b>	<b>\$412.1</b>	<b>-3.7%</b>	<b>\$400.8</b>	<b>-2.7%</b>	<b>\$393.0</b>	<b>-1.9%</b>
Des Plaines Distributions*:	<u><b>-\$76.7</b></u>		<u><b>-\$76.8</b></u>		<u><b>-\$76.7</b></u>		<u><b>-\$76.8</b></u>	
<b>Total after Distributions:</b>	<b>\$351.4</b>	<b>-8.6%</b>	<b>\$335.3</b>	<b>-4.6%</b>	<b>\$324.1</b>	<b>-3.3%</b>	<b>\$316.2</b>	<b>-2.4%</b>
* Of the State revenues generated by Des Plaines in FY 2012 and FY 2013, a portion (\$75 million in FY 2012 and \$78 million in FY 2013) was statutorily set aside to be paid into other funds, including the Horse Racing Equity Fund, the Cook County Criminal Justice System, and Chicago State University. P.A. 98-0018 altered the distribution language to provide that the Horse Racing Equity Fund will receive only \$23 million (one-time in July 2013) from the revenues and will receive no additional transfers in the future. Chicago State University will receive \$1.6 million per year, but received no one-time transfers in July 2013. The School Infrastructure Fund received a one-time payment of \$92 million in July 2013 and will annually receive \$66.4 million per year from this revenue source. The Cook County Criminal Justice System continues to receive 2% of Des Plaines' AGR.								
Source: Illinois Gaming Board Monthly Riverboat Casino Report								

The rate of change in State revenues will often be more pronounced than the change in AGR because lower AGR totals lead to a lower tax rate under the graduated tax structure. For example, East Peoria, which over the past three fiscal years has seen declines in its AGR of -6.9%, -7.7%, and -8.2%, has had its State tax revenue totals decline -12.2%, -9.3%, and -12.4%. East Peoria's operating tax rate has been effectively reduced from 26.2% to 22.7% over the last four years due to this reduction in its adjusted gross receipts. A table displaying each casino's operating tax rates since FY 2012 is shown below. As shown, the statewide average operating tax rate came in at 26.7% in FY 2017, down from 26.9% in FY 2016, 27.2% in FY 2015, and from 28.0% in FY 2014.

<b>TABLE 10: OPERATING TAX RATES FOR ILLINOIS RIVERBOATS</b>						
	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Des Plaines	32.8%	41.6%	41.8%	42.0%	41.9%	42.0%
Joliet Harrah's	34.5%	33.7%	33.0%	32.8%	31.9%	31.7%
Elgin	36.5%	33.6%	32.4%	30.8%	30.8%	30.1%
Joliet Hollywood	30.8%	28.9%	28.3%	27.2%	26.7%	26.6%
Aurora	28.4%	28.2%	27.5%	26.8%	27.0%	26.7%
East St. Louis	27.4%	27.5%	26.9%	25.6%	25.1%	25.4%
Metropolis	23.9%	24.3%	23.0%	22.6%	22.8%	22.4%
East Peoria	26.2%	26.2%	25.2%	23.9%	23.5%	22.7%
Rock Island	21.5%	21.8%	21.1%	20.5%	20.6%	20.4%
Alton	21.5%	21.3%	20.6%	19.8%	19.2%	18.8%
<b>Average Tax Rate</b>	<b>28.3%</b>	<b>28.7%</b>	<b>28.0%</b>	<b>27.2%</b>	<b>26.9%</b>	<b>26.7%</b>



### **Reasons for the Recent Declines**

In FY 2007, Illinois' nine casinos (before Des Plaines) reached an adjusted gross receipts total of near \$2.0 billion. In FY 2017, the AGR total was only \$1.4 billion, a decline of 28.2% from this peak period. In the initial years after this peak, the declines were speculated to be the results of the struggling economy, as well as the indoor smoking ban. While State totals improved significantly in FY 2012 (reaching \$1.6 billion) due to the addition of the new casino in Des Plaines, all other casinos have seen their adjusted gross receipts fall. In fact, since FY 2007, eight of the nine "older" casinos have seen their AGR levels fall more than 37% with the sharpest decline coming from Elgin's casino at -61.8%. The only exception is Rock Island which has benefitted from a new casino.

As has been highlighted extensively in past editions of this report, the July 2011 opening of the Des Plaines casino had an obvious cannibalization effect on nearby casinos. When looking at the four "older" casinos in the Chicago area since Des Plaines' opening, comparing FY 2011 totals to FY 2015 levels, their combined AGR fell \$235 million, or -27.7%. So while Des Plaines generated \$428 million in adjusted gross receipts in FY 2015 - when accounting for the \$235 million loss from the other four casinos - adjusted gross receipts were only up a net \$193 million, compared to FY 2011. Still, even with these losses, adjusted gross receipts grew 22.8% over these fiscal years in the Chicago metro area.

Not only has the Des Plaines casino impacted Illinois existing riverboats, it also has had an impact on several of the area casinos in Indiana as well. In FY 2017, the AGR of the five Indiana casinos near the Chicago metropolitan area totaled \$897 million, which is \$280 million or 23.8% below their FY 2011 levels. This includes a 25.8% decline at the Horseshoe Casino in Hammond, which is arguably the biggest competitor to Illinois casinos.

It is likely that a significant portion of the \$280 million that Indiana's Chicago area casinos have lost over the past several years has found its way into Illinois. However, if Indiana money has found its way into Illinois' coffers, it appears not all of it has come via casino revenues. When combining the AGR levels for all casinos in the Chicago Metropolitan Area (including the five Indiana casinos), casino revenues are down a combined \$108.5 million or -5.4% in FY 2017 compared to FY 2011. So despite the creation of the Des Plaines casino, adjusted gross receipts of the casinos in the Chicago Metropolitan Area are actually lower now (\$1.916 billion) than they were before the Des Plaines casino opened (\$2.025 billion in FY 2011).

It can be summarized that while the casino in Des Plaines has negatively impacted the nearby casinos, the numbers indicate that another factor is driving the overall declines of the casino gaming market in this area in recent years. This factor is widely believed to be the emergence of video gaming machines in Illinois. This is discussed in detail on page 43 in the Video Gaming section.

# Statistical Summary of the Midwestern Gaming States

\$ in millions

## ILLINOIS CASINOS

\$ IN MILLIONS	Casino		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	1-Yr.	2-Yr.	5-Yr.	June 2017	2017 AGR/
	Type	Region	AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Change	Positions	Pos/Day
ALTON ARGOSY - Alton	Casino	St. Louis	\$70.9	\$68.5	\$59.8	\$56.6	\$50.4	\$48.3	-4.2%	-14.7%	-32.0%	827	\$160
PAR-A-DICE - E. Peoria	Casino	Central IL	\$116.2	\$112.0	\$100.1	\$93.2	\$86.0	\$78.9	-8.2%	-15.3%	-32.1%	987	\$219
JUMER'S - Rock Island	Casino	Quad City	\$87.5	\$85.5	\$77.6	\$77.3	\$76.7	\$72.1	-5.9%	-6.7%	-17.6%	1,044	\$189
HOLLYWOOD CASINO - Joliet	Casino	Chicago	\$135.7	\$141.0	\$123.6	\$123.9	\$125.2	\$120.0	-4.2%	-3.2%	-11.6%	1,090	\$302
HARRAH'S - Metropolis	Casino	S. Illinois	\$102.7	\$91.8	\$80.6	\$83.6	\$82.4	\$79.7	-3.2%	-4.6%	-22.4%	872	\$250
HARRAH'S - Joliet	Casino	Chicago	\$215.3	\$206.5	\$196.2	\$195.8	\$185.8	\$182.6	-1.8%	-6.8%	-15.2%	1,200	\$417
HOLLYWOOD CASINO - Aurora	Casino	Chicago	\$159.9	\$149.2	\$131.8	\$125.1	\$119.7	\$121.2	1.3%	-3.1%	-24.2%	1,157	\$287
CASINO QUEEN - E. St. Louis	Casino	St. Louis	\$132.1	\$128.7	\$116.2	\$106.8	\$108.1	\$107.0	-1.1%	0.1%	-19.0%	1,124	\$261
GRAND VICTORIA - Elgin	Casino	Chicago	\$226.7	\$201.4	\$180.2	\$168.8	\$170.0	\$166.4	-2.1%	-1.4%	-26.6%	1,200	\$380
RIVERS CASINO - Des Plaines	Casino	Chicago	\$393.5	\$410.1	\$421.5	\$428.2	\$424.7	\$429.3	1.1%	0.3%	9.1%	1,196	\$983
<b>TOTALS</b>			<b>\$1,640.6</b>	<b>\$1,594.8</b>	<b>\$1,487.6</b>	<b>\$1,459.4</b>	<b>\$1,428.9</b>	<b>\$1,405.6</b>	<b>-1.6%</b>	<b>-3.7%</b>	<b>-14.3%</b>	<b>10,697</b>	<b>\$360</b>
CHICAGO REGION TOTALS			\$1,131.1	\$1,108.3	\$1,053.3	\$1,041.9	\$1,025.4	\$1,019.5	-0.6%	-2.1%	-9.9%	5,842	\$478
CHICAGO REGION W/O DES PLAINES			\$737.6	\$698.2	\$631.8	\$613.7	\$600.7	\$590.2	-1.7%	-3.8%	-20.0%	4,646	\$348
ST. LOUIS REGION TOTALS			\$203.0	\$197.2	\$176.1	\$163.4	\$158.5	\$155.3	-2.0%	-5.0%	-23.5%	1,951	\$218

## INDIANA CASINOS

\$ IN MILLIONS	Casino		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	1-Yr.	2-Yr.	5-Yr.	June 2017	2017 AGR/
	Type	Region	AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Change	Positions	Pos/Day
AMERISTAR - East Chicago	Casino	Chicago	\$239.6	\$231.5	\$208.7	\$221.2	\$222.8	\$204.1	-8.4%	-7.7%	-14.8%	1,939	\$288
HOLLYWOOD - Lawrenceburg	Casino	SE Indiana	\$429.1	\$339.0	\$214.5	\$179.2	\$168.4	\$162.9	-3.3%	-9.1%	-62.0%	1,982	\$225
BELTERRA - Switzerland County	Casino	SE Indiana	\$149.8	\$140.4	\$113.2	\$110.1	\$103.2	\$111.2	7.8%	1.0%	-25.7%	1,293	\$236
BLUE CHIP - Michigan City	Casino	Chicago	\$175.1	\$166.4	\$149.7	\$152.5	\$155.1	\$152.6	-1.6%	0.0%	-12.9%	1,793	\$233
TROPICANA - Evansville	Casino	S. Indiana	\$119.7	\$114.8	\$111.4	\$115.6	\$119.4	\$120.7	1.1%	4.4%	0.8%	1,187	\$279
FRENCH LICK - French Lick	Casino	S. Indiana	\$86.5	\$82.6	\$68.4	\$71.0	\$77.5	\$85.4	10.2%	20.3%	-1.3%	1,038	\$225
RISING STAR - Rising Sun	Casino	SE Indiana	\$92.3	\$78.0	\$54.7	\$43.7	\$45.0	\$45.8	1.9%	4.8%	-50.3%	1,026	\$122
HOOSIER PARK - Anderson	Racino	Central IN	\$201.0	\$188.9	\$201.6	\$198.4	\$204.1	\$209.5	2.6%	5.6%	4.2%	1,679	\$342
HORSESHOE - Hammond	Casino	Chicago	\$499.0	\$489.0	\$455.8	\$427.5	\$412.0	\$399.3	-3.1%	-6.6%	-20.0%	3,052	\$358
HORSESHOE - Harrison County	Casino	S. Indiana	\$260.5	\$269.9	\$257.8	\$247.6	\$244.0	\$242.1	-0.7%	-2.2%	-7.0%	1,987	\$334
INDIANA GRAND - Shelbyville	Racino	Central IN	\$222.0	\$208.8	\$236.2	\$239.3	\$245.3	\$256.1	4.4%	7.0%	15.4%	1,890	\$371
MAJESTIC STAR - Gary	Casino	Chicago	\$111.0	\$102.8	\$93.5	\$87.4	\$83.8	\$86.2	2.9%	-1.3%	-22.3%	1,066	\$222
MAJESTIC STAR II - Gary	Casino	Chicago	\$90.7	\$83.6	\$67.6	\$63.2	\$60.1	\$54.5	-9.3%	-13.7%	-39.9%	884	\$169
<b>TOTALS</b>			<b>\$2,676.1</b>	<b>\$2,495.8</b>	<b>\$2,232.9</b>	<b>\$2,156.7</b>	<b>\$2,140.5</b>	<b>\$2,130.4</b>	<b>-0.5%</b>	<b>-1.2%</b>	<b>-20.4%</b>	<b>20,815</b>	<b>\$280</b>
CHICAGO REGION AREA TOTALS			\$1,115.3	\$1,073.4	\$975.2	\$951.8	\$933.7	\$896.7	-4.0%	-5.8%	-19.6%	8,733	\$281
Composition of Chicago Region:			49.6%	49.2%	48.1%	47.7%	47.7%	46.8%					
TOTAL CASINOS			\$2,253.2	\$2,098.1	\$1,795.1	\$1,719.0	\$1,691.1	\$1,664.8	-1.6%	-3.1%	-26.1%	17,246	\$264
TOTAL RACINOS			\$422.9	\$397.7	\$437.8	\$437.7	\$449.4	\$465.5	3.6%	6.4%	10.1%	3,569	\$357

## MISSOURI CASINOS

\$ IN MILLIONS	Casino		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	1-Yr.	2-Yr.	5-Yr.	June 2016	2016 AGR/
	Type	Region	AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Change	Positions	Pos/Day
ARGOSY - Riverside	Casino	Kansas City	\$178.8	\$152.8	\$142.9	\$141.8	\$151.2	\$155.6	2.9%	9.7%	-13.0%	1,550	\$251
ISLE OF CAPRI - Boonville	Casino	Central MO	\$84.2	\$82.1	\$78.0	\$81.6	\$81.6	\$81.5	-0.1%	-0.1%	-3.2%	928	\$241
LADY LUCK - Caruthersville	Casino	SE Missouri	\$35.4	\$33.2	\$31.1	\$34.2	\$37.1	\$36.9	-0.6%	7.9%	4.2%	551	\$170
HOLLYWOOD - Maryland Hts	Casino	St. Louis	\$272.3	\$243.0	\$223.4	\$218.9	\$228.5	\$239.1	4.6%	9.2%	-12.2%	2,224	\$270
HARRAH'S - North Kansas City	Casino	Kansas City	\$190.0	\$179.9	\$175.1	\$174.6	\$172.9	\$169.6	-1.9%	-2.9%	-10.8%	1,522	\$314
ISLE OF CAPRI - Kansas City	Casino	Kansas City	\$86.0	\$79.9	\$75.6	\$77.7	\$77.4	\$75.0	-3.2%	-3.5%	-12.8%	969	\$220
LUMIERE PLACE - St. Louis	Casino	St. Louis	\$169.2	\$160.3	\$145.0	\$136.0	\$138.1	\$140.5	1.7%	3.4%	-16.9%	1,971	\$189
AMERISTAR - Kansas City	Casino	Kansas City	\$231.2	\$213.2	\$197.6	\$196.2	\$199.9	\$194.3	-2.8%	-1.0%	-16.0%	2,320	\$232
RIVER CITY - St. Louis	Casino	St. Louis	\$203.7	\$205.8	\$207.6	\$216.0	\$223.7	\$224.9	0.5%	4.1%	10.4%	2,047	\$289
PRESIDENT - St. Louis	Casino	St. Louis	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	N/A	N/A	N/A	-	N/A
MARK TWAIN - LaGrange	Casino	W. Illinois	\$39.1	\$38.4	\$36.6	\$36.1	\$34.3	\$34.3	-5.0%	-5.2%	-12.3%	622	\$159
AMERISTAR - St. Charles	Casino	St. Louis	\$274.5	\$270.0	\$254.4	\$266.0	\$262.2	\$261.3	-0.4%	-1.8%	-4.8%	2,498	\$292
FRONTIER - St. Joseph	Casino	NW Missouri	\$31.7	\$40.4	\$37.9	\$40.0	\$39.6	\$40.1	1.2%	0.2%	26.5%	518	\$212
ISLE OF CAPRI - Cape Girardeau	Casino	S. Illinois	\$0.0	\$45.7	\$57.3	\$63.0	\$64.8	\$65.9	1.6%	4.6%	N/A	977	\$177
<b>TOTALS</b>			<b>\$1,796.1</b>	<b>\$1,744.8</b>	<b>\$1,662.5</b>	<b>\$1,682.1</b>	<b>\$1,713.1</b>	<b>\$1,718.9</b>	<b>0.3%</b>	<b>2.2%</b>	<b>-4.3%</b>	<b>18,698</b>	<b>\$246</b>
ST LOUIS REGION TOTALS			\$919.7	\$879.1	\$830.4	\$836.8	\$852.5	\$865.8	1.6%	3.5%	-5.9%	8,741	\$262
Composition of St. Louis Region:			81.9%	81.7%	82.5%	83.7%	84.3%	84.8%					

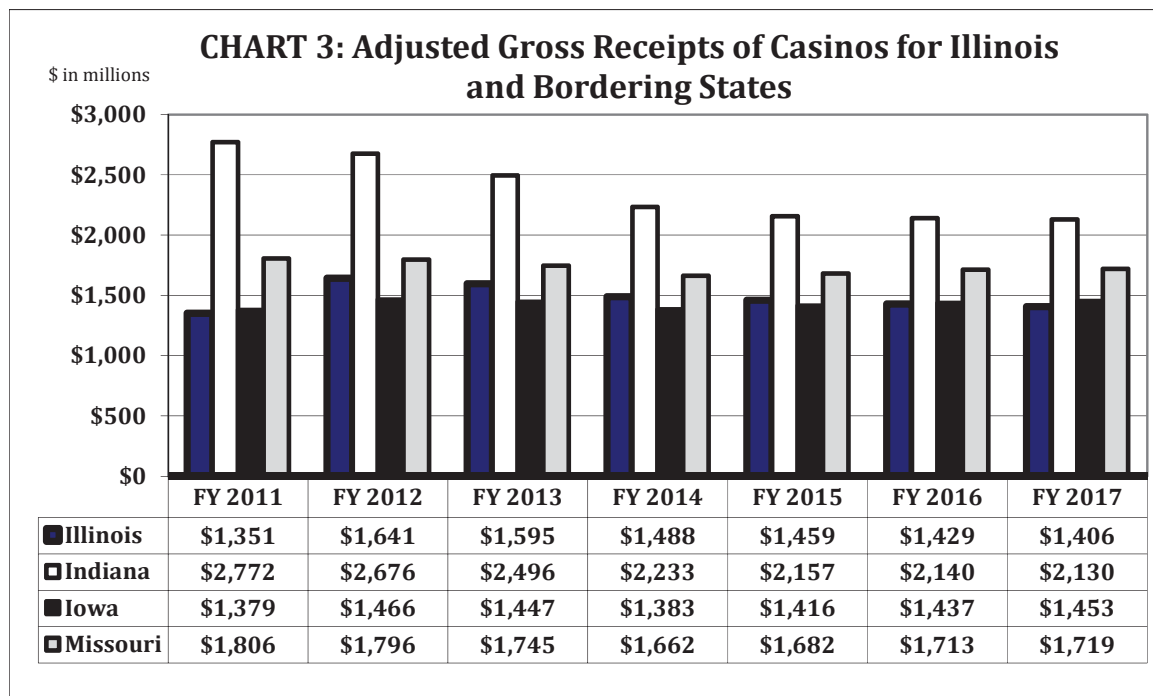
## IOWA CASINOS

\$ IN MILLIONS	Casino		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	1-Yr.	2-Yr.	5-Yr.	June 2017	2017 AGR/
	Type	Region	AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Change	Positions	Pos/Day
AMERISTAR - Council Bluffs	Casino	W. Iowa	\$170.3	\$167.8	\$163.7	\$168.6	\$169.0	\$171.4	1.5%	1.7%	0.7%	1,297	\$362
ARGOSY - Sioux City	Casino	NW Iowa	\$61.0	\$56.1	\$48.0	\$3.1	\$0.0	\$0.0	N/A	N/A	N/A	-	N/A
CASINO QUEEN - Marquette	Casino	NE Iowa	\$29.9	\$29.8	\$26.7	\$28.6	\$27.1	\$26.4	-2.7%	-7.6%	-11.7%	514	\$141
CATFISH BEND - Burlington	Casino	W. Illinois	\$39.4	\$38.8	\$38.3	\$42.0	\$43.8	\$41.7	-4.8%	-0.7%	6.0%	681	\$168
DIAMOND JO - Dubuque	Casino	NW Illinois	\$70.1	\$66.5	\$63.6	\$63.9	\$67.6	\$66.9	-1.0%	4.6%	-4.6%	932	\$197
DIAMOND JO - Northwood	Casino	N. Iowa	\$90.6	\$88.6	\$84.2	\$84.3	\$86.5	\$85.2	-1.6%	1.1%	-5.9%	1,034	\$226
GRAND FALLS - Larchwood	Casino	NW Iowa	\$57.4	\$58.2	\$59.2	\$58.2	\$55.7	\$54.8	-1.7%	-5.8%	-4.5%	887	\$169
HARD ROCK CASINO - Sioux City	Casino	W. Iowa	\$0.0	\$0.0	\$0.0	\$70.1	\$83.2	\$77.0	-7.4%	9.9%	N/A	970	\$218
HARRAH'S - Council Bluffs	Casino	W. Iowa	\$68.2	\$67.4	\$73.9	\$74.1	\$70.6	\$71.3	1.0%	-3.8%	4.5%	603	\$324
HORSESHOE CASINO - Council Bluffs	Racino	W. Iowa	\$204.2	\$200.3	\$192.8	\$183.5	\$175.6	\$172.1	-2.0%	-6.2%	-15.7%	1,611	\$293
ISLE OF CAPRI - Bettendorf	Casino	Quad City	\$75.7	\$74.5	\$70.2	\$68.5	\$69.7	\$77.5	11.1%	13.0%	2.3%	979	\$217
ISLE CASINO - Waterloo	Casino	Central IA	\$83.6	\$86.0	\$85.1	\$88.9	\$89.6	\$87.0	-2.8%	-2.0%	4.2%	985	\$242
LAKEVIEW - Osceola	Casino	Central IA	\$50.1	\$53.5	\$49.3	\$51.7	\$49.4	\$48.1	-2.6%	-6.9%	-3.8%	644	\$205
PRAIRIE MEADOWS - Altoona	Racino	Central IA	\$194.7	\$195.0	\$181.0	\$186.1	\$182.5	\$190.2	4.2%	2.2%	-2.3%	1,971	\$264
Q CASINO - Dubuque	Racino	NW Illinois	\$58.9	\$57.6	\$51.1	\$50.8	\$48.8	\$47.6	-2.4%	-6.2%	-19.2%	860	\$152
RHYTHM CITY - Davenport	Casino	Quad City	\$50.5	\$48.3	\$44.4	\$43.1	\$43.9	\$61.9	41.1%	43.8%	22.6%	876	\$194
RIVERSIDE CASINO - Riverside	Casino	Central IA	\$90.3	\$88.7	\$87.7	\$86.7	\$85.2	\$85.7	0.6%	-1.2%	-5.2%	1,134	\$207
WILD ROSE - Clinton	Casino	NW Illinois	\$39.2	\$37.6	\$32.8	\$32.9	\$32.9	\$31.4	-4.7%	-4.8%	-19.9%	559	\$154
WILD ROSE - Emmetsburg	Casino	W. Illinois	\$31.9	\$32.2	\$31.0	\$30.5	\$29.0	\$28.4	-2.1%	-6.8%	-11.0%	497	\$157
WILD ROSE - Jefferson	Casino	Central IA	\$0.0	\$0.0	\$0.0	\$0.0	\$26.9	\$28.2	5.0%	N/A	N/A	530	\$146
<b>TOTALS</b>			<b>\$1,466.0</b>	<b>\$1,446.8</b>	<b>\$1,383.0</b>	<b>\$1,415.5</b>	<b>\$1,437.1</b>	<b>\$1,452.9</b>	<b>1.1%</b>	<b>2.6%</b>	<b>-0.9%</b>	<b>17,564</b>	<b>\$227</b>
QUAD CITY REGION TOTALS			\$126.3	\$122.8	\$114.7	\$111.6	\$113.6	\$139.4	22.7%	24.9%	10.4%	1,855	\$206
OTHER CASINOS BORDERING ILLINOIS			\$239.4	\$232.7	\$216.8	\$220.1	\$222.2	\$216.0	-2.8%	-1.9%	-9.8%	3,031	\$195
Composition of Illinois Bording Casinos:			80.7%	80.6%	81.0%	81.1%	81.4%	83.1%					
TOTAL CASINOS			\$1,008.1	\$993.9	\$958.1	\$995.2	\$1,030.2	\$1,042.9	1.2%	4.8%	3.5%	16,267	\$176
TOTAL RACINOS			\$457.9	\$452.9	\$424.9	\$420.3	\$407.0	\$410.0	0.7%	-2.5%	-10.5%	4,442	\$253

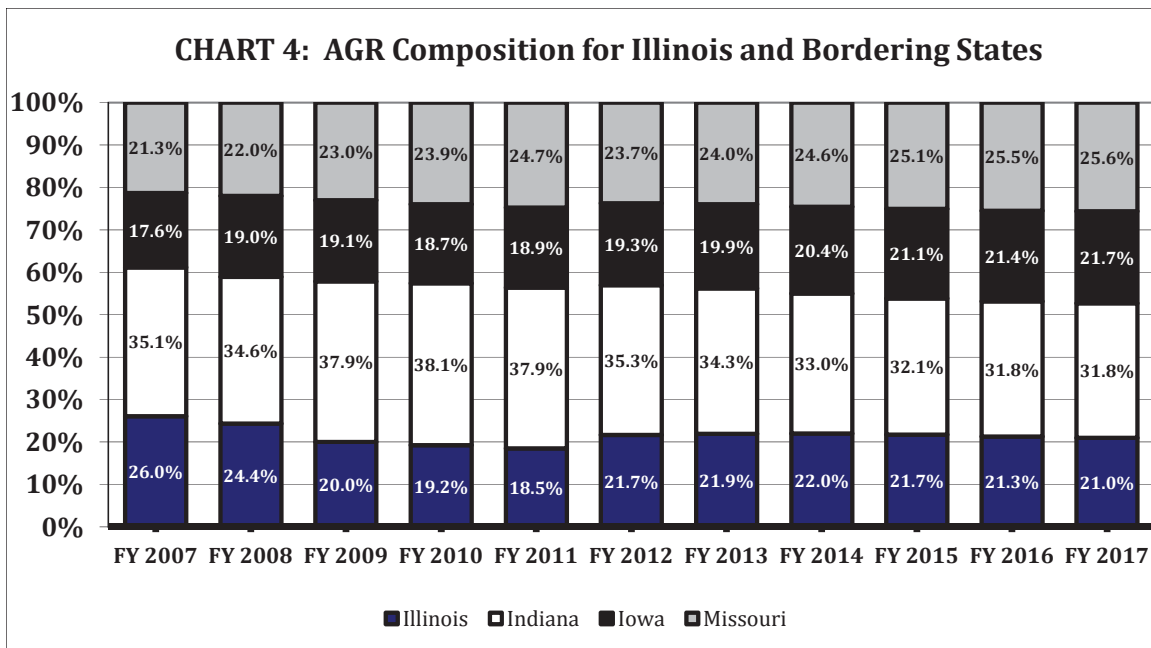
### **Competition for the Midwest Gaming Dollar**

In order to better understand Illinois' gaming landscape and the competition that exists with other states, Table 11, on the previous page, provides a statistical summary of the following Midwest gaming states: Illinois, Indiana, Missouri, and Iowa. The tables include a listing of the gaming facilities in each state, the casino type (casino or "racino"), the region where the casino is located (as it relates to Illinois), the AGR of the casinos over the past five years, growth rates, number of positions, and the amount of AGR-per-position-per-day that each casino generates.

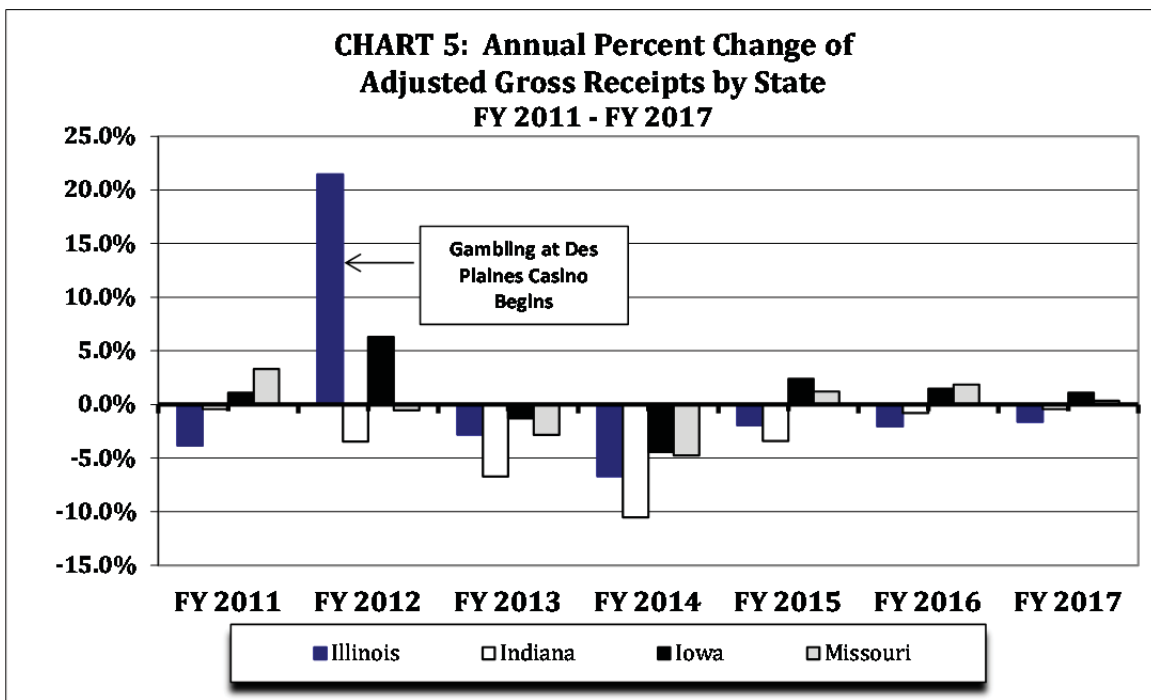
A decade ago, in FY 2007, Illinois' AGR total was \$638 million higher than Iowa and \$358 million higher than Missouri. However, by FY 2011, Illinois had the lowest amount of gaming revenue of the casino-operating states in the Midwest. As shown below in Chart 3, Illinois' FY 2011 AGR total of \$1.351 billion was lower than Indiana (\$2.772 billion), Missouri (\$1.806 billion), and for the first time, Iowa (\$1.379 billion). The addition of Des Plaines to Illinois' casino market in FY 2012 helped to temper Illinois' downward trend in the Midwest region that it had been experiencing prior to Des Plaines' arrival. In FY 2016 and now again in FY 2017, Illinois has fallen to the fourth highest AGR total in the Midwest with a total of \$1.406 billion, behind Indiana (\$2.130 billion), Missouri (\$1.719 billion), and Iowa (\$1.453 billion).



On the following page is a chart displaying the composition percentages of states in the Midwest in relation to each state's AGR totals. Illinois hit its ten-year high in FY 2005 with 27.3% of the Midwest casino AGR market. It fell to 18.5% in FY 2011, but bounced back to 22.0% in FY 2014, thanks to the success of the casino in Des Plaines. However, it has fallen back down to 21.0% in FY 2017, in part due to modest growth in AGR levels in Iowa (+1.1%) and in Missouri (+0.3%).



A chart indicating the annual percent changes of AGR of the Midwest region states since FY 2011 is shown below. The addition of the Des Plaines casino allowed Illinois to claim the state with the biggest improvement in AGR in FY 2012. As shown, all of the Midwestern states experienced declines in their AGR in FY 2013 and in FY 2014. It is probably no coincidence that these are the same fiscal years that video gaming began to ramp up in Illinois. Only Iowa and Missouri have seen improvement in their AGR figures over the past three fiscal years. Indiana suffered its eighth straight fiscal year of declining revenues in FY 2017 falling another -0.4%.



The following section offers a brief discussion of the competition that exists between Illinois and other states in the Midwestern Region.

### Indiana

- Indiana continues to have the highest amount of adjusted gross receipts in the Midwest at \$2.130 billion. However, its FY 2017 total was 24.0% below levels experienced just seven years ago in FY 2009. During this time, its composition of the Midwest gaming dollar has gone from 38% to 32%. Increased competition from other states is believed to be the reason for these declines.
- Approximately 42% of Indiana gaming revenues came from Indiana's five Chicago metropolitan area casinos. Undoubtedly, a large portion of these dollars came from Illinois residents. However, Indiana's Chicago area casinos' AGR fell 4.0% in FY 2017 and has fallen nearly 20% over the past five years. The new Des Plaines Casino and the increased competition from video gaming in Illinois are likely key reasons for this falloff.
- In FY 2007, using data from all of the casinos in the Chicago area, the majority of total adjusted gross receipts were in Illinois (50.4% vs. 49.6%). However, in FY 2011, Indiana held a decisive majority of adjusted gross receipts at 58.1% compared to Illinois portion of 41.9%. Again, with the addition of the Des Plaines casino, Illinois regained the majority of AGR in this region. In FY 2017, Illinois held 53.2% of adjusted gross receipts compared to Indiana's composition of 46.8%. From an Illinois perspective, while regaining the majority in this area is promising, the fact remains that the vast majority of the population in the Chicago area is in Illinois which means it is probable that Illinois is still losing significant gaming revenues to Indiana casinos.
- Indiana must also compete with new casinos in Ohio. Over the last several years, new casinos have opened up in Cincinnati, Cleveland, Columbus, and Toledo. The new Cincinnati casino has had a direct impact on Indiana's three Cincinnati area casinos, as their AGR levels fell a combined 16.9% in FY 2013, 31.4% in FY 2014, 12.9% in FY 2015, and another 5.0% in FY 2016, before stabilizing in FY 2017 (+1.1%). The reduction in these casinos is a significant contributing factor for the statewide 20.4% decline over the past five years.

### Missouri

- Missouri's statewide AGR levels improved 0.3% in FY 2017, but have fallen 4.3% over the last five years. The state's three largest casinos (in terms of AGR in FY 2017) all reside in the St. Louis area: St. Charles Ameristar (\$261M); Hollywood Casino in Maryland Heights (\$239M); and the River City Casino in St. Louis (\$225M). Other Missouri casinos near the border of Illinois include St. Louis' Lumiere Place (\$141M) and the Isle of Capri in Cape Girardeau (\$66M).



- All of the recent casino openings in Missouri over the past several years are in direct competition with Illinois' riverboats. This is a major reason why, over the last five years, Alton's AGR has fallen 32.0% and Illinois' casino in East St. Louis casino has fallen 19.0%.
- In FY 2017, Missouri's portion of total AGR in the St. Louis region was at 84.8%, while Illinois comprised 15.2% of the total. In comparison, in FY 2007, Missouri's composition in the region was 70.0%, while Illinois' two locations made up the remaining 30.0%. This again shows how competition from bordering states has hurt Illinois' revenue totals from gaming.
- While Illinois' two riverboats in the St. Louis region fell 2.0% in FY 2017, Missouri's four St. Louis area casinos combined for a slight increase of 1.6%. It is believed that the increased competition from video gaming terminals in Illinois is limiting the casino growth in this region. [The four Illinois counties closest to St. Louis (Jersey, Madison, Monroe, and St. Clair) had 1,813 video gaming terminals in FY 2017. This additional amount of terminals is the equivalent of adding two casinos the size of Alton's Argosy Casino to the area].

### Iowa

- In FY 2017, Iowa operated 19 gaming facilities, which consisted of sixteen casinos and three racinos. A new casino opened in Jefferson, Iowa in FY 2016. Overall, Iowa's AGR increased 1.1% in FY 2017 and has remained relatively flat (-0.9%) over the last five years. Its AGR total of \$1.453 billion is now just ahead of Illinois' AGR total of \$1.406 billion.
- Seven of Iowa's 19 gaming facilities lie near Illinois' borders. These locations (Dubuque "Diamond Jo": \$67M; Clinton: \$31M; Burlington: \$42M; Emmetsburg: \$28M; Dubuque "Mystique": \$48M; Davenport: \$62M; and Bettendorf: \$78M) generated approximately \$355 million in FY 2017. Again, it is likely that a significant portion of these dollars came from the pockets of Illinois residents as Illinois has only one casino (Jumer's in Rock Island) on the Iowa border.
- Over the past several fiscal years, Iowa's two Quad City area riverboats in Davenport and Bettendorf had been on a downward trend. The combined AGR levels of these facilities declined 27.2% (\$-41.6M) between FY 2008 and FY 2015. In comparison, during this same time period, Illinois' newer Rock Island casino's AGR increased from \$33.4 million to \$77.3 million. But these trends took a dramatic change in FY 2017 as both Iowa locations opened new "land based" casinos in June 2016. Due to these new openings, these two Iowa casinos saw their AGR totals rise a combined 22.7% in FY 2017, including a 41.1% increase at the Davenport location. This is a direct reason why Illinois' Rock Island casino saw its AGR levels fall 5.9% in FY 2017.

From a national perspective, revenues from gaming (including racetrack casinos, riverboat casinos, and video gaming) have seen very little growth over the last several years. Looking at the top gaming states in the country as a whole, revenues have only grown from \$30.5 billion in CY 2009 to approximately \$31.2 billion in CY 2016 – an average annual growth rate of only 0.3%. In CY 2016, these combined revenues grew only slightly above that rate at 0.5%.

Nevada remains, by far, the largest gaming state in the country (\$11.3 billion in CY 2016), followed by Pennsylvania (\$3.213 billion), Louisiana (\$3.115 billion, when including video gaming), and Illinois (\$2.523 billion, when including video gaming). Tables displaying a recent history of gaming dollars for the Midwest and other prominent gaming states are shown below on a calendar year basis.

<b>Table 12: AGR from Commercial Casino Gaming (Midwest States)</b>						
\$ in billions						
CY	Illinois*	Indiana	Iowa	Michigan	Missouri	Ohio
2010	\$1.374	\$2.794	\$1.368	\$1.378	\$1.788	\$0.000
2011	\$1.477	\$2.721	\$1.424	\$1.424	\$1.805	\$0.000
2012	\$1.651	\$2.636	\$1.467	\$1.417	\$1.769	\$0.351
2013	\$1.853	\$2.332	\$1.420	\$1.350	\$1.707	\$0.821
2014	\$2.125	\$2.157	\$1.391	\$1.333	\$1.660	\$0.809
2015	\$2.352	\$2.142	\$1.424	\$1.376	\$1.702	\$0.812
2016	\$2.523	\$2.125	\$1.446	\$1.386	\$1.714	\$0.798
<i>Annual % Change</i>						
CY	Illinois*	Indiana	Iowa	Michigan	Missouri	Ohio
2010	-3.8%	-0.2%	-0.9%	2.9%	3.3%	N/A
2011	7.5%	-2.6%	4.1%	3.4%	1.0%	N/A
2012	11.8%	-3.1%	3.0%	-0.5%	-2.0%	N/A
2013	12.2%	-11.5%	-3.2%	-4.7%	-3.5%	134.3%
2014	14.7%	-7.5%	-2.0%	-1.2%	-2.7%	-1.5%
2015	10.7%	-0.7%	2.4%	3.3%	2.5%	0.4%
2016	7.2%	-0.8%	1.5%	0.7%	0.7%	-1.8%
* Includes Video Gaming Revenues						

<b>Table 13: AGR from Commercial Casino Gaming (Other Prominent Gaming States)</b>						
\$ in billions						
CY	Nevada	Louisiana*	Pennsylvania	New Jersey	Mississippi	Total**
2010	\$10.405	\$2.984	\$2.486	\$3.261	\$2.389	\$30.228
2011	\$10.701	\$2.981	\$3.025	\$2.951	\$2.239	\$30.747
2012	\$10.861	\$3.014	\$3.158	\$2.707	\$2.251	\$30.931
2013	\$11.143	\$3.042	\$3.114	\$2.860	\$2.137	\$30.956
2014	\$11.019	\$3.064	\$3.069	\$2.616	\$2.068	\$30.502
2015	\$11.114	\$3.242	\$3.174	\$2.414	\$2.097	\$31.038
2016	\$11.257	\$3.115	\$3.213	\$2.280	\$2.122	\$31.181
<i>Annual % Change</i>						
CY	Nevada	Louisiana*	Pennsylvania	New Jersey	Mississippi	Total**
2010	0.1%	-3.4%	26.6%	-17.3%	-3.1%	-1.0%
2011	2.8%	-0.1%	21.7%	-9.5%	-6.3%	1.7%
2012	1.5%	1.1%	4.4%	-8.2%	0.5%	0.6%
2013	2.6%	0.9%	-1.4%	5.6%	-5.1%	0.1%
2014	-1.1%	0.7%	-1.4%	-8.5%	-3.2%	-1.5%
2015	0.9%	5.8%	3.4%	-7.7%	1.4%	1.8%
2016	1.3%	-3.9%	1.2%	-5.6%	1.2%	0.5%
* Includes Video Gaming Revenues						
**Total includes these "Prominent Gaming States" and the "Midwest States"						

### **An Analysis of Expanding Gambling in Illinois**

As budgetary pressures continue unabated in the State of Illinois, so too does the desire for new revenue sources. One idea that is repeatedly discussed is expanding gambling in Illinois. Few would argue that additional revenues would be welcomed, but determining whether gambling is the route to be taken to obtain these desired revenues has been a contentious policy debate for Illinois lawmakers.

Over the past decade, there have been numerous legislative proposals advocating gaming expansion, but none have received enough support for enactment. A few in previous general assemblies have come close (SB 0744 HA 1-7 and SB 1849 HA 2, 3), but both of these were vetoed by former Governor Quinn.

Another earnest attempt at gaming expansion came in the 2017 Spring Legislative Session. This year's version came in the form of SB 0007. Similar to other versions before it, SB 0007 would create a large Chicago Casino, along with five other new casinos, and allow slot machines at horse tracks. This piece of legislation passed the Senate in May 2017, but, at the time of this report, has yet to garner enough support for passage in the House.

The Commission is often asked about how much revenue could be generated if a gaming expansion bill were to be signed into law. This is a difficult question to answer because there are numerous variables that would affect the amount of revenue collected. This includes the location of the new casinos; the existing gaming competition that exists in each of these areas; the taxing structure imposed on the casinos; the cannibalization that would occur that would negatively impact the existing facilities; and, the economic conditions impacting the spending habits of the would-be gamblers. With these factors in mind, the following paragraphs offer a brief analysis of the principal components of expansion and the potential revenue that could be generated with the latest legislative versions of gaming expansion as a basis to this discussion.

#### **Add New Riverboats and Casinos**

Under current law, Illinois has only ten licenses available for riverboat gambling operations. When the discussion of gaming expansion arises, inevitably these talks include increasing the number of gaming licenses to add more casinos. The latest gaming expansion bills would place a land-based casino in the City of Chicago with as many as 10,000 gaming positions in some versions. Other locations that have been targeted for future homes to casinos include the Waukegan area, the South Suburbs, the Rockford area, Danville, and southern Illinois.

New casinos, especially a land-based casino in Chicago, would no doubt generate millions of dollars to the State and local governments. But how much revenue could these new casinos realistically generate? The amount of revenue generated from the smaller proposed Illinois locations would likely be very similar to the other 1,200-position casinos across the State. But most expect that a new casino

strategically located near an untapped population area of Chicago would easily exceed Illinois' highest revenue generating casino, which was Des Plaines in FY 2017 (\$429M), and would rival other large casinos across the country. Below are examples of other large casinos across the country and their adjusted gross receipts totals (FY 2017).

Horseshoe in Hammond, IN:	Positions: 3,052	FY 2017 AGR: \$399.3M
Ameristar in St. Charles, MO:	Positions: 2,498	FY 2017 AGR: \$261.3M
Parx in Bensalem, PA	Positions: 4,026	FY 2017 AGR: \$556.7M
Sands in Bethlehem, PA	Positions: 3,972	FY 2017 AGR: \$539.3M
The Rivers in Pittsburgh, PA	Positions: 3,291	FY 2017 AGR: \$330.8M
MGM Grand in Detroit, MI	Positions: 3,800	FY 2016 AGR: \$594.6M

*Note: Gaming positions are calculated as follows: Slot machines count as 0.9 positions, craps tables count as 10 positions, and other tables count as 5 positions*

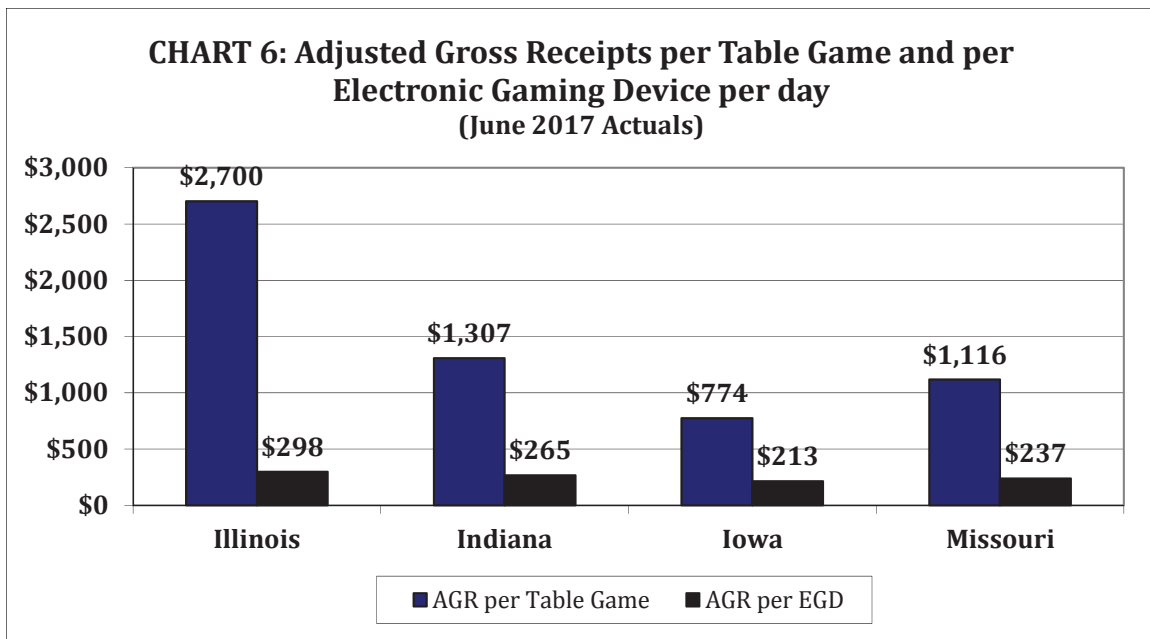
Again, a new casino's performance would depend on what other gaming components are implemented at the time of a casino's initial operation year. These components include the tax structure used, the number of gaming positions allowed per facility, the location of the new facility in accordance with population, and how close the casino is to other competing casinos.

Aside from the recurring revenues, millions of dollars in one-time revenues could also be collected from the development of new casinos. These revenues would come from the bidding of new licenses, application fees, and from the purchasing of gaming positions. Some of the recent gaming proposals have also included collecting one-time reconciliation payments, which are to be paid by the casino after operations begin. The precise amount would be based on casino revenue performance.

### **Add Additional Gaming Positions.**

Many feel that Illinois riverboats continue to be at a competitive disadvantage with other states because Illinois only allows a maximum of 1,200 gaming positions per riverboat. The capping of the number of slots and table games that a casino may operate prevents riverboats from increasing certain games that are in demand. This often creates waiting times for the more popular games during the peak hours at many of the locations and creates a disincentive for the riverboat patron, which some would argue causes them to go to locations with no position limit.

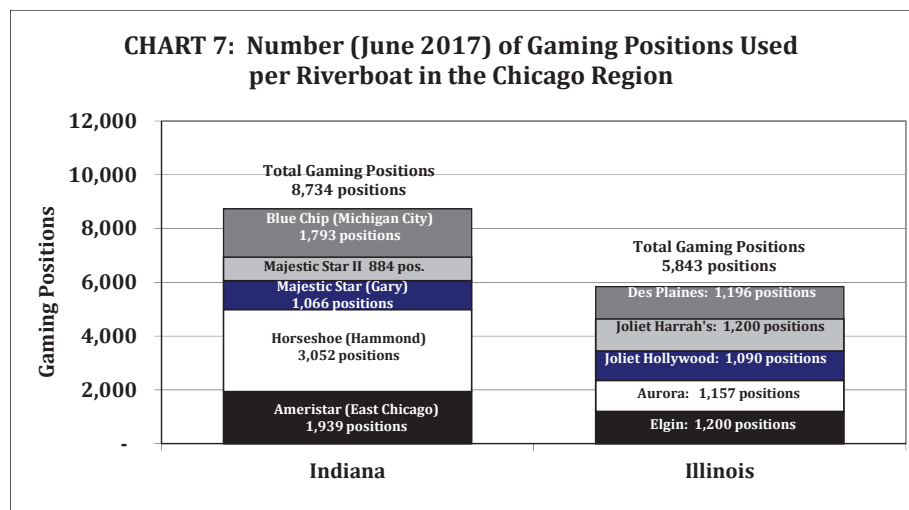
To illustrate this point, the following graph displays the AGR per Table Game (per day) and the AGR per EGD (per day) for each of the Midwestern riverboat states for June 2017 (EGD stands for electronic gaming device, i.e. slot machines). Illinois' AGR per Table Game and AGR per EGD are significantly higher than the other neighboring states. For example, Illinois' AGR per Table Game average was \$2,700 compared to Indiana's value of \$1,307, Iowa's value of \$774, and Missouri's value of \$1,116.



Of course, simply adding more slots machines or table games will not guarantee more revenues if the demand is not there. However, despite the recent decline in casino revenues, the numbers suggest that, at least for the higher attended casinos, the allowance of additional gaming positions could lead to additional revenues. For example, Des Plaines, who is maxed out at 1,200 gaming positions, had an “AGR/table game/day” average of \$7,458 and an “AGR/EGD/day” value of \$765.

These values are significantly higher than Indiana’s largest revenue producer, Hammond Horseshoe, whose 3,052 gaming positions in June 2017 yielded comparative values of \$1,983 and \$311, respectively. Despite the large discrepancy in gaming positions, Des Plaines generated a higher AGR amount in FY 2017 (\$429M) than Hammond (\$399M). Proponents would contend that Des Plaines’ AGR totals would have surpassed Hammond by an even greater margin if they were allowed to set their own gaming position limit to maximize revenues.

How many additional gaming positions would be necessary to put Illinois on an equal footing with the riverboats of other states? Since states like Indiana do not have a gaming position limit, the number of positions that they utilize should provide a proximity of what the optimal number of positions that would meet the economics of supply and demand would be. The following graph displays the number of gaming positions available at the Chicago Area riverboats for Indiana and Illinois. (*Gaming positions are calculated as follows: slot machines count as 0.9 positions, craps tables count as 10 positions, and other tables count as 5 positions*).



As the graph illustrates, according to Indiana's June 2017 monthly gaming report, the five Indiana riverboats closest to Chicago averaged 1,747 gaming positions per casino. In total, these Indiana locations operated 8,734 gaming positions. That is 2,891 more positions than the 5,843 gaming positions at the five Chicago area riverboats in Illinois. The Indiana riverboats in the Chicago area made up 60% of all gaming positions in this region. Again, this is despite the fact that the majority of the population is in Illinois. Advocates of portion expansion would contend that if Illinois were to increase their gaming position limit to the levels of the Indiana casinos in this area, Illinois could generate a significant amount of additional revenues.

However, it must be noted that due to the ever-increasing number of video gaming machines throughout Illinois, the optimal number of positions for each casino has undoubtedly diminished in recent years. For example, only three Illinois casinos were at or near the position max of 1,200 gaming positions in June 2017. In June 2014, there were 11,469 gaming positions at Illinois casinos. In June 2017, this number has fallen to 10,697 gaming positions for a statewide decline of 6.7%. The decrease in operating gaming positions will likely continue as video gaming obtains higher levels of popularity. And as the number of gaming positions decline, so does the incentive to increase the position limit at Illinois' casinos.

### **Add Slot Machines at Racetracks**

A growing area of gaming throughout the country is the development of casinos at racetracks. The latest "State of the States" report by the American Gaming Association stated that fourteen states have racetrack casinos. Six states (Delaware, Maryland, New York, Ohio, Rhode Island and West Virginia) have racetrack casino facilities operated by the state lottery. For these casinos, the facilities have video lottery terminals and the lottery commission takes in all revenues before making distributions to stakeholders such as track owners, breeders, and others. The remaining eight states (Florida, Indiana, Iowa, Louisiana, Maine, New Mexico, Oklahoma, and Pennsylvania) operate and tax their gaming facilities similar to traditional casinos.



TABLE 14: FY 2016 & FY 2017 AGR Statistics at Selected Racetrack Casinos					
Racino	Location	FY 2016 AGR (in mil.)	FY 2017 AGR (in mil.)	Gaming Positions (June '17)	AGR/Slot/ Day
Prairie Meadows	Altoona, IA	\$182.5	\$190.2	1,971	\$264
Horseshoe Casino	Council Bluffs, IA	\$175.6	\$172.1	1,611	\$293
Mystique Casino	Dubuque, IA	\$48.8	\$47.6	860	\$152
Hoosier Park	Anderson, IN	\$204.1	\$209.5	1,679	\$342
Indiana Grand	Shelbyville, IN	\$245.3	\$256.1	1,890	\$371
Harrah's Chester Casino	Chester, PA	\$282.9	\$266.0	2,835	\$257
Presque Isle Downs Casino	Erie, PA	\$132.4	\$127.1	1,640	\$212
The Meadows Racetrack & Casino	Washington, PA	\$258.0	\$250.0	2,897	\$236
Mohegan Sun at Pocono Downs	Wilkes-Barre, PA	\$267.4	\$252.0	2,584	\$267
Parx Casino	Bensalem, PA	\$543.4	\$556.7	4,026	\$379
Hollywood Casino at Penn National	Grantville, PA	\$247.5	\$245.8	2,510	\$268
Note: Indiana racinos only have slot machines. Pennsylvania and Iowa locations have both slots and table games.					

Fiscal Year 2009 was the first full fiscal year of racetrack casinos at Indiana's two locations, Hoosier Park in Anderson and Indiana Live near Shelbyville. In FY 2017, a combined \$466 million was generated from these casinos. These locations are limited to a total of 4,000 slot machines (2,000 each). When Indiana entered into the racetrack casino market, it joined Iowa as the only states in the Midwest Region to offer this form of gambling. In FY 2017, Iowa generated a combined \$410 million in adjusted gross receipts from their three locations in Council Bluffs, Altoona, and Dubuque.

Many in Illinois' horseracing industry are hoping that Illinois follows suit and allows casinos at its horse tracks. Proponents contend that not only would video gaming terminals at the horse tracks help bring additional revenues to the State, but it would also assist in revitalizing the horseracing industry in Illinois. As noted throughout this report, Illinois' horse racing industry is on a decidedly downward trend. Illinois' total handle amount of \$571 million in CY 2016 is 40.0% lower than it was a decade ago. In fact, the financial hardships became too much for two of Illinois' horse tracks as both Balmoral and Maywood closed their doors in 2016. This leaves Arlington, Hawthorne, and Fairmount as the only horse tracks currently in operation in Illinois.

It is no coincidence that Illinois' declining revenues over the last several years came at the same time that the numbers of racetrack casinos have increased in other states throughout the nation. As attendance at racetracks increase, so do their revenue, which allows them to offer larger purses. These larger purses at other tracks are enticing enough to persuade participants to forgo Illinois' races and attend races in other states.

How much revenue could Illinois realize by allowing slot machines at its racetracks? One way to get a feel for the revenue potential of a horse track casino is to look at revenue data from other states. The above table displays the latest racino figures from Iowa, Indiana, and Pennsylvania. The Pennsylvania market is included because of its metropolitan similarities to Illinois. As shown, the revenue amounts range from \$47.6 million to \$556.7 million in adjusted gross receipts per year with



AGR/slot/day values ranging between \$152 and \$379 per day. The sizes of the racinos vary, with the largest at 4,026 positions.

For the horse tracks still in operation in Illinois, if slots at tracks were to become a reality, it is estimated that Illinois' AGR/Slot/Day would probably be at the high end of values seen in other states – likely near \$300 per slot machine per day for those racinos in the Chicago area and likely less for the downstate locations.

Estimating Illinois' racetrack casino revenue potential is difficult because it depends on the gaming environment at the time of its operation, the number of gaming positions it is allowed to have, its location, and how much other gambling competition, such as video gaming terminals, exists in proximity to these racinos. Most expansion proposals include a casino in Chicago and other suburban casinos to go along with these racinos. As more competition exists, the less revenue that will be able to be generated from these locations.

### **Estimating the Potential Tax Revenue Impact of Gaming Expansion**

How much tax revenue could be generated by enacting gaming expansion legislation in Illinois? The answer to this question is extremely difficult to predict due to the numerous variables that have an impact on these projections, such as the tax rate structure used; the location of the new facilities; the cannibalization impact on neighboring casinos; and the associated negative effect that increased competition has on tax revenues due to the graduated tax structure. *(For a more detailed look at understanding these variables, please see the 2013 Wagering Report).*

The increased popularity of video gaming throughout Illinois adds another variable to any tax revenue projection. As highlighted throughout this section, casino gambling throughout the Midwest has been on a downward trend, in large part, due to this increased competition from video gaming. Because of this, the most recent revenue projections are lower than past projections to account for this growing saturation of the gaming industry.

In May 2017, the Commission estimated that SB 0007, as engrossed, (Chicago Casino, 5 new riverboats, 3 racinos, additional positions) could increase AGR totals in Illinois by roughly \$1 billion per year. While this overall growth in receipts is notably lower than has been estimated prior to the emergence of video gaming, the projected increase of \$1 billion still represents a significant increase in new gaming dollars. However, because this proposed expansion would coincide with a reduced tax structure, the Commission's projection would only increase recurring tax revenue totals from approximately \$473 million (under current law) to an estimated \$560 million under full implementation – an increase in tax revenues of only \$87 million.

Some expansion advocates argue that the Commission's estimates are too conservative and that the projections undervalue the revenue potential of gaming expansion in Illinois, especially with the inclusion of a new mega-casino in

downtown Chicago. In its latest projection, the Commission estimated that the Chicago casino would generate approximately \$500 million annually, which would make it the fourth largest revenue-generating casino in the Great Lakes Region (behind only the MGM Grand in Detroit: \$592M; Parx in Bensalem, PA: \$552M, and Sands in Bethlehem, PA; \$535M). The argument by advocates is that Chicago's gaming market remains untapped and is far from saturation. They contend that a casino in the City would easily surpass the figures of large casinos in other similar markets.

While that possibility exists, even if the Commission were to increase its AGR estimate for the Chicago casino by \$200 million to a total of \$700 million per year, (thereby making it the largest revenue-generating casino in this region, by far, despite the plethora of gaming competition that already exists in the Chicago metro area), tax revenues would only increase by an additional \$40 million under this proposal. This is because, under SB 0007, as engrossed, AGR between \$350 million and \$800 million is taxed at 20% instead of 50%, as it is under the current law tax structure. In other words, given the proposed tax rates under SB 0007, as engrossed, even if the Commission were to adopt a more aggressive total AGR projection, it would not translate into a significant tax revenue increase.

Outside of this discussion of tax revenues, advocates of expansion point out that regardless of the tax amounts projected, what cannot be dismissed is the fact that these new facilities would be providing a significant amount of one-time revenues (from fees and bidding), creating new jobs, and potentially regaining/gaining gaming dollars from out-of-state gamers. And in the case of a City-operated casino in the middle of Chicago, the after-tax revenues realized from the reduced tax structure would go a long way in alleviating some of the budgetary pressures that currently exist in the City of Chicago.

### **What Will the Future Hold for Illinois Riverboats?**

Riding the success of the new Des Plaines casino, Illinois' total adjusted gross receipts increased 18.1% from FY 2011 to FY 2013. However, despite the steady performance of the Rivers Casino in Des Plaines, the combined AGR of the State's ten casinos have fallen 11.9% since FY 2013. The lack of growth can be attributed to numerous factors, but the primary reason for the recent declines is undoubtedly due to the increased competition from video gaming.

The bottom line from a revenue perspective is this: given the status quo, the casino industry will likely struggle to improve in the years ahead, especially at the older casinos. The Des Plaines casino has been a stable revenue producer, but the riverboats that are struggling will likely continue to do so until economic conditions improve and they can find ways to compete with the abundance of gaming opportunities that now exist surrounding them.

Discussions of further expansion of Illinois' casino market are sure to come, especially as budgetary difficulties persist. The absence of casinos in certain areas of Illinois, especially in Chicago, creates a hope that gaming expansion could fix many of the financial woes that the State and local governments are enduring. But, the Commission cautions that the revenue potential of new casinos in Illinois is not near what it used to be.

Nearly 27,000 video gaming machines have been put into operation across Illinois over the past couple of years. Compare that to the roughly 11,000 gaming positions existing at the State's ten casinos, and gaming opportunities have more than tripled in Illinois since FY 2013. Because of this, the value of a new casino in Illinois has no doubt weakened. And even though the City of Chicago continues to prohibit video gaming in its borders, the availability of a multitude of video gaming options in the nearby suburbs has diminished the revenue potential that a new Chicago casino once had.

For gaming expansion to be a meaningful tax revenue generator for the State, the casino industry would have to build up new gambling interest; be attractive to tourists that visit Illinois; and be able to attract gamblers that have left to return to Illinois casinos. If dramatic increases in new gaming dollars were not to occur, the potential exists that, even with gaming expansion, when accounting for the cannibalization impact on other casinos and its corresponding lowering of effective tax rates (under the current graduated tax structure), the State could have a large expansion of gambling, but yet have little new tax revenues to show for it.

# VIDEO GAMING



## VIDEO GAMING IN ILLINOIS

Video Gaming was first legalized in July 2009 thru P.A. 96-0034. The first video gaming machines became operational in September 2012. The following section provides an overview of the legislation legalizing video gaming in Illinois, graphs depicting the rapid growth of video gaming throughout the State, a summary of video gaming statistics thru FY 2017, and a detailed discussion on the apparent impact that video gaming is having on the riverboat casino industry.

### **Public Act 96-0034 – The Capital Bill**

In July 2009, Governor Quinn signed into law Public Act 96-0034 (HB 0255, as amended by Senate Amendment 1), which became the first comprehensive capital bill in many years. As a way of paying for new capital projects across the State, new revenue streams were needed, which were established by the public act to come from the following sources: expansion of the Sales and Use Tax; privatization of the lottery/online lottery program; increasing the liquor tax; increasing motor vehicle fees; and the legalization of video gaming machines in Illinois.

Legal issues and interruptions in the implementation of many of these sources caused significant delays in receiving these capital-earmarked revenues. *(Details regarding these delays are provided in past Wagering Reports).* For video gaming, various factors, including limited staffing available to oversee the new program, as well as extensive time-consuming background checks on operation applicants, delayed the progress of starting this new gaming format.

In August 2010, one major portion of the development of video gaming was thought to be completed as the Gaming Board entered into a contract with Scientific Games to run the Central Communications System. However, due to “miscalculations” in evaluating the price portion of the proposals of the contract, the bidding process had to restart. Finally, in December 2011, the Gaming Board announced that Scientific Games, after completing the competitive selection process, was awarded a six-year contract. With this contract finalized, the process of designing and implementing the Central Communications System took place.

On July 19, 2012, the Gaming Board announced that the Central Communications System was deemed functional. This system was created to provide real-time communication and control between every licensed video gaming terminal in Illinois and the Gaming Board. With the Central Communications System in place, video gaming finally began operations in Illinois in September 2012. Initially, this was on a limited basis as the Board wanted to make sure initial test sites across the State were working properly before opening up video gaming for everyone. In that opening month, 61 terminals went into operation.

### **Overview of Illinois' Video Gaming Arrangement**

Each qualified establishment is allowed to operate up to 5 video gaming terminals on its premises at any time. Revenues, after payouts, are taxed at a flat 30% tax rate with 5/6 of the revenues going to the Capital Project Fund and the remaining 1/6 distributed to all participating local governments.

Since a municipality (or county) may prohibit video gaming, the moneys deposited into the Local Government Video Gaming Distributive Fund are only allocated to all municipalities (and counties) that have not prohibited video gaming. Public Act 96-0034 provides that the amount of funds allocable to each eligible municipality and county shall be in proportion to the tax revenue generated from video gaming within the eligible municipality or county compared to the tax revenue generated from video gaming statewide.

*(While video gaming is one of the major revenue sources for the Capital Projects Fund, it should be noted that there is no provision restricting local governments from receiving projects from the Capital Projects Fund, even if that governmental body bans video gaming in their area).*

A non-refundable application fee shall be paid at the time an application for a license is filed with the Gaming Board in the following amounts:

- |                          |                           |
|--------------------------|---------------------------|
| 1) Manufacturer: \$5,000 | 4) Supplier: \$2,500      |
| 2) Distributor: \$5,000  | 5) Technician: \$100      |
| 3) Operator: \$5,000     | 6) Terminal Handler: \$50 |

In addition, the Gaming Board shall establish an annual fee for each license not to exceed the following:

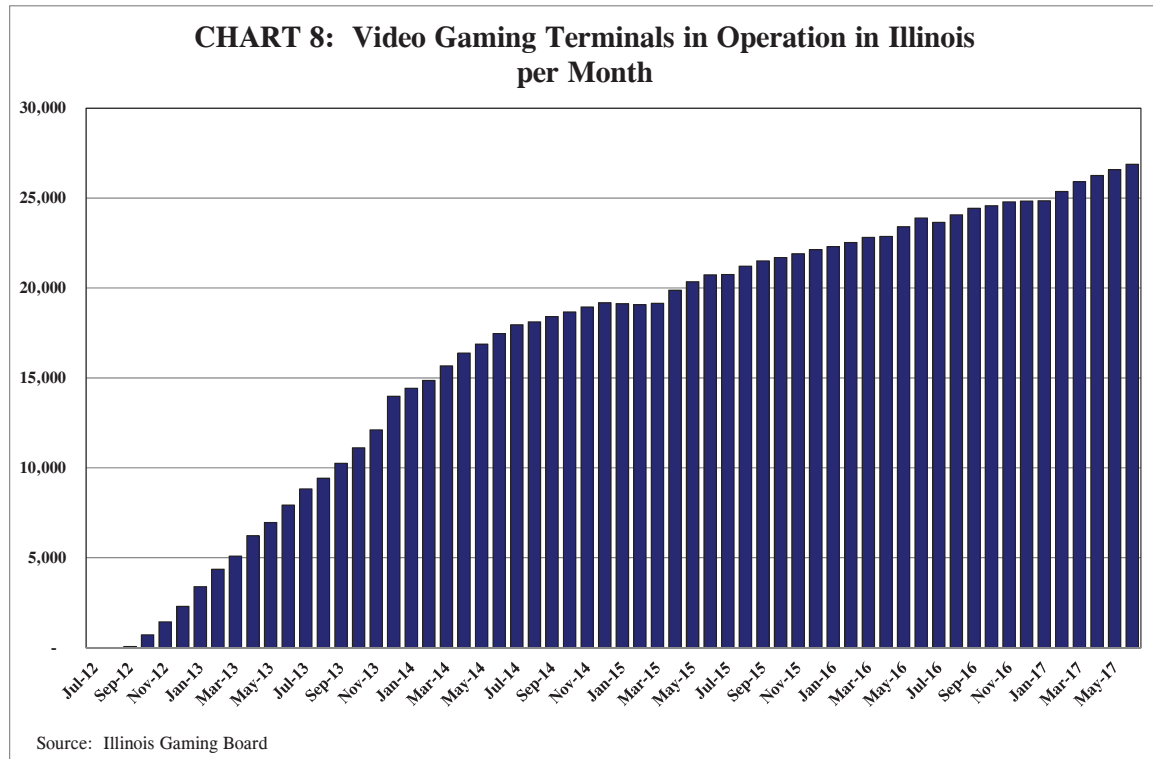
- |                           |                                 |
|---------------------------|---------------------------------|
| 1) Manufacturer: \$10,000 | 5) Technician: \$100            |
| 2) Distributor: \$10,000  | 6) Establishments: \$100        |
| 3) Operator: \$5,000      | 7) Video Gaming Terminal: \$100 |
| 4) Supplier: \$2,000      | 8) Terminal Handler: \$50       |

All fees collected shall be deposited into the State Gaming Fund. Of these fees, 25% shall be paid, subject to appropriation, to the Department of Human Services for administration of programs for the treatment of compulsive gambling and 75% shall be used for the administration of this Act.

Of the after-tax profits from a video gaming terminal, 50% shall be paid to the terminal operator and 50% shall be paid to the establishment conducting video gaming.



As stated previously, in its opening month of September 2012, 61 video gaming terminals were in operation in Illinois. By the end of FY 2017 (June 2017), this number had risen to 26,873 terminals – up from 7,920 terminals in June 2013, 17,467 in June 2014, 20,730 in June 2015, and 23,891 machines in June 2016. The chart below displays the growth in video gaming terminals across the State since video gaming began in 2012.



Between September 2012 and June 2014, an average of 838 new video gaming terminals was activated per month across Illinois. This monthly average slowed to 272 terminals per month in FY 2015 and then to 263 new terminals per month in FY 2016. In FY 2017, this rate slowed even further to an average of 249 new terminals per month. Although the number of new terminals has slowed, it appears that video gaming has yet to reach its plateau.

At the current pace, it appears that the number of video gaming terminals in operation will approach 28,000 terminals by the end of FY 2018. This of course assumes that there are no changes to current laws (such as the overturning of Chicago’s ban on video gaming) that would significantly impact these figures.

Unlike riverboat casinos, which are limited to 1,200 gaming positions at its 10 casinos, the State does not limit how many video gaming terminals can be in operation across the State, aside from the limit of 5 terminals per location. Although, it should be noted, that some municipalities may have their own limitations for the number of video gaming terminals that can exist in their particular area.

### **Local Governments Banning Video Gaming**

While the Video Gaming Act allows video gaming terminals to be located throughout Illinois, it does state, however, that a municipality may pass an ordinance prohibiting video gaming within the corporate limits of the municipality. Similarly, a county board may, for the unincorporated area of the county, pass an ordinance prohibiting video gaming within the unincorporated area of the county.

During the four years before video gaming came to fruition, the number of municipalities/counties that had laws banning video gaming grew. Some made the decision to ban video gaming in their communities following the enactment of video gaming, while some discovered that a ban on gambling in their jurisdiction was already “on the books”. In these cases, local governments would have to vote to “opt in” to allow video gambling, which can often be a political challenge.

The City of Chicago is one of those communities that already had on its books a provision that outlaws video gaming in its city. Because of this, the City of Chicago must “opt-in” to allow video gaming in their area. At the present time, there has been no public indication that the City plans on changing the law to allow Chicago establishments the opportunity to offer video gaming in their locations. Since Chicago makes up approximately 21.0% of the State’s population, this has a huge impact on potential video gaming revenues.

On its website, the Illinois Gaming Board has established a page which identifies the municipalities across Illinois and their status of whether or not they allow video gaming in their area. This site can be accessed at:

**[www.igb.illinois.gov/VideoProhibit.aspx](http://www.igb.illinois.gov/VideoProhibit.aspx)**

In 2013, the Commission calculated that the percentage of the State’s population that lived in an area banning video gaming was at 63.3%. The FY 2017 data shows that the percentage of Illinois communities without video gaming had fallen to 37.4%. But while this percentage has fallen, a number of Illinois communities have so far withstood the pressure to overturn this ban. This includes the City of Chicago. A list of the highest populated cities without video gaming is shown on the following page.

As the economy trickles along and the budgets of local governments struggle to stay out of the red, many communities are turning to video gaming for a new revenue source. Again, those communities that offer video gaming are set to receive 1/6 of total tax revenues collected. As the need for additional local revenues elevates so is the pressure to overturn the ban. For example, there are four municipalities that were in the aforementioned table a year ago, but are omitted this year because they now allow video gaming. These municipalities are Buffalo Grove, Crystal Lake, St. Charles, and Niles.

<b>Table 15: Highest Populated Cities without Video Gaming FY 2017 Totals</b>			
<b>Rank</b>	<b>Municipality</b>	<b>2010 Census Population</b>	<b>% of State Population</b>
1	Chicago	2,695,598	21.0%
2	Naperville	141,853	1.1%
3	Arlington Heights	75,101	0.6%
4	Evanston	74,486	0.6%
5	Schaumburg	74,227	0.6%
6	Bolingbrook	73,366	0.6%
7	Palatine	68,557	0.5%
8	Skokie	64,784	0.5%
9	Des Plaines	58,364	0.5%
10	Orland Park	56,767	0.4%
11	Mount Prospect	54,167	0.4%
12	Wheaton	52,894	0.4%
13	Oak Park	51,878	0.4%
14	Downers Grove	47,833	0.4%
15	Glenview	44,692	0.3%
16	Elmhurst	44,121	0.3%
17	Lombard	43,395	0.3%
18	Plainfield	39,581	0.3%
19	Park Ridge	37,480	0.3%
20	Northbrook	33,170	0.3%
21	Gurnee	31,295	0.2%
22	Highland Park	29,763	0.2%
23	Glen Ellyn	27,450	0.2%
24	Wilmette	27,087	0.2%
25	West Chicago	27,086	0.2%

### **Video Gaming Statistics**

Table 16, on the following page, provides a summary of the amount of revenue generated from video gambling between FY 2015 and FY 2017. This table displays how the number of video gaming terminals grew throughout the three-year period, reaching 26,873 by June 2017. The monthly amount of net terminal income generated from video gaming grew from \$55.6 million in July 2015 to as high as \$119.3 million in March 2017. This resulted in total tax revenues increasing from \$16.7 million to \$35.8 million per month during this time span.

In FY 2017, on average, these video gaming terminals generated between \$122 and \$149 in net terminal income per position per day. For FY 2017, \$361 million in tax revenues were generated with approximately \$300 million going to the Capital Projects Fund and \$60 million to local governments.

**Table 16: FY 2015 Illinois Video Gaming Statistics**

\$ in millions

	Terminals	Net Terminal Income (NTI)	NTI / Position / Day	Tax Revenue (30%)	State Share (25%)	Municipality Share (5%)
July	17,954	\$55.594	\$99.89	\$16.678	\$13.899	\$2.780
August	18,118	\$59.075	\$105.18	\$17.723	\$14.769	\$2.954
September	18,412	\$57.490	\$104.08	\$17.247	\$14.372	\$2.874
October	18,669	\$64.501	\$111.45	\$19.350	\$16.125	\$3.225
November	18,937	\$62.530	\$110.07	\$18.759	\$15.633	\$3.127
December	19,182	\$66.812	\$112.36	\$20.044	\$16.703	\$3.341
January	19,125	\$65.443	\$110.38	\$19.633	\$16.361	\$3.272
February	19,069	\$68.486	\$128.27	\$20.546	\$17.122	\$3.424
March	19,142	\$77.649	\$130.85	\$23.295	\$19.412	\$3.882
April	19,873	\$76.500	\$128.32	\$22.950	\$19.125	\$3.825
May	20,349	\$77.848	\$123.41	\$23.355	\$19.462	\$3.892
June	20,730	\$72.832	\$117.11	\$21.850	\$18.208	\$3.642
<b>FY 2015 Totals:</b>		<b>\$804.761</b>		<b>\$241.428</b>	<b>\$201.190</b>	<b>\$40.238</b>

**FY 2016 Illinois Video Gaming Statistics**

\$ in millions

	Terminals	Net Terminal Income (NTI)	NTI / Position / Day	Tax Revenue (30%)	State Share (25%)	Municipality Share (5%)
July	20,751	\$75.753	\$117.76	\$22.726	\$18.938	\$3.788
August	21,208	\$75.920	\$115.48	\$22.776	\$18.980	\$3.796
September	21,509	\$75.578	\$117.13	\$22.673	\$18.895	\$3.779
October	21,695	\$83.151	\$123.64	\$24.945	\$20.788	\$4.158
November	21,908	\$78.941	\$120.11	\$23.682	\$19.735	\$3.947
December	22,135	\$85.504	\$124.61	\$25.651	\$21.376	\$4.275
January	22,295	\$81.577	\$118.03	\$24.473	\$20.394	\$4.079
February	22,525	\$88.881	\$136.06	\$26.664	\$22.220	\$4.444
March	22,815	\$98.879	\$139.80	\$29.664	\$24.720	\$4.944
April	22,865	\$96.671	\$140.93	\$29.001	\$24.168	\$4.834
May	23,407	\$92.652	\$127.69	\$27.796	\$23.163	\$4.633
June	23,891	\$87.322	\$121.83	\$26.197	\$21.830	\$4.366
<b>FY 2016 Totals:</b>		<b>\$1,020.828</b>		<b>\$306.248</b>	<b>\$255.207</b>	<b>\$51.041</b>

**FY 2017 Illinois Video Gaming Statistics**

\$ in millions

	Terminals	Net Terminal Income (NTI)	NTI / Position / Day	Tax Revenue (30%)	State Share (25%)	Municipality Share (5%)
July	23,655	\$90.940	\$124.01	\$27.282	\$22.735	\$4.547
August	24,065	\$91.029	\$122.02	\$27.309	\$22.757	\$4.551
September	24,433	\$91.469	\$124.79	\$27.441	\$22.867	\$4.573
October	24,574	\$96.011	\$126.03	\$28.803	\$24.003	\$4.801
November	24,787	\$95.035	\$127.80	\$28.510	\$23.759	\$4.752
December	24,841	\$97.680	\$126.85	\$29.304	\$24.420	\$4.884
January	24,852	\$94.518	\$122.68	\$28.355	\$23.629	\$4.726
February	25,363	\$101.202	\$142.51	\$30.361	\$25.300	\$5.060
March	25,911	\$119.280	\$148.50	\$35.784	\$29.820	\$5.964
April	26,249	\$110.428	\$140.23	\$33.128	\$27.607	\$5.521
May	26,586	\$110.453	\$134.02	\$33.136	\$27.613	\$5.523
June	26,873	\$103.988	\$128.99	\$31.196	\$25.997	\$5.199
<b>FY 2017 Totals:</b>		<b>\$1,202.033</b>		<b>\$360.610</b>	<b>\$300.508</b>	<b>\$60.102</b>

Table 17 below displays, by county, the 28,644 terminals that were in operation during FY 2017. This fiscal year total is higher than the monthly amounts shown in Table 16 because this figure would include terminals that have since been removed from operation. In other words, the fiscal year ended with 26,873 terminals, but 28,644 terminals were used at some point during the fiscal year.

*[Note: Because the Gaming Board's online data only displays the municipality of each terminal location (and not the address and/or county), the Commission assigned a county to each municipality. For the purpose of categorizing the data, cities that lie in multiple counties were assigned the county making up the highest population of that city. For example, Naperville, which lies in DuPage and Will Counties, was assigned to DuPage County, because the majority of its population lies in DuPage].*

Table 17: Video Gaming Statistics by Illinois County FY 2017 Totals													
County	Busin- esses	Termi- nals	Net Terminal Income	Tax Revenue	State Portion	Local Portion	County	Busin- esses	Termi- nals	Net Terminal Income	Tax Revenue	State Portion	Local Portion
<b>State Totals:</b>	<b>6,624</b>	<b>28,644</b>	<b>\$1,202,033,082</b>	<b>\$360,610,555</b>	<b>\$300,508,884</b>	<b>\$60,101,671</b>	<b>State Totals:</b>	<b>6,624</b>	<b>28,644</b>	<b>\$1,202,033,082</b>	<b>\$360,610,555</b>	<b>\$300,508,884</b>	<b>\$60,101,671</b>
Adams	79	181	\$6,729,342	\$2,018,679	\$1,682,233	\$336,446	Lee	57	244	\$8,144,747	\$2,443,446	\$2,036,206	\$407,240
Alexander	16	63	\$1,670,964	\$501,294	\$417,745	\$83,549	Livingston	59	244	\$6,947,378	\$2,084,236	\$1,736,864	\$347,372
Bond	19	70	\$2,197,242	\$659,179	\$549,316	\$109,863	Logan	38	168	\$6,408,886	\$1,922,659	\$1,602,216	\$320,443
Boone	37	163	\$7,255,335	\$2,176,615	\$1,813,846	\$362,769	McDonough	24	79	\$1,186,488	\$355,951	\$296,626	\$59,325
Brown	3	8	\$109,712	\$32,732	\$27,277	\$5,455	McHenry	240	1,061	\$40,817,254	\$12,244,900	\$10,204,087	\$2,040,813
Bureau	61	236	\$5,934,016	\$1,780,226	\$1,483,522	\$296,704	McLean	103	447	\$24,099,204	\$7,229,806	\$6,024,840	\$1,204,966
Calhoun	11	39	\$512,198	\$153,663	\$128,052	\$25,610	Macon	111	522	\$28,584,351	\$8,575,356	\$7,146,132	\$1,429,224
Carroll	26	94	\$2,304,571	\$691,379	\$576,149	\$115,230	Macoupin	65	269	\$6,028,606	\$1,808,605	\$1,507,172	\$301,433
Cass	17	73	\$2,425,018	\$727,513	\$606,261	\$121,252	Madison	205	873	\$33,713,647	\$10,114,174	\$8,428,480	\$1,685,693
Champaign	138	628	\$30,260,745	\$9,078,286	\$7,565,240	\$1,513,046	Marion	57	261	\$9,386,137	\$2,815,866	\$2,346,556	\$469,310
Christian	56	242	\$7,084,933	\$2,125,506	\$1,771,255	\$354,250	Marshall	25	101	\$1,855,900	\$556,778	\$463,981	\$92,796
Clark	13	54	\$3,168,079	\$950,428	\$792,023	\$158,404	Mason	24	91	\$2,296,839	\$689,059	\$574,216	\$114,843
Clay	9	42	\$1,625,073	\$487,527	\$406,272	\$81,254	Massac	7	31	\$1,966,324	\$589,900	\$491,583	\$98,316
Clinton	49	190	\$5,480,415	\$1,644,140	\$1,370,117	\$274,023	Menard	16	64	\$1,541,514	\$462,461	\$385,384	\$77,076
Coles	59	270	\$9,324,939	\$2,797,204	\$2,331,004	\$466,200	Mercer	15	47	\$1,154,999	\$346,504	\$288,754	\$57,751
Cook	995	4,571	\$248,647,506	\$74,594,692	\$62,162,258	\$12,432,434	Monroe	21	79	\$3,216,135	\$964,848	\$804,040	\$160,808
Crawford	12	52	\$1,203,115	\$360,939	\$300,783	\$60,156	Montgomery	54	206	\$5,758,555	\$1,727,450	\$1,439,542	\$287,908
Cumberland	13	59	\$1,509,703	\$452,915	\$377,430	\$75,486	Morgan	47	205	\$8,447,575	\$2,534,291	\$2,111,910	\$422,381
DeKalb	67	272	\$9,979,779	\$2,993,959	\$2,494,967	\$498,992	Moultrie	18	77	\$2,142,278	\$642,691	\$535,576	\$107,115
DeWitt	21	99	\$3,595,760	\$1,078,738	\$898,948	\$179,789	Ogle	64	287	\$9,099,625	\$2,729,912	\$2,274,928	\$454,985
Douglas	28	125	\$3,604,761	\$1,081,439	\$901,200	\$180,239	Peoria	172	702	\$23,790,238	\$7,137,134	\$5,947,614	\$1,189,520
DuPage	136	632	\$40,732,458	\$12,219,802	\$10,183,170	\$2,036,632	Perry	24	107	\$3,242,845	\$972,863	\$810,720	\$162,143
Edgar	17	68	\$2,493,871	\$748,157	\$623,465	\$124,693	Piatt	17	77	\$2,366,003	\$709,808	\$591,507	\$118,301
Edwards	9	37	\$1,459,391	\$437,821	\$364,851	\$72,970	Pike	16	55	\$1,537,561	\$461,273	\$384,394	\$76,879
Effingham	60	249	\$11,646,259	\$3,493,901	\$2,911,585	\$582,316	Pope	5	19	\$308,730	\$92,620	\$77,183	\$15,437
Fayette	24	111	\$4,191,501	\$1,257,460	\$1,047,884	\$209,576	Pulaski	5	21	\$456,603	\$136,983	\$114,152	\$22,830
Ford	19	75	\$1,626,273	\$487,890	\$406,575	\$81,315	Putnam	12	41	\$630,990	\$189,300	\$157,750	\$31,550
Franklin	47	208	\$6,494,059	\$1,948,234	\$1,623,529	\$324,705	Randolph	45	200	\$6,319,007	\$1,895,721	\$1,579,768	\$315,953
Fulton	50	181	\$4,480,187	\$1,344,053	\$1,120,045	\$224,008	Richland	12	50	\$1,784,759	\$535,433	\$446,194	\$89,239
Gallatin	4	17	\$505,800	\$151,741	\$126,451	\$25,290	Rock Island	109	431	\$15,860,673	\$4,758,243	\$3,965,204	\$793,039
Greene	17	72	\$1,959,769	\$587,936	\$489,947	\$97,989	St. Clair	181	773	\$29,427,205	\$8,828,234	\$7,356,864	\$1,471,370
Grundy	63	260	\$9,638,187	\$2,891,479	\$2,409,567	\$481,912	Saline	32	145	\$4,040,756	\$1,212,237	\$1,010,198	\$202,039
Hamilton	5	24	\$730,242	\$219,075	\$182,562	\$36,512	Sangamon	266	1,194	\$53,359,387	\$16,007,927	\$13,339,942	\$2,667,984
Hancock	19	66	\$1,464,086	\$439,231	\$366,026	\$73,205	Schuyler	7	25	\$567,433	\$170,232	\$141,860	\$28,372
Hardin	2	8	\$103,126	\$30,938	\$25,782	\$5,156	Scott	8	33	\$1,045,393	\$313,270	\$261,059	\$52,212
Henderson	9	33	\$776,328	\$232,902	\$194,085	\$38,817	Shelby	21	85	\$1,986,003	\$595,808	\$496,507	\$99,301
Henry	48	195	\$5,545,783	\$1,663,753	\$1,386,461	\$277,292	Stark	7	21	\$440,668	\$132,202	\$110,168	\$22,034
Iroquois	53	209	\$4,658,002	\$1,397,421	\$1,164,518	\$232,903	Stephenson	44	197	\$8,817,744	\$2,645,343	\$2,204,454	\$440,890
Jackson	43	188	\$5,965,556	\$1,789,398	\$1,491,166	\$298,232	Tazewell	118	501	\$17,007,824	\$5,102,392	\$4,251,995	\$850,397
Jasper	11	43	\$840,226	\$252,071	\$210,059	\$42,012	Union	18	77	\$1,874,420	\$562,332	\$468,610	\$93,722
Jefferson	24	110	\$7,730,431	\$2,319,142	\$1,932,618	\$386,523	Vermilion	93	411	\$15,131,201	\$4,539,289	\$3,782,742	\$756,547
Jersey	25	88	\$1,988,660	\$596,606	\$497,172	\$99,434	Wabash	8	36	\$1,274,186	\$382,259	\$318,549	\$63,710
JoDavies	41	154	\$4,956,892	\$1,487,083	\$1,239,236	\$247,847	Warren	17	63	\$1,437,419	\$431,231	\$359,359	\$71,872
Johnson	8	36	\$869,589	\$260,881	\$217,401	\$43,480	Washington	31	139	\$4,151,498	\$1,245,461	\$1,037,885	\$207,576
Kane	196	852	\$35,753,144	\$10,726,021	\$8,938,354	\$1,787,668	Wayne	7	32	\$878,229	\$263,471	\$219,560	\$43,912
Kankakee	115	506	\$17,908,500	\$5,372,600	\$4,477,168	\$895,432	White	8	34	\$1,362,729	\$408,821	\$340,684	\$68,137
Kendall	43	192	\$7,033,605	\$2,110,153	\$1,758,461	\$351,692	Whiteside	71	328	\$10,759,964	\$3,228,019	\$2,690,017	\$538,002
Knox	55	229	\$8,788,011	\$2,636,415	\$2,197,013	\$439,402	Will	268	1,165	\$50,469,403	\$15,140,931	\$12,617,446	\$2,523,485
Lake	303	1,400	\$78,155,314	\$23,446,616	\$19,538,851	\$3,907,764	Williamson	69	302	\$10,815,577	\$3,244,700	\$2,703,917	\$540,782
LaSalle	235	967	\$29,909,096	\$8,972,814	\$7,477,347	\$1,495,467	Winnebago	227	1,079	\$68,998,267	\$20,699,600	\$17,249,670	\$3,449,930
Lawrence	23	92	\$3,364,611	\$1,009,391	\$841,160	\$168,232	Woodford	29	112	\$2,701,764	\$810,493	\$675,411	\$135,082
							% in Chi						
Chi Area*	2,311	10,405	\$521,226,651	\$156,368,553	\$130,307,161	\$26,061,392	Area*	34.9%	36.3%	43.4%	43.4%	43.4%	43.4%
*The Chicago Metropolitan Statistical Area is defined by the Census Bureau to include the Illinois Counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will, and Lake.													
Source: <a href="http://www.igb.illinois.gov/VideoReports.aspx">http://www.igb.illinois.gov/VideoReports.aspx</a> . County compilations by CGFA.													

Table 18, below, displays the video gaming statistics shown in Table 17 on a per capita basis. Statewide, the average terminal-per-capita value was 0.22%. The net terminal income-per-capita value was \$93.68. The rankings of the counties' values in these areas are also displayed in the below table. These figures are displayed by their rankings in each category on the following page.

Table 18: Video Gaming Statistics per County Population										
FY 2017 Totals										
County	Terminals	Terminal per Capita	Terminal per Capita Rank	NTI per Capita	NTI per Capita Rank	County	Terminals	Terminal per Capita	Terminal per Capita Rank	NTI per Capita Rank
State Totals:	28,644	0.22%		\$93.68		State Totals:	28,644	0.22%		\$93.68
Adams	181	0.27%	86	\$100.28	73	Lee	244	0.68%	12	\$226.05
Alexander	63	0.76%	5	\$202.84	15	Livingston	244	0.63%	15	\$178.37
Bond	70	0.39%	55	\$123.66	58	Logan	168	0.55%	27	\$211.48
Boone	163	0.30%	78	\$133.95	51	McDonough	79	0.24%	90	\$36.38
Brown	8	0.12%	100	\$15.82	102	McHenry	1,061	0.34%	66	\$132.20
Bureau	236	0.67%	13	\$169.65	32	McLean	447	0.26%	87	\$142.12
Calhoun	39	0.77%	4	\$100.65	72	Macon	522	0.47%	45	\$258.06
Carroll	94	0.61%	19	\$149.77	41	Macoupin	269	0.56%	25	\$126.21
Cass	73	0.54%	31	\$177.76	29	Madison	873	0.32%	71	\$125.20
Champaign	628	0.31%	72	\$150.49	40	Marion	261	0.66%	14	\$238.00
Christian	242	0.70%	8	\$203.59	14	Marshall	101	0.80%	3	\$146.83
Clark	54	0.33%	70	\$193.94	19	Mason	91	0.62%	17	\$156.61
Clay	42	0.30%	76	\$117.63	61	Massac	31	0.20%	93	\$127.44
Clinton	190	0.50%	40	\$145.13	43	Menard	64	0.50%	38	\$121.33
Coles	270	0.50%	42	\$173.09	30	Mercer	47	0.29%	83	\$70.28
Cook	4,571	0.09%	101	\$47.87	98	Monroe	79	0.24%	91	\$97.59
Crawford	52	0.26%	88	\$60.71	96	Montgomery	206	0.68%	9	\$191.29
Cumberland	59	0.53%	32	\$136.65	49	Morgan	205	0.58%	24	\$237.65
DeKalb	272	0.26%	89	\$94.90	76	Moultrie	77	0.52%	36	\$144.30
DeWitt	99	0.60%	21	\$217.12	12	Ogle	287	0.54%	30	\$170.10
Douglas	125	0.63%	16	\$180.42	27	Peoria	702	0.38%	59	\$127.57
DuPage	632	0.07%	102	\$44.42	99	Perry	107	0.48%	44	\$145.09
Edgar	68	0.37%	61	\$134.25	50	Piatt	77	0.46%	46	\$141.43
Edwards	37	0.55%	28	\$217.14	11	Pike	55	0.33%	68	\$93.58
Effingham	249	0.73%	6	\$340.12	1	Pope	19	0.43%	53	\$69.07
Fayette	111	0.50%	41	\$189.32	22	Pulaski	21	0.34%	67	\$74.11
Ford	75	0.53%	33	\$115.49	62	Putnam	41	0.68%	10	\$105.06
Franklin	208	0.53%	34	\$164.15	34	Randolph	200	0.60%	22	\$188.76
Fulton	181	0.49%	43	\$120.86	60	Richland	50	0.31%	74	\$109.95
Gallatin	17	0.30%	75	\$90.50	79	Rock Island	431	0.29%	79	\$107.50
Greene	72	0.52%	37	\$141.13	48	St. Clair	773	0.29%	81	\$108.97
Grundy	260	0.52%	35	\$192.52	20	Saline	145	0.58%	23	\$162.19
Hamilton	24	0.28%	84	\$86.35	83	Sangamon	1,194	0.60%	20	\$270.22
Hancock	66	0.35%	65	\$76.64	85	Schuyler	25	0.33%	69	\$75.22
Hardin	8	0.19%	96	\$23.87	101	Scott	33	0.62%	18	\$195.22
Henderson	33	0.45%	48	\$105.90	69	Shelby	85	0.38%	58	\$88.81
Henry	195	0.39%	56	\$109.85	65	Stark	21	0.35%	64	\$73.52
Iroquois	209	0.70%	7	\$156.74	38	Stephenson	197	0.41%	54	\$184.82
Jackson	188	0.31%	73	\$99.07	74	Tazewell	501	0.37%	60	\$125.62
Jasper	43	0.44%	50	\$86.64	81	Union	77	0.43%	52	\$105.26
Jefferson	110	0.28%	85	\$199.10	17	Vermilion	411	0.50%	39	\$185.37
Jersey	88	0.38%	57	\$86.52	82	Wabash	36	0.30%	77	\$106.65
JoDaviess	154	0.68%	11	\$218.58	10	Warren	63	0.36%	63	\$81.18
Johnson	36	0.29%	82	\$69.11	93	Washington	139	0.94%	1	\$282.11
Kane	852	0.17%	99	\$69.39	92	Wayne	32	0.19%	95	\$52.40
Kankakee	506	0.45%	49	\$157.86	37	White	34	0.23%	92	\$92.92
Kendall	192	0.17%	98	\$61.30	95	Whiteside	328	0.56%	26	\$183.94
Knox	229	0.43%	51	\$166.07	33	Will	1,165	0.17%	97	\$74.49
Lake	1,400	0.20%	94	\$111.10	63	Williamson	302	0.46%	47	\$162.99
LaSalle	967	0.85%	2	\$262.54	4	Winnebago	1,079	0.37%	62	\$233.68
Lawrence	92	0.55%	29	\$199.88	16	Woodford	112	0.29%	80	\$69.88
Metro Area*	10,405	0.13%		\$65.18		% in Chi Area*	36.3%			
*The Chicago Metropolitan Statistical Area is defined by the Census Bureau to include the Illinois Counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will, and Lake.										
Source: <a href="http://www.igb.illinois.gov/VideoReports.aspx">http://www.igb.illinois.gov/VideoReports.aspx</a> . County compilations by CGFA.										



There are several interesting observations that can be taken from the rankings shown below. One is in regard to Cook County. Despite the fact that the City of Chicago is not participating in video gaming, Cook County still had by far the most video gaming terminals of any county in the State in FY 2017 with 4,571 terminals and the highest amount of net terminal income collected with a value of \$248.7 million. However, on a per capita basis, because of Chicago's absence, Cook County ranks near the bottom in terminal per capita (ranked 101 of 102) and in net terminal income (NTI) per capita (ranked 98 of 102).

Washington County ranked first in terminals per capita with a rate of 0.94%. The lowest ranked county in this category was DuPage County with a value of 0.07%. In terms of NTI per capita, Effingham County ranked first with a value of \$340.12. Ranked last in this category was Brown County with a value of only \$15.82.

Table 19: Video Gaming Statistics by County Ranking											
FY 2017 Totals											
Rank	County	Terminals	Rank	County	Terminals per Capita	Rank	County	Net Terminal Income	Rank	County	NTI per Capita
"TOP TWENTY COUNTIES"											
1	Cook	4,571	1	Washington	0.94%	1	Cook	\$248,647,506	1	Effingham	\$340.12
2	Lake	1,400	2	LaSalle	0.85%	2	Lake	\$78,155,314	2	Washington	\$282.11
3	Sangamon	1,194	3	Marshall	0.80%	3	Winnebago	\$68,998,267	3	Sangamon	\$270.22
4	Will	1,165	4	Calhoun	0.77%	4	Sangamon	\$53,359,387	4	LaSalle	\$262.54
5	Winnebago	1,079	5	Alexander	0.76%	5	Will	\$50,469,403	5	Macon	\$258.06
6	McHenry	1,061	6	Effingham	0.73%	6	McHenry	\$40,817,254	6	Marion	\$238.00
7	LaSalle	967	7	Iroquois	0.70%	7	DuPage	\$40,732,458	7	Morgan	\$237.65
8	Madison	873	8	Christian	0.70%	8	Kane	\$35,753,144	8	Winnebago	\$233.68
9	Kane	852	9	Montgomery	0.68%	9	Madison	\$33,713,647	9	Lee	\$226.05
10	St. Clair	773	10	Putnam	0.68%	10	Champaign	\$30,260,745	10	JoDaviess	\$218.58
11	Peoria	702	11	JoDaviess	0.68%	11	LaSalle	\$29,909,096	11	Edwards	\$217.14
12	DuPage	632	12	Lee	0.68%	12	St. Clair	\$29,427,205	12	DeWitt	\$217.12
13	Champaign	628	13	Bureau	0.67%	13	Macon	\$28,584,351	13	Logan	\$211.48
14	Macon	522	14	Marion	0.66%	14	McLean	\$24,099,204	14	Christian	\$203.59
15	Kankakee	506	15	Livingston	0.63%	15	Peoria	\$23,790,238	15	Alexander	\$202.84
16	Tazewell	501	16	Douglas	0.63%	16	Kankakee	\$17,908,500	16	Lawrence	\$199.88
17	McLean	447	17	Mason	0.62%	17	Tazewell	\$17,007,824	17	Jefferson	\$199.10
18	Rock Island	431	18	Scott	0.62%	18	Rock Island	\$15,860,673	18	Scott	\$195.22
19	Vermilion	411	19	Carroll	0.61%	19	Vermilion	\$15,131,201	19	Clark	\$193.94
20	Whiteside	328	20	Sangamon	0.60%	20	Effingham	\$11,646,259	20	Grundy	\$192.52
"BOTTOM TWENTY COUNTIES"											
83	Jasper	43	83	Mercer	0.29%	83	White	\$1,362,729	83	Hamilton	\$86.35
84	Clay	42	84	Hamilton	0.28%	84	Wabash	\$1,274,186	84	Warren	\$81.18
85	Putnam	41	85	Jefferson	0.28%	85	Crawford	\$1,203,115	85	Hancock	\$76.64
86	Calhoun	39	86	Adams	0.27%	86	McDonough	\$1,186,488	86	Schuyler	\$75.22
87	Edwards	37	87	McLean	0.26%	87	Mercer	\$1,154,999	87	Will	\$74.49
88	Wabash	36	88	Crawford	0.26%	88	Scott	\$1,045,393	88	Pulaski	\$74.11
89	Johnson	36	89	DeKalb	0.26%	89	Wayne	\$878,229	89	Stark	\$73.52
90	White	34	90	McDonough	0.24%	90	Johnson	\$869,589	90	Mercer	\$70.28
91	Scott	33	91	Monroe	0.24%	91	Jasper	\$840,226	91	Woodford	\$69.88
92	Henderson	33	92	White	0.23%	92	Henderson	\$776,328	92	Kane	\$69.39
93	Wayne	32	93	Massac	0.20%	93	Hamilton	\$730,242	93	Johnson	\$69.11
94	Massac	31	94	Lake	0.20%	94	Putnam	\$630,990	94	Pope	\$69.07
95	Schuyler	25	95	Wayne	0.19%	95	Schuyler	\$567,433	95	Kendall	\$61.30
96	Hamilton	24	96	Hardin	0.19%	96	Calhoun	\$512,198	96	Crawford	\$60.71
97	Stark	21	97	Will	0.17%	97	Gallatin	\$505,800	97	Wayne	\$52.40
98	Pulaski	21	98	Kendall	0.17%	98	Pulaski	\$456,603	98	Cook	\$47.87
99	Pope	19	99	Kane	0.17%	99	Stark	\$440,668	99	DuPage	\$44.42
100	Gallatin	17	100	Brown	0.12%	100	Pope	\$308,730	100	McDonough	\$36.38
101	Hardin	8	101	Cook	0.09%	101	Brown	\$109,712	101	Hardin	\$23.87
102	Brown	8	102	DuPage	0.07%	102	Hardin	\$103,126	102	Brown	\$15.82

Source: <http://www.igb.illinois.gov/VideoReports.aspx>. County compilations by CGFA.

Behind Cook County, Lake County had the second highest number of both video gaming terminals and net terminal income in the State. Coming in third in the amount of net terminal income generated was Winnebago County. A major reason for this is that two of the top five Illinois cities for net terminal income reside in Winnebago County: Rockford (ranked 2<sup>nd</sup> with \$29.8 million) and Loves Park (ranked 5<sup>th</sup> with \$15.9 million).

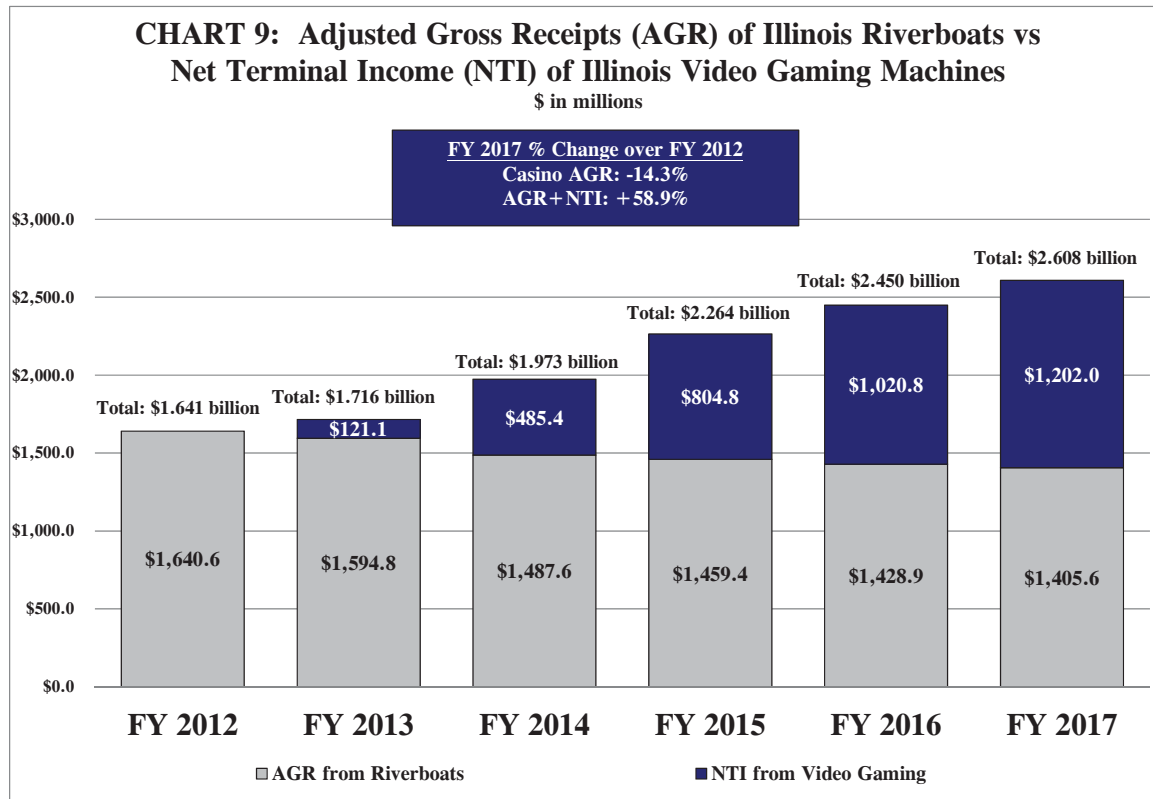
Springfield had the highest amount of terminals in the State at 635 terminals, as well as the highest amount of net terminal income in FY 2017 with \$30.1 million collected. Below is a list of the top 25 municipalities with video gaming in Illinois in FY 2017.

<b>Table 20: Top Municipalities with Video Gaming FY 2017 Totals</b>					
<b>Rank</b>	<b>Municipality</b>	<b>Terminals</b>	<b>Rank</b>	<b>Municipality</b>	<b>Net Terminal Income</b>
1	Springfield	635	1	Springfield	\$30,146,217
2	Rockford	451	2	Rockford	\$29,810,416
3	Decatur	402	3	Decatur	\$24,453,381
4	Joliet	308	4	Waukegan	\$18,704,402
5	Lake County	278	5	Loves Park	\$15,926,501
6	Peoria	266	6	Bloomington	\$14,685,045
7	Waukegan	263	7	Champaign	\$14,568,924
8	Champaign	261	8	Joliet	\$14,075,123
9	Loves Park	255	9	Lake County	\$12,573,708
10	Berwyn	253	10	Oak Lawn	\$12,397,544
11	Bloomington	246	11	Berwyn	\$11,285,802
12	Sangamon County	208	12	Peoria	\$10,350,915
13	Oak Lawn	192	13	Sangamon County	\$10,012,914
14	Kankakee	191	14	Cicero	\$9,888,041
15	Pekin	167	15	Effingham	\$8,157,215
16	Mattoon	161	16	Kankakee	\$7,286,332
17	McHenry	157	17	McHenry	\$7,195,573
18	Ottawa	154	18	Crestwood	\$6,954,298
19	Streator	152	19	Hoffman Estates	\$6,797,686
20	Galesburg	146	20	Pekin	\$6,652,141
21	Alton	146	21	Galesburg	\$6,568,111
22	Effingham	145	22	Freeport	\$6,499,279
23	McHenry County	142	23	Elk Grove Village	\$6,436,491
24	Crestwood	142	24	Mattoon	\$6,434,133
25	Cicero	142	25	Burbank	\$6,250,942

### **Video Gaming and Its Impact on Casinos**

As Illinois' video gaming numbers continue to increase, the opposite has been the case for Illinois' riverboats. Since video gaming began in FY 2013, the total AGR of Illinois' ten casinos have fallen in every subsequent fiscal year: -2.8% in FY 2013; -6.7% in FY 2014; -1.9% in FY 2015; -2.1% in FY 2016; and -1.6% in FY 2017. Since FY 2012, overall casino receipts have fallen a combined 14.3%. Only one casino, Rivers Casino in Des Plaines, has experienced an increase in AGR during this five-year period (+9.1%). Excluding Des Plaines, the other nine casinos have fallen a combined 21.7% since FY 2012, with all experiencing double-digit losses.

While there are an abundance of factors causing the decline in casino numbers, undoubtedly, a major contributing factor to this falloff is the increased competition resulting from the growth of video gaming. When looking at gambling forms separately, the previous statistics show a downward trend in riverboat gambling. However, as shown in the following graph, when combined with video gaming totals, gambling as a whole has actually increased statewide.



In FY 2012, gaming revenues totaled \$1.641 billion with all of the dollars coming from Illinois riverboats. In FY 2013, riverboat casino revenues fell \$46 million. But when combined with the \$121 million in video gaming revenues, total gaming revenues actually increased +4.6% in FY 2013. In FY 2014, riverboat revenues fell another \$107 million or -6.7%. But when combined with video gaming, revenues grew a net \$257 million or +15.0%. Similarly, riverboat revenues declined 1.9% in

FY 2015, but when combined with video gaming, total revenues actually increased \$291 million or +14.8%.

In FY 2016, the trend continued as video gaming grew an additional \$216 million (+26.8%), which more than offset the \$30.5 million reduction in adjusted gross receipts from Illinois casinos. Consequently, in FY 2016, combined revenues grew a net \$185.5 million or +8.2%. In FY 2017, video gaming revenue increased another \$181 million, offsetting the \$23 million decline in casino revenues for a net increase of \$158 million. Therefore, since FY 2012, even though the AGR of riverboats have fallen a combined -14.3%, overall gaming revenues, when including video gaming receipts, have risen +58.9%.

Video gaming in certain regions of the State have obviously hurt the riverboat industry more than others. For the communities that lie several hours away from the nearest riverboat casino, the impact of these communities offering video gaming has likely had very little impact on the casino industry – except for the small number of patrons that once would travel the distance to gamble at a casino, but now elect to gamble with the video gaming machines near their home. It is these communities that appear to have brought in a lot of “new” gaming dollars to State and local coffers creating the overall 58.9% increase in total gaming revenues over the past five years. But for the communities that reside in close distance to existing casinos, the numbers would suggest that this increased competition is having a negative impact on the casino industry.

An example of video gaming’s impact on the riverboat casino industry is seen by looking at the Chicago region. As shown at the bottom of the county-by-county video gaming table on page 39, there were an estimated 2,311 businesses in the Chicago Metropolitan Statistical Area (which is defined by the Census Bureau to include the Illinois counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will, and Lake) in FY 2017 that offered video gaming. These locations were home to 10,405 video gaming terminals during the calendar year. It is estimated that approximately \$35.7 million in video gaming net terminal income came from communities in the Chicago Area in FY 2013, \$163.4 million in FY 2014, \$314.4 million in FY 2015, \$422.1 million in FY 2016, and an additional \$521.2 million in FY 2017.

Under current law, Illinois casinos can have a maximum of 1,200 gaming positions at their locations. This means that video gaming has added the equivalency of nearly 9 full-size casinos to the Chicago metropolitan region. Again, these totals are without the City of Chicago even participating in this gaming expansion. These 10,405 terminals were added to an area that already had in its region five riverboat casinos in four Illinois communities: Joliet, Aurora, Elgin, and Des Plaines.

Despite AGR increases at the Des Plaines casino, combined, these five casinos have seen their FY 2017 AGR totals decline 9.9% since FY 2012. Without the newer Des Plaines casino, these Illinois based casinos have fallen 20.0% over the last five fiscal years. The popular Des Plaines casino is part of the reason for the declines at the

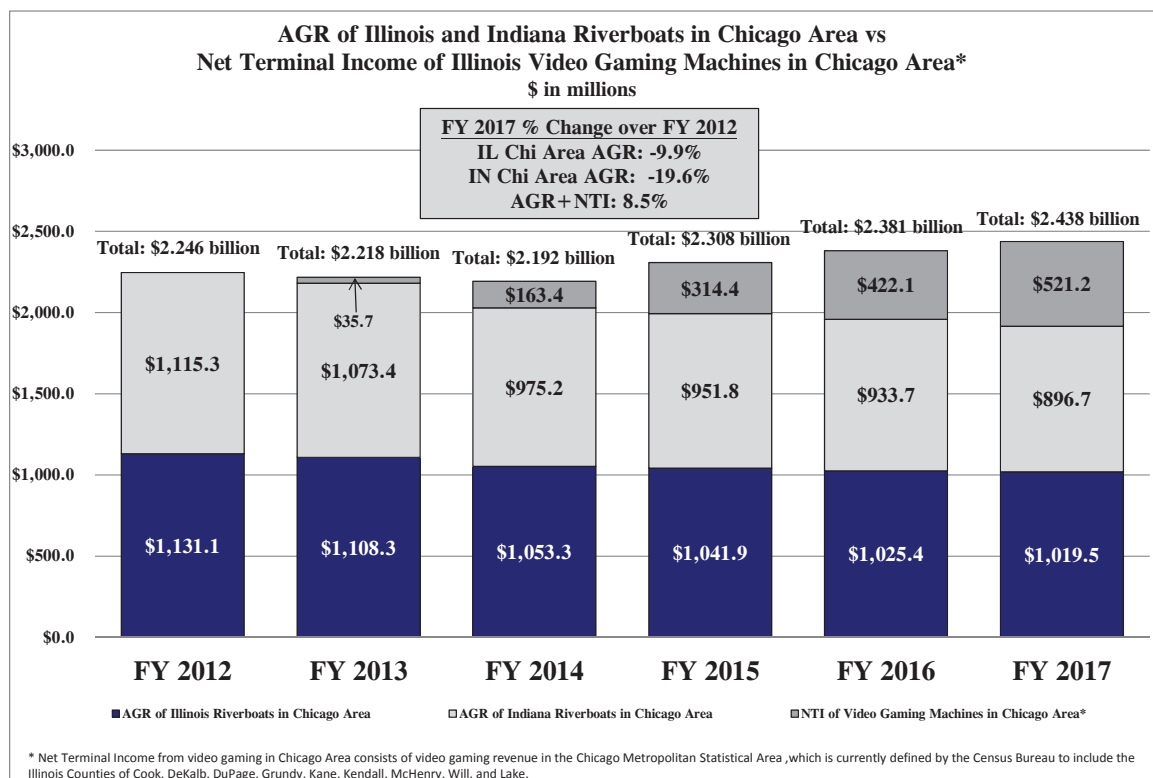
other riverboat casinos, but video gaming has no doubt been a significant contributor to this falloff as well.

In addition, there are five Indiana casinos within a short drive of the Chicago Area in the communities of Michigan City, Gary (2), Hammond, and East Chicago. As seen in the below chart, these five Indiana casinos have seen their AGR totals fall from \$1.1 billion in FY 2012 to \$897 million in FY 2017, a five-year decline of 19.6%. Again, the new casino in Des Plaines has contributed to this falloff, but the numbers would suggest that video gaming has also contributed to this decline.

When combining the receipts of all ten of the casinos in the Chicago Metropolitan Area, adjusted gross receipts totaled \$2.246 billion in FY 2012. By FY 2017, the AGR totals of these ten casinos have fallen to \$1.916 billion – a combined five-year falloff of 14.7%. And this decrease includes the 9.1% increase at the Des Plaines casino.

As shown below, even when the Chicago Area video gaming figures are added to the riverboat casino figures, overall gaming in the Chicago Area has remained relatively stagnant. Collectively, total gaming in this area went from \$2.246 billion in FY 2012 to \$2.438 billion in FY 2017. This results in a five-year change in combined gaming revenues of 8.5% - an average increase of only 1.7% per year.

The numbers in the graph indicate that the inclusion of video gaming in the Chicago Area has only slightly increased the amount of gaming dollars in this region. With an average annual growth in gaming of only 1.7% per year, thus far, it appears that video gaming has simply “reshuffled the deck chairs” by redistributing casino gaming revenues to the numerous gaming venues that now exist in this region.



Why have the combined gaming totals remained relatively stagnant in the Chicago Area if the statewide totals have increased 58.9% since FY 2012? An explanation for this is simply because of the amount of gaming options that already existed in this area even before video gaming began. The Chicago Area, which already had its choice of 10 casinos, was the home to over 15,000 gaming positions. Adding 10,405 additional video gaming terminals to the region gave gamers more choices, but it appears that it has not brought in much in the way of new gaming revenues.

On the other hand, most downstate communities did not have close gaming options available to them. Video gaming gave them these areas a “nearby” option, allowing gaming revenues to thrive in areas outside of the Chicago Metropolitan Area. This is a plausible explanation for why the net increase in overall gaming revenues has occurred outside of the Chicago Area.

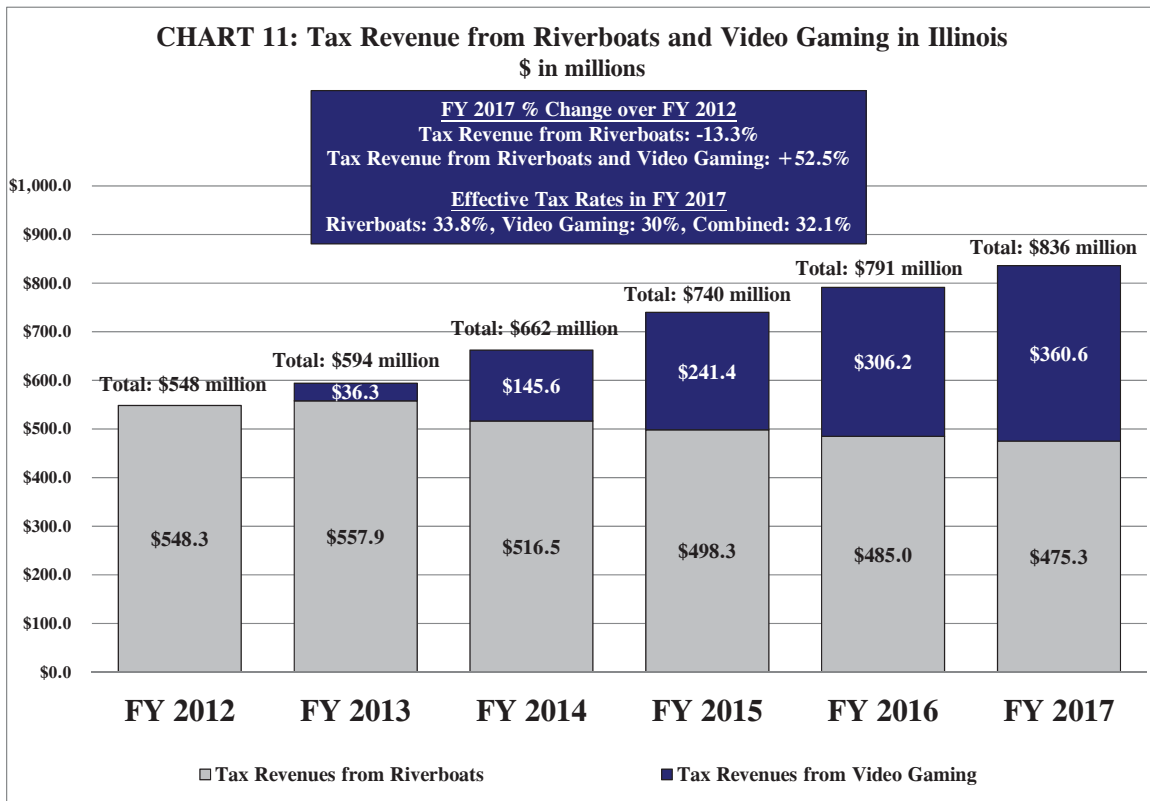
Many gambling proponents argue that because Chicago has yet to enter into the gaming market, there remains a large untapped amount of gaming dollars. There is likely a lot of truth to this, especially when considering the potential revenues from tourists that typically would not venture outside of the downtown area to visit other gaming facilities. But from the standpoint of the outer regions of Chicago, the previous graph would indicate these areas may have already neared a saturation point. Of course improvements in the economy and income levels would assist in raising this “saturation point” to higher levels.

Even though overall gaming revenues have been stagnant in the Chicago Area as a whole, Illinois appears to be taking advantage of Indiana’s revenue losses. It has always been widely believed that a significant portion of Indiana’s riverboat revenues have come from Illinois residents crossing the border to gamble at Indiana’s facilities. Indiana’s recent decline in their AGR numbers suggest that Illinois’ recent increase in its gaming options, whether it come from the Des Plaines Casino or the new video gaming terminals, have retained more gaming dollars in Illinois, increasing Illinois’ coffers while reducing Indiana’s.

What kind of impact has video gaming had on the tax revenues from all gaming sources? In FY 2012, the taxes imposed on the Illinois riverboats (admission tax and the graduated tax on adjusted gross receipts) generated \$548 million. Due to the recent declines in admissions and AGR totals, this tax amount fell to \$475 million in FY 2017, a five-year decline of 13.3%. However, these declines have been more than offset by the additional tax revenue generated from video gaming.

In FY 2013, \$36 million in tax revenues were generated from video gaming. As video gaming revved up, this total rose to \$146 million in FY 2014, to \$241 million in FY 2015, to \$306 million in FY 2016, and to \$361 million in FY 2017. When combining these video gaming tax revenues with casino tax revenues, overall tax revenues grew from \$548 million in FY 2012 to \$836 million in FY 2017, an increase of 52.5%. These figures are displayed in the following chart.





While higher tax revenues are welcomed, there are aspects of this growth that may be concerning to some. The first pertains to the tax rate imposed on these gaming sources. Video gaming revenues are taxed at a flat 30% tax rate. Casino revenues, on the other hand, are taxed on a graduated basis – meaning the more revenues that are collected, the higher the tax. In FY 2017, the effective tax rate for the 10 casinos was 33.8% (includes both state and local wagering and admission taxes). As gaming dollars move from the casinos to the video gaming terminals, these dollars are then taxed at a lower rate, thereby reducing overall tax collections.

The other aspect that may be troubling to some is the destination of these gaming tax dollars. The majority of tax revenues from casinos are eventually transferred to the Education Assistance Fund. The majority of tax revenues from video gaming are deposited into the Capital Projects Fund. Therefore, if video gaming causes a reduction in revenues from riverboats, tax dollars are effectively being shifted from the Education Assistance Fund to the Capital Projects Fund.

Furthermore, money set aside for administration costs pertaining to both riverboat casinos and video gaming comes from riverboat casino taxes deposited into the State Gaming Fund. In other words, as video gaming administration expenses increase, this results in less revenue in the State Gaming Fund to be transferred into the Education Assistance Fund. Whether this funding shift is positive or negative is, of course, open to policy debate.

### **Video Gaming's Future**

How much revenue will be generated from video gaming in the future? Several years ago, insiders estimated that the State would plateau at around 20,000 video gaming terminals. But the popularity of video gaming has spurred enough interest that the State has sailed past this mark (FY 2017 ended with 26,873 terminals). Although the number of new terminals being added each month has slowed, it now appears that the statewide total for terminals in operation in one month will approach 28,000 terminals by the end of FY 2018.

In FY 2017, the net terminal income per position per day average was \$131. Assuming this average will grow slightly in the upcoming year, the Commission estimates that net terminal income in Illinois will total approximately \$1.4 billion in FY 2018. This would equate to tax revenues totaling around \$400 million for the fiscal year.

These numbers, of course, assume that the strong performance of the current establishments will continue. With the amount of competition that now exists, some establishments may reduce their number of terminals or drop them altogether. But so far the number of establishments falling into this category is not expected to be enough to offset the upward trend in video gaming as a whole.

The FY 2018 estimate assumes that video gaming revenues will plateau as the end of the fiscal year approaches. But, if video gaming continues to thrive, there likely will be other businesses that will want to invest their time and energy into starting video gaming at their own locations. In addition, the tax revenue potential of video gaming could sway communities currently banning video gaming to decide to overturn this ban. If this occurs, especially in the City of Chicago, the number of businesses seeking video gaming machines would increase significantly, as would the revenues generated from video gaming in Illinois.

It should also be stressed that these projections are made without any additional expansion of gaming in Illinois. If gaming expansion legislation were to occur, this could have a negative impact on future revenues as an increase in gaming facilities would likely reduce the amount of available spending at video gaming terminals. The question that many in the industry have is which form of gaming will have a greater cannibalization effect on the other: video gaming or the casino industry. The answer to this is difficult to predict without knowing what the final gaming expansion product (if any) is. Obviously, any impact that is felt will come from areas in close proximity to the new gaming facilities.

# **HORSE RACING**



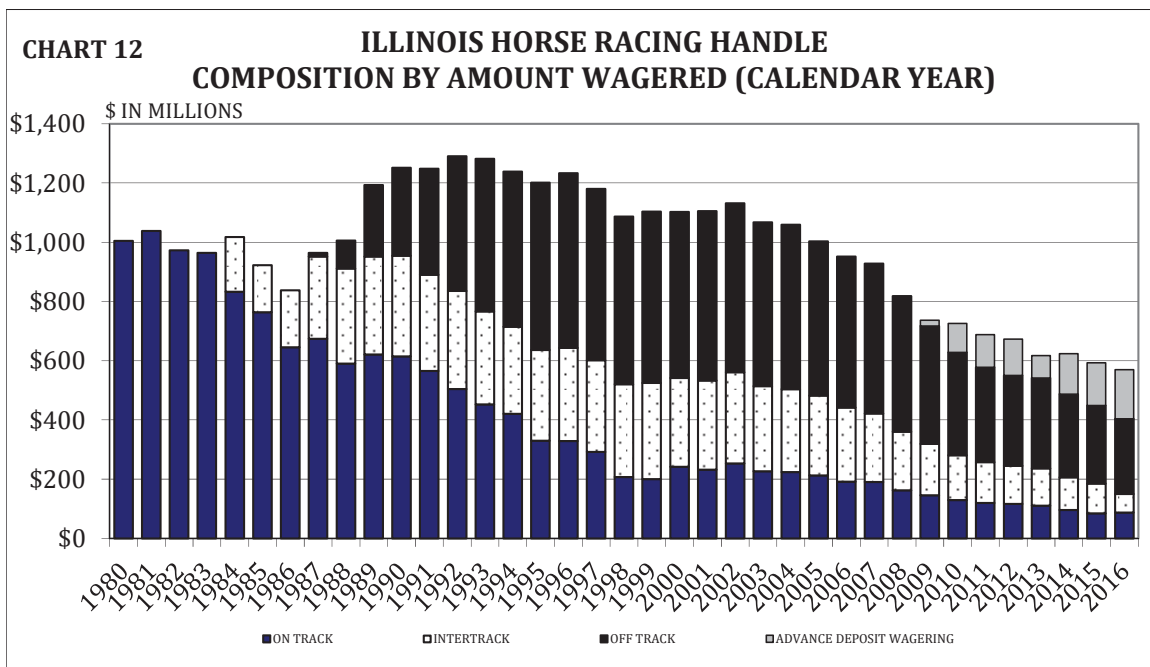
## HORSE RACING

Horse racing is the oldest form of legalized gaming in Illinois. Each year, millions of dollars are wagered on horse racing at the State's numerous on-track and off-track wagering facilities. In calendar year 2016, Illinois horse racing wagering generated \$12.3 million in total revenues with the State receiving \$6.8 million and local governments receiving \$5.5 million. Table 21 examines the sources and allocation of CY 2016 horse racing revenues while Table 22 details State and local racing revenues over the past ten years.

<b>TABLE 21: SOURCES AND ALLOCATION OF HORSE RACING REVENUE FOR CALENDAR YEAR 2016</b>	
<b>REVENUE SOURCE</b>	
Application and License Fees of Racing Associations	\$72,785
Admission Taxes	\$70,081
Pari-mutuel Tax	\$5,744,674
Pari-mutuel Tax Credit	(\$3,043,078)
Advanced Deposit Wagering (ADW) Pari-Mutuel Tax (1.75%)	\$2,904,912
.2% Surcharge for Racing Board*	\$892,557
Licensing of Racing Personnel	\$127,925
Fingerprint Fees	\$18,074
Photo Fees	\$110
Horsemen's Fines	\$53,597
Miscellaneous Sources	\$303
<b>TOTAL STATE REVENUES RECEIVED</b>	<b>\$6,841,939</b>
2% of OTB Handle to City and County	\$5,075,797
OTB Admission Tax to City of Chicago	\$79,615
OTB Admission Tax to Cook County	\$145,054
On Track City Admission Tax	\$40,687
Intertrack Surcharge to County (20%)	\$139,441
<b>TOTAL LOCAL REVENUES RECEIVED</b>	<b>\$5,480,594</b>
<b>TOTAL REVENUES RECEIVED</b>	<b>\$12,322,533</b>
<b>ALLOCATION OF REVENUE</b>	
Horse Racing Fund	\$6,292,182
Quarterhorse Breeders' Fund	\$16,717
Quarterhorse Purse Fund (from IRB .2% Surcharge)*	\$100,000
Standardbred Purse Fund (.25% Tax of ADW Handle)	\$414,967
Fingerprinting (State Police and Vendor)	\$18,074
<b>TOTAL STATE REVENUES ALLOCATED</b>	<b>\$6,841,939</b>
To Cities	\$2,658,201
To Counties	\$2,822,393
<b>TOTAL LOCAL</b>	<b>\$5,480,594</b>
<b>TOTAL REVENUES ALLOCATED</b>	<b>\$12,322,533</b>
<b>SOURCE: ILLINOIS RACING BOARD - 2016 ANNUAL REPORT</b>	

TABLE 22: HORSE RACING REVENUES AND ASSOCIATED ALLOCATIONS BY CALENDAR YEAR (IN MILLIONS)											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
TOTAL STATE REVENUE	\$10.3	\$8.9	\$8.0	\$7.1	\$7.4	\$7.8	\$7.5	\$6.4	\$7.5	\$6.8	\$6.8
TOTAL LOCAL REVENUE	\$11.3	\$11.6	\$10.6	\$9.1	\$7.8	\$7.2	\$6.8	\$6.7	\$6.2	\$5.8	\$5.5
<b>* TOTAL REVENUES RECEIVED</b>	<b>\$21.6</b>	<b>\$20.6</b>	<b>\$18.5</b>	<b>\$16.2</b>	<b>\$15.3</b>	<b>\$15.0</b>	<b>\$14.2</b>	<b>\$13.1</b>	<b>\$13.7</b>	<b>\$12.7</b>	<b>\$12.3</b>
TOTAL STATE ALLOCATIONS	\$10.3	\$8.9	\$8.0	\$7.1	\$7.4	\$7.8	\$7.5	\$6.4	\$7.5	\$6.8	\$6.8
TOTAL LOCAL ALLOCATIONS	\$11.3	\$11.6	\$10.6	\$9.1	\$7.8	\$7.2	\$6.8	\$6.7	\$6.2	\$5.8	\$5.5
TO CITIES	\$5.6	\$5.5	\$4.9	\$4.3	\$3.7	\$3.4	\$3.2	\$3.2	\$2.9	\$2.8	\$2.7
TO COUNTIES	\$5.7	\$6.1	\$5.6	\$4.8	\$4.1	\$3.8	\$3.6	\$3.6	\$3.3	\$3.1	\$2.8
<b>*TOTAL REVENUES ALLOCATED</b>	<b>\$21.6</b>	<b>\$20.6</b>	<b>\$18.5</b>	<b>\$16.2</b>	<b>\$15.3</b>	<b>\$15.0</b>	<b>\$14.2</b>	<b>\$13.1</b>	<b>\$13.7</b>	<b>\$12.7</b>	<b>\$12.3</b>
* On January 29, 2014, advance deposit wagering was re-authorized for three years and included an additional .2% surcharge on winning wagers to help fund the Racing Board.											
SOURCE: ILLINOIS RACING BOARD ANNUAL REPORTS											

In its 2016 Annual Report, the Racing Board reported that 290 race programs were conducted during CY 2016 (down from 388 race programs in CY 2015, 426 race programs in CY 2014 and 518 race programs in CY 2013). The recent falloff reflects the closing of the Balmoral and Maywood racetracks. A total handle amount of \$571 million resulted. This was a 3.9% decline from CY 2015 when \$593 million was collected. As shown in Chart 12, the decline is the latest in a series of declines over the past two decades.

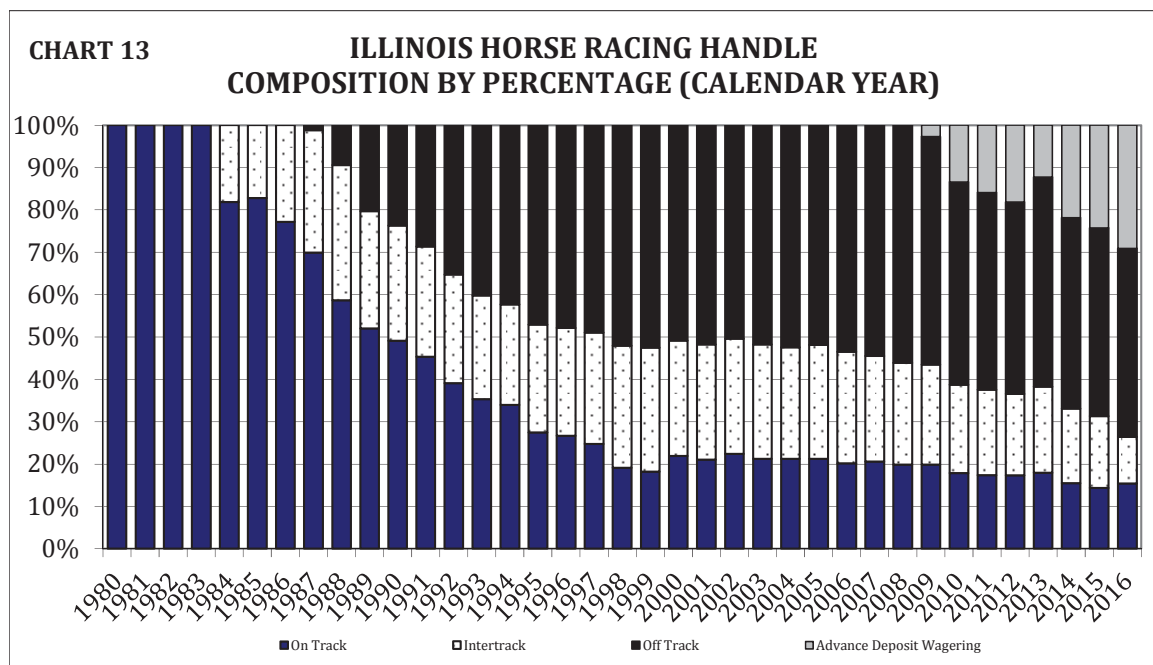


The overall 3.9% decline in the racing handle was despite a 15.3% increase in advance deposit wagering (ADW). While the ADW handle increased nearly \$22 million in 2016, the handle from intertrack racing declined \$38 million (-37.5%). The on-track racing handle increased a modest \$3 million (3.2%), while the off-track wagering handle fell \$10 million (-3.8%). The overall handle total in 2016 was 40.1% below levels from just ten years ago.

The make-up of Illinois' overall handle has seen dramatic changes over the past 35 years. Prior to 1984, pari-mutuel wagering was only permitted at on-track racing facilities. This exclusivity was eliminated with the introduction of intertrack (1984) and simulcast (1985) wagering. These provisions authorized wagering on the outcome of simultaneously televised racing action, taking place at tracks located within and outside of Illinois. (For the purposes of this report, the term inter-track wagering will be used to refer to both of these forms of wagering.) This change was followed in 1987 by the introduction of off-track betting. Advance Deposit Wagering was introduced in 2009.

As these alternative means of wagering matured, they significantly altered the composition of the total racing handle. Between 1990 and 2016 the percentage of the total handle generated from on-track wagering fell from 49% to 15%. This decline coincided with a dramatic increase in participation at off-track betting locations.

Over the previously mentioned time frame, the percentage of the total handle generated at off-track wagering facilities increased from 24% to as high as 56% (2008) before falling to its current composition percentage of 44%. Inter-track wagering for years remained relatively stable, generally comprising around 25% of the total handle. But this rate has fallen to 11% as advance deposit wagering has quickly emerged as the trending source for new wagering. In 2016 ADW's composition grew to 29%. Chart 13 illustrates the historic shift in the composition of the racing handle.





**2016 Racing Statistics**

**TABLE 23: Illinois Racing Statistics for 2016**

**\$ in millions**

	<b>2015 Handle</b>	<b>2016 Handle</b>	<b>% Change</b>
Thoroughbred	\$340.9	\$310.9	-8.8%
Standardbred	\$108.5	\$93.6	-13.8%
ADW	\$144.0	\$166.0	15.3%
<b>Total Illinois Handle</b>	<b>\$593.4</b>	<b>\$570.5</b>	<b>-3.9%</b>

**Of the \$570.5 million total handle in 2016....**

<b>Location of Race</b>	<b>Amount</b>	<b>Composition</b>
Wagered on Illinois Races	\$72.7	12.7%
Wagered on Out-of State Tracks	\$497.8	87.3%
<b>Total</b>	<b>\$570.5</b>	<b>100%</b>

**The largest handle at Illinois tracks came from:**

Arlington	\$37.6
Hawthorne	\$29.4
Balmoral (closed)	\$0.0
Maywood (closed)	\$0.0
Fairmount	\$5.4
State/County Fairs	\$0.3

**The largest (top five) handles from out-of-state tracks came from:**

Gulfstream	\$45.9
Santa Anita	\$33.2
Belmont	\$28.7
Churchill	\$23.8
Aqueduct	\$18.4

Source: Illinois Racing Board Annual Report

### **Off-Track Betting (OTB) Licenses**

According to the Illinois Racing Board's 2016 Annual Report, "Public Act 99-0757, effective August 12, 2016, amended the Act by changing the number of intertrack wagering licenses ("OTB") a racetrack may receive. Fairmount Park may now receive up to 9 OTB licenses, Hawthorne Race Course 16, and Arlington Park 18".

According to the Racing Board's website, as of the last update on April 24, 2017, Arlington Park currently has 10 OTBs, Hawthorne Race Course has 9 OTBs, and Fairmount Park has 3 OTBs. Therefore, each racetrack has several licenses available for additional OTBs, if the market were to demand it. A list of the current OTBs are shown in the table below.

TABLE 24: ILLINOIS RACING TRACKS AND ASSOCIATED OTB'S		
TRACK	COUNTY	OTB LOCATIONS
ARLINGTON RACECOURSE	COOK	AURORA CHICAGO (Weed St.) GREEN OAKS* HODGKINS HOFFMAN MCHENRY ORLAND HILLS ROCKFORD VILLA PARK WAUKEGAN (Green Bay Rd.)
FAIRMOUNT PARK	MADISON	ALTON SAUGET SPRINGFIELD
HAWTHORNE RACE COURSE	COOK	BOLINGBROOK CHICAGO (Corliss) CRESTWOOD GLENDALE HEIGHTS JOLIET MOKENA NORMAL OAKBROOK PROSPECT HEIGHTS
*NEW IN 2017.		
<b>NOTE: The Illinois Horse Racing Act, effective August 12, 2016, states that Fairmount Park may establish up to 9 intertrack wagering locations (OTB's), Hawthorne Race Course may establish up to 16 OTB's and Arlington Park may establish up to 18 OTB's. As of April 24, 2017, Arlington Park has 10 OTB's in operation, Hawthorne Race Course has 9 OTB's, and Fairmount Park has 3 OTB's. The 9 OTBs associated with the now closed Balmoral and Maywood racetracks were forced to close in 2016.</b>		
Source: Illinois Racing Board		

### **Advance Deposit Wagering**

During the Spring 2009 legislative session, Public Act 96-0762 (SB 1298) was signed into law which allowed advance deposit wagering in Illinois. Advance Deposit Wagering officially began in Illinois in October 2009. Under P.A. 96-0762, an individual is allowed to establish an account, deposit money into the account, and use the account balance to pay for pari-mutuel wagering. An advance deposit wager may be placed in person at a wagering facility or from any other location via a telephone-type device or any other electronic means.

The State receives additional revenue from advance deposit wagering through a flat pari-mutuel tax at the rate of 1.5% of the daily pari-mutuel handle on advance deposit wagering from a location other than a wagering facility. In addition to this tax, a pari-mutuel tax at the rate of 0.25% is imposed on advance deposit wagering. Until August 25, 2012, this additional tax was deposited into the Quarter Horse Purse Fund. Beginning on August 26, 2012, this additional tax is deposited into the Standardbred Purse Fund.

Since advance deposit wagering became operational in 2009, \$1.3 million in advance deposit wagering taxes was collected in FY 2010 (from 8 months of operational receipts). This equated to an 8-month handle total of \$73.3 million. In FY 2011, advance deposit wagering taxes totaled \$1.7 million, which equated to an annual total handle of \$95.8 million. In FY 2012, these taxes totaled nearly \$2.0 million, which equated to a total handle amount of \$113.6 million.

In FY 2013, the future of advance deposit wagering was in flux. Under the original language, advance deposit wagering was established in statute to expire on January 1, 2013. Once this day hit, ADW in Illinois was supposed to cease. However, data shows that some companies continued to collect from advance deposit wagering for a time after this date of expiration.

On July 7, 2013, P.A. 98-0018 was signed into law, which, among other items, allowed advance deposit wagering to continue until January 31, 2014. The public act also provided that any licensee who conducted advance deposit wagering after January 1, 2013 and prior to the effective date of this Act (July 7, 2013) are "hereby validated, provided payment of all applicable pari-mutuel taxes are paid to the Board". Because of this brief period of inactivity, only \$1.3 million in advance deposit wagering taxes were collected in FY 2013, which equated to a total handle amount of \$73.2 million.

P.A. 98-0018 also provided that the additional tax of 0.25% on advance deposit wagering shall be deposited into the Standardbred Purse Fund for grants to the standardbred organization licensees for payment of purses for standardbred horse races conducted by the organization licensee. Under previous law the additional tax was deposited equally into the standardbred purse accounts of organization licensees conducting standardbred racing.

On January 29, 2014, P.A. 98-0624 was signed into law. This public act extended the authorization for advance deposit wagering to February 1, 2017. The Act also provided an additional 0.2% surcharge on winning wagers and winnings from wagers. From the revenue generated from this surcharge, \$100,000 shall be annually deposited into the Quarter Horse Purse Fund. All remaining amounts are to be deposited into the Horse Racing Fund.

Public Act 98-0624 also stated that each wagering licensee may impose an additional surcharge of up to 0.5% on winning wagers and winnings from wagers. The revenues from this surcharge shall be evenly distributed to the organization licensee and the purse account of the organization licensee with which the licensee is affiliated.

Public Act 99-0756, effective August 12, 2016, extended advance deposit wagering through December 31, 2018. The extension of advance deposit wagering (now until the end of 2018) has made ADW revenues more reliable. In FY 2014, with nearly a full-year of revenues, \$2.3 million in ADW tax revenues were collected. In FY 2015, with a full fiscal year of revenues, advance deposit wagering was able to generate \$2.4 million in tax revenues. This equates to a handle amount of approximately \$137 million. In FY 2016, \$2.7 million in tax revenues were collected, equating to a handle amount of approximately \$156 million. In FY 2017, tax revenues from ADW grew to \$3.1 million, equating to a handle amount of approximately \$175 million.

Before advance deposit wagering became operational, the Illinois Racing Board had stated that insiders had estimated that as much as \$100 million could annually be collected from advance deposit wagering. The results have shown that the insider's estimates may have underestimated the impact that ADW would have on horse racing revenues. However, the Racing Board also projected that there could be a cannibalization effect on other wagering methods due to a predicted popularity of advance deposit wagering. The concern was that if advance deposit wagering was preferred, this would lower revenue totals from other forms of wagering.

This cannibalization concern appears to be plausible. While the ADW handle surpassed \$165 million in CY 2016, all other categories of wagering (on-track, inter-track, off-track) fell a combined \$45 million in 2016 and have fallen a combined \$312 million since 2009, the year that advance deposit wagering commenced. But the fact remains that these other methods of wagering were on a steady downward trend anyway. So, it appears that while advance deposit wagering has not caused horse racing handle numbers to turn around to its higher levels of the past, it has brought in enough interest to at least slow the declines of an industry that had been falling at a drastic pace.

### **What Will the Future Hold for Illinois Horse Racing?**

As the State's numbers indicate, the horse racing industry in Illinois continues to struggle. Despite a small uptick in the racing handle in 2014, the handle fell 3.9% in 2016 and is now down approximately 40% over the last 10 years. And with the closing of Maywood Park and Balmoral Park in 2015, and without significant changes to the industry, a dramatic turnaround is not likely.

The reason for the struggles of Illinois' horse racing industry is because its tracks are having a greater difficulty competing for the horse racing dollar. While many ideas have been discussed over the past decade to turn Illinois' horse racing industry around, so far little progress has been made.

In an attempt to help the horse racing community, in August 2011, lawmakers provided \$141.8 million in financial subsidies by way of an impact fee on riverboats. But even after receiving this money, little, if any, improvement in the form of handle and revenues has been seen. The expectation was that these revenues would be used to make track improvements that would eventually lead to better facilities and that these improved facilities would bring in more horsemen and higher attendance. However, the Racing Board stated that little to no changes (above what is typically spent) were made in the form of horse track improvements from these additional dollars.

Additional subsidies were set to come from the new casino in Des Plaines. State law originally provided that 15% of the adjusted gross receipts of the new Des Plaines casino was to be transferred into the Horse Racing Equity Trust Fund. However, the Comptroller's Office did not allow this transfer to take place due to the lack of valid "vehicle" language to properly transfer the monies from the State Gaming Fund to the Horse Racing Equity Trust Fund. As a result, these revenues, valued at approximately \$120 million (two-year total), remained in the State Gaming Fund – unable to be used.

In response, P.A. 98-0018 was signed into law on June 7, 2013 which allowed these dormant casino revenues to be distributed. However, the amount that was originally intended for the horse racing industry was dramatically reduced. The new law provided that the Horse Racing Equity Fund receive only \$23 million of the \$120.5 million combined total that they were expecting to receive from the Des Plaines casino in FY 2012 and FY 2013 and they would receive no additional transfers from this revenue source in the future. The School Infrastructure Fund is now the primary beneficiary of these funds.

Since the subsidies received by the industry were not enough to turn things around, some feel that the only remaining hope may be to allow slot machines at the horse tracks throughout Illinois. However, this proposal remains in doubt as gaming expansion legislation containing this provision has, thus far, failed to receive enough support for enactment.

If a gaming expansion bill with the addition of slot machines at Illinois racetracks were to eventually be signed into law, Illinois would join Indiana, Iowa, and numerous other states that have allowed slot machines to be operated at their facilities. The promoted idea is this: the addition of slot machines allows tracks to offer higher purses, which lead to increased interest, both from horsemen and the fans of horseracing. Therefore, many proponents have argued that having slots at tracks would not only increase slot machine revenues for the State, but it would also increase the amount of money wagered on horse racing. However, it should be pointed out that this has not been the case for states across the country.

For example, Indiana has seen its 'in-state' handle decrease over 50% - from \$190 million in 2005 to \$80 million in 2015 - despite the opening of two racinos in 2008. *(The 2016 numbers have not been released at the time of this report)*. On the other hand, these two locations have generated around \$400 million in adjusted gross receipts in casino revenues in each of the last nine fiscal years (including \$466 million in FY 2017). A portion of the tax revenues imposed on the AGR of these casinos is kept by the track, allowing these racinos to offer higher purses, thus, helping it to "survive". In cases like this, the revenue benefits from having "racinos" have come from the casinos themselves and not from developing new interest by way of pari-mutuel handle increases.

In its 2016 Racetrack Casino Benchmark Report, the Pennsylvania Gaming Control Board writes about a similar result in its state,

*"...Pennsylvania horse and harness racing continues to face challenges to remain a viable entertainment option. Live racing handle has increased by 17% in Pennsylvania since slot machine gaming commenced in 2016 mainly due to the opening of two new racetrack casino properties and increased wagering on Pennsylvania races by patrons nationwide. Although this increase has been beneficial for the industry, this past year marked the third year since gaming commenced that live racing handle declined year-over-year. \$681 million was wagered on races held in Pennsylvania in 2016 representing a 6% decrease when compared to the previous year. It has been recognized that the biggest challenge facing horse and harness racing in Pennsylvania is creating a new fan base and increasing popularity of an improved racing product. As the information within this report suggests, however, revenue generated from slot machine gaming continues to provide an overall positive impact on Pennsylvania racing and continues to benefit the agricultural community."*

*([http://gamingcontrolboard.pa.gov/files/reports/2016\\_Pari-Mutuel\\_Benchmark\\_Report.pdf](http://gamingcontrolboard.pa.gov/files/reports/2016_Pari-Mutuel_Benchmark_Report.pdf)).*

Even if pari-mutuel handles are not necessarily increasing in other states like Indiana and Pennsylvania, their ability to offer higher purses with the help of another revenue source is having a direct detrimental impact on Illinois. With higher prize values in other states, more and more in the horse racing industry are

leaving Illinois for “greener pastures”. Without the ability to offer higher purses, a bad situation may soon become worse for Illinois tracks.

The horse racing community continues to argue that allowing slot machines at their tracks would act as a life preserver to this industry. Although, data suggests that the horse racing handle will not necessarily increase as a result of having slot machines at tracks, having this other source of revenue would give Illinois horse tracks a secondary source of income needed to offer competitive purses, which should help sustain horse racing in Illinois. Without this additional source of revenue, the horse racing industry will likely see its declines continue. And without the ability to compete with other states, many fear that the pressure on additional Illinois horse tracks to close for good may become insurmountable.



# LOTTERY



## LOTTERY

The Illinois State Lottery was authorized in 1974 and began operation in 1975. The State's lottery system generates revenue via ticket sales, agent fees, and interest-earning accounts. FY 2017 was the sixth year under which a private manager, the Northstar Lottery Group, was in managerial control of the lottery. Following the payment of prizes, agent commissions, and administrative costs, net lottery receipts are transferred into the Common School Fund, the Capital Projects Fund, or Special Cause Funds. Since its inception, lottery sales have totaled over \$64 billion and the Lottery has transferred over \$20 billion back to the State. Table 25 presents a brief history of the Illinois State Lottery highlighting sales by game, total sales, and the percentage change from the previous fiscal year.

### *Lottery Revenue Sources*

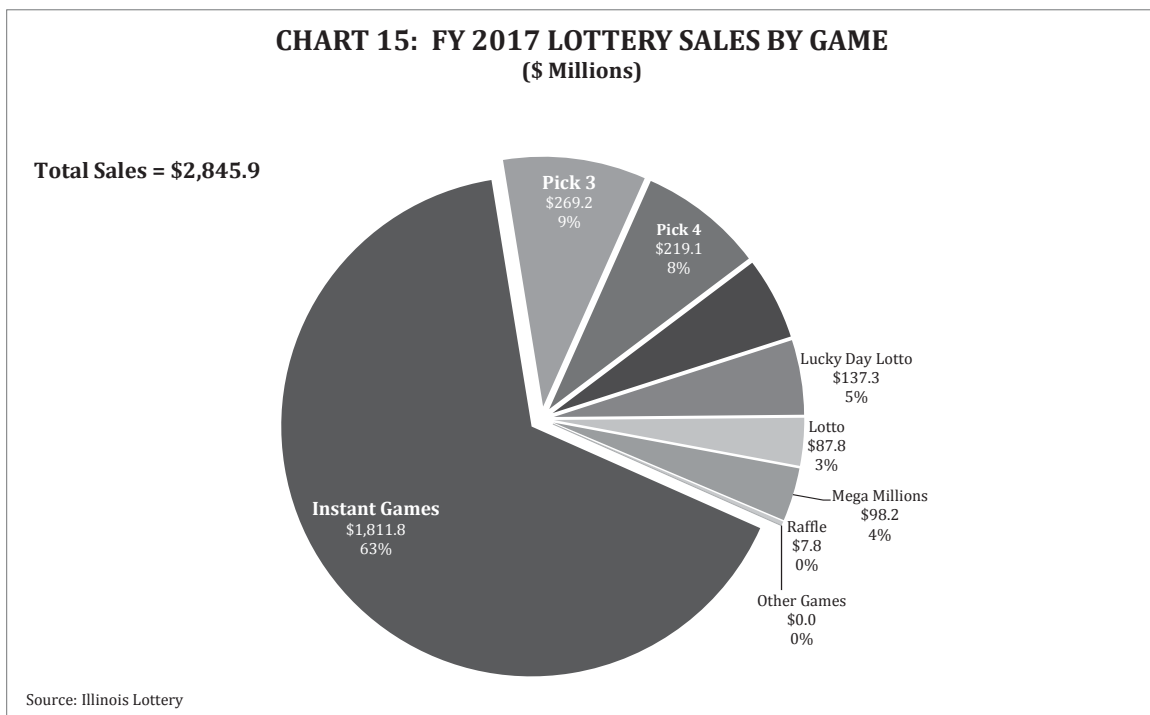
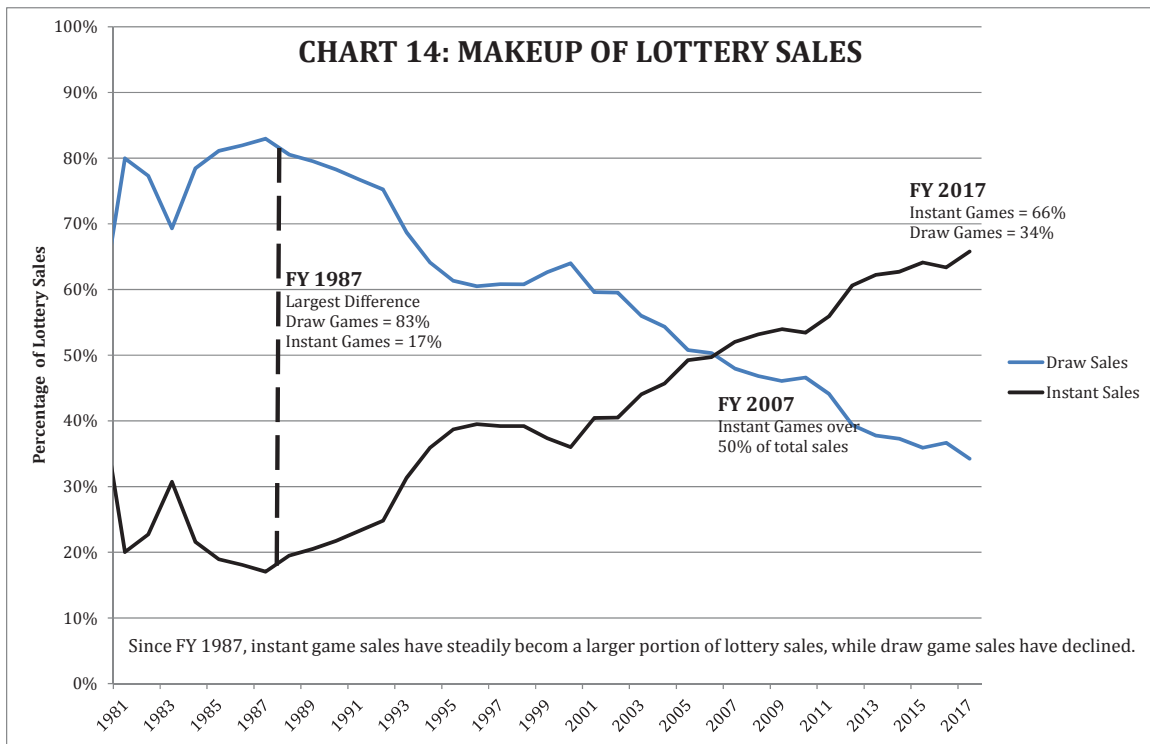
For the second year in a row, total lottery sales were basically flat. Total sales were \$2.85 billion. FY 2017 results were down \$14 million. This equaled a decline of -0.5%. This was only the second year of year-over-year decline for lottery sales since 2003. The only other year since then to see a decline in total sales was FY 2014. The first two years of private management saw significant growth in total sales (18.3% in FY 2012 and 6.2% in FY 2013). The four years since then, sales have stagnated between \$2.80 billion to \$2.86 billion.

As seen in Chart 14, instant game sales have steadily become a larger part of total lottery sales since the late 1980s. In FY 1987, instant game sales only made up 17% of all Illinois lottery sales compared to draw games which made up the remaining 83%. The proportion of instant games sales gradually rose to approximately 40% of sales by FY 1995 and stayed around that level through FY 2002. Instant games portion of total sales then began to rise again. In FY 2017, total instant sales have reached an all-time high in their makeup of lottery sales at 66% of total sales.

In FY 2012, instant ticket sales grew by an astounding 28.3%. This coincides with the take-over of lottery management by the Northstar Lottery Group. In the first two years under private management, the lottery increased its total sales by \$578 million. Instant ticket sales accounted for \$504 million, or approximately 87%, of this increase. In FY 2017, instant ticket sales accounted for 66% of total sales, while draw games were at 34%.

Instant ticket sales totaled \$1.87 billion in FY 2017. This was up \$60 million or 3.3% over FY 2016. Unfortunately, the draw games declined \$74 million or -7.1% to \$974 million. Almost all of the draw games were down this year. Powerball stood out as the biggest decliner. In FY 2016 Powerball sales increased dramatically. In FY 2017, they fell by over -27%. Powerball sales declined from \$208 million to \$152 million. The raffle showed improvement, up over 45%, but that only added a little more than \$2 million in revenue. The Pick 4 game grew 4.5%, but once again, that only added \$10 million. The rest of the draw games were basically flat except the Lotto which was down almost -20% or \$22 million.

The following charts and tables illustrate the Lottery's recent statistics. Table 25 displays the contributions of each game through the Lottery's history, while Chart 15 and Table 26 illustrate the break-down of lottery sales by game for FY 2017 and throughout the Lottery's history.



**TABLE 25: LOTTERY SALES BY GAME**  
**FY 1975 - FY 2017**

Fiscal Year	(\$ Millions)											
	Instant Games	Pick 3**	Raffles	Pick 4**	Lotto	Lucky Day Lotto	Mega Millions	Powerball	Other Games	Total Sales	% Change	
	Sales	Sales	Sales	Sales	Sales	Sales	Sales	Sales	Sales	\$	% Change	
1975	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129.3	\$ 129.3	n/a	
1976	\$ 56.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 107.3	\$ 163.9	-17.0%	
1977	\$ 62.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 50.0	\$ 112.9	-31.1%	
1978	\$ 57.5	-8.6%	n/a	n/a	n/a	n/a	n/a	n/a	\$ 31.6	\$ 89.1	-21.1%	
1979	\$ 56.3	-2.1%	n/a	n/a	n/a	n/a	n/a	n/a	\$ 20.4	\$ 76.7	-13.9%	
1980	\$ 41.4	-26.5%	\$ 42.4	n/a	n/a	n/a	n/a	n/a	\$ 13.7	\$ 97.5	27.1%	
1981	\$ 43.0	3.9%	\$ 164.2	287.3%	n/a	n/a	n/a	n/a	\$ 7.5	\$ 214.7	120.2%	
1982	\$ 78.2	81.9%	\$ 248.2	51.2%	n/a	n/a	n/a	n/a	\$ 0.0	\$ 344.1	60.3%	
1983	\$ 158.1	102.2%	\$ 283.8	14.3%	n/a	\$ 26.9	n/a	n/a	\$ -	\$ 514.8	49.6%	
1984	\$ 196.6	24.4%	\$ 367.4	29.5%	\$ 49.4	\$ 298.8	1010.8%	n/a	\$ -	\$ 912.2	77.2%	
1985	\$ 233.7	18.9%	\$ 356.2	-3.0%	n/a	\$ 567.4	89.9%	n/a	\$ -	\$ 1,235.6	35.5%	
1986	\$ 237.6	1.7%	\$ 347.6	-2.4%	n/a	\$ 642.3	13.2%	n/a	\$ -	\$ 1,315.6	6.5%	
1987	\$ 227.3	-4.3%	\$ 335.1	-3.6%	n/a	\$ 678.5	5.6%	n/a	\$ -	\$ 1,333.9	1.4%	
1988	\$ 260.1	14.4%	\$ 352.6	5.2%	n/a	\$ 600.6	-11.5%	n/a	\$ -	\$ 1,335.5	0.1%	
1989	\$ 321.9	23.8%	\$ 369.6	4.8%	n/a	\$ 607.1	1.1%	n/a	\$ -	\$ 1,571.3	17.7%	
1990	\$ 341.2	6.0%	\$ 382.5	3.5%	n/a	\$ 588.7	-3.0%	n/a	\$ -	\$ 1,570.2	-0.1%	
1991	\$ 364.6	6.9%	\$ 368.5	-3.7%	n/a	\$ 601.0	2.1%	n/a	\$ -	\$ 1,566.5	-0.2%	
1992	\$ 406.0	11.4%	\$ 362.0	-1.8%	n/a	\$ 633.5	5.4%	n/a	\$ -	\$ 1,636.9	4.5%	
1993	\$ 493.2	21.5%	\$ 350.5	-3.2%	n/a	\$ 112.3	0.0%	n/a	\$ -	\$ 1,575.9	-3.7%	
1994	\$ 548.7	11.3%	\$ 344.5	-1.7%	n/a	\$ 109.7	-2.3%	n/a	\$ -	\$ 1,528.6	-3.0%	
1995	\$ 630.7	14.9%	\$ 358.4	4.0%	n/a	\$ 123.7	12.8%	n/a	\$ -	\$ 1,629.5	6.6%	
1996	\$ 646.7	2.5%	\$ 357.5	-0.3%	n/a	\$ 140.3	13.4%	n/a	\$ -	\$ 1,637.3	0.5%	
1997	\$ 636.2	-1.6%	\$ 340.7	-4.7%	n/a	\$ 139.8	-0.4%	n/a	\$ 92.4	\$ 1,623.2	-0.9%	
1998	\$ 618.3	-2.8%	\$ 344.7	1.2%	n/a	\$ 145.3	3.9%	n/a	\$ 93.8	\$ 1,576.9	-2.9%	
1999	\$ 570.1	-7.8%	\$ 335.3	-2.7%	n/a	\$ 144.5	-0.6%	n/a	\$ 193.5	\$ 1,525.9	-3.2%	
2000	\$ 541.5	-5.0%	\$ 341.4	1.8%	n/a	\$ 154.4	6.9%	n/a	\$ 219.3	\$ 1,503.9	-1.4%	
2001	\$ 586.1	8.8%	\$ 326.6	-4.3%	n/a	\$ 151.3	-2.0%	n/a	\$ 153.9	\$ 1,449.8	-3.6%	
2002	\$ 643.8	9.8%	\$ 327.9	0.4%	n/a	\$ 158.0	4.4%	n/a	\$ 243.8	\$ 1,590.0	9.7%	
2003	\$ 697.9	8.4%	\$ 314.1	-4.2%	n/a	\$ 161.9	2.5%	n/a	\$ 12.9	\$ 1,585.8	-0.3%	
2004	\$ 780.5	11.8%	\$ 308.9	-1.7%	n/a	\$ 167.2	3.2%	n/a	\$ 9.0	\$ 1,709.2	7.8%	
2005	\$ 907.1	16.2%	\$ 307.4	-0.5%	n/a	\$ 168.4	0.7%	n/a	\$ 4.0	\$ 1,842.9	7.8%	
2006	\$ 976.7	7.7%	\$ 309.2	0.6%	n/a	\$ 170.1	1.0%	n/a	\$ 13.4	\$ 1,964.8	6.6%	
2007	\$ 1,041.6	6.6%	\$ 308.7	-0.2%	n/a	\$ 170.2	0.1%	n/a	\$ 30.8	\$ 2,001.3	1.9%	
2008	\$ 1,094.0	5.0%	\$ 299.0	-3.1%	n/a	\$ 155.9	12.8%	n/a	\$ 18.4	\$ 2,057.5	2.8%	
2009	\$ 1,121.1	2.5%	\$ 297.7	-0.4%	n/a	\$ 189.9	18.9%	n/a	\$ 7.7	\$ 2,078.6	1.0%	
2010	\$ 1,173.9	4.7%	\$ 301.4	1.3%	n/a	\$ 191.0	8.0%	n/a	\$ 1.5	\$ 2,197.5	5.7%	
2011	\$ 1,264.7	7.7%	\$ 290.6	-3.6%	n/a	\$ 191.0	0.0%	n/a	\$ -	\$ 2,262.9	3.0%	
PRIVATE MANAGER TAKES OVER CONTROL OF LOTTERY OPERATIONS												
2012	\$ 1,622.6	28.3%	\$ 277.7	-4.4%	n/a	\$ 193.6	1.4%	n/a	\$ -	\$ 2,676.3	18.3%	
2013	\$ 1,768.4	9.0%	\$ 261.5	-5.9%	n/a	\$ 165.4%	2.6%	n/a	\$ 8.2	\$ 2,841.3	6.2%	
2014	\$ 1,757.4	-0.6%	\$ 250.6	-4.2%	n/a	\$ 165	-37.8%	n/a	\$ 18.7	\$ 2,802.7	-1.4%	
2015	\$ 1,821.6	3.7%	\$ 263.1	5.0%	n/a	\$ 223.9	10.7%	n/a	\$ 5.5	\$ 2,841.4	1.4%	
2016	\$ 1,811.8	-0.5%	\$ 269.2	2.3%	n/a	\$ 219.1	-2.1%	n/a	\$ -	\$ 2,859.8	0.6%	
2017*	\$ 1,871.9	3.3%	\$ 262.3	-2.5%	n/a	\$ 7.8	45.5%	n/a	\$ -	\$ 2,845.9	-0.5%	
TOTALS	\$ 28,769.6		\$ 11,729.0		\$ 168.3	\$ 5,129.9	\$ 9,726.2	\$ 3,588.8	\$ -	\$ 64,429.6		

\* Preliminary, unaudited data

\*\*Totals include add on game revenues such as Fireball, EZ Match, Megaplier, and Power Play

SOURCE: ILLINOIS LOTTERY

**PRIVATE MANAGER TAKES OVER CONTROL OF LOTTERY OPERATIONS**

**TABLE 26: COMPOSITON OF LOTTERY SALES BY GAME**  
**FY 1975 - FY 2017\***

(% of Total)

<b>Fiscal Year</b>	<b>Instant Games</b>	<b>Pick 3</b>	<b>Raffles</b>	<b>Pick 4</b>	<b>Lotto</b>	<b>Lucky Day Lotto</b>	<b>Mega Millions</b>	<b>Powerball</b>	<b>Other Games</b>	<b>Total Sales (\$ Million)</b>
1975	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	\$ 129.3
1976	34.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	65.5%	\$ 163.9
1977	55.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	44.3%	\$ 112.9
1978	64.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	35.5%	\$ 89.1
1979	73.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	26.6%	\$ 76.7
1980	42.5%	43.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.1%	\$ 97.5
1981	20.0%	76.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%	\$ 214.7
1982	22.7%	72.1%	0.0%	5.1%	0.0%	0.0%	0.0%	0.0%	0.0%	\$ 344.1
1983	30.7%	55.1%	0.0%	8.9%	5.2%	0.0%	0.0%	0.0%	0.0%	\$ 514.8
1984	21.6%	40.3%	0.0%	5.4%	32.8%	0.0%	0.0%	0.0%	0.0%	\$ 912.2
1985	18.9%	28.8%	0.0%	6.1%	45.9%	0.2%	0.0%	0.0%	0.0%	\$ 1,235.6
1986	18.1%	26.4%	0.0%	6.7%	48.8%	0.0%	0.0%	0.0%	0.0%	\$ 1,315.6
1987	17.0%	25.1%	0.0%	7.0%	50.9%	0.0%	0.0%	0.0%	0.0%	\$ 1,333.9
1988	19.5%	26.4%	0.0%	7.9%	45.0%	1.2%	0.0%	0.0%	0.0%	\$ 1,335.5
1989	20.5%	23.5%	0.0%	6.9%	38.6%	10.4%	0.0%	0.0%	0.0%	\$ 1,571.3
1990	21.7%	24.4%	0.0%	7.3%	37.5%	9.2%	0.0%	0.0%	0.0%	\$ 1,570.2
1991	23.3%	23.5%	0.0%	7.0%	38.4%	7.9%	0.0%	0.0%	0.0%	\$ 1,566.5
1992	24.8%	22.1%	0.0%	6.9%	38.7%	7.5%	0.0%	0.0%	0.0%	\$ 1,636.9
1993	31.3%	22.2%	0.0%	7.1%	31.1%	8.2%	0.0%	0.0%	0.0%	\$ 1,575.9
1994	35.9%	22.5%	0.0%	7.2%	26.4%	8.0%	0.0%	0.0%	0.0%	\$ 1,528.6
1995	38.7%	22.0%	0.0%	7.6%	23.7%	8.0%	0.0%	0.0%	0.0%	\$ 1,629.5
1996	39.5%	21.8%	0.0%	8.6%	22.2%	7.9%	0.0%	0.0%	0.0%	\$ 1,637.3
1997	39.2%	21.0%	0.0%	8.6%	18.2%	7.3%	0.0%	0.0%	5.7%	\$ 1,623.2
1998	39.2%	21.9%	0.0%	9.2%	16.7%	7.1%	0.0%	0.0%	5.9%	\$ 1,576.9
1999	37.4%	22.0%	0.0%	9.5%	11.1%	7.5%	0.0%	0.0%	12.7%	\$ 1,525.9
2000	36.0%	22.7%	0.0%	10.3%	9.7%	6.7%	0.0%	0.0%	14.6%	\$ 1,503.9
2001	40.4%	22.5%	0.0%	10.4%	9.9%	6.1%	0.0%	0.0%	10.6%	\$ 1,449.8
2002	40.5%	20.6%	0.0%	9.9%	8.5%	5.1%	0.0%	0.0%	15.3%	\$ 1,590.0
2003	44.0%	19.8%	0.0%	10.2%	7.6%	4.9%	12.6%	0.0%	0.8%	\$ 1,585.8
2004	45.7%	18.1%	0.0%	9.8%	6.9%	5.8%	13.3%	0.0%	0.5%	\$ 1,709.2
2005	49.2%	16.7%	0.0%	9.1%	7.1%	7.2%	10.5%	0.0%	0.2%	\$ 1,842.9
2006	49.7%	15.7%	0.0%	8.7%	6.4%	6.4%	12.4%	0.0%	0.7%	\$ 1,964.8
2007	52.0%	15.4%	0.7%	8.5%	5.6%	6.4%	9.8%	0.0%	1.5%	\$ 2,001.3
2008	53.2%	14.5%	0.8%	8.2%	5.5%	6.2%	10.7%	0.0%	0.9%	\$ 2,057.5
2009	53.9%	14.3%	0.9%	8.5%	5.9%	6.2%	9.8%	0.0%	0.4%	\$ 2,078.6
2010	53.4%	13.7%	0.9%	8.7%	5.2%	5.5%	10.2%	2.4%	0.1%	\$ 2,197.5
2011	55.9%	12.8%	0.9%	8.4%	4.8%	5.3%	7.6%	4.3%	0.0%	\$ 2,262.9
<b>PRIVATE MANAGER TAKES OVER CONTROL OF LOTTERY OPERATIONS</b>										
2012	60.6%	10.4%	0.4%	7.2%	3.9%	4.9%	7.1%	5.5%	0.0%	\$ 2,676.3
2013	62.2%	9.2%	0.9%	7.0%	3.4%	4.7%	3.8%	8.4%	0.3%	\$ 2,841.3
2014	62.7%	8.9%	0.6%	7.2%	4.1%	4.8%	5.2%	5.8%	0.7%	\$ 2,802.7
2015	64.1%	9.3%	0.5%	7.9%	3.8%	5.3%	4.2%	4.7%	0.2%	\$ 2,841.4
2016	63.4%	9.4%	0.2%	7.7%	3.8%	4.8%	3.5%	7.3%	0.0%	\$ 2,859.8
2017	65.8%	9.2%	0.3%	8.0%	3.1%	4.8%	3.5%	5.3%	0.0%	\$ 2,845.9
<b>TOTALS</b>	<b>44.7%</b>	<b>18.2%</b>	<b>0.3%</b>	<b>8.0%</b>	<b>15.1%</b>	<b>5.6%</b>	<b>4.1%</b>	<b>1.8%</b>	<b>2.3%</b>	<b>\$ 64,429.6</b>

\* Preliminary, unaudited data

Totals include add on game revenues such as Fireball, EZ Match, Megaplier, and Power Play

SOURCE: ILLINOIS LOTTERY

### **Lottery Revenue Distribution**

Due to the time necessary to prepare financial statements, analyzing how the lottery distributes the cash flow from its operating activities must be done on the previous year's financial statements. In FY 2016, the lottery received over \$2.91 billion in cash from sales and services and other operating activities. A similar amount of \$2.91 billion was distributed out for operating expenses and fund transfers. The fund transfers are basically the net proceeds or profits of the lottery after operating expenses are paid.

Cash payments for lottery operating expenses accounted for \$2.23 billion, or 77%, of the distributions. Prize payouts contributed \$1.97 billion of this amount. Commission and bonuses added \$161 million, while General and Administrative expenses accounted for another \$101 million.

Cash transfers out to other funds explain the remaining \$680 million in distributions. The vast majority of this amount (\$677 million) went to the Common School Fund. The remaining \$3 million went to funds that support special causes. There was no transfer to the Capitol Projects Fund due to a lack of available funds. Chart 16 illustrates the cash distributions for FY 2016.

Table 29, on the next page, shows how the Lottery's distributions have changed in recent years.

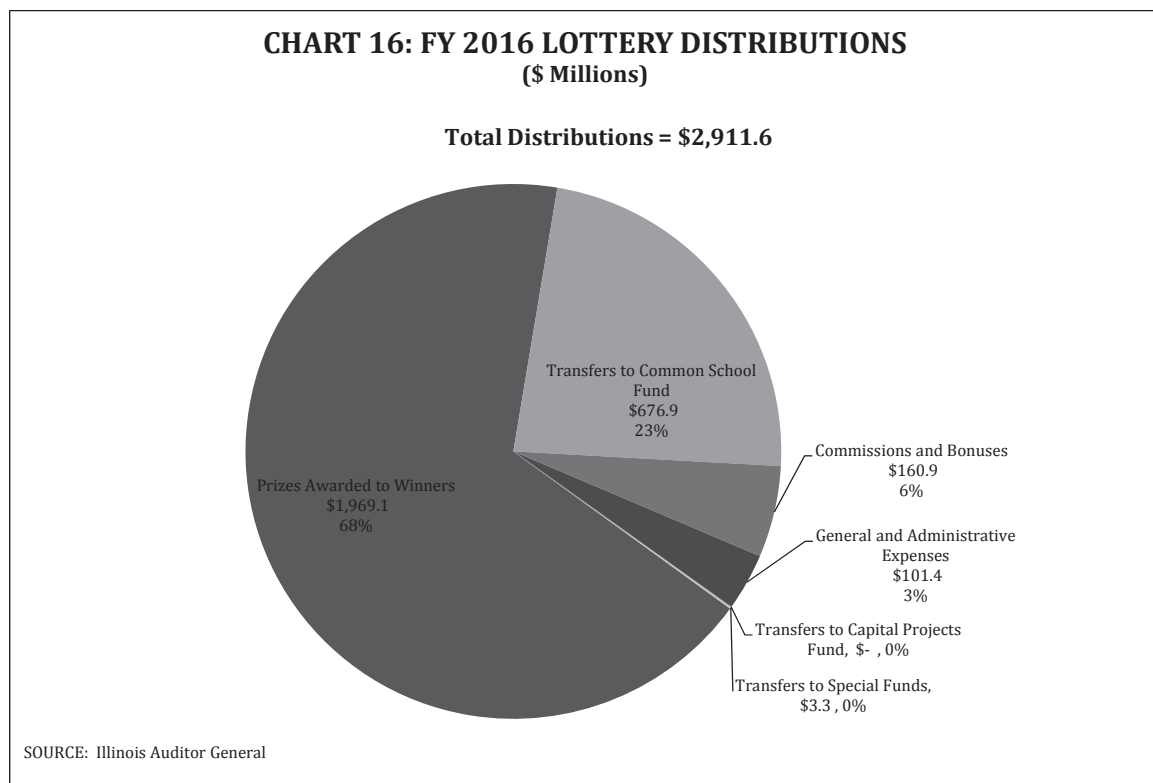




TABLE 27: LOTTERY DISTRIBUTIONS FY 2007 - FY 2017 (\$ Millions)																						
Fiscal Year	Prizes Awarded to Winners			Transfers to Common School Fund			Commissions and Bonuses			Transfers to Capital Projects Fund			General and Administrative Expenses			Transfers to Special Causes			Total			
	\$	Change	%	\$	Change	%	\$	Change	%	\$	Change	%	\$	Change	%	\$	Change	%	\$	Change	%	
2007	\$1,108.3	n/a	n/a	\$622.6	n/a	n/a	\$140.9	n/a	n/a	\$ -	n/a	n/a	\$59.5	n/a	n/a	\$4.1	n/a	n/a	\$1,935.3	n/a	n/a	
2008	\$1,166.0	\$ 57.7	5.2%	\$657.0	\$ 34.4	5.5%	\$145.0	\$ 4.1	2.9%	\$ -	\$ -	n/a	\$57.4	\$ (2.1)	-3.5%	\$4.6	\$ 0.5	12.2%	\$2,030.0	\$ 94.7	4.9%	
2009	\$1,225.9	\$ 59.9	5.1%	\$625.0	\$ (32.0)	-4.9%	\$152.6	\$ 7.6	5.2%	\$ -	\$ -	n/a	\$65.3	\$ 7.8	13.6%	\$5.2	\$ 0.6	12.4%	\$2,073.9	\$ 43.9	2.2%	
2010	\$1,271.5	\$ 45.6	3.7%	\$625.0	\$ -	0.0%	\$149.3	\$ (3.3)	-2.1%	\$32.9 *	\$ 32.9	n/a	\$66.3	\$ 1.0	1.6%	\$4.2	\$ (0.9)	-17.8%	\$2,149.2	\$ 75.3	3.6%	
2011	\$1,298.9	\$ 27.4	2.2%	\$631.9	\$ 6.9	1.1%	\$153.0	\$ 3.7	2.5%	\$54.1	\$ 21.3	64.6%	\$74.7	\$ 8.4	12.6%	\$4.1	\$ (0.1)	-3.4%	\$2,216.7	\$ 67.5	3.1%	
PRIVATE MANAGER TAKES OVER CONTROL OF LOTTERY OPERATIONS																						
2012	\$1,561.2	\$262.3	20.2%	\$639.9	\$ 8.0	1.3%	\$151.5	\$ (1.6)	-1.0%	\$65.2	\$ 11.1	20.5%	\$123.5	\$ 48.9	65.4%	\$3.2	\$ (0.9)	-21.9%	\$2,544.5	\$ 327.7	14.8%	
2013	\$1,728.3	\$167.1	10.7%	\$655.6	\$ 15.7	2.5%	\$164.0	\$ 12.5	8.3%	\$135.0	\$ 69.8	107.1%	\$149.6	\$ 26.1	21.1%	\$2.9	\$ (0.3)	-8.7%	\$2,835.4	\$ 291.0	11.4%	
2014	\$1,699.6	\$ (28.7)	-1.7%	\$668.1	\$ 12.5	1.9%	\$159.1	\$ (4.9)	-3.0%	\$145.0	\$ 10.0	7.4%	\$148.5	\$ (1.1)	-0.7%	\$2.3	\$ (0.7)	-22.8%	\$2,822.6	\$ (12.8)	-0.5%	
2015	\$1,743.0	\$ 43.3	2.6%	\$678.6	\$ 10.4	1.6%	\$161.6	\$ 2.5	1.6%	\$ 8.0	\$ (137.0)	-94.5%	\$109.7	\$ (38.8)	-26.1%	\$3.6	\$ 1.3	58.0%	\$2,704.4	\$ (118.2)	-4.2%	
2016	\$1,969.1	\$226.1	13.0%	\$676.9	\$ (1.6)	-0.2%	\$160.9	\$ (0.7)	-0.4%	\$ -	\$ (8.0)	-100.0%	\$101.4	\$ (8.3)	-7.6%	\$3.3	\$ (0.3)	-8.0%	\$2,911.6	\$ 207.2	7.7%	
2017**	n/a	n/a	n/a	\$720.3	****	43.4	6.4%	n/a	n/a	n/a	\$ 15.0	\$ 15.0	n/a	n/a	n/a	n/a	\$2.9	\$ (0.4)	-10.9%	n/a	n/a	n/a
* The \$32.9 million that was supposed to be transferred to the Capital Projects Fund in FY 2010 was not actually transferred until the beginning of FY 2011 due to issues with the transfer legislation																						
** Complete financial data for FY 2017 is not available at the time of printing of this report																						
Current special cause game proceeds go to cancer research, veteran's related issues, multiple sclerosis research, special olympics, and HIV prevention and education.																						
SOURCE: ILLINOIS LOTTERY																						

## Lottery Transfers

As mentioned previously and shown in Table 27, the Illinois Lottery transfers its proceeds or profits to three destinations. The first fund that receives lottery proceeds is the Common School Fund. The Common School Fund provides the majority of funding for elementary and secondary education including payment for General State Aid, contributions to Teacher's Retirement Systems, and salaries of regional superintendents and assistants. Due to Public Act 96-0034, transfers to the Common School Fund from the lottery were capped at the rate of inflation as measured by the Consumer Price Index (CPI).

In FY 2017, \$720.3 million was transferred to the Common School Fund. This was an increase of \$43.4 million or 6.4%. This total is somewhat misleading as \$14.5 million of FY 2016 money slipped into FY 2017 due to the time necessary to process the transfer from the Lottery to the Comptroller during the last weekly transfer in FY 2016. In last year's report, we recorded this amount as being a FY 2016 transfer due to that being when the transfer was initiated and better reflected the actual results for the Lottery that year, but going forward we will present the total by when it was received by the Office of the Comptroller, which in this case, was FY 2017. Adjusting for this timing issue, the transfer to the Common School Fund would have equaled \$691.6 million in FY 2016 and \$705.8 million in FY 2017. This would equal growth of just over 2% which would be in-line with the growth in the CPI. The Lottery is expecting to transfer just under \$719 million this fiscal year.

The second destination for Lottery profits are a set of five special cause funds. Special cause lottery sales raised \$2.9 million in FY 2017. This was a decline of almost -11% from FY 2016's results. Special cause sales peaked in FY 2009 when they totaled \$5.2 million. With the exception of FY 2015, when an additional special cause game was added, special cause sales have declined every year since FY 2009.

As part of PA 94-0120, the Ticket for the Cure special instant scratch-off game was created. The proceeds from this game are sent to the Ticket for the Cure Fund

which is for cancer research grants. In FY 2017, \$0.5 million was transferred into this fund. This was an 11% decline from the previous year. Transfers to the Ticket for the Cure Fund have declined nine of the last eleven years.

A special instant scratch-off was created by PA 94-0585 to fund grants for veterans' related issues. The Veteran's Cash game had revenues of \$0.7 million. This was an increase of 1.9%. The veterans' game has shown growth in two of the last three years. This stands in stark contrast to the five years before that in which there were large declines each year.

Another special game that is sold in Illinois is the Quality of Life Ticket. This game was created as part of PA 095-0674. Revenues from this game go towards HIV/AIDS prevention and education. This game had revenue of \$0.7 million. Proceeds from this game grew 4.9% and have grown for two years in a row.

A special cause game benefiting multiple sclerosis began sales in September of 2008. As part of PA 095-0673, the Multiple Sclerosis Research Fund was created that would benefit research pertaining to multiple sclerosis. Sales of the "MS Project" game declined greatly in FY 2017. Sales were down almost 35% to \$0.5 million.

A new special cause game began in FY 2015. PA 98-0649 created the "Go for the Gold" special instant scratch-off game to benefit the Special Olympics in Illinois. The act created the Special Olympics Illinois and Special Children's Charities Fund. Funds are to be used to support training, competitions, and programs for future Special Olympics athletes. The proceeds from this game are to be split 75% statewide, while 25% are to be used to support athletes within the City of Chicago. In FY 2015, \$0.9 million was raised from this game in only four months of sales. Sales in FY 2016 slowed, as only \$0.6 million was raised throughout the year. Sales continued to slide this year, as only \$0.5 million was sold. This equaled a decline of over 14%.

Public Act 96-0034 also created the Capital Projects Fund which is the last fund that lottery proceeds are sent. Subject to appropriation, the Capital Projects Fund may be used only for capital projects and the payment of debt service on bonds issued for capital projects. After the Common School Fund transfer and the special cause transfers are completed, all remaining lottery proceeds go to the Capital Projects Fund. These transfers had steadily climbed until falling off a cliff in FY 2015. Transfers to the Capital Projects Fund totaled \$135 million in FY 2013 and \$145 million in FY 2014. In FY 2015, only \$8 million was transferred. In FY 2016, there was no transfer into the Capital Projects Fund due to poor overall results by the Lottery. Results improved some in FY 2017 as \$15 million was available for transfer. The Lottery is currently not expecting to have any excess profits to send to the Capital Projects Fund in FY 2018.

Table 28, on the next page, shows the history of lottery transfers.

TABLE 28: LOTTERY TRANSFERS FY 1975 - FY 2017								
(\$ Millions)								
Fiscal Year	Total Sales	Transfers to General Revenue Fund	Transfers to Common School Fund	Transfers to Capital Projects Fund	Transfers to Special Causes	Transfer to Other Funds	Total Transfers	Transfers as a % of Total Sales
1975	\$ 129.3	\$ 54.5	\$ -	\$ -	\$ -	\$ -	\$ 54.5	42.1%
1976	\$ 163.9	\$ 78.5	\$ -	\$ -	\$ -	\$ -	\$ 78.5	47.9%
1977	\$ 112.9	\$ 47.1	\$ -	\$ -	\$ -	\$ -	\$ 47.1	41.8%
1978	\$ 89.1	\$ 32.7	\$ -	\$ -	\$ -	\$ -	\$ 32.7	36.6%
1979	\$ 76.7	\$ 32.6	\$ -	\$ -	\$ -	\$ -	\$ 32.6	42.4%
1980	\$ 97.5	\$ 32.2	\$ -	\$ -	\$ -	\$ -	\$ 32.2	33.0%
1981	\$ 214.7	\$ 68.8	\$ -	\$ -	\$ -	\$ 20.0	\$ 88.8	41.4%
1982	\$ 344.1	\$ 137.6	\$ -	\$ -	\$ -	\$ -	\$ 137.6	40.0%
1983	\$ 514.8	\$ 215.0	\$ -	\$ -	\$ -	\$ 0.8	\$ 215.8	41.9%
1984	\$ 912.2	\$ 358.1	\$ -	\$ -	\$ -	\$ 0.3	\$ 358.4	39.3%
1985	\$ 1,235.6	\$ 506.2	\$ -	\$ -	\$ -	\$ -	\$ 506.2	41.0%
1986	\$ 1,315.6	\$ 86.8	\$ 465.0	\$ -	\$ -	\$ -	\$ 551.8	41.9%
1987	\$ 1,333.9	\$ -	\$ 553.1	\$ -	\$ -	\$ -	\$ 553.1	41.5%
1988	\$ 1,335.5	\$ -	\$ 524.4	\$ -	\$ -	\$ -	\$ 524.4	39.3%
1989	\$ 1,571.3	\$ -	\$ 586.1	\$ -	\$ -	\$ -	\$ 586.1	37.3%
1990	\$ 1,570.2	\$ -	\$ 594.0	\$ -	\$ -	\$ -	\$ 594.0	37.8%
1991	\$ 1,566.5	\$ -	\$ 580.0	\$ -	\$ -	\$ -	\$ 580.0	37.0%
1992	\$ 1,636.9	\$ -	\$ 610.0	\$ -	\$ -	\$ -	\$ 610.0	37.3%
1993	\$ 1,575.9	\$ -	\$ 587.4	\$ -	\$ -	\$ -	\$ 587.4	37.3%
1994	\$ 1,528.6	\$ -	\$ 552.1	\$ -	\$ -	\$ -	\$ 552.1	36.1%
1995	\$ 1,629.5	\$ -	\$ 588.3	\$ -	\$ -	\$ -	\$ 588.3	36.1%
1996	\$ 1,637.3	\$ -	\$ 594.1	\$ -	\$ -	\$ -	\$ 594.1	36.3%
1997	\$ 1,623.2	\$ -	\$ 590.2	\$ -	\$ -	\$ -	\$ 590.2	36.4%
1998	\$ 1,576.9	\$ -	\$ 560.0	\$ -	\$ -	\$ -	\$ 560.0	35.5%
1999	\$ 1,525.9	\$ -	\$ 540.0	\$ -	\$ -	\$ -	\$ 540.0	35.4%
2000	\$ 1,503.9	\$ -	\$ 515.3	\$ -	\$ -	\$ -	\$ 515.3	34.3%
2001	\$ 1,449.8	\$ -	\$ 501.0	\$ -	\$ -	\$ -	\$ 501.0	34.6%
2002	\$ 1,590.0	\$ -	\$ 555.1	\$ -	\$ -	\$ -	\$ 555.1	34.9%
2003	\$ 1,585.8	\$ -	\$ 540.3	\$ -	\$ -	\$ -	\$ 540.3	34.1%
2004	\$ 1,709.2	\$ -	\$ 570.1	\$ -	\$ -	\$ -	\$ 570.1	33.4%
2005	\$ 1,842.9	\$ -	\$ 614.0	\$ -	\$ -	\$ -	\$ 614.0	33.3%
2006	\$ 1,964.8	\$ -	\$ 670.5	\$ -	\$ 3.7	\$ -	\$ 674.2	34.3%
2007	\$ 2,001.3	\$ -	\$ 622.4	\$ -	\$ 4.1	\$ -	\$ 626.5	31.3%
2008	\$ 2,057.5	\$ -	\$ 657.0	\$ -	\$ 4.6	\$ -	\$ 661.6	32.2%
2009	\$ 2,078.6	\$ -	\$ 625.0	\$ -	\$ 5.2	\$ -	\$ 630.2	30.3%
2010	\$ 2,197.5	\$ -	\$ 625.0	\$ -	\$ 4.2	\$ -	\$ 629.2	28.6%
2011	\$ 2,262.9	\$ -	\$ 631.9	\$ 87.0	\$ 4.1	\$ -	\$ 723.0	31.9%
PRIVATE MANAGER TAKES OVER CONTROL OF LOTTERY OPERATIONS								
2012	\$ 2,676.3	\$ -	\$ 639.9	\$ 65.2	\$ 3.2	\$ -	\$ 708.3	26.5%
2013	\$ 2,841.3	\$ -	\$ 655.6	\$ 135.0	\$ 2.9	\$ -	\$ 793.5	27.9%
2014	\$ 2,802.7	\$ -	\$ 668.1	\$ 145.0	\$ 2.3	\$ -	\$ 815.4	29.1%
2015	\$ 2,859.8	\$ -	\$ 678.6	\$ 8.0	\$ 3.6	\$ -	\$ 690.1	24.1%
2016	\$ 2,859.8	\$ -	\$ 676.9	\$ -	\$ 3.3	\$ -	\$ 680.2	23.8%
2017*	\$ 2,845.9	\$ -	\$ 720.3	\$ 15.0	\$ 2.9	\$ -	\$ 738.2	25.9%
<b>TOTALS</b>	<b>\$ 64,448.0</b>	<b>\$ 1,649.8</b>	<b>\$ 19,091.6</b>	<b>\$ 455.2</b>	<b>\$ 44.0</b>	<b>\$ 21.2</b>	<b>\$ 21,261.8</b>	<b>33.0%</b>
* Preliminary, unaudited data								
Due to the timing of the last weekly lottery transfer to the Common School Fund in FY 2016, \$14.5 million was actually received by the Comptroller in FY 2017. A similar situation occurred with \$32.9 million in transfers to the Capital Projects Fund in FY 2010. We will record these transfers as they were received by the Comptroller but note the larger amounts in the year receiving the transfers are due to transfer timing and not to underlying activity.								
SOURCE: ILLINOIS LOTTERY, OFFICE OF THE COMPTROLLER								

### **Multi-State Games**

While most of the games issued by the lottery are just for players purchasing a ticket in Illinois, the Mega Millions and Powerball games are multi-state games that offer jackpots starting at \$15 million and \$40 million. Mega Millions has drawings on Tuesdays and Fridays. Powerball conducts their drawings on Wednesdays and Saturdays. Mega Millions costs \$1 per ticket, while Powerball's cost was raised from \$1 per ticket to \$2 per ticket in January of 2012.

In May of 2002, Illinois, along with the other Big Game states (Georgia, Maryland, Massachusetts, Michigan, New Jersey, and Virginia), joined the States of New York and Ohio to create the Mega Millions game. Washington (September 2002), Texas (December 2003), California (June 2005), and Louisiana (November 2011) joined Mega Millions in the following years.

In October of 2009, an agreement was reached between states offering Mega Millions and states offering Powerball to allow for sales of both games within a state. The hope was, with more states joining the program, more and more people will be playing, allowing jackpots to roll to even higher levels at a faster rate. Illinois began offering Powerball on January 31, 2010. As of August 2017, forty-four states plus the District of Columbia and the U.S. Virgin Islands offer Mega Millions tickets. Powerball tickets are sold in the same locales plus Puerto Rico. Table 29 lists the States participating in each of the multi-state lotteries and the years they began offering each of the games.

As mentioned previously, the Powerball game showed significant growth in FY 2016 but regressed in FY 2017. Total Sales went from \$208.0 million in FY 2016 to \$151.6 million in FY 2017. This was a decline of over 27%. The reason for the decline in sales for Powerball is likely due to the record-breaking \$1.5 billion jackpot in FY 2016. As seen in Table 30, Powerball jackpots in FY 2016 and FY 2017 were very similar when looking at the average, the number of drawings over \$100 million, and the number of drawings over \$200. When looking at the raw data, the main difference is the 19-week build up to the \$1.5 billion jackpot in January of 2016. This likely contributed to the better results in FY 2016 as the largest jackpot in FY 2017 was only \$487 million and about half of the progression for that jackpot was in FY 2016.

Mega Millions sales were basically flat in FY 2017. Sales were down \$1.1 million to \$98.2 million. This equaled a decline of 1.1%. Sales actually held up pretty well when jackpots were examined. The average jackpot was \$24 million less in FY 2017 than in FY 2016. There were only 28 drawings of over \$100 million and only three drawings of over \$200 million compared to 42 and 12 in FY 2016.

Results for FY 2018 have started out with a headwind against them. Due to a lack of a budget, the State was excluded from the first drawings of each game to start the fiscal year. The Lottery estimates lost sales of approximately \$1.5 million for Mega Millions and \$2.4 million for Powerball.

**TABLE 29: MULTI-STATE LOTTERY PARTICIPANTS**

<b><u>State</u></b>	<b><u>MEGA MILLIONS</u></b>	<b><u>POWERBALL</u></b>
ARIZONA	2010	1994
ARKANSAS	2010	2009
CALIFORNIA	2005	2013
COLORADO	2010	2001
CONNECTICUT	2010	1995
DELAWARE	2010	1991
DISTRICT OF COLUMBIA	2010	1988
FLORIDA	2013	2009
GEORGIA	1996	2010
IDAHO	2010	1990
<b>ILLINOIS</b>	<b>1996</b>	<b>2010</b>
INDIANA	2010	1990
IOWA	2010	1988
KANSAS	2010	1988
KENTUCKY	2010	1991
LOUISIANA	2011	1995
MAINE	2010	2004
MARYLAND	1996	2010
MASSACHUSETTES	1996	2010
MICHIGAN	1996	2010
MINNESOTA	2010	1990
MISSOURI	2010	1988
MONTANA	2010	1989
NEBRASKA	2010	1994
NEW HAMPSHIRE	2010	1995
NEW JERSEY	1999	2010
NEW MEXICO	2010	1996
NEW YORK	2002	2010
NORTH CAROLINA	2010	2006
NORTH DAKOTA	2010	2004
OHIO	2002	2010
OKLAHOMA	2010	2006
OREGON	2010	1988
PENNSYLVANIA	2010	2002
PUERTO RICO	N/A	2014
RHODE ISLAND	2010	1988
SOUTH CAROLINA	2010	2002
SOUTH DAKOTA	2010	1990
TENNESSEE	2010	2004
TEXAS	2003	2010
U.S. VIRGIN ISLANDS	2010	2002
VERMONT	2010	2003
VIRGINIA	1996	2010
WASHINGTON	2002	2010
WEST VIRGINIA	2010	1988
WISCONSIN	2010	1989
Wyoming	2014	2014

SOURCES: POWERBALL, MEGA MILLIONS

**TABLE 30: MULTI STATE GAME RESULTS**

(\$ Million)

**MEGA MILLIONS**

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Average Jackpot Drawing	\$55.9	\$68.1	\$57.7	\$73.5	\$64.8	\$80.2	\$51.3	\$98.0	\$93.8	\$101.7	\$77.7
Drawings over \$100 M	14	25	19	30	20	19	9	35	40	42	28
Drawings over \$200 M	3	5	3	6	6	6	0	13	12	12	3
<b>Mega Millions Sales</b>	<b>\$195.9</b>	<b>\$221.1</b>	<b>\$204.6</b>	<b>\$222.6</b>	<b>\$172.0</b>	<b>\$189.6</b>	<b>\$109.1</b>	<b>\$145.0</b>	<b>\$120.3</b>	<b>\$99.4</b>	<b>\$98.2</b>
% Change	-19.6%	12.9%	-7.5%	8.8%	-22.7%	10.2%	-42.5%	33.0%	-17.1%	-17.4%	-1.1%

**POWERBALL**

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Average Jackpot Drawing	\$68.4	\$70.4	\$67.8	\$82.3	\$62.4	\$85.2	\$120.0	\$117.3	\$105.2	\$159.6	\$165.7
Drawings over \$100 M	25	25	23	32	17	33	48	44	41	62	65
Drawings over \$200 M	4	6	2	7	2	8	16	15	9	25	34
<b>Powerball Sales</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$51.7*</b>	<b>\$97.4</b>	<b>\$146.3**</b>	<b>\$237.8</b>	<b>\$163.3</b>	<b>\$133.5</b>	<b>\$208.0</b>	<b>\$151.6</b>
% Change	n/a	n/a	n/a	n/a	88.3%	\$0.50	62.6%	-31.3%	-18.3%	55.8%	-27.1%

**MEGA MILLIONS AND POWERBALL**

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Average Jackpot Drawing	\$62.2	\$69.3	\$62.8	\$77.9	\$63.6	\$82.7	\$85.6	\$107.6	\$99.5	\$130.7	\$121.7
Drawings over \$100 M	39	50	42	62	37	52	57	79	81	104	93
Drawings over \$200 M	7	11	5	13	8	14	16	28	21	37	37
<b>Total Multi State Game Sales</b>	<b>\$195.9</b>	<b>\$221.1</b>	<b>\$204.6</b>	<b>\$274.3</b>	<b>\$269.4</b>	<b>\$335.9</b>	<b>\$346.8</b>	<b>\$308.3</b>	<b>\$253.7</b>	<b>\$307.4</b>	<b>\$249.8</b>
% Change	-19.6%	12.9%	-7.5%	34.1%	-1.8%	24.7%	3.3%	-11.1%	-17.7%	21.1%	-18.7%

\* 5 months of sales

\*\* Powerball price increases from \$1 to \$2 per ticket and beginning jackpot rises to \$40 million in January of 2012

SOURCE: [www.lottoreport.com](http://www.lottoreport.com)

### **U.S. Lottery Results**

Based on data from the North American Association of State and Provincial Lotteries, in FY 2016, Illinois had the 12th largest lottery in the U.S. based on total sales. This was a decline of two spots from FY 2015 when Illinois was the 10<sup>th</sup> largest lottery. Illinois was passed by Michigan and Maryland. Illinois has lost three spots between FY 2014 and FY 2016. Ohio passed Illinois in lotteries in FY 2015 also but they include video gaming results in their total sales, while Illinois does not.

In FY 2016, Illinois had sales per capita of \$223 which was ranked 23rd of the 45 lotteries studied. This was down four spots from FY 2015 when Illinois averaged lottery sales of \$221 per person. In FY 2017, this amount decreased slightly to \$222. As can be seen in Chart 17, Illinois lottery sales on a per person basis have stagnated at just over \$220 per person per year since FY 2013. The highest rates of sales per capita can be found in the northeastern portion of the U.S. as Rhode Island (\$829), Massachusetts (\$767), and Delaware (\$664) were the highest ranked states.

Analyzing last year's lottery sales on a percentage of per capita personal income basis places Illinois near the middle of U.S. lotteries. Illinois residents averaged spending approximately 0.43% of their personal income on the lottery. This level of spending ranked Illinois 24th. These spending levels are somewhat down compared to FY 2015. In that fiscal year, people in Illinois spent approximately 0.45% of their personal income on lottery which ranked the State 21<sup>st</sup>.

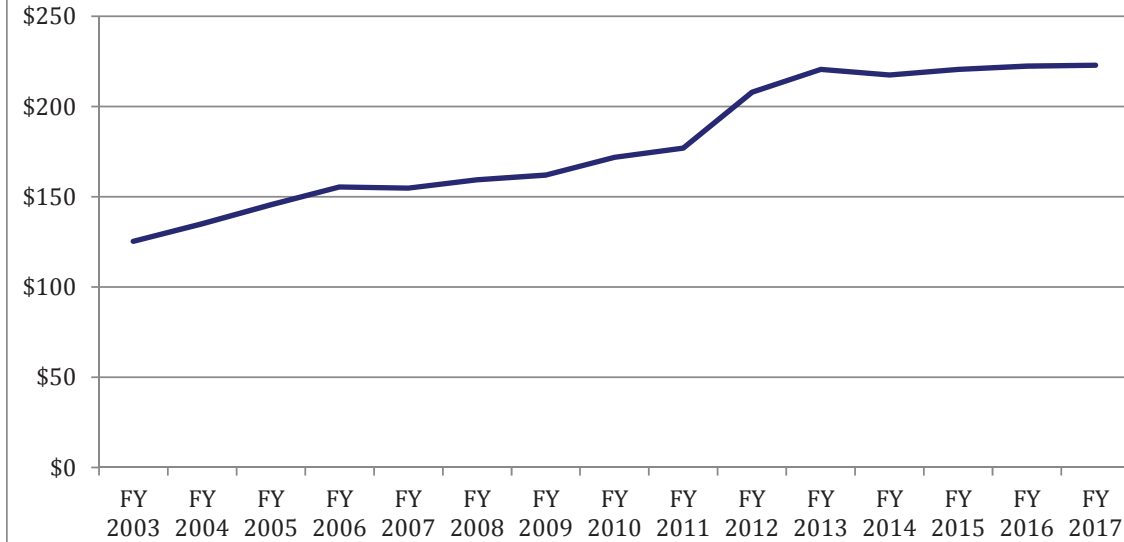
One other way to compare the various lotteries in the U.S. is the number of people in the State compared to the number of lottery sales locations. Chart 18 shows these results for FY 2016. Illinois had 1,669 people per lottery retailer during FY 2016. This ranked 39th out of the 45 U.S. lotteries analyzed. Rhode Island and Massachusetts had the least amount of people per retailer at 814 and 869. The U.S. average was 1,412 people per lottery retailer. This was down from 1,420 people in FY 2015.

At the time of this comparison Illinois had 7,542 retailers. This is 163 fewer retailers than it had in August of 2016. To get to the U.S. average, Illinois would have to get to 9,066 retailers which would be an increase of 1,524 retailers. This would equal an increase of 20% in total retailers.



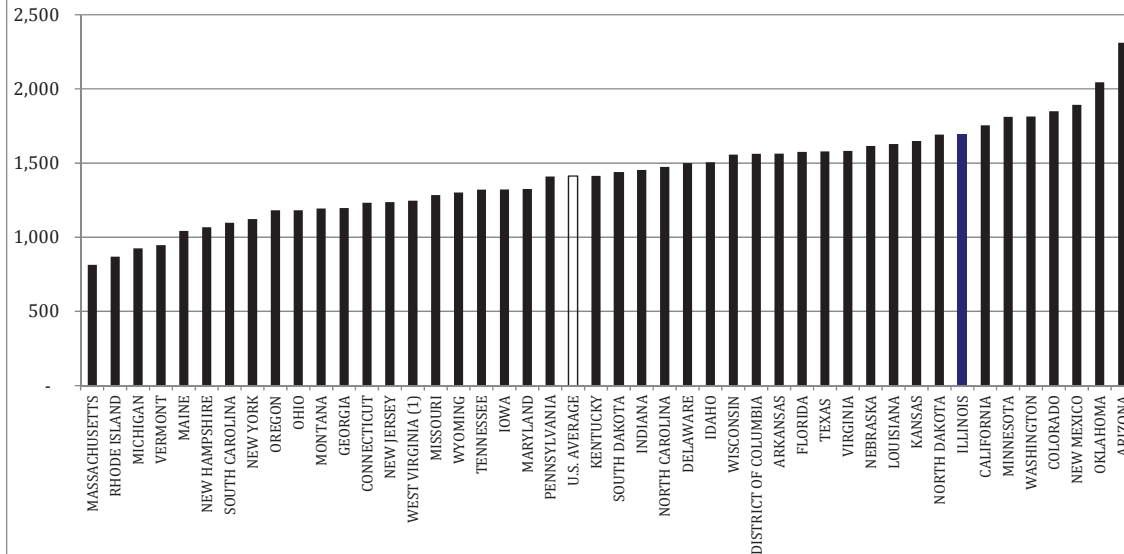
TABLE 31: LOTTERY RANKINGS (FY 2016)								
	POPULATION		PER CAPITA	TOTAL		PER CAPITA	PER CAPITA SALES AS	
STATE	(MILLIONS)		PERSONAL	LOTTERY SALES	Rank	SALES	A % OF PER-CAPITA	Rank
			INCOME	(\$ MILLIONS)			PERSONAL INCOME	
ALABAMA	4.9	\$	39,231	\$ 0.0	46	\$ 0	0.00%	46
ALASKA	0.7		55,307	\$ 0.0	46	\$ 0	0.00%	46
ARIZONA	6.9	\$	40,243	\$ 870.9	24	\$ 126	0.31%	31
ARKANSAS	3.0	\$	39,345	\$ 455.6	31	\$ 152	0.39%	28
CALIFORNIA	39.3	\$	55,987	\$ 6,275.6	2	\$ 160	0.29%	32
COLORADO	5.5	\$	52,059	\$ 594.4	28	\$ 107	0.21%	37
CONNECTICUT	3.6	\$	71,033	\$ 1,230.8	18	\$ 344	0.48%	20
DELAWARE	1.0	\$	48,697	\$ 631.8	26	\$ 664	1.36%	3
DISTRICT OF COLUMBIA	0.7	\$	75,596	\$ 228.2	38	\$ 335	0.44%	23
FLORIDA	20.6	\$	45,819	\$ 6,063.2	3	\$ 294	0.64%	12
GEORGIA	10.3	\$	41,835	\$ 4,555.9	6	\$ 442	1.06%	5
HAWAII	1.4	\$	50,551	\$ 0.0	46	\$ 0	0.00%	46
IDAHO	1.7	\$	39,107	\$ 236.1	37	\$ 140	0.36%	30
ILLINOIS	12.8	\$	52,098	\$ 2,859.8	12	\$ 223	0.43%	24
INDIANA	6.6	\$	43,492	\$ 1,207.6	20	\$ 182	0.42%	25
IOWA	3.1	\$	46,794	\$ 366.9	32	\$ 117	0.25%	33
KANSAS	2.9	\$	48,537	\$ 272.0	35	\$ 94	0.19%	38
KENTUCKY	4.4	\$	39,499	\$ 997.3	22	\$ 225	0.57%	16
LOUISIANA	4.7	\$	43,487	\$ 507.0	30	\$ 108	0.25%	34
MAINE	1.3	\$	44,316	\$ 272.3	34	\$ 205	0.46%	21
MARYLAND	6.0	\$	57,936	\$ 3,049.5	11	\$ 507	0.87%	6
MASSACHUSETTS	6.8	\$	65,137	\$ 5,222.1	4	\$ 767	1.18%	4
MICHIGAN	9.9	\$	44,347	\$ 3,104.6	10	\$ 313	0.71%	10
MINNESOTA	5.5	\$	52,117	\$ 592.9	29	\$ 107	0.21%	36
MISSISSIPPI	3.0	\$	35,936	\$ 0.0	46	\$ 0	0.00%	46
MISSOURI	6.1	\$	43,723	\$ 1,315.6	17	\$ 216	0.49%	19
MONTANA	1.0	\$	42,386	\$ 59.9	43	\$ 58	0.14%	42
NEBRASKA	1.9	\$	49,636	\$ 179.5	40	\$ 94	0.19%	40
NEVADA	2.9	\$	43,637	\$ 0.0	46	\$ 0	0.00%	46
NEW HAMPSHIRE	1.3	\$	58,322	\$ 303.3	33	\$ 227	0.39%	27
NEW JERSEY	8.9	\$	61,968	\$ 3,289.8	9	\$ 368	0.59%	15
NEW MEXICO	2.1	\$	38,807	\$ 154.3	41	\$ 74	0.19%	39
NEW YORK	19.7	\$	60,534	\$ 9,690.5	1	\$ 491	0.81%	8
NORTH CAROLINA	10.1	\$	42,002	\$ 2,383.6	13	\$ 235	0.56%	18
NORTH DAKOTA	0.8	\$	55,038	\$ 35.6	44	\$ 47	0.09%	45
OHIO*	11.6	\$	44,876	\$ 3,928.5	8	\$ 338	0.75%	9
OKLAHOMA	3.9	\$	45,682	\$ 189.6	39	\$ 48	0.11%	43
OREGON	4.1	\$	45,049	\$ 1,229.5	19	\$ 300	0.67%	11
PENNSYLVANIA	12.8	\$	51,275	\$ 4,135.2	7	\$ 323	0.63%	14
RHODE ISLAND	1.1	\$	51,576	\$ 875.4	23	\$ 829	1.61%	2
SOUTH CAROLINA	5.0	\$	39,465	\$ 1,600.4	16	\$ 323	0.82%	7
SOUTH DAKOTA	0.9	\$	48,049	\$ 262.9	36	\$ 304	0.63%	13
TENNESSEE	6.7	\$	43,380	\$ 1,627.0	15	\$ 245	0.56%	17
TEXAS	27.9	\$	47,636	\$ 5,067.5	5	\$ 182	0.38%	29
UTAH	3.1	\$	40,744	\$ 0.0	46	\$ 0	0.00%	46
VERMONT	0.6	\$	50,321	\$ 124.3	42	\$ 199	0.40%	26
VIRGINIA	8.4	\$	53,723	\$ 2,006.9	14	\$ 239	0.44%	22
WASHINGTON	7.3	\$	53,493	\$ 694.9	25	\$ 95	0.18%	41
WEST VIRGINIA	1.8	\$	37,386	\$ 1,136.6	21	\$ 621	1.66%	1
WISCONSIN	5.8	\$	47,275	\$ 627.2	27	\$ 109	0.23%	35
WYOMING	0.6	\$	55,212	\$ 33.4	45	\$ 57	0.10%	44
TOTALS	323.1	\$	49,571	\$ 80,545.9	\$	249	0.50%	
All figures should be considered preliminary and unaudited								
*Includes video gaming sales in total plus a one-time \$50 million payment.								
SOURCES: INSIGHTS, BUREAU OF ECONOMIC ANALYSIS, CGFA								

### CHART 17: ILLINOIS LOTTERY SALES PER CAPITA



### CHART 18. PEOPLE PER LOTTERY RETAILER

Illinois ranks 39th with one lottery retailer per 1,697 people



SOURCES: North American Association of State And Provincial Lotteries, Illinois Lottery, U.S. Census Bureau,

### **Private Manager**

On September 15, 2010, the State selected the Northstar Lottery Group to manage the Illinois lottery. As part of Public Act 096-0034, the Illinois lottery was to be operated with the assistance of a private manager. After an initial increase in sales and transfers, the results of the lottery under the management have disappointed in recent years. The State and the Northstar Lottery Group have had a rocky relationship since the beginning of the private management agreement. The two have had to go to arbitration several times to resolve numerous issues which were noted in detail in previous versions of this report.

With this as the background, on August 15, 2014, the Office of the Governor announced that the State would seek to dissolve the private management agreement with the Northstar Group. During the fall of 2014 it was reported that the Office of the Governor and the Northstar Group had come to a settlement. The management agreement would be dissolved with the owners of the Northstar Lottery Group, GTECH and Scientific Games, being allowed to keep their vendor contracts under new private managers through 2018 in addition to an amount of \$12.7 million for out-of-pocket costs but would drop all litigation with the State regarding accounting disputes.

In January of 2015, Attorney General Lisa Madigan sent a letter to the Illinois Lottery formally disapproving the proposed termination agreement with Northstar. The Attorney General claimed standing to void the termination agreement due to representing the lottery in ongoing legal matters with Northstar. The letter identified eight reasons that she was voiding the agreement. Included among those reasons were that her office was not involved in the negotiation of the agreement, the proposed settlement could cost the State more fees and expenses, and the settlement indemnifies Northstar in excess of the Lottery's statutory authority.

The State and Northstar continued to work towards the dissolution of the private management agreement and on September 18, 2015, the State executed a Letter Agreement of Termination, which resolved certain outstanding disputes between Northstar and the Department of the Lottery. The Letter Agreement contains provisions regarding Northstar paying the Department for not meeting net income goals pursuant to the private management agreement, a retroactive supply agreement reduction, and Northstar's reimbursement of legal fees related disputes. Northstar also agreed to remain in charge of day-to-day operations of the lottery until a new private manager was hired based on optional 3-month to 6-month contracts.

Based on the termination agreement being negotiated at the time, the Lottery recorded a receivable from Northstar on June 30, 2015, in the amount of \$32.6 million. Of this amount, \$10.0 million represents shortfall payments for not meeting net income goals. The remaining \$22.6 million is comprised of \$19.1 million for excess advances for expense reimbursements, \$3.3 million for the retroactive supply agreement reduction, and \$0.2 million for reimbursement of legal fees.

Another aspect of the termination agreement concerned the use of GTECH as its systems provider. Per the terms of the Letter Agreement of Termination, should the replacement private manager choose not to retain GTECH as its systems provider either as a sole provider or as part of a consortium, the State will be liable for compensating GTECH for the residual value of the remainder of the original supply agreement. Assuming the supply agreement was terminated by the replacement private manager on July 1, 2017, the amount payable would have been \$55 million. This amount was to be prorated in the event the supply agreement is terminated on a different date.

On July 28, 2016, the Department of the Lottery sent out a request for proposals (RFP) related to the hiring of a new private manager of the Lottery. The due date for these proposals was September 28, 2016. The expectation was that the new private manager would take over the day-to-day management of the lottery on January 1, 2017.

Only one firm submitted a bid under the RFP. The bid was submitted by Camelot. Camelot is known for running the U.K. National Lottery and was the second place bidder during the original lottery management process. The State is currently still evaluating the submitted proposal.

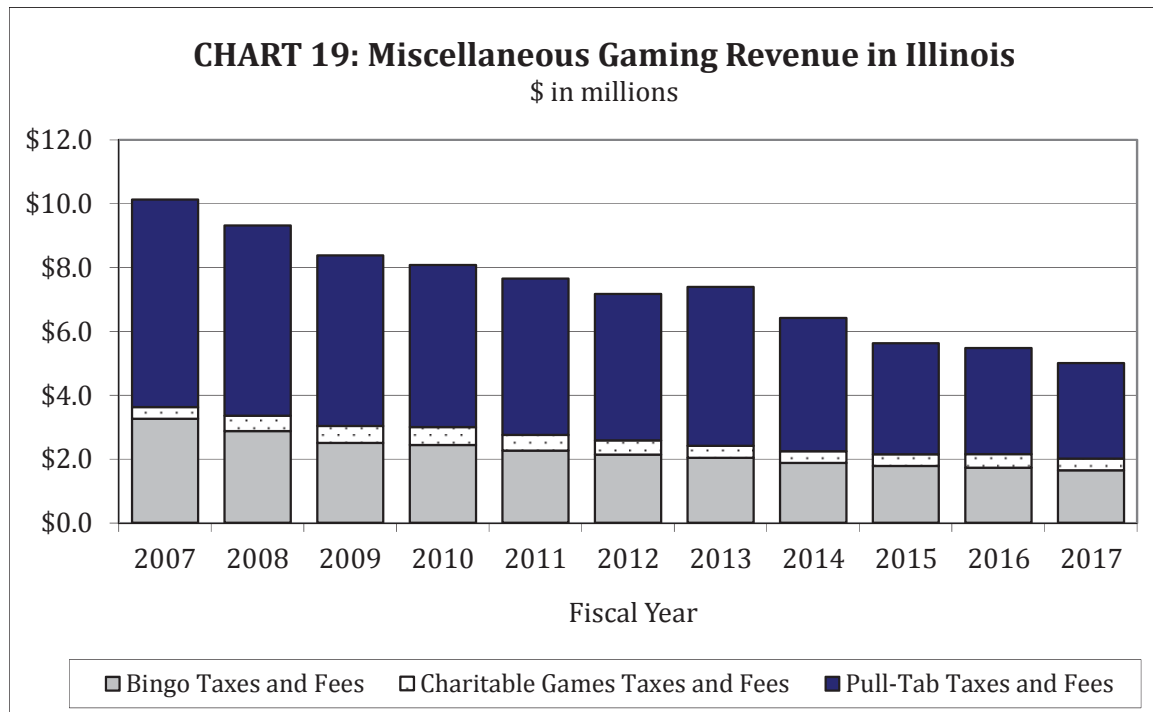
The Lottery negotiated an arrangement with Northstar to continue to have them manage the Lottery on short-term contracts after January 1, 2017. Northstar continues to run the daily operations of the Lottery. The Lottery has moved forward to holding hearings to evaluate Camelot's proposal.

## **MISCELLANEOUS STATE GAMING**

Although the Commission has traditionally focused its examinations of Illinois gaming on horse racing, lottery, riverboat gambling, and video gaming, the State receives additional tax and license revenue via bingo, charitable games, and pull-tabs and jar games.

- Illinois receives two forms of revenue from bingo games: license fees and the bingo game receipt tax. In FY 2017, the State generated \$131,647 in bingo license fees and \$1.5 million in bingo taxes. Total bingo receipts were down 4.8% from FY 2016 levels.
- Illinois receives two forms of revenue from charitable games: license fees and the charitable games receipts tax. In FY 2017, the State received \$69,350 in license fees and \$297,110 from the charitable games tax. Total charitable games receipts were down 12.9% from FY 2016 levels.
- Illinois receives two forms of revenue from pull-tabs and jar games: license fees and the pull-tab and jar games receipts tax. In FY 2017, the State received \$315,900 in license fees and \$2.6 million from the pull tabs and jar games tax. Total pull-tabs and jar games receipts were down 10.3% from FY 2016 levels.

In total, these miscellaneous gaming revenue sources generated approximately \$5.0 million in FY 2017. This figure is 8.7% below the FY 2016 total of \$5.5 million. The chart below illustrates a history of miscellaneous gaming revenue over the past decade.



## CONCLUSION

With the continued expansion of video gaming throughout the State, Illinois has more gambling options than they have ever had before. The growth in video gaming was the impetus behind the 7.9% increase in State revenues from gaming-related sources in FY 2017. But while video gaming has flourished, the established gaming sources in Illinois have seen stagnated sales (Lottery) or declining revenues (riverboat casinos and horse racing).

The 1.6% decline in adjusted gross receipts from Illinois' ten casinos in FY 2017 is a continuation of its recent downward trend. Transfers to the Education Assistance Fund coming from Illinois' casinos were at its lowest level since FY 1999. The declining trend in transfers is because every casino in Illinois, aside from Des Plaines, has experienced a double-digit decline in its adjusted gross receipts over the past five fiscal years. At first, these declines were due to new competition from the opening of the Des Plaines casino, especially for the four suburban casinos. But in recent years, the declines are believed to be due to the increased competition from video gaming throughout Illinois.

Video gaming in Illinois continues to flourish since its inception in September 2012. The 26,873 video gaming terminals in operation at the end of FY 2017 is the equivalent of adding over 22 full-size casinos to the State. These machines generated over \$1.2 billion in net terminal income for the fiscal year, resulting in approximately \$361 million in tax revenues. The emergence of video gaming has created more competition for the riverboat casino industry, thereby causing a falloff in the casino's attendance and revenue figures. But it should be emphasized that, when combining Illinois' riverboat and video gaming numbers, the amount of dollars spent on these gaming formats increased 6.4% in FY 2017 and have increased every year since video gaming commenced in Illinois.

A closer look shows that the overall increase in gaming revenues has been, for the most part, experienced downstate where limited gaming opportunities had previously existed. The numbers suggest that adding video gaming to the Chicago areas has merely redistributed the revenues to the numerous gaming venues that now exist in that area. In FY 2012, before video gaming's arrival, riverboat revenues from the Chicago area casinos in Illinois and Indiana generated \$2.246 billion. In FY 2017, even with the addition of 10,405 video gaming machines in this area, the Commission estimates that gaming revenue totals in the Chicago area have only increased slightly to \$2.438 billion - an average year-over-year growth in gaming dollars of only 1.7%.

Video gaming revenues would be significantly higher if the City of Chicago were to "opt-in" to allowing video gaming in Illinois. The Commission estimates that Chicago is among roughly 37% of the State's population which continues to ban video gaming in their communities. But even without these cities, the Commission estimates that the number of video gaming terminals in the State will grow to around 28,000 gaming terminals statewide by the end of FY 2018.

While video gaming continues to grow across the State, the horse racing industry continues to struggle. The CY 2016 handle amount of \$571 million was 3.9% below CY 2015 levels and 40.1% below its levels of a decade ago. The handle from thoroughbred racing dropped 8.8% in CY 2016, while the handle from standardbred racing dropped 13.8%. Advanced deposit wagering did increase 15.3% during the calendar year, but this increase was not near enough to offset these other declines.

Making matters worse, with the 2015 closing of Balmoral Park and Maywood Park, there leaves only three racetracks in Illinois still offering live racing (Arlington, Fairmount, and Hawthorne). Absent some change agent, horse racing is expected to continue to struggle in the foreseeable future. The horse racing industry continues to lobby for slots machines at their racetracks as a way to improve their attendance and revenues. While statistics from other states have shown that casinos at racetracks do not necessarily increase the racing handle, it would provide a secondary source of revenue to support the struggling horseracing industry.

The largest contributor of State gaming revenues continues to come from the Illinois Lottery. However, FY 2017 was another disappointing year for the Lottery, especially in terms of Lottery sales in Illinois. Total sales for the lottery declined 0.5% in FY 2017 and have remained relatively stagnant over the past five fiscal years. While Lottery transfers did increase \$58 million in FY 2017 to a total of \$738 million, this total is still well below the \$815 million transferred in FY 2014.

Due to lackluster sales, in September of 2015, the State and Northstar came to an agreement on the termination of the private management agreement. The agreement resolved outstanding issues related to penalty payments and supplier contracts and outlined a path to finding a new private manager for the lottery. As part of the process of selecting a new private manager, the Department of the Lottery sent out a request for proposals related to the hiring of a new private manager of the Lottery. However, only one bid was received (Camelot). At the time of this report, the Lottery stated that the State is still evaluating the submitted proposal from Camelot. In the meantime, Northstar continues to run the daily operations of the lottery.

Even with all of the recent changes in gaming, especially as it pertains to the expansion of video gaming in Illinois, there continues to be discussions of expanding gambling in Illinois even further. There have been numerous versions of gaming expansion legislation over the past several years. The most prominent versions would allow additional positions at all of the casinos, allow a Chicago casino along with four or five additional riverboats, and allow horse tracks to have slot machines at their facilities. However, so far, these ideas have failed to garner enough support for enactment.

While a number of changes have occurred in the past several years, this report shows that a number of significant uncertainties remain. How will video gaming perform in its sixth year of existence? Will the expansion of video gaming continue to negatively impact riverboat casinos? Will the Governor and the State Legislature



be able to come to a compromise regarding gaming expansion in Illinois? What will be the outcome of the search for a new manager to run the State lottery? All of these questions, and likely others, will set the framework for gaming in the years to come. As always, the Commission will continue to closely monitor legislation and discussions dealing with these changes and will provide updates to this report whenever necessary.

## BACKGROUND

The Commission on Government Forecasting and Accountability (CGFA), a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

- 1) Preparation of annual revenue estimates with periodic updates;
- 2) Analysis of the fiscal impact of revenue bills;
- 3) Preparation of State debt impact notes on legislation which would appropriate bond funds or increase bond authorization;
- 4) Periodic assessment of capital facility plans;
- 5) Annual estimates of public pension funding requirements and preparation of pension impact notes;
- 6) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services;
- 7) Administration of the State Facility Closure Act.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes several reports each year. In addition to a "Monthly Briefing", the Commission publishes the "Revenue Estimate and Economic Outlook" which describes and projects economic conditions and their impact on State revenues. The "Legislative Capital Plan Analysis" examines the State's capital appropriations plan and debt position. "The Financial Conditions of the Illinois Public Retirement Systems" provides an overview of the funding condition of the State's retirement systems. Also published are an Annual Fiscal Year "Budget Summary"; "Report on the Liabilities of the State Employees' Group Insurance Program"; and "Report of the Cost and Savings of the State Employees' Early Retirement Incentive Program". The Commission also publishes each year special topic reports that have or could have an impact on the economic well-being of Illinois. All reports are available on the Commission's website.

These reports are available from:

Commission on Government Forecasting and Accountability  
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<http://cgfa.ilga.gov>