

WAGERING IN ILLINOIS 2014 UPDATE



Commission on Government
Forecasting and Accountability

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

COMMISSION CO-CHAIRS

Senator Michael Frerichs
Representative Jil Tracy

SENATE

David Koehler
Matt Murphy
Chapin Rose
David Syverson
Donne Trotter

HOUSE

Kelly Burke
Elaine Nekritz
Raymond Poe
Al Riley
Michael Tryon

EXECUTIVE DIRECTOR

Dan R. Long

DEPUTY DIRECTOR

Laurie Eby

REVENUE MANAGER

Jim Muschinske

AUTHORS OF REPORT

Eric Noggle
Benjamin L. Varner

EXECUTIVE SECRETARY

Donna K. Belknap

TABLE OF CONTENTS

WAGERING IN ILLINOIS: 2014 UPDATE ***September 2014***

	<u>PAGE</u>
Executive Summary	i
Introduction	1
Riverboat Gambling	7
Video Gaming	31
Horse Racing	51
Lottery	61
Miscellaneous State Gaming	80
Conclusion	81
 <u>OVERVIEW TABLES:</u>	
1 State Gaming Revenue History by Source	2
2 The Status of Illinois Gaming, Based on Revenue, Gaming Hold, & Per-Capita Spending	6
 <u>RIVERBOAT/CASINO RELATED TABLES:</u>	
3 Illinois Riverboat Adjusted Gross Receipts (FY 2010 – FY 2014)	11
4 Illinois Riverboat Admissions (FY 2010 – FY 2014)	11
5 State Revenue Generated from Illinois Riverboats (FY 2010 – FY 2014)	12
6 Local Revenue Generated from Illinois Riverboats (FY 2010 – FY 2014)	12
7 Total Revenue Generated from Illinois Riverboats (FY 2010 – FY 2014)	12
8 Illinois Riverboats by Adjusted Gross Receipts and Admissions	14
9 Annual Percent Change of Riverboat State Revenues	15
10 Operating Tax Rates for Illinois Riverboats (FY 2010 – FY 2014)	15
11 Impact of New Des Plaines Casino in Area AGR	17
12 Statistical Summary of the Midwestern Gaming States	18
13 Gaming Generated Revenue from Commercial Casinos	23
14 Top 10 U.S. Casino Markets by Annual Revenue	23
15 FY 2014 Slot Machine AGR Statistics at Selected Racetrack Casinos	28
16 Distance in Miles to Current, Future, and Potential Gambling Locations	29
 <u>VIDEO GAMING RELATED TABLES:</u>	
17 Statistics on Local Prohibition of Video Gaming	37
18 Highest Populated Cities without Video Gaming	37
19 FY 2014 Illinois Video Gaming Statistics	38
20 Video Gaming Statistics by Illinois County – June 2014	39
21 Video Gaming Statistics per County Population – June 2014	40
22 Video Gaming Statistics by County Ranking	41
23 Top Municipalities with Video Gaming	42

HORSE RACING RELATED TABLES:

24	Sources and Allocation of Horse Racing Revenue for CY 2013	53
25	Horse Racing Revenues and Associated Allocations by Calendar Year	54
26	Illinois Horse Racing Tracks and Associated OTBs	56

LOTTERY RELATED TABLES:

27	Lottery Sales by Game	64
28	Composition of Lottery Sales by Game	66
29	Lottery Distributions	68
30	Lottery Transfers	70
31	Multi-State Lottery Participants	72
32	Multi-State Game Results	73
33	Lottery Per-Capita Sales as a Percentage of Personal Income (FY 2013)	75
34	Lottery Private Management Income Targets	77
35	Lottery Retailers	79

OVERVIEW CHARTS:

1	Composition of Illinois Gaming Revenue	5
---	--	---

RIVERBOAT/CASINO RELATED CHARTS:

2	Illinois Riverboat Adjusted Gross Receipts and Admissions	13
3	Adjusted Gross Receipts of Casinos for Illinois and Bordering States	19
4	AGR Composition for Illinois and Bordering States	20
5	Annual Percent Change of AGR by State	20
6	AGR per Table Game and per Electronic Gaming Device per Day	26
7	Number of Gaming Positions Used per Riverboat in the Chicago Region	26

VIDEO GAMING RELATED CHARTS:

8	AGR of Illinois Riverboats vs NTI of Illinois Video Gaming Machines	44
9	AGR vs NTI of Chicago Area Locations	46
10	Tax Revenue from Riverboats and Video Gaming in Illinois	48

HORSE RACING RELATED CHARTS:

11	Illinois Horse Racing Handle (Composition by Amount Wagered)	54
12	Illinois Horse Racing Handle (Composition by Percentage)	55

LOTTERY RELATED CHARTS:

13	Makeup of Lottery Sales	65
14	FY 2014 Lottery Sales by Game	65
15	FY 2013 Lottery Distributions	67
16	Illinois Lottery Sales per Capita	74

MISCELLANEOUS GAMING RELATED CHARTS:

17	Miscellaneous Gaming Revenue in Illinois	80
----	--	----

EXECUTIVE SUMMARY

The following document is the Commission's 2014 edition of Wagering in Illinois. In accordance with Senate Resolution 875 (87th General Assembly), the Commission released its first report in 1992. 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. This report updates previous releases and provides further analysis of State gaming with the focus on riverboat gambling, video gaming, horse racing, and the lottery. The highlights of these topics are shown below.

- In FY 2014, the State's share of tax revenues from wagering in Illinois reached \$1.258 billion, an \$88 million or 7.5% increase from FY 2013 levels. The growth in lottery transfers (\$21 million increase) and video gaming revenues paid into the Capital Projects Fund (\$90 million increase) offset the \$24 million loss in riverboat gaming transfers. Horse racing related State revenues remained stagnant in FY 2014 generating only \$7 million.
- In FY 2014, lottery transfers (and other State-related lottery revenues) comprised 64.8% of total gaming revenues, whereas riverboat transfers comprised 25.5%, and horse racing comprised of 0.6%. The newest form of gaming, video gaming, comprised the remaining 9.1%. Video gaming's composition percentage is expected to increase over the next few years as the new gaming format reaches full-implementation.
- Statewide adjusted gross receipts (AGR) for Illinois riverboats in FY 2014 were down 6.7% from FY 2013 levels, while admissions declined 10.2%. Increases in AGR at the newer Des Plaines casino were offset by AGR declines at the other nine Illinois casinos. State revenues generated from riverboat gambling totaled \$428.1 million in FY 2014, which was a 7.5% decline from FY 2013 levels.
- Eight of the 10 casinos had AGR declines of at least 9%, with the biggest drop-off coming from Alton's casino (-12.7%). All ten of the casinos experienced a falloff in admissions in FY 2014, with declines ranging from -5.5% at Des Plaines to -14.8% at Aurora's casino. Increased competition from video gaming appears to be a major contributing factor for these declines.
- Before the addition of Des Plaines, in FY 2011, Illinois had the lowest amount of gaming revenue (in terms of adjusted gross receipts) of the casino-operating states in the Midwest. The addition of the casino in Des Plaines has allowed Illinois (\$1.488 billion) to surpass Iowa (\$1.383 billion) in FY 2014. But Illinois

continues to trail Indiana (\$2.233 billion) and Missouri (\$1.662 billion). While the gap between Illinois and Indiana has shrunk, Indiana still had AGR levels \$745 million higher than Illinois in FY 2014, despite Illinois' much higher population levels.

- There continues to be numerous discussions on changes that could be made to Illinois' gaming industry to increase revenues for the State. These include adding additional gaming positions at the current riverboat facilities, allowing slot machines at Illinois horse tracks, and adding new riverboats/casinos. However, these ideas have, so far, failed to garner enough support for passage.
- In July 2009, Governor Quinn signed into law Public Act 96-0034, which legalized video gaming in Illinois. After years of delays this latest form of legalized gambling finally began on a limited basis in September 2012. By the end of FY 2014 (June 2014), 17,467 video gaming terminals have become operational across Illinois – up from the 7,920 terminals that were in operation in June 2013. In FY 2014, video gaming machines generated \$485 million in net terminal income. This equated to \$24 million in tax revenues to local governments (up from \$6 million in FY 2013) and over \$121 million to the Capital Projects Fund (up from \$30 million in FY 2013). This figure is expected to rise in future fiscal years as more terminals are put into operation.
- In August 2012, the Commission estimated that approximately 63.3% of the State's population lived in a municipality/unincorporated area that had banned video gaming. However, in July 2014, updated data shows that this figure had fallen to 45.0% of the population. This drop is likely due to the number of local governments overturning their video gaming bans as a result of seeing the revenue benefits experienced in other communities across the State from video gaming. While this percentage has dropped, the City of Chicago continues to ban video gaming in its city. All of the top 25 Illinois cities banning video gaming reside in the Chicago Metropolitan Area. The largest of these cities are Chicago, Naperville, Arlington Heights, Evanston, and Schaumburg.
- 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 2,508 terminals (June 2014). The counties of Winnebago, Lake, Will, and Sangamon rounded out the top five. In regards to municipalities, Springfield had the highest amount of video gaming terminals in June 2014 with 412 terminals. Rockford ranked 2nd, followed by Joliet, Loves Park, and Bloomington.

- Gaming related revenues from riverboat casinos were down in FY 2014. However, when combined with video gaming totals, gambling as a whole actually increased Statewide. The combined total of \$1.716 billion (including \$121 million in video gaming receipts) in FY 2013 is up 4.6% from the FY 2012 gambling totals. In FY 2014, a combined total of \$1.973 billion in gaming revenues were collected, resulting in a 15.0% increase in Statewide gambling dollars.
- It appears that areas that already had gaming options may not be generating new gaming dollars, but rather redistributing the revenues to the new video gaming venues. For example, there were approximately 5,800 video gaming terminals in the Chicago Metropolitan Statistical Area in June 2014, which is the equivalency of adding nearly five full-size casinos to this region. Adding the revenues generated by these video gaming terminals to the decreased AGR levels of casinos in the Chicago Area (including Indiana's 5 casinos), overall gaming in the Chicago Area was stagnant, going from \$2.246 billion in FY 2012 to \$2.227 billion in FY 2013 to \$2.209 billion in FY 2014.
- If the Gaming Board's estimation that the State will plateau at around 20,000 terminals is accurate and if the State continues to bring in, on average, \$95 per terminal per day, the Commission estimates that net terminal income will reach around \$677 million in FY 2015 and nearly \$700 million in FY 2017. This would equate to tax revenues totaling around \$200 million per year, with the Capital Project Fund receiving approximately \$167 million per year under full implementation. Local governments would receive the remaining \$33 million.
- For horse racing, the Illinois Racing Board reported that 518 race programs were conducted during CY 2013. A total handle amount of \$618 million resulted, which was a decrease of 8.2% over the 2012 amount and the lowest handle amount in over 35 years. The thoroughbred total handle dropped 0.5%, while the standardbred total handle dropped 10.9%.
- Public Act 96-0762 allowed advance deposit wagering (ADW) to be conducted throughout the State. In FY 2012, a handle amount of approximately \$113.6 million was collected from advance deposit wagering. In FY 2013, ADW was stopped for a time because legislation action was needed to extend the sunset date (originally set as January 2013). On July 7, 2013, P.A. 98-0018 was signed into law extending the sunset date to January 31, 2014. In January 2014, P.A. 98-0624 extended the authorization date to February 1, 2017. Because of this period of inactivity, a handle amount of only \$73.2 million was collected in

FY 2013. But with nearly a full year of activity, the Commission estimates that this amount grew to approximately \$133 million in FY 2014.

- Public Act 98-0018 made a change to the way revenues from the Des Plaines Casino were distributed. Under the original distribution language, 15% of the Des Plaines Casino AGR (valued at a total of approximately \$120 million over two-years) was to be transferred into the Horse Racing Equity Trust Fund. However, these monies were not appropriated, and remained in the State Gaming Fund. The new law provided that the Horse Racing Equity Fund would receive only \$23 million of the \$120 million combined total that they were expecting to receive and receive no additional transfers from this revenue source in the future. The School Infrastructure Fund is now the primary beneficiary of these funds.
- Most agree that additional revenues will be needed to keep horse racing viable in Illinois. This is why racing proponents have been lobbying for slot machines at racetracks. Although statistics from other states have shown that casinos at racetracks do not necessarily lead to an increase in its racing handle, it would provide a secondary source of revenue to help fund the horseracing industry.
- In FY 2014, Illinois had \$2.803 billion in lottery sales which was down approximately -1.4%, or about \$39 million from FY 2013. However, due to the private manager paying a \$38 million penalty for poor performance, lottery transfers grew to \$815 million in FY 2014, its highest amount on record. The decline in sales was mostly due to a small decrease in instant ticket sales and a lackluster year by the draw games. Instant ticket sales have been the driving force in sales growth for the lottery since FY 2001 as they averaged growth of 9.7% per year. In FY 2014, instant tickets sales declined by -0.6% or approximately \$11 million.
- The \$11 million decline by instant ticket sales was basically offset by the Illinois only draw games but total sales were down \$39 million due to a \$74 million decline in Powerball sales that was partially made up by a \$36 million increase in Mega Millions sales.
- The lottery continued its 5-year streak of record breaking transfers back to the State. In FY 2014, the lottery transferred \$815.4 million back to the State, which was \$22 million, or 2.8%, more than FY 2013. Of this amount, \$686 million went to the Common School Fund, \$145 million was transferred to the Capitol Projects Fund, and \$2 million was sent to special causes.

- Illinois had the 11th largest lottery in the U.S. in FY 2013 similar to FY 2012. The per capita average of lottery sales in Illinois was \$220 which was 18th out of the 45 lotteries in the U.S., including the District of Columbia and the U.S. Virgin Islands. Per capita sales had a small decline to \$217 in FY 2014.
- On August 15, 2014, the Office of the Governor announced that the State would be seeking a termination of the private management agreement with the Northstar Group. The relationship between the State and Northstar has been a contentious one over the past few years. The two have gone to third party mediation over numerous items. In November of 2012, Northstar was given reductions of \$28.4 million and \$2.9 million in the net income targets for FY 2012 and FY 2013.
- Even with the net income target reductions, Northstar was penalized \$21.8 million for FY 2012, \$38.6 million in FY 2013, and is expected to owe approximately \$37.1 million for FY 2014. The future of the lottery is expected to be turbulent as the State will likely have to navigate the disentanglement of the lottery operations from Northstar, while preparing to obtain bid proposals for a new private manager as required by current law.

INTRODUCTION

For the past several decades, tax revenues from wagering in Illinois came from three primary sources – riverboat gambling, the lottery, and horse racing. But in September 2012, a new form of wagering finally came to fruition as the first legalized video gaming machines were put into operation. This new revenue source added an additional \$145 million dollars to State and local government coffers in FY 2014. A total of \$1.258 billion in State designated tax revenues were collected from gambling sources in FY 2014 with the majority coming from the Lottery (\$815 million), followed by riverboat gambling (\$321 million), video gaming (\$114 million), and horse racing (\$7 million).

In terms of overall State revenue from gaming taxes, the recent changes in the gaming industry resulted in a 7.5% increase in revenues in FY 2014 compared to a year ago. And these \$1.258 billion in State-related tax revenues in FY 2014 are up \$237 million or over 23% compared to FY 2011. Over this time period, the State has benefited from the success of the new riverboat in Des Plaines, the commencement of video gaming, and changes in the lottery program. A table displaying a history of State-related revenues from the gaming industry is shown on the following page.

Video Gaming's growth in FY 2014 is a large reason why tax revenues from wagering in Illinois were higher than they have ever been before. But in gaming, there tends to be winners and losers. Video gaming's early success appears to be at the expense of many casinos across the State as Illinois' riverboat casinos saw their adjusted gross receipts (AGR) fall a combined 6.7% in FY 2014. An analysis of video gaming's apparent impact on riverboat figures is included in the video gaming section of this report. The overall 6.7% decline in casino receipts is despite the continued growth of the newer Des Plaines Casino, which also has likely negatively affected other nearby casinos.

The Des Plaines Casino, which opened in July 2012, saw its adjusted gross receipts total \$422 million in FY 2014. This casino was by far the largest revenue-generating casino in the State (2nd was Joliet Harrah's at \$196 million) and was the only Illinois casino to experience an increase in revenues in FY 2014. Its success appears to be coming at the expense of other casinos in the area as the four nearby older Illinois casinos have seen their AGR levels fall a combined 25.5% since the new casino's opening. Still, AGR totals of all five Illinois casinos in the Chicago area are up over \$200 million since the new casino's opening. While Illinois' new casino has undoubtedly siphoned from existing casinos in the State, it appears that it may be gaining or getting back casino patrons from Indiana as well, as the five Chicago-Area Indiana casinos have seen their AGR levels fall 17.1% since Des Plaines opening.

Despite the success of the Des Plaines casino, overall State-related tax revenues from riverboat gaming fell \$24 million in FY 2014. The falloff in these receipts are due to several reasons: the declining revenues at nine of the ten casinos, the lower effective tax rates (under the graduated tax structure) imposed on the other casinos,

and the fact that a portion of the revenues from the 10th license are statutorily redirected to other non-State funds. These topics are addressed in the riverboat casino section of the report along with an overview of the competition that comes from other Midwestern gaming states.

TABLE 1: STATE GAMING REVENUE (\$ in Millions)						
FISCAL YEAR	LOTTERY ⁽¹⁾	HORSE RACING ⁽²⁾	RIVERBOAT ⁽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	\$662	\$7	\$383	\$0	\$1,052	-1.4%
2011	\$690	\$7	\$324	\$0	\$1,021	-2.9%
2012	\$708	\$8	\$340	\$0	\$1,056	3.4%
2013	\$794	\$7	\$345	\$24	\$1,170	10.8%
2014	\$815	\$7	\$321	\$114	\$1,258	7.5%

(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.

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

(3) Figures represent appropriations (FY 1992-FY 1995) and transfers (FY 1996-FY 2014) 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.

The 2014 Spring Legislative Session again involved numerous discussions on expanding gambling in Illinois as a method of increasing revenues and jobs for the State. And, like past years, these efforts failed to garner enough support for passage. But because these discussions continue to reoccur, the Commission has again included in this report a detailed analysis of all of the major parts of gaming expansion that are often proposed in gaming legislation. They include: adding additional positions; allowing slot machines at horse tracks; and, adding additional casinos across Illinois.

Some would argue that significant gaming expansion has already taken place with the rapid growth of video gaming in Illinois. By the end of FY 2014, there were 17,467 video gaming terminals scattered across the State. Considering Illinois riverboats are allotted a maximum of 1,200 gaming positions, this is the equivalent of adding 14 new casinos to the State. The Gaming Board estimates that the number of terminals will plateau to around 20,000 under full implementation. And this figure is without the City of Chicago and numerous other communities in Illinois participating in video gaming due to local government bans on this form of gambling. It is estimated that approximately \$200 million in tax revenues will be collected each year from video gaming under full implementation with 5/6th of this going to the Capital Projects Fund and the remaining 1/6th to local governments.

While the popularity of video gaming grows in Illinois, the opposite seems to be the case for the horse racing industry. The amount wagered on Illinois horse racing (the handle) fell for the eleventh consecutive year in CY 2013 and is again at its lowest level in over 30 years. The handle amount in 2013 was at \$618 million, which is 42.1% below levels seen just a decade ago. A momentary stoppage to advance deposit wagering was part of the reason for the 8.2% year-over-year decline in CY 2013.

Additional revenues for horse racing were statutorily set to come from the new Des Plaines casino, but, this money was never appropriated. In order to access this revenue, legislative changes to the statutory language had to be made, which came via P.A. 98-0018. However, the new law provided that the Horse Racing Equity Fund receive only \$23 million of the \$120.5 million combined total that they were expecting to receive from the Des Plaines casino in FY 2012 and FY 2013. No additional transfers for future fiscal years from this revenue source were established under P.A. 98-0018. The School Infrastructure Fund is now the primary beneficiary of these funds.

Because these new revenues to horse racing have not provided the funding necessary to turn things around, the horse racing industry continues to lobby for slot machines at their tracks. But, again, its future lies in the hands of elected officials and many anxiously await decisions on what, if any, forms of gaming expansion will be approved. Details regarding the impact of slot machines at other racetracks across the country, as well as additional information on other horse racing related statistics are provided in the Horse Racing section of the report.

The largest amount of revenues from gaming-related sources comes from the State's lottery program. FY 2014 was another record breaking year as lottery transfers totaled \$815 million – a \$21 million increase over FY 2013. This was the fifth straight year that the Lottery set a new record for transfers. Of this amount, \$668 million went to the Common School Fund, \$145 million was transferred to the Capital Projects Fund, and \$2 million went to special causes. FY 2014's transfer total was helped by a \$39 million penalty payment by the private manager for poor performance in FY 2013.

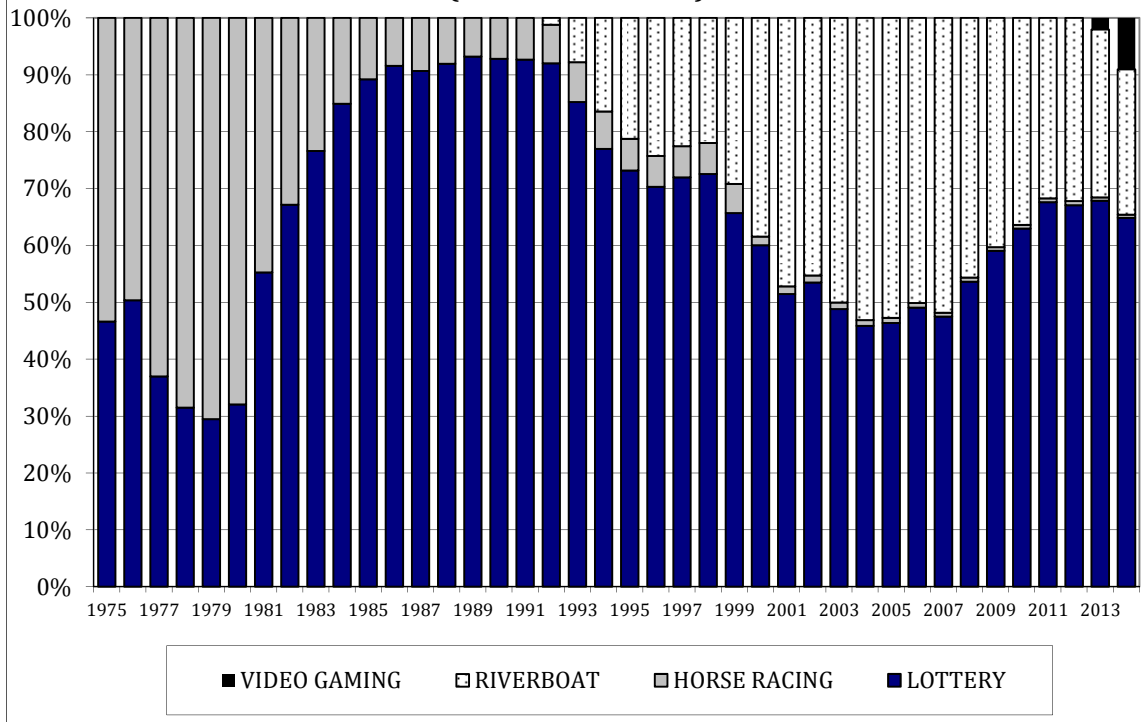
Despite the increase in lottery transfers, overall sales were down slightly at -1.4% over FY 2013 levels. The decline in total sales was mostly due a small decline in instant ticket sales and a lackluster year by the draw games. Instant ticket sales have been the driving force in sales growth for the lottery since FY 2001 as they averaged growth of 9.7% per year. In FY 2014, instant tickets sales decreased -0.6% or approximately \$11 million.

On August 15, 2014, the Office of the Governor announced that the State would be seeking a termination of the private management agreement with the Northstar Group. The relationship between the State and Northstar has been a contentious one over the past few years. The two have gone to third party mediations over numerous items. In November of 2012, Northstar was given reductions of \$28.4 million and \$2.9 million in the net income targets for FY 2012 and FY 2013. But, even with the net income target reductions, Northstar was penalized \$21.8 million for not meeting its target in FY 2012, \$38.6 million in FY 2013, and is expected to owe approximately \$37.1 million for FY 2014.

Due to this apparent termination of the private manager, the future of the lottery is expected to be turbulent in the coming months as the State will likely have to navigate the disentanglement of the lottery operations from Northstar, while preparing to bid for a new private manager. A discussion on this recent development, along with other tables, charts, and statistics surrounding the lottery are included in the Lottery section of this report.

Chart 1, on the following page, displays the composition of gaming revenue in Illinois since 1975. As shown, in the early years of wagering, horse racing was the primary source of gambling in Illinois. But in the 1980s, the lottery took over as the top revenue producer of wagering revenues. During the 1990s and into the 2000s, riverboat revenues as a percentage of total gaming revenues increased dramatically. After years of the lottery being the top revenue producer of gaming revenues, FY 2003 was the first of five consecutive years that riverboat revenues topped lottery revenues as the largest source. However, recent declines in riverboat transfers, coupled with modest lottery growth, again placed lottery as the largest contributor of gaming revenues in Illinois.

**CHART 1: COMPOSITION OF ILLINOIS GAMING REVENUE
(FY 1975 - FY 2014)**



In FY 2014, lottery transfers (and other State-related lottery revenues) comprised 64.8% of total gaming revenues, whereas riverboat transfers comprised 25.5%, and horse racing comprised of 0.6%. Video gaming, in its first full year of existence, comprised of the remaining 9.1%. Video gaming’s composition percentage will continue to increase over the next few years as the new gaming format approaches full-implementation. This will cause the composition percentage in the other areas of wagering to fall in future years.

Table 2, on the following page, displays the differences between horse racing, the lottery, riverboat gambling, and video gaming in terms of State revenue, gaming hold, and per-capita spending. For the purposes of this examination, the term gaming hold refers to the amount of money that gaming facilities keep after paying gaming winners. For horse racing and the lottery, the gaming hold is equal to the difference between the total wagered and the amount paid to winners. For riverboat casinos, the gaming hold is equal to adjusted gross receipts, which is defined as gross receipts less winnings paid to wagerers. For video gaming, gaming hold is equal to net terminal income. (Note: the 2014 amounts are estimates for Lottery and horse racing).

**TABLE 2: THE STATUS OF ILLINOIS GAMING
BASED ON STATE REVENUE, GAMING HOLD, AND PER-CAPITA SPENDING**

	2007	2008	2009	2010	2011	2012	2013	2014*
POPULATION (IN MILLIONS)	12.9	12.9	12.9	12.8	12.9	12.9	12.9	12.9
HORSE RACING (CY)								
STATE REVENUE (IN MILLIONS)	\$ 9	\$ 9	\$ 7	\$ 7	\$ 7	\$ 8	\$ 7	\$ 7
GAMING HOLD (IN MILLIONS)	\$ 209	\$ 184	\$ 166	\$ 163	\$ 154	\$ 150	\$ 138	\$ 131
% CHANGE IN GAMING HOLD	-3.0%	-11.8%	-9.7%	-1.9%	-5.4%	-2.8%	-7.8%	-5.4%
** PER-CAPITA SPENDING	\$ 16.2	\$ 14.3	\$ 12.9	\$ 12.7	\$ 12.0	\$ 11.6	\$ 10.7	\$ 10.1
% CHANGE IN PER-CAPITA SPENDING	-3.2%	-12.1%	-9.7%	-1.4%	-5.7%	-2.8%	-7.9%	-5.4%
LOTTERY (FY)								
LOTTERY TRANSFERS (IN MILLIONS)	\$ 627	\$ 662	\$ 630	\$ 662	\$ 690	\$ 708	\$ 794	\$ 815
GAMING HOLD (IN MILLIONS)	\$ 893	\$ 888	\$ 853	\$ 926	\$ 964	\$ 1,115	\$ 1,113	\$ 1,098
% CHANGE IN GAMING HOLD	-0.7%	-0.6%	-3.9%	8.6%	4.1%	15.7%	-0.2%	-1.4%
** PER-CAPITA SPENDING	\$ 69.5	\$ 68.8	\$ 66.1	\$ 72.2	\$ 74.9	\$ 86.6	\$ 86.4	\$ 85.2
% CHANGE IN PER-CAPITA SPENDING	-0.9%	-1.0%	-3.9%	9.2%	3.8%	15.6%	-0.2%	-1.4%
RIVERBOATS (FY)								
AMOUNT TO EAF & CSF (IN MILLIONS)	\$ 685	\$ 564	\$ 430	\$ 383	\$ 324	\$ 340	\$ 345	\$ 321
GAMING HOLD (IN MILLIONS)	\$ 1,958	\$ 1,810	\$ 1,479	\$ 1,405	\$ 1,351	\$ 1,641	\$ 1,595	\$ 1,488
% CHANGE IN GAMING HOLD	4.7%	-7.6%	-18.3%	-5.0%	-3.8%	21.5%	-2.8%	-6.7%
** PER-CAPITA SPENDING	\$ 152.3	\$ 140.3	\$ 114.6	\$ 109.5	\$ 105.0	\$ 127.5	\$ 123.8	\$ 115.5
% CHANGE IN PER-CAPITA SPENDING	4.5%	-7.9%	-18.3%	-4.5%	-4.1%	21.4%	-2.9%	-6.7%
VIDEO GAMING (FY)								
AMOUNT TO CAPITAL PROJECTS FUND	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24	\$ 114
GAMING HOLD (IN MILLIONS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96	\$ 456
% CHANGE IN GAMING HOLD							7.5	35.4
** PER-CAPITA SPENDING	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7.5	\$ 35.4
% CHANGE IN PER-CAPITA SPENDING								375.0%
ALL WAGERING								
TOTAL REVENUE (IN MILLIONS)	\$ 1,321	\$ 1,235	\$ 1,067	\$ 1,052	\$ 1,021	\$ 1,056	\$ 1,170	\$ 1,257
GAMING HOLD (IN MILLIONS)	\$ 3,060	\$ 2,882	\$ 2,498	\$ 2,494	\$ 2,469	\$ 2,906	\$ 2,942	\$ 3,173
% CHANGE IN GAMING HOLD	2.5%	-5.8%	-13.3%	-0.2%	-1.0%	17.7%	1.2%	7.8%
** PER-CAPITA SPENDING	\$ 238.1	\$ 223.4	\$ 193.6	\$ 194.4	\$ 191.9	\$ 225.7	\$ 228.4	\$ 246.3
% CHANGE IN PER-CAPITA SPENDING	2.3%	-6.2%	-13.3%	0.4%	-1.3%	17.6%	1.2%	7.8%

*THE FY 2014 GAMING HOLD FIGURES FOR HORSE RACING AND LOTTERY ARE ESTIMATES.

** PER CAPITA SPENDING EQUALS GAMING HOLD DIVIDED BY POPULATION.

SOURCES: ILLINOIS RACING BOARD, ILLINOIS DEPT. OF REVENUE, ILLINOIS GAMING BOARD, CENSUS.GOV.

As Table 2 reveals, FY 2014 State gaming revenues totaled approximately \$1.257 billion. The gaming industry's FY 2014 estimated gaming hold total of \$3.173 billion increased 7.8% from FY 2013 levels. Per-capita spending increased at a similar growth rate to approximately \$246 in FY 2014. These increases are mainly due to the growth in video gaming's net terminal income as the other three gaming formats saw decreases in their respective figures. The expansion of video gaming terminals all over the State has provided more opportunities for gaming, thus, causing per-capital spending in gaming related venues to rise statewide.

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

RIVERBOAT GAMBLING

RIVERBOAT GAMBLING

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

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

Since many of these topics were covered in earlier Commission reports, this section will focus on topics affecting FY 2014 and beyond. The section opens by providing a basic summary of Illinois' riverboat tax structure, as well as a synopsis of FY 2014 riverboat statistics and how these numbers compare to past years. It includes a discussion on factors that are currently impacting Illinois riverboats and factors that will impact the industry in the future (video gaming competition, gaming expansion, etc.). This includes a detailed look at the new Des Plaines Casino and how it performed in its third year of operation.

During the Spring Legislative Session, the Illinois State Legislature again discussed an extensive gaming expansion bill, this time in the form of SB 1739. While this bill failed to receive support for enactment in the Spring, the riverboat section analyzes this type of gaming proposal and discusses factors that could affect how much revenue could be generated if this legislation, or similar legislation, were enacted.

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

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

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

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

Des Plaines Casino Revenue Distribution: With the opening of the 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, the Comptroller ruled that there was not a vehicle to properly transfer revenues from the State Gaming Fund to the Horse Racing Equity Fund and to Chicago State University without appropriation. (The transfer to the Cook County Criminal Justice System has been allowed to take place).

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

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

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

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

Data Analysis

The tables below and on the following page provide a summary of the performance of each of the State's ten active riverboat licenses during fiscal years 2010 thru 2014 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 RIVERBOAT ADJUSTED GROSS RECEIPTS (FY 2010 - FY 2014)					
(\$ in millions)					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Des Plaines	\$0.0	\$0.0	\$393.5	\$410.1	\$421.5
Joliet Harrah's	\$253.9	\$236.3	\$215.3	\$206.5	\$196.2
Elgin	\$286.1	\$286.1	\$226.7	\$201.4	\$180.2
Aurora	\$185.0	\$178.4	\$159.9	\$149.2	\$131.8
Joliet Hollywood	\$156.8	\$147.7	\$135.7	\$141.0	\$123.6
East St. Louis	\$139.7	\$127.9	\$132.1	\$128.7	\$116.2
East Peoria	\$114.5	\$115.5	\$116.2	\$112.0	\$100.1
Metropolis	\$113.1	\$100.1	\$102.7	\$91.8	\$80.6
Rock Island	\$75.7	\$83.1	\$87.5	\$85.5	\$77.6
Alton	\$80.1	\$75.7	\$70.9	\$68.5	\$59.8
TOTAL	\$1,404.9	\$1,350.8	\$1,640.6	\$1,594.8	\$1,487.6
% INCREASE	-5.0%	-3.8%	21.5%	-2.8%	-6.7%
SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT					

TABLE 4: ILLINOIS RIVERBOAT ADMISSIONS (FY 2010 - FY 2014)					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Des Plaines	0	0	3,894,173	3,846,084	3,633,523
Joliet Harrah's	2,371,293	2,022,995	1,828,825	1,721,408	1,606,567
Elgin	2,112,964	2,051,999	1,719,111	1,634,974	1,470,024
Aurora	1,520,101	1,485,692	1,438,442	1,338,499	1,140,285
Joliet Hollywood	1,425,067	1,374,618	1,306,020	1,326,579	1,143,896
East St. Louis	2,158,726	1,955,279	1,940,539	1,791,770	1,542,603
East Peoria	1,326,910	1,253,969	1,204,672	1,154,330	1,037,744
Metropolis	1,027,173	825,466	825,745	718,985	628,458
Rock Island	1,301,213	1,382,827	1,309,522	1,260,803	1,108,979
Alton	1,107,007	982,773	900,658	818,856	701,461
TOTAL	14,350,454	13,335,618	16,367,707	15,612,288	14,013,540
% INCREASE	0.6%	-7.1%	22.7%	-4.6%	-10.2%
SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT					

TABLE 5: STATE REVENUE GENERATED FROM ILLINOIS RIVERBOATS (FY 2010 - FY 2014)

(\$ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Des Plaines*	\$0.0	\$0.0	\$117.3	\$157.9	\$162.6
Joliet Harrah's	\$87.6	\$77.3	\$67.2	\$62.7	\$58.1
Elgin	\$99.4	\$98.6	\$74.8	\$60.9	\$52.3
Aurora	\$54.4	\$50.3	\$44.1	\$38.4	\$33.0
Joliet Hollywood	\$36.6	\$37.4	\$34.4	\$35.4	\$30.1
East St. Louis	\$37.3	\$32.7	\$33.5	\$32.5	\$28.6
East Peoria	\$26.8	\$26.9	\$27.0	\$26.0	\$22.3
Metropolis	\$26.2	\$22.7	\$21.1	\$19.1	\$15.8
Rock Island	\$13.7	\$15.7	\$17.1	\$16.9	\$14.7
Alton	\$16.5	\$14.8	\$13.5	\$12.8	\$10.7
TOTAL	\$398.4	\$376.4	\$449.9	\$462.6	\$428.1
% INCREASE	-10.3%	-5.5%	19.5%	2.8%	-7.5%
Des Plaines Distributions*	\$0.0	\$0.0	(\$74.8)	(\$77.9)	(\$76.7)
Total after Distributions	\$398.4	\$376.4	\$375.1	\$384.7	\$351.4
% INCREASE	-10.3%	-5.5%	-0.4%	2.6%	-8.6%

* Of the State revenues generated by Des Plaines in FY 2012 and FY 2013, a portion (\$75 million in FY 2012 and \$78 million in FY 2013) was statutorily set aside to be paid into other funds, including the Horse Racing Equity Fund, the Cook County Criminal Justice System, and Chicago State University. P.A. 98-0018 altered the distribution language to provide that the Horse Racing Equity Fund will receive only \$23 million (one-time in July 2013) from the revenues and will receive no additional transfers in the future. Chicago State University will receive \$1.6 million per year, but received no on-time transfers in July 2013. The School Infrastructure Fund received a one-time payment of \$92 million in July 2013 and will annually receive \$66.4 million per year from this revenue source. The Cook County Criminal Justice System continues to receive 2% of Des Plaines' AGR.

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

TABLE 6: LOCAL REVENUE GENERATED FROM ILLINOIS RIVERBOATS (FY 2010 - FY 2014)

(\$ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Des Plaines	\$0.0	\$0.0	\$23.6	\$24.4	\$24.7
Joliet Harrah's	\$15.1	\$13.8	\$12.6	\$12.0	\$11.4
Elgin	\$16.4	\$16.4	\$13.1	\$11.7	\$10.5
Aurora	\$10.8	\$10.4	\$9.4	\$8.8	\$7.7
Joliet Hollywood	\$9.3	\$8.8	\$8.1	\$8.4	\$7.3
East St. Louis	\$9.1	\$8.4	\$8.5	\$8.2	\$7.4
East Peoria	\$7.1	\$7.0	\$7.0	\$6.8	\$6.0
Metropolis	\$6.7	\$5.8	\$6.0	\$5.3	\$4.7
Rock Island	\$5.1	\$5.5	\$5.7	\$5.5	\$5.0
Alton	\$5.1	\$4.8	\$4.4	\$4.2	\$3.7
TOTAL	\$84.6	\$80.9	\$98.4	\$95.4	\$88.4
% INCREASE	-4.1%	-4.4%	21.7%	-3.1%	-7.3%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

TABLE 7: TOTAL REVENUE GENERATED FROM ILLINOIS RIVERBOATS (FY 2010 - FY 2014)

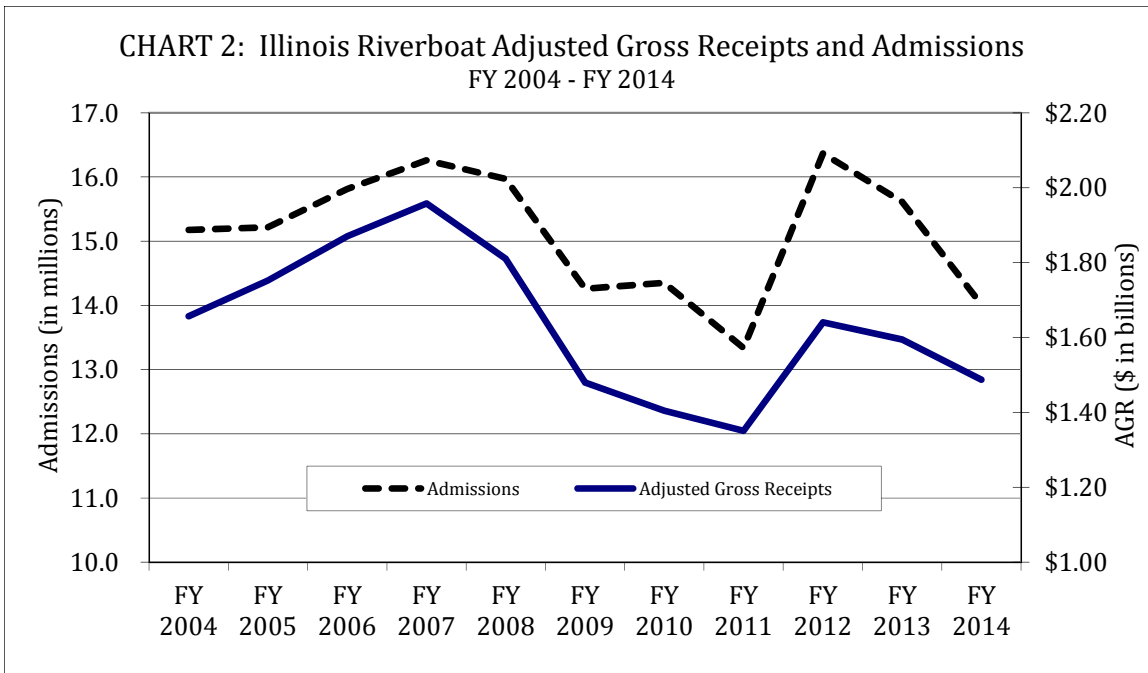
(\$ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Des Plaines	\$0.0	\$0.0	\$140.8	\$182.2	\$187.3
Joliet Harrah's	\$102.7	\$91.1	\$79.8	\$74.7	\$69.5
Elgin	\$115.8	\$115.0	\$87.9	\$72.6	\$62.8
Aurora	\$65.2	\$60.7	\$53.5	\$47.2	\$40.7
Joliet Hollywood	\$45.8	\$46.2	\$42.5	\$43.8	\$37.4
East St. Louis	\$46.5	\$41.0	\$42.0	\$40.8	\$35.9
East Peoria	\$33.9	\$33.9	\$34.0	\$32.8	\$28.3
Metropolis	\$32.8	\$28.5	\$27.0	\$24.4	\$20.4
Rock Island	\$18.8	\$21.3	\$22.8	\$22.4	\$19.7
Alton	\$21.6	\$19.6	\$17.9	\$17.1	\$14.4
TOTAL	\$483.0	\$457.3	\$548.3	\$557.9	\$516.5
% INCREASE	-9.2%	-5.3%	19.9%	1.8%	-7.4%

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

Statewide Historical Perspective

A decade full of “ups and downs” in gaming-related revenues continued in FY 2014. Over the past several years, numerous factors have influenced the performance of Illinois riverboats, including tax increases and decreases, the indoor smoking ban, the tumultuous economy, the opening of the new casino in Des Plaines, and the introduction of video gaming. These factors have created dramatic fluctuations in the performance of the State’s riverboats, specifically, in terms of adjusted gross receipts and admissions. These fluctuations can be seen in the below graph.



In the first full fiscal year that the wagering tax rate was increased to as much as 70% (FY 2004), adjusted gross receipts Statewide fell 7.8% from FY 2013 levels. In FY 2005, receipts bounced back, increasing 5.7%, but its totals were still below levels experienced before the tax rate increase. Consequently, the tax rate was allowed to revert back to a maximum 50% tax rate from the 70% tax rate. As a result, Illinois’ riverboat figures improved significantly as adjusted gross receipts increased 6.7% in FY 2006 and 4.7% in FY 2007.

The improvement in gambling revenues changed in FY 2008 as adjusted gross receipts fell 7.5% and admissions fell 1.8%. The indoor smoking ban and the struggling economy were considered the primary reasons for this turnaround. These factors, now fully embedded into the gaming environment, caused riverboat figures to fall even sharper in FY 2009 as adjusted gross receipts fell nearly \$331 million or 18.3%. Admissions were down 1.7 million patrons or 10.7%. In FY 2010 the falloff continued, as adjusted gross receipts dropped another 5.0%. Admissions held flat in FY 2010, increasing a minuscule 0.6%. The trend continued in FY 2011 with adjusted gross receipts falling 3.8% for the fiscal year and admissions falling 7.1%.

In FY 2012, riverboat figures finally improved, as adjusted gross receipts and admissions increased 21.5% and 22.7%, respectively. The opening of the Des Plaines casino is the primary reason for this dramatic improvement. In FY 2013, with revenues from the casino in Des Plaines now in the base, adjusted gross receipts and admissions had a relatively stable year, falling 2.8% and 4.6%, respectively. The declines continued in FY 2014 as AGR levels fell 6.7% and admission totals dropped 10.2%. As will be discussed later in the report, it is believed that the growth of video gaming throughout Illinois is likely a key contributor to this Statewide falloff in riverboat numbers.

Boat-by-Boat Perspective

The falloff in overall adjusted gross receipts in FY 2014 was produced by an AGR decline at nine of the ten Illinois casinos. Des Plaines' casino was the only facility to see their AGR levels increase in FY 2014, growing a modest 2.8%. Eight of the 10 casinos had AGR declines of at least 9%, with the biggest drop-off coming from Alton's casino (-12.7%). All ten of the casinos experienced a falloff in admissions in FY 2014, with declines ranging from -5.5% at Des Plaines to -14.8% at Aurora's casino. A history of AGR and admission annual percent changes since FY 2007 is shown below. As shown, a noticeable downward trend has been occurring at most of the older Illinois casinos.

TABLE 8: ILLINOIS RIVERBOATS BY ADJUSTED GROSS RECEIPTS AND ADMISSIONS: PERCENTAGE CHANGE COMPARISON								
ADJUSTED GROSS RECEIPTS								
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Des Plaines	N/A	N/A	N/A	N/A	N/A	N/A	4.2%	2.8%
Joliet Harrah's	9.5%	-4.2%	-16.4%	-13.1%	-6.9%	-8.9%	-4.1%	-5.0%
Elgin	4.9%	-9.1%	-21.3%	-8.2%	0.0%	-20.8%	-11.1%	-10.5%
Aurora	6.2%	-8.5%	-13.8%	-14.0%	-3.5%	-10.4%	-6.6%	-11.7%
Joliet Hollywood	0.9%	-16.5%	-39.4%	22.6%	-5.8%	-8.1%	3.9%	-12.4%
East St. Louis	0.0%	7.6%	-16.6%	-9.5%	-8.4%	3.2%	-2.6%	-9.7%
East Peoria	-2.3%	-4.0%	-7.1%	-1.5%	0.8%	0.6%	-3.6%	-10.6%
Metropolis	9.5%	-8.9%	-19.1%	-8.0%	-11.5%	2.7%	-10.7%	-12.2%
Rock Island	-4.4%	-11.2%	56.5%	44.7%	9.8%	5.3%	-2.3%	-9.3%
Alton	6.6%	-13.1%	-20.3%	-7.8%	-5.5%	-6.2%	-3.4%	-12.7%
TOTAL	4.7%	-7.5%	-18.3%	-5.0%	-3.8%	21.5%	-2.8%	-6.7%
ADMISSIONS								
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Des Plaines	N/A	N/A	N/A	N/A	N/A	N/A	-1.2%	-5.5%
Joliet Harrah's	16.5%	2.8%	-12.5%	-6.5%	-14.7%	-9.6%	-5.9%	-6.7%
Elgin	-5.4%	-6.2%	-10.8%	-0.2%	-2.9%	-16.2%	-4.9%	-10.1%
Aurora	7.7%	-6.2%	-7.8%	-5.5%	-2.3%	-3.2%	-6.9%	-14.8%
Joliet Hollywood	4.0%	-11.3%	-39.9%	23.3%	-3.5%	-5.0%	1.6%	-13.8%
East St. Louis	-3.5%	21.4%	-7.5%	-5.0%	-9.4%	-0.8%	-7.7%	-13.9%
East Peoria	-6.3%	2.1%	-1.9%	-1.3%	-5.5%	-3.9%	-4.2%	-10.1%
Metropolis	19.3%	-10.4%	-15.5%	-3.9%	-19.6%	0.0%	-12.9%	-12.6%
Rock Island	-9.4%	-5.7%	63.3%	30.1%	6.3%	-5.3%	-3.7%	-12.0%
Alton	-1.5%	-8.9%	-12.8%	-4.2%	-11.2%	-8.4%	-9.1%	-14.3%
TOTAL	2.8%	-1.8%	-10.7%	0.6%	-7.1%	22.7%	-4.6%	-10.2%
SOURCE: ILLINOIS GAMING BOARD								

Tax Revenue Analysis

The amount of tax revenues collected from Illinois casinos is directly related to each riverboat's adjusted gross receipts and admissions. Riverboats that saw increases/decreases in these figures saw similar increases/decreases in the amount of State revenues collected. As shown below, State revenues from Illinois casinos fell 7.5% in FY 2014. And when including the statutory distributions from the Des Plaines Casino, the fall-off worsens to -8.6%.

TABLE 9: ANNUAL PERCENT CHANGE OF RIVERBOAT STATE REVENUES								
Comparison of FY 2011 thru FY 2014								
\$ in millions								
	FY 2011 STATE REVENUE	Annual % change	FY 2012 STATE REVENUE*	Annual % change	FY 2013 STATE REVENUE*	Annual % change	FY 2014 STATE REVENUE*	Annual % change
Des Plaines*	\$0.0	N/A	\$117.3	N/A	\$157.9	34.6%	\$162.6	3.0%
Joliet Harrah's	\$77.3	-11.8%	\$67.2	-13.1%	\$62.7	-6.7%	\$58.1	-7.4%
Elgin	\$98.6	-0.8%	\$74.8	-24.1%	\$60.9	-18.6%	\$52.3	-14.2%
Aurora	\$50.3	-7.5%	\$44.1	-12.3%	\$38.4	-13.1%	\$33.0	-14.0%
Joliet Hollywood	\$37.4	2.3%	\$34.4	-8.2%	\$35.4	3.1%	\$30.1	-15.0%
East St. Louis	\$32.7	-12.4%	\$33.5	2.4%	\$32.5	-2.8%	\$28.6	-12.2%
East Peoria	\$26.9	0.4%	\$27.0	0.3%	\$26.0	-3.6%	\$22.3	-14.3%
Metropolis	\$22.7	-13.3%	\$21.1	-7.0%	\$19.1	-9.3%	\$15.8	-17.4%
Rock Island	\$15.7	14.9%	\$17.1	8.5%	\$16.9	-1.2%	\$14.7	-12.8%
Alton	\$14.8	-10.3%	\$13.5	-9.0%	\$12.8	-5.1%	\$10.7	-16.4%
TOTAL	\$299.1	-3.8%	\$449.9	50.4%	\$462.6	2.8%	\$428.1	-7.5%
Des Plaines Distributions*:	<u>\$0.0</u>		<u>-\$74.8</u>		<u>-\$77.9</u>		<u>-\$76.7</u>	
Total after Distributions:	\$299.1	-3.8%	\$375.1	25.4%	\$384.7	2.6%	\$351.4	-8.6%
* Of the State revenues generated by Des Plaines in FY 2012 and FY 2013, a portion (\$75 million in FY 2012 and \$78 million in FY 2013) was statutorily set aside to be paid into other funds, including the Horse Racing Equity Fund, the Cook County Criminal Justice System, and Chicago State University. P.A. 98-0018 altered the distribution language to provide that the Horse Racing Equity Fund will receive only \$23 million (one-time in July 2013) from the revenues and will receive no additional transfers in the future. Chicago State University will receive \$1.6 million per year, but received no one-time transfers in July 2013. The School Infrastructure Fund received a one-time payment of \$92 million in July 2013 and will annually receive \$66.4 million per year from this revenue source. The Cook County Criminal Justice System continues to receive 2% of Des Plaines' AGR.								
Source: Illinois Gaming Board Monthly Riverboat Casino Report								

The rate of change in State revenues will often be more pronounced than the change in AGR because lower AGR totals lead to a lower tax rate under the graduated tax structure. For example, Elgin, which over the past two fiscal years has seen declines in its AGR of 11.1% and 10.5%, has had its State tax revenue totals decline 18.6% and 14.2%. Elgin's operating tax rate has been effectively reduced from 38.0% to 32.4% over the last three years due to this reduction in its adjusted gross receipts. A table displaying each casino's operating tax rates since FY 2010 is shown below.

TABLE 10: OPERATING TAX RATES FOR ILLINOIS RIVERBOATS (FY 2010 - FY 2014)					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Des Plaines	N/A	N/A	32.8%	41.6%	41.8%
Joliet Harrah's	37.6%	36.0%	34.5%	33.7%	33.0%
Elgin	38.2%	38.0%	36.5%	33.6%	32.4%
Aurora	32.8%	31.5%	30.8%	28.9%	28.3%
Joliet Hollywood	26.5%	28.5%	28.4%	28.2%	27.5%
East St. Louis	28.6%	27.5%	27.4%	27.5%	26.9%
East Peoria	26.1%	26.1%	26.2%	26.2%	25.2%
Metropolis	26.3%	26.0%	23.9%	24.3%	23.0%
Rock Island	21.4%	22.3%	23.0%	23.3%	22.5%
Alton	22.9%	22.0%	21.5%	21.3%	20.6%
Average Tax Rate	27.8%	27.7%	28.5%	28.9%	28.1%

Reasons for the Recent Declines

In FY 2007, Illinois' nine casinos (before Des Plaines) reached an adjusted gross receipts total of near \$2.0 billion. In FY 2014, the AGR total was only \$1.5 billion, a decline of 24.0% from this peak period. In the initial years after this peak, the declines were likely the results of the struggling economy, as well as the indoor smoking ban. While State totals improved significantly in FY 2012 (reaching \$1.6 billion) due to the addition of the new casino in Des Plaines, all other casinos have seen their adjusted gross receipts fall. In fact, since FY 2007, six of the nine older casinos have seen their AGR levels fall more than 45% with the sharpest decline coming from Elgin's casino at -58.7%.

While there are numerous factors that can influence a casino's performance, two factors are believed to be the biggest reasons for the recent falloff: the cannibalization impact from the Des Plaines Casino and the introduction of video gaming in Illinois. A discussion of Des Plaines' impact on other casinos is discussed below. The video gaming impact on casinos is discussed on page 43 in the video gaming section of the report.

Impact of the Des Plaines Casino on Gaming Revenues

In FY 2013, the ten Illinois casinos combined to generate \$1.595 billion in adjusted gross receipts, an 18.1% increase from FY 2011 levels (without the 10th license). Of the \$1.595 billion collected, \$410.1 million, or 25.7% came from the Des Plaines Casino. This new casino also brought in 24.6% of the combined 15.6 million people that patronized Illinois casinos in FY 2013. In FY 2014, the Des Plaines' casino brought in 28.3% of the State's AGR total of \$1.488 billion. The new casino's attendance total of 3.6 million represented 25.9% of total casino patrons in FY 2014.

But, as expected, Des Plaines' success has been at the expense of other riverboats in Illinois, especially those near the new casino in the Chicago metropolitan area. When looking at the four "older" casinos in the Chicago area since Des Plaines' July 2011 opening, their combined AGR have fallen \$217 million, or -25.5% (comparing FY 2011 totals to FY 2014). So while Des Plaines generated \$422 million in adjusted gross receipts in FY 2014 - when accounting for the \$217 million loss from the other four casinos - adjusted gross receipts were only up a net \$205 million, compared to FY 2011. Still, even with these losses, adjusted gross receipts have grown 24.1% over these past two fiscal years in the Chicago metro area.

One point that Illinois officials are quick to point out is that not only does the new Des Plaines casino impact Illinois existing riverboats, but it also has an impact on several of the area casinos in Indiana as well. Many argue that this new casino is likely bringing back patrons and casino revenues that Illinois had been losing to Indiana. Indiana riverboat statistics appear to support this claim.

In FY 2014, the AGR of the five Indiana casinos near the Chicago metropolitan area totaled \$975 million, which is \$201 million or 17.1% below their FY 2011 levels. This includes a two-year 15.3% decline at the Horseshoe Casino in Hammond, which is arguably the biggest competitor to Illinois casinos. These statistics can be seen in the table below.

TABLE 11: Impact of New Des Plaines Casino on Area AGR			
(Two-Year Change: FY 2014 vs FY 2011)			
\$ in millions			
	<i>FY 2014 AGR</i>	<i>%Ch. from FY11</i>	<i>\$Ch. from FY11</i>
Des Plaines	\$421.5	N/A	\$421.5
<i>Illinois Chicago Area Casinos</i>			
Joliet Hollywood	\$123.6	-16.3%	(\$24.1)
Joliet Harrah's	\$196.2	-17.0%	(\$40.1)
Aurora	\$131.8	-26.1%	(\$46.6)
Elgin	\$180.2	-37.0%	(\$105.9)
"Older" Casino Change in AGR:		-25.5%	(\$216.7)
Net Illinois Chicago Area Change:		24.1%	\$204.8
<i>Indiana Chicago Area Casinos</i>			
Ameristar - E. Chicago	\$208.7	-15.9%	(\$39.5)
Horseshoe - Hammond	\$455.8	-15.3%	(\$82.3)
Majestic Star 1 - Gary	\$93.5	-17.5%	(\$19.9)
Majestic Star 2 - Gary	\$67.6	-33.5%	(\$34.1)
Blue Chip - Michigan City	\$149.7	-14.4%	(\$25.2)
Net Indiana Chicago Area Change:		-17.1%	(\$201.0)
Combined "Older" Casino Area Change:		-20.6%	(\$417.7)
Net Overall Chicago Area Change:		0.2%	\$3.8

It is likely that a significant portion of the \$201 million that Indiana's Chicago area casinos have lost over the past several years has found its way into Illinois. When accounting for the losses in both Illinois and Indiana at the "older" casinos, the combined AGR levels for the Chicago Metropolitan Area were up \$3.8 million or 0.2% in FY 2014 compared to FY 2011. So despite the creation of a new casino, adjusted gross receipts of the casinos in the Chicago Metropolitan Area have stayed effectively flat (a combined AGR of \$2.025 billion in FY 2011 compared to \$2.029 billion in FY 2014).

The figures in the above table would suggest that the creation of the Des Plaines' casino did not increase the amount of gambling revenues in the Chicago Metropolitan Area, but rather redistributed the revenues to the new casino. However, it may be that another factor is contributing to the overall stagnant growth of the casino gaming market in this area: Video Gaming. This factor is discussed on page 43 in the Video Gaming section.

TABLE 12: Statistical Summary of the Midwestern Gaming States

ILLINOIS CASINOS													
\$ IN MILLIONS	Casino		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	1-Yr.	2-Yr.	5-Yr.	June 2014	2014 AGR/
	Type	Region	AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Change	Positions	Pos/Day
ALTON ARGOSY - Alton	Casino	St. Louis	\$86.9	\$80.1	\$75.7	\$70.9	\$68.5	\$59.8	-12.7%	-15.7%	-31.1%	938	\$175
PAR-A-DICE - E. Peoria	Casino	Central IL	\$116.2	\$114.5	\$115.5	\$116.2	\$112.0	\$100.1	-10.6%	-13.8%	-13.9%	1,174	\$234
JUMER'S - Rock Island	Casino	Quad City	\$52.3	\$75.7	\$83.1	\$87.5	\$85.5	\$77.6	-9.3%	-11.4%	48.3%	1,051	\$202
HOLLYWOOD CASINO - Joliet	Casino	Chicago	\$127.9	\$156.8	\$147.7	\$135.7	\$141.0	\$123.6	-12.4%	-8.9%	-3.3%	1,154	\$293
HARRAH'S - Metropolis	Casino	S. Illinois	\$123.0	\$113.1	\$100.1	\$102.7	\$91.8	\$80.6	-12.2%	-21.6%	-34.5%	1,171	\$188
HARRAH'S - Joliet	Casino	Chicago	\$292.1	\$253.9	\$236.3	\$215.3	\$206.5	\$196.2	-5.0%	-8.9%	-32.8%	1,198	\$449
HOLLYWOOD CASINO - Aurora	Casino	Chicago	\$215.0	\$185.0	\$178.4	\$159.9	\$149.2	\$131.8	-11.7%	-17.6%	-38.7%	1,186	\$304
CASINO QUEEN - E. St. Louis	Casino	St. Louis	\$154.4	\$139.7	\$127.9	\$132.1	\$128.7	\$116.2	-9.7%	-12.0%	-24.7%	1,200	\$265
GRAND VICTORIA - Elgin	Casino	Chicago	\$311.8	\$286.1	\$286.1	\$226.7	\$201.4	\$180.2	-10.5%	-20.5%	-42.2%	1,199	\$412
RIVERS CASINO - Des Plaines	Casino	Chicago	\$0.0	\$0.0	\$0.0	\$393.5	\$410.1	\$421.5	2.8%	7.1%	N/A	1,199	\$963
TOTALS			\$1,479.5	\$1,404.9	\$1,350.8	\$1,640.6	\$1,594.8	\$1,487.6	-6.7%	-9.3%	0.5%	11,469	\$355
CHICAGO REGION TOTALS			\$946.7	\$881.8	\$848.5	\$1,131.1	\$1,108.3	\$1,053.3	-5.0%	-6.9%	11.3%	5,936	\$486
CHICAGO REGION W/O DES PLAINES			\$946.7	\$881.8	\$848.5	\$737.6	\$698.2	\$631.8	-9.5%	-14.3%	-33.3%	4,737	\$365
ST. LOUIS REGION TOTALS			\$241.3	\$219.8	\$203.6	\$203.0	\$197.2	\$176.1	-10.7%	-13.3%	-27.0%	2,138	\$226

INDIANA CASINOS													
\$ IN MILLIONS	Casino		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	1-Yr.	2-Yr.	5-Yr.	June 2014	2014 AGR/
	Type	Region	AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Change	Positions	Pos/Day
AMERISTAR - East Chicago	Casino	Chicago	\$289.5	\$253.6	\$248.1	\$239.6	\$231.5	\$208.7	-9.9%	-12.9%	-27.9%	1,897	\$301
HOLLYWOOD - Lawrenceburg	Casino	SE Indiana	\$405.0	\$449.2	\$434.9	\$429.1	\$339.0	\$214.5	-36.7%	-50.0%	-47.0%	2,498	\$235
BELTERRA - Switzerland County	Casino	SE Indiana	\$157.2	\$145.6	\$141.9	\$149.8	\$140.4	\$113.2	-19.4%	-24.4%	-28.0%	1,323	\$234
BLUE CHIP - Michigan City	Casino	Chicago	\$186.2	\$177.1	\$174.9	\$175.1	\$166.4	\$149.7	-10.1%	-14.5%	-19.6%	1,971	\$208
TROPICANA - Evansville	Casino	S. Indiana	\$115.3	\$114.0	\$117.1	\$119.7	\$114.8	\$111.4	-3.0%	-7.0%	-3.5%	1,015	\$301
FRENCH LICK - French Lick	Casino	S. Indiana	\$89.6	\$81.3	\$83.1	\$86.5	\$82.6	\$68.4	-17.2%	-21.0%	-23.7%	1,090	\$172
RISING STAR - Rising Sun	Casino	SE Indiana	\$118.0	\$100.6	\$96.0	\$92.3	\$78.0	\$54.7	-29.9%	-40.8%	-53.7%	1,193	\$126
HOOSIER PARK - Anderson	Racino	Central IN	\$202.3	\$201.2	\$216.9	\$201.0	\$188.9	\$201.6	6.7%	0.3%	-0.4%	1,733	\$319
HORSESHOE - Hammond	Casino	Chicago	\$527.2	\$542.0	\$538.1	\$499.0	\$489.0	\$455.8	-6.8%	-8.7%	-13.5%	3,455	\$361
HORSESHOE - Harrison County	Casino	S. Indiana	\$303.5	\$282.5	\$265.3	\$260.5	\$269.9	\$257.8	-4.5%	-1.0%	-15.1%	2,046	\$345
INDIANA GRAND - Shelbyville	Racino	Central IN	\$189.7	\$228.1	\$240.4	\$222.0	\$208.8	\$236.2	13.1%	6.4%	24.5%	1,805	\$359
MAJESTIC STAR - Gary	Casino	Chicago	\$120.0	\$110.3	\$113.4	\$111.0	\$102.8	\$93.5	-9.1%	-15.7%	-22.1%	1,054	\$243
MAJESTIC STAR II - Gary	Casino	Chicago	\$98.7	\$98.6	\$101.7	\$90.7	\$83.6	\$67.6	-19.1%	-25.4%	-31.5%	869	\$213
TOTALS			\$2,802.2	\$2,784.2	\$2,771.7	\$2,676.1	\$2,495.8	\$2,232.9	-10.5%	-16.6%	-20.3%	21,949	\$279
CHICAGO REGION AREA TOTALS			\$1,221.6	\$1,181.7	\$1,176.2	\$1,115.3	\$1,073.4	\$975.2	-9.1%	-12.6%	-20.2%	9,247	\$289
Composition of Chicago Region:			56.3%	57.3%	58.1%	49.6%	49.2%	48.1%					
TOTAL CASINOS			\$2,410.2	\$2,354.9	\$2,314.5	\$2,253.2	\$2,098.1	\$1,795.1	-14.4%	-20.3%	-25.5%	18,412	\$267
TOTAL RACINOS			\$392.0	\$429.3	\$457.2	\$422.9	\$397.7	\$437.8	10.1%	3.5%	11.7%	3,537	\$339

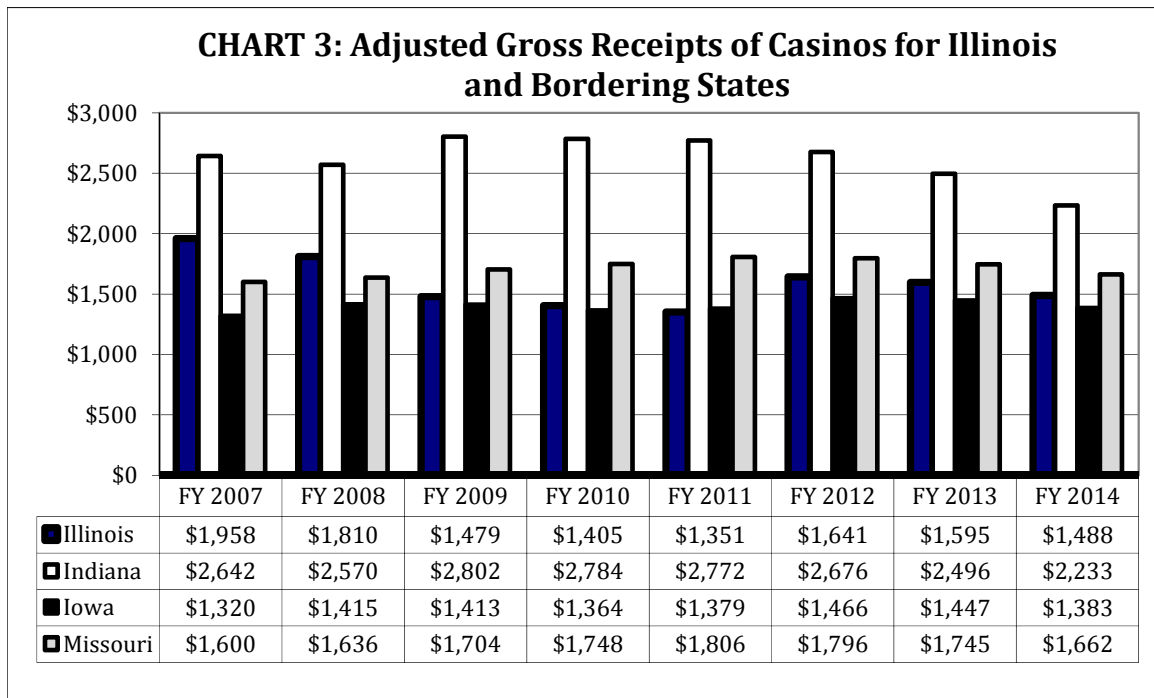
MISSOURI CASINOS													
\$ IN MILLIONS	Casino		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	1-Yr.	2-Yr.	5-Yr.	June 2014	2014 AGR/
	Type	Region	AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Change	Positions	Pos/Day
ARGOSY - Riverside	Casino	Kansas City	\$198.2	\$194.0	\$193.1	\$178.8	\$152.8	\$142.9	-6.5%	-20.1%	-27.9%	1,535	\$255
ISLE OF CAPRI - Boonville	Casino	Central MO	\$81.3	\$80.7	\$82.0	\$84.2	\$82.1	\$78.0	-5.0%	-7.3%	-4.0%	942	\$227
LADY LUCK - Caruthersville	Casino	SE Missouri	\$33.1	\$33.2	\$33.3	\$35.4	\$33.2	\$31.1	-6.3%	-12.1%	-6.1%	549	\$155
HOLLYWOOD - Maryland Hts	Casino	St. Louis	\$292.4	\$288.0	\$269.3	\$272.3	\$243.0	\$223.4	-8.1%	-18.0%	-23.6%	2,331	\$263
HARRAH'S - North Kansas City	Casino	Kansas City	\$197.8	\$195.8	\$193.3	\$190.0	\$179.9	\$175.1	-2.7%	-7.9%	-11.5%	1,619	\$296
ISLE OF CAPRI - Kansas City	Casino	Kansas City	\$81.5	\$81.6	\$83.6	\$86.0	\$79.9	\$75.6	-5.4%	-12.1%	-7.3%	1,026	\$202
LUMIERE PLACE - St. Louis	Casino	St. Louis	\$181.0	\$195.1	\$173.1	\$169.2	\$160.3	\$145.0	-9.5%	-14.3%	-19.9%	1,991	\$200
AMERISTAR - Kansas City	Casino	Kansas City	\$243.7	\$239.0	\$241.1	\$231.2	\$213.2	\$197.6	-7.3%	-14.6%	-18.9%	2,622	\$206
RIVER CITY - St. Louis	Casino	St. Louis	\$0.0	\$57.5	\$180.8	\$203.7	\$205.8	\$207.6	0.9%	1.9%	N/A	2,141	\$266
PRESIDENT - St. Louis	Casino	St. Louis	\$23.3	\$19.2	\$0.0	\$0.0	\$0.0	\$0.0	N/A	N/A	N/A		
MARK TWAIN - LaGrange	Casino	W. Illinois	\$36.4	\$37.0	\$38.1	\$39.1	\$38.4	\$36.6	-4.8%	-6.3%	0.5%	657	\$153
AMERISTAR - St. Charles	Casino	St. Louis	\$297.0	\$288.8	\$278.3	\$274.5	\$270.0	\$254.4	-5.8%	-7.3%	-14.4%	2,699	\$258
FRONTIER - St. Joseph	Casino	NW Missouri	\$37.7	\$38.4	\$40.2	\$31.7	\$40.4	\$37.9	-6.1%	19.5%	0.4%	588	\$176
ISLE OF CAPRI - Cape Girardeau	Casino	S. Illinois	\$0.0	\$0.0	\$0.0	\$0.0	\$45.7	\$57.3	25.3%	N/A	N/A	959	\$164
TOTALS			\$1,703.5	\$1,748.3	\$1,806.3	\$1,796.1	\$1,744.8	\$1,662.5	-4.7%	-7.4%	-2.4%	19,659	\$232
ST LOUIS REGION TOTALS			\$793.6	\$848.6	\$901.5	\$919.7	\$879.1	\$830.4	-5.5%	-9.7%	4.6%	9,162	\$248
Composition of St. Louis Region:			76.7%	79.4%	81.6%	81.9%	81.7%	82.5%					

IOWA CASINOS													
\$ IN MILLIONS	Casino		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	1-Yr.	2-Yr.	5-Yr.	June 2014	2014 AGR/
	Type	Region	AGR	AGR	AGR	AGR	AGR	AGR	Change	Change	Change	Positions	Pos/Day
LADY LUCK - Marquette	Casino	NE Iowa	\$31.5	\$29.2	\$30.0	\$29.9	\$29.8	\$26.7	-10.4%	-10.6%	-15.2%	532	\$138
DIAMOND JO - Dubuque	Casino	NW Illinois	\$59.2	\$68.4	\$67.2	\$70.1	\$66.5	\$63.6	-4.5%	-9.3%	7.4%	1,005	\$173
WILD ROSE - Clinton	Casino	NW Illinois	\$41.9	\$39.2	\$40.2	\$39.2	\$37.6	\$32.8	-12.6%	-16.2%	-21.6%	559	\$161
CATFISH BEND - Burlington	Casino	W. Illinois	\$38.9	\$38.7	\$38.5	\$39.4	\$38.8	\$38.3	-1.2%	-2.7%	-1.6%	713	\$147
ARGOSY - Sioux City	Casino	NW Iowa	\$56.7	\$57.8	\$59.8	\$61.0	\$56.1	\$48.0	-14.3%	-21.3%	-15.3%	738	\$178
LAKESIDE - Osceola	Casino	Central IA	\$51.2	\$48.6	\$50.0	\$50.1	\$53.5	\$49.3	-7.7%	-1.4%	-3.7%	1,011	\$134
WILD ROSE - Emmetsburg	Casino	W. Illinois	\$27.7	\$28.7	\$30.8	\$31.9	\$32.2	\$31.0	-3.8%	-2.9%	12.0%	548	\$155
ISLE CASINO - Waterloo	Casino	Central IA	\$79.8	\$80.3	\$80.7	\$83.6	\$86.0	\$85.1	-1.2%	1.8%	6.5%	1,003	\$232
RHYTHM CITY - Davenport	Casino	Quad City	\$58.2	\$54.8	\$49.3	\$50.5	\$48.3	\$44.4	-8.0%	-12.1%	-23.7%	859	\$142
ISLE OF CAPRI - Bettendorf	Casino	Quad City	\$89.0	\$78.3	\$78.5	\$75.7	\$74.5	\$70.2	-5.7%	-7.3%	-21.1%	979	\$197
AMERISTAR - Council Bluffs	Casino	W. Iowa	\$167.0	\$156.1	\$164.9	\$170.3	\$167.8	\$163.7	-2.4%	-3.9%	-2.0%	1,557	\$288
HARRAH'S - Council Bluffs	Casino	W. Iowa	\$93.8	\$84.1	\$74.4	\$68.2	\$67.4	\$73.9	9.6%	8.3%	-21.3%	606	\$334
DIAMOND JO - Northwood	Casino	N. Iowa	\$78.9	\$80.3	\$83.7	\$90.6	\$88.6	\$84.2	-4.9%	-7.0%	6.8%	1,062	\$217
RIVERSIDE CASINO - Riverside	Casino	Central IA	\$86.5	\$85.2	\$87.3	\$90.3	\$88.7	\$87.7	-1.1%	-3.0%	1.4%	1,247	\$193
GRAND FALLS - Larchwood	Casino	NW Iowa	\$0.0	\$0.0	\$4.4	\$57.4	\$58.2	\$59.2	1.7%	3.1%	N/A	1,013	\$160
PRAIRIE MEADOWS - Altoona	Racino	Central IA	\$193.1	\$186.6	\$189.9	\$194.7	\$195.0	\$181.0	-7.2%	-7.1%	-6.3%	2,015	\$246
BLUFFS RUN - Council Bluffs	Racino	W. Iowa	\$191.1	\$186.0	\$189.2	\$204.2	\$200.3	\$192.8	-3.8%	-5.6%	0.9%	1,690	\$312
MYSTIQUE - Dubuque	Racino	NW Illinois	\$68.5	\$62.1	\$60.2	\$58.9	\$57.6	\$51.1	-11.2%	-13.2%	-25.3%	949	\$148
TOTALS			\$1,412.8	\$1,364.2	\$1,379.2	\$1,466.0	\$1,446.8	\$1,383.0	-4.4%	-5.7%	-2.1%	18,084	\$210
QUAD CITY REGION TOTALS			\$147.2	\$133.1	\$127.8	\$126.3	\$122.8	\$114.7	-6.6%	-9.2%	-22.1%	1,837	\$171
OTHER CASINOS BORDERING ILLINOIS			\$236.1	\$237.0	\$236.9	\$239.4	\$232.7	\$216.8	-6.8%	-9.4%	-8.2%	3,226	\$184
Composition of Illinois Bording Casinos:			88.0%	83.0%	81.4%	80.7%	80.6%	81.0%					
TOTAL CASINOS			\$960.2	\$929.5	\$939.9	\$1,008.1	\$993.9	\$958.1	-3.6%	-5.0%	-0.2%	13,429	\$195
TOTAL RACINOS			\$452.6	\$434.7	\$439.2	\$457.9	\$452.9	\$424.9	-6.2%	-7.2%	-6.1%	4,654	\$250

Competition for the Midwest Gaming Dollar

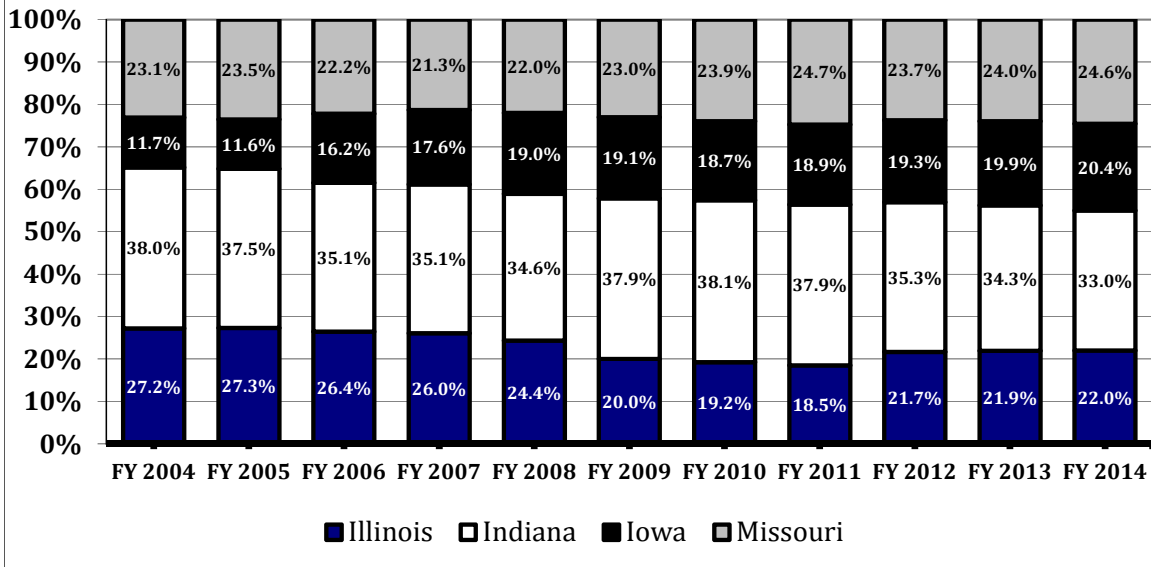
In order to better understand Illinois’ gaming landscape and the competition that exists with other states, Table 12, on the previous page, provides a statistical summary of the following Midwest gaming states: Illinois, Indiana, Missouri, and Iowa. The tables include a listing of the gaming facilities in each state, the casino type (casino or “racino”), the region where the casino is located (as it relates to Illinois), the AGR of each of the casinos over the past five years, growth rates, number of positions, and the amount of AGR-per-position-per-day that each casino generates.

Just seven years ago in FY 2007, Illinois’ AGR total was \$638 million higher than Iowa and \$358 million higher than Missouri. But by FY 2011, Illinois had the lowest amount of gaming revenue of the casino-operating states in the Midwest. As shown in the following chart, Illinois’ FY 2011 AGR total of \$1.351 billion was lower than Indiana (\$2.772 billion), Missouri (\$1.806 billion), and for the first time, Iowa (\$1.375 billion). The addition of Des Plaines to Illinois’ gaming market in FY 2012 helped to temper Illinois’ downward trend in the Midwest region that it had been experiencing previous to Des Plaines’ arrival. In FY 2014, Illinois had the third highest AGR total in the Midwest with a total of \$1.5 billion, behind Indiana (\$2.2 billion) and Missouri (\$1.7 billion), but ahead of Iowa (\$1.4 billion).



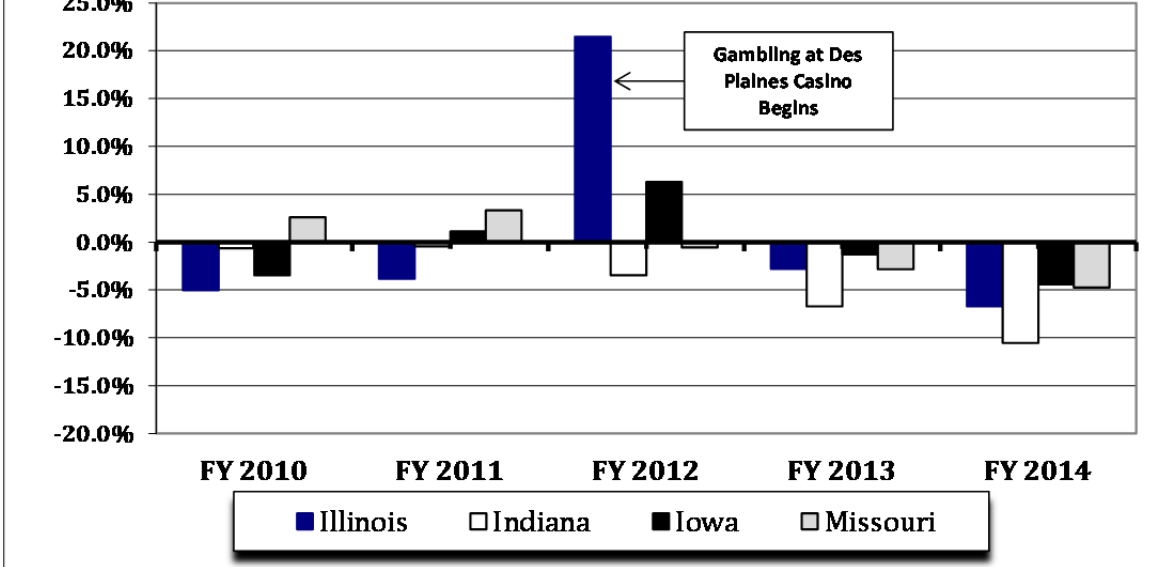
On the following page is a chart displaying the composition percentages of states in the Midwest in relation to each state’s AGR totals. Illinois hit its ten-year high in FY 2005 with 27.3% of the Midwest casino AGR market. It fell to 18.5% in FY 2011, but has bounced back to 22.0% in FY 2014, thanks to the addition of the casino in Des Plaines.

CHART 4: AGR Composition for Illinois and Bordering States



A chart indicating the annual percent changes of AGR of the Midwest region states over the last four fiscal years is shown below. The addition of the Des Plaines casino allowed Illinois to claim the state with the biggest improvement in AGR in FY 2012. This new competition is likely the biggest reason that Indiana’s AGR has had the largest falloff of any of the Midwestern states over the past three fiscal years. As shown, all of the Midwestern states experienced declines in their AGR in FY 2013 and in FY 2014, suggesting a downward trend in casino gambling as a whole. This, to an extent, may be caused by the increase in competition from Illinois’ Statewide video gaming terminals.

**CHART 5: Annual Percent Change of Adjusted Gross Receipts by State
FY 2010 - FY 2014**



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

Indiana

- Indiana continues to have the highest amount of adjusted gross receipts in the Midwest at \$2.233 billion. However, its FY 2014 total was 20.3% below levels experienced just five years ago in FY 2009. During this time, its composition of the Midwest gaming dollar has gone from 38% to 33%. Increased competition from other states is believed to be the reason for these declines.
- Nearly 44% of Indiana gaming revenues came from Indiana's five Chicago metropolitan area casinos. Undoubtedly, a large portion of these dollars came from Illinois residents. However, Indiana's Chicago area casinos' AGR fell 2.3% in FY 2014 and has fallen 14.7% over the past five years. The new Des Plaines Casino and the increased competition from video gaming in Illinois are key reasons for this falloff.
- In FY 2007, using data from all of the casinos in the Chicago area, the majority of total adjusted gross receipts were in Illinois (50.4% vs. 49.6%). However, in FY 2011, Indiana held a decisive majority of adjusted gross receipts at 58.1% compared to Illinois portion of 41.9%. Again, with the addition of the Des Plaines casino, Illinois regained the majority of AGR in this region. In FY 2014, Illinois held 51.9% of adjusted gross receipts compared to Indiana's composition of 48.1%. From an Illinois perspective, while regaining the majority in this area is promising, the fact remains that the vast majority of the population in the Chicago area is in Illinois which means it is likely that Illinois is still losing significant gaming revenues to Indiana casinos.
- Indiana also must compete with new casinos in Ohio. Over the last couple of years, new casinos have opened up throughout Ohio, with one in Cincinnati. In addition, new racinos were opened near the Indiana border in Dayton and near Cincinnati. These new casinos near the border have had a direct impact on Indiana's three Cincinnati area casinos, as their AGR levels fell a combined 16.9% in FY 2013 and another 31.4% in FY 2014. The reduction in these casinos is a significant contributing factor for the Statewide 10.5% drop in adjusted gross receipts in FY 2014 and its 20.3% decline over the past two years.

Missouri

- Missouri's Statewide AGR levels fell 4.7% in FY 2014 and have fallen 7.4% over the last two years. Its casinos have fallen 2.4% over the past five years. The largest increase in FY 2014 came from their newest casino in Cape Girardeau, which grew 25.3%. This casino, which borders Illinois in the southern region of the State, generated \$57.3 million in FY 2014. One of the reasons Cape Girardeau was chosen for the license's location was that a new casino here would have less of a cannibalization effect on other Missouri casinos and that

Illinois would “bear a good share of the sales impact”, according to an economic analysis done by the Missouri Gaming Commission.

- All of the recent casino openings in Missouri over the past several years are in direct competition with Illinois’ riverboats. This is a major reason why, over the last five years, Alton’s AGR has fallen 31.1% and Illinois’ casino in East St. Louis casino has fallen 24.7%.
- In FY 2014, Missouri’s portion of total AGR in the St. Louis region was at 82.5%, while Illinois composed 17.5% of the total. In comparison, in FY 2007, Missouri’s composition in the region was 70.0%, while Illinois’ two locations made up the remaining 30.0%. This again shows how competition from bordering states has hurt Illinois’ revenue totals from gaming.
- While Illinois’ two riverboats in the St. Louis region fell 10.7% in FY 2014, Missouri’s four St. Louis area casinos all declined, falling 5.5%. Again, a contributing factor to these falloffs may be due to the increased competition from video gaming terminals in Illinois. The four Illinois counties closest to St. Louis (Jersey, Madison, Monroe, and St. Clair) had 1,063 video gaming terminals in June 2014, which is near the size of another riverboat casino.

Iowa

- Iowa in FY 2014 operated 18 gaming facilities, which consisted of fifteen casinos and three racinos. Overall, Iowa’s AGR fell 4.4% in FY 2014 and is down 2.1% over the last five years. Its AGR total of \$1.383 billion is just below Illinois’ AGR total of \$1.488 billion.
- Seven of Iowa’s 18 gaming facilities lie near Illinois’ borders. These locations (Dubuque “Diamond Jo”: \$64M; Clinton: \$33M; Burlington: \$38M; Emmetsburg: \$31M; Dubuque “Mystique”: \$51M; Davenport: \$44M; and Bettendorf: \$70M) generated approximately \$332 million in FY 2014. Again, it is likely that a significant portion of these dollars came from the pockets of Illinois residents as Illinois has only one casino (“Jumer’s” in Rock Island) on the Iowa border.
- Over the last several fiscal years, Iowa’s two Quad City area riverboats in Davenport and Bettendorf have been on a downward trend. The combined AGR levels of these facilities have declined 22.1% over the past five years. In comparison, Illinois’ Rock Island’s AGR has seen much improvement, growing 132.1% since opening a new, larger facility in 2008.
- Much of the decline experienced for Iowa’s Quad City’s riverboats is due to the competition from the newer Rock Island Casino. However, also contributing to the falloff is the fact that these older casinos are also competing with nearby newer casinos to the west in Riverside, Iowa and in Clinton, Iowa. Again, likely contributing to this falloff is the competition from video gaming in Illinois.

- In FY 2014, Iowa’s two area riverboats made up approximately 59.6% of the Quad City region’s AGR, while Illinois’ Rock Island riverboat made up 40.4% of the total. This is a significant change from the ratio in past years (The ratio in FY 2008 was: 82.1% in Iowa, 17.9% in Illinois). To put this in perspective, in the Quad City area, Iowa (Scott County) makes up approximately 53.1% of the population, while Illinois (Rock Island County) makes up 46.9%. This would suggest that Illinois, despite the large increase over the past several years, may still be losing casino patrons to Iowa.

The American Gaming Association reports that Illinois had the eighth highest amount of gaming generated revenue from commercial casinos in the United States in CY 2013 with a value of \$1.6 billion. Nevada had, by far, the most with \$11.1 billion. Pennsylvania (\$3.1 billion), New Jersey (\$2.8 billion), Louisiana (\$2.4 billion), and Indiana (\$2.3 billion) rounded out the top five.

**TABLE 13: Gaming Generated Revenue from Commercial Casinos
CY 2013 by State
\$ in millions**

CY 2013 Rank	State	Gaming Revenue	CY 2013 Rank	State	Gaming Revenue
1	Nevada	\$11,143	11	Ohio	\$1,071
2	Pennsylvania	\$3,114	12	New York	\$878
3	New Jersey	\$2,870	13	West Virginia	\$812
4	Louisiana	\$2,443	14	Colorado	\$749
5	Indiana	\$2,332	15	Maryland	\$749
6	Mississippi	\$2,137	16	Rhode Island	\$558
7	Missouri	\$1,707	17	Florida	\$468
8	Illinois	\$1,551	18	Delaware	\$437
9	Iowa	\$1,417	19	Kansas	\$365
10	Michigan	\$1,350	20	South Dakota	\$365

Note: These tax revenues are on a calendar year basis, not on a fiscal year, as shown in other tables in this report.
Source: gettoknowgaming.org, American Gaming Association.

Illinois’ casinos are part of two of the largest casino markets in the nation. According to the American Gaming Association’s 2013 Annual Report, the Chicagoland area is the third largest casino market in the country, trailing only Las Vegas and Atlantic City. The St. Louis metropolitan area is the 7th largest market. A list of the top ten markets, as based on 2012 revenues, is shown below.

Table 14: Top 10 U.S. Casino Markets by Annual Revenue

<i>Casino Market</i>	<i>2012 Annual Revenues</i>	<i>2012 Annual Change</i>
1 Las Vegas Strip	\$6.207 billion	2.3%
2 Atlantic City, N.J.	\$3.052 billion	-8.0%
3 Chicagoland, Ind./Ill.	\$2.243 billion	16.0%
4 Detroit	\$1.417 billion	-0.5%
5 Connecticut	\$1.230 billion	-8.6%
6 Philadelphia, PA.	\$1.167 billion	7.1%
7 St. Louis, Mo./Ill.	\$1.108 billion	-0.5%
8 Gulf Coast, Miss.	\$1.095 billion	32.8%
9 The Poconos, PA.	\$0.902 billion	N/A
10 Tunica/Lula, Miss.	\$0.822 billion	0.6%

Source: The American Gaming Association

An Analysis of Expanding Gambling in Illinois

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

For a number of years, the idea of expanding Illinois' gaming market has failed to reach enough support for passage. But in the Spring of 2011, an expansive gambling package was finally passed by the State legislature in SB 0744, as amended by House Amendments 1 thru 7. However, its future became dim as Governor Quinn stated that he would not sign the legislation and eventually vetoed the legislation, as a matter of procedure, in March 2013.

Despite the Governor's opposition to SB 0744, in 2012 gaming proponents offered up new legislation in the form of SB 1849, as amended by House Amendments 2 and 3. In the view of the bill's proponents, this new legislation addressed many of the concerns that the Governor had with SB 0744, while keeping the principal components of a gambling expansion bill: adding five new casinos (including a casino in the City of Chicago), allow the position limit to increase, modify the tax structure on casinos, and allowing slot machines at racetracks. This bill passed both Houses in May 2012. However, in August 2012, Governor Quinn decided to veto the legislation stating, "While Senate Bill SB 1849 addresses some of the shortcomings of Senate Bill 744, such as a reduction in the number of gaming locations, it continues to fall well short of the standards of the people of Illinois." The legislature failed to find the votes to override this veto and the bill was officially dead in November 2012.

Further attempts at gaming expansion came by way of various amendments to SB 1739 in the Spring of 2013. Senate Amendment 4 to SB 1739 passed the Senate in May 2013, but failed to garner enough support for passage in the House. New versions arose during the 2014 Spring Session, but again a consensus could not be reached. The fate of gaming expansion entering into the 2014 Veto Session and the 2015 Spring Session remains unknown.

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

Add New Riverboats and Casinos

Under current law, Illinois has only ten licenses available for riverboat gambling operations. When the discussion of gaming expansion arises, inevitably these talks include increasing the number of gaming licenses to add more casinos. The latest gaming expansion bills would place a land-based casino in the City of Chicago with as many as 10,000 gaming positions in some versions. Other locations that have been targeted for future homes to 1,200 to 1,600 position casinos include Park City (near Waukegan), the South Suburbs, Rockford, and Danville.

New casinos, especially a land-based casino in Chicago, could generate millions of dollars to the State and local governments. But how much revenue could these new casinos generate? Most expect that a new casino strategically located near an untapped population area of Chicago would easily exceed Illinois' highest revenue generating casino, which was Des Plaines in FY 2014 (\$422 M), especially because this new casino would be allowed at least 4,000 gaming positions (under most proposals), compared to only 1,200 positions at the other casinos in Illinois. An area casino similar to this size is Hammond, Indiana's 3,500-position casino, which generated \$456 million in FY 2014. The amount of revenue generated from the other locations would likely be very similar to the other 1,200-position casinos across the State.

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

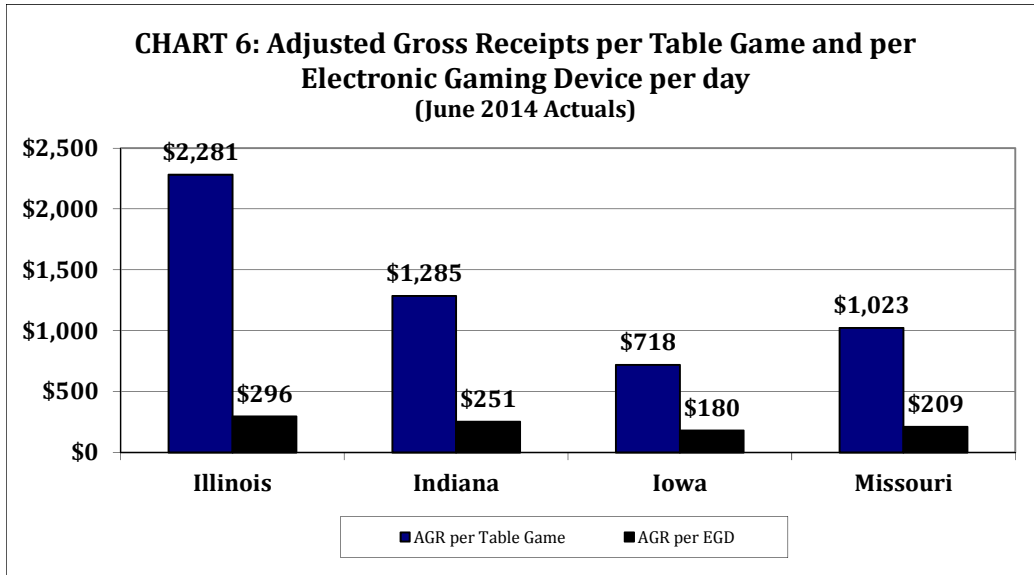
Aside from the recurring revenues, millions of dollars in one-time revenues could also be collected from the development of new casinos. These revenues would come from the bidding of new licenses, application fees, and from the purchasing of gaming positions. Many of the recent gaming proposals have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

Add Additional Gaming Positions.

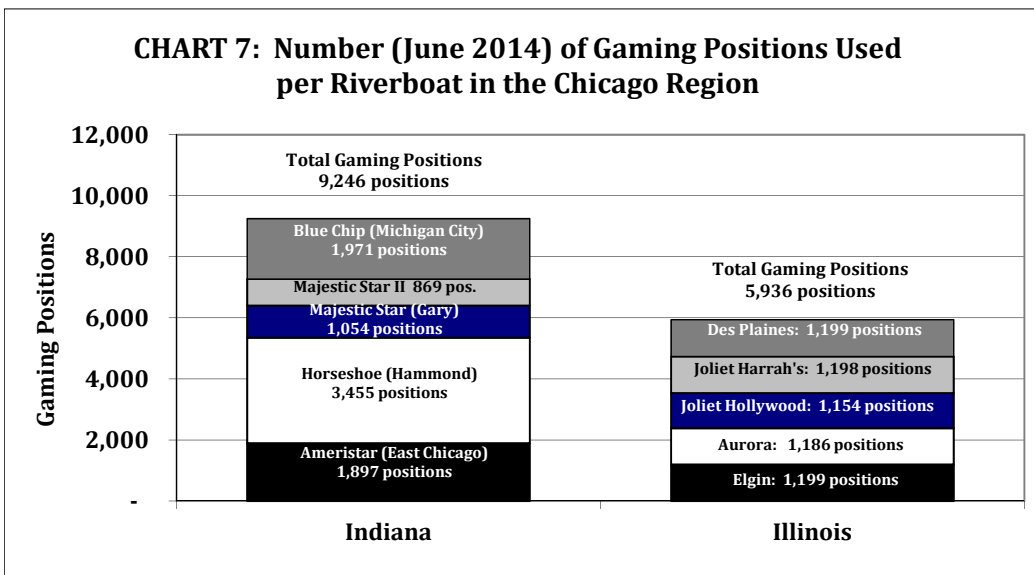
Many feel that Illinois riverboats continue to be at a competitive disadvantage with other states because Illinois only allows a maximum of 1,200 gaming positions per riverboat. The capping of the number of slots and table games that a riverboat may operate prevents riverboats from increasing certain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

To illustrate this point, the following graph displays the AGR per Table Game (per day) and the AGR per EGD (per day) for each of the Midwestern riverboat states for June 2014 (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. This suggests that Illinois has still not reached its saturation point under today's current gaming conditions. This seems to be especially the case at Des Plaines, whose AGR/table game/day (\$6,059) and AGR/EGD/day (\$806) values in June 2014 were significantly above values seen at other casinos.



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



As the graph illustrates, according to Indiana's June 2014 monthly gaming report, the five Indiana riverboats closest to Chicago had 9,246 gaming positions. That is 3,310 more positions than the 5,936 gaming positions at the five Chicago area riverboats in Illinois. Based on these figures, the five Indiana riverboats in the Chicago area made up 60.9% of all gaming positions in that region. Again, this is despite the fact that the majority of the population is in Illinois.

The average number of positions for the five Indiana riverboats in this region is 1,849 positions, with Hammond, Indiana's Horseshoe Casino having the most at 3,455 positions (June 2014). Despite being the largest casino in Indiana, it had the highest AGR/position/day figures of any Indiana casino (as shown in Table 12) at \$361/position/day. If Illinois decided to increase the maximum number of positions, these numbers would suggest at least 2,000 positions would be necessary to be closer to the optimal number of positions in Illinois for the Chicago area. However, it must be noted that due to the ever-increasing number of video gaming machines throughout Illinois and near these casinos, the optimal number of positions will likely diminish as video gaming obtains higher levels of popularity.

Add Slot Machines at Racetracks

A growing area of gaming throughout the country is the development of casinos at racetracks. According to the American Gaming Association's report entitled "State of the States: 2013", fourteen states have racetrack casinos. Six states (Delaware, Maryland, New York, Ohio, Rhode Island and West Virginia) have racetrack casino facilities operated by the state lottery. For these casinos, the facilities have video lottery terminals and the lottery commission takes in all revenues before making distributions to stakeholders such as track owners, breeders, and others. The remaining nine states (Florida, Indiana, Iowa, Louisiana, Maine, New Mexico, Oklahoma, and Pennsylvania) operate and tax their gaming facilities similar to traditional casinos.

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. These two racetracks combined for an AGR total of \$457 million in FY 2011, \$423 million in FY 2012, \$398 million in FY 2013, and \$438 million in FY 2014. These locations are limited to a total of 4,000 slot machines (2,000 each).

When Indiana entered into the racetrack casino market, it joined Iowa as the only states in the Midwest Region to offer this form of gambling. In FY 2014, Iowa generated a combined \$425 million in adjusted gross receipts from their three locations in Council Bluffs, Altoona, and Dubuque.

Many in Illinois' horseracing industry are hoping that Illinois follows suit and allows casinos at its horse tracks. Proponents contend that not only would video gaming terminals at the horse tracks help bring additional revenues to the State, but it would also assist in revitalizing the horseracing industry in Illinois.

Illinois' horse racing industry is on a notable downward trend. As is discussed later in the report, Illinois' total handle amount of \$618 million in CY 2013 was down 8.2% over the 2012 amount and marked the eleventh consecutive year of declining revenues. The 2013 handle amount was the lowest experienced in the last 30 years of Illinois racing. It is probably no coincidence that Illinois' declining revenues over the last several years came at the same time that the numbers of racetrack casinos have increased in other states throughout the nation. As attendance at racetracks increase, so do their revenue, which allows them to offer larger purses. These larger purses at other tracks are enticing enough to persuade participants to forgo Illinois' races and attend races in other states.

The Commission is often asked how much revenue Illinois could realize by allowing slot machines at its racetracks. One way to get a feel for the revenue potential of a horse track casino is to look at revenue data from other states. The following table displays the latest racino figures from Iowa, Indiana, and Pennsylvania. The Pennsylvania market is included because of its metropolitan similarities to Illinois and because the American Gaming Association has ranked Pennsylvania as the top commercial casino tax revenue state in the nation. As shown, the revenue amounts range between \$143 and \$323 per slot machine per day, with the average of those shown at \$253 per day.

TABLE 15: FY 2014 Slot Machine AGR Statistics at Selected Racetrack Casinos				
Racino	Location	FY 2014 Slot AGR (in mil.)	Slot Machines (June '14)	AGR/Slot/ Day
Prairie Meadows	Altoona, IA	\$167.0	1,950	\$235
Horseshoe Casino	Council Bluffs, IA	\$164.4	1,450	\$311
Mystique Casino	Dubuque, IA	\$47.9	916	\$143
Hoosier Park	Anderson, IN	\$201.6	1,925	\$287
Indiana Grand	Shelbyville, IN	\$236.2	2,005	\$323
Harrah's Chester Casino	Chester, PA	\$219.0	2,798	\$214
Presque Isle Downs Casino	Erie, PA	\$123.5	1,716	\$197
The Meadows Racetrack & Casino	Washington, PA	\$220.8	3,244	\$187
Mohegan Sun at Pocono Downs	Wilkes-Barre, PA	\$219.0	1,869	\$321
Parx Casino	Bensalem, PA	\$354.7	3,231	\$301
Hollywood Casino at Penn National	Grantville, PA	\$216.8	2,432	\$244

Note: Pennsylvania and Iowa locations also have AGR from table games which are not included in the above table.

Because the latest proposals have limited the number of gaming positions at Cook County racetracks, Illinois' AGR/Slot/Day would probably be at the high end of values seen in other states – likely near \$300 per slot machine per day for those racinos in the Chicago area and likely less for the downstate locations.

Estimating Illinois' racetrack casino revenue potential is difficult because it depends on the gaming environment at the time of its operation, the number of gaming positions it utilizes, its location, and how much other gambling competition, such as video gaming terminals, exists in proximity to these racinos. Most expansion

proposals include a casino in Chicago and other suburban casinos to go along with these racinos. As more competition exists, the less revenue that will be able to be generated from these locations.

As shown below, a racetrack in Arlington would only be 10 miles from the new Des Plaines Casino. A casino at Maywood Racetrack would only be 11 miles from Des Plaines and potentially only 15 miles from a new Chicago location. While new revenues would be generated by having these new racetrack casinos, there is little doubt that there would be some cannibalization effects on the other casinos throughout the Chicago area.

TABLE 16: Distance in Miles to Current, Future, and Potential Gambling Locations

	<i>Curent Riverboat Locations</i>				<i>(Downtown)</i>	<i>Closest Indiana Riverboat</i>
	<i>Aurora</i>	<i>Elgin</i>	<i>Joliet</i>	<i>Des Plaines</i>	<i>Chicago</i>	<i>Hammond</i>
Arlington Racetrack	41	21	45	10	28	54
Balmoral Racetrack	64	66	30	54	39	19
Hawthorne Racetrack	38	37	32	25	12	28
Maywood Racetrack	33	27	36	11	15	37
Des Plaines	39	22	43	X	21	42
Chicago (Downtown)	43	44	42	21	X	26

Distances in driving miles according to maps.google.com

Estimating the Potential Tax Revenue Impact of Gaming Expansion

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

The increased popularity of video gaming throughout Illinois adds another variable to any tax revenue projection. As highlighted throughout this section, casino gambling throughout the Midwest has been on a downward trend. Because of this ever-changing gaming landscape, revenue projections made today would be noticeably lower than estimates made in the past. As a point of reference, projections of recent gaming proposals have ranged from approximately \$250 million to \$650 million in new recurring tax revenues, again depending on the number of casinos proposed and the location, size, and tax structures of these facilities.

Regardless of the amount of recurring revenues that would be generated by a gaming expansion proposal, what cannot be dismissed is the fact that these new facilities, while likely being offset to some extent by revenue decreases at other competing casinos, would be providing a significant amount of one-time revenues (from fees and bidding), creating new jobs, and potentially regaining/gaining gaming dollars from out-of-state gamers.

What Will the Future Hold for Illinois Riverboats?

Riding the success of the new Des Plaines casino, Illinois' total adjusted gross receipts increased 18.1% from FY 2011 to FY 2013. However, despite an additional 2.8% increase at this new casino over the last year, the combined AGR of the State's 10 casinos fell 6.7% in FY 2014 and is only up 0.5% over the past five years. The lack of growth is felt to be due to three reasons: Des Plaines cannibalization effect on other Illinois riverboats, the increased competition from video gaming, and the apparent decline in overall consumer spending on gambling.

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

As has been mentioned in previous Wagering Reports, if new casinos are indeed allowed to come into existence in the State of Illinois, the overall outlook could dramatically change. However, for gaming expansion to be a meaningful tax revenue increase for the State, the casino industry must build up new gambling interest; be attractive to tourists that visit Illinois; and be able to attract gamblers that have left to return to Illinois casinos. If gaming expansion were to take place and if dramatic increases in new gaming dollars do not come in as proponents contend, the potential exists that, if combined with lower tax rates and the cannibalization that will likely take place, the State could have a large expansion of gambling, but yet have little new tax revenues to show for it.

VIDEO GAMING

VIDEO GAMING IN ILLINOIS

One of the most highly anticipated sources of new revenues in the State finally came to fruition in September 2012 when the first video gaming machines went online in locations throughout Illinois. By the end of FY 2014 (June 2014), 17,467 video gaming terminals have become operational across Illinois – up from the 7,920 terminals that were in operation in June 2013. In FY 2014, video gaming machines generated \$485 million in net terminal income. This equated to \$24 million in tax revenues to local governments (up from \$6 million in FY 2013) and over \$121 million to the Capital Projects Fund (up from \$30 million in FY 2013). These amounts will continue to grow in subsequent fiscal years as more of these machines are established across the State.

Video Gaming was first legalized in July 2009, but in the first three years since legalization took place, the State did not receive any revenues from this gaming format. The following section provides an overview of the legislation legalizing video gaming in Illinois, reasons for why implementation had been slow to occur, a summary of FY 2014 video gaming statistics, and a detailed discussion on the apparent impact that video gaming is having on the riverboat casino industry.

Public Act 96-0034 – The Capital Bill

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

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

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

On July 19, 2012, the Gaming Board announced that the Central Communications System was deemed functional. This system was created to provide real-time

communication and control between every licensed video gaming terminal in Illinois and the Gaming Board. With the Central Communications System in place, video gaming finally began operations in Illinois in September 2012. Initially, this was on a limited basis as the Board wanted to make sure initial test sites across the State were working properly before opening up video gaming for everyone. In that opening month, 61 terminals were in operation.

Since the initial month, an average of 851 new video gaming terminals per month has been activated across Illinois. In June 2013, 7,920 video gaming terminals were in operation. At the end of June 2014, this number grew to 17,467. The Gaming Board has stated that this number is expected to level off at around 20,000 terminals. Therefore, the number of new terminals being added each month in FY 2015 will likely slow as the State is nearing “full implementation”. This of course assumes that there are no changes to current laws (such as the overturning of Chicago’s ban on video gaming) that would significantly impact these figures.

Overview of Illinois’ Video Gaming Arrangement

While video poker machines had previously been prevalent in establishments across Illinois, these machines were for “entertainment purposes only”. Because of this, the State had never benefited from the collection of taxes from these machines, even if these machines had been illegally “paying out”. P.A. 96-0034 allowed the State to regulate the video gaming market and collect tax revenues from these electronic games.

Under the provisions of P.A. 96-0034 (and provisions under trailer bills in the forms of P.A. 96-0037 [HB 2424] and P.A. 96-0038 [SB 0349]), the State allows video gaming terminals (including but not limited to video poker, line up, and blackjack) to be offered for play for cash in the State of Illinois at bars, truck stop establishments, fraternal establishments, or veterans establishments that possess a valid liquor license. In addition, P.A. 98-0112 and P.A. 98-0587 modified the law to allow off-track betting parlors and certain organizations, such as golf clubs, yacht clubs, the Knights of Columbus, etc., the opportunity to offer video gaming at their facilities. The Video Gaming Act’s language specifies that a facility operated by, or in close proximity to, a casino, a school, or a place of worship is ineligible to operate a video gaming terminal.

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

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

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

Each video gaming terminal shall have accounting software that keeps an electronic record which includes, but is not limited to, the following: total cash inserted into the video gaming terminal; the value of winning tickets claimed by players; the total credits played; and the total credits awarded by a video gaming terminal. The terminals shall be linked by a central communications system to provide auditing program information as approved by the Illinois Gaming Board. This system would have the functionality to enable the Board to activate or deactivate individual gaming devices from the central communications system.

All video gaming devices in violation of the Video Gaming Act, including those video gaming terminals operated for amusement only, had to be removed from operation no later than 30 days after the Gaming Board established that the central communications system was functional (August 2012). Therefore, terminals for “amusement only” could not legally co-exist with the 5 video gaming terminals allowed under the Act.

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

- | | |
|---------------------------|---------------------------|
| 1) 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 shall establish an annual fee for each license not to exceed the following:

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

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

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

Local Governments Banning Video Gaming

While the public 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. Using population figures from the 2010 census, the Commission estimated in August 2012 that an additional 42.3% of the State’s population (not including Chicago) belonged to municipalities that ban video gaming. When including the City of Chicago, approximately 63.3% of the State’s population was not eligible to offer video gaming terminals in their businesses due to these local laws.

Many insiders believed, however, that some of these areas that banned video gambling would change their minds and allow video gaming once operations began. As the economy trickles along, local governments are seeking new revenues. Those communities that offer video gaming are set to receive 1/6 of total tax revenues collected. As the need for additional local revenues elevates so is the pressure to overturn the ban and offer these gaming terminals as a way of adding another revenue stream to a jurisdiction’s budget and potentially helping many struggling local businesses.

Updated information from the Gaming Board’s website has shown this to be true as numerous local governments have overturned their ban on video gaming in their areas over the past year. The Commission calculates that the percentage of the State’s population that lives in an area banning video gaming declined from 63.3% to 48.1% in 2013 and decline further to 45.0% as of July 2014. Again, the City of Chicago makes up nearly half of this population at 21.0%. A table displaying a

summary of those local governments that ban video gaming, allow video gaming, or only allow it on a limited basis are shown below.

Video Gaming Allowed?	Municipalities / Counties	% of Governments	Population of Areas	% of Population
No	177	12.0%	5,767,933	45.0%
Yes	920	62.4%	6,675,704	52.0%
Limited	37	2.5%	155,349	1.2%
Unknown	340	23.1%	231,647	1.8%
Totals	1,474	100.0%	12,830,632	100.0%

* Included in those that ban video gaming is the City of Chicago, which represents 21.0% of the population.

As shown above, 64.9% of local governments allow video gaming in some capacity, with 2.5% of the units allowing it on a limited basis. The Gaming Board did not know the status of 23.1% of the municipalities, but these units of government were for the most part small towns that made up, as a group, only 1.8% of the State's population. A list of the most highly populated Illinois cities without video gaming is shown below in Table 18. Interestingly, all of these cities lie in the Chicago area.

Rank	Municipality	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	Orland Park	56,767	0.4%
11	Mount Prospect	54,167	0.4%
12	Wheaton	52,894	0.4%
13	Oak Park	51,878	0.4%
14	Downers Grove	47,833	0.4%
15	Glenview	44,692	0.3%
16	Elmhurst	44,121	0.3%
17	Lombard	43,395	0.3%
18	Buffalo Grove	41,496	0.3%
19	Crystal Lake	40,743	0.3%
20	Plainfield	39,581	0.3%
21	Park Ridge	37,480	0.3%
22	Northbrook	33,170	0.3%
23	St. Charles	32,974	0.3%
24	Woodridge	32,971	0.3%
25	Gurnee	31,295	0.2%

Video Gaming Statistics

Table 19, below, provides a summary of the amount of revenue generated from video gambling in FY 2014. This table displays how the number of video gaming terminals grew throughout the fiscal year, reaching 17,467 by June 2014. The monthly amount of net terminal income generated from video gaming more than doubled during the fiscal year, growing from \$25.5 million in July 2013 to as high as \$54.6 million in May 2014. This resulted in total tax revenues increasing from \$7.7 million to \$16.4 million per month during this time span.

On average these video gaming terminals generated between \$85 and \$110 in net terminal income per position per day. For the fiscal year, \$145.6 million in tax revenues were generated with \$121.4 million going to the Capital Projects Fund and \$24.3 million to local governments.

Table 19: FY 2014 Illinois Video Gaming Statistics						
\$ in millions						
	Terminals	Net Terminal Income (NTI)	NTI / Position / Day	Tax Revenue (30%)	State Share (25%)	Municipality Share (5%)
July	8,830	\$25.540	\$93.30	\$7.662	\$6.385	\$1.277
August	9,417	\$29.117	\$99.74	\$8.735	\$7.279	\$1.456
September	10,250	\$29.626	\$96.35	\$8.888	\$7.407	\$1.481
October	11,105	\$33.988	\$102.02	\$10.196	\$8.497	\$1.699
November	12,113	\$36.009	\$99.09	\$10.803	\$9.002	\$1.800
December	13,974	\$37.638	\$86.88	\$11.291	\$9.410	\$1.882
January	14,423	\$38.432	\$85.96	\$11.530	\$9.608	\$1.922
February	14,859	\$44.070	\$105.93	\$13.221	\$11.018	\$2.204
March	15,667	\$53.370	\$109.89	\$16.011	\$13.342	\$2.668
April	16,380	\$52.310	\$106.45	\$15.693	\$13.077	\$2.615
May	16,879	\$54.551	\$104.25	\$16.365	\$13.638	\$2.728
June	17,467	\$50.775	\$96.90	\$15.233	\$12.694	\$2.539
FY 2014 Totals:		\$485.426		\$145.628	\$121.356	\$24.271

Table 20, on the following page, displays the 17,467 terminals in operation in June 2014 on a per-county basis to see how these video gaming terminals have been distributed across Illinois.

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

Table 20: Video Gaming Statistics by Illinois County - June 2014
\$ in millions

County	Busin- esses	Term- inals	Net Terminal Income	Tax Revenue	State Portion	Local Portion	County	Busin- esses	Term- inals	Net Terminal Income	Tax Revenue	State Portion	Local Portion
State Totals:	4,300	17,467	\$50,775,438	\$15,232,785	\$12,693,993	\$2,538,792	State Totals:	4,300	17,467	\$50,775,438	\$15,232,785	\$12,693,993	\$2,538,792
Adams	45	100	\$306,634	\$91,991	\$76,659	\$15,332	Lee	44	187	\$378,188	\$113,458	\$94,548	\$18,910
Alexander	15	64	\$107,443	\$32,233	\$26,861	\$5,372	Livingston	38	149	\$417,600	\$125,281	\$104,401	\$20,880
Bond	15	50	\$86,361	\$25,909	\$21,591	\$4,318	Logan	23	93	\$205,033	\$61,510	\$51,259	\$10,252
Boone	23	101	\$266,595	\$79,979	\$66,649	\$13,330	McDonough	15	50	\$73,327	\$21,998	\$18,332	\$3,666
Brown	2	6	\$5,175	\$1,552	\$1,294	\$259	McHenry	118	513	\$1,538,774	\$461,636	\$384,697	\$76,939
Bureau	40	140	\$287,753	\$86,327	\$71,939	\$14,388	McLean	79	329	\$1,366,010	\$409,806	\$341,505	\$68,301
Calhoun	9	27	\$49,497	\$14,849	\$12,374	\$2,475	Macon	56	259	\$1,127,674	\$338,305	\$281,921	\$56,384
Carroll	15	51	\$105,369	\$31,611	\$26,343	\$5,268	Macoupin	46	165	\$259,828	\$77,950	\$64,958	\$12,992
Cass	16	61	\$94,314	\$28,294	\$23,579	\$4,716	Madison	140	559	\$1,370,947	\$411,289	\$342,741	\$68,548
Champaign	82	346	\$1,265,068	\$379,523	\$316,269	\$63,254	Marion	45	200	\$515,570	\$154,672	\$128,894	\$25,779
Christian	44	179	\$402,858	\$120,859	\$100,716	\$20,143	Marshall	12	40	\$93,267	\$27,980	\$23,317	\$4,663
Clark	7	30	\$86,042	\$25,813	\$21,511	\$4,302	Mason	20	73	\$119,720	\$35,916	\$29,930	\$5,986
Clay	8	35	\$105,594	\$31,678	\$26,399	\$5,280	Massac	3	12	\$50,524	\$15,157	\$12,631	\$2,526
Clinton	47	143	\$253,817	\$76,146	\$63,455	\$12,691	Menard	10	40	\$96,995	\$29,099	\$24,249	\$4,850
Coles	37	164	\$437,778	\$131,334	\$109,445	\$21,889	Mercer	14	46	\$95,497	\$28,650	\$23,875	\$4,775
Cook	583	2,508	\$8,830,957	\$2,649,309	\$2,207,759	\$441,551	Monroe	13	43	\$123,671	\$37,102	\$30,918	\$6,184
Crawford	9	39	\$83,388	\$25,017	\$20,847	\$4,169	Montgomery	36	122	\$291,491	\$87,448	\$72,874	\$14,575
Cumberland	7	30	\$63,209	\$18,963	\$15,803	\$3,161	Morgan	31	133	\$418,738	\$125,623	\$104,686	\$20,937
DeKalb	47	179	\$451,015	\$135,306	\$112,755	\$22,551	Moultrie	13	56	\$126,654	\$37,997	\$31,664	\$6,333
DeWitt	16	73	\$152,547	\$45,765	\$38,137	\$7,627	Ogle	43	167	\$459,906	\$137,973	\$114,978	\$22,996
Douglas	19	82	\$198,540	\$59,563	\$49,636	\$9,927	Peoria	111	427	\$1,003,800	\$301,144	\$250,953	\$50,190
DuPage	77	336	\$1,155,155	\$346,549	\$288,791	\$57,758	Perry	20	80	\$190,707	\$57,213	\$47,677	\$9,535
Edgar	9	42	\$119,891	\$35,968	\$29,973	\$5,995	Piatt	8	34	\$103,750	\$31,125	\$25,938	\$5,188
Edwards	6	26	\$60,378	\$18,113	\$15,095	\$3,019	Pike	11	37	\$71,372	\$21,412	\$17,843	\$3,569
Effingham	40	163	\$505,625	\$151,689	\$126,407	\$25,281	Pope	2	8	\$1,222	\$367	\$306	\$61
Fayette	13	58	\$219,813	\$65,944	\$54,954	\$10,991	Pulaski	1	4	\$10,268	\$3,080	\$2,567	\$513
Ford	12	48	\$82,428	\$24,729	\$20,607	\$4,121	Putnam	7	19	\$28,383	\$8,515	\$7,096	\$1,419
Franklin	40	162	\$392,793	\$117,840	\$98,200	\$19,640	Randolph	37	151	\$315,123	\$94,538	\$78,782	\$15,756
Fulton	38	132	\$247,091	\$74,128	\$61,774	\$12,355	Richland	9	37	\$109,483	\$32,845	\$27,371	\$5,474
Gallatin	4	16	\$27,505	\$8,252	\$6,876	\$1,375	Rock Island	78	270	\$578,078	\$173,426	\$144,521	\$28,904
Greene	16	61	\$139,058	\$41,718	\$34,765	\$6,953	St. Clair	112	429	\$968,179	\$290,458	\$242,049	\$48,409
Grundy	46	177	\$404,890	\$121,469	\$101,224	\$20,245	Saline	14	61	\$185,027	\$55,509	\$46,257	\$9,251
Hamilton	3	14	\$43,648	\$13,094	\$10,912	\$2,182	Sangamon	163	693	\$2,538,165	\$761,456	\$634,547	\$126,909
Hancock	16	47	\$61,739	\$18,522	\$15,435	\$3,087	Schuyler	4	15	\$48,840	\$14,652	\$12,210	\$2,442
Hardin	1	3	\$11,167	\$3,350	\$2,792	\$558	Scott	7	24	\$36,601	\$10,981	\$9,150	\$1,830
Henderson	6	21	\$32,327	\$9,698	\$8,082	\$1,616	Shelby	11	41	\$88,882	\$26,665	\$22,221	\$4,444
Henry	29	108	\$249,261	\$74,779	\$62,316	\$12,463	Stark	5	15	\$12,950	\$3,885	\$3,237	\$647
Iroquois	33	114	\$264,921	\$79,478	\$66,231	\$13,246	Stephenson	30	129	\$369,765	\$110,931	\$92,442	\$18,488
Jackson	31	120	\$233,821	\$70,147	\$58,456	\$11,691	Tazewell	80	320	\$746,018	\$223,808	\$186,507	\$37,301
Jasper	8	32	\$63,240	\$18,972	\$15,810	\$3,162	Union	12	53	\$88,358	\$26,508	\$22,090	\$4,418
Jefferson	28	124	\$419,512	\$125,855	\$104,879	\$20,976	Vermilion	58	243	\$642,765	\$192,831	\$160,693	\$32,139
Jersey	18	55	\$78,924	\$23,678	\$19,731	\$3,946	Wabash	7	31	\$88,667	\$26,600	\$22,167	\$4,433
JoDaviess	29	97	\$227,666	\$68,301	\$56,917	\$11,383	Warren	15	51	\$90,147	\$27,044	\$22,537	\$4,507
Johnson	5	17	\$27,055	\$8,117	\$6,764	\$1,353	Washington	19	85	\$216,059	\$64,819	\$54,015	\$10,803
Kane	121	505	\$1,353,922	\$406,181	\$338,485	\$67,697	Wayne	4	18	\$48,149	\$14,445	\$12,037	\$2,407
Kankakee	78	331	\$752,257	\$225,680	\$188,067	\$37,613	White	5	23	\$74,146	\$22,244	\$18,537	\$3,707
Kendall	28	121	\$249,548	\$74,866	\$62,388	\$12,478	Whiteside	51	225	\$480,883	\$144,267	\$120,223	\$24,044
Knox	38	147	\$385,624	\$115,689	\$96,407	\$19,281	Will	188	722	\$1,989,033	\$596,717	\$497,264	\$99,453
Lake	165	739	\$2,915,444	\$874,640	\$728,867	\$145,773	Williamson	40	174	\$440,773	\$132,233	\$110,195	\$22,039
LaSalle	145	554	\$1,498,660	\$449,603	\$374,669	\$74,934	Winnebago	186	888	\$3,839,644	\$1,151,902	\$959,918	\$191,983
Lawrence	17	73	\$210,883	\$63,265	\$52,721	\$10,544	Woodford	20	73	\$166,590	\$49,978	\$41,648	\$8,330
Chi Area*	1,373	5,800	\$18,888,738	\$5,666,674	\$4,722,230	\$944,444	% in Chi Area*:	31.9%	33.2%	37.2%	37.2%	37.2%	37.2%

*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 21 displays the video gaming statistics shown in Table 20 on a per-population basis. Statewide, the average terminal per population value was 0.14%. The net terminal income-per-population value was \$3.96. The rankings of each 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 21: Video Gaming Statistics per County Population - June 2014											
\$ in millions											
County	Terminals	Terminal per Population	Terminal per Pop. Rank	NTI per Population	NTI per Population Rank	County	Terminals	Terminal per Population	Terminal per Pop. Rank	NTI per Population	NTI per Population Rank
State Totals:	17,467	0.14%		\$3.96		State Totals:	17,467	0.14%		\$3.96	
Adams	100	0.15%	89	\$4.57	75	Lee	187	0.52%	5	\$10.50	13
Alexander	64	0.78%	1	\$13.04	5	Livingston	149	0.38%	24	\$10.72	12
Bond	50	0.28%	50	\$4.86	73	Logan	93	0.31%	41	\$6.77	46
Boone	101	0.19%	77	\$4.92	71	McDonough	50	0.15%	88	\$2.25	93
Brown	6	0.09%	96	\$0.75	101	McHenry	513	0.17%	84	\$4.98	68
Bureau	140	0.40%	20	\$8.23	29	McLean	329	0.19%	75	\$8.06	34
Calhoun	27	0.53%	4	\$9.73	20	Macon	259	0.23%	64	\$10.18	14
Carroll	51	0.33%	34	\$6.85	44	Macoupin	165	0.35%	32	\$5.44	61
Cass	61	0.45%	12	\$6.91	43	Madison	559	0.21%	70	\$5.09	65
Champaign	346	0.17%	82	\$6.29	55	Marion	200	0.51%	7	\$13.07	4
Christian	179	0.51%	6	\$11.58	10	Marshall	40	0.32%	37	\$7.38	41
Clark	30	0.18%	78	\$5.27	63	Mason	73	0.50%	8	\$8.16	31
Clay	35	0.25%	58	\$7.64	37	Massac	12	0.08%	98	\$3.27	87
Clinton	143	0.38%	25	\$6.72	48	Menard	40	0.31%	39	\$7.63	38
Coles	164	0.30%	42	\$8.13	32	Mercer	46	0.28%	51	\$5.81	58
Cook	2,508	0.05%	101	\$1.70	98	Monroe	43	0.13%	91	\$3.75	84
Crawford	39	0.20%	74	\$4.21	80	Montgomery	122	0.41%	19	\$9.68	21
Cumberland	30	0.27%	53	\$5.72	59	Morgan	133	0.37%	27	\$11.78	9
DeKalb	179	0.17%	83	\$4.29	79	Moultrie	56	0.38%	26	\$8.53	28
DeWitt	73	0.44%	13	\$9.21	23	Ogle	167	0.31%	40	\$8.60	26
Douglas	82	0.41%	17	\$9.94	17	Peoria	427	0.23%	65	\$5.38	62
DuPage	336	0.04%	102	\$1.26	100	Perry	80	0.36%	28	\$8.53	27
Edgar	42	0.23%	67	\$6.45	54	Piatt	34	0.20%	71	\$6.20	56
Edwards	26	0.39%	21	\$8.98	24	Pike	37	0.23%	68	\$4.34	77
Effingham	163	0.48%	9	\$14.77	2	Pope	8	0.18%	81	\$0.27	102
Fayette	58	0.26%	56	\$9.93	19	Pulaski	4	0.06%	100	\$1.67	99
Ford	48	0.34%	33	\$5.85	57	Putnam	19	0.32%	38	\$4.73	74
Franklin	162	0.41%	18	\$9.93	18	Randolph	151	0.45%	10	\$9.41	22
Fulton	132	0.36%	29	\$6.67	49	Richland	37	0.23%	66	\$6.74	47
Gallatin	16	0.29%	49	\$4.92	72	Rock Island	270	0.18%	80	\$3.92	82
Greene	61	0.44%	14	\$10.01	16	St. Clair	429	0.16%	86	\$3.59	85
Grundy	177	0.35%	30	\$8.09	33	Saline	61	0.24%	61	\$7.43	39
Hamilton	14	0.17%	85	\$5.16	64	Sangamon	693	0.35%	31	\$12.85	7
Hancock	47	0.25%	60	\$3.23	88	Schuyler	15	0.20%	73	\$6.47	53
Hardin	3	0.07%	99	\$2.58	92	Scott	24	0.45%	11	\$6.83	45
Henderson	21	0.29%	48	\$4.41	76	Shelby	41	0.18%	79	\$3.97	81
Henry	108	0.21%	69	\$4.94	70	Stark	15	0.25%	59	\$2.16	95
Iroquois	114	0.38%	23	\$8.91	25	Stephenson	129	0.27%	54	\$7.75	36
Jackson	120	0.20%	72	\$3.88	83	Tazewell	320	0.24%	63	\$5.51	60
Jasper	32	0.33%	35	\$6.52	52	Union	53	0.30%	45	\$4.96	69
Jefferson	124	0.32%	36	\$10.80	11	Vermilion	243	0.30%	44	\$7.87	35
Jersey	55	0.24%	62	\$3.43	86	Wabash	31	0.26%	57	\$7.42	40
JoDaviess	97	0.43%	16	\$10.04	15	Warren	51	0.29%	47	\$5.09	66
Johnson	17	0.14%	90	\$2.15	96	Washington	85	0.58%	3	\$14.68	3
Kane	505	0.10%	95	\$2.63	91	Wayne	18	0.11%	92	\$2.87	90
Kankakee	331	0.29%	46	\$6.63	51	White	23	0.16%	87	\$5.06	67
Kendall	121	0.11%	94	\$2.17	94	Whiteside	225	0.38%	22	\$8.22	30
Knox	147	0.28%	52	\$7.29	42	Will	722	0.11%	93	\$2.94	89
Lake	739	0.65%	2	\$25.59	1	Williamson	174	0.26%	55	\$6.64	50
LaSalle	554	0.08%	97	\$2.13	97	Winnebago	888	0.30%	43	\$13.00	6
Lawrence	73	0.43%	15	\$12.53	8	Woodford	73	0.19%	76	\$4.31	78
Metro Area*	5,800	0.07%		\$2.36		% in Chi Area*:	33.2%				

*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 rankings shown below. One is regards to Cook County. 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 2,508 terminals and the highest amount of net terminal income collected in June 2014 with a value of \$8.8 million. However, on a per-population basis, because of Chicago's absence, Cook County ranks near the bottom in terminal per population (ranked 101 of 102) and in net terminal income (NTI) per population (ranked 98 of 102).

Lake County had the third highest amount of terminals in June 2014 with 739 video gaming terminals and the third highest amount of net terminal income collected. But in contrast to Cook County, they also ranked high in terminals per population (ranked 2nd) and in NTI per population (ranked 1st) with a per-capita value of \$25.59. In comparison, Cook County had a NTI per population value of only \$1.70.

Table 22: Video Gaming Statistics by County Ranking											
June 2014 Data											
Rank	County	Terminals	Rank	County	Terminal per Population	Rank	County	Net Terminal Income	Rank	County	NTI per Population
"TOP TWENTY COUNTIES"											
1	Cook	2,508	1	Alexander	0.78%	1	Cook	\$8,830,957	1	Lake	\$25.59
2	Winnebago	888	2	Lake	0.65%	2	Winnebago	\$3,839,644	2	Effingham	\$14.77
3	Lake	739	3	Washington	0.58%	3	Lake	\$2,915,444	3	Washington	\$14.68
4	Will	722	4	Calhoun	0.53%	4	Sangamon	\$2,538,165	4	Marion	\$13.07
5	Sangamon	693	5	Lee	0.52%	5	Will	\$1,989,033	5	Alexander	\$13.04
6	Madison	559	6	Christian	0.51%	6	McHenry	\$1,538,774	6	Winnebago	\$13.00
7	LaSalle	554	7	Marion	0.51%	7	LaSalle	\$1,498,660	7	Sangamon	\$12.85
8	McHenry	513	8	Mason	0.50%	8	Madison	\$1,370,947	8	Lawrence	\$12.53
9	Kane	505	9	Effingham	0.48%	9	McLean	\$1,366,010	9	Morgan	\$11.78
10	St. Clair	429	10	Randolph	0.45%	10	Kane	\$1,353,922	10	Christian	\$11.58
11	Peoria	427	11	Scott	0.45%	11	Champaign	\$1,265,068	11	Jefferson	\$10.80
12	Champaign	346	12	Cass	0.45%	12	DuPage	\$1,155,155	12	Livingston	\$10.72
13	DuPage	336	13	DeWitt	0.44%	13	Macon	\$1,127,674	13	Lee	\$10.50
14	Kankakee	331	14	Greene	0.44%	14	Peoria	\$1,003,800	14	Macon	\$10.18
15	McLean	329	15	Lawrence	0.43%	15	St. Clair	\$968,179	15	JoDaviess	\$10.04
16	Tazewell	320	16	JoDaviess	0.43%	16	Kankakee	\$752,257	16	Greene	\$10.01
17	Rock Island	270	17	Douglas	0.41%	17	Tazewell	\$746,018	17	Douglas	\$9.94
18	Macon	259	18	Franklin	0.41%	18	Vermilion	\$642,765	18	Franklin	\$9.93
19	Vermilion	243	19	Montgomery	0.41%	19	Rock Island	\$578,078	19	Fayette	\$9.93
20	Whiteside	225	20	Bureau	0.40%	20	Marion	\$515,570	20	Calhoun	\$9.73
"BOTTOM TWENTY COUNTIES"											
83	Wabash	31	83	DeKalb	0.17%	83	Pike	\$71,372	83	Jackson	\$3.88
84	Clark	30	84	McHenry	0.17%	84	Jasper	\$63,240	84	Monroe	\$3.75
85	Cumberland	30	85	Hamilton	0.17%	85	Cumberland	\$63,209	85	St. Clair	\$3.59
86	Calhoun	27	86	St. Clair	0.16%	86	Hancock	\$61,739	86	Jersey	\$3.43
87	Edwards	26	87	White	0.16%	87	Edwards	\$60,378	87	Massac	\$3.27
88	Scott	24	88	McDonough	0.15%	88	Massac	\$50,524	88	Hancock	\$3.23
89	White	23	89	Adams	0.15%	89	Calhoun	\$49,497	89	Will	\$2.94
90	Henderson	21	90	Johnson	0.14%	90	Schuyler	\$48,840	90	Wayne	\$2.87
91	Putnam	19	91	Monroe	0.13%	91	Wayne	\$48,149	91	Kane	\$2.63
92	Wayne	18	92	Wayne	0.11%	92	Hamilton	\$43,648	92	Hardin	\$2.58
93	Johnson	17	93	Will	0.11%	93	Scott	\$36,601	93	McDonough	\$2.25
94	Gallatin	16	94	Kendall	0.11%	94	Henderson	\$32,327	94	Kendall	\$2.17
95	Schuyler	15	95	Kane	0.10%	95	Putnam	\$28,383	95	Stark	\$2.16
96	Stark	15	96	Brown	0.09%	96	Gallatin	\$27,505	96	Johnson	\$2.15
97	Hamilton	14	97	LaSalle	0.08%	97	Johnson	\$27,055	97	LaSalle	\$2.13
98	Massac	12	98	Massac	0.08%	98	Stark	\$12,950	98	Cook	\$1.70
99	Pope	8	99	Hardin	0.07%	99	Hardin	\$11,167	99	Pulaski	\$1.67
100	Brown	6	100	Pulaski	0.06%	100	Pulaski	\$10,268	100	DuPage	\$1.26
101	Pulaski	4	101	Cook	0.05%	101	Brown	\$5,175	101	Brown	\$0.75
102	Hardin	3	102	DuPage	0.04%	102	Pope	\$1,222	102	Pope	\$0.27

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

Behind Cook County, Winnebago County had the second highest number of video gaming terminals in the State in June 2014 with 888 and the second highest amount of net terminal income collected with \$3.8 million. A major reason for this is that two of the top five Illinois cities with video gaming terminals reside in Winnebago County: Rockford (ranked 2nd with 373 terminals) and Loves Park (ranked 4th with 212 terminals). Rockford had the highest amount of net terminal income in June 2014 (\$1.7 million) and Loves Park again ranked 4th (\$0.9 million).

Below is a list of the top 25 municipalities with video gaming in Illinois. Springfield had the highest amount of video gaming terminals in June 2014 with 412 terminals. Rockford ranked 2nd, followed by Joliet, Loves Park, and Bloomington. In terms of net terminal income, again Rockford was first, followed by Springfield, Bloomington, Loves Park, and Decatur.

Table 23: Top Municipalities with Video Gaming					
June 2014					
Rank	Municipality	Terminals	Rank	Municipality	Net Terminal Income
1	Springfield	412	1	Rockford	\$1,722,164
2	Rockford	373	2	Springfield	\$1,649,725
3	Joliet	228	3	Bloomington	\$932,166
4	Loves Park	212	4	Loves Park	\$880,294
5	Bloomington	200	5	Decatur	\$875,129
6	Decatur	191	6	Waukegan	\$800,958
7	Peoria	172	7	Oak Lawn	\$587,339
8	Champaign	147	8	Joliet	\$586,653
9	Oak Lawn	145	9	Champaign	\$565,174
10	Waukegan	143	10	Peoria	\$414,362
11	Kankakee	136	11	Fox Lake	\$396,338
12	Berwyn	127	12	Berwyn	\$370,994
13	Alton	109	13	Mount Vernon	\$335,778
14	Aurora	106	14	Chicago Ridge	\$328,801
15	Fox Lake	102	15	Jacksonville	\$314,519
16	Mattoon	98	16	Effingham	\$309,137
17	Mount Vernon	98	17	Kankakee	\$302,841
18	Belleville	96	18	Mattoon	\$298,348
19	Galesburg	94	19	Freeport	\$296,701
20	Dixon	93	20	Streator	\$282,162
21	Pekin	93	21	Woodstock	\$278,967
22	Blue Island	92	22	Crestwood	\$275,945
23	Jacksonville	91	23	Aurora	\$275,562
24	Streator	90	24	Alton	\$274,847
25	Effingham	88	25	Oak Forest	\$266,476

As noted earlier, Illinois' net terminal income totals could be significantly higher if it were not for the number of communities banning video gaming. The top 25 cities not allowing video gaming (shown in Table 18) makes up 31.3% of the State's total population. Adding video gaming to these communities would no doubt improve video gaming numbers.

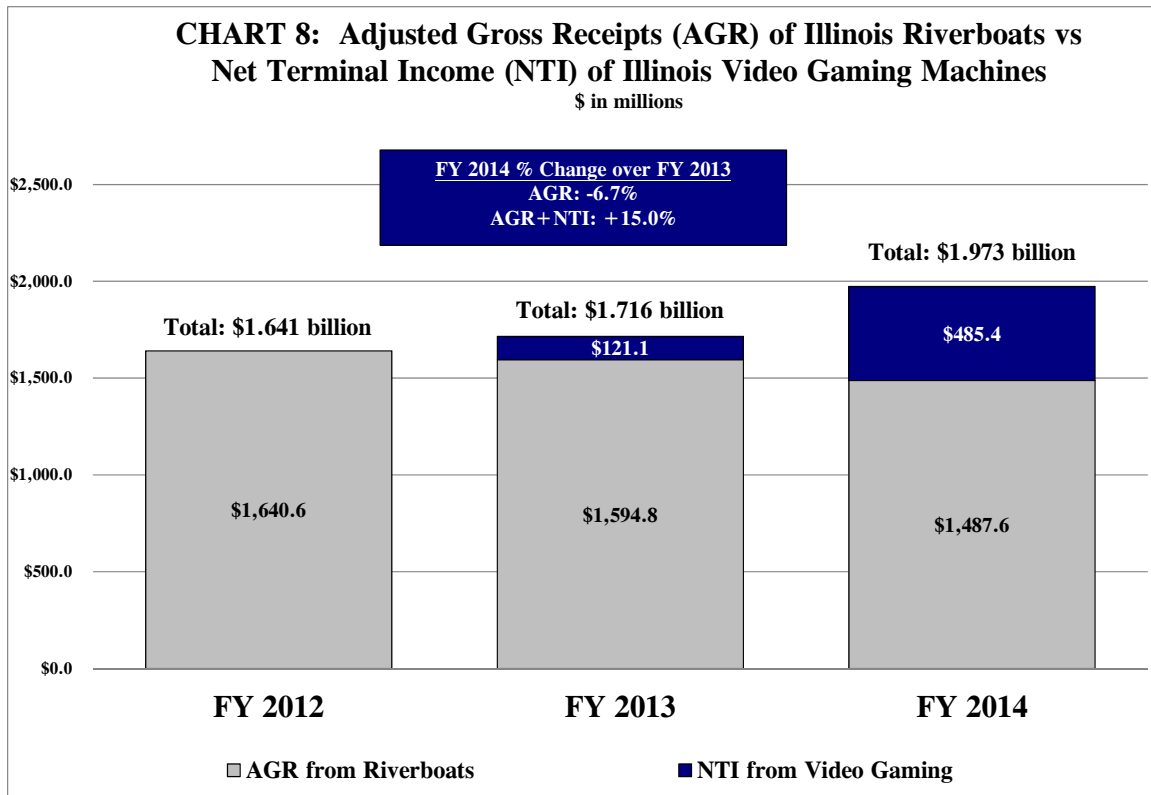
But even though video gaming terminals have averaged around \$100 per terminal per day in FY 2014, it will become more difficult for this value to stay at this high rate. This is because the rapid progression of video gaming throughout the State will eventually lead to areas reaching saturation points. In other words, the more gambling locations there are, the more these gambling dollars will be spread out to the numerous gaming venues across the State, thus, lowering the per terminal per day values. If cities like Chicago reverse course and allow video gaming, it would no doubt bring in new gaming dollars, but it also would take gaming dollars away from other locations that many Chicago residents may currently be patronizing.

It is this same "cannibalization" argument that is believed to have led to the recent downward trend in revenues at casinos throughout Illinois and at the out-of-state casinos near Illinois' borders. The following section takes a closer look at video gaming's apparent impact on the casino industry.

Video Gaming and Its Impact on Casinos

In FY 2012, over \$1.641 billion in adjusted gross receipts (AGR) were generated by the ten Illinois casinos located throughout the State. In FY 2013, the State's AGR total fell 4.6% to \$1.595 billion. In FY 2014, casinos saw another 6.7% drop to fall to \$1.488 billion. While there are an abundance of factors that have likely contributed to these declines, undoubtedly, a major contributing factor to this falloff is the increased competition resulting from the growth of video gaming.

When looking at gambling methods separately, the previous statistics show a downward trend in riverboat gambling. However, when combined with video gaming totals, gambling as a whole has actually increased Statewide. The combined total of \$1.716 billion (including \$121 million in video gaming receipts) in FY 2013 is up 4.6% from the FY 2012 gambling totals which did not yet include video gaming. In FY 2014, a combined total of \$1.973 billion in gaming revenues were collected, resulting in a 15.0% increase in Statewide gambling. These figures are illustrated in Chart 8 below.



While it is difficult to quantitatively estimate the impact that video gaming has had on Illinois riverboats, video gaming in certain regions have obviously hurt the riverboat industry more than others. For the communities that lie several hours away from the nearest riverboat casino, the impact of these communities offering video gaming has likely had very little impact on the casino industry – except for the small number of patrons that once would travel the distance to gamble at a casino, but now elect to gamble with the video gaming machines near their home. It is

these communities that likely have brought in a lot of “new” gaming dollars to State and local coffers creating the overall 15% increase in gaming revenues. But for the communities that reside in close distance to existing casinos, the numbers would suggest that this increased competition is having a negative impact on the casino industry.

One example of expected cannibalization of gaming revenues occurred in the Quad City Region. The four counties nearest the Rock Island Casino (Henry, Mercer, Rock Island, Whiteside) were the home to a total of 649 gaming terminals in June 2014. Considering the casino in Rock Island has around 1,050 gaming positions, the addition of 649 video gaming terminals is the equivalency of adding an additional small casino to the region. The casino in Rock Island, after reaching an AGR high of \$87.5 million in FY 2012, fell to \$77.6 million in FY 2014, a two year decline of 11.4%. Similarly, the two nearby Iowa casinos fell 9.2% over the last two fiscal years. It is believed that the new video gaming terminals in this area are major contributing factors for these falloffs.

Another 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 Table 21, there were approximately 1,373 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 June 2014 that offered video gaming. These locations housed 5,800 video gaming terminals in this month. Illinois casinos can have a maximum of 1,200 gaming positions at their locations. This means that video gaming has added the equivalency of nearly 5 full-size casinos to this region. Again, these totals are without the City of Chicago even participating in this gaming expansion.

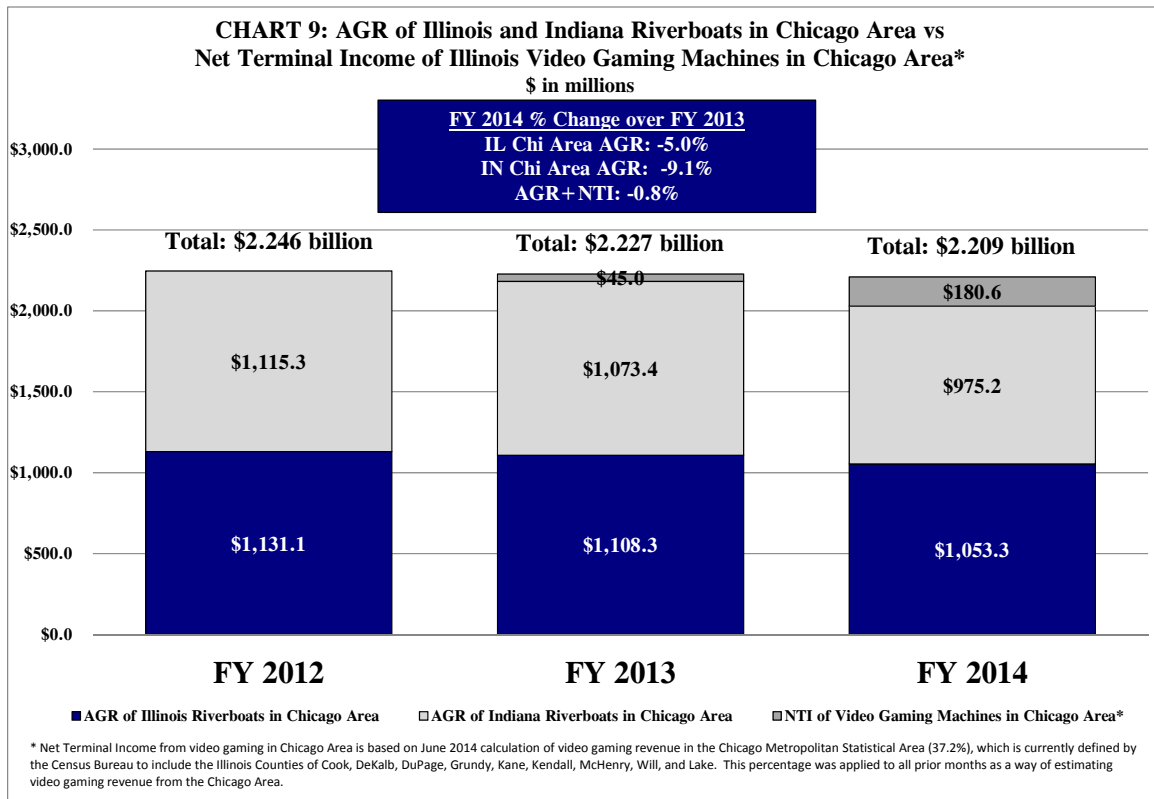
These 5,800 terminals were added to an area that already had in its region five riverboat casinos in four Illinois communities: Joliet, Aurora, Elgin, and Des Plaines. Despite increases at the Des Plaines casino, combined, these five casinos have seen their FY 2014 AGR totals decline 6.9% since FY 2012. Without the newer Des Plaines casino, these Illinois based casinos have fallen 12.3% over the last two fiscal years. The popular Des Plaines casino is part of the reason for these declines, but video gaming has no doubt been a significant contributor to this falloff as well.

In addition, there are five Indiana casinos within a short drive of the Chicago Area in the communities of Michigan City, Gary (2), Hammond, and East Chicago. These five Indiana casinos have seen their AGR totals fall from \$1.1 billion in FY 2012 to \$975 million in FY 2014, a two-year decline of 12.6%. 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 Area, adjusted gross receipts totaled \$2.246 billion in FY 2012. But since the inception of video gaming, these casinos have seen their combined AGR totals fall to \$2.029 billion in FY 2014, a two-year decline of 9.1%. Again, this falloff includes the 7.1% two-year increase at the Des Plaines casino.

As Chart 9 displays, the loss in gaming revenues from the casinos in this area appears to have been made up (or caused) by an increase in video gaming revenues. It is estimated that \$45 million in net terminal income came from communities in the Chicago Area in FY 2013 and an additional \$181 million was collected in FY 2014. As shown, when the Chicago Area video gaming figures are added to the riverboat casino figures, overall gaming in the Chicago Area were relatively stagnant. Collectively, total gaming in this area went from \$2.246 billion in FY 2012 to \$2.227 billion in FY 2013 to \$2.209 billion in FY 2014. This results in a two-year falloff of only 1.6% and a one-year decline of only 0.8%.

In other words, it appears that the gaming dollars once spent at casinos have switched to local video gaming venues. Furthermore, the numbers would suggest that the inclusion of video gaming in the Chicago Area has not increased the amount of gaming dollars in this area, but rather simply redistributed the gaming revenues to the numerous gaming venues that now exist in this region.



So why has the combined gaming totals remained stagnant in the Chicago Area if the Statewide totals have increased 15%? A possible explanation for this is simply because of the amount of gaming options that already existed in this area even before video gaming began. Before video gaming, the Chicago Area already had its choice of 10 casinos which was the home to over 15,000 gaming positions. Adding 5,800 additional video gaming terminals to the region appears to have simply spread the gaming dollars to the numerous gaming facilities now located throughout this region. Most downstate communities did not have these pre-

existing gaming options in close proximity to them. 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 reached a saturation point. Of course improvements in the economy and income levels would assist in raising this “saturation point” to higher levels.

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

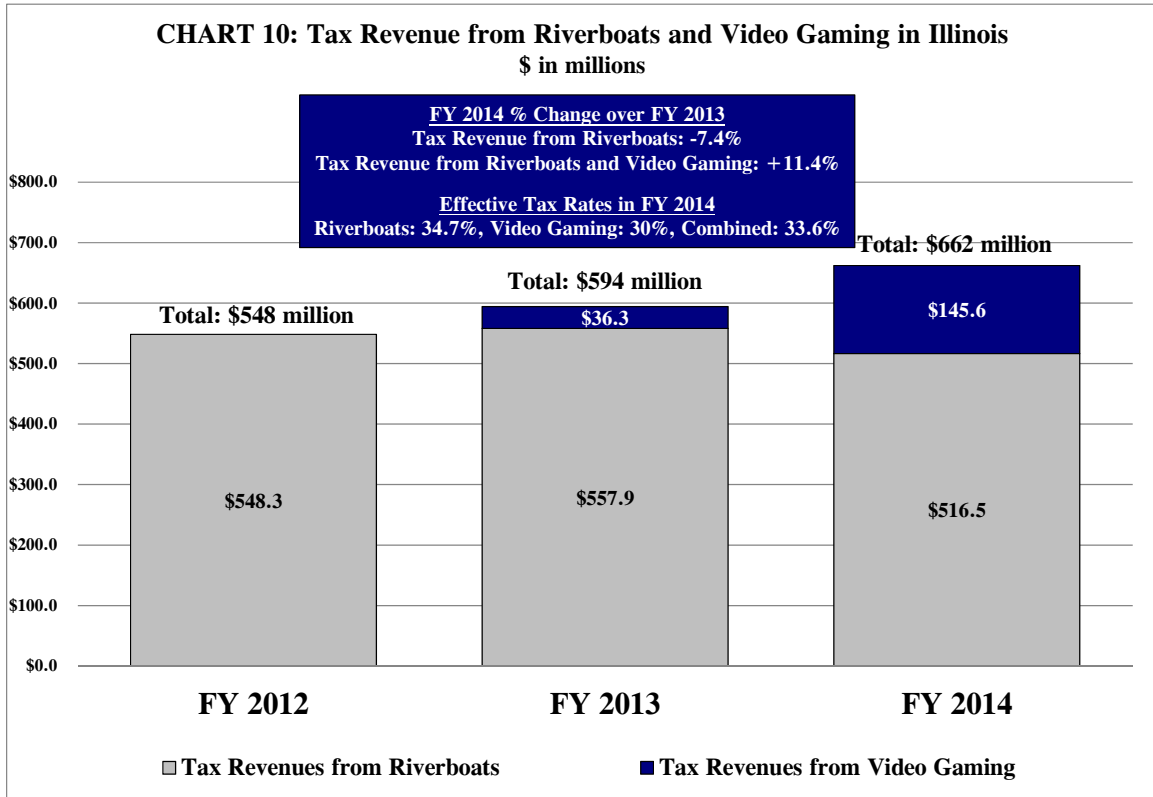
So what kind of impact has video gaming had on the tax revenues from all gaming sources? In FY 2013, the taxes imposed on the Illinois riverboats (admission tax and the graduated tax on adjusted gross receipts) generated \$558 million. Due to the recent declines in admissions and AGR totals, this tax amount fell to \$517 million in FY 2014, a decline of 7.4%. 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. In FY 2014, this figure rose to \$146 million as video gaming revved up. When adding these tax revenues to the tax revenues from riverboat gambling, overall tax revenues grew from \$594 million in FY 2013 to \$662 million in FY 2014, an increase of 11.4%. These figures are displayed in Chart 10.

While higher tax revenues when combining these revenues sources are welcomed, there are aspects of this growth that may be concerning to some. The first pertains to the tax rate imposed on these gaming sources. Video gaming revenues are taxed at a flat 30% tax rate. Casino revenues, on the other hand, are taxed on a graduated basis – meaning the more revenues that are collected, the higher the tax. In FY 2014, the effective tax rate for the 10 casinos was 34.7% (includes wagering tax and admission tax) and was as high as 44.4% at the Des Plaines Casino. As gaming dollars move from the casinos to the video gaming terminals, these dollars are then taxed at a lower rate, thereby reducing overall tax collections.

The other aspect that may be troubling to some is the destination of these gaming tax dollars. The majority of tax revenues from riverboat casinos are eventually transferred to the Education Assistance Fund. The majority of tax revenues from

video gaming are deposited into the Capital Projects Fund. Therefore, if video gaming causes a reduction in revenues from riverboats, this means tax dollars are effectively being shifted from the Education Assistance Fund to the Capital Projects Fund. Whether this funding shift is a good or a bad thing is, of course, open to discussion.



Video Gaming's Future

So, how much revenue will be generated from video gaming in the future? If the Gaming Board's estimation that the State will plateau at around 20,000 terminals is accurate and if the State continues to bring in, on average, \$95 per terminal per day, the Commission estimates that net terminal income will reach around \$677 million in FY 2015 and nearly \$700 million in FY 2017. This would equate to tax revenues totaling around \$200 million per year, with the Capital Project Fund receiving approximately \$167 million per year under full implementation. Local governments would receive the remaining \$33 million.

These numbers, of course, depend on the success of the current establishments and the number of other businesses that will want to invest their time and energy into starting video gaming at their own locations. It will also depend on how many communities currently banning video gaming decide to overturn this ban. If this occurs, especially in the City of Chicago, the number of businesses seeking video gaming machines would increase significantly, as would the revenues generated from video gaming in Illinois.

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

HORSE RACING

HORSE RACING

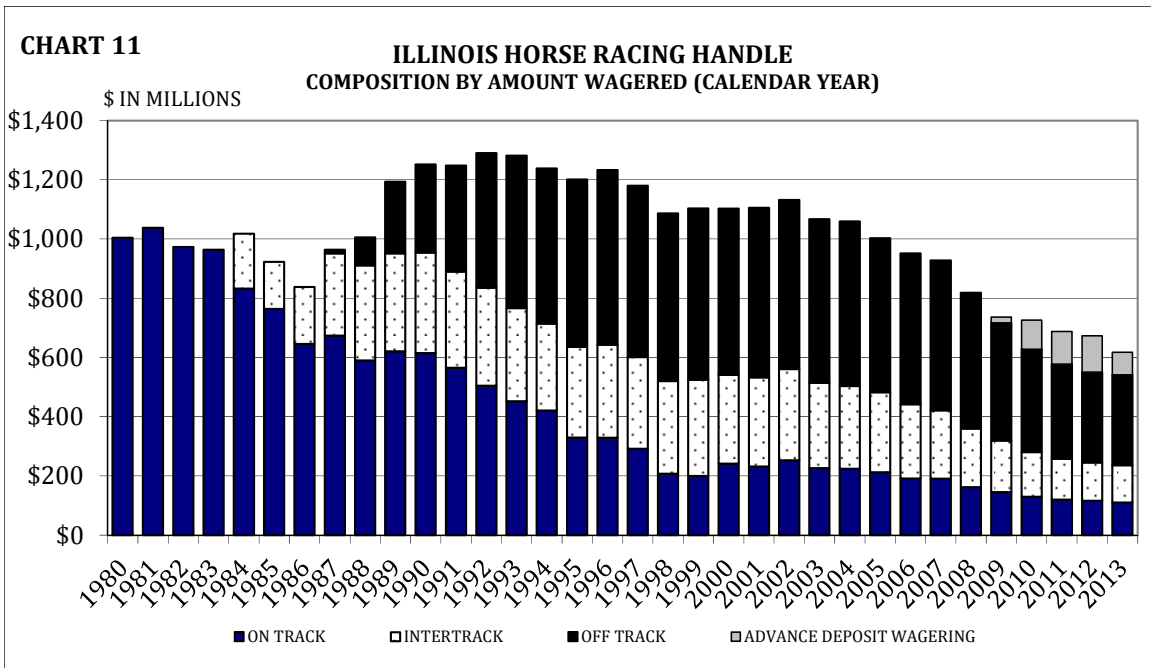
Horse racing is the oldest form of legalized gaming in Illinois. Each year, millions of dollars are wagered on horse racing at the State's numerous on-track and off-track wagering facilities. In calendar year 2013, Illinois horse racing wagering generated \$13.1 million in total revenues with the State receiving \$6.4 million and local governments receiving \$6.8 million. Table 24 examines the sources and allocation of CY 2013 horse racing revenues while Table 25 details State and local racing revenues over the past ten years.

TABLE 24: SOURCES AND ALLOCATION OF HORSE RACING REVENUE FOR CALENDAR YEAR 2013	
REVENUE SOURCE	
Application and License Fees of Racing Associations	\$90,760
Admission Taxes	\$83,472
Pari-mutuel Tax	\$7,743,404
Pari-mutuel Tax Credit	(\$3,175,447)
Advanced Deposit Wagering (ADW) Pari-Mutuel Tax (1.75%)	\$1,328,849
Licensing of Racing Personnel	\$174,484
Fingerprint Fees	\$47,057
Photo Fees	\$2,832
Horsemen's Fines	\$86,447
Miscellaneous Sources	\$652
* TOTAL STATE REVENUES RECEIVED	\$6,382,511
2% of OTB Handle to City and County	\$6,107,546
OTB Admission Tax to City of Chicago	\$83,530
OTB Admission Tax to Cook County	\$224,284
On Track City Admission Tax	\$45,667
Intertrack Surcharge to County (20%)	\$288,384
* TOTAL LOCAL REVENUES RECEIVED	\$6,749,411
TOTAL REVENUES RECEIVED	\$13,131,921
ALLOCATION OF REVENUE	
Horse Racing Fund	\$6,132,726
Quarterhorse Breeders' Fund	\$12,902
Standardbred Purse Fund (.25% Tax of ADW Handle)	\$189,826
Fingerprinting (State Police and Vendor)	\$47,057
* TOTAL STATE REVENUES ALLOCATED	\$6,382,511
To Cities	\$3,182,970
To Counties	\$3,566,441
* TOTAL LOCAL	\$6,749,411
TOTAL REVENUES ALLOCATED	\$13,131,921
SOURCE: ILLINOIS RACING BOARD - 2013 ANNUAL REPORT	

TABLE 25: HORSE RACING REVENUES AND ASSOCIATED ALLOCATIONS BY CALENDAR YEAR (IN MILLIONS)										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
TOTAL STATE REVENUE	\$12.8	\$11.8	\$10.3	\$8.9	\$8.0	\$7.1	\$7.4	\$7.8	\$7.5	\$6.4
TOTAL LOCAL REVENUE	\$12.4	\$11.6	\$11.3	\$11.6	\$10.6	\$9.1	\$7.8	\$7.2	\$6.8	\$6.7
* TOTAL REVENUES RECEIVED	\$25.1	\$23.4	\$21.6	\$20.6	\$18.5	\$16.2	\$15.3	\$15.0	\$14.2	\$13.1
TOTAL STATE ALLOCATIONS	\$12.8	\$11.8	\$10.3	\$8.9	\$8.0	\$7.1	\$7.4	\$7.8	\$7.5	\$6.4
TOTAL LOCAL ALLOCATIONS	\$12.4	\$11.6	\$11.3	\$11.6	\$10.6	\$9.1	\$7.8	\$7.2	\$6.8	\$6.7
TO CITIES	\$6.2	\$5.7	\$5.6	\$5.5	\$4.9	\$4.3	\$3.7	\$3.4	\$3.2	\$3.2
TO COUNTIES	\$6.2	\$5.9	\$5.7	\$6.1	\$5.6	\$4.8	\$4.1	\$3.8	\$3.6	\$3.6
*TOTAL REVENUES ALLOCATED	\$25.1	\$23.4	\$21.6	\$20.6	\$18.5	\$16.2	\$15.3	\$15.0	\$14.2	\$13.1

* TOTALS MAY NOT EQUAL DUE TO ROUNDING
SOURCE: ILLINOIS RACING BOARD ANNUAL REPORTS

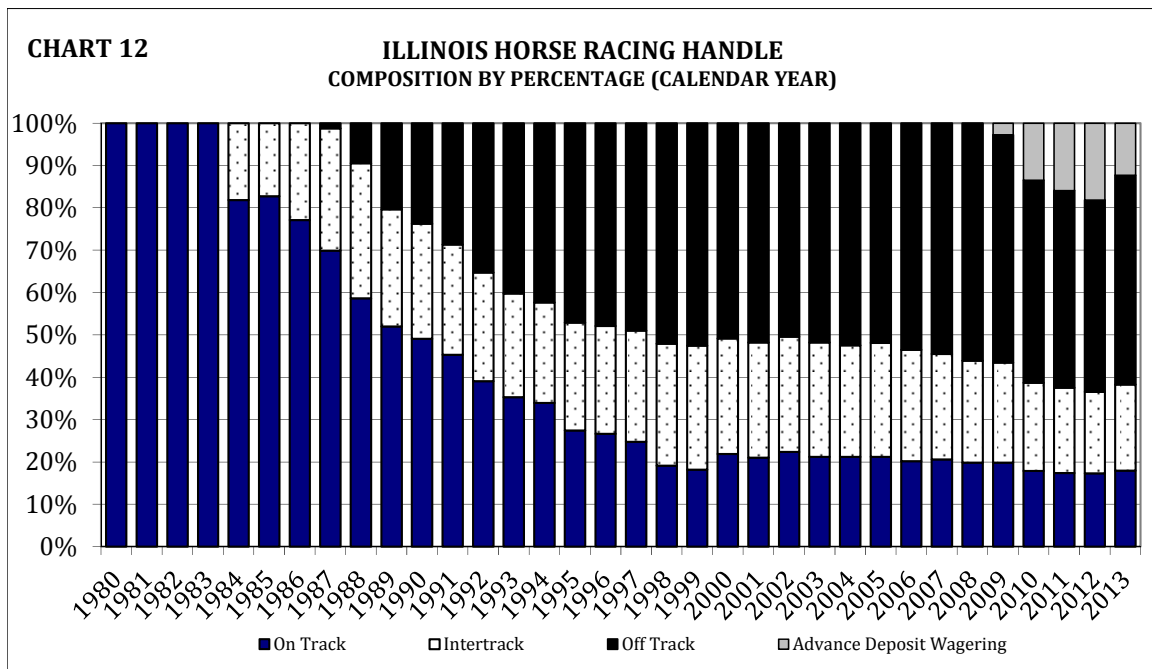
In its 2013 Annual Report, the Racing Board reported that 518 race programs were conducted during CY 2013 (similar to the 519 race programs in CY 2012). A total handle amount of \$618 million resulted, which was a decrease of 8.2% over the 2012 amount. As shown in Chart 11, this handle amount was the eleventh consecutive year of declining revenues and the lowest experienced over the last 35 years. The thoroughbred total handle (\$395M) dropped 0.5%, while the standardbred total handle (\$147M) dropped 10.9%. The remaining \$76 million came from advance deposit wagering.



The Illinois Racing Board's latest report states that \$143 million of the total handle in CY 2013 was wagered on Illinois races. An additional \$552 million was wagered on Illinois races broadcast to other states.

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.

As these alternative means of wagering matured, they significantly altered the composition of the total racing handle. Between 1990 and 2013 the percentage of the total handle generated from on-track wagering fell from 49% to 18%. This decline coincided with a dramatic increase in participation at off-track betting locations. Over the previously mentioned time frame, the percentage of the total handle generated at off-track wagering facilities increased from 24% to 49%. Despite this shift, inter-track wagering remained stable and generally comprised between 19% and 30% of the total handle. The latest component of the handle comes from advance deposit wagering which made up 12% of the total in CY 2013. Chart 12 illustrates the historic shift in the composition of the racing handle.



What tracks did Illinois bettors wager on in 2013? The largest handle at Illinois tracks came from Arlington with \$59.3 million, followed by Balmoral, (\$29.4M), Hawthorne (\$26.7M), Maywood (\$16.6M), Fairmount (\$10.0M), and State/County fairs (\$0.7M). The largest handles from out-of-state tracks came from Gulfstream (\$29.3M), Belmont (\$27.4M), Churchill (\$24.4M), Santa Anita (\$23.9M), and Woodbine (\$22.4M).

Of all Illinois meets in 2013, thoroughbred races made up the largest percentage at 74.9%, followed by harness races at 23.1%. Quarterhorse races made up the remaining 2.0%.

The Horse Racing Act of 1975 authorizes the Illinois Racing Board to issue a maximum of thirty-seven off-track betting (OTB) licenses, as each racetrack is entitled to six OTB licenses, with an exception made for Fairmont Park which is entitled to a seventh license. Currently (August 2014), the Illinois Racing Board reports that there are twenty-seven off-track betting parlors in operation. In 2013, new locations opened in Bolingbrook and Aurora and one OTB was closed in Aurora. Although it is unlikely that all thirty-seven licenses would be granted in a single racing year, the potential exists for the future development of 10 additional OTB locations. A list of Illinois OTBs is shown in Table 26.

TABLE 26: ILLINOIS RACING TRACKS AND ASSOCIATED OTB'S		
TRACK	COUNTY	OTB LOCATIONS
ARLINGTON RACECOURSE	COOK	CHICAGO (Weed St.) HODGKINS ORLAND HILLS VILLA PARK WAUKEGAN (Green Bay Rd.)
BALMORAL PARK	WILL	CRESTWOOD CHAMPAIGN NORMAL
FAIRMOUNT PARK	MADISON	ALTON SAUGET SPRINGFIELD
HAWTHORNE RACE COURSE	COOK	AURORA** BOLINGBROOK* CHICAGO (Corliss) GLENDALE HEIGHTS JOLIET MOKENA PROSPECT HEIGHTS
MAYWOOD PARK	COOK	ELK GROVE VILLAGE HOFFMAN ESTATES LOCKPORT NILES NORTH AURORA OAKBROOK TERRACE
QUAD CITY DOWNS	ROCK ISLAND	AURORA* MCHENRY ROCKFORD SOUTH ELGIN
* NEW IN 2013 **CLOSED IN 2013		
Source: Illinois Racing Board		

Advance Deposit Wagering

During the Spring 2009 legislative session, Public Act 96-0762 (SB 1298) was signed into law which allowing 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 states 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.

With the extension of advance deposit wagering until February 1, 2017, revenues should become more consistent in the next couple of fiscal years. FY 2014, due to the reenactment of advance deposit wagering on July 7, 2013, was able to generate very close to a full fiscal year of revenues. As a result, \$2.3 million in tax revenues were collected. This equates to a handle amount of approximately \$133 million. This value is nearly 17% higher than the amount collected in FY 2012.

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

This cannibalization concern appears to be plausible. While advance deposit wagering added over \$122 million to the overall horse racing handle and increased 11.6% in CY 2012, all other categories of wagering (on-track, inter-track, off-track) experienced losses of 4.8%. On the other hand, the overall decline of 2.1% in the overall handle amount is a slight improvement over the average decline of 6.9% that had been experienced over the previous five calendar years before advance deposit wagering was introduced. So, in its opening years of existence, it appears that while advance deposit wagering has not caused horse racing handle numbers to turn around, it has brought in enough interest to at least slow the declines of an industry that had been falling at a drastic pace.

The Commission will continue to monitor the progress of advance deposit wagering in Illinois and how the revenue generated from this type of wagering compares to other horse racing wagering formats as more data becomes available.

What Will the Future Hold for Illinois Horse Racing?

As the State's numbers indicate, the horse racing industry in Illinois continues to struggle. Illinois' racing handle is down over 42% over the last 10 years and is at its lowest levels in over 30 years. Many of the racetracks have made or are considering drastic cuts to their budget to stay in business. The main reason for the struggles is because Illinois is having a greater difficulty competing for the horse racing dollar.

While many ideas have been discussed to turn Illinois' horse racing industry around, so far little progress has been made. Over the past several years, lawmakers have created financial subsidies to help the industry by way of an impact fee on riverboats. In August 2011, \$141.8 million in subsidies were released to the tracks. But now, three years after receiving this money, improvement in the form of handle and revenues has yet to materialize. While insiders have stated that these proceeds would allow Illinois tracks to offer purses that are on a more even playing field with other states, it so far appears that this has only temporarily stabilized the industry as an improvement in horse racing handle has yet to occur.

In regard to the proceeds intended for the tracks, statutory instructions on how the money was to be spent were very vague and were ultimately up to each racetrack. The expectation was that these revenues would be used to make track improvements that would eventually lead to better facilities and that these improved facilities would bring in more horsemen and higher attendance. However, the Racing Board states that little to no changes (above what is typically spent) were made in the form of horsetrack improvements from these additional dollars. The Board believes that most of these revenues have now been exhausted.

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

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

Since the subsidies received by the industry were not enough to turn things around, some feel that the only remaining hope may be to allow slot machines at the horse tracks throughout Illinois. However, this proposal remains in doubt as gaming

expansion legislation containing this provision has, thus far, failed to receive enough support for enactment.

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

For example, Indiana has seen its ‘in-state’ handle decrease 50% - from \$190 million in 2005 to \$95 million in 2013 - despite the opening of two racinos in 2008. On the other hand, these two locations have generated around \$400 million in adjusted gross receipts in each of the last six fiscal years. 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. This is why Penn National Gaming Chairman Peter Carlino stated in a 2011 *Thoroughbred Times* article entitled, “Track Owner Penn National Sees Little Pari-Mutuel Future”, that “his company no longer will argue that adding slot machines at tracks is a way to improve pari-mutuel handle. He said that when the company lobbies for slots at tracks, it will move to new arguments – including the ability of racetrack slots to promote agri-business – because he believes increased purses do not improve the quality of racing or increase pari-mutuel handle.”

Even if pari-mutuel handles are not necessarily increasing in other states like Indiana, their ability to offer higher purses with the help of another revenue source (slots at tracks) is having a direct detrimental impact on Illinois. With higher prize values in other states, more and more in the horse racing industry are leaving Illinois for “greener pastures”. A June 2014 article from the *Daily Racing Form* reports that Illinois’ Arlington Park recently instituted an across-the-board purse cut due to a sharp year-to-year drop in all-sources handle. Without the ability to offer higher purses, a bad situation may soon become worse for Illinois tracks.

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

LOTTERY

LOTTERY

The Illinois State Lottery was authorized in 1974 and began operation in 1975. The State's lottery system generates revenue via ticket sales, agent fees, and interest-earning accounts. FY 2014 was the third year under which a private manager, the Northstar Lottery Group, was in managerial control of the lottery. Following the payment of prizes, agent commissions, and administrative costs, net lottery receipts are transferred into the Common School Fund, the Capital Projects Fund, or Special Cause Funds. Since its inception, lottery sales have totaled over \$55 billion. Table 27 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

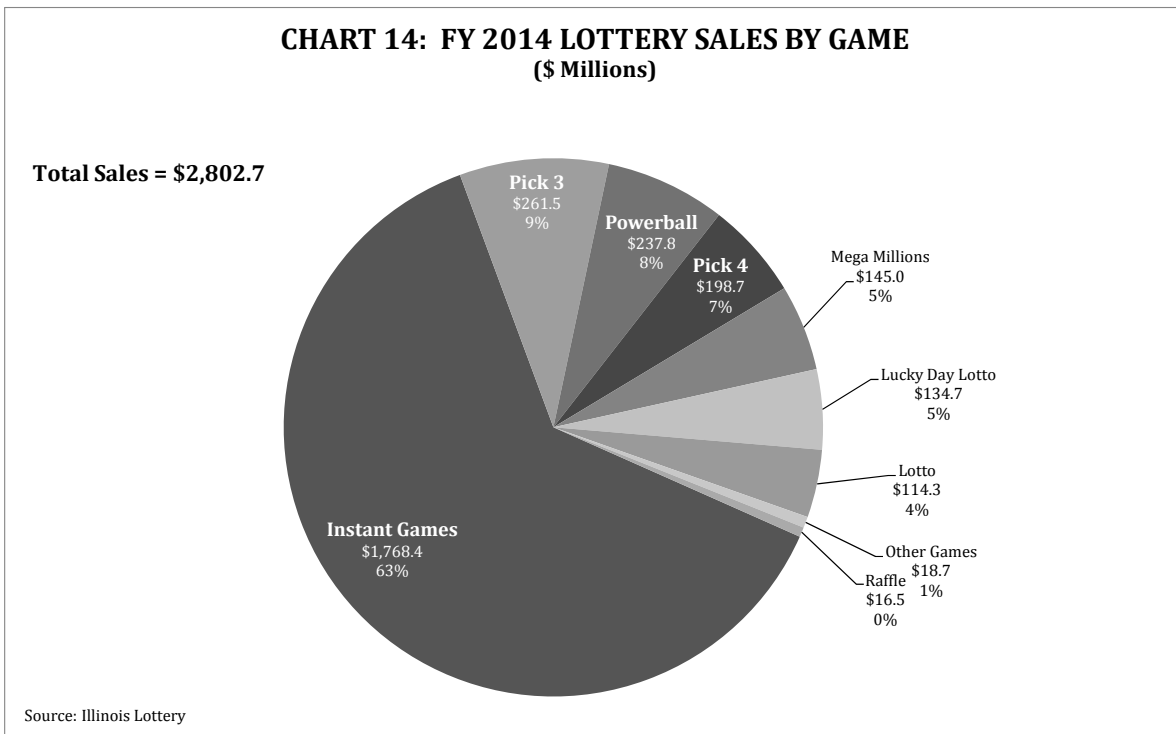
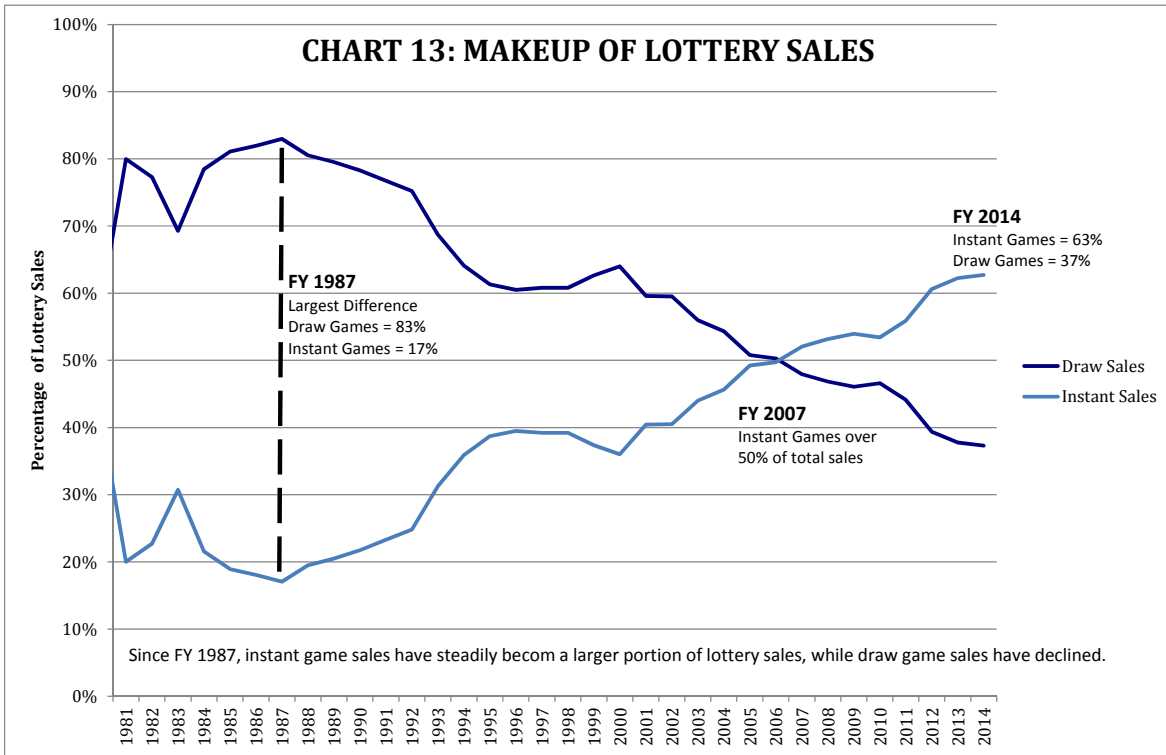
The Illinois Lottery had total sales of \$2.803 billion in FY 2014. This was a decline of \$38.6 million, or -1.4%, compared to FY 2013's sales. The decline in total sales was the first decline since FY 2003. The decline was mostly due to instant ticket sales decreasing for the first time since FY 2000. Since FY 2001, instant tickets sales have risen by an average of 9.7% per year. But in FY 2014, instant ticket sales actually declined by 0.6%, equating to a revenue decrease of approximately \$11 million.

As seen in Chart 13, Instant game sales have steadily become a larger part of total lottery sales since the late 1980's. In FY 1987, instant game sales only made up 17% of all Illinois lottery sales compared to draw games which made up the remaining 83%. The proportion of instant games sales gradually rose to approximately 40% of sales by FY 1995 and stayed around that level through FY 2002. Instant games portion of total sales then began to rise again. In FY 2011, the last year the State was in charge of operations at the Lottery, the ratio was 56% instant tickets to 44% draw games.

In FY 2012 instant ticket sales grew by an astounding 28.3%. This coincides with the take-over of lottery management by the Northstar Lottery Group. In the first two years under private management, the lottery increased its total sales by \$578 million. Instant ticket sales accounted for \$504 million, or approximately 87%, of this increase. In FY 2014, instant ticket sales accounted for 63% of total sales, while draw games were down to 37%. With instant games making up almost 2/3 of total sales, a down year from instant tickets will likely lead to small or negative growth overall.

As previously stated, draw games constitute 37% of lottery sales. The draw games were down \$27.7 million in FY 2014. This decline was mostly due to a \$74.5 million decrease in Powerball sales which is the third largest component of lottery sales at \$237.8 million behind instant tickets (\$1.77 billion) and Pick 3 (\$261.5 million). Pick 4 contributed \$202.2 million but was up only 1.7% for the year. One bright spot was a \$36.0 million increase to \$145.0 million in Mega Millions sales.

Chart 14, on page 62, illustrates the break-down of lottery sales by game for FY 2014.



**TABLE 28: COMPOSITION OF LOTTERY SALES BY GAME
FY 1975 - FY 2014***

(% of Total)

Fiscal Year	Instant Games	Pick 3	Raffles	Pick 4	Lotto	Lucky Day Lotto	Mega Millions	Powerball	Other Games	Total Sales (\$ Million)
1975	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	\$ 129.3
1976	34.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	65.5%	\$ 163.9
1977	55.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	44.3%	\$ 112.9
1978	64.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	35.5%	\$ 89.1
1979	73.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	26.6%	\$ 76.7
1980	42.5%	43.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.1%	\$ 97.5
1981	20.0%	76.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%	\$ 214.7
1982	22.7%	72.1%	0.0%	5.1%	0.0%	0.0%	0.0%	0.0%	0.0%	\$ 344.1
1983	30.7%	55.1%	0.0%	8.9%	5.2%	0.0%	0.0%	0.0%	0.0%	\$ 514.8
1984	21.6%	40.3%	0.0%	5.4%	32.8%	0.0%	0.0%	0.0%	0.0%	\$ 912.2
1985	18.9%	28.8%	0.0%	6.1%	45.9%	0.2%	0.0%	0.0%	0.0%	\$ 1,235.6
1986	18.1%	26.4%	0.0%	6.7%	48.8%	0.0%	0.0%	0.0%	0.0%	\$ 1,315.6
1987	17.0%	25.1%	0.0%	7.0%	50.9%	0.0%	0.0%	0.0%	0.0%	\$ 1,333.9
1988	19.5%	26.4%	0.0%	7.9%	45.0%	1.2%	0.0%	0.0%	0.0%	\$ 1,335.5
1989	20.5%	23.5%	0.0%	6.9%	38.6%	10.4%	0.0%	0.0%	0.0%	\$ 1,571.3
1990	21.7%	24.4%	0.0%	7.3%	37.5%	9.2%	0.0%	0.0%	0.0%	\$ 1,570.2
1991	23.3%	23.5%	0.0%	7.0%	38.4%	7.9%	0.0%	0.0%	0.0%	\$ 1,566.5
1992	24.8%	22.1%	0.0%	6.9%	38.7%	7.5%	0.0%	0.0%	0.0%	\$ 1,636.9
1993	31.3%	22.2%	0.0%	7.1%	31.1%	8.2%	0.0%	0.0%	0.0%	\$ 1,575.9
1994	35.9%	22.5%	0.0%	7.2%	26.4%	8.0%	0.0%	0.0%	0.0%	\$ 1,528.6
1995	38.7%	22.0%	0.0%	7.6%	23.7%	8.0%	0.0%	0.0%	0.0%	\$ 1,629.5
1996	39.5%	21.8%	0.0%	8.6%	22.2%	7.9%	0.0%	0.0%	0.0%	\$ 1,637.3
1997	39.2%	21.0%	0.0%	8.6%	18.2%	7.3%	0.0%	0.0%	5.7%	\$ 1,623.2
1998	39.2%	21.9%	0.0%	9.2%	16.7%	7.1%	0.0%	0.0%	5.9%	\$ 1,576.9
1999	37.4%	22.0%	0.0%	9.5%	11.1%	7.5%	0.0%	0.0%	12.7%	\$ 1,525.9
2000	36.0%	22.7%	0.0%	10.3%	9.7%	6.7%	0.0%	0.0%	14.6%	\$ 1,503.9
2001	40.4%	22.5%	0.0%	10.4%	9.9%	6.1%	0.0%	0.0%	10.6%	\$ 1,449.8
2002	40.5%	20.6%	0.0%	9.9%	8.5%	5.1%	0.0%	0.0%	15.3%	\$ 1,590.0
2003	44.0%	19.8%	0.0%	10.2%	7.6%	4.9%	12.6%	0.0%	0.8%	\$ 1,585.8
2004	45.7%	18.1%	0.0%	9.8%	6.9%	5.8%	13.3%	0.0%	0.5%	\$ 1,709.2
2005	49.2%	16.7%	0.0%	9.1%	7.1%	7.2%	10.5%	0.0%	0.2%	\$ 1,842.9
2006	49.7%	15.7%	0.0%	8.7%	6.4%	6.4%	12.4%	0.0%	0.7%	\$ 1,964.8
2007	52.0%	15.4%	0.7%	8.5%	5.6%	6.4%	9.8%	0.0%	1.5%	\$ 2,001.3
2008	53.2%	14.5%	0.8%	8.2%	5.5%	6.2%	10.7%	0.0%	0.9%	\$ 2,057.5
2009	53.9%	14.3%	0.9%	8.5%	5.9%	6.2%	9.8%	0.0%	0.4%	\$ 2,078.6
2010	53.4%	13.7%	0.9%	8.7%	5.2%	5.5%	10.2%	2.4%	0.1%	\$ 2,197.5
2011	55.9%	12.8%	0.9%	8.4%	4.8%	5.3%	7.6%	4.3%	0.0%	\$ 2,262.9
PRIVATE MANAGER TAKES OVER CONTROL OF LOTTERY OPERATIONS										
2012	60.6%	10.4%	0.4%	7.2%	3.9%	4.9%	7.1%	5.5%	0.0%	\$ 2,676.3
2013	62.2%	9.2%	0.9%	7.0%	3.4%	4.7%	3.8%	8.4%	0.3%	\$ 2,841.3
2014	62.7%	8.9%	0.6%	7.2%	4.1%	4.8%	5.2%	5.8%	0.7%	\$ 2,802.7
TOTALS	41.6%	19.6%	0.3%	8.0%	16.9%	5.7%	4.2%	1.2%	2.7%	\$ 55,882.5

* Preliminary, unaudited data

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

SOURCE: ILLINOIS DEPARTMENT OF REVENUE

Lottery Revenue Distribution

Due to the time necessary to prepare financial statements, analyzing how the lottery distributes the cash flow from its operating activities must be done on the previous year's financial statements. In FY 2013, the lottery received over \$2.837 billion in cash from sales and services. A total of \$2.835 billion of this amount was distributed back 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 \$2.0 billion, or 72%, of the distributions. Prizes awarded to winners at \$1.728 billion made up the largest portion of the cash payments for lottery operations. Commissions and bonuses (\$164.0 million) and General and Administrative Expenses (\$149.6 million) made up the rest of the cash payments related to operating expenses.

Cash transfers out to other funds explain the remaining \$794 million in distributions. The traditional lottery transfer to the Common School Fund was \$655.6 million in FY 2013. The Capital Projects Fund received \$135.0 million. Special cause funds received \$2.9 million. Chart 15 illustrates the cash distributions for FY 2013.

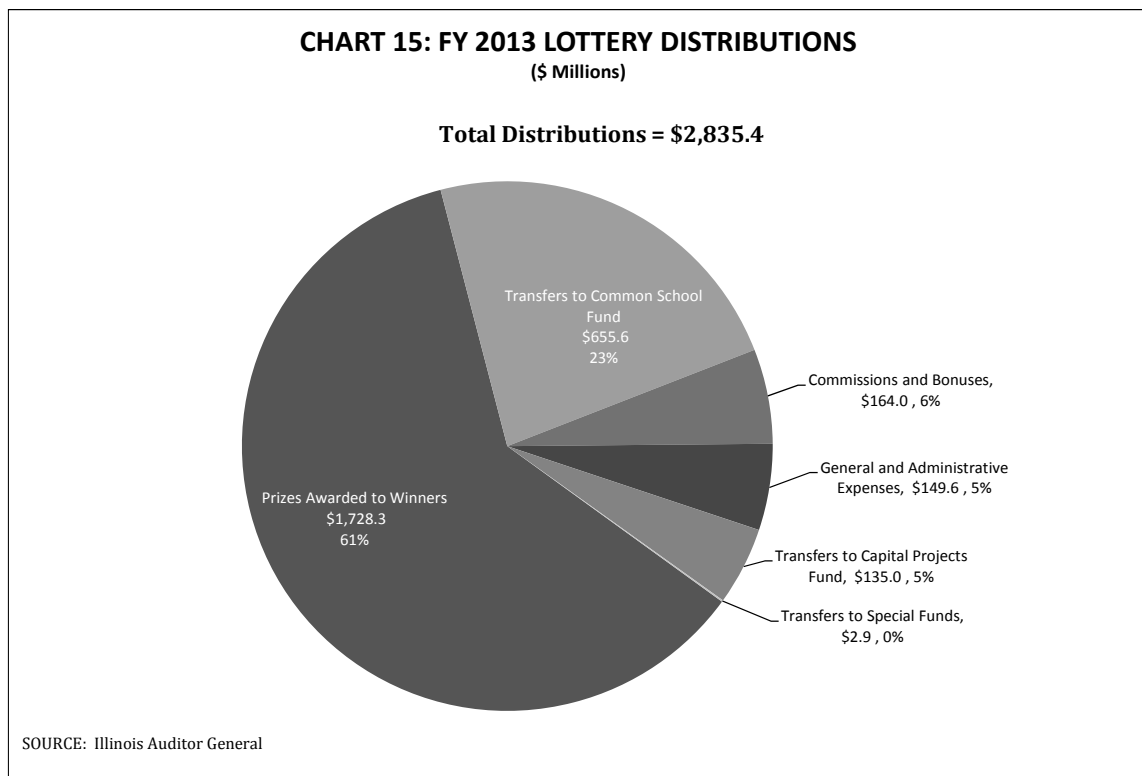


Table 29, below, shows how the lotteries distributions have changed in recent years.

TABLE 29: LOTTERY DISTRIBUTIONS																					
FY 2007 - FY 2014																					
(\$ 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	Change	\$	Change	Change	\$	Change	Change	\$	Change	Change
2007	\$1,108.3	n/a	n/a	\$622.6	n/a	n/a	\$140.9	n/a	n/a	\$ -	n/a	n/a	\$ 59.5	n/a	n/a	\$4.1	n/a	n/a	\$1,935.3	n/a	
2008	\$1,166.0	\$ 57.7	5.2%	\$657.0	\$ 34.4	5.5%	\$145.0	\$ 4.1	2.9%	\$ -	\$ -	n/a	\$ 57.4	\$ (2.1)	-3.5%	\$4.6	\$ 0.5	12.2%	\$2,030.0	\$ 94.7	4.9%
2009	\$1,225.9	\$ 59.9	5.1%	\$625.0	\$ (32.0)	-4.9%	\$152.6	\$ 7.6	5.2%	\$ -	\$ -	n/a	\$ 65.3	\$ 7.8	13.6%	\$5.2	\$ 0.6	12.4%	\$2,073.9	\$ 43.9	2.2%
2010	\$1,271.5	\$ 45.6	3.7%	\$625.0	\$ -	0.0%	\$149.3	\$ (3.3)	-2.1%	\$ 32.9 *	\$ 32.9	n/a	\$ 66.3	\$ 1.0	1.6%	\$4.2	\$ (0.9)	-17.8%	\$2,149.2	\$ 75.3	3.6%
2011	\$1,298.9	\$ 27.4	2.2%	\$631.9	\$ 6.9	1.1%	\$153.0	\$ 3.7	2.5%	\$ 54.1	\$ 21.3	64.6%	\$ 74.7	\$ 8.4	12.6%	\$4.1	\$ (0.1)	-3.4%	\$2,216.7	\$ 67.5	3.1%
PRIVATE MANAGER TAKES OVER CONTROL OF LOTTERY OPERATIONS																					
2012	\$1,561.2	\$ 262.2	20.2%	\$639.9	\$ 8.0	1.3%	\$151.4	\$ (1.6)	-1.1%	\$ 65.2	\$ 11.1	20.5%	\$123.5	\$ 48.8	65.4%	\$3.2	\$ (0.9)	-21.9%	\$2,544.4	\$ 327.6	14.8%
2013	\$1,728.3	\$ 167.1	10.7%	\$655.6	\$ 15.7	2.5%	\$164.0	\$ 12.6	8.3%	\$135.0	\$ 69.8	107.1%	\$149.6	\$ 26.1	21.2%	\$2.9	\$ (0.3)	-9.4%	\$2,835.4	\$ 291.0	11.4%
2014**	n/a	n/a	n/a	\$668.1	\$ 12.5	1.9%	n/a	n/a	n/a	\$145.0	\$ 10.0	7.4%	n/a	n/a	n/a	\$2.3	\$ (0.6)	-20.7%	n/a	n/a	n/a

* The \$32.9 Million that was supposed to be transferred to the Capital Projects Fund in FY 2010 was not actually transferred until the beginning of FY 2011 due to issues with the transfer legislation

** Complete financial data for FY 2014 is not available at the time of printing of this report

Current special cause game proceeds go to cancer research, veteran's related issues, multiple sclerosis research, and HIV prevention and education.

SOURCE: ILLINOIS DEPARTMENT OF REVENUE

Lottery Transfers

As mentioned previously and shown in Table 30, the Illinois Lottery transfers its proceeds or profits to three destinations. The first fund that receives lottery proceeds is the Common School Fund. The Common School Fund provides the majority of funding for elementary and secondary education including payment for General State Aid, contributions to Teacher's Retirement Systems, and salaries of regional superintendents and assistants. In FY 2014, \$668.1 million was transferred to the Common School Fund. This was an increase of 1.9% from FY 2013. 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). This transfer is expected to total approximately \$682 million in FY 2015 as inflation is expected to grow around 2% per year in coming years.

The second destination for Lottery profits are a set of four special cause funds. Special cause lottery sales raised \$2.3 million in FY 2014, a decrease of 22.8% or approximately \$0.6 million from FY 2013. Special cause sales are down over 56% since FY 2009 when special cause total sales peaked at \$5.2 million.

As part of PA 94-0120, the Ticket for the Cure special instant scratch-off game was created. The proceeds from this game are sent to the Ticket for the Cure Fund which is for cancer research grants. In FY 2014, \$0.5 million was transferred into this fund. This was a 24.5% decline from the previous year. Transfers to the Ticket for the Cure Fund have declined seven of the last eight years.

A special instant scratch-off was created by PA 94-0585 to fund grants for veterans' related issues. The Veteran's Cash game had revenues of \$0.6 million. This was the sixth year in a row that this game saw a decrease, declining over 8% in FY 2014.

Another special game that is sold in Illinois is the Quality of Life Ticket. This game was created as part of PA 095-0674. Revenues from this game go towards HIV/AIDS prevention and education. This game had revenue of \$0.6 million. This game's sales were reduced by approximately 6% in FY 2014.

A special cause game benefiting multiple sclerosis began sales in September of 2008. As part of PA 095-0673, the Multiple Sclerosis Research Fund was created that would benefit research pertaining to multiple sclerosis. Revenues from the "MS Project" game equaled \$0.5 million in FY 2014, which was a decrease of 44.4%.

Public Act 96-0034 also created the Capital Projects Fund which is the last fund that lottery proceeds are sent. Subject to appropriation, the Capital Projects Fund may be used only for capital projects and the payment of debt service on bonds issued for capital projects. After the Common School Fund transfer and the special cause transfers are completed, all remaining lottery proceeds go to the Capital Projects fund. In FY 2014, \$145 million was transferred into the Capital Projects fund from the Lottery. This was an increase of \$10 million, or 7.4%, from FY 2013. A portion of this transfer included a penalty payment from the Northstar group. If net incomes do not reach certain levels, the private manager is required to pay a penalty to the State. In FY 2013, net income for the lottery was \$170 million below the net income target; therefore, the State collected a penalty of \$38.6 million in the third quarter of FY 2014. A similar sized penalty is expected to be collected in the future due to the net income target not being met again in FY 2014.

Transfers totaled \$815.4 million in FY 2014 which was \$21.9 million more than in FY 2013. This represented a growth of 2.8%. The ratio of transfers to total sales increased to 29.1% which is the second year in a row that this ratio increased from its all-time low of 26.5% in FY 2012. This ratio had routinely dropped since the late 1980's. In FY 1987, this ratio was at 41.5%. The ratio decreased by 15% through FY 2012. This would indicate that the Lottery's profit margin was continually declining. This most likely was done intentionally as increased expenses related to increased prize payouts associated with instant game sales, led to higher overall sales that can lead to higher total profits, though at lower profit margins. This trend has reversed somewhat in the last two fiscal years.

Table 30, on the next page, shows the history of lottery transfers.

**TABLE 30: LOTTERY TRANSFERS
FY 1975 - FY 2014***

(\$ Millions)

Fiscal Year	Total Sales	Transfers to Common School Fund	Transfers to Capital Projects Fund	Transfers to Special Causes	Total Transfers	Transfers as a % of Total Sales
1975	\$ 129.3	\$ 55.2	\$ -	\$ -	\$ 55.2	42.7%
1976	\$ 163.9	\$ 75.9	\$ -	\$ -	\$ 75.9	46.3%
1977	\$ 112.9	\$ 43.6	\$ -	\$ -	\$ 43.6	38.6%
1978	\$ 89.1	\$ 33.5	\$ -	\$ -	\$ 33.5	37.6%
1979	\$ 76.7	\$ 32.6	\$ -	\$ -	\$ 32.6	42.5%
1980	\$ 97.5	\$ 33.1	\$ -	\$ -	\$ 33.1	33.9%
1981	\$ 214.7	\$ 90.4	\$ -	\$ -	\$ 90.4	42.1%
1982	\$ 344.1	\$ 138.6	\$ -	\$ -	\$ 138.6	40.3%
1983	\$ 514.8	\$ 216.3	\$ -	\$ -	\$ 216.3	42.0%
1984	\$ 912.2	\$ 365.4	\$ -	\$ -	\$ 365.4	40.1%
1985	\$ 1,235.6	\$ 502.8	\$ -	\$ -	\$ 502.8	40.7%
1986	\$ 1,315.6	\$ 551.8	\$ -	\$ -	\$ 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	\$ 610.5	\$ -	\$ -	\$ 610.5	37.3%
1993	\$ 1,575.9	\$ 587.6	\$ -	\$ -	\$ 587.6	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	\$ 622.6	\$ -	\$ 4.1	\$ 626.7	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	\$ 32.9	\$ 4.2	\$ 662.1	30.1%
2011	\$ 2,262.9	\$ 631.9	\$ 54.1	\$ 4.1	\$ 690.1	30.5%
PRIVATE MANAGER TAKES OVER CONTROL OF LOTTERY OPERATIONS						
2012	\$ 2,676.3	\$ 639.9	\$ 65.2	\$ 3.2	\$ 708.3	26.5%
2013	\$ 2,841.3	\$ 655.6	\$ 135.0	\$ 2.9	\$ 793.5	27.9%
2014	\$ 2,802.7	\$ 668.1	\$ 145.0	\$ 2.3	\$ 815.4	29.1%
TOTALS	\$ 50,238.5	\$ 18,691.0	\$ 432.2	\$ 34.3	\$ 17,548.6	34.9%

* Preliminary, unaudited data

Current special cause game proceeds go to cancer research, veteran's related issues, multiple sclerosis research, and HIV prevention and education.

SOURCE: ILLINOIS LOTTERY

Multi-State Games

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

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

In October of 2009, an agreement was reached between States offering Mega Millions and States offering Powerball to allow for sales of both games within a state. The hope was, with more states joining the program, more and more people will be playing, allowing jackpots to roll to even higher levels at a faster rate. Illinois began offering Powerball on January 31, 2010. As of August 2014, forty-three states plus the District of Columbia and the U.S. Virgin Islands offer both Mega Millions and Powerball tickets.

The multi-state games had a mixed year in FY 2014. Mega Millions revenue was up 33%, while Powerball revenues were down over 30%. Total multi-state game revenue was down \$38.5 million as the \$36.0 million increase from Mega-Millions was more than offset by the \$74.5 million decrease in Powerball sales.

As indicated in previous reports, results have shown that the multi-state games percentage of total lottery sales is dependent on the number of rollovers during a year. Previously, the more rollovers the multi-state games have, the more sales realized, thus a higher percentage of total lottery sales. This trend did not hold true in FY 2014.

The Commission looks at the number of drawings over \$100 million and \$200 million in a year to compare results to previous years. FY 2014 saw a high number of drawings above \$100 million especially for Mega Millions. Mega Millions had 35 drawings over \$100 million and 13 drawings with jackpots above \$200 million. This is the highest amount of high level jackpots since FY 2006 when there was 30 drawings above \$100 million and 9 drawings over \$200 million. In FY 2006, Mega Millions had sales of over \$243 million. Even with more \$100 million and \$200 million jackpots, FY 2014 saw Mega Million revenue of only \$145 million.

Similarly, Powerball had a large amount of high level drawings (44 drawings with a jackpot above \$100 million) but saw lackluster results. Powerball had similar jackpot sizes in FY 2013 but had almost \$75 million more in sales. It is currently

unknown why the multi-state games were down even though jackpots were at an elevated level.

Table 31, below, lists the States participating in each of the multi-state lotteries and the years they began offering each of the games. Table 32 on the following page displays multi-state game drawing results since FY 2006.

TABLE 31: MULTI-STATE LOTTERY PARTICIPANTS		
State	MEGA MILLIONS	POWERBALL
ARIZONA	2010	1994
ARKANSAS	2010	2009
CALIFORNIA	2005	2013
COLORADO	2010	2001
CONNECTICUT	2010	1995
DELAWARE	2010	1991
DISTRICT OF COLUMBIA	2010	1988
FLORIDA	2013	2009
GEORGIA	1996	2010
IDAHO	2010	1990
ILLINOIS	1996	2010
INDIANA	2010	1990
IOWA	2010	1988
KANSAS	2010	1988
KENTUCKY	2010	1991
LOUISIANA	2011	1995
MAINE	2010	2004
MARYLAND	1996	2010
MASSACHUSETTES	1996	2010
MICHIGAN	1996	2010
MINNESOTA	2010	1990
MISSOURI	2010	1988
MONTANA	2010	1989
NEBRASKA	2010	1994
NEW HAMPSHIRE	2010	1995
NEW JERSEY	1999	2010
NEW MEXICO	2010	1996
NEW YORK	2002	2010
NORTH CAROLINA	2010	2006
NORTH DAKOTA	2010	2004
OHIO	2002	2010
OKLAHOMA	2010	2006
OREGON	2010	1988
PENNSYLVANIA	2010	2002
RHODE ISLAND	2010	1988
SOUTH CAROLINA	2010	2002
SOUTH DAKOTA	2010	1990
TENNESSEE	2010	2004
TEXAS	2003	2010
U.S. VIRGIN ISLANDS	2010	2002
VERMONT	2010	2003
VIRGINIA	1996	2010
WASHINGTON	2002	2010
WEST VIRGINIA	2010	1988
WISCONSIN	2010	1989

SOURCES: POWERBALL, MEGA MILLIONS

TABLE 32: MULTI STATE GAME RESULTS
(\$ Million)

MEGA MILLIONS

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Average Jackpot Drawing	\$80.1	\$55.9	\$68.1	\$57.7	\$73.5	\$64.8	\$80.2	\$51.3	\$98.0
Drawings over \$100 M	30	14	25	19	30	20	19	9	35
Drawings over \$200 M	9	3	5	3	6	6	6	0	13
Mega Millions Sales	\$243.8	\$195.9	\$221.1	\$204.6	\$222.6	\$172.0	\$189.6	\$109.1	\$145.0

POWERBALL

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Average Jackpot Drawing	\$81.5	\$68.4	\$70.4	\$67.8	\$82.3	\$62.4	\$85.2	\$120.0	\$117.3
Drawings over \$100 M	30	25	25	23	32	17	33	48	44
Drawings over \$200 M	9	4	6	2	7	2	8	16	15
Powerball Sales	n/a	n/a	n/a	n/a	\$51.7*	\$97.4	\$145.9**	237.8	\$163.3

MEGA MILLIONS AND POWERBALL

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Average Jackpot Drawing	\$80.8	\$62.2	\$69.3	\$62.8	\$77.9	\$63.6	\$82.7	\$85.6	\$107.6
Drawings over \$100 M	60	39	50	42	62	37	52	57	79
Drawings over \$200 M	18	7	11	5	13	8	14	16	28
Total Multi State Game Sales	\$243.8	\$195.9	\$221.1	\$204.6	\$274.3	\$269.4	\$335.5	\$346.8	\$308.3

* 5 months of sales

** Powerball price increases from \$1 to \$2 per ticket in January of 2012

SOURCE: www.lottoreport.com

U.S. Lottery Results

Analyzing the latest data available from FY 2013, New York had the largest lottery in the country with sales of over \$8.9 billion. New York was followed by Florida at \$5.0 billion which surpassed last year's number two Massachusetts who fell to number three at \$4.8 billion. At \$2.8 billion, Illinois ranked number 11 in FY 2013 the same ranking as FY 2012. The figures for all the states for FY 2013 are shown in Table 33 on the following page. Please note that some data in Table 33 includes video gaming revenue in their totals which skews their results higher than states which did not include this kind of revenue in their results.

In 1992, *Lafleur's Lottery World* ranked Illinois 9th in the nation in terms of per-capita lottery sales as a percentage of personal income. At that time, per-capita spending on lottery tickets amounted to \$143. By 1995, Illinois ranked 19th with per-capita spending of \$134. In 2001, Illinois dropped to 22nd, with per-capita spending of \$116. Given these statistics, it appeared that Illinois' per-capita spending was on a downward trend. However, in the last decade, this figure has rebounded, largely due to the increase in instant games sales. In FY 2013 Illinois averaged \$220 in lottery sales per capita. Illinois ranked 18th out of the 45 lotteries which is four spots higher than in FY 2010.

When calculating a sales per capita number for FY 2014, sales per capita shrunk by just over 1.0% to \$218 per capita. Chart 16 shows the growth of lottery sales per capita in Illinois over the last decade.

In FY 2013, Illinois residents ranked 21st in the percentage of personal income that they spent on the lottery. Illinois residents spent 0.47% of their personal income on lottery which was below the average in the U.S. and slightly down from FY 2012.

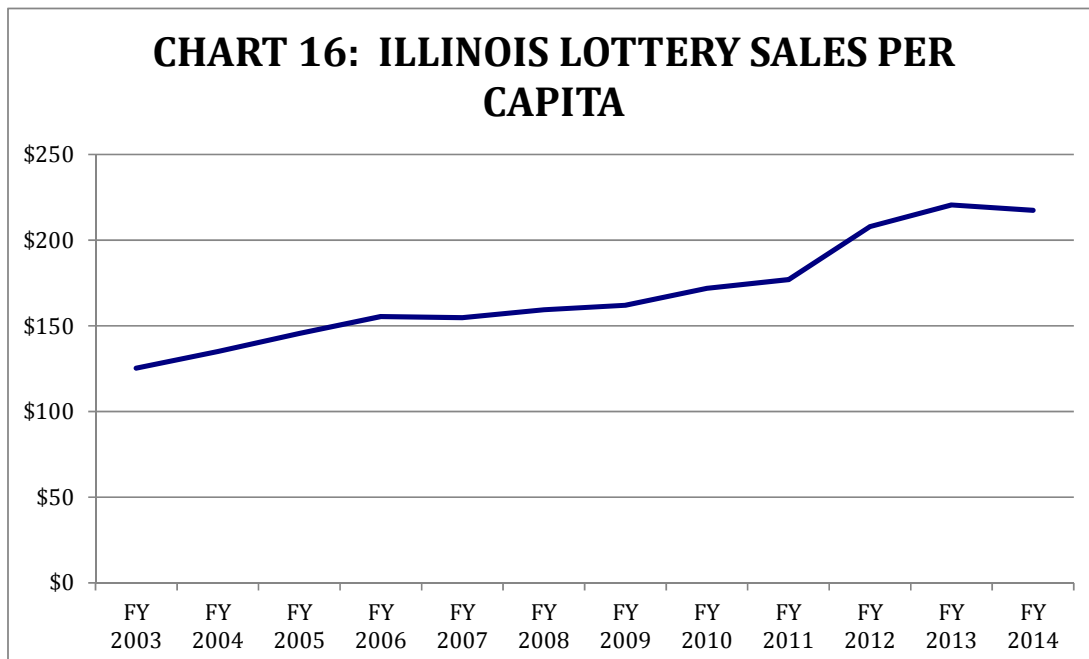


TABLE 33: PER-CAPITA SALES AS A PERCENTAGE OF PERSONAL INCOME (FY 2013)

STATE	POPULATION (MILLIONS)	PER-CAPITA		TOTAL		PER-CAPITA		PER-CAPITA SALES AS			
		PERSONAL INCOME	PERSONAL INCOME	LOTTERY SALES (\$ MILLIONS)	Rank	SALES	Rank	A % OF PER-CAPITA PERSONAL INCOME	Rank		
ALABAMA	4.8	\$	36,501	\$	0.0	45	\$	0	45	0.00%	45
ALASKA	0.7	\$	50,032	\$	0.0	45	\$	0	45	0.00%	45
ARIZONA	6.6	\$	36,823	\$	692.9	24	\$	105	34	0.28%	31
ARKANSAS	3.0	\$	36,086	\$	439.6	32	\$	149	28	0.41%	26
CALIFORNIA	38.3	\$	47,401	\$	4,445.9	4	\$	116	31	0.24%	32
COLORADO	5.3	\$	46,610	\$	566.3	28	\$	107	33	0.23%	35
CONNECTICUT	3.6	\$	60,847	\$	1,122.7	21	\$	312	12	0.51%	18
DELAWARE (1)	0.9	\$	45,092	\$	631.9	26	\$	683	6	1.51%	5
DISTRICT OF COLUMBIA	0.6	\$	74,513	\$	242.7	36	\$	375	10	0.50%	19
FLORIDA	19.6	\$	41,692	\$	5,013.0	2	\$	256	14	0.61%	13
GEORGIA	10.0	\$	38,179	\$	3,912.2	6	\$	392	9	1.03%	7
HAWAII	1.4	\$	45,652	\$	0.0	45	\$	0	45	0.00%	45
IDAHO	1.6	\$	35,382	\$	197.5	39	\$	122	30	0.35%	30
ILLINOIS	12.9	\$	46,780	\$	2,832.6	11	\$	220	18	0.47%	21
INDIANA	6.6	\$	38,812	\$	934.0	22	\$	142	29	0.37%	28
IOWA	3.1	\$	45,114	\$	339.3	33	\$	110	32	0.24%	33
KANSAS	2.9	\$	43,916	\$	244.8	35	\$	85	39	0.19%	38
KENTUCKY	4.4	\$	36,239	\$	846.7	23	\$	193	22	0.53%	17
LOUISIANA	4.6	\$	40,689	\$	447.4	31	\$	97	37	0.24%	34
MAINE	1.3	\$	41,014	\$	227.7	37	\$	171	25	0.42%	25
MARYLAND	5.9	\$	54,259	\$	2,364.5	14	\$	399	8	0.74%	9
MASSACHUSETTS	6.7	\$	56,923	\$	4,839.3	3	\$	723	4	1.27%	6
MICHIGAN	9.9	\$	39,215	\$	2,476.4	13	\$	250	16	0.64%	11
MINNESOTA	5.4	\$	47,856	\$	560.4	30	\$	103	35	0.22%	37
MISSISSIPPI	3.0	\$	34,478	\$	0.0	45	\$	0	45	0.00%	45
MISSOURI	6.0	\$	39,897	\$	1,140.8	20	\$	189	23	0.47%	20
MONTANA	1.0	\$	39,199	\$	57.0	43	\$	56	42	0.14%	42
NEBRASKA	1.9	\$	46,033	\$	160.8	40	\$	86	38	0.19%	40
NEVADA	2.8	\$	38,920	\$	0.0	45	\$	0	45	0.00%	45
NEW HAMPSHIRE	1.3	\$	50,156	\$	279.3	34	\$	211	19	0.42%	23
NEW JERSEY	8.9	\$	55,993	\$	2,821.4	12	\$	317	11	0.57%	15
NEW MEXICO	2.1	\$	36,284	\$	141.8	41	\$	68	41	0.19%	39
NEW YORK (1)	19.7	\$	54,063	\$	8,934.3	1	\$	455	7	0.84%	8
NORTH CAROLINA	9.8	\$	38,457	\$	1,689.8	15	\$	172	24	0.45%	22
NORTH DAKOTA	0.7	\$	57,084	\$	27.8	44	\$	38	44	0.07%	44
OHIO	11.6	\$	40,865	\$	2,863.5	10	\$	247	17	0.61%	14
OKLAHOMA	3.9	\$	41,586	\$	200.2	38	\$	52	43	0.13%	43
OREGON (1)	3.9	\$	40,233	\$	2,951.9	9	\$	751	3	1.87%	3
PENNSYLVANIA	12.8	\$	45,926	\$	3,699.7	8	\$	290	13	0.63%	12
RHODE ISLAND (2)	1.1	\$	47,012	\$	3,700.6	7	\$	3,519	1	7.49%	1
SOUTH CAROLINA	4.8	\$	35,453	\$	1,199.2	19	\$	251	15	0.71%	10
SOUTH DAKOTA (2)	0.8	\$	45,558	\$	637.4	25	\$	754	2	1.66%	4
TENNESSEE	6.5	\$	39,324	\$	1,367.5	17	\$	211	20	0.54%	16
TEXAS	26.4	\$	43,552	\$	4,376.3	5	\$	165	26	0.38%	27
UTAH	2.9	\$	36,274	\$	0.0	45	\$	0	45	0.00%	45
VERMONT	0.6	\$	45,783	\$	102.1	42	\$	163	27	0.36%	29
VIRGINIA	8.3	\$	48,773	\$	1,689.2	16	\$	204	21	0.42%	24
WASHINGTON	7.0	\$	47,031	\$	569.6	27	\$	82	40	0.17%	41
WEST VIRGINIA (1)	1.9	\$	35,613	\$	1,328.4	18	\$	716	5	2.01%	2
WISCONSIN (3)	5.7	\$	43,149	\$	566.1	29	\$	99	36	0.23%	36
WYOMING	0.6	\$	50,924	\$	0.0	45	\$	0	45	0.00%	45
TOTALS	313.9	\$	41,560	\$	73,882.2		\$	235		0.57%	

All figures should be considered preliminary and unaudited

(1) Includes net video lottery terminal (VLT) sales (Cash in less cash out)

(2) Includes gross VLT sales (Cash in)

(3) Net Proceeds

SOURCES: NORTH AMERICAN ASSOCIATION OF STATE AND PROVINCIAL LOTTERIES,
BUREAU OF ECONOMIC ANALYSIS, 2013

Private Manager

On September 15, 2010, Governor Quinn selected the Northstar Lottery Group to manage the Illinois lottery. As part of Public Act 096-0034, the Illinois lottery was to be operated with the assistance of a private manager. The private management agreement was to be entered into by March 1, 2010. Due to delays, this date was pushed back to September 15, 2010 by Public Act 096-0840. The agreement allows for State oversight of the lottery through the creation of the Illinois Lottery Advisory Board that will evaluate the lottery's performance on such topics as employment opportunity, minority business opportunity planning, responsible gaming, consumer protection, charitable and philanthropic progress and overall performance review.

Responses to the Lottery's request for proposal related to the private management agreement were due on July 30, 2010. Three groups submitted formal bids for the private management contract. Those bidders included Intralot, Camelot Group, and Northstar Lottery Group. Intralot is a lottery vendor and operator most well-known for running the Greek lottery. The Camelot Group is the operator of the UK National Lottery. The Northstar Lottery Group is a consortium made up of Illinois lottery vendors including GTECH, Scientific Games, and Energy BBDO.

On August 30, 2010, the Illinois Lottery announced that the Camelot Group and the Northstar Lottery Group were the finalists for the management contract. Final binding offers were due on August 30, 2010 with meetings with Finalist's management teams to follow. A public hearing was held on September 8, 2010 to allow for the finalists to present their proposals and allow the public to comment on the proposals. Both Intralot and Camelot filed formal protests with the Illinois Department of Revenue concerning the bidding process following the selection of the Northstar Group as the winner. These protests were denied in their entirety by the Department of Revenue. Northstar fully took over management of the lottery on July 1, 2011.

Northstar's business plan anticipated annual growth of 10.6% over the first five years. The group was to receive an annual \$15 million management fee over the course of the 10-year contract. Additional revenue bonuses or penalty payments could be warranted depending upon net income results. Table 34 summarizes the net income target levels and the potential bonuses or penalties as outlined in the initial private manager agreement.

Northstar could earn up to 5% of net income in bonuses or penalties depending upon the lottery's performance. Illinois had net income of approximately \$690 million in FY 2010. Five percent of this amount would equal just under \$35 million. As part of the management agreement, Northstar would guarantee net income levels over the course of the agreement. If net income levels do not reach these levels, Northstar will be penalized. These penalties become less severe the closer net income is to the target levels. It must also be noted that the \$15 million management fee would be part of the lottery's operating expenses and not be based upon lottery performance.

TABLE 34: LOTTERY PRIVATE MANAGEMENT INCOME TARGETS

(\$ MILLIONS)

Fiscal Year	Base Level Income	Middle Level Income	Upper Level Income	Net Income Target
FY 2012	\$674	\$714	\$754	\$822.8*
FY 2013	\$651	\$727	\$804	\$947.1*
FY 2014	\$666	\$771	\$876	\$980
FY 2015	\$682	\$810	\$938	\$986
FY 2016	\$698	\$833	\$967	\$1,000
FY 2017	\$712	\$854	\$995	\$1,020
FY 2018	\$727	\$871	\$1,016	\$1,041
FY 2019	\$742	\$889	\$1,037	\$1,063
FY 2020	\$757	\$908	\$1,058	**
FY 2021	\$773	\$926	\$1,080	**

*The Net Income Targets for FY 2012 and FY 2013 were lowered through third party mediation.

** To be set by management pursuant to the Annual Business Plan process described in Article 5.3.3 of the management agreement.

Private manager bonuses:

- 10% of any net income greater than base level but less than middle level
- 20% of any net income greater than middle level but less than upper level
- 30% of any net income greater than the upper level

Private manager penalties:

- If net income is above the net income target
 - None
- If net income is above the base level but below the net income target
 - 50% of the difference between net income target and net income
- If net income is below the base level
 - 100% of the difference between net income and base level and 50% of the difference between net income target and base level

Any bonuses or penalties are capped at 5% of net income.

A payout example assuming \$700 million in net income in FY 2012 -

Northstar would:

- receive \$15 million as part of operating expenses,
- be owed \$2.6 million for net income being above base level income of \$674 million,
- and owe \$75.5 million for net income being below the net income target of \$851 million.

Note that net payable to the State would be \$35 million as incentives and penalties are capped at 5% of net income.

Source: Illinois Lottery

The management agreement allows for a process, for either the State or Northstar, to request a change in the net income target amounts. This request would be based on potential changes in the market place that could significantly change lottery performance. Northstar requested a change in the FY 2012 net income target of \$851 million. This request was based on “missed deadlines, delays in implementing online sales and a lack of advertising money.” The State did not agree with these claims and the two groups entered third party mediation to resolve the matter. In November of 2012, an arbitrator reduced the FY 2012 net income target \$28.4 million to \$822.8 million and the FY 2013 figure to \$947.1 million which was a reduction of \$2.9 million.

In July of 2013, Northstar requested a reduction of over \$556 million in net income target levels during fiscal years 2014 – 2018. This request was based on the denial of a change in the Lucky Day Lotto game format. As part of the FY 2014 updated Annual Business Plan, Northstar group proposed to change the Lucky Day Lotto to a Keno style game in which drawings would occur every “four or five minutes” according to Illinois Lottery Superintendent Michael Jones. The State asserts that this type of game would be an illegal “policy” game based on a January 2006 opinion by Attorney General Lisa Madigan. The 2006 Attorney General opinion can be found at: <http://www.illinoisattorneygeneral.gov/opinions/2006/06-001.pdf>.

The relationship between the State and Northstar has been contentious as seen through the numerous times the two parties have gone to third party mediation in the three years since the private management agreement process has been started. The primary reason for mediation was Northstar not reaching its predicted net income target levels. Northstar was forced to pay a \$21.8 million penalty for the FY 2012 results, a \$38.6 million penalty for the FY 2013 results, and is expected to owe approximately \$37.1 million for FY 2014.

One aspect of Northstar’s management that can be critiqued is the growth of lottery retailers. In its original business plan, Northstar hoped to grow the number of lottery retailers in the State from approximately 7,300 to 13,000 by FY 2013. This strategy was based on the introduction of lottery sales to large chain stores. As can be seen in Table 36, this strategy does not appear to be bearing fruit. In July of 2014, the lottery was sold in approximately 8,200 locations in Illinois, which was almost 5,000 short of the expected 13,000. The numbers of sales locations actually is down by approximately 100 since FY 2013. Some of this short-fall may be attributed to a 20-day moratorium on recruiting new retailers in the spring of 2011 which led to a portion of the reduced net income target in FY 2012, though an extra 20 days of recruitment would not likely make up the difference in results to expectations.

TABLE 35: LOTTERY RETAILERS					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Lottery Retailers	7,084	7,346	8,104	8,303	8,214
Projected # of Reatailers Per original PMA Business Plan	n/a	n/a	11,356	13,000	13,000

Source: Office of the Governor, Illinois Lottery

In the November 2013 decision by the third party arbitrator, it was noted that:

“The State appears to believe that Northstar, discovering that it could not meet the Net Income Target, has attempted to “make it up” by seeking an adjustment in the Target.”

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. It is currently unclear how this dissolution would occur or under what kind of timeframe. As current law stands, the management contract would have to be re-bid with a new private manager taking over for Northstar.

FY 2014 AND BEYOND

FY 2014 was a rocky year for the lottery. Although lottery transfers were up, in part due to a FY 2013 penalty payment from the private manager, total lottery sales actually decreased in FY 2014. Instant ticket sales declined for the first time in a decade. The multi-state games were down even with a large amount of high level jackpots. The other draw games were up a small amount but not enough to make up for the down years for instant ticket sales and the multi-state games.

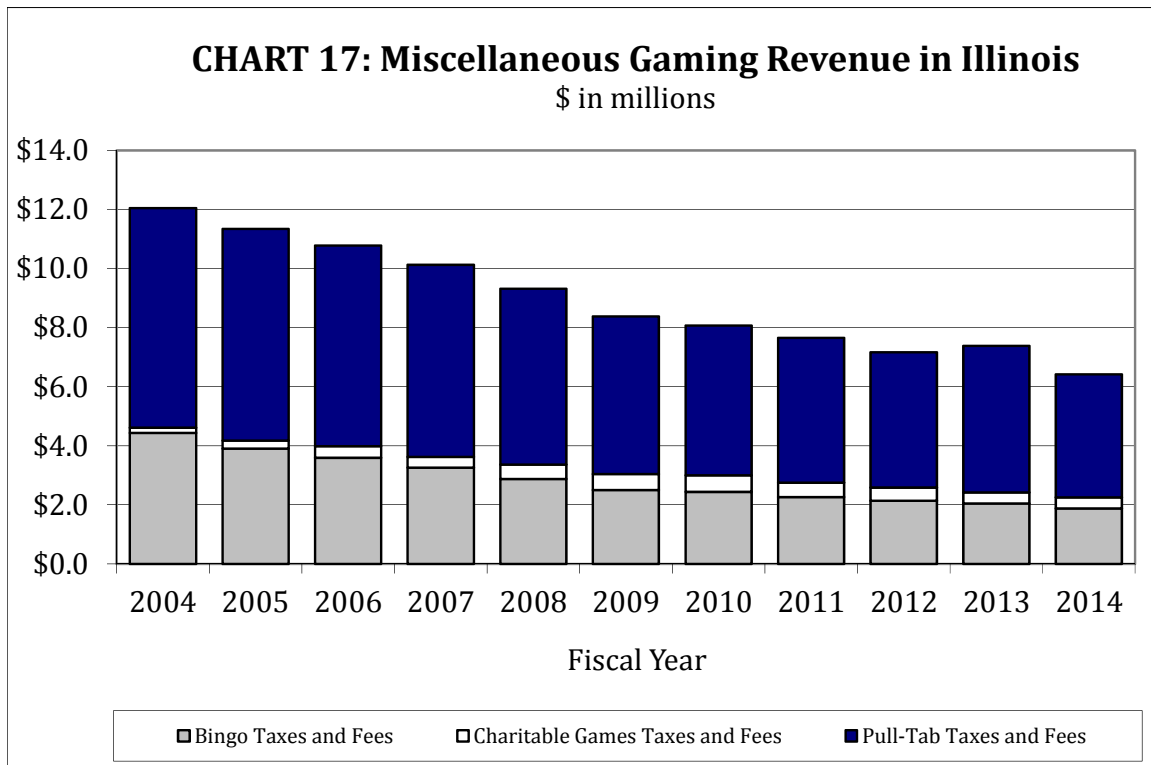
The prickly relationship between the State and the Northstar group continued in FY 2014. Penalties for poor performance in relation to net income targets led to the collection of significant penalties from Northstar. The end of the relationship may be coming in the near future as the State has requested the termination of the private management agreement. The next few fiscal years will likely be turbulent as the State will likely have to navigate the disentanglement from the Northstar Group and prepare for a new group to take over the daily operations of the lottery.

MISCELLANEOUS STATE GAMING

Although the Commission has traditionally focused its examinations of Illinois gaming on horse racing, lottery, and riverboat gambling, 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 2014, the State generated \$266,175 in bingo license fees and \$1.6 million in bingo taxes. Total bingo receipts were down 7.8% from FY 2013 levels.
- Illinois receives two forms of revenue from charitable games: license fees and the charitable games receipts tax. In FY 2014, the State received \$90,050 in license fees and \$274,689 from the charitable games tax. Total charitable games receipts were down 2.9% from FY 2013 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 2014, the State received \$409,125 in license fees and \$3.8 million from the pull tabs and jar games tax. Total pull-tabs and jar games receipts were down 16.1% from FY 2013 levels.

In total, these miscellaneous gaming revenue sources generated approximately \$6.4 million in FY 2014. This figure is 13.1% below the FY 2013 total of \$7.4 million. The chart below illustrates a history of miscellaneous gaming revenue over the past decade.



CONCLUSION

For the third consecutive year, State revenues from gaming-related sources in Illinois experienced an increase in the amount collected. In FY 2014, State gaming revenues totaled \$1.258 billion, which was a 7.5% over FY 2013 totals. The increase in overall gaming revenues is primarily due to the numerous changes that have taken place over the past several years. The factors that have influenced revenues the most include the new riverboat in Des Plaines, gaming changes in the Illinois Lottery, and the commencement of video gaming in Illinois.

While the recent gains in tax revenues are welcomed, the combined totals in FY 2014 are still 8.4% below the peak reached in FY 2006. From a financial standpoint, an increase in these sources is important because these gaming revenues are crucial in funding education through the transfers into the Common School Fund and the Education Assistance Fund, as well as various other funds, such as the Capital Projects Fund.

Despite the overall increase in gaming revenues, the performance of each individual gaming format has been mixed. Riverboat transfers to the Education Assistance Fund in FY 2014 were at its lowest level since FY 1999. While part of this is due to how revenues from the new Des Plaines are statutorily redistributed, a major part of the decline is because nine of the ten riverboat casinos experienced a decline in their adjusted gross receipts in FY 2014.

There are a couple primary reasons for these declines at the existing riverboats. First, as expected, the Des Plaines casino has had a detrimental impact on existing riverboats near the new casino. Adjusted gross receipts from the four pre-existing Illinois casinos in the Chicago metropolitan area have fallen a combined 25.5% in the first three years of the new casino, with the largest decline coming from Elgin at -37.0%. These declines led to lower tax revenues from these existing locations, which offset a portion of the new revenues from the Des Plaines casino.

It appears that not only has the Des Plaines casino negatively impacted Illinois riverboats, but also the nearby casinos in Indiana. The five Indiana casinos near Chicago have fallen a combined 17.1% since the Des Plaines casino's opening. This suggests that many gamblers may be leaving Indiana casinos and spending their gambling dollars in Illinois. But even with this occurrence, in terms of the amount of adjusted gross receipts generated from casinos, Illinois (at \$1.5 billion in FY 2014) remains well behind Indiana (\$2.2 billion in FY 2014). This is despite Illinois' significantly higher population totals.

The other factor that appears to have negatively impacted the riverboat gaming industry is the growth of video gaming in Illinois. After years of delays, video gaming finally became operational in Illinois in September 2012. By the end of FY 2014, there were 17,467 video gaming machines in operation, generating \$485 million in net terminal income for the fiscal year. At the 30% tax rate, this resulted

in \$145.6 million to be transferred to the Capital Projects Fund (5/6), with the remainder (\$121.4 million) paid to local governments (1/6) across Illinois.

The 17,467 video gaming terminals in operation in June 2014 is the equivalent of adding over fourteen casinos to the State. This has created more competition for the riverboat casino industry, which has no doubt had a negative impact on their attendance and revenues. But it should be noted that when combining riverboat and video gaming numbers, the amount of dollars spent on these gaming formats Statewide increased 15.0% in FY 2014, despite the declining revenues from the majority of the riverboat casinos.

However, a further 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, riverboat revenues from the Chicago area casinos in Illinois and Indiana generated \$2.246 billion. In FY 2014, even with the addition of video gaming machines, the Commission estimates that gaming from these formats in the Chicago area remained relatively stagnant at \$2.209 billion.

Video gaming revenues would be significantly higher if the City of Chicago were to “opt-in” to allowing video gaming in Illinois. The Commission estimates that Chicago is among 45% of the State’s population which continues to ban video gaming in their communities. But even without these cities, insiders believe that the State will plateau at around 20,000 gaming terminals statewide. The Commission estimates that 20,000 terminals would result in approximately \$200 million in annual tax revenues under full implementation, with approximately \$167 million going to the Capital Project Fund and the remaining \$33 million going to local government coffers.

One gaming format that continues to struggle is the horse racing industry. The CY 2013 handle amount of \$618 million was the lowest level in the last three decades. The 2013 decline of -8.2% was the eleventh consecutive year of declining revenues. Contributing to this year’s disappointing figures was the temporary stoppage of advance deposit wagering due to a delay in the extension of the sunset date of this type of wagering. The handle from thoroughbred racing dropped 0.5% in CY 2013, while the handle from standardbred racing dropped 10.9%.

Over the last several years, lawmakers have created financial subsidies to help the industry by way of an impact fee on riverboats. But this fee is no longer collected. Additional subsidies were set to come from the new casino in Des Plaines. But in June 2013, P.A. 98-0018 was signed into law, which provided that the Horse Racing Equity Fund would receive only \$23 million of the \$120.5 million combined total that they were expecting to receive from the Des Plaines casino in FY 2012 and FY 2013. The Act provides that the horse racing industry would receive no additional transfers from this revenue source in the future. The School Infrastructure Fund is now the primary beneficiary of these funds.

Without these additional subsidies, horse racing is expected to struggle in the foreseeable future. The horse racing industry continues to lobby for slots machines at their racetracks as a way to improve their attendance and revenues. While statistics from other states have shown that casinos at racetracks do not necessarily increase the racing handle, it would provide a secondary source of revenue to support the horseracing industry.

The largest contributor of State gaming revenues continues to come from the Illinois Lottery. In FY 2014, \$815 million in State related revenues/transfers associated with the lottery were collected, which was a \$21 million increase over FY 2013. The total consisted of \$668 million to the Common School Fund, \$145 million to the Capital Projects Fund, and \$2 million to special causes.

However, despite this increase in these revenues, overall lottery sales were down slightly at -1.4% over FY 2013 levels. The decline in total sales was mostly due a small decline in instant ticket sales and a lackluster year by the draw games. Instant ticket sales have been the driving force in sales growth for the lottery since FY 2001 as they averaged growth of 9.7% per year. In FY 2014, instant tickets sales decreased -0.6% or approximately \$11 million.

The future of the lottery program is now in flux as on August 15, 2014, the Office of the Governor announced that the State would be seeking a termination of the private management agreement with the Northstar Group. The relationship between the State and Northstar has been a contentious one over the past few years as the parties have entered into third party mediations over numerous items, including net income targets and penalties for not reaching these targets. Due to this apparent termination of the private manager, the future of the lottery is expected to be turbulent in the coming months as the State will likely have to navigate the disentanglement of the lottery operations from Northstar, while preparing for a new private manager.

Even with all of the recent changes in gaming, there continues to be discussions of expanding gambling in Illinois even further. While there have been numerous legislative versions of gaming expansion, the most prominent versions would allow additional positions at all of the casinos, allow a Chicago casino along with four additional riverboats, and allow horse tracks to have slot machines at their facilities. However, these ideas have, so far, failed to garner enough support for enactment.

The amount of revenue that could be generated by gaming expansion could be significant, but the actual amount would be dependent on several factors including the tax rate imposed on the casino revenues, the number of gaming positions that each casino would utilize, and the location of the new casinos. The latter is especially of interest to the current riverboat casinos because, as the Des Plaines casino and video gaming has proved, new gaming facilities will likely have a substantial cannibalization effect on existing facilities. For this reason, it will be crucial from a State tax revenue perspective that these new casinos bring in fresh gaming dollars to Illinois. If this does not occur, lower effective tax rates combined

with the likely cannibalization of existing casinos could mean that the State would have a large amount of gaming expansion, with little new tax revenues to show for it.

While a number of changes have occurred in the past couple of years, a number of significant uncertainties remain. How will video gaming perform in its third year of existence? Will the expansion of video gaming continue to negatively impact riverboat casinos? Will the Governor and the State Legislature be able to come to a compromise regarding gaming expansion in Illinois? What will be the outcome of the divorce between the State lottery and Northstar? Will a new private manager be hired or will the State resume control of day-to-day operations? All of these questions, and likely others, will set the framework for gaming in the years to come. As always, the Commission will continue to closely monitor legislation and discussions dealing with these changes and will provide updates to this report whenever necessary.

BACKGROUND

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

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

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

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

These reports are available from:

Commission on Government Forecasting and Accountability
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320
(217) 782-3513 (FAX)

<http://cgfa.ilga.gov>