

WAGERING IN ILLINOIS

2019 UPDATE



Commission on Government
Forecasting and Accountability

*Commission on Government Forecasting
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EXECUTIVE SUMMARY

This report is the Commission's 2019 edition of Wagering in Illinois. This edition marks the 27th anniversary of the Commission's first report, which was completed in 1992 in accordance with Senate Resolution 875 (87th 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 2019 edition updates previous releases and provides further analysis of State gaming with the focus on casino gambling, video gaming, the Lottery, and horse racing. This edition also includes detailed discussions of the newly enacted gaming expansion package included as part of P.A. 101-0031. The highlights of the report are shown below.

- In FY 2019, the State's share of tax revenues from wagering in Illinois reached \$1.404 billion, a 3.5% increase from FY 2018 levels. The continued growth of video gaming tax revenues paid into the Capital Projects Fund (\$48 million increase in FY 2019 to \$395 million) was more than enough to offset the relatively stagnant performances from lottery transfers (up \$3 million to \$735 million), casino gaming transfers (down \$3 million to \$269 million) and from State-related horse racing revenues (held flat at \$6 million).
- The revenue totals could look much different in the near future due to the recent enactment of P.A. 101-0031, which was signed into law and became effective in June 2019. This public act makes numerous changes to State law impacting a variety of different tax revenue sources. The most significant changes include: the authorization of six new casinos in Illinois, including a 4,000 position Chicago Casino; racinos at Illinois' horse tracks; increased gaming positions at existing locations; increased betting and terminal limits at video gaming establishments; and, the authorization of sports wagering in Illinois.
- Statewide adjusted gross receipts (AGR) for Illinois casinos in FY 2019 were down 2.9% from FY 2018 levels, while admissions declined 5.9%. A modest increase in AGR at Des Plaines (Rivers) was more than offset by AGR declines at the other nine Illinois casinos. State revenues generated from casino gambling totaled \$376.1 million in FY 2019, a -3.3% decline from FY 2018 levels. Increased competition from video gaming continues to be a major factor for these declines. These declines at the existing casinos may be exacerbated due to the significant increase in competition soon to come from new Illinois casinos, racinos, and from new casinos in nearby states.

- Among the upcoming changes to the gaming industry is a modification to the privilege tax imposed on casinos. In addition, the new Chicago Casino would be subject to a tax equal to 1/3 of its AGR. An August 2019 feasibility study by Union Gaming Analytics indicates that the enacted structure will make the Chicago Casino “not feasible due to the onerous tax and fee structure”. How the Gaming Board, lawmakers, and potential operators will respond to this report remains to be seen.
- In July 2009, Public Act 96-0034 became law, legalizing video gaming in Illinois. By the end of FY 2019 (June 2019), 32,033 video gaming terminals were in operation across Illinois—up from 29,283 in June 2018. In FY 2019, video gaming machines generated \$1.593 billion in net terminal income. This produced \$80 million in tax revenues to local governments (up from \$70 million in FY 2018) and \$398 million to the Capital Projects Fund (up from \$352 million in FY 2017). This figure should grow in future years due to the enacted increases in terminal and betting limits.
- 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 5,693 terminals (FY 2019). The counties of Lake, Will, Sangamon, and Winnebago round out the top five. In regard to municipalities, Springfield had the most terminals in FY 2019 (641 terminals), while Rockford’s 486 terminals generated the highest amount of net terminal income in FY 2019 (\$35.2 million).
- Gaming related revenues from riverboat casinos have fallen 17.9% since FY 2012. However, when combined with video gaming totals, gaming revenues as a whole have actually increased 79.2%. When combined, revenues from these two gaming formats have increased from \$1.641 billion in FY 2012 to \$2.940 billion in FY 2019, an increase of \$1.299 billion.
- Not all areas of the State, especially areas already with available gaming options (nearby casinos) experienced this level of growth. For example, there were 12,642 video gaming terminals in the Chicago Metropolitan Statistical Area in FY 2019, which is the equivalency of adding over ten 1,200-position 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 Area has only increased from \$2.246 billion in FY 2012 to \$2.594 billion in FY 2019, an average annual increase of only 2.2%.
- In FY 2019, the Illinois Lottery had nearly \$3.0 billion in sales, which was an increase of 1.7%, or \$49 million, from FY 2018 levels. The increases were mainly

driven by the draw games, up approximately \$72 million in FY 2019. The largest contributor to this increase in draw games was Mega Millions, which rose from \$125 million to \$213 million. Instant games continued to have the highest sales with a total of \$1.857 billion in FY 2019, though, down 1.3% from FY 2018 levels.

- Lottery transfers to the Common School Fund totaled \$731.1 million in FY 2019, a slight increase of 1.7% from FY 2018 levels. Transfers to special causes fell 5.6% in FY 2019 to \$3.4 million. There were no transfers to the Capital Projects Fund (CPF) in FY 2019.
- Due to disappointing sales, in September 2015, the State and the Northstar Lottery Group entered into a termination agreement that would begin the process to hire a new private lottery manager. After a lengthy transition process, in January 2018, the State entered into a new private management agreement with Camelot Illinois. Because of the newness of this change, the ultimate impact of this transition as it pertains to lottery sales and revenues is not yet known.
- Illinois' total horse racing handle amount fell from \$587 million in CY 2017 to \$574 million in CY 2018, a decline of -2.3%. While the ADW handle increased \$16 million in 2018, the handle from on-track, intertrack, and off-track wagering fell a combined \$29 million or -7.3%. The 2018 levels are 29.9% below levels from just ten years ago.
- The horse racing industry is finding it difficult to compete not only with racetracks in other states that are able to offer higher purses, but also with the proliferation of other gambling opportunities that now exist in the State. 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. Although, the development of racinos in nearby states has not resulted in an increase in these states' racing handles, the racing community is hopeful that the recent authorization of racinos and sports betting at Illinois horse tracks will help turn the industry around.
- Included in the gaming expansion package is the authorization of sports wagering in Illinois. This new gaming format will soon be available at casinos, race tracks, OTBs, the Internet, and potentially at Lottery retailers across the State. While the amount of tax revenues projected to be annually generated from sports wagering is relatively small (less than \$100 million), it does allow Illinois to keep up with many other states, including Indiana and Iowa, who are also in the midst of offering sports wagering.

OVERVIEW OF GAMING IN ILLINOIS

In Illinois, the tax revenues generated from gaming related sources have seen its share of fluctuation in recent years. For much of its history, these wagering tax dollars came from three primary sources: riverboat casino gambling, the lottery, and horse racing. But in 2012, a new gaming format was unveiled in the form of video gaming, which helped revitalize a segment of revenues that was struggling to offer reliable growth for State coffers. Soon, even more revenues will materialize for the gaming industry due to the recent enactment of P.A. 101-0031 (SB 0690). This Act, among other items, authorizes six new casinos in Illinois, allows casinos at horse tracks, raises position limits at casinos and video gaming establishments, and authorizes sports wagering across the State.

The performance of the wagering-related revenue sources currently in place has been mixed. The majority of State designated tax revenue in FY 2019 came from the lottery, generating \$735 million. While the most consistent of the three historic wagering sources, State-related revenues from the lottery only increased +0.4% in FY 2019 and remains below past peak levels. Tax revenues from riverboat casinos continue to underperform, generating \$269 million in FY 2019. This is down from a high of nearly \$700 million a little over a decade ago. The struggles of the horse racing industry continued in FY 2019, generating a mere \$6 million.

Despite the lack of growth in these established revenue sources, State designated tax revenues from overall gaming in Illinois grew 3.5% in FY 2019 to \$1.404 billion, an increase of \$47 million. This value marks the highest combined tax revenue total for this segment of revenues on record. Video gaming's growth is the primary reason as it has more than offset the lack of growth from the other gaming formats. A table displaying a history of State-related revenues from the gaming industry is shown on the following page. Chart 1, below, displays the historical performance of gaming-related revenues in Illinois since 1975.

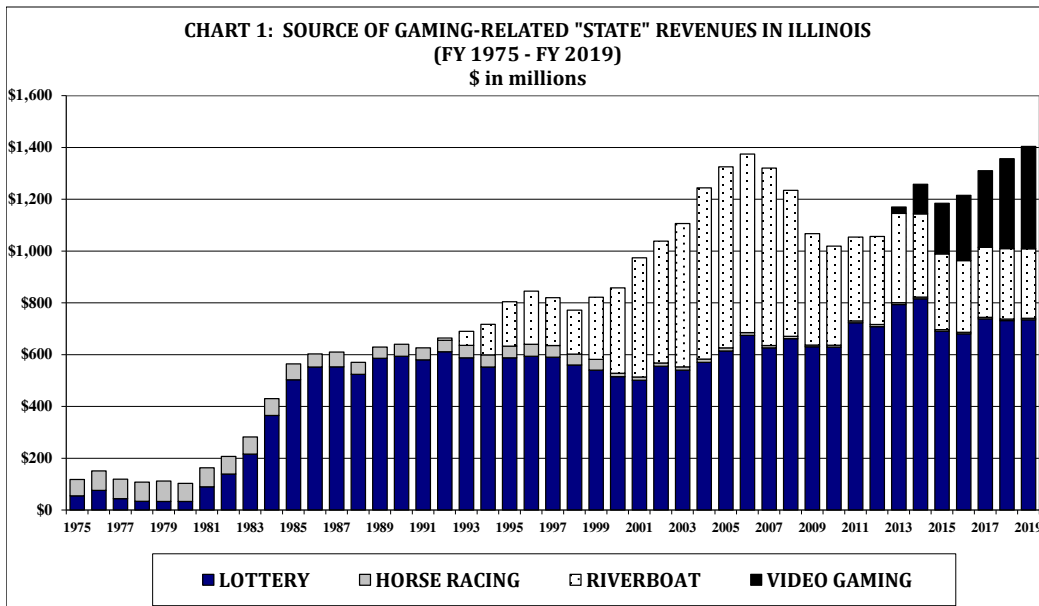


TABLE 1: STATE GAMING REVENUE (\$ in Millions)

FISCAL YEAR	LOTTERY ⁽¹⁾	HORSE RACING ⁽²⁾	RIVERBOAT CASINOS ⁽³⁾	VIDEO GAMING ⁽⁴⁾	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%
2018	\$732	\$6	\$272	\$347	\$1,356	3.5%
2019	\$735	\$6	\$269	\$395	\$1,404	3.5%

(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 received in FY 2017.

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

(3) Figures represent appropriations (FY 1992-FY 1995) and transfers (FY 1996-FY 2019) 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 Casino.

(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 legalized 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, casino 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 casino revenues topped the lottery as the largest source of gaming-related revenues. However, eventual declines in riverboat casino transfers, coupled with modest lottery growth, again placed lottery as the largest contributor of gaming revenues in Illinois.

In FY 2019, lottery transfers (and other State-related lottery revenues) remained the largest generator of gaming revenues, comprising 52.3% of the revenue total. However, this percentage has declined from a recent high-mark of 67.8% in FY 2013. Casino transfers, which comprised over 50% of gaming related revenues just a decade ago, fell to 19.1% in FY 2019. In just its seventh year of generating tax revenues, video gaming's composition has now surpassed that of riverboat casinos in this metric, growing to its FY 2019 composition value of 28.1%. Horse racing revenues continued to comprise a relatively miniscule 0.4%.

Table 2, below, displays the differences between horse racing, the lottery, casino gambling, and video gaming in terms of State revenue, gaming hold, and per capita spending. The gaming hold is equal to the difference between the total wagered and the amount paid to winners. For casinos, this is adjusted gross receipts (AGR). For video gaming, this is net terminal income (NTI).

TABLE 2: THE STATUS OF ILLINOIS GAMING BASED ON STATE REVENUE, GAMING HOLD, AND PER CAPITA SPENDING								
	2013	2014	2015	2016	2017	2018	2019*	
POPULATION (IN MILLIONS)	12.9	12.9	12.8	12.8	12.8	12.7	12.7	
LOTTERY (FY)								
Lottery Transfers (\$ in mil)	\$793.8	\$815.4	\$690.2	\$680.2	\$738.2	\$731.7	\$734.6	
Gaming Hold (\$ in mil)	\$1,113.0	\$1,103.1	\$1,098.4	\$890.7	\$1,019.0	\$1,021.8	\$1,071.0	
% Change in Gaming Hold	-0.2%	-0.9%	-0.4%	-18.9%	14.4%	0.3%	4.8%	
**Per Capita Spending	\$86	\$86	\$86	\$69	\$80	\$80	\$84	
% Change in Per Capita Spending	-0.3%	-0.8%	-0.2%	-18.9%	14.7%	0.8%	5.2%	
HORSE RACING (CY)								
State Revenue (\$ in mil)	\$7.0	\$7.0	\$6.5	\$6.0	\$6.0	\$5.7	\$5.7	
Gaming Hold (\$ in mil)	\$138.2	\$140.5	\$134.1	\$127.0	\$130.8	\$127.9	\$126.0	
% Change in Gaming Hold	-7.8%	1.7%	-4.5%	-5.3%	3.0%	-2.2%	-1.4%	
**Per Capita Spending	\$11	\$11	\$10	\$10	\$10	\$10	\$10	
% Change in Per Capita Spending	-7.9%	1.8%	-4.3%	-5.3%	3.2%	-1.8%	-1.1%	
RIVERBOAT CASINOS (FY)								
Amount to Ed. Assist. Fund (\$ in mil)	\$345.0	\$321.0	\$292.0	\$277.0	\$270.0	\$271.9	\$268.6	
Gaming Hold or AGR (\$ in mil)	\$1,594.8	\$1,488.0	\$1,459.4	\$1,428.9	\$1,405.6	\$1,386.7	\$1,347.1	
% Change in Gaming Hold	-2.8%	-6.7%	-1.9%	-2.1%	-1.6%	-1.3%	-2.9%	
**Per Capita Spending	\$124	\$116	\$114	\$111	\$110	\$109	\$106	
% Change in Per Capita Spending	-2.9%	-6.6%	-1.7%	-2.1%	-1.4%	-0.9%	-2.5%	
VIDEO GAMING (FY)								
Amount to Cap. Projects Fund (\$ in mil)	\$24.0	\$114.0	\$195.7	\$251.6	\$296.0	\$347.2	\$394.7	
Gaming Hold or NTI (\$ in mil)	\$96.0	\$456.0	\$782.7	\$1,006.3	\$1,184.0	\$1,388.8	\$1,578.9	
% Change in Gaming Hold		375.0%	71.6%	28.6%	17.7%	17.3%	13.7%	
**Per Capita Spending	\$7	\$35	\$61	\$78	\$92	\$109	\$124	
% Change in Per Capita Spending		375.4%	72.0%	28.6%	18.0%	17.9%	14.1%	
ALL WAGERING								
Total Revenue (\$ in mil)	\$1,169.8	\$1,257.4	\$1,184.4	\$1,214.8	\$1,310.2	\$1,356.4	\$1,403.7	
Gaming Hold (\$ in mil)	\$2,942.0	\$3,187.6	\$3,474.6	\$3,453.0	\$3,739.4	\$3,925.1	\$4,123.1	
% Change in Gaming Hold	1.2%	8.3%	9.0%	-0.6%	8.3%	5.0%	5.0%	
**Per Capita Spending	\$228	\$248	\$271	\$269	\$292	\$308	\$325	
% Change in Per Capita Spending	1.2%	8.4%	9.2%	-0.6%	8.6%	5.5%	5.4%	
*The FY 2019 Gaming Hold figures for horse racing and lottery are estimates.								
** Per capita spending equals gaming hold divided by population.								
Note: There are minor differences between the numbers shown above and numbers shown later in the report due to a timing lag between figures based on actual receipts (as shown in table above) and figures based on monthly reports (as shown later in report).								
SOURCES: ILLINOIS RACING BOARD, ILLINOIS DEPT. OF REVENUE, ILLINOIS GAMING BOARD, CENSUS.GOV.								

As shown, FY 2019 State gaming revenues totaled approximately \$1.404 billion. The gaming industry's FY 2019 estimated gaming hold total of \$4.123 billion increased 5.0% from FY 2018 levels. Per capita spending increased an estimated 5.4% to approximately \$325 in FY 2019. These increases are strongly influenced by the solid growth in video gaming's figures.

The revenue totals and composition percentages discussed in the previous tables could look much different in the near future due to the recent enactment of P.A. 101-0031, which was signed into law and became effective in June 2019. This public act makes numerous changes to State law impacting tax revenues, including a cigarette tax increase, establishing an e-cigarette tax and a parking excise tax, creating a \$10,000 cap on trade-in values of certain vehicles, tax incentives for data centers, and providing sales tax collections by remote retailers. However, the most significant changes that the public act makes, especially as it relates to this report, are to the gaming industry.

Among the changes created by P.A. 101-0031 is the authorization of six new casinos in Illinois, including a 4,000 position Chicago Casino; racinos at Illinois' horse tracks; increased gaming positions at existing locations; increased betting and terminal limits at video gaming establishments; and the authorization of sports wagering in Illinois. Proponents are hopeful that these changes will help revitalize areas that have seen their share of struggles in recent years.

For example, Illinois' riverboat casino industry has been amidst a declining trend in recent years. The adjusted gross receipts (AGR) of the ten operating casinos fell a combined -2.9% in FY 2019, marking the seventh consecutive fiscal year of declining revenues. The Rivers Casino in Des Plaines continues to be, by far, the largest revenue producing casino in Illinois, generating \$440 million in AGR in FY 2019. While this casino is up 4.4% over the last five years, all of the other nine casinos experienced declines during this time span with eight of the nine experiencing double digit losses. Competition from the newer Des Plaines casino and the rapid development of video gaming in Illinois are viewed as the primary reasons for these overall downward trends.

The Casino Gambling section of this report includes a detailed look at the revenue performance of Illinois' casinos, as well as the revenue returns of other casinos throughout the Midwest, and discusses how these results compare. Included in this section is a detailed look at the specific changes to the casino industry stemming from P.A. 101-0031 and how these changes could impact gaming revenues.

While P.A. 101-0031 will expand gambling throughout the State in the near future, 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 2019, the number of video gaming terminals in operation across Illinois surpassed 32,000, the equivalent of over 26 full-size (1,200 positions) Illinois riverboat casinos. Although, the number of new terminals being introduced per month has slowed from its initial years, the current trend along with P.A. 101-0031's allowance of additional

terminals and increased betting limits would suggest that video gaming is still years away from plateauing.

The proliferation of video gaming terminals throughout the State is despite the fact that the City of Chicago and numerous other communities in Illinois are not 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. The changes of P.A. 101-0031 pertaining to video gaming are also discussed throughout this section.

The largest amount of revenues from gaming-related sources continues to come from the State's lottery program. While total lottery sales were up 1.7% for FY 2019, sales have been relatively stagnant since FY 2013 — increasing only 4.8% over this six-year period. Lottery-related transfers increased only \$3 million in FY 2019 to \$734.5 million, notably below the roughly \$800 million in transfers processed in FY 2013 and FY 2014. Much of this is due to the inconsistent amount of lottery proceeds going into the Capital Projects Fund. This amount, which was as high as \$145 million in FY 2014, saw no transfers to the Capital Projects Fund in FY 2019.

The lack of significant growth in lottery sales is considered disappointing as higher totals were hoped for under private management. In 2010, Northstar became the first management company to manage the Illinois lottery. But due to poor performance, the State and Northstar entered into a letter of termination related to the private management agreement in September 2015. On January 2, 2018, a new firm called Camelot Illinois took over day-to-day management of the lottery. A discussion on this private management agreement, along with other statistics and issues surrounding the lottery is included in the Lottery section of this report.

As the popularity of video gaming grows in Illinois, the polar opposite has been the case for the horse racing industry. The amount wagered on Illinois horse racing (the handle) in 2018 was at \$574 million, which is 29.9% below levels seen just a decade ago. Part of this decline is due the 2015 closures of two of Illinois' five major racetracks, Maywood Park and Balmoral Park. The racing industry is hopeful that they can augment these revenue losses through P.A. 101-0031's authorization of racinos and sports wagering at its race tracks. Details regarding the impact of racinos at other racetracks across the country, as well as other pertinent information relating to horse racing, are provided in the Horse Racing section.

After looking at each of Illinois' gaming sources individually, the report concludes with a synopsis of the newly enacted Sports Wagering Act and a brief look at miscellaneous gaming sources in Illinois including bingo, pull-tabs, and charitable games.

CASINO GAMBLING

CASINO 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 (or privilege tax) is based on the adjusted gross receipts (AGR) of a casino, 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 casino taxes, a portion of the wagering tax and the admissions tax is distributed to the county and municipality where the casino is located.

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; and multiple changes to the wagering and admission tax rate structure.

Recently enacted P.A. 101-0031 (SB 0690) will bring about numerous new changes to the casino industry in the years to come, including the authorization of several new casino licenses. Details regarding these changes and the potential impact that these changes will have on Illinois' gaming climate are discussed throughout this section.

The section opens by providing a basic summary of Illinois tax structure imposed in FY 2019. It then summarizes the major changes that will take place as a result of the gaming expansion package. Following this is a synopsis of Illinois' FY 2019 riverboat casino statistics and how these numbers compare to past years and to other gaming states across the country.

The section concludes with a detailed discussion of the major components of P.A. 101-0031 and how the expansion of gaming in Illinois could impact individual locations and overall tax revenues.

Illinois Casino Tax Structure (prior to P.A. 101-0031)

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% and was set as follows:

Adjusted Gross Receipts	Tax Rates (Prior to P.A. 101-0031)
Up to \$25M	15.0%
\$25M to \$50M	22.5%
\$50M to \$75M	27.5%
\$75M to \$100M	32.5%
\$100M to \$150M	37.5%
\$150M to \$200M	45.0%
Over \$200M	50.0%

The local governments where each riverboat docks receive 5% of the AGR of the casinos 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 casino is dependent on a casino’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 10th 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 was 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 were 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.

Changes to the Casino Industry under P.A. 101-0031

P.A. 101-0031 made numerous changes to Illinois' gaming industry. The primary changes related to casinos are shown below. A more detailed discussion of the potential impact of these changes is included on page 23 of the report.

- **Six New Casinos.** The Act authorizes the issuance of six additional licenses to conduct casino operations in Illinois. These shall be located in the following locations:
 - 1) In the City of Chicago
 - 2) In the City of Danville.
 - 3) In the City of Waukegan.
 - 4) In the City of Rockford.
 - 5) In the South Suburbs of Cook County.
 - 6) In an unincorporated area of Williamson County.

An owner's licensee of the Chicago casino can have up to 4,000 gaming positions. All other owners' licensees shall limit the number of gaming positions to 2,000 (except for Williamson County, which would be limited to 1,200 gaming positions).

- **New Racinos.** The Act authorizes both electronic gaming and table games at Illinois racetracks (racinos). The gaming positions at the racinos shall be allocated as follows:
 - 1) up to 1,200 gaming positions for any electronic gaming licensee in Cook County (Arlington, Hawthorne);
 - 2) up to 900 gaming positions for any electronic gaming licensee outside of Cook County (Fairmount).
 - 3) In addition, the Board shall issue an organization license limited to Standardbred racing to a racetrack located in Cook County. If established, this location would have the ability to obtain an organization gaming license with 1,200 gaming positions, and the ability to offer internet wagering on horse racing.
- **Existing Casino Position Increase.** Casinos already in operation shall also see their gaming position limit increased from 1,200 to 2,000 positions. The initial fee for each gaming position obtained on or after the effective date of this amendatory Act shall range from \$17,500 to \$30,000 per position (depending on location). These fees shall be paid by July 1, 2020 and would be deposited into the Rebuild Illinois Projects Fund.
- **Location Options.**
 - **Land-Based Option.** An owners licensee may conduct land-based gambling operations upon approval by the Board and payment of a fee of \$250,000, which shall be deposited into the State Gaming Fund.
 - **Gaming at Airports.** The Chicago casino may conduct gaming operations at O'Hare and/or Midway. The combined number of gaming positions operating in the City of Chicago at the airports and at the temporary and permanent casino facility may not exceed the maximum number of gaming positions authorized.
 - **Temporary Facilities.** New casinos and racinos may conduct gaming at a temporary facility pending the construction of a permanent facility or the remodeling or relocation of an existing facility to accommodate gaming

participants for up to 24 months after the temporary facility begins to conduct gaming. This timeframe may be extended up to 12 months upon approval of the Board.

- **Admission Tax for Racinos.** The public act provides that the admission tax for racinos shall be at the rate of \$3 per person. Of this amount, \$1 would go to various local governments that host the gaming licensee. The remaining \$2 in tax shall be transferred into the Capital Projects Fund.
- **Revised Privilege Tax Structure.** The privilege tax structure, which would be imposed on the casinos and the racinos, shall be modified from its current rate structure. Under the public act, beginning on the first day that a new casino conducts gambling operations, either in a temporary facility or a permanent facility, a privilege tax is imposed as follows:

Adjusted Gross Receipts	Rates Prior to P.A. 101-0031	Gaming Tax on Table Games	Gaming Tax on Electronic Gaming Devices
Up to \$25M	15.0%	15.0%	15.0%
\$25M to \$50M	22.5%	20.0%	22.5%
\$50M to \$75M	27.5%	20.0%	27.5%
\$75M to \$100M	32.5%	20.0%	32.5%
\$100M to \$150M	37.5%	20.0%	37.5%
\$150M to \$200M	45.0%	20.0%	45.0%
Over \$200M	50.0%	20.0%	50.0%

Potential tax revenues generated by the privilege tax may be offset or reduced by certain provisions in P.A. 101-0031, including a modified taxable base for the East St. Louis Casino, renovation tax credits, hold harmless provisions, the removal of certain vouchers in the AGR calculation, and the creation of multiple revenue distributions.

- **Chicago Casino Additional Tax.** In addition to the privilege tax, another privilege tax is imposed on the Chicago Casino at the rate of 1/3 of the owners licensee’s AGR. This additional privilege tax shall be paid monthly, subject to appropriation, by the General Assembly, to the City of Chicago and shall be expended or obligated by the City of Chicago for pension payments.
- **One-Time Revenue Sources.** The following one-time revenues would be collected under P.A. 101-0031 and deposited into the Rebuild Illinois Projects Fund.
 - **Bidding for New Licenses.** Owners licenses newly authorized may be issued by the Board to a qualified applicant pursuant to an open and competitive bidding process.
 - **License Fees.** Each new casino and racino must pay a fee for the issuance or renewal of a license in the amount of \$250,000. Each location must also pay an initial fee ranging from \$17,500 to \$30,000 per gaming position.
 - **Reconciliation Payments.** The public act provides for several types of reconciliation payments that would be collected at various times of the implementation process. This includes a \$15 million payment at the time of issuance as well as future payments equal to 75% of the AGR for the most lucrative 12-month period of operations minus certain upfront fees paid.

Data Analysis

The tables below and on the following page provide a summary of the performance of each of the State's ten active casino licenses during FY 2014 thru FY 2019 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)*.

TABLE 3: ILLINOIS CASINO ADJUSTED GROSS RECEIPTS						
(FY 2014 - FY 2019)						
(\$ in millions)						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Des Plaines	\$421.5	\$428.2	\$424.7	\$429.3	\$438.5	\$440.1
Joliet Harrah's	\$196.2	\$195.8	\$185.8	\$182.6	\$179.1	\$175.2
Elgin	\$180.2	\$168.8	\$170.0	\$166.4	\$162.9	\$157.2
Joliet Hollywood	\$123.6	\$123.9	\$125.2	\$120.0	\$120.7	\$115.2
Aurora	\$131.8	\$125.1	\$119.7	\$121.2	\$117.6	\$115.1
East St. Louis	\$116.2	\$106.8	\$108.1	\$107.0	\$99.1	\$94.3
East Peoria	\$100.1	\$93.2	\$86.0	\$78.9	\$77.7	\$74.5
Metropolis	\$80.6	\$83.6	\$82.4	\$79.7	\$73.6	\$68.7
Rock Island	\$77.6	\$77.3	\$76.7	\$72.1	\$70.0	\$66.7
Alton	\$59.8	\$56.6	\$50.4	\$48.3	\$47.4	\$40.0
TOTAL	\$1,487.6	\$1,459.4	\$1,428.9	\$1,405.6	\$1,386.7	\$1,347.1
% INCREASE	-6.7%	-1.9%	-2.1%	-1.6%	-1.3%	-2.9%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

TABLE 4: ILLINOIS CASINO ADMISSIONS						
(FY 2014 - FY 2019)						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Des Plaines	3,633,523	3,463,309	3,346,849	3,187,953	3,035,086	2,945,397
Joliet Harrah's	1,606,567	1,594,741	1,530,609	1,429,434	1,332,463	1,241,286
Elgin	1,470,024	1,341,104	1,366,731	1,320,807	1,237,674	1,150,227
Joliet Hollywood	1,143,896	1,084,189	1,101,637	1,047,889	1,001,302	929,855
Aurora	1,140,285	1,072,737	1,018,597	1,000,218	945,109	924,555
East St. Louis	1,542,603	1,311,198	1,226,581	1,142,751	1,000,640	928,944
East Peoria	1,037,744	997,589	920,257	808,396	746,844	721,444
Metropolis	628,458	702,039	655,981	563,224	484,155	443,686
Rock Island	1,108,979	1,073,840	1,026,313	973,516	942,041	857,142
Alton	701,461	625,566	532,252	509,339	490,469	407,886
TOTAL	14,013,540	13,266,312	12,725,807	11,983,527	11,215,783	10,550,422
% INCREASE	-10.2%	-5.3%	-4.1%	-5.8%	-6.4%	-5.9%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

**TABLE 5: STATE REVENUE GENERATED FROM ILLINOIS CASINOS
(FY 2014 - FY 2019)**

(\$ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Des Plaines*	\$162.6	\$165.3	\$163.4	\$165.2	\$169.0	\$169.6
Joliet Harrah's	\$58.1	\$57.5	\$53.0	\$51.7	\$50.4	\$48.5
Elgin	\$52.3	\$46.2	\$46.6	\$44.5	\$44.0	\$41.2
Joliet Hollywood	\$30.1	\$29.2	\$29.8	\$28.1	\$28.4	\$26.5
Aurora	\$33.0	\$29.9	\$28.0	\$28.2	\$27.3	\$26.3
East St. Louis	\$28.6	\$24.6	\$24.2	\$24.2	\$21.4	\$19.8
East Peoria	\$22.3	\$19.6	\$17.8	\$15.6	\$14.9	\$14.0
Metropolis	\$15.8	\$16.1	\$15.9	\$15.0	\$13.7	\$12.1
Rock Island	\$14.7	\$14.1	\$14.0	\$13.0	\$12.3	\$11.6
Alton	\$10.7	\$9.6	\$8.2	\$7.7	\$7.4	\$6.5
TOTAL	\$428.1	\$412.1	\$400.8	\$393.0	\$388.8	\$376.1
% INCREASE	-7.5%	-3.7%	-2.7%	-1.9%	-1.1%	-3.3%
Des Plaines Distributions*:	(\$76.7)	(\$76.8)	(\$76.8)	(\$76.8)	(\$77.0)	(\$77.0)
Total after Distributions:	\$351.4	\$335.3	\$324.0	\$316.2	\$311.8	\$299.1
% INCREASE	-8.6%	-4.6%	-3.3%	-2.4%	-1.4%	-4.1%

* 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 receive only \$23M (one-time in July 2013) and receive no additional transfers in the future. P.A. 98-0018 also provided that Chicago State U. receive \$1.6M per year (but receive no one-time transfers in July 2013) and the School Infrastructure Fund annually receive \$66.4M per year from this revenue source (in addition to a one-time payment of \$92M in July 2013). The Cook County Criminal Justice System would continue to receive 2% of Des Plaines' AGR.

Note: This distribution is modified under P.A. 101-0031 for FY 2020 and thereafter.

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

**TABLE 6: LOCAL REVENUE GENERATED FROM ILLINOIS CASINOS
(FY 2014 - FY 2019)**

(\$ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Des Plaines	\$24.7	\$24.9	\$24.6	\$24.7	\$25.0	\$24.9
Joliet Harrah's	\$11.4	\$11.4	\$10.8	\$10.6	\$10.3	\$10.0
Elgin	\$10.5	\$9.8	\$9.9	\$9.6	\$9.4	\$9.0
Joliet Hollywood	\$7.3	\$7.3	\$7.4	\$7.0	\$7.0	\$6.7
Aurora	\$7.7	\$7.3	\$7.0	\$7.1	\$6.8	\$6.7
East St. Louis	\$7.4	\$6.7	\$6.6	\$6.5	\$6.0	\$5.6
East Peoria	\$6.0	\$5.7	\$5.2	\$4.8	\$4.6	\$4.4
Metropolis	\$4.7	\$4.9	\$4.8	\$4.5	\$4.2	\$3.9
Rock Island	\$5.0	\$4.9	\$4.9	\$4.6	\$4.4	\$4.2
Alton	\$3.7	\$3.5	\$3.1	\$2.9	\$2.9	\$2.4
TOTAL	\$88.4	\$86.2	\$84.2	\$82.3	\$80.5	\$77.9
% INCREASE	-7.3%	-2.4%	-2.4%	-2.3%	-2.1%	-3.3%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

**TABLE 7: TOTAL REVENUE GENERATED FROM ILLINOIS CASINOS
(FY 2014 - FY 2019)**

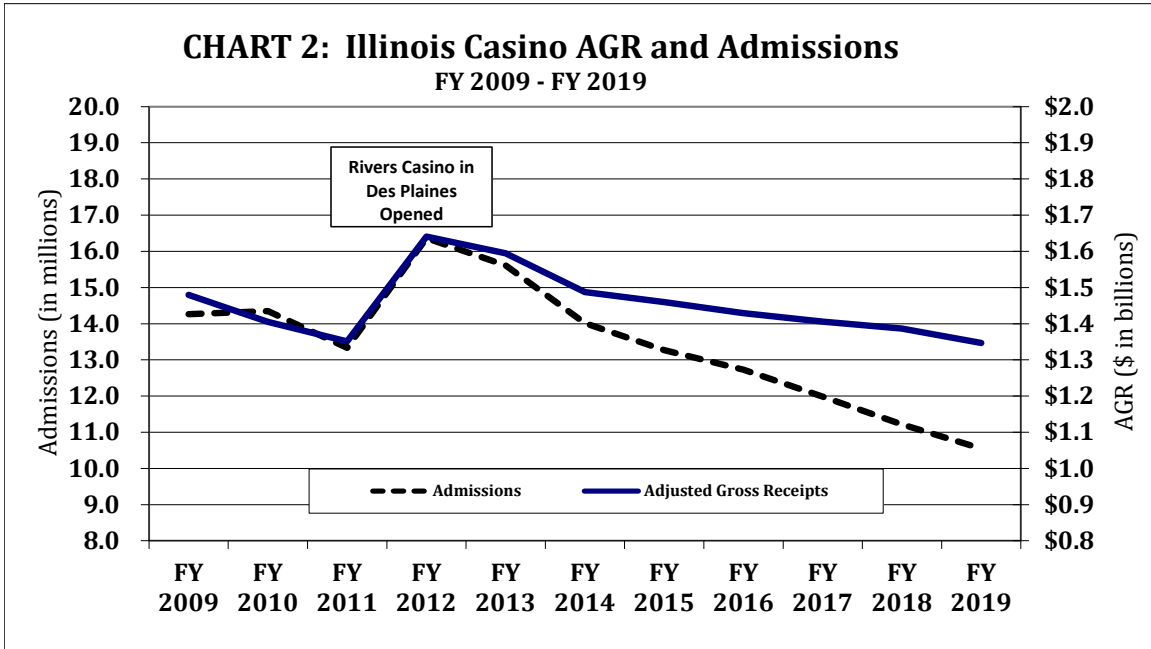
(\$ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Des Plaines	\$187.3	\$190.1	\$188.0	\$189.9	\$194.0	\$194.5
Joliet Harrah's	\$69.5	\$68.9	\$63.9	\$62.2	\$60.7	\$58.5
Elgin	\$62.8	\$56.0	\$56.4	\$54.1	\$53.4	\$50.3
Joliet Hollywood	\$37.4	\$36.5	\$37.1	\$35.1	\$35.4	\$33.2
Aurora	\$40.7	\$37.2	\$35.0	\$35.3	\$34.1	\$33.0
East St. Louis	\$35.9	\$31.2	\$30.8	\$30.6	\$27.3	\$25.5
East Peoria	\$28.3	\$25.2	\$23.0	\$20.3	\$19.5	\$18.4
Metropolis	\$20.4	\$21.0	\$20.7	\$19.5	\$17.8	\$16.0
Rock Island	\$19.7	\$19.1	\$18.9	\$17.6	\$16.8	\$15.7
Alton	\$14.4	\$13.1	\$11.3	\$10.6	\$10.3	\$8.9
TOTAL	\$516.5	\$498.3	\$485.0	\$475.3	\$469.4	\$454.0
% INCREASE	-7.4%	-3.5%	-2.7%	-2.0%	-1.2%	-3.3%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

Statewide Historical Perspective

Illinois’ casinos, on a statewide basis, have seen a downward trend in their adjusted gross receipts (AGR) and admission levels in recent years. 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 casinos, including 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 casinos, specifically, in terms of AGR and admissions. These fluctuations can be seen in the below graph.



In years during and immediately following the Great Recession, gaming numbers struggled. Illinois’ statewide AGR figures followed an -18.3% decline in FY 2009 with subsequent declines of -5.0% in FY 2010 and -3.8% in FY 2011. Casino admissions also faltered with a decline of -7.1% in FY 2011. In FY 2012, casino 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 casino figures have occurred ever since.

Since FY 2012, adjusted gross receipts, in total, have declined -17.9%, including a falloff of -2.9% in FY 2019. Admission figures have performed even worse declining nearly -36% since FY 2012, including a -5.9% decline in FY 2019. The rapid growth of video gaming throughout Illinois is believed to be the main contributor to the recent statewide falloff in casino numbers. Statistics supporting this view are discussed in the video gaming portion of this report.

Casino by Casino Perspective

On an individual basis, the recent performance of Illinois' ten casinos has mostly followed the overall downward trend. Nine of the ten casinos saw their AGR levels fall in FY 2019. The largest declines came from the Alton Argosy Casino (-15.6%) and Harrah's in Metropolis (-6.6%), both of which were closed for a period of time during FY 2019 due to flooding. Only one casino experienced an increase in adjusted gross receipts in FY 2019: the Rivers Casino in Des Plaines, which was up a meager 0.4%.

In terms of attendance, for the third consecutive year, all of the Illinois casinos saw their admission totals fall in FY 2019. The largest decline came from the Alton Argosy Casino (-16.8%) which, again, was affected by flooding. Despite the growth in AGR, the Rivers Casino in Des Plaines also experienced declines in attendance (down 3.0% in FY 2019). Des Plaines is by far the most attended casino in Illinois with over 2.9 million admissions in FY 2019, representing 27.9% of all casino admissions in Illinois. Still, despite steady performances in its AGR levels in recent years, admission totals from the popular casino have steadily fallen from 3.9 million in FY 2012 to its most recent fiscal year total of 2.9 million.

TABLE 8: RATES OF CHANGE OF ILLINOIS CASINOS											
ADJUSTED GROSS RECEIPTS											
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Des Plaines	N/A	N/A	N/A	N/A	4.2%	2.8%	1.6%	-0.8%	1.1%	2.1%	0.4%
Joliet Harrah's	-16.4%	-13.1%	-6.9%	-8.9%	-4.1%	-5.0%	-0.2%	-5.1%	-1.8%	-1.9%	-2.2%
Elgin	-21.3%	-8.2%	0.0%	-20.8%	-11.1%	-10.5%	-6.3%	0.7%	-2.1%	-2.1%	-3.5%
Joliet Hollywood	-39.4%	22.6%	-5.8%	-8.1%	3.9%	-12.4%	0.2%	1.0%	-4.2%	0.6%	-4.5%
Aurora	-13.8%	-14.0%	-3.5%	-10.4%	-6.6%	-11.7%	-5.1%	-4.4%	1.3%	-3.0%	-2.1%
East St. Louis	-16.6%	-9.5%	-8.4%	3.2%	-2.6%	-9.7%	-8.1%	1.2%	-1.1%	-7.3%	-4.8%
East Peoria	-7.1%	-1.5%	0.8%	0.6%	-3.6%	-10.6%	-6.9%	-7.7%	-8.2%	-1.5%	-4.2%
Metropolis	-19.1%	-8.0%	-11.5%	2.7%	-10.7%	-12.2%	3.7%	-1.4%	-3.2%	-7.7%	-6.6%
Rock Island	56.5%	44.7%	9.8%	5.3%	-2.3%	-9.3%	-0.3%	-0.8%	-5.9%	-3.0%	-4.8%
Alton	-20.3%	-7.8%	-5.5%	-6.2%	-3.4%	-12.7%	-5.4%	-11.0%	-4.2%	-1.7%	-15.6%
TOTAL	-18.3%	-5.0%	-3.8%	21.5%	-2.8%	-6.7%	-1.9%	-2.1%	-1.6%	-1.3%	-2.9%
ADMISSIONS											
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Des Plaines	N/A	N/A	N/A	N/A	-1.2%	-5.5%	-4.7%	-3.4%	-4.7%	-4.8%	-3.0%
Joliet Harrah's	-12.5%	-6.5%	-14.7%	-9.6%	-5.9%	-6.7%	-0.7%	-4.0%	-6.6%	-6.8%	-6.8%
Elgin	-10.8%	-0.2%	-2.9%	-16.2%	-4.9%	-10.1%	-8.8%	1.9%	-3.4%	-6.3%	-7.1%
Joliet Hollywood	-39.9%	23.3%	-3.5%	-5.0%	1.6%	-13.8%	-5.2%	1.6%	-4.9%	-4.4%	-7.1%
Aurora	-7.8%	-5.5%	-2.3%	-3.2%	-6.9%	-14.8%	-5.9%	-5.0%	-1.8%	-5.5%	-2.2%
East St. Louis	-7.5%	-5.0%	-9.4%	-0.8%	-7.7%	-13.9%	-15.0%	-6.5%	-6.8%	-12.4%	-7.2%
East Peoria	-1.9%	-1.3%	-5.5%	-3.9%	-4.2%	-10.1%	-3.9%	-7.8%	-12.2%	-7.6%	-3.4%
Metropolis	-15.5%	-3.9%	-19.6%	0.0%	-12.9%	-12.6%	11.7%	-6.6%	-14.1%	-14.0%	-8.4%
Rock Island	63.3%	30.1%	6.3%	-5.3%	-3.7%	-12.0%	-3.2%	-4.4%	-5.1%	-3.2%	-9.0%
Alton	-12.8%	-4.2%	-11.2%	-8.4%	-9.1%	-14.3%	-10.8%	-14.9%	-4.3%	-3.7%	-16.8%
TOTAL	-10.7%	0.6%	-7.1%	22.7%	-4.6%	-10.2%	-5.3%	-4.1%	-5.8%	-6.4%	-5.9%

SOURCE: ILLINOIS GAMING BOARD

Tax Revenue Analysis

The amount of tax revenues collected from Illinois casinos is directly related to each casino's adjusted gross receipts and admissions. Casinos 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 -3.3% in FY 2019. When including the statutory distributions from the Des Plaines Casino, the falloff worsens to -4.1%.

TABLE 9: ANNUAL PERCENT CHANGE OF CASINO STATE REVENUES								
Comparison of FY 2016 thru FY 2019								
\$ in millions								
	FY 2016 STATE REVENUE	Annual % change	FY 2017 STATE REVENUE	Annual % change	FY 2018 STATE REVENUE	Annual % change	FY 2019 STATE REVENUE	Annual % change
Des Plaines*	\$163.4	-1.1%	\$165.2	1.1%	\$169.0	2.3%	\$169.6	0.3%
Joliet Harrah's	\$53.0	-7.8%	\$51.7	-2.6%	\$50.4	-2.4%	\$48.5	-3.7%
Elgin	\$46.6	0.7%	\$44.5	-4.4%	\$44.0	-1.1%	\$41.2	-6.2%
Joliet Hollywood	\$29.8	2.0%	\$28.1	-5.7%	\$28.4	0.9%	\$26.5	-6.7%
Aurora	\$28.0	-6.4%	\$28.2	0.9%	\$27.3	-3.1%	\$26.3	-3.7%
East St. Louis	\$24.2	-1.8%	\$24.2	0.0%	\$21.4	-11.4%	\$19.8	-7.3%
East Peoria	\$17.8	-9.3%	\$15.6	-12.4%	\$14.9	-4.4%	\$14.0	-6.0%
Metropolis	\$15.9	-0.8%	\$15.0	-6.0%	\$13.7	-8.8%	\$12.1	-11.3%
Rock Island	\$14.0	-1.1%	\$13.0	-6.8%	\$12.3	-5.3%	\$11.6	-6.3%
Alton	\$8.2	-14.3%	\$7.7	-7.0%	\$7.4	-2.7%	\$6.5	-13.3%
TOTAL	\$400.8	-2.7%	\$393.0	-1.9%	\$388.8	-1.1%	\$376.1	-3.3%
Des Plaines Distributions*:	<u>-\$76.7</u>		<u>-\$76.8</u>		<u>-\$77.0</u>		<u>-\$77.0</u>	
Total after Distributions:	\$324.1	-3.3%	\$316.2	-2.4%	\$311.8	-1.4%	\$299.0	-4.1%

* During the years shown, of the State revenues generated by Des Plaines, Chicago State University annually received \$1.6 million per year, the School Infrastructure Fund received \$66.4 million per year, and the Cook County Criminal Justice System received 2% of Des Plaines' AGR.

Source: Illinois Gaming Board Monthly Riverboat Casino Report

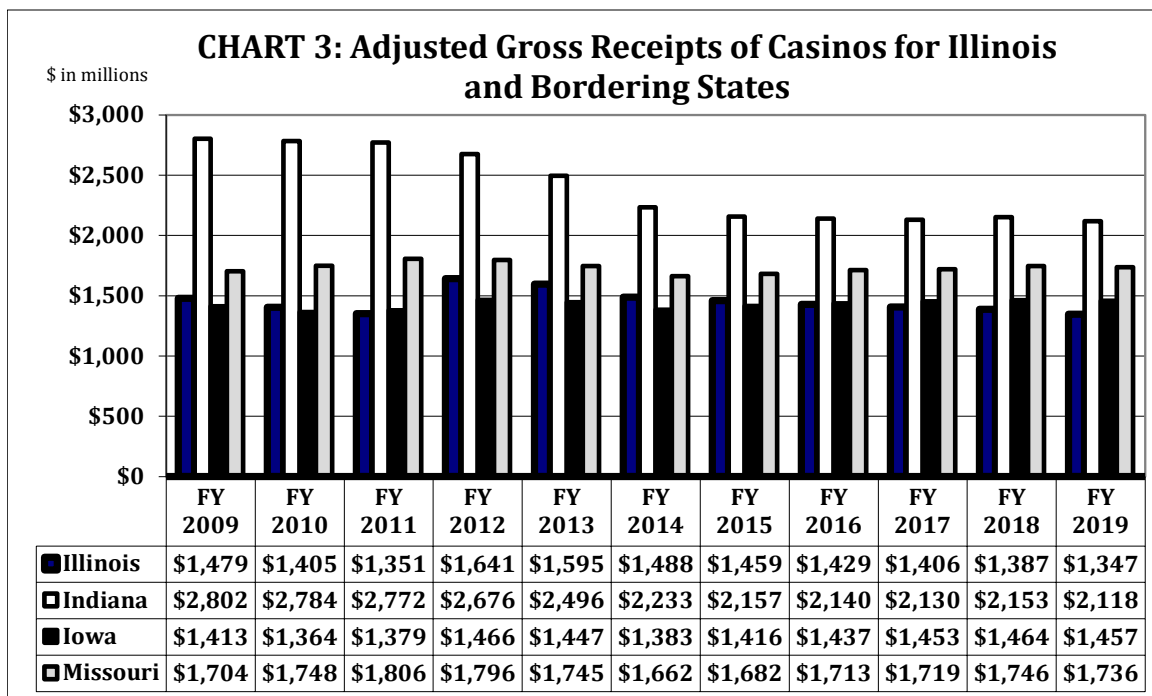
The rate of change in State revenues will often be more pronounced than the change in AGR because lower AGR totals lead to a lower operating tax rate under the graduated tax structure. For example, East Peoria, which over the past three fiscal years has seen declines in its AGR of -8.2%, -1.5%, and -4.2%, has had its State tax revenue totals decline -12.4%, -4.4%, and -6.0%. East Peoria's operating tax rate has been effectively reduced from 25.2% to 21.8% over the last five years due to this reduction in its adjusted gross receipts. A table displaying each casino's operating tax rates since FY 2014 is shown below. As shown, the statewide average operating tax rate came in at 26.2% in FY 2019. This metric has been on a steady downward trend over the last several years from its FY 2013 operating tax rate of 28.7%.

TABLE 10: OPERATING TAX RATES FOR ILLINOIS CASINOS						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Des Plaines	41.8%	42.0%	41.9%	42.0%	42.2%	42.2%
Joliet Harrah's	33.0%	32.8%	31.9%	31.7%	31.7%	31.3%
Elgin	32.4%	30.8%	30.8%	30.1%	30.5%	29.8%
Joliet Hollywood	28.3%	27.2%	26.7%	26.6%	26.6%	26.3%
Aurora	27.5%	26.8%	27.0%	26.7%	26.8%	26.4%
East St. Louis	26.9%	25.6%	25.1%	25.4%	24.6%	24.1%
East Peoria	25.2%	23.9%	23.5%	22.7%	22.2%	21.8%
Metropolis	23.0%	22.6%	22.8%	22.4%	22.3%	21.3%
Rock Island	21.1%	20.5%	20.6%	20.4%	19.9%	19.8%
Alton	20.6%	19.8%	19.2%	18.8%	18.6%	19.1%
Average Tax Rate	28.0%	27.2%	26.9%	26.7%	26.5%	26.2%

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 following page, provides a statistical summary of how it compares with its direct competitors: Indiana, Missouri, and Iowa. The table includes 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 six years, growth rates, number of positions, and the amount of AGR-per-position-per-day that each casino generates.

The chart below graphically displays the AGR of these Midwestern states over the past decade. After being a “leader” for years in this region, Illinois’ status has fallen over time. FY 2011 was the first fiscal year that Illinois had the lowest amount of gaming revenue of the casino-operating states in the Midwest. The addition of Des Plaines to Illinois’ casino market in FY 2012 helped Illinois temporarily elevate above Iowa for a couple of years. However, Illinois’ recent decline in casino revenues has again caused the state to fall to the fourth highest AGR total in the Midwest for the past four years with a FY 2019 AGR total of \$1.347 billion, behind Indiana (\$2.118 B), Missouri (\$1.736 B), and Iowa (\$1.457 B).



All of these states experienced declines in their AGR in FY 2013 and in FY 2014. Since experiencing these years of declining revenues, Iowa and Missouri saw AGR levels improve slightly between FY 2015 and FY 2018, but both saw modest losses (less than 1%) in FY 2019. Indiana’s AGR has decreased in nine of the last ten fiscal years. Again, Illinois experienced its seventh consecutive fiscal year of declining revenues in FY 2019. It is likely no coincidence that the recent trend of stagnating or declining revenues across the Midwest has occurred during the same period that video gaming has taken off across Illinois.

Table 11: Statistical Summary of the Midwestern Gaming States

\$ in millions

ILLINOIS CASINOS												
\$ IN MILLIONS	Casino Type	Region	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	1-Yr.	5-Yr.	June 2019	AGR/
			AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Positions	Pos/Day
ALTON ARGOSY - Alton	Casino	St. Louis	\$59.8	\$56.6	\$50.4	\$48.3	\$47.4	\$40.0	-15.6%	-33.1%	731	\$150
PAR-A-DICE - E. Peoria	Casino	Central IL	\$100.1	\$93.2	\$86.0	\$78.9	\$77.7	\$74.5	-4.2%	-25.6%	943	\$216
JUMER'S - Rock Island	Casino	Quad City	\$77.6	\$77.3	\$76.7	\$72.1	\$70.0	\$66.7	-4.8%	-14.1%	903	\$202
HOLLYWOOD CASINO - Joliet	Casino	Chicago	\$123.6	\$123.9	\$125.2	\$120.0	\$120.7	\$115.2	-4.5%	-6.8%	1,080	\$292
HARRAH'S - Metropolis	Casino	S. Illinois	\$80.6	\$83.6	\$82.4	\$79.7	\$73.6	\$68.7	-6.6%	-14.7%	887	\$212
HARRAH'S - Joliet	Casino	Chicago	\$196.2	\$195.8	\$185.8	\$182.6	\$179.1	\$175.2	-2.2%	-10.7%	1,187	\$404
HOLLYWOOD CASINO - Aurora	Casino	Chicago	\$131.8	\$125.1	\$119.7	\$121.2	\$117.6	\$115.1	-2.1%	-12.6%	1,120	\$282
CASINO QUEEN - E. St. Louis	Casino	St. Louis	\$116.2	\$106.8	\$108.1	\$107.0	\$99.1	\$94.3	-4.8%	-18.8%	1,057	\$245
GRAND VICTORIA - Elgin	Casino	Chicago	\$180.2	\$168.8	\$170.0	\$166.4	\$162.9	\$157.2	-3.5%	-12.8%	1,200	\$359
RIVERS CASINO - Des Plaines	Casino	Chicago	\$421.5	\$428.2	\$424.7	\$429.3	\$438.5	\$440.1	0.4%	4.4%	1,200	\$1,005
TOTALS			\$1,487.6	\$1,459.4	\$1,428.9	\$1,405.6	\$1,386.7	\$1,347.1	-2.9%	-9.4%	10,307	\$358
CHICAGO REGION TOTALS			\$1,053.3	\$1,041.9	\$1,025.4	\$1,019.5	\$1,018.8	\$1,002.8	-1.6%	-4.8%	5,786	\$475
CHICAGO REGION W/O DES PLAINES			\$631.8	\$613.7	\$600.7	\$590.2	\$580.3	\$562.7	-3.0%	-10.9%	4,587	\$336
ST. LOUIS REGION TOTALS			\$176.1	\$163.4	\$158.5	\$155.3	\$146.6	\$134.4	-8.3%	-23.7%	1,788	\$206
INDIANA CASINOS												
\$ IN MILLIONS	Casino Type	Region (*near IL)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	1-Yr.	5-Yr.	June 2019	AGR/
			AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Positions	Pos/Day
AMERISTAR - East Chicago	Casino	NW Indiana*	\$208.7	\$221.2	\$222.8	\$204.1	\$208.5	\$211.5	1.4%	1.3%	1,998	\$290
HOLLYWOOD - Lawrenceburg	Casino	SE Indiana	\$214.5	\$179.2	\$168.4	\$162.9	\$167.7	\$163.2	-2.7%	-23.9%	1,805	\$248
BELTERRA - Switzerland County	Casino	SE Indiana	\$113.2	\$110.1	\$103.2	\$111.2	\$109.2	\$108.6	-0.6%	-4.1%	1,279	\$233
BLUE CHIP - Michigan City	Casino	NW Indiana*	\$149.7	\$152.5	\$155.1	\$152.6	\$146.4	\$146.5	0.1%	-2.1%	1,762	\$228
TROPICANA - Evansville	Casino	S. Indiana	\$111.4	\$115.6	\$119.4	\$120.7	\$142.3	\$142.0	-0.2%	27.5%	1,226	\$317
FRENCH LUCK - French Lick	Casino	S. Indiana	\$68.4	\$71.0	\$77.5	\$85.4	\$86.3	\$90.1	4.5%	31.7%	970	\$255
RISING STAR - Rising Sun	Casino	SE Indiana	\$54.7	\$43.7	\$45.0	\$45.8	\$44.9	\$42.6	-5.2%	-22.1%	921	\$127
HOOSIER PARK - Anderson	Racino	Central IN	\$201.6	\$198.4	\$204.1	\$209.5	\$208.8	\$212.0	1.5%	5.2%	1,424	\$408
HORSESHOE - Hammond	Casino	NW Indiana*	\$455.8	\$427.5	\$412.0	\$399.3	\$401.4	\$380.2	-5.3%	-16.6%	2,751	\$379
HORSESHOE - Harrison County	Casino	S. Indiana	\$257.8	\$247.6	\$244.0	\$242.1	\$238.0	\$216.5	-9.0%	-16.0%	1,961	\$302
INDIANA GRAND - Shelbyville	Racino	Central IN	\$236.2	\$239.3	\$245.3	\$256.1	\$261.1	\$268.5	2.8%	13.7%	1,865	\$395
MAJESTIC STAR - Gary	Casino	NW Indiana*	\$93.5	\$87.4	\$83.8	\$86.2	\$84.3	\$81.3	-3.6%	-13.1%	971	\$229
MAJESTIC STAR II - Gary	Casino	NW Indiana*	\$67.6	\$63.2	\$60.1	\$54.5	\$53.7	\$55.4	3.0%	-18.1%	817	\$186
TOTALS			\$2,232.9	\$2,156.7	\$2,140.5	\$2,130.4	\$2,152.6	\$2,118.2	-1.6%	-5.1%	19,749	\$294
CHICAGO REGION AREA TOTALS			\$975.2	\$951.8	\$933.7	\$896.7	\$894.3	\$874.7	-2.2%	-10.3%	8,299	\$289
Composition of Chicago Region:			48.1%	47.7%	47.7%	46.8%	46.7%	46.6%				
TOTAL CASINOS			\$1,795.1	\$1,719.0	\$1,691.1	\$1,664.8	\$1,682.7	\$1,637.7	-2.7%	-8.8%	16,460	\$273
TOTAL RACINOS			\$437.8	\$437.7	\$449.4	\$465.5	\$470.0	\$480.5	2.2%	9.8%	3,289	\$400
MISSOURI CASINOS												
\$ IN MILLIONS	Casino Type	Region (*near IL)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	1-Yr.	5-Yr.	June 2019	AGR/
			AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Positions	Pos/Day
ARGOSY - Riverside	Casino	Kansas City	\$142.9	\$141.8	\$151.2	\$155.6	\$165.6	\$165.3	-0.2%	15.7%	1,419	\$319
ISLE OF CAPRI - Boonville	Casino	Central MO	\$78.0	\$81.6	\$81.6	\$81.5	\$80.2	\$78.6	-1.9%	0.8%	887	\$243
LADY LUCK - Caruthersville	Casino	SE Missouri	\$31.1	\$34.2	\$37.1	\$36.9	\$37.3	\$37.4	0.2%	20.0%	515	\$199
HOLLYWOOD - Maryland Hts	Casino	St. Louis*	\$223.4	\$218.9	\$228.5	\$239.1	\$236.1	\$233.5	-1.1%	4.5%	2,228	\$287
HARRAH'S - North Kansas City	Casino	Kansas City	\$175.1	\$174.6	\$172.9	\$169.6	\$174.2	\$177.7	2.0%	1.5%	1,500	\$325
ISLE OF CAPRI - Kansas City	Casino	Kansas City	\$75.6	\$77.7	\$77.4	\$75.0	\$70.2	\$66.4	-5.3%	-12.1%	912	\$200
LUMIERE PLACE - St. Louis	Casino	St. Louis*	\$145.0	\$136.0	\$138.1	\$140.5	\$159.9	\$162.1	1.4%	11.8%	1,537	\$289
AMERISTAR - Kansas City	Casino	Kansas City	\$197.6	\$196.2	\$199.9	\$194.3	\$191.5	\$195.1	1.9%	-1.2%	2,243	\$238
RIVER CITY - St. Louis	Casino	St. Louis*	\$207.6	\$216.0	\$223.7	\$224.9	\$224.4	\$220.3	-1.8%	6.1%	2,021	\$299
MARK TWAIN - LaGrange	Casino	E. Missouri*	\$36.6	\$36.1	\$36.1	\$34.3	\$33.6	\$31.0	-7.8%	-15.4%	454	\$187
AMERISTAR - St. Charles	Casino	St. Louis*	\$254.4	\$266.0	\$262.2	\$261.3	\$264.6	\$268.7	1.5%	5.7%	2,548	\$289
FRONTIER - St. Joseph	Casino	NW Missouri	\$37.9	\$40.0	\$39.6	\$40.1	\$43.0	\$37.7	-12.2%	-0.5%	432	\$239
ISLE OF CAPRI - Cape Girardeau	Casino	E. Missouri*	\$57.3	\$63.0	\$64.8	\$65.9	\$65.0	\$61.8	-4.9%	7.9%	891	\$190
TOTALS			\$1,662.5	\$1,682.1	\$1,713.1	\$1,718.9	\$1,745.6	\$1,735.8	-0.6%	4.4%	17,586	\$270
ST LOUIS REGION TOTALS			\$830.4	\$836.8	\$852.5	\$865.8	\$885.1	\$884.7	0.0%	6.5%	8,334	\$291
Composition of St. Louis Region:			82.5%	83.7%	84.3%	84.8%	85.8%	86.8%				
IOWA CASINOS												
\$ IN MILLIONS	Casino Type	Region (*near IL)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	1-Yr.	5-Yr.	June 2019	AGR/
			AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Positions	Pos/Day
AMERISTAR - Council Bluffs	Casino	W. Iowa	\$163.7	\$168.6	\$169.0	\$171.4	\$170.1	\$163.9	-3.6%	0.1%	1,541	\$291
ARGOSY - Sioux City	Casino	NW Iowa	\$48.0	\$3.1	\$0.0	\$0.0	\$0.0	N/A	N/A	N/A	-	N/A
CASINO QUEEN - Marquette	Casino	NE Iowa	\$26.7	\$28.6	\$27.1	\$26.4	\$23.8	\$21.6	-8.9%	-19.0%	455	\$130
CATFISH BEND - Burlington	Casino	E. Iowa*	\$38.3	\$42.0	\$43.8	\$41.7	\$39.3	\$39.6	0.8%	3.5%	681	\$159
DIAMOND JO - Dubuque	Casino	E. Iowa*	\$63.6	\$63.9	\$67.6	\$66.9	\$69.1	\$69.1	0.0%	8.8%	922	\$205
DIAMOND JO - Northwood	Casino	N. Iowa	\$84.2	\$84.3	\$86.5	\$85.2	\$84.8	\$84.5	-0.3%	0.4%	991	\$234
GRAND FALLS - Larchwood	Casino	NW Iowa	\$59.2	\$58.2	\$55.7	\$54.8	\$56.2	\$61.5	9.4%	3.9%	914	\$184
HARD ROCK CASINO - Sioux City	Casino	W. Iowa	\$0.0	\$70.1	\$83.2	\$77.0	\$80.9	\$76.0	-6.1%	N/A	929	\$224
HARRAH'S - Council Bluffs	Casino	W. Iowa	\$73.9	\$74.1	\$70.6	\$71.3	\$73.1	\$71.3	-2.5%	-3.5%	598	\$326
HORSESHOE CASINO - Council Bluffs	Racino	W. Iowa	\$192.8	\$183.5	\$175.6	\$172.1	\$176.9	\$168.5	-4.7%	-12.6%	1,596	\$289
ISLE OF CAPRI - Bettendorf	Casino	Quad City*	\$70.2	\$68.5	\$69.7	\$77.5	\$69.8	\$66.0	-5.4%	-6.0%	967	\$187
ISLE CASINO - Waterloo	Casino	Central IA	\$85.1	\$88.9	\$89.6	\$87.0	\$85.3	\$83.7	-1.8%	-1.6%	994	\$231
LAKESIDE - Osceola	Casino	Central IA	\$49.3	\$51.7	\$49.4	\$48.1	\$46.1	\$47.2	2.3%	-4.4%	637	\$203
PRAIRIE MEADOWS - Altoona	Racino	Central IA	\$181.0	\$186.1	\$182.5	\$190.2	\$201.2	\$206.5	2.7%	14.1%	1,794	\$315
Q CASINO - Dubuque	Racino	E. Iowa*	\$51.1	\$50.8	\$48.8	\$47.6	\$47.8	\$50.5	5.5%	-1.3%	846	\$163
RHYTHM CITY - Davenport	Casino	Quad City*	\$44.4	\$43.1	\$43.9	\$61.9	\$67.0	\$71.2	6.3%	60.2%	883	\$221
RIVERSIDE CASINO - Riverside	Casino	Central IA	\$87.7	\$86.7	\$85.2	\$85.7	\$85.8	\$90.1	5.0%	2.7%	1,025	\$241
WILD ROSE - Clinton	Casino	E. Iowa*	\$32.8	\$32.9	\$32.9	\$31.4	\$30.2	\$29.3	-2.8%	-10.8%	555	\$145
WILD ROSE - Emmetsburg	Casino	N. Iowa	\$31.0	\$30.5	\$29.0	\$28.4	\$28.3	\$27.4	-3.3%	-11.7%	491	\$153
WILD ROSE - Jefferson	Casino	Central IA	\$0.0	\$0.0	\$26.9	\$28.2	\$28.2	\$29.1	3.4%	N/A	533	\$150
TOTALS			\$1,383.0	\$1,415.5	\$1,437.1	\$1,452.9	\$1,463.8	\$1,457.0	-0.5%	5.4%	17,353	\$230
QUAD CITY REGION TOTALS			\$114.7	\$111.6	\$113.6	\$139.4	\$136.7	\$137.2	0.3%	19.6%	1,850	\$203
OTHER CASINOS BORDERING ILLINOIS			\$185.8	\$189.6	\$193.1	\$187.6	\$186.5	\$188.5	1.1%	1.5%	3,004	\$172
AGR Composition of Casinos on IA/IL Border:			79.5%	79.6%	80.0%	81.9%	82.2%	83.0%				
TOTAL CASINOS			\$958.1	\$995.2	\$1,030.2	\$1,042.9	\$1,037.9	\$1,031.5	-0.6%	7.7%	15,812	\$179
TOTAL RACINOS			\$424.9	\$420.3	\$407.0	\$410.0	\$426.0	\$425.5	-0.1%	0.2%	4,236	\$275

Below, and on the following page, is an overview of the casino industry involving Illinois' gaming competitors.

Indiana

- Despite having a population of about half the size of Illinois, Indiana's AGR totals of its casinos continue to be higher than Illinois. In FY 2019, Indiana's total was \$2.118 billion compared to Illinois' total of \$1.347 billion. However, its AGR is 24.4% below the \$2.802 billion it generated in FY 2009. The five Chicago Area casinos in Indiana have seen their numbers falter in recent years (-10.3% over the last five years), but still makes up 46.6% of the Chicago area casino market.
- Indiana hopes to revitalize their casino figures via a new "Hard Rock" casino in Lake County, which will replace the Majestic Star casinos currently located in Gary. The new casino, which is set to open in 2021 or 2022, will be located adjacent to the Borman Expressway (I-94) at Burr Street and 29th Avenue, thereby making it easily accessible from the south suburbs. This casino will be in direct competition with many of the Illinois casinos in that area, especially the new casino authorized in the south suburbs of Cook County.
- A new casino has also been authorized to be located in Vigo County near Terre Haute. If built, this casino will lie minutes from Illinois' border and will bring competition for the new Illinois casino approved for Danville.
- Indiana casinos also hope to generate revenues in the near future by way of sports betting. This new gaming format is anticipated to be available at 13 state licensed casinos and 3 off-track betting parlors as early as September 2019.

Missouri

- Adjusted Gross Receipts from Missouri casinos fell slightly (-0.6%) in FY 2019 and have been relatively stagnant (+4.4%) over the past five fiscal years. The four St. Louis area casinos near the Illinois border remained flat over the past fiscal year (\$885M), but have increased 6.5% over the past five fiscal years. Nearly 87% of the AGR revenues in this area are collected in Missouri.
- The growth in St. Louis' area AGR may have been more if it were not for the increased competition from video gaming terminals in Illinois. The four Illinois counties closest to St. Louis (Jersey, Madison, Monroe, and St. Clair) had 2,286 video gaming terminals in FY 2019 with net terminal income totaling \$98 million. More competition could soon come to the area with the authorization of a racino at Fairmount Racetrack, which could add as many as 900 new gaming positions to this metropolitan area on the Illinois side of the border.

Iowa

- Despite a much smaller population, the FY 2019 AGR totals were again higher in Iowa (\$1.457 billion) than Illinois (\$1.347 billion). Iowa casinos are up a modest 5.4% over the past five years. On an individual basis, Illinois' Rock Island Casino (\$66.7M) barely outperformed Bettendorf's Isle of Capri (\$66.0M), but was lower than Davenport's Rhythm City (\$71.2M). With two casinos compared to one, Iowa brings in the majority of revenues in this area. An additional \$188.5 million in AGR was brought in by other Iowa casinos near the Illinois border.
- Iowa casinos could see an attendance and revenue boost in the coming months due to the recent approval of sports betting at casinos. This new gaming format began on August 15, 2019.

Wisconsin

- While Wisconsin does not have public casinos, it does have a number of tribal gaming facilities throughout its state. The closest Wisconsin casinos to Illinois' border currently reside in Milwaukee and Madison.
- However, there is a proposal to bring a casino to the city of Beloit (just north of Rockford) which could potentially be approved in the near future. If approved, the construction of this facility would reportedly start in 2020 and could be completed by 2021. This \$405 million casino project would be located across from the Wisconsin Welcome Center, just past the Illinois border, along I-39/I-90. This casino would be in direct competition with Illinois' newly authorized casino location in Rockford.
- Another proposal for the city of Kenosha, a few miles north of Waukegan, was rejected by Wisconsin Governor Scott Walker in 2015.

Michigan

- While Michigan's large public casinos reside relatively far from Illinois in Detroit, the state does have a number of tribal casinos. One of those casinos, the Four Winds Casino, is located off of I-94 and is approximately 90 minutes from Chicago in New Buffalo, Michigan. While somewhat far from Chicago, the casino offers low-cost shuttles from several Illinois locations to entice gamblers to its venue.

Nationwide Gaming Perspective

From a national perspective, revenues from gaming (including racetrack casinos, riverboat casinos, and video gaming) have seen modest amounts of growth over the past several years. Looking at the top gaming states in the country (commercial gaming) as a whole, gaming revenues have grown at an average rate of 1.8% over the past five years. Though, in recent years, the growth has been “above average” with increases of 3.2% and 3.1% in CY 2017 and CY 2018, respectively.

Nevada remains, by far, the largest commercial gaming state in the country (\$11.917 billion in CY 2018), followed by Pennsylvania (\$3.249 billion), Louisiana (\$3.157 billion, when including video gaming), and Illinois (\$2.875 billion, when including video gaming). Tables displaying a recent history of gaming dollars for the Midwest and other prominent gaming states on a calendar year basis are shown in the table below.

Table 12: AGR from Commercial Gaming													
(Including Casinos, Racinos, and Video Gaming Revenues)													
\$ in billions													
	(Midwest States)				(Other Prominent Gaming States)								
CY	IL*	IN	IA	MO	LA*	MI	MS	NV	NJ	NY	Ohio	PA	Total**
2010	\$1.374	\$2.794	\$1.368	\$1.788	\$2.984	\$1.378	\$2.389	\$10.405	\$3.261	\$1.083	\$0.000	\$2.486	\$31.310
2011	\$1.477	\$2.721	\$1.424	\$1.805	\$2.981	\$1.424	\$2.239	\$10.701	\$2.951	\$1.255	\$0.000	\$3.025	\$32.003
2012	\$1.651	\$2.636	\$1.467	\$1.769	\$3.014	\$1.417	\$2.251	\$10.861	\$2.707	\$1.797	\$0.430	\$3.158	\$33.158
2013	\$1.853	\$2.332	\$1.420	\$1.707	\$3.042	\$1.350	\$2.137	\$11.143	\$2.860	\$1.928	\$1.071	\$3.114	\$33.954
2014	\$2.125	\$2.157	\$1.391	\$1.660	\$3.064	\$1.333	\$2.068	\$11.019	\$2.616	\$1.902	\$1.448	\$3.069	\$33.852
2015	\$2.352	\$2.142	\$1.424	\$1.702	\$3.242	\$1.376	\$2.097	\$11.114	\$2.414	\$1.950	\$1.644	\$3.174	\$34.632
2016	\$2.523	\$2.125	\$1.446	\$1.714	\$3.115	\$1.386	\$2.122	\$11.257	\$2.280	\$2.016	\$1.691	\$3.213	\$34.889
2017	\$2.711	\$2.153	\$1.463	\$1.738	\$3.137	\$1.401	\$2.080	\$11.571	\$2.413	\$2.348	\$1.776	\$3.227	\$36.018
2018	\$2.875	\$2.151	\$1.467	\$1.754	\$3.157	\$1.444	\$2.127	\$11.917	\$2.540	\$2.588	\$1.864	\$3.249	\$37.134
Annual % Change													
CY	IL*	IN	IA	MO	LA*	MI	MS	NV	NJ	NY	Ohio	PA	Total**
2010	-3.8%	-0.2%	-0.9%	3.3%	-3.4%	2.9%	-3.1%	0.1%	-17.3%	6.8%	N/A	26.6%	2.5%
2011	7.5%	-2.6%	4.1%	1.0%	-0.1%	3.4%	-6.3%	2.8%	-9.5%	16.0%	N/A	21.7%	2.2%
2012	11.8%	-3.1%	3.0%	-2.0%	1.1%	-0.5%	0.5%	1.5%	-8.2%	43.2%	N/A	4.4%	3.6%
2013	12.2%	-11.5%	-3.2%	-3.5%	0.9%	-4.7%	-5.1%	2.6%	5.6%	7.2%	149.1%	-1.4%	2.4%
2014	14.7%	-7.5%	-2.0%	-2.7%	0.7%	-1.2%	-3.2%	-1.1%	-8.5%	-1.3%	35.3%	-1.4%	-0.3%
2015	10.7%	-0.7%	2.4%	2.5%	5.8%	3.3%	1.4%	0.9%	-7.7%	2.5%	13.5%	3.4%	2.3%
2016	7.2%	-0.8%	1.5%	0.7%	-3.9%	0.7%	1.2%	1.3%	-5.6%	3.4%	2.9%	1.2%	0.7%
2017	7.5%	1.4%	1.1%	1.4%	0.7%	1.1%	-2.0%	2.8%	5.9%	16.5%	5.0%	0.4%	3.2%
2018	6.1%	-0.1%	0.3%	1.0%	0.6%	3.1%	2.2%	3.0%	5.3%	10.2%	4.9%	0.7%	3.1%
5-yr Avg	9.2%	-1.5%	0.7%	0.6%	0.8%	1.4%	-0.1%	1.4%	-2.1%	6.3%	12.3%	0.9%	1.8%

* Includes Video Gaming Revenues

As noted above, before any aspects of the gaming expansion enacted under P.A. 101-0031 are included in gaming totals, Illinois, when including revenues from video gaming, is already the fourth highest state in the nation, in terms of gaming revenues generated. It is estimated that once the proposed changes of the gaming expansion bill are fully implemented, over \$1 billion in additional gaming related revenues could be generated across the State. This will make Illinois the second highest generator of gaming revenues in the nation, trailing only Nevada.

The Future of the Casino Industry and the Anticipated Impact of P.A. 101-0031

Over the past couple of decades, many legislative proposals advocating gaming expansion have been offered by State lawmakers, but, up until 2019, these proposals failed to garner enough support for enactment. However, in June 2019, this all changed as Governor Pritzker signed into law P.A. 101-0031. While this public act makes numerous changes to State law impacting a wide range of tax revenues, this section will focus on the changes that will impact the casino industry.

The question of how much revenue could be generated from gaming expansion is difficult to answer because there are a number of variables that 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 impact of the new taxing structure; and the cannibalization effect on existing facilities.

With these factors in mind, the following paragraphs offer a brief analysis of the principal components of the casino-related changes of P.A. 101-0031. It then discusses the revenue potential from these gaming components upon full implementation. These revenue projections must be viewed in broad terms at this stage of the process because of the many uncertainties (casino locations, gaming positions per location, timeframe of openings, etc.) that have yet to be clarified.

- **New Casino Licenses**

Over the past several years, Illinois has had ten operating casino licenses. The public act increases this number by six, authorizing a large land-based casino in the City of Chicago, as well as five additional casino licenses in Waukegan, the South Suburbs, Rockford, Danville, and in Williamson County. The new casinos, especially the large 4,000 position (max) casino in Chicago, will 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 newly authorized downstate locations would likely be very similar to the other smaller “existing” casinos across the State. This would mean downstate casinos like Danville and Williamson County would see adjusted gross receipts (taxable base) of less than \$75 million per location and would see recurring tax revenues totaling less than \$15 million per location.

The revenue generated from casinos in higher populated locations, such as Waukegan, South Suburbs, and Rockford, is projected to see AGR totals per location between \$100 million and \$150 million upon full implementation. Resulting recurring tax totals would thus total between \$25 million and \$50 million per location under the enacted tax structure.

Because of its anticipated large size, a new 4,000 position casino strategically located near an untapped area of Chicago should exceed Illinois’ highest revenue generating casino, which was Des Plaines in FY 2019 (\$440M), and would rival

other large casinos across the country. To put a Chicago casino's revenue potential into perspective, below are the top 25 casinos in the Great Lakes Region in terms of AGR for FY 2019.

Table 13: Statistical Summary of the Top 25 Revenue Generating Casinos in the Great Lakes Region
(Including the States of Illinois, Indiana, Iowa, Michigan, Missouri, Ohio, and Pennsylvania)

\$ in millions

Rank	Location	Casino Type	Region (*near IL)	FY 2014 AGR	FY 2015 AGR	FY 2016 AGR	FY 2017 AGR	FY 2018 AGR	FY 2019 AGR	1-Yr. Change	5-Yr. Change	June '19 Positions	AGR/Pos/Day
1	MGM GRAND - Detroit	Casino	Detroit	\$565.5	\$572.0	\$583.2	\$594.6	\$603.2	\$625.3	3.7%	10.6%	3,901	\$439
2	PARX - Bensalem	Racino	Philadelphia	\$478.0	\$507.6	\$543.4	\$556.7	\$586.7	\$607.4	3.5%	27.1%	3,905	\$426
3	WIND CREEK - Bethlehem	Casino	Eastern PA	\$457.6	\$491.9	\$533.5	\$539.3	\$537.8	\$523.7	-2.6%	14.4%	4,071	\$352
4	MOTORCITY CASINO - Detroit	Casino	Detroit	\$443.7	\$459.6	\$465.1	\$474.2	\$484.2	\$489.7	1.1%	10.4%	2,740	\$490
5	RIVERS CASINO - Des Plaines	Casino	Chicago	\$421.5	\$428.2	\$424.7	\$429.3	\$438.5	\$440.1	0.4%	4.4%	1,200	\$1,005
6	HORSESHOE - Hammond	Casino	NW Indiana*	\$455.8	\$427.5	\$412.0	\$399.3	\$401.4	\$380.2	-5.3%	-16.6%	2,751	\$379
7	THE RIVERS - Pittsburgh	Casino	Pittsburgh	\$345.5	\$348.3	\$342.7	\$330.8	\$346.4	\$369.9	6.8%	7.1%	2,932	\$346
8	GREEKTOWN CASINO - Detroit	Casino	Detroit	\$315.1	\$333.4	\$328.4	\$331.4	\$326.6	\$336.5	3.0%	6.8%	3,344	\$276
9	SUGARHOUSE - Philadelphia	Casino	Philadelphia	\$262.0	\$270.2	\$281.8	\$297.6	\$299.1	\$310.3	3.7%	18.4%	2,355	\$361
10	AMERISTAR - St. Charles	Casino	St. Louis*	\$254.4	\$266.0	\$262.2	\$261.3	\$264.6	\$268.7	1.5%	5.7%	2,548	\$289
11	INDIANA GRAND - Shelbyville	Racino	Central IN	\$236.2	\$239.3	\$245.3	\$256.1	\$261.1	\$268.5	2.8%	13.7%	1,865	\$395
12	MGM - Northfield	Racino	Cleveland	\$95.2	\$194.4	\$220.7	\$232.6	\$246.5	\$256.0	3.8%	169.0%	2,037	\$344
13	HARRAH'S - Chester	Racino	Philadelphia	\$293.5	\$284.7	\$282.9	\$266.0	\$264.0	\$255.1	-3.3%	-13.1%	2,662	\$263
14	THE MEADOWS - Washington	Racino	Pittsburgh	\$250.8	\$243.3	\$258.0	\$250.0	\$248.7	\$247.0	-0.7%	-1.5%	3,168	\$214
15	PENN NATIONAL - Grantville	Racino	Central PA	\$251.1	\$249.6	\$247.5	\$245.8	\$242.8	\$242.1	-0.3%	-3.6%	2,202	\$301
16	HOLLYWOOD - Maryland Hts	Casino	St. Louis*	\$223.4	\$218.9	\$228.5	\$239.1	\$236.1	\$233.5	-1.1%	4.5%	2,228	\$287
17	HOLLYWOOD - Columbus	Casino	Columbus	\$206.9	\$209.0	\$212.6	\$216.6	\$224.2	\$227.6	1.5%	10.0%	2,457	\$254
18	MOHEGAN SUN - Wilkes-Barre	Racino	Eastern PA	\$263.8	\$261.6	\$267.4	\$252.0	\$243.6	\$227.5	-6.6%	-13.8%	2,456	\$254
19	RIVER CITY - St. Louis	Casino	St. Louis*	\$207.6	\$216.0	\$223.7	\$224.9	\$224.4	\$220.3	-1.8%	6.1%	2,021	\$299
20	HORSESHOE - Harrison County	Casino	S. Indiana	\$257.8	\$247.6	\$244.0	\$242.1	\$238.0	\$216.5	-9.0%	-16.0%	1,961	\$302
21	HOOSIER PARK - Anderson	Racino	Central IN	\$201.6	\$198.4	\$204.1	\$209.5	\$208.8	\$212.0	1.5%	5.2%	1,424	\$408
22	AMERISTAR - East Chicago	Casino	NW Indiana*	\$208.7	\$221.2	\$222.8	\$204.1	\$208.5	\$211.5	1.4%	1.3%	1,998	\$290
23	JACK - Cincinnati	Casino	Cincinnati	\$210.3	\$192.7	\$197.5	\$190.8	\$202.6	\$207.9	2.6%	-1.1%	2,247	\$253
24	JACK - Cleveland	Casino	Cleveland	\$226.9	\$218.6	\$210.5	\$197.9	\$199.0	\$207.8	4.4%	-8.4%	1,804	\$315
25	PRAIRIE MEADOWS - Altoona	Racino	Central IA	\$181.0	\$186.1	\$182.5	\$190.2	\$201.2	\$206.5	2.7%	14.1%	1,794	\$315

As shown, the casino with the highest amount of AGR in this region in FY 2019 was the MGM Grand in Detroit with adjusted gross receipts totaling \$625 million. Only three casinos in this region had AGR levels above \$500 million (MGM in Detroit, Parx near Philadelphia, and Wind Creek in Bethlehem, PA – near the New Jersey state line). These three casinos have gaming position totals similar to the 4,000 positions the Chicago Casino is authorized to operate. Some believe that a Chicago casino could potentially top the list shown above. However, it must be stressed that this would have to occur at a time that gaming options in the Chicago metropolitan area would be higher than they have ever been before.

Not only will the Chicago Casino compete with the five Illinois casinos that currently reside in the Chicago metro area, including the successful Des Plaines casino (5th on the above list, despite the fact that it has been limited to 1,200 positions), but also with five nearby Indiana casinos, two new suburban casinos (in Waukegan and the South Suburbs), two new racinos (at Arlington and at Hawthorne), as well as competing with over 12,000 video gaming terminals in the Chicago metropolitan area. The top casinos in the previous table have significantly less competition for the gaming dollar than a Chicago Casino will have, which makes Chicago topping this list much more challenging.

Ultimately, the revenue performance of the Chicago Casino, as well as the other casinos, will depend on a multitude of other variables. These variables include the number of gaming positions actually utilized, the location of the new facility, the proximity to competing gaming options, and the marketing decisions of casino owners in lieu of Illinois tax rates that may be higher than imposed on casinos they own in other states.

Aside from the recurring revenues, millions of dollars in one-time revenues could be collected from the development of the new casinos. These revenues are expected to come from the bidding of new licenses, application fees, gaming position fees, and reconciliation payments. While these components could bring in near \$1.0 billion for the State (collected over a number of years) if every aspect of gaming expansion goes according to plan, its precise value remains in question as many of these fees are based on casino performance and future casino operation decisions.

- **The Chicago Feasibility Study**

In August 2019, a feasibility study by Union Gaming Analytics was released in regard to the revenue potential of a casino in the City of Chicago. The report indicates that an AGR total for a Chicago casino could reach between \$600 million and \$800 million, depending on the exact location of the casino. These amounts were based on revenue models that take into account population, nearby income levels, and the ease of accessibility of specific locations. If these higher levels were reached, this would make the Chicago Casino, by far, the largest casino in the Great Lakes Region in terms of adjusted gross receipts.

While acknowledging that these high levels of AGR are possible considering the lack of gaming near the City's downtown, the Commission cautions that these figures may be somewhat ambitious considering the competition that already exists from nearby casinos, the competition from newly authorized locations, and the competition that already exists from nearby video gaming machines (which is not addressed in the feasibility study). Regardless of the ultimate amount, a successful Chicago Casino, in terms of revenues generated, would likely come at the expense of the other competing locations, especially the Illinois casinos in this area. (*This "cannibalization effect" is discussed in further detail later in this section*).

From a tax revenue perspective, a Chicago casino with AGR totals ranging from \$600 million to \$800 million would roughly generate between \$200 million and \$325 million (depending on table game/slot AGR split) from the revised privilege tax structure. In addition, P.A. 101-0031 includes an additional tax on the Chicago Casino equal to 1/3 of the casino's AGR, which would amount to an additional \$200 million to \$267 million using the above scenarios. The revenue from this additional tax would go to the City of Chicago and be used by the City for pension payments.

While the additional AGR tax on the Chicago Casino would, in theory, help alleviate budgetary pressures for the City, there is concern that the combined level of taxes that would be imposed on this casino will significantly reduce the market value of this casino license. When combining the privilege tax and this additional Chicago Casino tax, the combined effective tax rate will be near 72%. Because of this, and the additional fees and costs associated with the development of a casino of this size, Union Gaming Analytics states,

It can be further expected that a casino's operating expenses (e.g. advertising, marketing, payroll, rent, utilities, etc.) can easily approach the equivalent of

30% of AGR, if not higher. Combined with the effective tax rate of 72% yields an expense structure that could exceed casino revenue. Ultimately the additional privilege tax on AGR specific to the City of Chicago results in none of the five sites (originally discussed as location options) being financially feasible. The amount of profit generated relative to total development costs, inclusive of licensing and reconciliation fees, represents at best 1% or 2% return annually, which is not an acceptable rate of return for a casino developer on a greenfield project...(W)e believe a reasonable casino developer would not move forward with a greenfield casino that has, at best, a low single digit profit margin.

If potential owners do not see a path for profitability, it is possible that this highly anticipated casino could fail to obtain bids for its ownership and no casino will be developed. Because of this, there may be a strong push in the near future to alter the new law to make the casino more marketable. But these alterations may come in the form of a reduced tax structure, meaning less tax dollars for a government entity (whether it is to State or local funds). This could lead to a contentious debate among interested parties as areas expecting to receive these revenues will not be eager to relinquish their respective anticipated fund portions.

Of course, it is possible that a developer could make a bid on the Chicago Casino and ignore this study's findings in order to have the right to develop the long-sought casino in the heart of Chicago. However, developers may be challenged from the perspective of finding appropriate financing. Financial institutions may be hesitant to loan out money to projects that cannot guarantee profitability. With that being said, venturing into a project like this may be worth the risk for some who may gamble that follow-up legislative action will occur and tax reductions will follow.

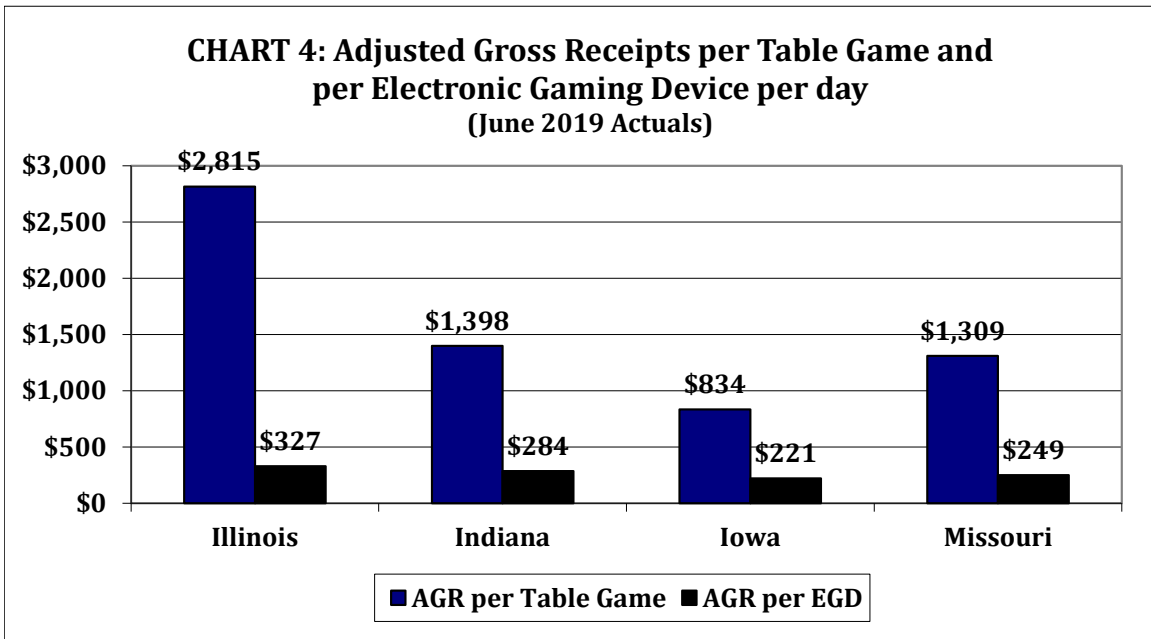
The Illinois Gaming Board is required by the Illinois Gambling Act to make a determination within 90 days of the study's release whether to recommend to the General Assembly that it modify the terms of the Chicago casino license as enacted in P.A. 101-0031. This decision could significantly impact the direction and magnitude that developers may take in pursuing the Chicago gaming license.

- **Additional Gaming Position Purchasing Option**

For years, many have argued that Illinois casinos have been at a competitive disadvantage with other states because State law limited their gaming positions to 1,200 per casino. The capping of the number of slots and table games that a casino may operate prevents them from increasing certain games that are in demand. At popular locations, this position limit often creates waiting times for the more sought-after games during the peak hours and creates a disincentive for the would-be gambler. This has caused some gamblers to spend their money elsewhere, thereby, creating missed opportunities for revenues.

To illustrate how Illinois gaming limits have impacted the State's revenue potential, the following graph displays the AGR per Table Game (per day) and the AGR per EGD (per day) for each of the Midwestern casino states for June 2019 (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 \$2,815 compared to Indiana's value of \$1,398, Iowa's value of \$834, and Missouri's value of \$1,309.



The position limit impact in Illinois is especially strong when looking at the Rivers Casino in Des Plaines. Rivers, like all Illinois casinos, has been maxed out at 1,200 gaming positions since its inception and had an average overall AGR/position/day value of \$1,005. As shown in Table 13 on page 24, this value is significantly higher than every other casino in the Great Lakes Region. Indiana's largest revenue producer, Hammond Horseshoe, in June 2019 yielded a comparative value of \$379 with its 2,751 positions. Despite the large discrepancy in gaming positions, Des Plaines generated a higher AGR amount in FY 2019 (\$442M) than Hammond (\$393M). Proponents would contend that Des Plaines' AGR totals would have surpassed Hammond by a much greater margin if they were allowed more gaming positions to maximize revenues.

In light of this occurrence and as a way for existing casinos to respond to the upcoming competition, P.A. 101-0031 authorizes casinos the opportunity to increase their available gaming positions from 1,200 positions to as many as 2,000 positions. The casinos must purchase these positions at a cost of \$17,500 per position for licenses not located in Cook County and \$30,000 per position for licenses located in Cook County. It is expected that Des Plaines, because of their high AGR/position/day figures, will take full advantage of this opportunity to purchase additional positions.

With that being said, despite the opportunity to increase their gaming positions, it is assumed that most, if not all, of the remaining casinos will decline this opportunity. This is because the recent figures show that only 3 of the 10 Illinois casinos are currently at or near the maximum limit of 1,200 gaming positions (Joliet Harrah's:

1,187; Elgin: 1,200; Des Plaines: 1,200). Aside from Des Plaines, there is very little incentive for these casinos to spend the money to operate additional gaming positions, especially in light of the looming additional competition that will soon be added throughout Illinois. While there is a window of opportunity for casinos like Elgin and Joliet Harrah's to attempt to profit on additional gaming positions before the new competing casinos are built and become operational, that time will likely be short lived. Whether this window is worth the extra investment in purchasing more positions will be seen in the months to come.

- **Casinos at Racetracks (Racinos)**

A growing area of gaming throughout the country is the development of racetrack casinos or racinos as they are often referred. The latest "State of the States" report by the American Gaming Association indicated that fourteen states have racinos. Most operate their gaming facilities similar to traditional casinos, but a few offer gaming in the form of video lottery terminals.

Illinois' horse racing industry has lobbied for years for Illinois to join other states and allow casinos at its horse tracks. P.A. 101-0031 allowed this idea to become a reality as the Act authorizes both electronic gaming and table games at Illinois' three operating racetracks. The number of gaming positions at these locations is set as follows: Arlington: 1,200 positions; Hawthorne: 1,200 positions; and Fairmount: 900 positions. In addition, the Act would allow for an additional 1,200 position racetrack casino located in Cook County in the future if it meets certain racing and licensing requirements. The amount of positions that will ultimately be put into operation at these potential racino sites remains to be seen.

Proponents have contended for years that not only would racetrack casinos bring additional revenues to the State, but it would also assist in revitalizing the horse racing industry in Illinois. As noted throughout this report, Illinois' horse racing industry is on a decidedly downward trend. Illinois' total handle amount of \$574 million in CY 2018 is 30% lower than it was just a decade ago.

The racing community says that it is no coincidence that Illinois' declining revenues have come at the same time that the numbers of racetrack casinos have increased in other states throughout the nation. As attendance at racetracks increase, so does their revenue, which allows them to offer larger purses. These larger purses at other tracks have persuaded many participants to forgo Illinois' races and attend races in other states.

Two neighboring states, Indiana and Iowa, have operated racinos for several years now. 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 2019, a combined \$480 million was generated from these casinos. Iowa generated a combined \$426 million in adjusted gross receipts in FY 2019 from its three locations in Council Bluffs, Altoona, and Dubuque.

Other casinos in the Great Lakes region that have benefitted from racinos include Ohio and Pennsylvania. Ohio's seven racinos generated a total of \$1.059 billion in AGR in FY 2019 with individual location totals ranging from \$85 million to \$256 million. Pennsylvania's six racinos generated a total of \$1.709 billion in AGR in FY 2019 with individual totals ranging from \$130 million to \$607 million. A table displaying AGR totals of all of the racinos in the Great Lakes Region is shown below.

Racino	Location	FY 2017 AGR (in mil.)	FY 2018 AGR (in mil.)	FY 2019 AGR (in mil.)	Est. Gaming Positions (June '19)	AGR/Slot/ Day
Parx Casino	Bensalem, PA	\$556.7	\$586.7	\$607.4	3,905	\$412
Indiana Grand	Shelbyville, IN	\$256.1	\$261.1	\$268.5	1,865	\$384
MGM	Northfield, OH	\$232.6	\$246.5	\$256.0	2,037	\$332
Harrah's Chester Casino	Chester, PA	\$266.0	\$264.0	\$255.1	2,662	\$272
The Meadows Racetrack & Casino	Washington, PA	\$250.0	\$248.7	\$247.0	3,168	\$215
Hollywood Casino at Penn National	Grantville, PA	\$245.8	\$242.8	\$242.1	2,202	\$302
Mohegan Sun at Pocono Downs	Wilkes-Barre, PA	\$252.0	\$243.6	\$227.5	2,456	\$272
Hoosier Park	Anderson, IN	\$209.5	\$208.8	\$212.0	1,424	\$402
Prairie Meadows	Altoona, IA	\$190.2	\$201.2	\$206.5	1,794	\$307
Scioto Downs	Columbus, OH	\$153.2	\$168.3	\$178.3	2,207	\$209
Miama Valley	Lebanon, OH	\$143.8	\$151.6	\$171.6	1,739	\$239
Horseshoe Casino	Council Bluffs, IA	\$172.1	\$176.9	\$168.5	1,596	\$304
Jack Thistletown	Cleveland, OH	\$115.7	\$121.4	\$133.6	1,327	\$251
Presque Isle Downs Casino	Erie, PA	\$127.1	\$128.3	\$129.6	1,615	\$218
Hollywood - Mahoning Valley	Mahoning Valley, OH	\$106.6	\$115.3	\$123.8	991	\$319
Hollywood - Dayton	Dayton, OH	\$95.0	\$103.5	\$110.7	959	\$296
Belterra Park	Cincinnati, OH	\$79.9	\$80.7	\$84.7	1,238	\$179
Q Casino*	Dubuque, IA	\$47.6	\$47.8	\$50.5	846	\$155

* The Q Casino is located at a greyhound race track. All other locations on this list are horse tracks.

How much revenue could Illinois realize from its newly authorized racinos? Again, this is difficult to answer. As shown in the above table, the revenue discrepancy between the racinos in the Great Lakes Region is wide. The performance of these racinos is strongly influenced by factors that affect any casino: location of the facility, distance from competing venues, number of gaming positions utilized, tax structure imposed, etc.

While Illinois' operating racetracks would be in highly populated regions, they also lie within short distances of either existing casinos or newly proposed locations. These venues will immediately have strong competition surrounding them, and that does not include the successful video gaming terminals that operate across the State. As a result, obtaining revenue totals that match the large revenue producing casinos shown above will be challenging, especially because the gaming positions at Illinois' racinos will be limited.

There is also uncertainty as to whether the authorized racinos will actually help horse racing related revenues to grow. This debate is discussed in further detail in the Horse Racing section of this report.

Factors that Could Constrain Tax Revenue Growth

Despite the fact that authorized gaming positions could more than triple under P.A. 101-0031, the Commission projects only modest growth in gaming related tax revenues. Reasons for this are discussed below.

- **An Effectively Reduced Tax Structure**

Among the changes of P.A. 101-0031 is a modification to the privilege tax structure imposed on casinos. Under current law, casinos are taxed on a graduated basis with tax rates ranging from 15% to as high as 50% for AGR over \$200 million. The new law states that, beginning on the first day that a new casino conducts gambling operations, table games and electronic gaming devices (i.e. slot machines) shall have separate tax structures. The tax rates for the electronic gaming devices shall have the same graduated tax structure as current law (with seven different brackets), but the tax structure on table games will be lower and much simpler – taxing AGR less than \$25 million at 15% and everything over \$25 million at 20%. (*see page 12.*)

To understand the impact that this change in the tax structure could have on tax revenues the Commission took CY 2018 AGR statistics for the ten operating casinos and ran these figures through both tax scenarios. Under the current tax structure, a privilege tax total of nearly \$430 million results. However, under the forthcoming tax structure whereby table games and EGDs are taxed separately, the same amounts of AGR would generate tax revenues of only \$352 million – an effective tax reduction of \$77 million or -18.0%. (*Note: These figures do not account for any current or future distribution of the tax revenues*).

A closer look shows that the casinos that will benefit the most from this tax structure change are the higher revenue-generating casinos – especially the ones with large amounts of table game adjusted gross receipts. For example, applying the AGR of the Rivers Casino to the new tax structure, its CY 2018 revenues would see a reduction in its calculated privilege tax by nearly \$46 million or -24.5%. This is because 33.5% of its AGR or \$148 million in CY 2018 came from table games. Under current law this \$148 million is effectively added to the \$293 million from EGDs and therefore taxed under the graduated tax structure at a rate of 50%. Under the forthcoming tax structure, this table game tax revenue will instead be taxed at a rate of no more than 20%, thereby reducing tax revenues by nearly \$46 million.

The impact of this effective tax reduction will be more pronounced when considering it will be imposed on all of the new casinos created under P.A. 101-0031, including the new mega casino in Chicago. On the other hand, the casino industry would argue that the fewer taxes that casinos have to pay leads to more available dollars for marketing and infrastructure improvements, which could lead to larger attendance and possibly more gaming revenues. A similar argument can be made in regard to the next revenue constraining factor: “Other Tax Changes Reducing Tax Revenues”.

- **Other Tax Changes Reducing Tax Revenues**

There are several other tax related provisions of P.A. 101-0031 that will effectively reduce the amount of tax revenues generated by Illinois casinos. This includes a modified taxable base for the East St. Louis Casino, renovation tax credits, hold harmless provisions, the removal of certain vouchers in the AGR calculation, and the creation of numerous tax revenue distributions. The combined impact of these factors is difficult to calculate because they will depend on future decisions of the casinos in relation to improvements and in response to the new competition that will develop as a result of this gaming expansion. Regardless, these tax incentives for the casinos will be another set of factors that will curtail the amount of tax revenues available for State and local governments.

- **Cannibalization and Area Saturation**

Few would argue that the new casinos and racinos that have been authorized will generate revenues for the State. The question, however, is at what cost? In areas where gaming approaches saturation, a “cannibalization” effect often occurs where upon existing casinos see revenue losses as a result of the new local competition. Because of this, the overall impact of gaming expansion must also account for the negative impact that expansion will have on existing casinos.

There have been numerous gaming-related examples of this cannibalization effect in recent years. After the Rivers Casino in Des Plaines opened in 2012, the revenue generated from nearby casinos, including the nearby Indiana casinos, all saw their AGR levels fall. Rivers generated \$425 million in AGR in 2014. However, the AGR of the four nearby Illinois casinos saw their AGR levels fall a combined \$238 million or -27.7% in comparison to its pre-Rivers totals. This resulted in overall growth in AGR of only \$188 million, but still 21.8% above pre-Rivers levels.

During this same period, the five Chicago area casinos in Indiana saw their AGR levels fall a combined -20.7%. While other factors may have contributed to this falloff, there is no doubt that much of these declines were due to the new competition from the Des Plaines Casino.

Indiana casinos have also been impacted in recent years by new casinos opening in the Cincinnati area. The Jack in Cincinnati opened in 2013 and had an AGR total of \$208 million in FY 2019. The Belterra Park Racino near Cincinnati opened in 2014 and had an AGR total of \$85 million in FY 2019. Since these openings, the three nearby casinos in southeast Indiana have seen their AGR levels drop from a combined \$557 million in FY 2013 to its FY 2019 combined level of only \$314 million — a decline of \$243 million or nearly -44%.

It is expected that cannibalization at existing Illinois casinos is inevitable, especially those in the Chicago metropolitan area where the majority of the gaming expansion will take place. The extent that revenues from these locations will suffer remains in question. Some would argue that many portions of this metro area are already near

saturation, even without gaming expansion. This is in large part due to the extensive expansion of video gaming terminals to this area in recent years.

As is discussed in further detail in the video gaming portion of this report (on page 47), since video gaming's inception, the ten casinos in the Chicago Metropolitan Area (IL + IN) have seen their combined AGR levels fall from \$2.246 billion in FY 2012 to \$1.878 billion in FY 2019—a combined seven-year falloff of -16.4%. When the Chicago Area video gaming figures are added to the casino figures, overall gaming in the Chicago Area has increased, but only at an average increase of 2.2% per year. This is despite the fact that over 12,000 video gaming terminals have been added throughout the metro area. The relatively low rate of growth in overall gaming revenues even with the large increase in gaming options suggests that some saturation may already be occurring in this region.

The feasibility study took a look at the revenue potential of the Chicago market. In a section entitled, "How much can a market grow before it begins to cannibalize itself?", the report states that in a well-served gaming market, the percentage of income typically allocated to gaming is approximately 1%. It then adds that "As casino supply increases in an already well-served market, the percentage of income allocated to gaming begins to stabilize, with the pie beginning to see a division into smaller pieces (i.e. cannibalization) rather than continuing to grow materially".






The study calculates that the percentage of per capita income spent on gaming in the Chicago metropolitan area to be currently at 0.6%. This calculation incorporates gaming revenues from both the Illinois and Indiana casinos in this area. *(A map showing the casinos and future casinos in the Chicago area is shown on the following page).* The authors state that if this region were to reach the typical market ratio of 1%, adjusted gross receipts in this area could rise from 2018's total of \$1.8 billion to approximately \$3.0 billion, which equates to potential growth of 76% in this area *(p. 10 of the study).*

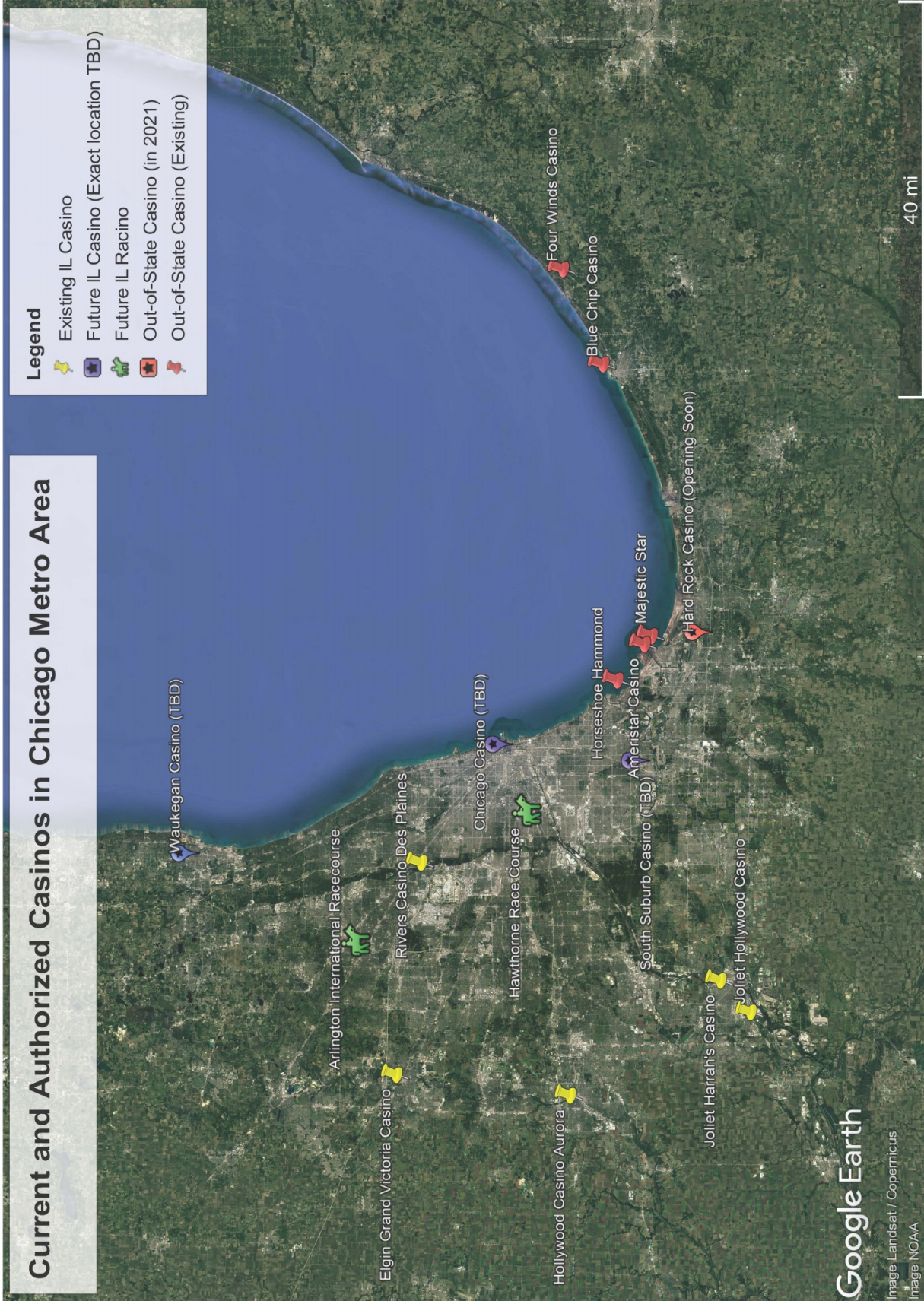
However, the Commission is concerned that the video gaming revenue component is overlooked in this calculation. If the \$0.7 billion in video gaming net terminal income from the Chicago metro area is included in this existing gaming revenue total, which seems appropriate, the area already generates \$2.5 billion in gaming revenues even before further expansion. This would mean that to reach the \$3.0 billion threshold discussed above, only around \$500 million in new revenue can be added to this area's gaming revenue totals before significant saturation occurs.

Therefore, if a Chicago Casino generates between \$600 million and \$800 million, as the feasibility study projects, its success will have to come at the detriment of other nearby casinos. Furthermore, any revenues collected by the new casinos in Waukegan, the south suburbs, Arlington Racetrack, and Hawthorne Racetrack will further exacerbate the area's saturation level. This means that there is a distinct possibility that upon full implementation, the Chicago market could very possibly see this "division into small pieces (i.e. cannibalization)" rather than seeing a gaming market "continuing to grow materially". Whether the growth that does occur will be enough for the expansion to be considered a success will be open to debate.

Current and Authorized Casinos in Chicago Metro Area

Legend

-  Existing IL Casino
-  Future IL Casino (Exact location TBD)
-  Future IL Racino
-  Out-of-State Casino (in 2021)
-  Out-of-State Casino (Existing)



Google Earth

Image Landsat / Copernicus
Image NOAA

40 mi

VIDEO GAMING

VIDEO GAMING

Video Gaming was first legalized in July 2009 thru P.A. 96-0034. The following section provides an overview of the legislation legalizing video gaming in Illinois, graphs and tables depicting the growth of video gaming thru FY 2019, a detailed discussion on the apparent impact that video gaming is having on the casino industry, and a look at the potential impact that P.A. 101-0031 could have on video gaming in Illinois.

Public Act 96-0034 – The Capital Bill and Video Gaming’s Original Arrangement

In July 2009, Governor Quinn signed into law Public Act 96-0034, which became the first comprehensive capital bill in many years. The revenue streams used to pay for the new capital projects were as follows: 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.

Legal issues and interruptions in the implementation of many of these sources caused significant delays in receiving these capital-earmarked revenues. For video gaming, the delays included limited staffing available to oversee the new program, time-consuming background checks on operation applicants, and a longer-than-expected process of selecting and implementing a Central Communications System. Video gaming finally began operations in Illinois in September 2012, a little over three years after P.A. 96-0034 was signed into law.

Each qualified establishment was allowed to operate up to 5 video gaming terminals on its premises at any time. Revenues, after payouts, were 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. Of the after-tax profits from a video gaming terminal, 50% shall be paid to the terminal operator and 50% to the establishment conducting video gaming.

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

- | | |
|---------------------------|---------------------------|
| 1) Manufacturing: \$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 establishes an annual fee for each license as follows:

- | | |
|---------------------------|---------------------------------|
| 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 |

Of these fees, 25% shall be paid for the treatment of compulsive gambling and 75% shall be used for the administration of the Video Gaming Act.

Changes to Video Gaming under P.A. 101-0031

P.A. 101-0031 made the following changes to the Video Gaming Act. A discussion of the impact of these changes is included at the end of this section of the report.

- **Betting Limit Changes**

The maximum wager played per hand shall not exceed \$4 (\$2 under prior law).

- No cash award for the maximum wager on any individual hand shall exceed \$1,199 (\$500 under prior law).
- No cash award for the maximum wager on a jackpot, progressive or otherwise, shall exceed \$10,000.
- In-location bonus jackpot games are also authorized.

- **Regular Terminal Limit Increased from 5 to 6**

- The limit on video gaming terminals per establishment shall be increased from 5 to 6 terminals.

- **Truck Stop Terminal Limit Increased to 10**

- A licensed truck stop establishment (with at least 50,000 gallons or more sold) may operate up to 10 video gaming terminals on its premises at any time.

- **Tax Rate Change**

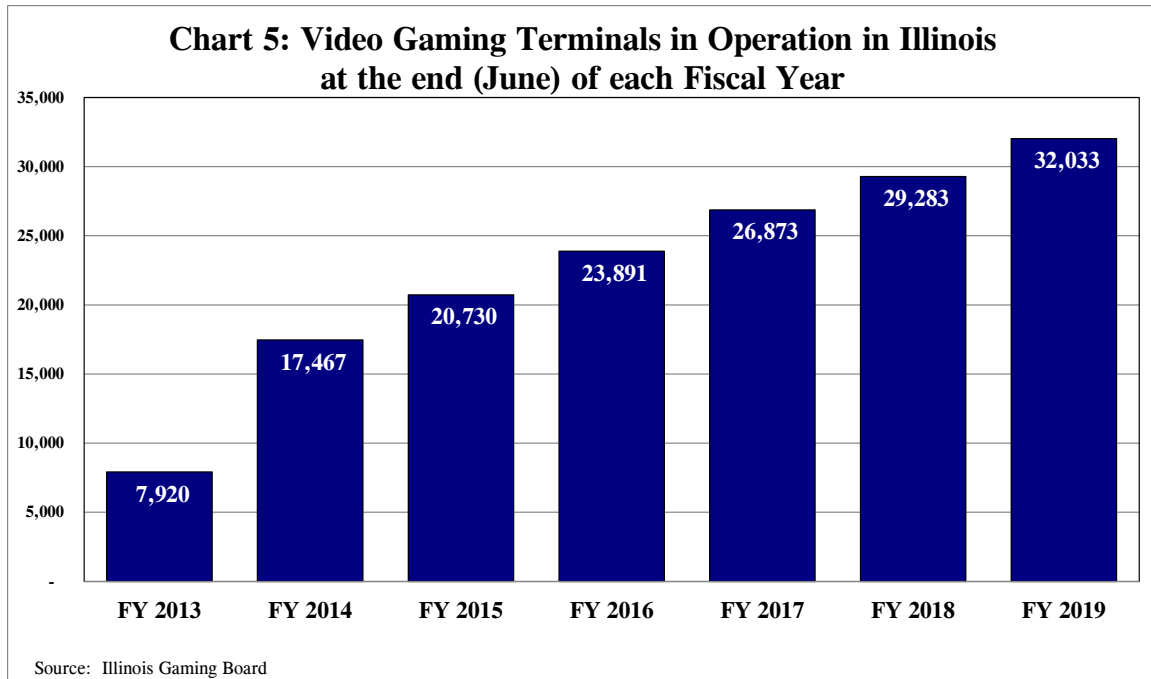
- Beginning on July 1, 2019, an additional tax of 3% is imposed on net terminal income and shall be collected by the Gaming Board (bringing the tax to 33%).
- Beginning on July 1, 2020, an additional tax of 1% is imposed on net terminal income and shall be collected by the Gaming Board (bringing the tax to 34%).
- The additional tax will be deposited into the Capital Projects Fund.

- **State Fair Gaming Act**

- Up to 50 video gaming terminals during the scheduled dates of the Illinois State Fair; and
- Up to 30 video gaming terminals during the scheduled dates of the DuQuoin State Fair.
- A tax is imposed at the rate of 35% of net terminal income.
- The tax revenue shall be remitted to the Gaming Board and deposited into the newly created State Fairgrounds Capital Improvements and Harness Racing Fund.

Video Gaming Statistics

In its opening month of September 2012, 61 video gaming terminals were in operation in Illinois. By the end of FY 2019 (June 2019), this number had risen to 32,033 terminals. 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 of “new” terminals slowed to 272 terminals per month in FY 2015 and continued to slow to an average of 201 new terminals per month in FY 2018. However, in FY 2019, the number of new terminals added across the State crept back up to an average of 229 per month. Therefore, despite the fact that video gaming is now nearly seven years into operation, it appears that video gaming has yet to plateau.

At the current pace, it appears that the monthly number of video gaming terminals in operation in Illinois will approach and possibly surpass 35,000 terminals by the end of FY 2020, especially in light of the higher limits established under P.A. 101-0031. As mentioned previously, the terminal limit was increased from 5 to 6 terminals and certain truck stops are now allowed to have up to 10 terminals.

It remains unclear how high the statewide terminal total will climb. While there is a limit on the number of casinos/racinos that can be in operation across the State, Illinois does not limit the number of establishments that can offer video gaming. 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. And if municipality limits or bans on video gaming were to be lifted (such as in Chicago), the terminal total could be even higher.

As the terminals have increased, so have the amounts of revenue and tax dollars generated by these machines. In FY 2019, a total of nearly \$1.6 billion in net terminal income (taxable income) generated \$478 million in State and local tax dollars. A table showing a history of video gaming figures since its inception in FY 2013 is shown below. This table also lists how the net terminal income per terminal per day values has continued to rise over the years to its FY 2019 value of \$136.21.

Table 15: Illinois Video Gaming Statistics by Fiscal Year						
Fiscal Year	Terminals in Operation at end of FY	Net Terminal Income (\$ in mil)	NTI per Terminal per Day	Tax Revenue 30% Tax (\$ in mil)	State Share 5/6 of Total (\$ in mil)	Local Share 1/6 of Total (\$ in mil)
FY 2013	7,920	\$121.1	\$41.88	\$36.3	\$30.3	\$6.1
FY 2014	17,467	\$485.4	\$76.14	\$145.6	\$121.4	\$24.3
FY 2015	20,730	\$804.8	\$106.36	\$241.4	\$201.2	\$40.2
FY 2016	23,891	\$1,020.8	\$117.06	\$306.2	\$255.2	\$51.0
FY 2017	26,873	\$1,202.0	\$122.55	\$360.6	\$300.5	\$60.1
FY 2018	29,283	\$1,406.5	\$131.59	\$421.9	\$351.6	\$70.3
FY 2019	32,033	\$1,592.5	\$136.21	\$477.8	\$398.1	\$79.6

The graph below displays the breakout of tax revenues collected from video gaming by fiscal year that is shown in the table above. Thru FY 2019, the tax on video gaming was equal to 30% of net terminal income. From this amount, 5/6 went to the Capital Projects Fund and the remaining 1/6 of the tax revenues went to the local governments. P.A. 101-0031 increases this tax rate to 33% in FY 2020 and then to 34% in FY 2021 and thereafter. The increased revenue from these rate increases will go into the Capital Projects Fund.

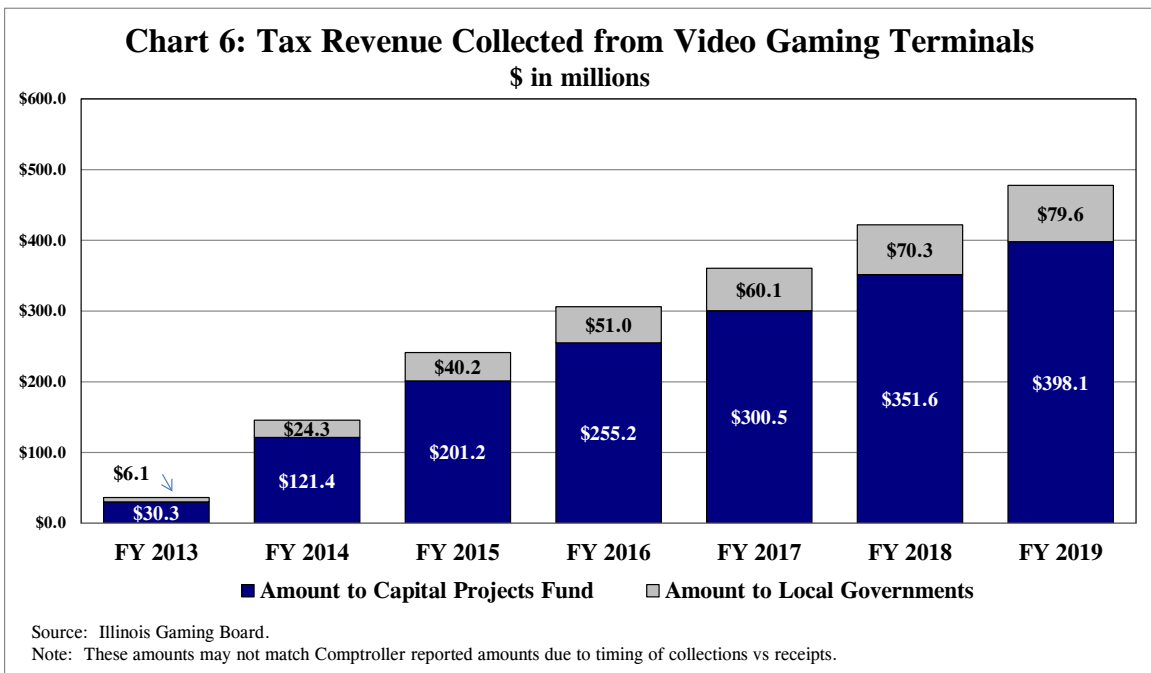


Table 16 below displays the FY 2019 figures on a county by county basis. Here, the terminal total for FY 2019 is listed as 33,867. This is higher than the amount shown in Table 15 because this figure would include terminals that have since been removed from operation. In other words, the fiscal year ended with 32,033 terminals, but 33,867 terminals were used at some point during the fiscal year.

Table 16: Video Gaming Statistics by Illinois County													
FY 2019 Totals													
\$ in millions													
County	Busin- esses	Term- inals	NTI	Tax Revenue	State Portion	Local Portion	County	Busin- esses	Term- inals	NTI	Tax Revenue	State Portion	Local Portion
Totals:	7,479	33,867	\$1,592.5	\$477.8	\$398.1	\$79.6	Totals:	7,479	33,867	\$1,592.5	\$477.8	\$398.1	\$79.6
Adams	99	325	\$13.3	\$4.0	\$3.3	\$0.7	Lee	56	245	\$9.7	\$2.9	\$2.4	\$0.5
Alexander	11	49	\$1.5	\$0.4	\$0.4	\$0.1	Livingston	58	262	\$8.0	\$2.4	\$2.0	\$0.4
Bond	21	91	\$2.8	\$0.9	\$0.7	\$0.1	Logan	35	163	\$7.9	\$2.4	\$2.0	\$0.4
Boone	46	219	\$10.6	\$3.2	\$2.6	\$0.5	Macon	118	569	\$35.9	\$10.8	\$9.0	\$1.8
Brown	5	18	\$0.3	\$0.1	\$0.1	\$0.0	Macoupin	76	329	\$8.9	\$2.7	\$2.2	\$0.4
Bureau	65	276	\$7.2	\$2.2	\$1.8	\$0.4	Madison	239	1,062	\$45.7	\$13.7	\$11.4	\$2.3
Calhoun	11	40	\$0.7	\$0.2	\$0.2	\$0.0	Marion	63	302	\$10.8	\$3.2	\$2.7	\$0.5
Carroll	29	112	\$3.0	\$0.9	\$0.7	\$0.1	Marshall	24	105	\$2.2	\$0.7	\$0.6	\$0.1
Cass	24	101	\$3.2	\$1.0	\$0.8	\$0.2	Mason	29	122	\$3.2	\$1.0	\$0.8	\$0.2
Champaign	148	680	\$35.8	\$10.7	\$8.9	\$1.8	Massac	15	66	\$3.5	\$1.0	\$0.9	\$0.2
Christian	68	327	\$10.1	\$3.0	\$2.5	\$0.5	McDonough	22	79	\$2.0	\$0.6	\$0.5	\$0.1
Clark	19	76	\$4.6	\$1.4	\$1.2	\$0.2	McHenry	256	1,147	\$51.7	\$15.5	\$12.9	\$2.6
Clay	12	57	\$2.3	\$0.7	\$0.6	\$0.1	McLean	113	507	\$27.4	\$8.2	\$6.8	\$1.4
Clinton	58	249	\$7.8	\$2.3	\$1.9	\$0.4	Menard	15	69	\$2.4	\$0.7	\$0.6	\$0.1
Coles	59	281	\$11.3	\$3.4	\$2.8	\$0.6	Mercer	17	61	\$1.4	\$0.4	\$0.4	\$0.1
Cook	1,203	5,693	\$340.2	\$102.1	\$85.1	\$17.0	Monroe	32	140	\$5.1	\$1.5	\$1.3	\$0.3
Crawford	17	77	\$2.1	\$0.6	\$0.5	\$0.1	Montgomery	52	214	\$7.3	\$2.2	\$1.8	\$0.4
Cumberland	14	62	\$2.3	\$0.7	\$0.6	\$0.1	Morgan	54	250	\$10.7	\$3.2	\$2.7	\$0.5
De Witt	24	117	\$4.5	\$1.4	\$1.1	\$0.2	Moultrie	20	90	\$2.8	\$0.8	\$0.7	\$0.1
Dekalb	71	326	\$12.7	\$3.8	\$3.2	\$0.6	Ogle	71	320	\$11.7	\$3.5	\$2.9	\$0.6
Douglas	29	126	\$3.8	\$1.2	\$1.0	\$0.2	Peoria	168	718	\$29.1	\$8.7	\$7.3	\$1.5
DuPage	182	867	\$66.7	\$20.0	\$16.7	\$3.3	Perry	27	126	\$4.1	\$1.2	\$1.0	\$0.2
Edgar	16	72	\$3.3	\$1.0	\$0.8	\$0.2	Piatt	16	72	\$2.8	\$0.8	\$0.7	\$0.1
Edwards	6	26	\$0.6	\$0.2	\$0.1	\$0.0	Pike	26	110	\$3.0	\$0.9	\$0.7	\$0.1
Effingham	69	303	\$14.0	\$4.2	\$3.5	\$0.7	Pope	3	12	\$0.3	\$0.1	\$0.1	\$0.0
Fayette	26	118	\$5.1	\$1.5	\$1.3	\$0.3	Pulaski	7	29	\$0.7	\$0.2	\$0.2	\$0.0
Ford	22	95	\$2.2	\$0.6	\$0.5	\$0.1	Putnam	12	43	\$0.9	\$0.3	\$0.2	\$0.0
Franklin	56	256	\$9.2	\$2.8	\$2.3	\$0.5	Randolph	54	240	\$8.4	\$2.5	\$2.1	\$0.4
Fulton	52	212	\$5.8	\$1.7	\$1.4	\$0.3	Richland	14	61	\$2.6	\$0.8	\$0.6	\$0.1
Gallatin	6	27	\$0.7	\$0.2	\$0.2	\$0.0	Rock Island	132	581	\$22.0	\$6.6	\$5.5	\$1.1
Greene	21	89	\$2.5	\$0.8	\$0.6	\$0.1	Saline	27	129	\$5.6	\$1.7	\$1.4	\$0.3
Grundy	65	292	\$13.0	\$3.9	\$3.2	\$0.6	Sangamon	279	1,295	\$61.4	\$18.4	\$15.4	\$3.1
Hamilton	5	25	\$0.9	\$0.3	\$0.2	\$0.0	Schuyler	6	24	\$0.7	\$0.2	\$0.2	\$0.0
Hancock	21	75	\$2.3	\$0.7	\$0.6	\$0.1	Scott	10	41	\$1.1	\$0.3	\$0.3	\$0.1
Hardin	3	12	\$0.2	\$0.1	\$0.1	\$0.0	Shelby	24	103	\$3.1	\$0.9	\$0.8	\$0.2
Henderson	12	51	\$1.0	\$0.3	\$0.2	\$0.0	St. Clair	216	978	\$44.8	\$13.5	\$11.2	\$2.2
Henry	53	230	\$7.4	\$2.2	\$1.8	\$0.4	Stark	10	33	\$0.6	\$0.2	\$0.2	\$0.0
Iroquois	51	199	\$5.9	\$1.8	\$1.5	\$0.3	Stephenson	53	248	\$11.5	\$3.4	\$2.9	\$0.6
Jackson	50	215	\$7.5	\$2.3	\$1.9	\$0.4	Tazewell	122	544	\$21.0	\$6.3	\$5.2	\$1.0
Jasper	13	52	\$1.3	\$0.4	\$0.3	\$0.1	Union	21	97	\$2.5	\$0.7	\$0.6	\$0.1
Jefferson	36	173	\$10.1	\$3.0	\$2.5	\$0.5	Vermilion	93	413	\$19.9	\$6.0	\$5.0	\$1.0
Jersey	27	106	\$2.9	\$0.9	\$0.7	\$0.1	Wabash	9	42	\$1.5	\$0.4	\$0.4	\$0.1
Jo Daviess	50	216	\$6.3	\$1.9	\$1.6	\$0.3	Warren	19	76	\$1.9	\$0.6	\$0.5	\$0.1
Johnson	10	47	\$1.1	\$0.3	\$0.3	\$0.1	Washington	33	147	\$4.7	\$1.4	\$1.2	\$0.2
Kane	224	1,049	\$49.7	\$14.9	\$12.4	\$2.5	Wayne	11	53	\$1.5	\$0.5	\$0.4	\$0.1
Kankakee	118	527	\$22.2	\$6.7	\$5.6	\$1.1	White	21	89	\$3.5	\$1.1	\$0.9	\$0.2
Kendall	57	265	\$12.2	\$3.7	\$3.0	\$0.6	Whiteside	78	375	\$14.5	\$4.4	\$3.6	\$0.7
Knox	58	260	\$10.8	\$3.2	\$2.7	\$0.5	Will	310	1,418	\$70.4	\$21.1	\$17.6	\$3.5
La Salle	237	1,056	\$36.6	\$11.0	\$9.2	\$1.8	Williamson	88	409	\$14.4	\$4.3	\$3.6	\$0.7
Lake	338	1,585	\$101.0	\$30.3	\$25.2	\$5.0	Winnebago	255	1,231	\$85.7	\$25.7	\$21.4	\$4.3
Lawrence	24	102	\$4.3	\$1.3	\$1.1	\$0.2	Woodford	29	124	\$3.1	\$0.9	\$0.8	\$0.2
Chi Area*	2,706	12,642	\$717.6	\$215.3	\$179.4	\$35.9	% in Chi Area*	36.2%	37.3%	45.1%	45.1%	45.1%	45.1%

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

Table 17, below, displays the video gaming statistics shown in Table 16 on a per-capita basis. Statewide, the average terminal-per-capita value was 0.26%. The net terminal income-per-capita value was \$124.12. 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 17: Video Gaming Statistics per County Population											
FY 2019 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	NTI per Capita Rank
State Totals:	33,867	0.26%		\$124.12		State Totals:	33,867	0.26%		\$124.12	
Adams	325	0.48%	55	\$197.81	40	Lee	245	0.68%	21	\$267.90	13
Alexander	49	0.59%	37	\$181.50	49	Livingston	262	0.67%	23	\$205.84	37
Bond	91	0.51%	52	\$159.72	61	Logan	163	0.54%	45	\$262.27	14
Boone	219	0.40%	70	\$195.14	42	Macon	569	0.51%	51	\$324.46	2
Brown	18	0.26%	95	\$36.68	102	Macoupin	329	0.69%	20	\$185.79	47
Bureau	276	0.79%	8	\$206.64	35	Madison	1,062	0.39%	72	\$169.71	55
Calhoun	40	0.79%	9	\$131.84	74	Marion	302	0.77%	10	\$273.72	11
Carroll	112	0.73%	13	\$194.68	43	Marshall	105	0.83%	7	\$174.87	54
Cass	101	0.74%	12	\$233.34	24	Mason	122	0.83%	6	\$218.73	29
Champaign	680	0.34%	86	\$177.97	53	Massac	66	0.43%	66	\$223.63	28
Christian	327	0.94%	3	\$290.16	7	Mcdonough	79	0.24%	96	\$61.10	100
Clark	76	0.47%	58	\$282.92	9	McHenry	1,147	0.37%	81	\$167.60	57
Clay	57	0.41%	69	\$168.67	56	Mclean	507	0.30%	91	\$161.48	60
Clinton	249	0.66%	26	\$205.87	36	Menard	69	0.54%	44	\$189.30	45
Coles	281	0.52%	48	\$210.10	32	Mercer	61	0.37%	82	\$85.82	94
Cook	5,693	0.11%	101	\$65.50	99	Monroe	140	0.42%	67	\$153.26	67
Crawford	77	0.39%	75	\$108.32	85	Montgomery	214	0.71%	16	\$243.86	20
Cumberland	62	0.56%	41	\$208.96	33	Morgan	250	0.70%	18	\$302.28	6
De Witt	117	0.71%	17	\$272.29	12	Moultrie	90	0.61%	34	\$187.73	46
Dekalb	326	0.31%	90	\$120.98	82	Ogle	320	0.60%	36	\$218.38	30
Douglas	126	0.63%	31	\$192.68	44	Peoria	718	0.38%	78	\$156.19	63
DuPage	867	0.09%	102	\$72.72	97	Perry	126	0.56%	40	\$184.10	48
Edgar	72	0.39%	76	\$180.30	52	Piatt	72	0.43%	64	\$165.43	59
Edwards	26	0.39%	77	\$82.55	95	Pike	110	0.67%	25	\$181.39	50
Effingham	303	0.88%	5	\$408.48	1	Pope	12	0.27%	94	\$66.30	98
Fayette	118	0.53%	47	\$230.33	26	Pulaski	29	0.47%	57	\$121.10	81
Ford	95	0.67%	22	\$153.61	66	Putnam	43	0.72%	15	\$143.85	70
Franklin	256	0.65%	28	\$232.42	25	Randolph	240	0.72%	14	\$250.67	18
Fulton	212	0.57%	39	\$155.91	64	Richland	61	0.38%	79	\$157.77	62
Gallatin	27	0.48%	56	\$123.23	79	Rock Island	581	0.39%	73	\$149.17	68
Greene	89	0.64%	30	\$180.90	51	Saline	129	0.52%	50	\$225.77	27
Grundy	292	0.58%	38	\$259.44	16	Sangamon	1,295	0.66%	27	\$311.10	5
Hamilton	25	0.30%	92	\$108.42	84	Schuyler	24	0.32%	88	\$86.62	93
Hancock	75	0.39%	74	\$119.65	83	Scott	41	0.77%	11	\$208.25	34
Hardin	12	0.28%	93	\$56.13	101	Shelby	103	0.46%	61	\$139.10	73
Henderson	51	0.70%	19	\$130.19	76	St. Clair	978	0.36%	83	\$166.07	58
Henry	230	0.46%	62	\$146.14	69	Stark	33	0.55%	42	\$106.69	86
Iroquois	199	0.67%	24	\$198.48	39	Stephenson	248	0.52%	49	\$240.54	22
Jackson	215	0.36%	84	\$125.03	78	Tazewell	544	0.40%	71	\$155.09	65
Jasper	52	0.54%	46	\$131.22	75	Union	97	0.54%	43	\$140.09	72
Jefferson	173	0.45%	63	\$261.23	15	Vermilion	413	0.51%	53	\$243.68	21
Jersey	106	0.46%	60	\$125.85	77	Wabash	42	0.35%	85	\$122.34	80
Jo Daviess	216	0.95%	2	\$277.86	10	Warren	76	0.43%	65	\$105.67	88
Johnson	47	0.37%	80	\$87.62	92	Washington	147	1.00%	1	\$317.56	4
Kane	1,049	0.20%	100	\$96.51	90	Wayne	53	0.32%	89	\$90.16	91
Kankakee	527	0.46%	59	\$195.84	41	White	89	0.61%	33	\$239.38	23
Kendall	265	0.23%	97	\$106.30	87	Whiteside	375	0.64%	29	\$248.02	19
Knox	260	0.49%	54	\$204.35	38	Will	1,418	0.21%	99	\$103.83	89
La Salle	1,056	0.93%	4	\$321.45	3	Williamson	409	0.62%	32	\$217.47	31
Lake	1,585	0.23%	98	\$143.51	71	Winnebago	1,231	0.42%	68	\$290.11	8
Lawrence	102	0.61%	35	\$256.41	17	Woodford	124	0.32%	87	\$79.77	96
Metro Area*	12,642	0.15%		\$83.57		% in Chi Area*:	37.3%				

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

There are several interesting observations that can be taken from the county 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 2019 with 5,693 terminals and the highest amount of net terminal income collected with a value of \$340.2 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 99 of 102).

Washington County ranked first in terminals per capita with a rate of 1.00%. The lowest ranked county in this category was DuPage County with a value of 0.09%. In terms of NTI per capita, Effingham County ranked first with a value of \$408. Ranked last in this category was Brown County with a value of only \$37.

Table 18: Video Gaming Statistics by County Ranking											
FY 2019 Totals											
Rank	County	Terminals	Rank	County	Terminals per Capita	Rank	County	NTI (\$ in mil)	Rank	County	NTI per Capita
"TOP TWENTY COUNTIES"											
1	Cook	5,693	1	Washington	1.00%	1	Cook	\$340.2	1	Effingham	\$408
2	Lake	1,585	2	Jo Daviess	0.95%	2	Lake	\$101.0	2	Macon	\$324
3	Will	1,418	3	Christian	0.94%	3	Winnebago	\$85.7	3	La Salle	\$321
4	Sangamon	1,295	4	La Salle	0.93%	4	Will	\$70.4	4	Washington	\$318
5	Winnebago	1,231	5	Effingham	0.88%	5	DuPage	\$66.7	5	Sangamon	\$311
6	McHenry	1,147	6	Mason	0.83%	6	Sangamon	\$61.4	6	Morgan	\$302
7	Madison	1,062	7	Marshall	0.83%	7	McHenry	\$51.7	7	Christian	\$290
8	La Salle	1,056	8	Bureau	0.79%	8	Kane	\$49.7	8	Winnebago	\$290
9	Kane	1,049	9	Calhoun	0.79%	9	Madison	\$45.7	9	Clark	\$283
10	St. Clair	978	10	Marion	0.77%	10	St. Clair	\$44.8	10	Jo Daviess	\$278
11	DuPage	867	11	Scott	0.77%	11	La Salle	\$36.6	11	Marion	\$274
12	Peoria	718	12	Cass	0.74%	12	Macon	\$35.9	12	De Witt	\$272
13	Champaign	680	13	Carroll	0.73%	13	Champaign	\$35.8	13	Lee	\$268
14	Rock Island	581	14	Randolph	0.72%	14	Peoria	\$29.1	14	Logan	\$262
15	Macon	569	15	Putnam	0.72%	15	Mclean	\$27.4	15	Jefferson	\$261
16	Tazewell	544	16	Montgomery	0.71%	16	Kankakee	\$22.2	16	Grundy	\$259
17	Kankakee	527	17	De Witt	0.71%	17	Rock Island	\$22.0	17	Lawrence	\$256
18	Mclean	507	18	Morgan	0.70%	18	Tazewell	\$21.0	18	Randolph	\$251
19	Vermilion	413	19	Henderson	0.70%	19	Vermilion	\$19.9	19	Whiteside	\$248
20	Williamson	409	20	Macoupin	0.69%	20	Whiteside	\$14.5	20	Montgomery	\$244
"BOTTOM TWENTY COUNTIES"											
83	Mercer	61	83	St. Clair	0.36%	83	Warren	\$1.9	83	Hancock	\$120
84	Clay	57	84	Jackson	0.36%	84	Wayne	\$1.5	84	Hamilton	\$108
85	Wayne	53	85	Wabash	0.35%	85	Alexander	\$1.5	85	Crawford	\$108
86	Jasper	52	86	Champaign	0.34%	86	Wabash	\$1.5	86	Stark	\$107
87	Henderson	51	87	Woodford	0.32%	87	Mercer	\$1.4	87	Kendall	\$106
88	Alexander	49	88	Schuyler	0.32%	88	Jasper	\$1.3	88	Warren	\$106
89	Johnson	47	89	Wayne	0.32%	89	Scott	\$1.1	89	Will	\$104
90	Putnam	43	90	Dekalb	0.31%	90	Johnson	\$1.1	90	Kane	\$97
91	Wabash	42	91	Mclean	0.30%	91	Henderson	\$1.0	91	Wayne	\$90
92	Scott	41	92	Hamilton	0.30%	92	Hamilton	\$0.9	92	Johnson	\$88
93	Calhoun	40	93	Hardin	0.28%	93	Putnam	\$0.9	93	Schuyler	\$87
94	Stark	33	94	Pope	0.27%	94	Pulaski	\$0.7	94	Mercer	\$86
95	Pulaski	29	95	Brown	0.26%	95	Gallatin	\$0.7	95	Edwards	\$83
96	Gallatin	27	96	Mcdonough	0.24%	96	Calhoun	\$0.7	96	Woodford	\$80
97	Edwards	26	97	Kendall	0.23%	97	Schuyler	\$0.7	97	DuPage	\$73
98	Hamilton	25	98	Lake	0.23%	98	Stark	\$0.6	98	Pope	\$66
99	Schuyler	24	99	Will	0.21%	99	Edwards	\$0.6	99	Cook	\$65
100	Brown	18	100	Kane	0.20%	100	Pope	\$0.3	100	Mcdonough	\$61
101	Pope	12	101	Cook	0.11%	101	Brown	\$0.3	101	Hardin	\$56
102	Hardin	12	102	DuPage	0.09%	102	Hardin	\$0.2	102	Brown	\$37

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 1st with \$35.2 million) and Loves Park (ranked 5th with \$18.8 million).

Springfield had the highest amount of terminals in the State at 641 terminals, and the 2nd highest amount of net terminal income in FY 2019 with \$33.7 million collected. Below is a list of the top 25 municipalities with video gaming in Illinois in FY 2019. Here, the municipalities are ranked according to terminals and according to net terminal income. Next to the net terminal income column is the amount of tax revenue generated in FY 2019 from these locations and distributed to the State (5/6 of 30% tax to State Gaming Fund) and to the local governments (1/6 of 30% tax).

Table 19: Top Municipalities with Video Gaming							
FY 2019 Totals							
\$ in millions							
Rank	Municipality*	Terminals	Rank	Municipality*	Net Terminal Income (taxable base)	State Tax Share (5/6 of 30% tax)	Local Tax Share (1/6 of 30% tax)
1	Springfield	641	1	Rockford	\$35.2	\$8.8	\$1.8
2	Rockford	486	2	Springfield	\$33.7	\$8.4	\$1.7
3	Decatur	443	3	Decatur	\$30.4	\$7.6	\$1.5
4	Joliet	379	4	Waukegan	\$22.8	\$5.7	\$1.1
5	Lake County	302	5	Loves Park	\$18.8	\$4.7	\$0.9
6	Champaign	281	6	Joliet	\$17.7	\$4.4	\$0.9
7	Peoria	274	7	Champaign	\$16.8	\$4.2	\$0.8
8	Waukegan	270	8	Bloomington	\$16.3	\$4.1	\$0.8
9	Loves Park	265	9	Cicero	\$16.0	\$4.0	\$0.8
10	Berwyn	263	10	Oak Lawn	\$14.7	\$3.7	\$0.7
11	Bloomington	260	11	Lake County	\$14.7	\$3.7	\$0.7
12	Quincy	223	12	Berwyn	\$13.4	\$3.4	\$0.7
13	Cicero	218	13	Peoria	\$12.3	\$3.1	\$0.6
14	Sangamon County	210	14	Sangamon County	\$11.3	\$2.8	\$0.6
15	Kankakee	203	15	Quincy	\$10.6	\$2.7	\$0.5
16	Oak Lawn	197	16	Tinley Park	\$9.8	\$2.5	\$0.5
17	McHenry	192	17	Effingham	\$9.7	\$2.4	\$0.5
18	Ottawa	188	18	McHenry	\$9.5	\$2.4	\$0.5
19	Pekin	180	19	Kankakee	\$9.4	\$2.4	\$0.5
20	Effingham	169	20	Elmwood Park	\$9.2	\$2.3	\$0.5
21	Moline	168	21	Crestwood	\$9.2	\$2.3	\$0.5
22	Crestwood	163	22	Aurora	\$9.1	\$2.3	\$0.5
23	Aurora	159	23	Elk Grove Village	\$8.7	\$2.2	\$0.4
24	Mattoon	158	24	Bridgeview	\$8.6	\$2.1	\$0.4
25	Galesburg	158	25	Burbank	\$8.6	\$2.1	\$0.4

* When a "county" is listed above, it is referring to the unincorporated totals of that particular county.

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.

A list of the highest populated cities in Illinois without video gaming is shown on the following page.

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 2019 data shows that the percentage of Illinois communities without video gaming has fallen to approximately 36%. More and more local governments searching for additional revenues are turning to video gaming as 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 does the pressure to overturn the ban.

For example, several of the higher populated municipalities that have been in the aforementioned table over the past couple of years are no longer included because they now allow video gaming. This includes Buffalo Grove, Crystal Lake, Mount Prospect, Niles, Orland Park, and St. Charles. Another municipality on this year’s list, Lombard, overturned their ban in April 2019 and will likely not be shown on future tables.

**Table 20: Highest Populated Cities w/o Video Gaming
FY 2019 Totals**

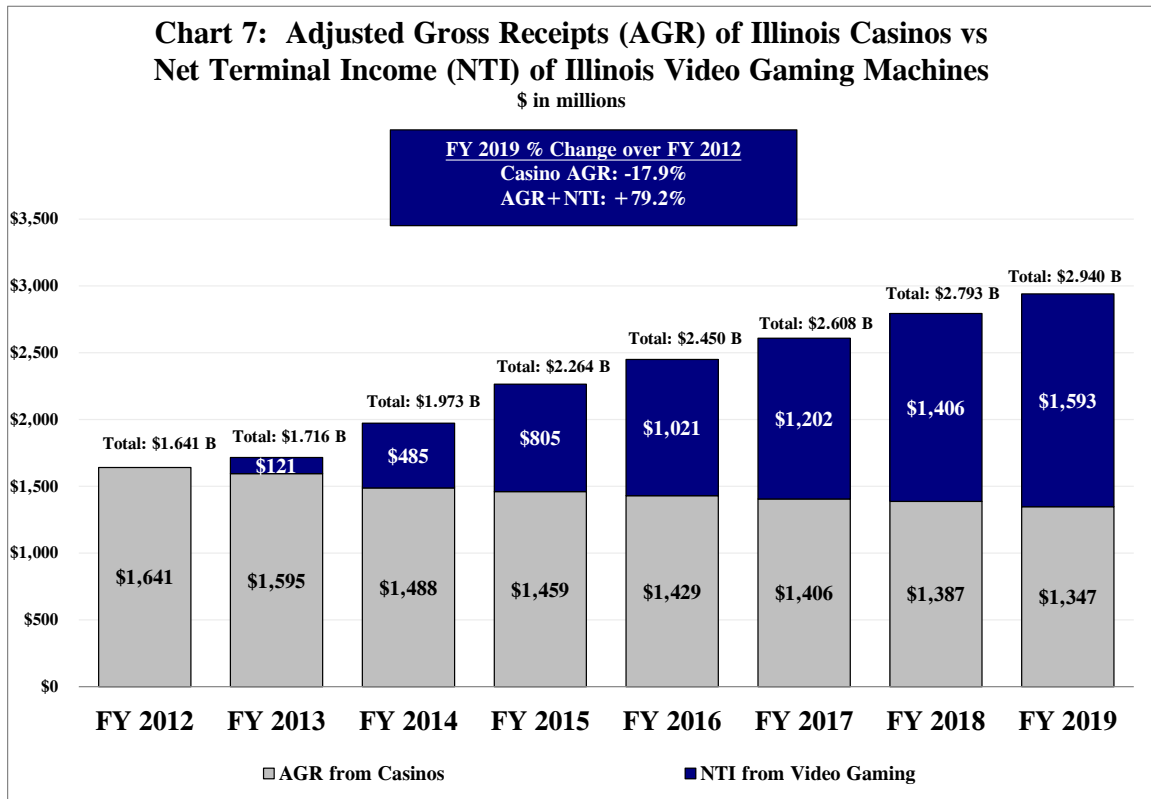
Rank	Municipality	2010 Census Population	% of State Population
1	Chicago	2,695,598	21.0%
2	Naperville	141,853	1.1%
3	Arlington Heights	75,101	0.6%
4	Evanston	74,486	0.6%
5	Schaumburg	74,227	0.6%
6	Bolingbrook	73,366	0.6%
7	Palatine	68,557	0.5%
8	Skokie	64,784	0.5%
9	Des Plaines	58,364	0.5%
10	Wheaton	52,894	0.4%
11	Oak Park	51,878	0.4%
12	Downers Grove	47,833	0.4%
13	Glenview	44,692	0.3%
14	Elmhurst	44,121	0.3%
15	Lombard*	43,395	0.3%
16	Plainfield	39,581	0.3%
17	Park Ridge	37,480	0.3%
18	Northbrook	33,170	0.3%
19	Gurnee	31,295	0.2%
20	Highland Park	29,763	0.2%
21	Glen Ellyn	27,450	0.2%
22	Wilmette	27,087	0.2%
23	West Chicago	27,086	0.2%
24	East St. Louis	27,006	0.2%
25	Vernon Hills	25,113	0.2%

* According to IGB's website, video gaming was approved in Lombard on April 4, 2019.

Video Gaming and Its Impact on Casinos

As Illinois' video gaming numbers continue to increase, the opposite has been the case for Illinois' casinos. 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; -1.6% in FY 2017; -1.3% in FY 2018; and -2.9% in FY 2019. Overall, casino receipts have fallen -17.9% since FY 2012. Only one casino, Rivers Casino in Des Plaines, has experienced an increase in AGR during this six-year period (+11.8%). Excluding Des Plaines, the other nine casinos have fallen a combined -27.3% 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 casino 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 casinos. In FY 2013, 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. Similarly, in FY 2014, casino revenues fell \$107 million, but were offset by the \$364 million increase in video gaming net terminal income. This offsetting trend has continued ever since.

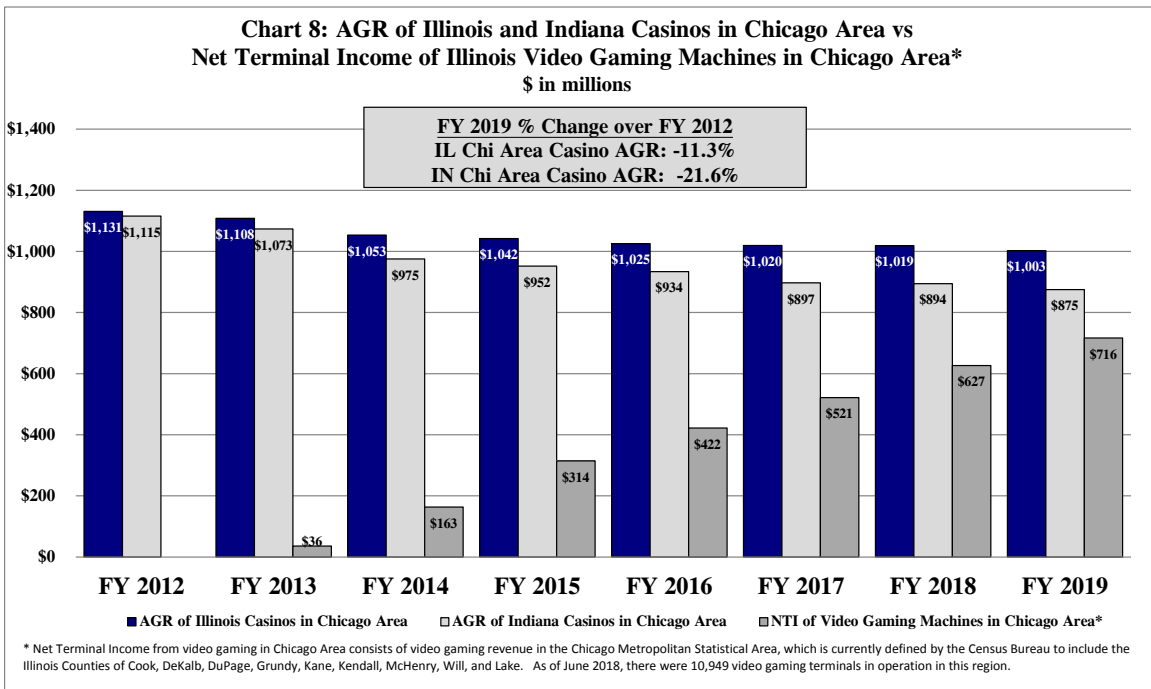
In FY 2019, video gaming revenue increased \$186 million over FY 2018 levels, offsetting the \$40 million decline in casino revenues for a net increase of \$146 million. As stated earlier, when comparing FY 2019 numbers with FY 2012, the combined AGR of casinos have fallen a combined -17.9%. However, when including video gaming receipts, overall gaming revenues went from \$1.641 billion to \$2.940 billion, an increase of 79.2%.

Video gaming in certain regions of the State have obviously impacted the casino 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 probably had very little consequence on the casino industry – except for the small number of patrons that would travel the distance to gamble at a casino, but now elect to gamble at the video gaming machines near their home. It is these communities that appear to have brought in much of the “new” gaming dollars to State and local coffers creating the overall 79.2% increase in total gaming revenues over the past five years. On the other hand, 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.

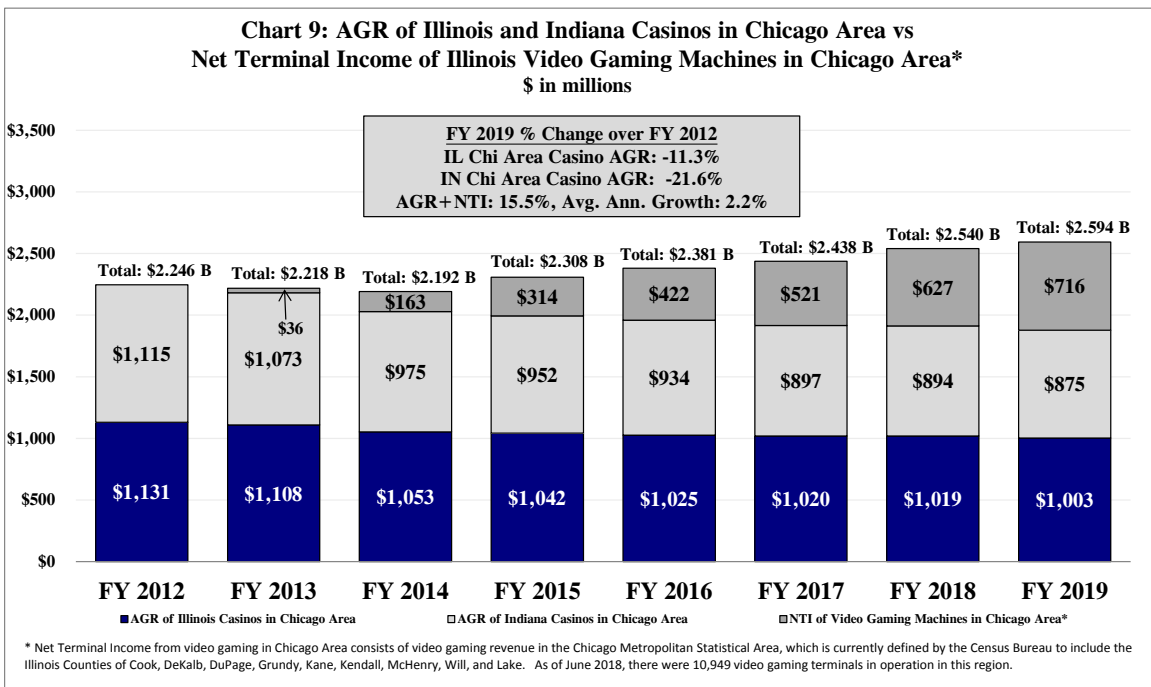
An example of video gaming’s impact on the riverboat casino industry is seen by looking at the Chicago region. As shown at the bottom of the county-by-county video gaming table on page 41, there were an estimated 2,706 businesses in the Chicago Metropolitan Statistical Area (which is defined by the Census Bureau to include the Illinois counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will, and Lake) in FY 2019 that offered video gaming. These locations were home to 12,642 video gaming terminals during the fiscal year. It is estimated that approximately \$717.6 million in video gaming net terminal income came from communities in the Chicago Area in FY 2019.

Illinois casinos have been limited to 1,200 gaming positions at their locations prior to P.A. 101-0031. This means that video gaming has added the equivalent of over 10 1,200 position casinos to the Chicago metropolitan region since the inception of video gaming in Illinois. These 12,642 terminals were added to an area that already had in its region five 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 2019 AGR totals decline -11.3% since FY 2012. Without the Des Plaines casino, these Illinois based casinos have fallen -23.7% over the last seven fiscal years. The popular Des Plaines casino is no doubt part of the reason for the declines at the other riverboat casinos, but video gaming is unquestionably 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 East Chicago, Gary (2), Hammond, and Michigan City. As seen in the following chart, these five Indiana casinos have seen their AGR totals fall from \$1.1 billion in FY 2012 to \$875 million in FY 2019, a seven-year decline of -21.6%. 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 2019, the AGR totals of these ten casinos have fallen to \$1.878 billion—a combined seven-year falloff of -16.4%. As shown below, even when the Chicago Area video gaming figures are added to the 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 \$2.594 billion in FY 2019. This results in a seven-year change in combined gaming revenues of 15.5%, an average increase of only +2.2% per year.



The numbers in the previous 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 2.2% 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 79.2% 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 over 12,000 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.

Most downstate communities, however, did not have close gaming options available to them. Video gaming gave 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.

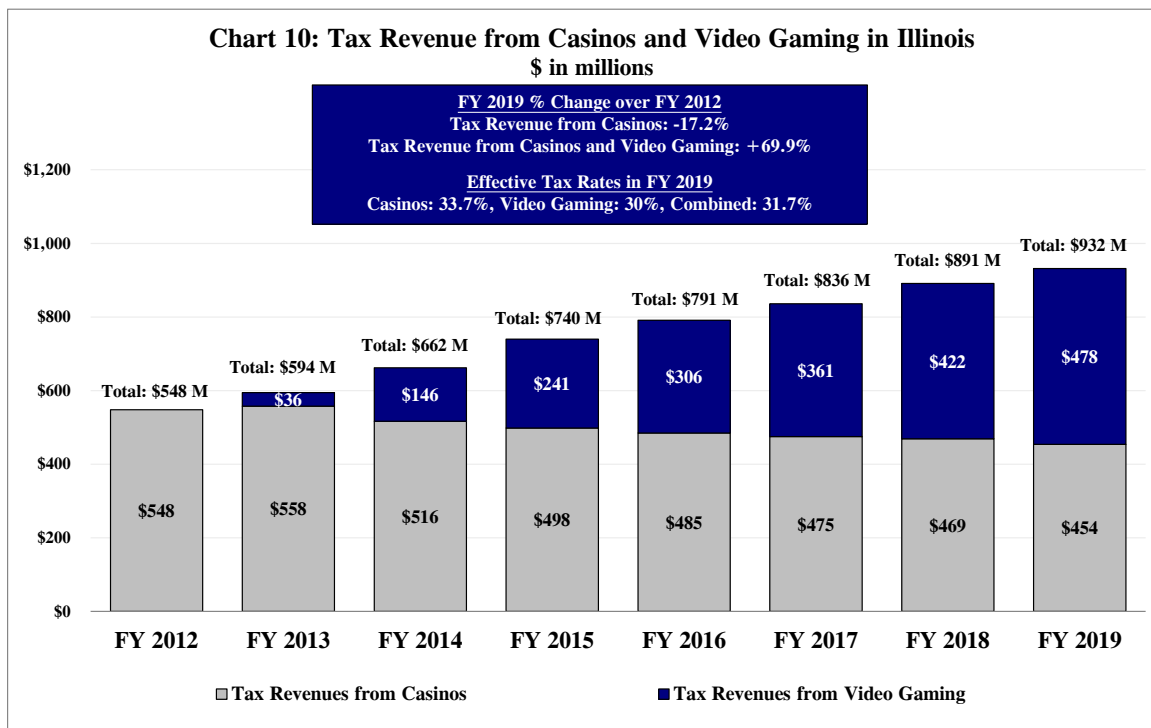
Many gambling proponents argue that because Chicago has yet to enter into the gaming market, there remains a large untapped amount of gaming dollars. There is likely a lot of truth to this, especially when considering the potential revenues from tourists that typically would not venture outside of the 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 — and that is before any of the newly authorized gambling in this region has been implemented. Once more gambling opportunities arrive in the form of new casinos/racinos, the competition for the gaming dollar in this area will be bigger than ever and “winners” and “losers” should be anticipated.

One apparent “loser” from the recent growth in gaming options is the State of Indiana. 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 been widely believed that a significant portion of Indiana’s casino revenues in recent years have come from Illinois residents crossing the border to gamble at Indiana’s facilities. Indiana’s recent decline in their AGR numbers suggests that Illinois’ recent increase in its gaming options, whether from the Des Plaines Casino or the new video gaming terminals, has resulted in the retention of more gaming dollars in Illinois, thereby increasing Illinois’ coffers while reducing Indiana’s.

The addition of even more gaming options in the near future could hurt Indiana’s figures even further. While Indiana has made several recent changes to attempt to counterbalance Illinois’ growth (such as the future relocation of Gary’s casinos to an easily attainable location near Illinois’ border and the approval of sports wagering at its casinos), it remains to be seen whether these changes will be enough to stop the apparent movement of gamblers to or back to Illinois gaming facilities.

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 casinos (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 \$454 million in FY 2019, a seven-year decline of 17.2%. 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 has continued to rise to its most recent total of \$478 million in FY 2019. When combining these video gaming tax revenues with casino tax revenues, overall tax revenues grew from \$548 million in FY 2012 to \$932 million in FY 2019, an increase of 69.9%. These figures are displayed in the following chart.



While higher tax revenues are welcomed, the destination of these gaming tax dollars may be an issue to some. 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 casinos, 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 casinos and video gaming comes from 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 desired is, of course, open to policy debate.

The Future of Video Gaming and the Anticipated Impact of P.A. 101-0031

Ever since its inception, video gaming in Illinois has been on an upward trend. In the opening years of implementation, insiders estimated that the State would plateau at around 20,000 video gaming terminals, but the popularity of video gaming has spurred so much interest that the State has sailed past this mark (FY 2019 ended with over 32,000 terminals). Although the number of new terminals being added each month has slowed from its initial years, new video gaming locations continue to pop up across the State to continue this upward trend.

The growth in video gaming figures should be further enhanced by the video gaming related changes under P.A. 101-0031. Under this public act, as listed on page 38, the following changes to the video gaming industry will occur: increased betting limits; the terminal limit per location increased from 5 to 6; terminal limit on large truck stops increased from 5 to 10; and the availability of video gaming at the Illinois State Fair and the DuQuoin State Fair. All of these changes should generate more revenue for State and local governments. Furthermore, the tax rate imposed on video gaming's net terminal income is also incrementally increased from 30% to 34% over the next couple of years which will result in even more tax dollars for State and local coffers.

Although these video gaming related changes to P.A. 101-0031 should be revenue positive, it should be noted that the large amount of gaming expansion included in this public act could have a negative revenue impact on certain video gaming locations, especially those near areas of new casinos. While the impact that new casinos will have on video gaming locations is not expected to mimic the impact that new video gaming machines had on existing casinos (due to the convenience of local establishments), some cannibalization in video gaming figures is possible.

Finally, another factor that should be monitored is the competition from "sweepstakes" machines. These unregulated devices look and work similarly to video gaming terminals but are not subject to State and local taxation. Although the Illinois Gaming Board has suggested that the machines are illegal, enough ambiguity in the law exists that these machines remain in operation. These machines can be played for free, which reportedly provides a legal "loophole" that these are "not gambling devices". If the popularity of these devices grows and more businesses choose these machines over video gaming terminals, the State's video gaming numbers could be negatively affected.

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. 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 \$70 billion and the Lottery has transferred over \$22 billion back to the State. Table 21 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

The Illinois Lottery had total sales of \$2.977 billion in FY 2019. This was an increase of \$49 million, or 1.7%, from FY 2018's sales figures. The 1.7% growth rate is down from the 2.9% achieved in FY 2018 but was an improvement over the previous four fiscal years. Sales growth from FY 2014-FY 2017 was stagnant after two years of significant growth during the first two years under the first private manager, Northstar Lottery Group. The new private manager, Camelot Illinois, took over management of the lottery half way through FY 2018.

Instant ticket sales continue to dominate total sales for the lottery. In FY 2019, instant ticket sales totaled \$1.857 billion, which was down \$24 million, or -1.3%, from the previous year. Instant ticket sales made up 62% of total sales, while draw games made up the remaining 38%. Instant ticket sales have steadily increased their portion of total sales over the past thirty years but seem to have stabilized at just over 60% of total sales in the past few years. Chart 11 on page 56 shows the historic makeup of lottery sales.

Overall, the draw games were up almost 7% last year. This added over \$72 million to total sales compared to FY 2018. Mega Millions sales were responsible for the lion's share of the growth last year. Mega Millions sales were up over \$88 million. Sales rose from \$125 million in FY 2018 to \$213 million in FY 2019. This was likely due to the number of extremely large jackpots. In October of 2018, the jackpot rolled over to \$1.5 billion which was the largest Mega Millions jackpot ever. The Mega Millions jackpot also reached \$500 million on two other occasions during FY 2019. A break-down of individual game sales totals for FY 2019 can be found in Chart 12.

The other draw games were mostly flat and contributed a net decline of approximately \$16 million. A small increase in the Lotto (\$8 million) was more than offset by a decline in the Lucky Day Lotto (\$14 million) and the lack of a raffle (\$6 million) this fiscal year. The largest draw game was the Pick 3 game which had sales of \$275 million. This was down just over \$3 million from FY 2018. The Pick 4 game was the second largest draw game at \$251 million which was up \$2 million. The Powerball game was down slightly at \$159 million, while the previously mentioned Lotto game was up 9% at \$102 million.

**TABLE 21: LOTTERY SALES BY GAME
FY 1975 - FY 2019**

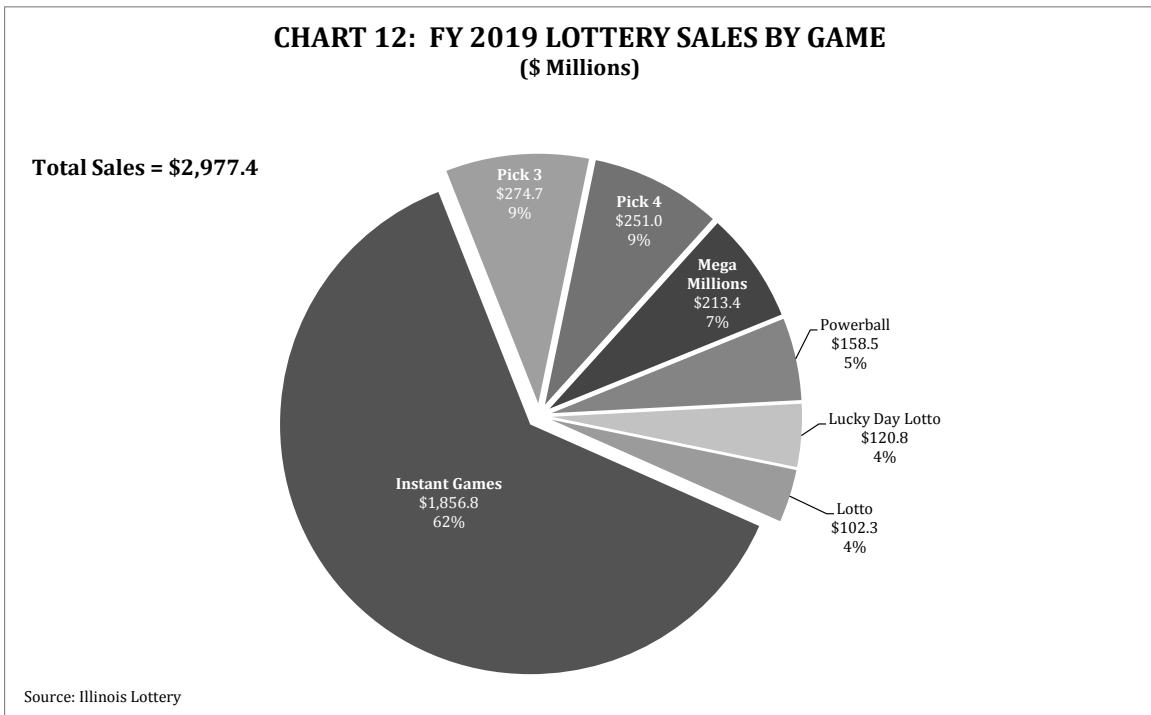
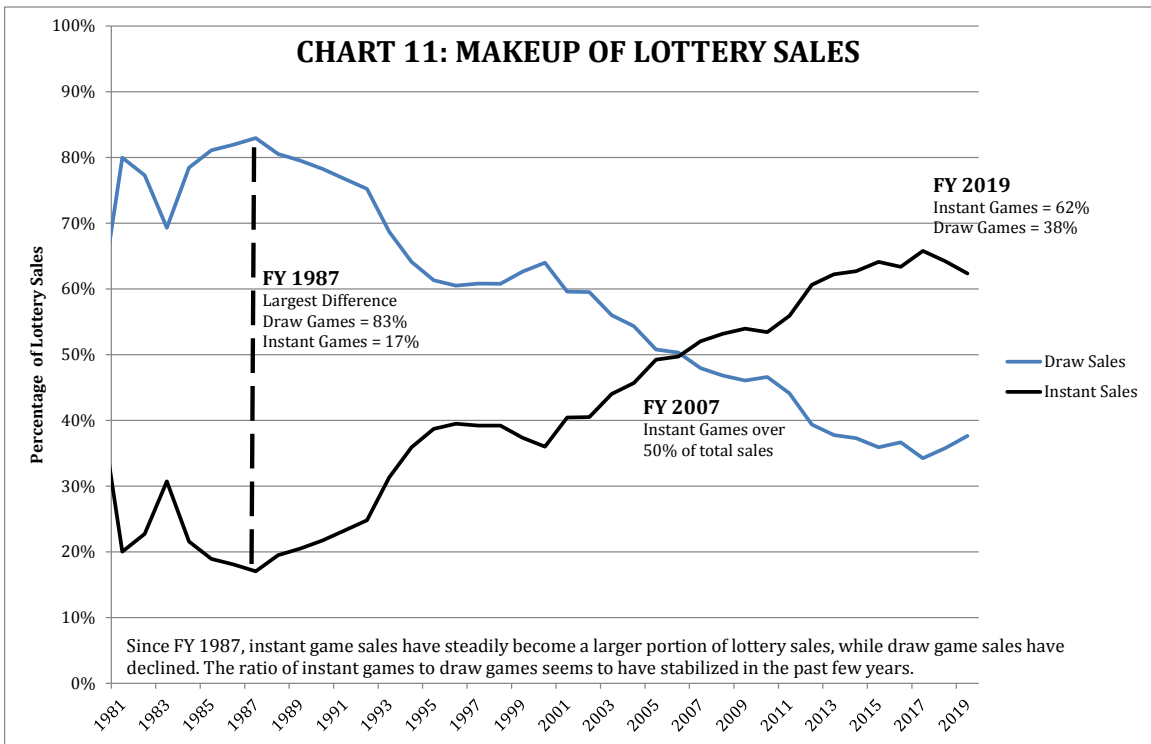
(\$ Millions)

Fiscal Year	Instant Games	Pick 3*	Raffles	Pick 4*	Lotto	Lucky Day Lotto	Mega Millions*	Powerball*	Other Games	Total Sales
	Sales	Sales	Sales	Sales	Sales	Sales	Sales	Sales	Sales	\$
	% Change	% Change	% Change	% Change	% Change	% Change	% Change	% Change	% Change	% Change
1975	\$ 566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129.3	\$ 129.3
1976	\$ 62.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107.3	\$ 163.9
1977	\$ 57.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50.0	\$ 112.9
1978	\$ 56.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31.6	\$ 89.1
1979	\$ 41.4	\$ 42.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20.4	\$ 76.7
1980	\$ 43.0	\$ 164.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7.5	\$ 97.5
1981	\$ 78.2	\$ 248.2	\$ -	\$ 17.7	\$ -	\$ -	\$ -	\$ -	\$ 0.0	\$ 214.7
1982	\$ 158.1	\$ 283.8	\$ -	\$ 46.0	\$ 26.9	\$ -	\$ -	\$ -	\$ -	\$ 344.1
1983	\$ 196.6	\$ 367.4	\$ -	\$ 49.4	\$ 298.8	\$ -	\$ -	\$ -	\$ -	\$ 514.8
1984	\$ 233.7	\$ 356.2	\$ -	\$ 75.5	\$ 567.4	\$ 2.8	\$ -	\$ -	\$ -	\$ 912.2
1985	\$ 237.6	\$ 347.6	\$ -	\$ 88.1	\$ 642.3	\$ -	\$ -	\$ -	\$ -	\$ 1,235.6
1986	\$ 227.3	\$ 335.1	\$ -	\$ 93.0	\$ 678.5	\$ -	\$ -	\$ -	\$ -	\$ 1,315.6
1987	\$ 260.1	\$ 352.6	\$ -	\$ 105.9	\$ 600.6	\$ 16.3	\$ -	\$ -	\$ -	\$ 1,333.9
1988	\$ 321.9	\$ 369.6	\$ -	\$ 108.6	\$ 607.1	\$ 14.3	\$ -	\$ -	\$ -	\$ 1,335.5
1989	\$ 341.2	\$ 382.5	\$ -	\$ 114.1	\$ 588.7	\$ 14.3	\$ -	\$ -	\$ -	\$ 1,571.3
1990	\$ 364.6	\$ 368.5	\$ -	\$ 109.0	\$ 601.0	\$ 2.1	\$ -	\$ -	\$ -	\$ 1,570.2
1991	\$ 406.0	\$ 362.0	\$ -	\$ 112.3	\$ 633.5	\$ 5.4	\$ -	\$ -	\$ -	\$ 1,566.5
1992	\$ 493.2	\$ 350.5	\$ -	\$ 112.3	\$ 633.5	\$ 5.4	\$ -	\$ -	\$ -	\$ 1,636.9
1993	\$ 548.7	\$ 344.5	\$ -	\$ 109.7	\$ 603.0	\$ 22.7	\$ -	\$ -	\$ 0.1	\$ 1,575.9
1994	\$ 630.7	\$ 358.4	\$ -	\$ 123.7	\$ 586.6	\$ 17.1	\$ -	\$ -	\$ -	\$ 1,528.6
1995	\$ 646.7	\$ 375.5	\$ -	\$ 140.3	\$ 363.4	\$ 6.0	\$ -	\$ -	\$ -	\$ 1,629.5
1996	\$ 636.2	\$ 340.7	\$ -	\$ 139.8	\$ 295.3	\$ 11.8	\$ -	\$ -	\$ -	\$ 1,637.3
1997	\$ 618.3	\$ 344.7	\$ -	\$ 145.3	\$ 263.0	\$ 11.8	\$ -	\$ -	\$ -	\$ 1,623.2
1998	\$ 570.1	\$ 335.3	\$ -	\$ 144.5	\$ 168.8	\$ 11.3	\$ -	\$ -	\$ -	\$ 1,576.9
1999	\$ 541.5	\$ 341.4	\$ -	\$ 154.4	\$ 146.3	\$ 10.1	\$ -	\$ -	\$ -	\$ 1,525.9
2000	\$ 586.1	\$ 326.6	\$ -	\$ 151.3	\$ 143.5	\$ 8.3	\$ -	\$ -	\$ -	\$ 1,503.9
2001	\$ 643.8	\$ 327.9	\$ -	\$ 158.0	\$ 134.9	\$ 8.1	\$ -	\$ -	\$ -	\$ 1,494.8
2002	\$ 697.9	\$ 314.1	\$ -	\$ 161.9	\$ 121.2	\$ 7.8	\$ -	\$ -	\$ -	\$ 1,590.0
2003	\$ 780.5	\$ 308.9	\$ -	\$ 167.2	\$ 117.4	\$ 9.7	\$ -	\$ -	\$ -	\$ 1,585.8
2004	\$ 907.1	\$ 307.4	\$ -	\$ 168.4	\$ 131.6	\$ 13.8	\$ -	\$ -	\$ -	\$ 1,709.2
2005	\$ 976.7	\$ 309.2	\$ -	\$ 170.1	\$ 125.3	\$ 12.6	\$ -	\$ -	\$ -	\$ 1,842.9
2006	\$ 1,041.6	\$ 308.7	\$ -	\$ 170.2	\$ 112.1	\$ 12.7	\$ -	\$ -	\$ -	\$ 1,964.8
2007	\$ 1,094.0	\$ 299.0	\$ -	\$ 167.8	\$ 112.9	\$ 12.8	\$ -	\$ -	\$ -	\$ 2,001.3
2008	\$ 1,121.1	\$ 297.7	\$ -	\$ 176.9	\$ 122.7	\$ 12.0	\$ -	\$ -	\$ -	\$ 2,057.5
2009	\$ 1,173.9	\$ 301.4	\$ -	\$ 191.0	\$ 113.5	\$ 12.7	\$ -	\$ -	\$ -	\$ 2,078.6
2010	\$ 1,264.7	\$ 290.6	\$ -	\$ 191.0	\$ 107.6	\$ 19.5	\$ -	\$ -	\$ -	\$ 2,197.5
2011	\$ 1,622.6	\$ 277.7	\$ -	\$ 193.6	\$ 105.3	\$ 13.2	\$ -	\$ -	\$ -	\$ 2,262.9
2012	\$ 1,768.4	\$ 261.5	\$ -	\$ 198.7	\$ 96.6	\$ 13.7	\$ -	\$ -	\$ -	\$ 2,676.3
2013	\$ 1,757.4	\$ 250.6	\$ -	\$ 202.9	\$ 114.3	\$ 15.6	\$ -	\$ -	\$ -	\$ 2,841.3
2014	\$ 1,821.6	\$ 263.1	\$ -	\$ 223.9	\$ 108.8	\$ 15.1	\$ -	\$ -	\$ -	\$ 2,802.7
2015	\$ 1,811.8	\$ 269.2	\$ -	\$ 219.1	\$ 109.7	\$ 13.7	\$ -	\$ -	\$ -	\$ 2,841.4
2016	\$ 1,871.9	\$ 262.3	\$ -	\$ 229.1	\$ 87.8	\$ 13.3	\$ -	\$ -	\$ -	\$ 2,859.8
2017	\$ 1,880.5	\$ 278.1	\$ -	\$ 248.8	\$ 93.9	\$ 13.5	\$ -	\$ -	\$ -	\$ 2,845.9
2018	\$ 1,856.8	\$ 274.7	\$ -	\$ 251.0	\$ 102.3	\$ 12.0	\$ -	\$ -	\$ -	\$ 2,928.4
2019**	\$ 32,506.9	\$ 12,281.7	\$ 174.8	\$ 5,628.8	\$ 9,922.4	\$ 3,844.2	\$ 2,979.9	\$ 1,509.2	\$ 1,486.7	\$ 70,335.5
TOTALS	\$ 32,506.9	\$ 12,281.7	\$ 174.8	\$ 5,628.8	\$ 9,922.4	\$ 3,844.2	\$ 2,979.9	\$ 1,509.2	\$ 1,486.7	\$ 70,335.5

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

** Preliminary, unaudited data

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 based on the previous year’s financial statements. In FY 2018, an amount of \$2.94 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 of the distributions. This was 1% or \$29 million lower than in FY 2017. The largest cash payment for operating expenses went to Prizes Awarded to Winners which totaled \$1.91 billion. Commissions and Bonuses totaled \$165.0 million in FY 2018 which was 3.1% higher than in FY 2017. General and Administrative Expenses were significantly down at \$136 million. This was \$107 million less than in FY 2017 when these expenses included a \$97.5 million payment to the Northstar Group for reimbursement of previous operating expenses.

Cash transfers out to other funds accounted for the final \$731.7 million in distributions in FY 2018. Just under \$719 million went to the Common School Fund. Transfers to the Capital Projects Fund were down almost 40% to \$9 million after receiving \$15 million in FY 2017. Special causes received \$3.6 million. Chart 13 illustrates the cash distributions for FY 2018.

Table 22, on the next page, shows how the Lottery’s distributions have changed in recent years.

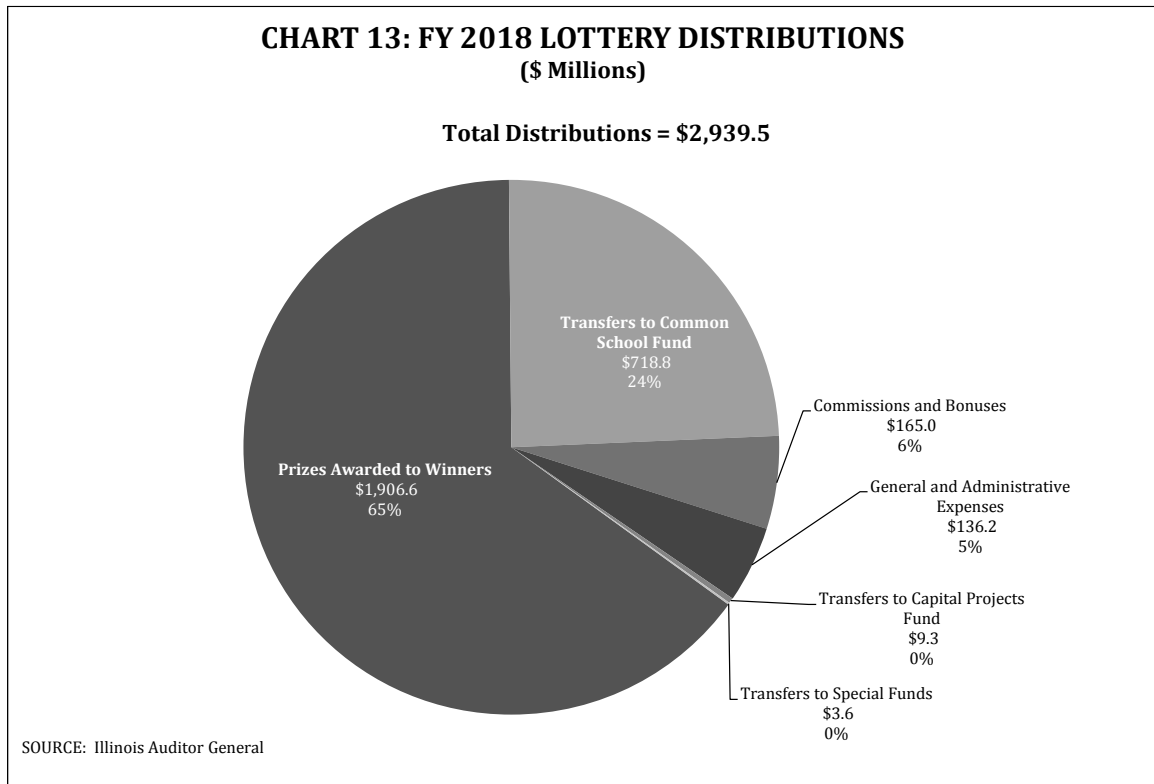


TABLE 22: LOTTERY DISTRIBUTIONS
FY 2007 - FY 2019
 (\$ Millions)

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	\$ 622.6	n/a	\$ 140.9	n/a	\$ -	n/a	\$ 59.5	n/a	\$ 4.1	n/a	\$ 1,935.3	n/a
2008	\$ 1,166.0	5.7%	\$ 657.0	5.5%	\$ 145.0	4.1%	\$ -	n/a	\$ 57.4	(2.1)%	\$ 4.6	0.5%	\$ 2,030.0	4.9%
2009	\$ 1,225.9	5.1%	\$ 625.0	(4.9)%	\$ 152.6	7.6%	\$ -	n/a	\$ 65.3	7.8%	\$ 5.2	0.6%	\$ 2,073.9	2.2%
2010	\$ 1,271.5	3.7%	\$ 625.0	0.0%	\$ 149.3	(3.3)%	\$ -	n/a	\$ 66.3	1.0%	\$ 4.2	(0.9)%	\$ 2,116.3	2.0%
2011	\$ 1,298.9	2.2%	\$ 631.9	1.1%	\$ 153.0	3.7%	\$ 87.0	2.5%	\$ 74.7	8.4%	\$ 4.1	(0.1)%	\$ 2,249.6	6.3%
NORTHSTAR LOTTERY GROUP TAKES OVER CONTROL OF LOTTERY OPERATIONS														
2012	\$ 1,561.2	20.2%	\$ 639.9	8.0%	\$ 151.5	(1.6)%	\$ 65.2	(21.8)%	\$ 123.5	48.9%	\$ 3.2	(0.9)%	\$ 2,544.5	13.1%
2013	\$ 1,728.3	10.7%	\$ 655.6	15.7%	\$ 164.0	12.5%	\$ 135.0	8.3%	\$ 149.6	26.1%	\$ 2.9	(0.3)%	\$ 2,835.4	11.4%
2014	\$ 1,699.6	(1.7)%	\$ 668.1	1.9%	\$ 159.1	(4.9)%	\$ 145.0	7.4%	\$ 148.5	(1.1)%	\$ 2.3	(0.7)%	\$ 2,822.6	(0.5)%
2015	\$ 1,743.0	2.6%	\$ 678.6	1.6%	\$ 161.6	2.5%	\$ 8.0	(137.0)%	\$ 109.7	(38.8)%	\$ 3.6	1.3%	\$ 2,704.4	(4.2)%
2016	\$ 1,969.1	13.0%	\$ 676.9	(1.6)%	\$ 160.9	(0.7)%	\$ -	(8.0)%	\$ 101.4	(8.3)%	\$ 3.3	(0.3)%	\$ 2,911.6	7.7%
2017	\$ 1,826.9	(7.2)%	\$ 720.3	6.4%	\$ 160.0	(0.9)%	\$ 15.0	(100.0)%	\$ 243.4	142.0%	\$ 2.9	(0.4)%	\$ 2,968.5	2.0%
CAMELOT ILLINOIS TAKES OVER CONTROL OF LOTTERY OPERATIONS														
2018	\$ 1,906.6	4.4%	\$ 718.8	(1.5)%	\$ 165.0	5.0%	\$ 9.3	(5.7)%	\$ 136.2	(107.2)%	\$ 3.6	0.7%	\$ 2,939.5	(1.0)%
2019***	n/a	n/a	\$ 731.1	1.7%	n/a	n/a	\$ -	(15.0)%	n/a	n/a	\$ 3.4	(0.2)%	n/a	n/a

* \$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.

** \$14.5 million that was from operations in FY 2016 was recorded in FY 2017 due to the time necessary to transfer the funds from the Lottery to the Comptroller's office.

*** Complete financial data for FY 2019 is not available at the time of printing of this report.

Special cause game proceeds go to cancer research, veterans' related issues, multiple sclerosis research, special olympics, HIV prevention and education, and police memorial funds.

SOURCE: ILLINOIS LOTTERY

Lottery Transfers

As mentioned previously and shown in Table 22, 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 payments 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). Transfers to the Common School Fund were up 1.7% in FY 2019. These transfers rose from \$718.8 million in FY 2018 to \$731.1 million in FY 2019.

The second destination for Lottery profits are a set of six special cause funds. Special cause lottery sales have ranged between \$2.9 million to \$3.6 million since FY 2012. In FY 2019, special cause tickets had total sales of \$3.4 million which was a decline of \$0.2 million. This equaled a decline of 5.6%.

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. Ticket for the Cure sales were up over 9% in FY 2018 at just over \$627,000. This is the second year in a row with decent growth for this game after declining sales for most of the prior five years.

A special instant scratch-off was created by P.A. 94-0585 to fund grants for veterans' related issues. The Winter Green game that supports the veterans' related issues grants had a second straight year of strong growth. Total sales grew 20% to \$1.2 million in FY 2019. This comes after growth of over 40% in FY 2018.

Revenues from the Red Ribbon Cash instant ticket game are used to support HIV/AIDS prevention and education. This game was created as part of P.A. 95-0674. Sales for this game were up significantly after disappointing results in the prior year. Sales fell 34% to \$467,000 in FY 2018 but rebounded over 16% to just under \$517,000 in FY 2019.

A special cause game benefiting multiple sclerosis began sales in September of 2008. As part of PA 95-0673, the Multiple Sclerosis Research Fund was created that would benefit research pertaining to multiple sclerosis. Sales of the "MS Project" game were down in FY 2019. Sales fell almost 18% to just under \$455,000.

P.A. 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. Sales of this game fell significantly in FY 2019. Sales fell to approximately \$517,000 which was a decline of almost 46%.

Introduced in May of 2019, the Blue Police Memorial Ticket game will be used to raise funds to support police memorial projects. As part of P.A. 100-0647, revenues from the ticket will be equally divided among the Chicago Police Memorial Foundation Fund, the Police Memorial Committee Fund, and the Illinois State Police Memorial Park Fund. Profits from the Blue Police Memorial Ticket will be used to fund grants for building and maintaining memorials and parks; holding annual memorial commemorations; giving scholarships to children of officers killed or catastrophically injured in the line of duty, or those interested in pursuing a career in law enforcement; providing financial assistance to police officers and their families when a police officer is killed or injured in the line of duty; and providing financial assistance to officers for the purchase or replacement of bullet proof vests to be used in the line of duty. Even though sales for this new game began at the end of FY 2019, due to transfer timing between the Lottery and the Comptroller's office, the initial funds did not arrive at the Comptroller's office until FY 2020.

The last fund that receives lottery funds is the Capital Projects Fund which was also created under Public Act 96-0034. 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. Since then, transfers to the Common School Fund have ranged from \$0 to \$15 million. In FY 2019, no funds were transferred to the Capital Projects Fund. However, this may be somewhat misleading, as due to changes made under P.A. 100-0587, the lottery now has until September 30th of the following fiscal year after the fiscal year's audited financial results are finalized to determine how much should be transferred to the Capital Projects Fund.

**TABLE 23: LOTTERY TRANSFERS
FY 1975 - FY 2019***

(\$ 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%
NORTHSTAR LOTTERY GROUP 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%
CAMELOT ILLINOIS TAKES OVER CONTROL OF LOTTERY OPERATIONS								
2018	\$ 2,928.4	\$ -	\$ 718.8	\$ 9.3	\$ 3.6	\$ -	\$ 731.7	25.0%
2019	\$ 2,977.4	\$ -	\$ 731.1	\$ -	\$ 3.3	\$ -	\$ 734.4	24.7%
TOTALS	\$ 70,353.8	\$ 1,649.8	\$ 20,541.5	\$ 464.5	\$ 50.9	\$ 21.2	\$ 22,727.9	32.3%

* 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 \$40 million. 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 2019, 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.

Mega Millions has drawings on Tuesdays and Fridays. Powerball conducts their drawings on Wednesdays and Saturdays. Mega Millions and Powerball each cost \$2 per ticket. Mega Millions had been \$1 per ticket but beginning in October 2017, the price rose to \$2 to match the Powerball. In addition to the change in price, the beginning jackpot for Mega Millions rose to \$40 million from \$15 million and the odds of winning the jackpot increased.

As mentioned previously, Mega Millions had an outstanding year in FY 2019. Sales totaled over \$213 million. This was an increase of over 70% and was the highest total since FY 2010 when sales were \$224 million. Powerball sales, on the other hand, were basically flat. Powerball contributed \$159 million which was a decline of 1.7% from FY 2018's results.

Table 24 on the next page shows the change in sales data, along with the growth in higher jackpots in recent years. In FY 2019, the two multi-state games once again had record levels of high-level jackpots. As mentioned previously, the Mega Millions had some extremely high jackpots during FY 2019. The largest Mega Millions jackpot ever occurred in October of 2018. The two games had 147 drawings over \$100 million and 88 drawings over \$200 million. There were also over 40 drawings over \$300 million which is quite surprising when you consider that these games only averaged between 4 to 5 drawings over \$300 million between FY 2010 and FY 2015. The growth in high-level jackpots is likely due to the higher odds of winning the jackpot with the introduction of new game rules which causes more rollovers. In recent years both games (Powerball 2015, Mega Millions 2017) changed their rules which lowered the chances of winning the jackpot but increased the chances of winning lesser prizes.

TABLE 24: MULTI STATE GAME RESULTS

(\$ Million)

MEGA MILLIONS

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Average Jackpot Drawing	\$73.5	\$64.8	\$80.2	\$51.3	\$98.0	\$93.8	\$101.7	\$77.7	\$146.6	\$220.4
Drawings over \$100 M	30	20	19	9	35	40	42	28	55	70
Drawings over \$200 M	6	6	6	0	13	12	12	3	30	46
Drawings over \$300 M	1	2	2	0	6	1	4	3	13	26
Mega Millions Sales	\$222.6	\$172.0	\$189.6	\$109.1	\$145.0	\$120.3	\$99.4	\$98.2	\$125.0	\$213.4
% Change	8.8%	-22.7%	10.2%	-42.5%	33.0%	-17.1%	-17.4%	-1.1%	27.3%	70.7%

POWERBALL

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Average Jackpot Drawing	\$82.3	\$62.4	\$85.2	\$120.0	\$117.3	\$105.2	\$159.6	\$165.7	\$175.7	\$199.6
Drawings over \$100 M	32	17	33	48	44	41	62	65	71	77
Drawings over \$200 M	7	2	8	16	15	9	25	34	34	42
Drawings over \$300 M	0	0	1	6	6	3	9	16	16	18
Powerball Sales	\$51.7*	\$97.4	\$146.3**	\$237.8	\$163.3	\$133.5	\$208.0	\$151.6	\$161.2	\$158.5
% Change	n/a	88.3%	\$0.50	62.6%	-31.3%	-18.3%	55.8%	-27.1%	6.4%	-1.7%

MEGA MILLIONS AND POWERBALL

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Average Jackpot Drawing	\$77.9	\$63.6	\$82.7	\$85.6	\$107.6	\$99.5	\$130.7	\$121.7	\$161.2	\$210.0
Drawings over \$100 M	62	37	52	57	79	81	104	93	126	147
Drawings over \$200 M	13	8	14	16	28	21	37	37	64	88
Drawings over \$300 M	1	2	3	6	12	4	13	19	29	44
Total Multi State Game Sales	\$274.3	\$269.4	\$335.9	\$346.8	\$308.3	\$253.7	\$307.4	\$249.8	\$286.2	\$371.8
% Change	34.1%	-1.8%	24.7%	3.3%	-11.1%	-17.7%	21.1%	-18.7%	14.6%	29.9%

* 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

U.S. Lottery Results

Based on data from the North American Association of State and Provincial Lotteries, in FY 2018, Illinois had the 11th largest lottery in the U.S. based on total traditional lottery sales. This is the same rank that Illinois had for FY 2017. Traditional lottery sales include instant and draw games but exclude electric gaming machines and table games. While Illinois has electric gaming machines and table games, they are under the purview of the Illinois Gaming Board, and as such, will not be included in this analysis of the Lottery. New York had the largest amount of traditional lottery sales in FY 2018 at \$7.7 billion. They were followed by California at \$7.0 billion and Florida at \$6.7 billion.

On a sales per capita basis, Illinois had sales per capita of \$230 in FY 2018. This was an increase of 3.4% from FY 2017. This level of sales put Illinois near the middle of the pack as it ranked 20th out of the 45 lotteries studied. Massachusetts had the highest levels of lottery sales at \$765 per person. This was followed by Georgia at \$437 and New York at \$406. Based on preliminary data, Illinois' sales per capita increased to approximately \$234 in FY 2019. This equaled growth of 1.7%. Chart 14 shows the slow, continual growth of this metric over the past fifteen years.

Similarly, analyzing last year's lottery sales on a percentage of per-capita personal income basis placed Illinois near the middle of U.S. lotteries. Illinois residents averaged spending approximately 0.40% of their personal income on the lottery. This level of spending ranked Illinois 20th, the same as the previous year. These spending levels are somewhat down compared to past years. In FY 2015, people in Illinois spent approximately 0.45% of their personal income on lottery and this level fell to 0.42% in FY 2016 and FY 2017. The highest levels of spending on lottery sales based on personal income are seen in Massachusetts (1.09%), Georgia (0.96%), and South Carolina (0.81%).

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. According to the Illinois Lottery, approximately 7,400 retail locations offer lottery products currently. This is a similar level as last year but down from FY 2017 when this amount was over 7,500. Chart 15, on page 66 illustrates where Illinois stands regarding this metric. Illinois has approximately 1,722 people per lottery retailer. This ranked 40th out of the 45 U.S. lotteries analyzed. Massachusetts and Rhode Island have the greatest availability of lottery products with only 844 and 889 people per lottery location, while Arizona has the most people per retail location at 2,344. The U.S. average was 1,438 people per lottery retailer. To equal the U.S. average, Illinois would have to reach approximately 8,860 retailers, which would be an increase of 1,460 retailers. This would mean an increase of almost 20% in total retailers over the current level.

**TABLE 25: LOTTERY RANKINGS
(FY 2018)**

STATE	POPULATION (MILLIONS)	PER CAPITA PERSONAL INCOME	TRADITIONAL LOTTERY SALES (\$ MILLIONS)	Rank	PER CAPITA SALES	Rank	PER CAPITA SALES AS A % OF PER-CAPITA PERSONAL INCOME	Rank
ALABAMA	4.9	\$ 42,334	\$ -	46	\$ -	46	0.00%	46
ALASKA	0.7	\$ 59,687	\$ -	46	\$ -	46	0.00%	46
ARIZONA	7.2	\$ 43,650	\$ 981	21	\$ 137	29	0.31%	28
ARKANSAS	3.0	\$ 42,566	\$ 500	26	\$ 166	27	0.39%	25
CALIFORNIA	39.6	\$ 62,586	\$ 6,966	2	\$ 176	26	0.28%	29
COLORADO	5.7	\$ 56,846	\$ 612	24	\$ 107	32	0.19%	34
CONNECTICUT	3.6	\$ 74,561	\$ 1,268	19	\$ 355	6	0.48%	15
DELAWARE	1.0	\$ 51,449	\$ 232	35	\$ 239	18	0.47%	16
DISTRICT OF COLUMBIA	0.7	\$ 81,882	\$ 210	37	\$ 299	11	0.37%	26
FLORIDA	21.3	\$ 49,417	\$ 6,701	3	\$ 315	10	0.64%	5
GEORGIA	10.5	\$ 45,745	\$ 4,598	6	\$ 437	2	0.96%	2
HAWAII	1.4	\$ 54,565	\$ -	46	\$ -	46	0.00%	46
IDAHO	1.8	\$ 43,155	\$ 265	33	\$ 151	28	0.35%	27
ILLINOIS	12.7	\$ 56,933	\$ 2,928	11	\$ 230	20	0.40%	21
INDIANA	6.7	\$ 46,646	\$ 1,270	18	\$ 190	25	0.41%	20
IOWA	3.2	\$ 48,823	\$ 371	28	\$ 118	30	0.24%	31
KANSAS	2.9	\$ 50,155	\$ 269	32	\$ 92	38	0.18%	36
KENTUCKY	4.5	\$ 41,779	\$ 1,043	20	\$ 233	19	0.56%	9
LOUISIANA	4.7	\$ 45,542	\$ 491	27	\$ 105	34	0.23%	32
MAINE	1.3	\$ 48,241	\$ 294	31	\$ 220	22	0.46%	17
MARYLAND	6.0	\$ 62,914	\$ 2,043	14	\$ 338	8	0.54%	13
MASSACHUSETTS	6.9	\$ 70,073	\$ 5,277	5	\$ 765	1	1.09%	1
MICHIGAN	10.0	\$ 47,582	\$ 3,578	8	\$ 358	5	0.75%	4
MINNESOTA	5.6	\$ 56,374	\$ 596	25	\$ 106	33	0.19%	35
MISSISSIPPI	3.0	\$ 37,994	\$ -	46	\$ -	46	0.00%	46
MISSOURI	6.1	\$ 46,635	\$ 1,400	17	\$ 229	21	0.49%	14
MONTANA	1.1	\$ 47,120	\$ 57	43	\$ 53	43	0.11%	43
NEBRASKA	1.9	\$ 52,110	\$ 183	38	\$ 95	37	0.18%	37
NEVADA	3.0	\$ 48,225	\$ -	46	\$ -	46	0.00%	46
NEW HAMPSHIRE	1.4	\$ 61,405	\$ 333	30	\$ 245	16	0.40%	22
NEW JERSEY	8.9	\$ 67,609	\$ 3,300	9	\$ 370	4	0.55%	10
NEW MEXICO	2.1	\$ 41,198	\$ 134	40	\$ 64	41	0.16%	40
NEW YORK	19.5	\$ 68,667	\$ 7,939	1	\$ 406	3	0.59%	7
NORTH CAROLINA	10.4	\$ 45,834	\$ 2,605	12	\$ 251	15	0.55%	11
NORTH DAKOTA	0.8	\$ 54,306	\$ 31	44	\$ 41	45	0.08%	45
OHIO	11.7	\$ 48,242	\$ 3,160	10	\$ 270	12	0.56%	8
OKLAHOMA	3.9	\$ 46,128	\$ 221	36	\$ 56	42	0.12%	42
OREGON	4.2	\$ 49,908	\$ 368	29	\$ 88	39	0.18%	38
PENNSYLVANIA	12.8	\$ 55,349	\$ 4,221	7	\$ 330	9	0.60%	6
RHODE ISLAND	1.1	\$ 54,523	\$ 258	34	\$ 244	17	0.45%	18
SOUTH CAROLINA	5.1	\$ 42,736	\$ 1,750	15	\$ 344	7	0.81%	3
SOUTH DAKOTA	0.9	\$ 50,141	\$ 58	42	\$ 66	40	0.13%	41
TENNESSEE	6.8	\$ 47,179	\$ 1,736	16	\$ 256	13	0.54%	12
TEXAS	28.7	\$ 49,161	\$ 5,627	4	\$ 196	24	0.40%	23
UTAH	3.2	\$ 45,340	\$ -	46	\$ -	46	0.00%	46
VERMONT	0.6	\$ 53,598	\$ 132	41	\$ 211	23	0.39%	24
VIRGINIA	8.5	\$ 56,952	\$ 2,140	13	\$ 251	14	0.44%	19
WASHINGTON	7.5	\$ 60,781	\$ 734	22	\$ 97	36	0.16%	39
WEST VIRGINIA	1.8	\$ 40,578	\$ 177	39	\$ 98	35	0.24%	30
WISCONSIN	5.8	\$ 50,756	\$ 667	23	\$ 115	31	0.23%	33
WYOMING	0.6	\$ 60,095	\$ 29	45	\$ 50	44	0.08%	44
TOTALS	327.2	\$ 51,631	\$ 77,754		\$ 238		0.46%	

All figures are for traditional lottery games and do not include video gaming or table games.

All data should be considered preliminary and unaudited.

SOURCES: NORTH AMERICAN ASSOCIATION OF STATE AND PROVINCIAL LOTTERIES, BUREAU OF ECONOMIC ANALYSIS, CGFA

CHART 14: ILLINOIS LOTTERY SALES PER CAPITA

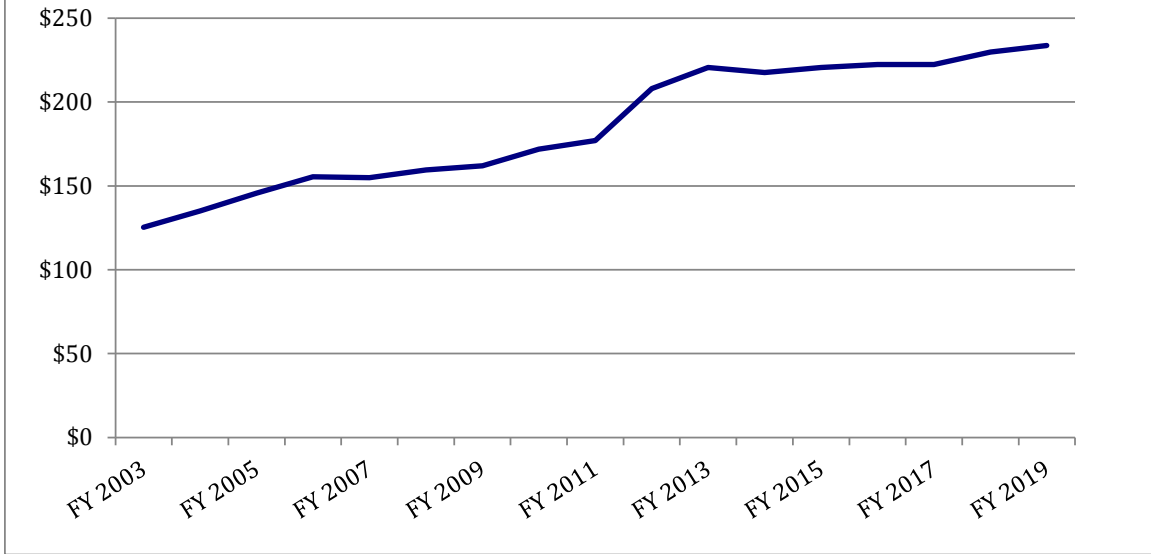
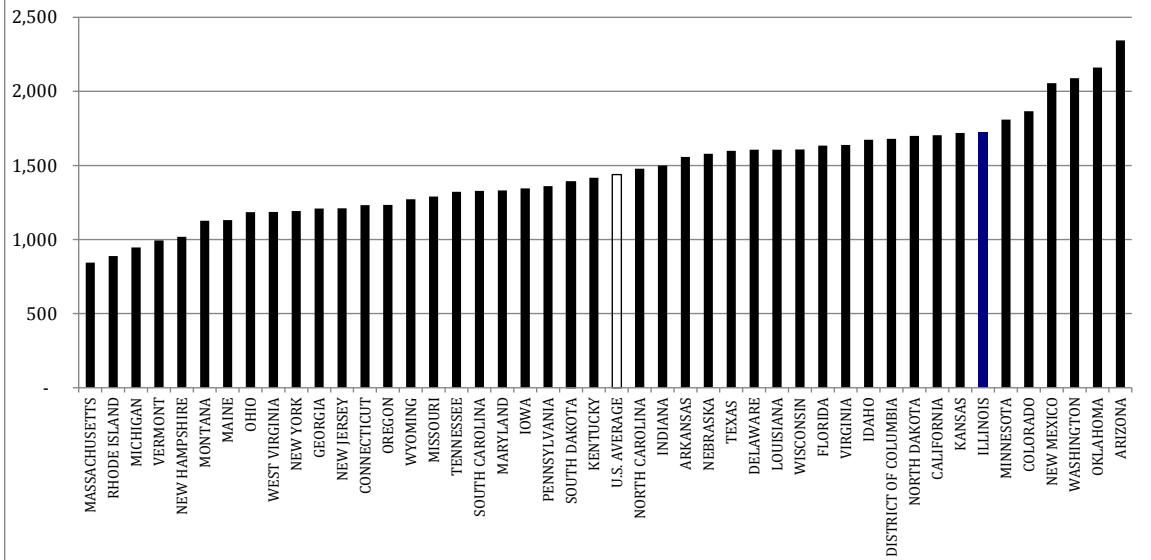


CHART 15. PEOPLE PER LOTTERY RETAILER

Illinois ranks 40th with approximately one lottery retailer per 1,722 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 96-0034, 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 Northstar's management did not meet expectations. The State and the Northstar Lottery Group had a rocky relationship from the beginning of the private management agreement. The two 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 contained 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 represented shortfall payments for not meeting net income goals. The remaining \$22.6 million was 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. [According to the FY 2018 audit of the Lottery, this amount totaled \$34.4 million when finalized.]

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, Camelot, submitted a bid under the RFP. Camelot is known for running the U.K. National Lottery and was the second place bidder during the original lottery management process. The State was able to come to agreement with Camelot in October of 2017. A new firm called Camelot Illinois took over day-to-day management of the lottery on January 2, 2018.

The new private management agreement with Camelot Illinois had several new features. The agreement is reported to include higher base fees, incentive pay at lower levels of sales, and no penalties for underperformance. Based on the new private management agreement, Camelot Illinois' base management fees are set at 0.876% of the actual Operating Revenues for FY 2019 and a rate of 0.896% for the remaining fiscal years of the contract. The incentive pay is based on a schedule of minimum net income, middle net income, and upper net income targets. Camelot Illinois will receive 17% of any revenue above the minimum net income target, 22% of any net income above the middle target, and 27% of any net income above the upper target. For FY 2019, the minimum net income target is \$731.3 million, the middle net income target is \$750.0 million, and the upper net income target is \$780.0 million. Incentive pay is capped at 5% of Net Income. The previous private management agreement had penalties for underperformance. This agreement does not appear to have these penalties, though Camelot Illinois is responsible for any cost overruns.

For more information on the private management agreement, see <https://www.illinoislottery.com/illinois-lottery/lottery-private-management>.

Accounting Issues

Two findings from a FY 2018 audit of the Lottery stood out as issues that need to be mentioned. Finding 2018-001 showed excess transfers to the Common School Fund. Another issue was raised in Finding 2018-002 which stated that the Lottery was not compliant with the Illinois Lottery Law due to not performing all the required transfers to the Capital Projects Fund.

According to the report from the Auditor General, the Lottery transferred just over \$73 million more to the State Lottery Fund (Fund 711) than was appropriate in FY 2018. This occurred due to a mismatch in the actual amount of money available to send to the State Lottery Fund which is not known until after final, audited financials are conducted (which are not available until September of the following fiscal year) and due to the monthly transfers mandated into the Common School Fund (Fund 412) from the State Lottery Fund which are based on the monthly amount of money transferred in FY 2009 adjusted for inflation.

Finding 2018-002 indicated that the Lottery had not performed all the necessary transfers into the Capital Projects Fund. The Capital Projects Fund was owed approximately \$89 million as of June 30, 2018. The unperformed transfers were from periods prior to FY 2018. A large portion of this amount was from a mis-characterization of an excess transfer of approximately \$69 million from the State Lottery Fund into the Common School Fund in FY 2009. The Lottery booked this amount as an accounts receivable from the Common School Fund to the State Lottery Fund. However, during the FY 2012 audit, this accounts receivable was deemed as inappropriate, and therefore, this created a cash deficit in the same amount that has not been made up. The remaining \$19 million in unperformed transfers was due to annual mismatches between what was estimated for transfer at the end of a fiscal year and what was determined after audited financials were available.

The Lottery is seeking a legislative fix to address the outstanding balances issue. Any remediation efforts could affect future transfers but it is currently unclear how these issues will be resolved. Changes made in P.A. 100-0587, which allows for the delayed transfer into the Capital Projects Fund, should alleviate one of these problems moving forward. For more information about these issues, please see the audit reports available at <https://www.auditor.illinois.gov/Audit-Reports/LOTTERY-DEPARTMENT.asp>.

Lottery Sports Wagering Pilot Program

As part of P.A. 101-0031, which was signed into law in June of 2019, the Lottery is directed to develop a sports wagering pilot program for players over 21-years of age. The Lottery shall issue a single license pursuant to an open and competitive bidding process. The winning bidder will pay \$20 million to the Lottery. Sports lottery terminals may be placed in no more than 2,500 Lottery retail locations in the State during the first year of operations. Sports lottery terminals may be placed in an additional 2,500 locations during the second year. Sports lottery terminals shall only accept parlay wagers and fixed odds parlay wagers. All proceeds from this program after payouts to players, licensed agents, and the central system provider are to be transferred to the Capital Projects Fund. The pilot program is repealed on January 1, 2024.

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 2018, Illinois horse racing wagering generated \$12.6 million in total revenues with the State receiving \$7.0 million and local governments receiving \$5.1 million. Table 26 examines the sources and allocation of CY 2018 horse racing revenues while Table 27 details State and local racing revenues over the past ten years.

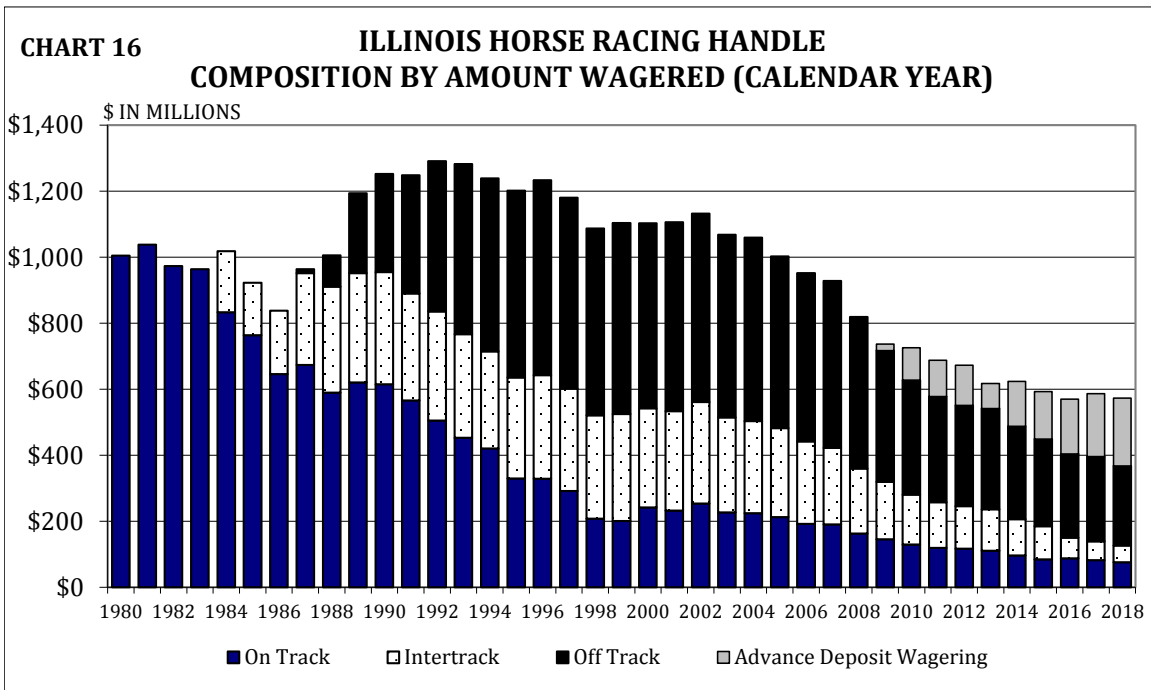
TABLE 26: SOURCES AND ALLOCATION OF HORSE RACING REVENUE FOR CALENDAR YEAR 2018	
REVENUE SOURCE	
Application and License Fees of Racing Associations	\$58,125
Admission Taxes	\$60,933
Pari-mutuel Tax (Tracks and OTBs)	\$5,229,121
Pari-mutuel Tax Credit	(\$3,014,427)
Advanced Deposit Wagering (ADW) Pari-Mutuel Tax (1.75% of Handle)	\$3,556,282
.2% Surcharge for Racing Board (includes \$100,000 to Quarter Horse Purse Fund)	\$952,993
Licensing of Racing Personnel	\$124,975
Fingerprint Fees	\$16,254
Photo Fees	\$40
Horsemen's Fines	\$43,446
Miscellaneous Sources	\$702
TOTAL STATE REVENUES RECEIVED	\$7,028,444
2% of OTB Handle to City and County	\$4,816,732
OTB Admission Tax to City of Chicago	\$58,781
OTB Admission Tax to Cook County	\$109,021
On Track City Admission Tax	\$40,199
Intertrack Surcharge to County (20%)	\$113,090
TOTAL LOCAL REVENUES RECEIVED	\$5,137,823
TOTAL REVENUES RECEIVED	\$12,166,267
ALLOCATION OF REVENUE	
Horse Racing Fund	\$6,385,483
Quarterhorse Breeders' Fund	\$11,622
Quarterhorse Purse Fund (from IRB .2% Surcharge)	\$100,000
Standardbred Purse Fund (.25% Tax of ADW Handle)	\$515,085
Fingerprinting (State Police and Vendor)	\$16,254
TOTAL STATE REVENUES ALLOCATED	\$7,028,444
To Cities	\$2,507,346
To Counties	\$2,630,477
TOTAL LOCAL	\$5,137,823
TOTAL REVENUES ALLOCATED	\$12,166,267
SOURCE: ILLINOIS RACING BOARD - 2018 ANNUAL REPORT	

TABLE 27: HORSE RACING REVENUES AND ASSOCIATED ALLOCATIONS BY CALENDAR YEAR (IN MILLIONS)											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
TOTAL STATE REVENUE	\$8.0	\$7.1	\$7.4	\$7.8	\$7.5	\$6.4	\$7.5	\$6.8	\$6.8	\$7.1	\$7.0
TOTAL LOCAL REVENUE	\$10.6	\$9.1	\$7.8	\$7.2	\$6.8	\$6.7	\$6.2	\$5.8	\$5.5	\$5.5	\$5.1
* TOTAL REVENUES RECEIVED	\$18.5	\$16.2	\$15.3	\$15.0	\$14.2	\$13.1	\$13.7	\$12.7	\$12.3	\$12.6	\$12.2
TOTAL STATE ALLOCATIONS	\$8.0	\$7.1	\$7.4	\$7.8	\$7.5	\$6.4	\$7.5	\$6.8	\$6.8	\$7.1	\$7.0
TOTAL LOCAL ALLOCATIONS	\$10.6	\$9.1	\$7.8	\$7.2	\$6.8	\$6.7	\$6.2	\$5.8	\$5.5	\$5.5	\$5.1
TO CITIES	\$4.9	\$4.3	\$3.7	\$3.4	\$3.2	\$3.2	\$2.9	\$2.8	\$2.7	\$2.7	\$2.5
TO COUNTIES	\$5.6	\$4.8	\$4.1	\$3.8	\$3.6	\$3.6	\$3.3	\$3.1	\$2.8	\$2.8	\$2.6
*TOTAL REVENUES ALLOCATED	\$18.5	\$16.2	\$15.3	\$15.0	\$14.2	\$13.1	\$13.7	\$12.7	\$12.3	\$12.6	\$12.2

* 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 2018 Annual Report, the Racing Board noted that 274 race programs were conducted during CY 2018. This is notably lower than the 257 that were conducted during CY 2017 and significantly lower than the 518 race programs that were conducted as recently as CY 2013. This falloff reflects the declining trend of the horse racing industry, as well as the 2015 closings of the Balmoral and Maywood racetracks. In CY 2018, a total handle amount of \$574 million resulted. This was a 2.2% decrease from CY 2017 levels. The CY 2018 amount is the second lowest total in recent history. These historical horse racing handle figures are displayed below.



The overall 2.2% decline in the racing handle would have been significantly worse if it were not for an 8.3% increase in advance deposit wagering (ADW). While the ADW handle increased \$16 million in 2018, the other components fell a combined \$29 million (on-track: -7.5%; intertrack -11.6%; offtrack: -6.3%). The 2018 handle totals are down a combined 30% from totals seen 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 2018 the percentage of the total handle generated from on-track wagering fell from 49% to 13%. 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 42%.

Inter-track wagering for years remained relatively stable, generally comprising around 25% of the total handle. This rate has fallen to 9% as advance deposit wagering has quickly emerged as the trending source for new wagering. In 2018 ADW's composition grew to 36%. Chart 17 illustrates the historic shift in the composition of the racing handle.

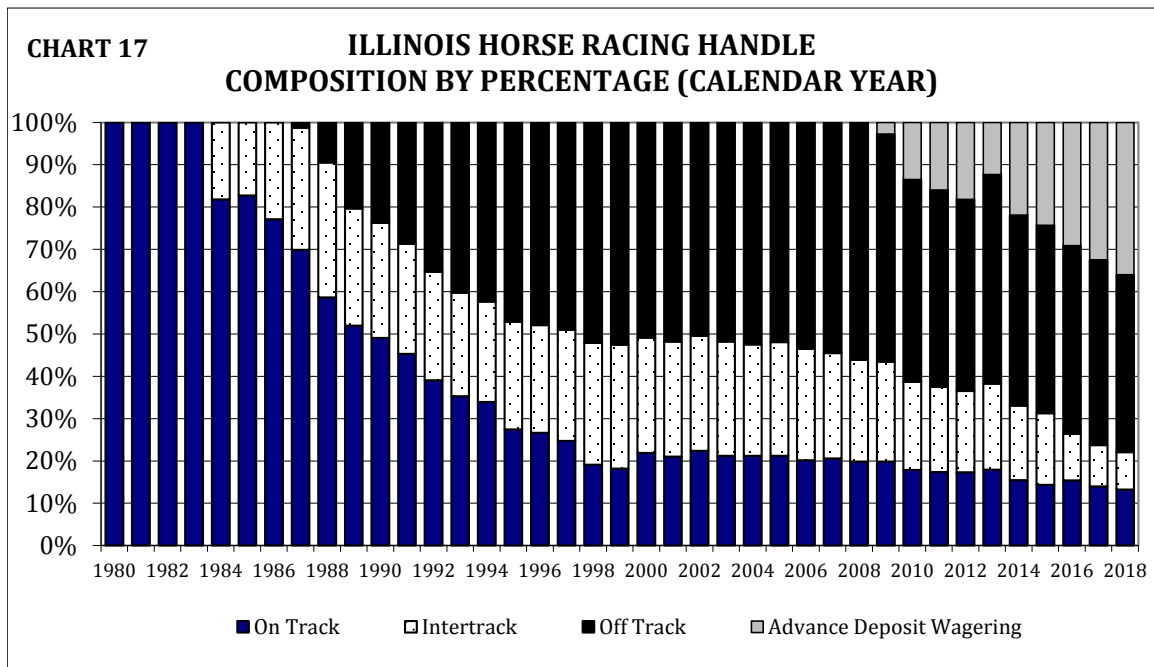


TABLE 28: Illinois Racing Statistics for 2018			
\$ in millions			
	2017 Handle	2018 Handle	% Change
Thoroughbred	\$310.3	\$288.4	-7.0%
Standardbred	\$86.1	\$79.0	-8.2%
ADW	\$190.3	\$206.0	8.3%
Total Illinois Handle	\$586.7	\$573.5	-2.2%
Of the \$573.5 million total handle in 2018....			
Source	Amount	Composition	
On Track	\$76.1	13.3%	
Intertrack	\$50.5	8.8%	
OTBs	\$240.9	42.0%	
ADW	\$206.0	35.9%	
Total	\$573.5	100%	
Location of Race	Amount	Composition	
Wagered on Illinois Races	\$64.9	11.3%	
Wagered on Out-of State Tracks	\$508.6	88.7%	
Total	\$573.5	100%	
The largest handle at Illinois tracks came from:			
Arlington	\$38.2		
Hawthorne	\$21.4		
Balmoral (closed)	\$0.0		
Maywood (closed)	\$0.0		
Fairmount	\$4.9		
State/County Fairs	\$0.4		
Total	\$64.9		
Source: Illinois Racing Board Annual Report			

Off-Track Betting (OTB) Licenses

According to the Racing Board’s website, as of the last update on May 7, 2018, Arlington Park currently has 11 OTBs, Hawthorne Race Course has 10 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 29: ILLINOIS RACING TRACKS AND ASSOCIATED OTB'S		
TRACK	COUNTY	OTB LOCATIONS
ARLINGTON RACECOURSE	COOK	AURORA CHICAGO (Weed St.) GREEN OAKS* HODGKINS HOFFMAN MCHENRY NORTH AURORA** 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 PEORIA** PROSPECT HEIGHTS
*NEW IN 2017 **NEW IN 2018		
<i>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 June 2018, Arlington Park has 11 OTB's in operation, Hawthorne Race Course has 10 OTB's, and Fairmount Park has 3 OTB's.</i>		
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. Public Act 100-0627, effective July 20, 2018, further extended advance deposit wagering through December 31, 2022. The extension of advance deposit wagering (now until the end of 2022) has made ADW revenues more reliable.

Since this extension, the figures from advance deposit wagering are as follows:

- In FY 2014, with nearly a full-year of revenues, \$2.3 million in ADW tax revenues were collected. This equates to a handle amount of approximately \$133 million.
- In FY 2015, \$2.4 million in tax revenues were collected. 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.
- The numbers grew even further in FY 2018 with ADW tax revenues totaling \$3.5 million, which equates to a handle amount of approximately \$200 million.
- In FY 2019, tax revenues from advance deposit wagering totaled \$3.7 million. This equates to a handle amount of approximately \$209 million.

While advance deposit wagering is generating over \$200 million for the horse racing total handle, all other categories of wagering (on-track, inter-track, off-track) have fallen a combined \$349 million since 2009, the year that advance deposit wagering commenced. So, while it appears 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 overall declines of an industry that had been falling at a drastic pace.

The Future of Horse Racing and the Anticipated Impact of P.A. 101-0031

The horse racing industry in Illinois continues to struggle. Despite a small uptick in the racing handle in 2017, the handle amount fell again in 2018 and remains 29.9% below levels from a decade ago. With the 2015 closings of Maywood Park and Balmoral Park, there are only three operating race tracks in Illinois. The overarching feeling was, without significant changes to the industry, a dramatic turnaround was not likely. The horse racing community is hopeful that the racing related changes to P.A. 101-0031 will be the spark needed to turn things around.

With the authorization of casinos at racetracks (as discussed on page 28), Illinois joins 14 other states to offer this gaming format. The hoped for outcome is this: the addition of racinos allows race tracks the financial ability to offer higher purses, which leads to increased interest, both from horsemen and the fans of horse racing. Therefore, proponents have argued that having racinos would not only increase tax 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, over the past decade, Indiana has seen its “in-state” handle decrease from near \$180 million in 2007 to less than \$80 million in 2017 despite the opening of two racinos in 2008. *(The 2018 numbers have not been released at the time of this report)*. On the other hand, the casinos at these two locations annually combine to generate adjusted gross receipts totaling between \$400 million and \$500 million per year (including \$481 million in FY 2019). 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.

A similar argument has occurred in the State of Ohio. The first racino opened in Ohio in June 2012. Since then, six additional racinos have opened throughout this state with the latest opening in September 2016. Casino revenues from these seven locations have improved each year, reaching a high in AGR of \$1.058 billion in FY 2019. However, despite the impressive casino revenue totals, the racing handle from these Ohio racetracks have not improved. In fact, between 2011 (the last year without racinos) to 2018, the total handle has fallen -32.2% from \$234 million to \$159 million.

The State of Pennsylvania has six racinos that combined to generate \$1.7 billion in adjusted gross receipts in FY 2019. Yet, the total live racing handle in Pennsylvania has fallen nearly \$100 million over the last four years. In response to its disappointing racing figures, in its 2018 Racetrack Casino Benchmark Report, the Pennsylvania Gaming Control Board writes:

Taxable dollars wagered on any race held throughout the country continues to decline due to a decrease in demand for wagering on out-of-state races by Pennsylvania residents. This is a national trend and is

not unique to Pennsylvania racing. In addition, the majority of Pennsylvania's off-track wagering facilities have closed due to a decrease in simulcast wagering, two of which closed in 2018.

Even if pari-mutuel handles are not necessarily increasing in other states like Indiana, Ohio, and Pennsylvania, their ability to offer higher purses with the help of another revenue source has had a direct detrimental impact on Illinois. With higher prize values in other states, many in the horse racing industry have left Illinois for "greener pastures". Without the ability to offer higher purses, a bad situation became worse for Illinois tracks.

Illinois' horse racing community is hopeful that P.A. 101-0031's authorization of casinos at their tracks will act as a life preserver to this industry. Although data suggests that the horse racing handle will not necessarily increase as a result of operating these racinos at tracks, having this other source of revenue will give Illinois horse tracks a secondary source of income needed to offer competitive purses, which should help sustain horse racing in Illinois, at least near term.

Additional financial help could come from the allowance of sports betting at the racinos (the details of which are discussed in the next section). While the added revenue from sports wagering is expected to be modest at best, its inclusion may attract a new fan base for the horse racing industry. Illinois is among many other states across the country that is also in the process of offering sports betting at their racetracks in the months to come.

The ability to operate racinos and offer sports betting gives the Illinois horse racing industry a "shot in the arm" to help revitalize a dying industry. Unfortunately for Illinois, these changes will merely help Illinois racetracks keep up with the competition rather than standing out from the crowd. The revenue from the racinos at Illinois' racetracks will no doubt help the race tracks in the short term, but the long-term viability of horse racing in the future remains in question given the overall downward trend in horse racing and considering the abundance of competing gaming options that exist and that will exist in the near future.

SPORTS WAGERING

SPORTS WAGERING

Up until recently, sports wagering in Illinois was not allowed. Under prior federal law, by way of the Professional and Amateur Sports Protection Act (PASPA), states were not allowed to legalize sports betting, with the exception of states that already had sports betting laws on the books (Nevada, Oregon, Delaware, and Montana, with Nevada the only state that permitted single-game sports betting). However, in 2018, a legal case before the Supreme Court of the United States (Christie vs NCAA) had the PASPA overturned, which effectively allowed state-sponsored sports betting.

In response, as part of P.A. 101-0031, the Sports Wagering Act was created. The Sports Wagering Act provides that the Illinois Gaming Board shall have the authority to regulate the conduct of sports wagering. The Board shall levy and collect all fees, surcharges, civil penalties, and monthly taxes on adjusted gross sports wagering receipts imposed by this Act and deposit all moneys into the Sports Wagering Fund, except as otherwise provided under this Act.

Under P.A. 101-0031, the Illinois Gaming Board shall adopt rules for licensure of the following:

- **Supplier License.** A license to supply a master sports wagering licensee with sports wagering equipment or services necessary for the operation of sports wagering, which shall require a license fee of \$150,000 and a renewal fee of \$150,000 every 4 years;
- **Occupational License.** A license to be employed by a master sports wagering licensee when the employee works in a designated gaming area that has sports wagering or performs duties in furtherance of or associated with the operation of sports wagering by the master sports wagering licensee, which shall require an annual license fee of \$250;
- **Management Services Provider License.** A license to provide management services under a contract to a master sports wagering licensee, which shall require a nonrefundable license and application fee of \$1,000,000 and a renewal fee of \$500,000 every 4 years;
- **Tier 2 Official League Data Provider License.** A sports governing body or a sports league, organization, or association or a vendor authorized by such sports governing body or sports league, organization, or association to distribute tier 2 official league data may apply to the Board for a tier 2 official league data provider license. The initial license fee (and renewal fee) would range from \$30,000 to \$500,000 based on data sales. The license is valid for 3 years. The term “tier 2 sports wager” refers to a sports wager that is not a sports wager that is determined solely by the final score or final outcome of the sports event and is placed before the sports event has begun.

Master Sports Wagering Licenses. These licenses are authorized at the following locations and have the following requirements:

• **Sports Wagering at Horse Tracks**

- The initial license fee for a master sports wagering license for an organization licensee (horse track) is 5% of its handle from the preceding calendar year or the lowest amount that is required to be paid as an initial license fee by an owners licensee, whichever is greater. No initial license fee shall exceed \$10 million.
- An organization licensee licensed on the effective date of this Act shall pay the initial master sports wagering license fee by July 1, 2020.
- For an organization licensee licensed after the effective date of this Act, the master sports wagering license fee shall be \$5 million, but the amount shall be adjusted 12 months after the organization licensee begins racing operations based on 5% of its handle from the first 12 months of racing operations.
- The organization licensee may renew the master sports wagering license for a period of 4 years by paying a \$1 million renewal fee to the Board.
- An organization licensee issued a master sports wagering license may conduct sports wagering:
 - At its facility at which inter-track wagering is conducted.
 - At 3 inter-track wagering locations.
 - Over the Internet or through a mobile application.

• **Sports Wagering at Casinos**

- The initial license fee for a master sports wagering license for an owners licensee is 5% of its adjusted gross receipts from the preceding calendar year. No initial license fee shall exceed \$10 million.
- An owners licensee licensed on the effective date of this Act shall pay the initial master sports wagering license fee by July 1, 2020.
- For an owners licensee licensed after the effective date of this Act, the master sports wagering license fee shall be \$5 million, but the amount shall be adjusted 12 months after the owners licensee begins riverboat gambling operations based on 5% of its adjusted gross receipts from the first 12 months of riverboat gambling operations.
- The owners licensee may renew the master sports wagering license for a period of 4 years by paying a \$1 million renewal fee to the Board.
- An owners licensee issued a master sports wagering license may conduct sports wagering:
 - At its facility in this State.
 - Over the Internet or through a mobile application.

• **Sports Wagering at a Sports Facility**

- The Board may issue up to 7 master sports wagering licenses to sports facilities.
- The initial license fee is \$10 million.
- The license may be renewed for a period of 4 years by paying a \$1 million renewal fee to the Board.
- A sports facility may conduct sports wagering at or within a 5-block radius of the sports facility.

- A sports facility or its designee may conduct sports wagering over the Internet within the sports facility or within a 5-block radius of the sports facility.
- **Sports Wagering via Online Sports Wagering Operator**
 - The Board shall issue 3 master sports wagering licenses to online sports wagering operators for a nonrefundable license fee of \$20 million pursuant to an open and competitive selection process.
 - The license may be renewed for a period of 4 years by paying a \$1 million renewal fee to the Board.
- **Lottery Sports Wagering Pilot Program**
 - The Department of the Lottery shall issue one central system provider license pursuant to an open and competitive bidding process.
 - The winning bidder shall pay \$20 million to the Department upon being issued the license.
 - Sports lottery terminals may be placed in no more than 2,500 Lottery retail locations in the State. Sports lottery terminals may be placed in an additional 2,500 Lottery retail locations during the second year after the effective date of this Act.
 - For the privilege of operating sports wagering, all proceeds minus net of proceeds returned to players shall be paid into the State Lottery Fund. After amounts owed to the central system provider and licensed agents, as determined by the Department of Lottery, are paid, the remainder shall be transferred on the 15th of each month to the Capital Projects Fund.
 - This Program is repealed on January 1, 2024.

Wagering Requirements and Prohibitions

- A person placing a wager shall be at least 21 years of age.
- A licensee may not accept a wager on a minor league sports event.
- No licensee may accept a wager for a sport involving an Illinois collegiate team.
- A licensee may only accept a wager from a person physically located in the State.
- Master sports wagering licensees may use any data source for determining the results of all tier 1 sports wagers.
- A sports governing body headquartered in the United States may notify the Board that it desires to supply official league data to master sports wagering licensees for determining the results of tier 2 sports wagers.

Sports Wagering Tax Revenues

- For the privilege of holding a license to operate sports wagering, this State shall impose and collect 15% of a master sports wagering licensee's adjusted gross sports wagering receipts from sports wagering.
- Revenues from this tax shall be deposited into the newly created Sports Wagering Fund and then transferred to the Capital Projects Fund.

The Future of Sports Wagering and the Anticipated Impact of P.A. 101-0031

As specified in the Act, all tax revenues from sports wagering will be deposited into the newly created Sports Wagering Fund and then transferred to the Capital Projects Fund. There are numerous unknowns that have to be resolved before this gaming format begins collecting tax revenues including: the number of casinos/racinos that will participate; the location of these betting parlors; the participation level of the lottery pilot program; the effect of the eventual Internet option; and the timing of when the various stages of implementation will take place.

A study from Oxford Economics, prior to the enactment of sports wagering in Illinois, estimated that Illinois could potentially generate between \$384 million and \$680 million in adjusted gross wagering receipts (the taxable base, which is revenues after paying for winnings) per year. At the enacted tax rate of 15%, this projection would result in tax revenues of between \$58 million and \$102 million.

The validity of this estimate can be analyzed by looking at the preliminary results from states that have already legalized sports betting. These revenue collections from other states can be viewed at: <https://www.thelines.com/betting/revenue/>.

As shown on this website, the State of New Jersey, one of the first new states to offer sports wagering, took in its first bets in June 2018. For the 12-month period between July 2018 and June 2019, approximately \$200 million in adjusted gross wagering receipts was collected. Illinois' population, according to the U.S. Census Bureau's 2018 estimates, is 43% higher than New Jersey. If it were assumed that this same ratio would apply to sports betting, New Jersey's annualized figure of \$200 million would equate to \$286 million in Illinois. While this figure is short of the \$384M - \$680M range estimated above, accounting for maturation growth, it appears that the study's revenue estimate for Illinois is, at least, plausible, especially at the lower end of this range.

However, complicating the potential revenue success of sports wagering in Illinois is the fact that Illinois will be one of a number of states that will soon offer sports wagering, including the bordering states of Indiana and Iowa. Combine this with the recent enactment of new video gaming terminals, casinos, and racinos, it is clear that competition for the sports wagering dollar will be rampant. As a result, any expectation of the tax revenue potential of sports betting in Illinois should be met with restraint until the numbers prove otherwise.

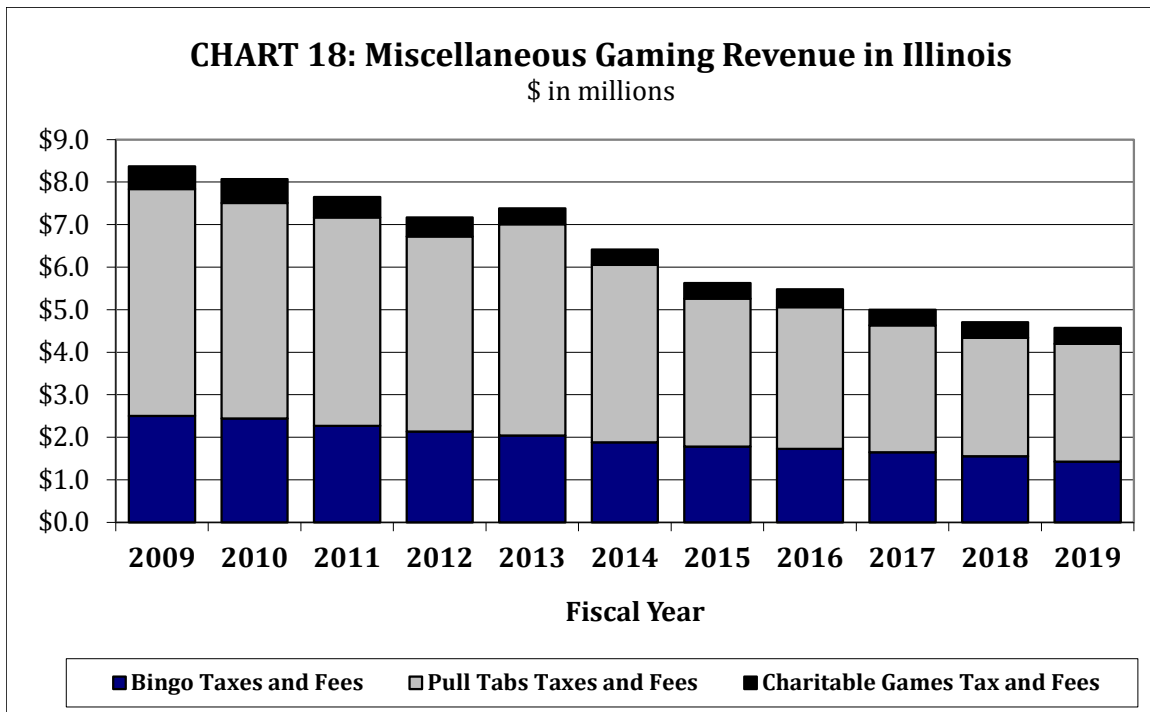
Note: The tax revenue totals discussed above do not include the one-time revenues that would come from initial license fees and the renewal of these licenses. While this total could approach \$250 million if every authorized venue were to participate, the actual figure could be notably less if participation turns out to be less than authorization would allow.

MISCELLANEOUS STATE GAMING

Although the Commission has traditionally focused its examinations of Illinois gaming on horse racing, lottery, casino 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 2019, the State generated \$119,660 in bingo license fees and \$1.4 million in bingo taxes. Total bingo receipts were down 8.1% from FY 2018 levels.
- Illinois receives two forms of revenue from charitable games: license fees and the charitable games receipts tax. In FY 2019, the State received \$79,975 in license fees and \$296,132 from the charitable games tax. Total charitable games receipts were up 1.8% from FY 2018 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 2019, the State received \$324,175 in license fees and \$2.4 million from the pull tabs and jar games tax. Total pull-tabs and jar games receipts were down 0.7% from FY 2018 levels.

In total, these miscellaneous gaming revenue sources generated approximately \$4.6 million in FY 2019. This figure is 2.9% below the FY 2018 total of \$4.7 million. The chart below illustrates a history of miscellaneous gaming revenue over the past decade.



CONCLUSION

The recent enactment of P.A. 101-0031 will provide an abundance of new opportunities to gamble in Illinois. But even without this expansion, the continued growth of video gaming throughout the State has already provided Illinois residents with record numbers of gaming options. The growth in video gaming was the impetus behind the 3.5% increase in State revenues from gaming-related sources in FY 2019. While video gaming has continued to flourish since its inception, the “older” gaming formats in Illinois have remained relatively stagnant.

The -2.9% decline in adjusted gross receipts from Illinois’ ten casinos in FY 2019 is a continuation of its recent downward trend. Transfers to the Education Assistance Fund coming from Illinois’ casinos in FY 2019 (\$269 million) are well below the near \$700 million that were transferred a little over a decade ago. The declining trend in transfers is because every casino in Illinois, aside from Des Plaines, has experienced declines in its adjusted gross receipts over the past five fiscal years with most experiencing double-digit declines. At first, these declines were due to new competition from the opening of the Des Plaines casino, especially for the four suburban casinos. In recent years, however, the declines appear 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 32,033 video gaming terminals in operation at the end of FY 2019 is the equivalent of adding over 26 full-size casinos to the State. These machines generated nearly \$1.6 billion in net terminal income for the fiscal year, resulting in approximately \$478 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. However, it should be emphasized that, when combining Illinois’ casino and video gaming numbers, the amount of dollars spent on these gaming formats increased 5.2% in FY 2019 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, casino revenues from the Chicago area casinos in Illinois and Indiana generated \$2.246 billion. In FY 2019, even with the addition of nearly 13,000 video gaming machines in this area, the Commission estimates that gaming revenue totals in the Chicago area have only increased to \$2.594 billion — an average year-over-year growth of 2.2%.

Despite the rapid increase of video gaming in recent years, the largest contributor of State gaming revenues continues to come from the Illinois Lottery. Lottery sales were up +1.7% or \$49 million in FY 2019 to nearly \$3.0 billion. While this latest increase is a step in the right direction, lottery sales have remained relatively stagnant over the past six years — increasing only 4.8% during this time period.

The lack of significant growth in lottery sales has been disappointing because larger increases were hoped for under a private management company.

Due to the poor performance of the first private management company, Northstar, a new firm, Camelot Illinois, took over the day-to-day management of the lottery on January 2, 2018. The Lottery continues to be an important provider to the State's general funds, contributing a total of \$734 million in Lottery-related transfers in FY 2019. It remains to be seen if the new private manager will be able to return the amount of transfers to the near \$800 million that were achieved in FY 2013 and FY 2014.

The horse racing industry in Illinois continues to struggle. The amount wagered on horse racing in Illinois fell another -2.3% in CY 2018, despite the relative success of advance deposit wagering (+8.3%). The 2018 handle total was -29.9% below its levels of just a decade ago. The 2015 closing of Balmoral Park and Maywood Park leaves only three racetracks in Illinois still offering live racing (Arlington, Fairmount, and Hawthorne). Because of these struggles, the racing industry has lobbied for years that allowing racinos at their tracks would help alleviate their financial difficulties. The State will soon see if this is true due to the recent enactment of P.A. 101-0031.

After years of discussions of expanding gambling in Illinois, the enactment of P.A. 101-0031 paves the way for a plethora of new gaming opportunities throughout the State. A couple years from now, Illinois could realistically have six new casinos in operation including a 4,000 position Chicago Casino, new racinos at each operating race track, sports wagering options across the State, and additional video gaming terminals at local establishments. If these authorized options are implemented as planned, millions of new tax revenues will be generated for State and local governments. The Commission cautions, however, that the revenue potential of such a package is not near what it used to be.

Over 32,000 video gaming machines have already been put into operation across Illinois over the past several years and that figure is expected to continue to grow. Compare that to the roughly 10,300 gaming positions existing at the State's ten casinos, and gaming opportunities have more than tripled in Illinois since FY 2013 — and this is prior to the recent gaming expansion package. Combine this with the opening/relocation of several casinos in neighboring states along the State's borders and the revenue value of this level of gambling expansion in Illinois has weakened considerably. Still, many believe that there are areas of Illinois that remain untapped for gaming dollars and this expansion will provide many opportunities for new revenues.

While questions remain on the extent that gaming related revenues will increase, what cannot be dismissed is the fact that the new gaming facilities will provide a significant amount of one-time revenues (from fees and bidding of new licenses), create new jobs (construction related and from every day operations), and potentially regain/gain gaming dollars from out-of-state state gamers.

For this gaming expansion to be a meaningful tax revenue generator for the State, the various sectors of wagering will have to build up new gambling interest; be attractive to tourists that visit Illinois; and compete with the multitude of entertainment options available to the consumer. If this does not occur, the potential exists that, even with gaming expansion, when accounting for possible market saturation, the cannibalization impact on other gambling options, and the corresponding lowering of the effective tax rates of the casinos, the State could have a large expansion of gambling, but yet have only modest levels of additional tax revenues to show for it.

COMMISSION OVERVIEW

The Commission on Government Forecasting & Accountability is a bipartisan legislative support service agency responsible for advising the Illinois General Assembly on economic and fiscal policy issues and for providing objective policy research for legislators and legislative staff. The Commission's board is comprised of twelve legislators—split evenly between the House and Senate and between Democrats and Republicans. Effective December 10, 2018, pursuant to P.A. 100-1148 the former Legislative Research Unit was merged into the Commission.

The Commission has three internal units—Revenue, Pensions, and Research, each of which has a staff of analysts and researchers who analyze policy proposals, legislation, state revenues & expenditures, and benefit programs, and who provide research services to members and staff of the General Assembly. The Commission's staff fulfills the statutory obligations set forth in the Commission on Government Forecasting and Accountability Act (25 ILCS 155/), the State Debt Impact Note Act (25 ILCS 65/), the Illinois Pension Code (40 ILCS 5/), the Pension Impact Note Act (25 ILCS 55/), the State Facilities Closure Act (30 ILCS 608/), the State Employees Group Insurance Act of 1971 (5 ILCS 375/), the Public Safety Employee Benefits Act (820 ILCS 320/), the Legislative Commission Reorganization Act of 1984 (25 ILCS 130/), and the Reports to the Commission on Government Forecasting and Accountability Act (25 ILCS 110/).

- The **Revenue Unit** issues an annual revenue estimate, reports monthly on the state's financial and economic condition, and prepares bill analyses and debt impact notes on proposed legislation having a financial impact on the State. The Unit publishes a number of statutorily mandated reports, as well as on-demand reports, including the Monthly Briefing newsletter and annually, the Budget Summary, Capital Plan Analysis, Illinois Economic Forecast Report, Wagering in Illinois Update, and Liabilities of the State Employees' Group Insurance Program, among others. The Unit's staff also fulfills the agency's obligations set forth in the State Facilities Closure Act.
- The **Pension Unit** prepares pension impact notes on proposed pension legislation and publishes several statutorily mandated reports including the Financial Condition of the Illinois State Retirement Systems, the Financial Condition of Illinois Public Pension Systems and the Fiscal Analysis of the Downstate Police & Fire Pension Funds in Illinois. The Unit's staff also fulfills the statutory responsibilities set forth in the Public Safety Employee Benefits Act.
- The **Research Unit** primarily performs research and provides information as may be requested by members of the General Assembly or legislative staffs. Additionally, the Unit maintains a research library and, per statute, collects information concerning state government and the general welfare of the state, examines the effects of constitutional provisions and previously enacted statutes, and considers public policy issues and questions of state-wide interest. Additionally, the Unit publishes First Reading, a quarterly newsletter which includes abstracts of annual reports or special studies from other state agencies, the Illinois Tax Handbook for Legislators, Federal Funds to State Agencies, various reports detailing appointments to State Boards and Commissions, the 1970 Illinois Constitution Annotated for Legislators, the Roster of Illinois Legislators, and numerous special topic publications.

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