

2020 UPDATE

WAGERING IN ILLINOIS



Commission on Government
Forecasting and Accountability

*Commission on Government Forecasting
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TABLE OF CONTENTS

WAGERING IN ILLINOIS: 2020 UPDATE ***September 2020***

	<u>PAGE</u>
EXECUTIVE SUMMARY	i
OVERVIEW OF GAMING IN ILLINOIS	1
<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	3
<u>Overview Charts:</u>	
1 Source of Gaming-Related “State” Revenues in Illinois	1
CASINO GAMBLING	7
<u>Casino Gambling Related Tables:</u>	
3 Illinois Casino Adjusted Gross Receipts (FY 2015 – FY 2020)	14
4 Illinois Casino Admissions (FY 2015 – FY 2020)	14
5 State Revenue Generated from Illinois Casinos (FY 2015 – FY 2020)	15
6 Local Revenue Generated from Illinois Casinos (FY 2015 – FY 2020)	15
7 Total Revenue Generated from Illinois Casinos (FY 2015 – FY 2020)	15
8 Rates of Change of Illinois Casinos	17
9 Annual Percent Change of Casino State Revenues	18
10 Operating Tax Rates for Illinois Casinos (FY 2015 – FY 2020)	18
11 Statistical Summary of the Midwestern Gaming States	20
12 AGR from Commercial Casino Gaming – Other Prominent Gaming States	23
13 Statistical Summary of the Top 25 Revenue Casinos in Great Lakes Region	25
14 CY 2017 - CY 2019 AGR Statistics at Selected Racetrack Casinos	30
<u>Casino Gambling Related Charts:</u>	
2 Illinois Casino Adjusted Gross Receipts and Admissions	16
3 Adjusted Gross Receipts of Casinos for Illinois and Bordering States	19
4 AGR per Table Game and per Electronic Gaming Device per Day	28
Map of Current and Authorized Casinos in Chicago Metro Area	35
VIDEO GAMING	37
<u>Video Gaming Related Tables:</u>	
15 Illinois Video Gaming Statistics by Fiscal Year	42
16 Video Gaming Statistics by Illinois County	44
17 Video Gaming Statistics per County Population	45
18 Video Gaming Statistics by County Ranking	46
19 Top Municipalities with Video Gaming	47
20 Highest Populated Cities without Video Gaming	49

Video Gaming Related Charts:

5	Video Gaming Terminals in Operation in Illinois	41
6	Tax Revenue Collected from Video Gaming Terminals	43
7	AGR of Illinois Casinos vs NTI of Illinois Video Gaming Machines	50
8	AGR of IL and IN Casinos vs NTI of Terminals in Chicago Area	52
9	AGR of IL and IN Casinos vs NTI of Terminals in Chicago Area (Stacked)	52
10	Tax Revenue from Casinos and Video Gaming in Illinois	54

LOTTERY 57

Lottery Related Tables:

21	Lottery Sales by Game	60
22	Lottery Distributions	63
23	Lottery Transfers	66
24	Multi-State Game Results	68
25	Lottery Rankings (FY 2019)	70

Lottery Related Charts:

11	Makeup of Lottery Sales	61
12	FY 2019 Lottery Sales by Game	61
13	FY 2018 Lottery Distributions	63
14	Illinois Lottery Sales per Capita	71
15	People per Lottery Retailer	71

HORSE RACING 77

Horse Racing Related Tables:

26	Sources and Allocation of Horse Racing Revenue for CY 2019	79
27	Horse Racing Revenues and Associated Allocations by Calendar Year	80
28	Illinois Racing Statistics for CY 2019	82
29	Illinois Horse Racing Tracks and Associated OTBs	83

Horse Racing Related Charts:

16	Illinois Horse Racing Handle (Composition by Amount Wagered)	80
17	Illinois Horse Racing Handle (Composition by Percentage)	81

SPORTS WAGERING 89

MISCELLANEOUS STATE GAMING 96

Miscellaneous Gaming Related Charts:

18	Miscellaneous Gaming Revenue in Illinois	96
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CONCLUSION 97

EXECUTIVE SUMMARY

This report is the Commission's 2020 edition of Wagering in Illinois. This edition marks the 28th anniversary of the Commission's first report, which was completed in 1992 in accordance with Senate Resolution 875 (87th General Assembly). That report examined the legally-sanctioned forms of wagering as a means of determining their economic impact as well as the potential for further expansion of the gaming industry.

The 2020 edition updates previous releases and provides further analysis of State gaming with the focus on casino gambling, video gaming, the Lottery, and horse racing. This edition also includes detailed discussions of the newly enacted gaming expansion package included as part of P.A. 101-0031 and P.A. 101-0648. Also discussed throughout the report are the ramifications of the COVID-19 virus on gaming revenues during FY 2020. The highlights of the report are shown below.

- In FY 2020, the State's share of tax revenues from wagering in Illinois totaled \$1.215 billion, a 13.4% decrease from FY 2019 levels. This decline is in large part due to the negative effects of the pandemic on gaming operations which saw casinos and video gaming play suspended in Illinois from March 16th to June 30th. Casino gaming transfers fell from \$269 million to \$195 million; video gaming tax revenues paid into the Capital Projects Fund dropped from \$395 million to \$376 million; Lottery transfers declined from \$735 million to \$638 million; and State-related horse racing revenues held flat at \$6 million.
- The revenue totals could look significantly different in the near future due to the recent enactment of P.A. 101-0031, which was signed into law and became effective in June 2019. Follow-up legislation was enacted in June 2020 in the form of P.A. 101-0648. These public acts make numerous changes to State law impacting a variety of different tax revenue sources. The most significant changes that are to be implemented in the near future include: the authorization of six new casinos in Illinois, including a 4,000 position Chicago Casino; and racinos at Illinois' horse tracks. Changes that have already been implemented include: increased gaming positions at existing locations; increased betting and terminal limits at video gaming establishments; and, the introduction of sports wagering in Illinois.
- Statewide adjusted gross receipts (AGR) for Illinois casinos in FY 2020 were down 30.0% from FY 2019 levels, while admissions declined 29.6%. The suspension of gaming operations for much of the Spring is the leading factor for these substantial declines. All ten casinos in Illinois saw losses in FY 2020 with AGR declines ranging from -24.7% in Alton to -34.6% in East Peoria. Even the successful Des Plaines casino fell 27.0% as a result of the virus related shutdowns.

- Among the changes to the gaming industry is a modification to the privilege tax imposed on casinos. As part of P.A. 101-0648, this new tax structure went into effect on July 1, 2020 and will be imposed on all casinos, except for the Chicago Casino. The tax rates to be imposed on the Chicago Casino are significantly lower than what was to be imposed under P.A. 101-0031 and came about after a study by Union Gaming Analytics showed that the development of a Chicago Casino was “not feasible due to the onerous tax and fee structure”.
- In July 2009, Public Act 96-0034 became law, legalizing video gaming in Illinois. By the end of FY 2020, 36,145 video gaming terminals were in operation across Illinois—up from 32,033 in June 2019. In FY 2020, video gaming machines generated \$1.223 billion in net terminal income. This produced \$61 million in tax revenues to local governments and \$342 million to the Capital Projects Fund. These figures are lower than FY 2019, despite the recent tax increase, due to the suspension of play between March and June of the fiscal year. Once the pandemic subsides, video gaming revenues should see noticeable increases in future fiscal years, due to the enacted increases in terminal and betting limits.
- Despite the fact that the City of Chicago is not participating in video gaming, Cook County still has by far the most video gaming terminals of any county in the State with 6,613 terminals (FY 2020). The counties of Lake, Will, Sangamon, and Winnebago round out the top five. In regard to municipalities, Springfield had the most terminals (701 terminals) and generated the highest amount of net terminal income (\$24.6 million) in FY 2020.
- Since video gaming commenced in FY 2012, gaming related revenues from casinos have consistently fallen. However, when combined with video gaming totals, gaming revenues as a whole have increased significantly - from \$1.641 billion in FY 2012 to \$2.940 billion in FY 2019, which is an increase of \$1.299 billion. In FY 2020, this combined total fell to \$2.165 billion due to the pandemic. But even this virus compromised total is higher than what was generated in FY 2012 without video gaming.
- In FY 2020, the Illinois Lottery had \$2.8 billion in sales, which was a decrease of \$173 million, or 5.8% below last fiscal year’s levels of \$3.0 billion. This is the worst decline since the early days of lottery in the late 1970s. The COVID-19 pandemic is the leading contributing factor to these declines as customers were more likely to stay at home and some retailers may not have been open, making the lottery less available. While instant ticket sales in FY 2020 were basically flat compared to last year (-0.5%), revenue from draw games were down

considerably (-15%). This includes significant declines in the multi-state games of Mega Millions (-48%) and the Powerball (-40%).

- Lottery transfers to the Common School Fund totaled \$630.4 million in FY 2020, a decline of -13.8%. Transfers to special causes increased from \$3.4 million to \$7.2 million in FY 2020. After a year of no transfers to the Capital Projects Fund (CPF) in FY 2019, \$18.5 million was transferred to this fund in FY 2020.
- Due to disappointing sales, in September 2015, the State and the Northstar Lottery Group entered into a termination agreement that would begin the process to hire a new private lottery manager. After a lengthy transition process, in January 2018, the State entered into a new private management agreement with Camelot Illinois. Due to the sales complications that have arisen due to the pandemic, the impact of this transition as it pertains to lottery sales and transfers remains unclear.
- Illinois' total horse racing handle amount fell from \$574 million in CY 2018 to \$557 million in CY 2019, a decline of -2.9%. The 2019 levels are down 49.6% over the past two decades. While the ADW handle increased 5.4% in 2019, the handle from on-track, intertrack, and off-track wagering fell a combined 7.6%.
- The horse racing industry is finding it difficult to compete not only with racetracks in other states that are able to offer higher purses, but also with the proliferation of other gambling opportunities that now exist in the State. Currently, only three Illinois horse tracks remain in operation: Arlington Racecourse in Cook County, Hawthorne Race Course in Cook County, and Fairmount Park in Madison County. While the racing community is hopeful that the recent authorization of racinos and sports betting at Illinois horse tracks will help turn the industry around, the development of racinos in nearby states has not resulted in an increase in these states' racing handles. It should be noted that Arlington Racecourse announced in 2019 that they do not plan to operate a casino at their location.
- Included in the gaming expansion package is the authorization of sports wagering in Illinois. This new gaming format is in its opening stages of implementation, but has been slowed due to the impact of the pandemic on live sports and on operating facilities. Sports wagering hopes to be widely available throughout Illinois at casinos, race tracks, OTBs, the Internet, and potentially at lottery retailers across the State. While the amount of tax revenues projected to be annually generated from sports wagering is relatively small (less than \$100 million), it does allow Illinois to keep up with many other states, including Indiana and Iowa, who are also in the midst of implementing sports wagering.

OVERVIEW OF GAMING IN ILLINOIS

In Illinois, the tax revenues generated from gaming related sources have seen its share of fluctuation in recent years. For much of its history, these wagering tax dollars came from three primary sources: riverboat casino gambling, the lottery, and horse racing. But in 2012, a new gaming format was unveiled in the form of video gaming, which helped revitalize a segment of revenues that was struggling to offer reliable growth for State coffers. Soon, even more gaming opportunities will materialize for the gaming industry due to the recent enactment of P.A. 101-0031. This Act authorizes up to six new casinos, allows casinos at horse tracks, raises position limits at casinos and video gaming establishments, and authorizes sports wagering across the State. Several aspects of these items were further adjusted by the June 2020 enactment of P.A. 101-0648.

In FY 2020, the performance of the current wagering-related revenue sources were significantly impacted by the effects of the COVID-19 pandemic. State designated tax revenues from overall gaming in Illinois fell 13.4% in FY 2020 to \$1.215 billion, a falloff of \$189 million. This is the lowest level for this combined tax revenue total since FY 2016. The suspension of casino and video gaming operations between March 16th and June 30th was the major reason for this level of decline. A table displaying a history of State-related revenues from the gaming industry is shown on the following page. Chart 1, below, displays the historical performance of gaming-related revenues in Illinois since 1975.

As illustrated, the majority of State designated tax revenue in FY 2020 came from the lottery, generating \$638 million – 13.2% below the \$735 million collected in FY 2019. Tax revenues from casinos continue to underperform, generating only \$195 million in FY 2020. While this total is obviously impacted by the pandemic, revenues from casinos has consistently been on a downward trend in recent years. Even the growing video gaming industry could not overcome the shutdowns, falling from \$395 million to \$376 million. Horse Racing generated a mere \$6 million in FY 2020.

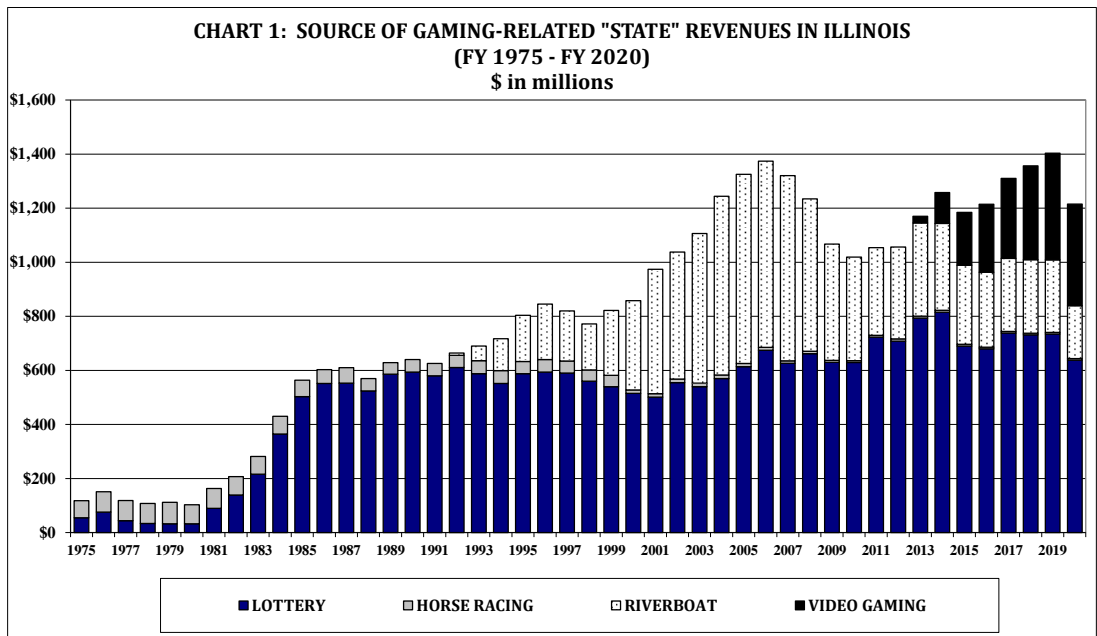


TABLE 1: STATE GAMING REVENUE (\$ in Millions)

FISCAL YEAR	LOTTERY ⁽¹⁾	HORSE RACING ⁽²⁾	RIVERBOAT CASINOS ⁽³⁾	VIDEO GAMING ⁽⁴⁾	TOTAL	PRIOR YEAR % CHANGE
1975	\$55	\$63	\$0	\$0	\$118	N/A
1976	\$76	\$75	\$0	\$0	\$151	28.0%
1977	\$44	\$75	\$0	\$0	\$119	-21.2%
1978	\$34	\$74	\$0	\$0	\$108	-9.2%
1979	\$33	\$79	\$0	\$0	\$112	3.7%
1980	\$33	\$70	\$0	\$0	\$103	-8.0%
1981	\$90	\$73	\$0	\$0	\$163	58.3%
1982	\$139	\$68	\$0	\$0	\$207	27.0%
1983	\$216	\$66	\$0	\$0	\$282	36.2%
1984	\$365	\$65	\$0	\$0	\$430	52.5%
1985	\$503	\$61	\$0	\$0	\$564	31.2%
1986	\$552	\$51	\$0	\$0	\$603	6.9%
1987	\$553	\$57	\$0	\$0	\$610	1.2%
1988	\$524	\$46	\$0	\$0	\$570	-6.6%
1989	\$586	\$43	\$0	\$0	\$629	10.4%
1990	\$594	\$46	\$0	\$0	\$640	1.7%
1991	\$580	\$46	\$0	\$0	\$626	-2.2%
1992	\$611	\$45	\$8	\$0	\$664	6.1%
1993	\$588	\$48	\$54	\$0	\$690	3.9%
1994	\$552	\$47	\$118	\$0	\$717	3.9%
1995	\$588	\$45	\$171	\$0	\$804	12.1%
1996	\$594	\$46	\$205	\$0	\$845	5.1%
1997	\$590	\$45	\$185	\$0	\$820	-3.0%
1998	\$560	\$42	\$170	\$0	\$772	-5.9%
1999	\$540	\$42	\$240	\$0	\$822	6.5%
2000	\$515	\$13	\$330	\$0	\$858	4.4%
2001	\$501	\$13	\$460	\$0	\$974	13.5%
2002	\$555	\$13	\$470	\$0	\$1,038	6.6%
2003	\$540	\$13	\$554	\$0	\$1,107	6.6%
2004	\$570	\$13	\$661	\$0	\$1,244	12.4%
2005	\$614	\$12	\$699	\$0	\$1,325	6.5%
2006	\$674	\$11	\$689	\$0	\$1,374	3.7%
2007	\$627	\$9	\$685	\$0	\$1,321	-3.9%
2008	\$662	\$9	\$564	\$0	\$1,235	-6.5%
2009	\$630	\$7	\$430	\$0	\$1,067	-13.6%
2010	\$629	\$7	\$383	\$0	\$1,019	-4.5%
2011	\$723	\$7	\$324	\$0	\$1,054	3.4%
2012	\$708	\$8	\$340	\$0	\$1,056	0.2%
2013	\$794	\$7	\$345	\$24	\$1,170	10.8%
2014	\$815	\$7	\$321	\$114	\$1,258	7.5%
2015	\$690	\$7	\$292	\$196	\$1,184	-5.8%
2016	\$680	\$6	\$277	\$252	\$1,215	2.6%
2017	\$738	\$6	\$270	\$296	\$1,310	7.9%
2018	\$732	\$6	\$272	\$347	\$1,356	3.5%
2019	\$735	\$6	\$269	\$395	\$1,404	3.5%
2020	\$638	\$6	\$195	\$376	\$1,215	-13.4%

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

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

(3) Figures represent appropriations (FY 1992-FY 1995) and transfers (FY 1996-FY 2020) 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. It does not include the portion paid to local governments. This figure does not match the Gaming Board's fiscal year totals due to an approximate one-month lag between reported activity and receipts.

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

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

In FY 2020, lottery transfers (and other State-related lottery revenues) remained the largest generator of gaming revenues, comprising 52.5% of the revenue total. However, this percentage has declined from a recent high-mark of 67.8% in FY 2013. Casino transfers, which comprised over 50% of gaming related revenues just a decade ago, fell to 16.1% in FY 2020. In just its eighth year of generating tax revenues, video gaming's composition has now surpassed that of riverboat casinos in this metric, growing to its FY 2020 composition value of 31.0%. Horse racing revenues continued to comprise a relatively insignificant 0.5%.

Table 2, below, displays the differences between horse racing, the lottery, casino gambling, and video gaming in terms of State revenue, gaming hold, and per capita spending. The gaming hold is equal to the difference between the total wagered and the amount paid to winners. For casinos, this is adjusted gross receipts (AGR). For video gaming, this is net terminal income (NTI). As shown, FY 2020 State gaming revenues totaled approximately \$1.215 billion. The gaming industry's FY 2020 estimated gaming hold total of \$3.447 billion declined 16.3% from FY 2019 levels. Similarly, per-capita spending fell an estimated 16.1% to \$272 in FY 2020.

TABLE 2: THE STATUS OF ILLINOIS GAMING								
BASED ON STATE REVENUE, GAMING HOLD, AND PER CAPITA SPENDING								
	2014	2015	2016	2017	2018	2019*	2020*	
POPULATION (IN MILLIONS)	12.9	12.8	12.8	12.8	12.7	12.7	12.7	12.7
LOTTERY (FY)								
Lottery Transfers (\$ in mil)	\$815.4	\$690.2	\$680.2	\$738.2	\$731.7	\$734.6	\$637.6	
Gaming Hold (\$ in mil)	\$1,103.1	\$1,098.4	\$890.7	\$1,019.0	\$1,021.8	\$1,069.3	\$989.7	
% Change in Gaming Hold	-0.9%	-0.4%	-18.9%	14.4%	0.3%	4.6%	-7.4%	
**Per Capita Spending	\$86	\$86	\$69	\$80	\$80	\$84	\$78	
% Change in Per Capita Spending	-0.8%	-0.2%	-18.9%	14.7%	0.8%	5.0%	-7.2%	
HORSE RACING (CY)								
State Revenue (\$ in mil)	\$7.0	\$6.5	\$6.0	\$6.0	\$5.7	\$5.7	\$6.2	
Gaming Hold (\$ in mil)	\$140.5	\$134.1	\$127.0	\$130.8	\$127.9	\$124.1	\$121.7	
% Change in Gaming Hold	1.7%	-4.5%	-5.3%	3.0%	-2.2%	-2.9%	-1.9%	
**Per Capita Spending	\$11	\$10	\$10	\$10	\$10	\$10	\$10	
% Change in Per Capita Spending	1.8%	-4.3%	-5.3%	3.2%	-1.8%	-2.6%	-1.7%	
RIVERBOAT CASINOS (FY)								
Amount to Ed. Assist. Fund (\$ in mil)	\$321.0	\$292.0	\$277.0	\$270.0	\$271.9	\$268.6	\$195.2	
Gaming Hold or AGR (\$ in mil)	\$1,488.0	\$1,459.4	\$1,428.9	\$1,405.6	\$1,386.7	\$1,347.1	\$942.7	
% Change in Gaming Hold	-6.7%	-1.9%	-2.1%	-1.6%	-1.3%	-2.9%	-30.0%	
**Per Capita Spending	\$116	\$114	\$111	\$110	\$109	\$106	\$74	
% Change in Per Capita Spending	-6.6%	-1.7%	-2.1%	-1.4%	-0.9%	-2.5%	-29.9%	
VIDEO GAMING (FY)								
Amount to Cap. Projects Fund (\$ in mil)	\$114.0	\$195.7	\$251.6	\$296.0	\$347.2	\$394.7	\$376.2	
Gaming Hold or NTI (\$ in mil)	\$456.0	\$782.7	\$1,006.3	\$1,184.0	\$1,388.8	\$1,578.9	\$1,393.2	
% Change in Gaming Hold	375.0%	71.6%	28.6%	17.7%	17.3%	13.7%	-11.8%	
**Per Capita Spending	\$35	\$61	\$78	\$92	\$109	\$124	\$110	
% Change in Per Capita Spending	375.4%	72.0%	28.6%	18.0%	17.9%	14.1%	-11.6%	
ALL WAGERING								
Total Revenue (\$ in mil)	\$1,257.4	\$1,184.4	\$1,214.8	\$1,310.2	\$1,356.4	\$1,403.7	\$1,215.2	
Gaming Hold (\$ in mil)	\$3,187.6	\$3,474.6	\$3,453.0	\$3,739.4	\$3,925.1	\$4,119.4	\$3,447.3	
% Change in Gaming Hold	8.3%	9.0%	-0.6%	8.3%	5.0%	5.0%	-16.3%	
**Per Capita Spending	\$248	\$271	\$269	\$292	\$308	\$324	\$272	
% Change in Per Capita Spending	8.4%	9.2%	-0.6%	8.6%	5.5%	5.3%	-16.1%	
*The Gaming Hold figures for horse racing (FY 2019 and FY 2020) and lottery (FY 2020) are estimates.								
** Per capita spending equals gaming hold divided by population.								
Note: There are minor differences between the numbers shown above and numbers shown later in the report due to a timing lag between figures based on actual receipts (as shown in table above) and figures based on monthly reports (as shown later in report).								
SOURCES: ILLINOIS RACING BOARD, ILLINOIS DEPT. OF REVENUE, ILLINOIS GAMING BOARD, CENSUS.GOV.								

The revenue totals and composition percentages discussed in the previous tables could look much different in the near future due to the recent enactment of P.A. 101-0031, which became effective in June 2019. This was followed up by P.A. 101-0648 in June 2020 to modify some of these changes. The Acts make numerous changes to State law impacting multiple tax revenue sources. However, the most significant changes, especially as they relate to this report, are to the gaming industry.

Among the changes created by these Acts are the authorization of six new casinos in Illinois, including a 4,000 position Chicago Casino; racinos at Illinois' horse tracks; increased gaming positions at existing locations; increased betting and terminal limits at video gaming establishments; and the authorization of sports wagering in Illinois. Some of these changes have already been implemented or are in their early stages of implementation (increased gaming positions, video gaming changes, sports wagering on a limited basis), while other potential changes remain in the development stage (new casinos, new racinos, further development of sports wagering). Proponents are hopeful that these changes will help revitalize areas that have seen their share of struggles in recent years.

For example, Illinois' casino industry has been demonstrating a declining trend in recent years. The adjusted gross receipts (AGR) of the ten operating casinos fell a combined -30.0% in FY 2020. While the severity of this decline is due to the pandemic-related suspension of gaming operations between March and June of 2020, this decrease marks the eighth consecutive fiscal year of declining revenues. The Rivers Casino in Des Plaines continues to be, by far, Illinois' most successful casino in terms of revenues generated, growing 4.4% over the five years prior to the pandemic.

However, even the popular Rivers Casino could not avoid the negative impacts of COVID-19 as its AGR fell from \$440 million to \$321 million in FY 2020. Even before FY 2020, all of the other nine casinos had experienced declines over the past several years with eight of the nine experiencing double digit losses. The pandemic further exacerbated these declines. Competition from the Des Plaines casino and the rapid development of video gaming in Illinois are viewed as the primary reasons for these overall downward trends.

The Casino section of this report includes a detailed look at the revenue performance of Illinois' casinos, as well as the revenue returns of other casinos throughout the Midwest, and discusses how these results compare. Included in this section is a detailed look at the specific changes to the casino industry stemming from P.A. 101-0031 and P.A. 101-0648 and how they could impact gaming revenues.

Although the recently enacted changes will expand gambling in the near future, some would argue that significant expansion has already taken place in recent years with the rapid growth of video gaming in Illinois. By the end of FY 2020, the number of video gaming terminals in operation across Illinois surpassed 36,000, the equivalent of over 30 full-size (1,200 positions) Illinois casinos. The number of new terminals being introduced per month had slowed in recent years. However, P.A. 101-0031's allowance of increased terminal limits has already resulted in higher totals. The

suspension of gaming because of the virus prevented the growth from being demonstrated in the way of increased revenues. However, when the slowdowns from the virus fade and some sense of normalcy returns, it is expected that the combination of additional terminals and higher tax rates implemented under the gaming package will result in significant growth in tax revenues from video gaming.

The proliferation of video gaming terminals throughout the State has occurred despite the fact that the City of Chicago and numerous other communities in Illinois are not participating in video gaming due to local government bans on this form of gambling. The Video Gaming section provides a breakdown of the location and performance of the gaming terminals currently established across the State, along with a discussion of how the casino industry has been impacted by the emergence of video gaming. The changes of P.A. 101-0031 and P.A. 101-0648 pertaining to video gaming are also discussed throughout this section.

The largest amount of revenues from gaming-related sources continues to come from the State's lottery program. However, the Illinois Lottery was not immune to the effects of the pandemic as total sales fell 5.8% in FY 2020 from \$2.977 billion to \$2.805 billion. Although instant ticket sales were relatively flat (-0.5%), draw games were down nearly 15%. As a consequence to these declines, transfers to the Common School Fund fell from \$731 million to \$630 million in FY 2020, a drop of 13.8%.

Even prior to the virus, lottery sales have seen little growth over the past several years. The lack of significant growth in lottery sales is considered disappointing as higher totals were hoped for under private management. In 2010, Northstar became the first management company to manage the Illinois Lottery. But due to poor performance, a new firm called Camelot Illinois took over day-to-day management of the lottery in 2018. The virus-related disruptions have made it difficult to gauge whether lottery performance has improved since this change has taken place. A discussion on this private management agreement, along with other statistics and issues surrounding the lottery is included in the Lottery section of this report.

As the popularity of video gaming grows in Illinois, the polar opposite has been the case for the horse racing industry. The amount wagered on Illinois horse racing (the handle) in 2019 was at \$557 million, which is 24.4% below levels seen just a decade ago. The racing industry is hopeful that they can augment these revenue losses through P.A. 101-0031's authorization of racinos and sports wagering at its race tracks, although not all tracks may participate. Details regarding the impact of racinos at other racetracks across the country, as well as other pertinent information relating to horse racing, are provided in the Horse Racing section.

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

CASINO GAMBLING

CASINO GAMBLING

Illinois became the second state to legalize riverboat casinos in February 1990 with the passage of the Riverboat Gambling Act (Public Act 86-1029). The State receives revenue from licensed riverboat gambling through license fees, wagering taxes, and admission taxes. The wagering tax (or privilege tax) is based on the adjusted gross receipts (AGR) of a casino, while the admission tax is based on the number of patrons visiting the facility.

Because of this tax structure, adjusted gross receipts and admissions figures are the principal components that determine the amount of tax revenue collected by the State each year. While the State receives the majority of the revenue from casino taxes, a portion of the wagering tax and the admissions tax is distributed to the county and municipality where the casino is located.

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

Recently enacted P.A. 101-0031 and P.A. 101-0648 will soon bring about numerous and significant changes to the casino industry in the years to come, including the authorization of several new casino licenses. Details regarding these changes and the potential impact that these changes will have on Illinois' gaming climate are discussed throughout this section.

The section opens by providing a basic summary of Illinois tax structure imposed in FY 2020. It then summarizes the major changes that will take place as a result of the gaming expansion package. Following this is a synopsis of Illinois' FY 2020 casino statistics and how these numbers compare to past years and to other gaming states across the country. The effects of the COVID-19 virus on gaming figures are clearly evident in these numbers.

The section concludes with a detailed discussion of the major components of P.A. 101-0031 and P.A. 101-0648 and how the expansion of gaming in Illinois could impact individual locations and overall tax revenues.

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

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

Adjusted Gross Receipts	Tax Rates (Prior to P.A. 101-0031 and P.A. 101-0648)
Up to \$25M	15.0%
\$25M to \$50M	22.5%
\$50M to \$75M	27.5%
\$75M to \$100M	32.5%
\$100M to \$150M	37.5%
\$150M to \$200M	45.0%
Over \$200M	50.0%

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

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

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

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

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

After July 2013, revenues from the Des Plaines Casino were distributed as follows:

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

Changes to the Casino Industry under P.A. 101-0031 and P.A. 101-0648

In June 2019, P.A. 101-0031 was enacted, creating numerous changes to Illinois' gaming industry. In June 2020, P.A. 101-0648 was enacted, modifying some of those changes. The highlights of these Acts, as they relate to the casino industry, are laid out below. A more detailed discussion of the potential impact of these changes are included on page 23 of the report.

- **Six New Casinos.** P.A. 101-0031 authorizes the issuance of six additional licenses to conduct casino operations in Illinois. These shall be located in the following locations:
 - 1) In the City of Chicago
 - 2) In the City of Danville.
 - 3) In the City of Waukegan.
 - 4) In the City of Rockford.
 - 5) In the South Suburbs of Cook County.
 - 6) In an unincorporated area of Williamson County.

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

- **New Racinos.** P.A. 101-0031 authorizes both electronic gaming and table games at Illinois racetracks (racinos). The gaming positions at the racinos shall be allocated as follows:
 - 1) up to 1,200 gaming positions for any electronic gaming licensee in Cook County (Arlington, Hawthorne);
 - 2) up to 900 gaming positions for any electronic gaming licensee outside of Cook County (Fairmount).
 - 3) In addition, the Board shall issue an organization license limited to Standardbred racing to a racetrack located in Cook County. If established, this location could have 1,200 gaming positions, and the ability to offer internet wagering on horse racing.
- **Existing Casino Position Increase.** Casinos already in operation shall also see their gaming position limit increased from 1,200 to 2,000 positions. The initial fee for each gaming position obtained on or after the effective date of this amendatory Act shall range from \$17,500 to \$30,000 per position (depending on location). These fees are to be deposited into the Rebuild Illinois Projects Fund.
- **Location Options.**
 - **Land-Based Option.** An owners licensee may conduct land-based gambling operations upon approval by the Board and payment of a fee of \$250,000, which shall be deposited into the State Gaming Fund.
 - **Gaming at Airports.** The Chicago casino may conduct gaming operations at O'Hare and/or Midway. The combined number of gaming positions operating in the City of Chicago at the airports and at the temporary and permanent casino facility may not exceed the maximum number of gaming positions authorized.
 - **Temporary Facilities.** New casinos and racinos may conduct gaming at a temporary facility pending the construction of a permanent facility or the remodeling or relocation of an existing facility to accommodate gaming participants for up to 24 months after the temporary facility begins to conduct

gaming. This timeframe may be extended up to 12 months upon approval of the Board.

- **Admission Tax for Racinos.** P.A. 101-0031 provides that the admission tax for racinos shall be at the rate of \$3 per person. Of this amount, \$1 would go to various local governments that host the gaming licensee. The remaining \$2 in tax shall be transferred into the Capital Projects Fund.
- **Revised Privilege Tax Structure.** P.A. 101-0031 modifies the privilege tax structure to be imposed on the casinos and the racinos. It is shown below. Under P.A. 101-0031, this revised tax structure was set to begin on the first day that a new casino conducts gambling operations, either in a temporary facility or a permanent facility. However, P.A. 101-0648 modified the language to provide that this revised privilege tax rate structure shall begin July 1, 2020 and shall be imposed on all casinos other than the Chicago Casino.

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

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

- **Chicago Casino Privilege Tax Structure.** P.A. 101-0648 eliminates the additional tax created by P.A. 101-0031 that was equal to 1/3 of the Chicago casino's AGR and provides a new privilege tax rate structure to be imposed on the Chicago Casino. Similar to the revised tax structure imposed on all non-Chicago casinos, the enacted Chicago Casino privilege tax has a separate tax structure for table games and slot machines. However, the rates imposed will be different. The Chicago Casino tax rate structure is as follows:

City of Chicago Privilege Tax Structure under P.A. 101-0648						
	Electronic Gaming Device Tax			Table Game Tax		
	State Tax	City of Chicago Tax	Total Tax	State Tax	City of Chicago Tax	Total Tax
AGR < \$25 million	12.0%	10.5%	22.5%	8.1%	6.9%	15.0%
AGR between \$25M and \$50M	16.0%	14.0%	30.0%	10.7%	9.3%	20.0%
AGR between \$50M and \$75M	20.1%	17.4%	37.5%	10.7%	9.3%	20.0%
AGR between \$75M and \$100M	21.4%	18.6%	40.0%	11.2%	9.8%	21.0%
AGR between \$100M and \$150M	22.7%	19.8%	42.5%	11.2%	9.8%	21.0%
AGR between \$150M and \$175M	24.1%	20.9%	45.0%	11.2%	9.8%	21.0%
AGR between \$175M and \$225M	24.1%	20.9%	45.0%	13.5%	11.5%	25.0%
AGR between \$225M and \$275M	26.8%	23.2%	50.0%	15.1%	12.9%	28.0%
AGR between \$275M and \$375M	26.8%	23.2%	50.0%	16.2%	13.8%	30.0%
AGR between \$375M and \$1.0B	26.8%	23.2%	50.0%	18.9%	16.1%	35.0%
AGR > \$1.0B	40.0%	34.7%	74.7%	18.9%	16.1%	35.0%

- **Distribution of Chicago Casino Tax Revenues.** Distribution language is created under P.A. 101-0648 to provide that of the tax revenue generated from the Chicago Casino's privilege tax that is to be paid to the City of Chicago, an amount equal to 0.5% of the annual AGR generated by the Chicago Casino, shall be distributed to Cook County for the purpose of enhancing the criminal justice system. The balance is to be distributed to the City of Chicago and shall be expended or obligated by the City for pension payments.
- **One-Time Revenue Sources.** The following one-time revenues were established to be collected under P.A. 101-0031 and deposited into the Rebuild Illinois Projects Fund.
 - **Bidding for New Licenses.** Owners licenses newly authorized may be issued by the Board to a qualified applicant pursuant to an open and competitive bidding process.
 - **License Fees.** Each new casino and racino must pay a fee for the issuance or renewal of a license in the amount of \$250,000. Each location must also pay an initial fee ranging from \$17,500 to \$30,000 per gaming position.
 - **Reconciliation Payments.** P.A. 101-0031 provides for several types of reconciliation payments that would be collected at various times of the implementation process. This includes a \$15 million payment at the time of issuance as well as future payments equal to 75% of the AGR for the most lucrative 12-month period of operations minus certain upfront fees paid.

Under P.A. 101-0031, these reconciliation payments were to be paid within two years after casinos were in operations. P.A. 101-0648 provides that the reconciliation payment installments can now be made over a period of no more than six years.

- **Licensing Process.** P.A. 101-0648 provides that if at any point after June 1, 2020 there are no pending applications for a gaming license and not all licenses authorized have been issued, then the Gaming Board shall reopen the license application process for those licenses that have not been issued. The Gaming Board shall follow the licensing process previously laid out with all time frames tied to the last date for issuing a license rather than the effective date of the amendatory Act.
- **Position Fee Payment Date Change.** P.A. 101-0648 provides that a casino that obtains additional gaming positions after June 28, 2019 shall pay a fee for these positions by July 1, 2021. Under P.A. 0031, the deadline for date of payment was to be July 1, 2020. [In effect, casinos may operate additional positions for two years before the additional fee is due].

Data Analysis

The tables below and on the following page provide a summary of the performance of each of the State's ten active casino licenses during FY 2015 thru FY 2020 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)*. The impact of the suspension of operations due to the COVID-19 virus is clearly seen in the FY 2020 figures.

TABLE 3: ILLINOIS CASINO ADJUSTED GROSS RECEIPTS						
(FY 2015 - FY 2020)						
(\$ in millions)						
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020**
Des Plaines	\$428.2	\$424.7	\$429.3	\$438.5	\$440.1	\$321.2
Joliet Harrah's	\$195.8	\$185.8	\$182.6	\$179.1	\$175.2	\$116.3
Elgin	\$168.8	\$170.0	\$166.4	\$162.9	\$157.2	\$107.6
Joliet Hollywood	\$123.9	\$125.2	\$120.0	\$120.7	\$115.2	\$79.1
Aurora	\$125.1	\$119.7	\$121.2	\$117.6	\$115.1	\$77.7
East St. Louis	\$106.8	\$108.1	\$107.0	\$99.1	\$94.3	\$67.2
Metropolis	\$83.6	\$82.4	\$79.7	\$73.6	\$68.7	\$50.8
East Peoria	\$93.2	\$86.0	\$78.9	\$77.7	\$74.5	\$48.7
Rock Island	\$77.3	\$76.7	\$72.1	\$70.0	\$66.7	\$43.9
Alton	\$56.6	\$50.4	\$48.3	\$47.4	\$40.0	\$30.1
TOTAL	\$1,459.4	\$1,428.9	\$1,405.6	\$1,386.7	\$1,347.1	\$942.7
% INCREASE	-1.9%	-2.1%	-1.6%	-1.3%	-2.9%	-30.0%
** Due to the COVID-19 pandemic, gaming operations were suspended from March 16, 2020 thru June 30, 2020.						
SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT						

TABLE 4: ILLINOIS CASINO ADMISSIONS						
(FY 2015 - FY 2020)						
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020**
Des Plaines	3,463,309	3,346,849	3,187,953	3,035,086	2,945,397	2,079,184
Joliet Harrah's	1,594,741	1,530,609	1,429,434	1,332,463	1,241,286	853,823
Elgin	1,341,104	1,366,731	1,320,807	1,237,674	1,150,227	799,024
Joliet Hollywood	1,084,189	1,101,637	1,047,889	1,001,302	929,855	643,872
Aurora	1,072,737	1,018,597	1,000,218	945,109	924,555	636,257
East St. Louis	1,311,198	1,226,581	1,142,751	1,000,640	928,944	697,294
Metropolis	702,039	655,981	563,224	484,155	443,686	343,620
East Peoria	997,589	920,257	808,396	746,844	721,444	480,095
Rock Island	1,073,840	1,026,313	973,516	942,041	857,142	590,216
Alton	625,566	532,252	509,339	490,469	407,886	301,731
TOTAL	13,266,312	12,725,807	11,983,527	11,215,783	10,550,422	7,425,116
% INCREASE	-5.3%	-4.1%	-5.8%	-6.4%	-5.9%	-29.6%
** Due to the COVID-19 pandemic, gaming operations were suspended from March 16, 2020 thru June 30, 2020.						
SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT						

**TABLE 5: STATE REVENUE GENERATED FROM ILLINOIS CASINOS
(FY 2015 - FY 2020)**

(\$ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020**
Des Plaines*	\$165.3	\$163.4	\$165.2	\$169.0	\$169.6	\$124.8
Joliet Harrah's	\$57.5	\$53.0	\$51.7	\$50.4	\$48.5	\$34.0
Elgin	\$46.2	\$46.6	\$44.5	\$44.0	\$41.2	\$29.7
Joliet Hollywood	\$29.2	\$29.8	\$28.1	\$28.4	\$26.5	\$19.4
Aurora	\$29.9	\$28.0	\$28.2	\$27.3	\$26.3	\$19.0
East St. Louis	\$24.6	\$24.2	\$24.2	\$21.4	\$19.8	\$15.6
Metropolis	\$16.1	\$15.9	\$15.0	\$13.7	\$12.1	\$9.5
East Peoria	\$19.6	\$17.8	\$15.6	\$14.9	\$14.0	\$9.7
Rock Island	\$14.1	\$14.0	\$13.0	\$12.3	\$11.6	\$8.3
Alton	\$9.6	\$8.2	\$7.7	\$7.4	\$6.5	\$4.7
TOTAL	\$412.1	\$400.8	\$393.0	\$388.8	\$376.1	\$274.6
% INCREASE	-3.7%	-2.7%	-1.9%	-1.1%	-3.3%	-27.0%
Des Plaines Distributions*:	(\$76.8)	(\$76.7)	(\$76.8)	(\$77.0)	(\$77.0)	(\$59.4)
Total after Distributions:	\$335.3	\$324.1	\$316.2	\$311.8	\$299.0	\$215.2
% INCREASE	-4.6%	-3.3%	-2.4%	-1.4%	-4.1%	-28.0%

* P.A. 98-0018 provided that Chicago State U. receive \$1.6M per year and the School Infrastructure Fund annually receive \$66.4M per year from the Des Plaines Casino tax revenue deposited into the State Gaming Fund. In addition, the Cook County Criminal Justice System would receive 2% of Des Plaines' AGR. P.A. 101-0031 increased the amount to Chicago State University from \$1.6M to \$3.0M per year, for FY 2019 and thereafter. In FY 2020, due to COVID-19, only \$50.0M of the \$66.4M was sent to the School Infrastructure Fund.

** Due to the COVID-19 pandemic, gaming operations were suspended from March 16, 2020 thru June 30, 2020.

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

**TABLE 6: LOCAL REVENUE GENERATED FROM ILLINOIS CASINOS
(FY 2015 - FY 2020)**

(\$ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020**
Des Plaines	\$24.9	\$24.6	\$24.7	\$25.0	\$24.9	\$18.1
Joliet Harrah's	\$11.4	\$10.8	\$10.6	\$10.3	\$10.0	\$6.7
Elgin	\$9.8	\$9.9	\$9.6	\$9.4	\$9.0	\$6.2
Joliet Hollywood	\$7.3	\$7.4	\$7.0	\$7.0	\$6.7	\$4.6
Aurora	\$7.3	\$7.0	\$7.1	\$6.8	\$6.7	\$4.5
East St. Louis	\$6.7	\$6.6	\$6.5	\$6.0	\$5.6	\$4.1
Metropolis	\$4.9	\$4.8	\$4.5	\$4.2	\$3.9	\$2.9
East Peoria	\$5.7	\$5.2	\$4.8	\$4.6	\$4.4	\$2.9
Rock Island	\$4.9	\$4.9	\$4.6	\$4.4	\$4.2	\$2.8
Alton	\$3.5	\$3.1	\$2.9	\$2.9	\$2.4	\$1.8
TOTAL	\$86.2	\$84.2	\$82.3	\$80.5	\$77.9	\$54.6
% INCREASE	-2.4%	-2.4%	-2.3%	-2.1%	-3.3%	-30.0%

** Due to the COVID-19 pandemic, gaming operations were suspended from March 16, 2020 thru June 30, 2020.

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

**TABLE 7: TOTAL REVENUE GENERATED FROM ILLINOIS CASINOS
(FY 2015 - FY 2020)**

(\$ in millions)

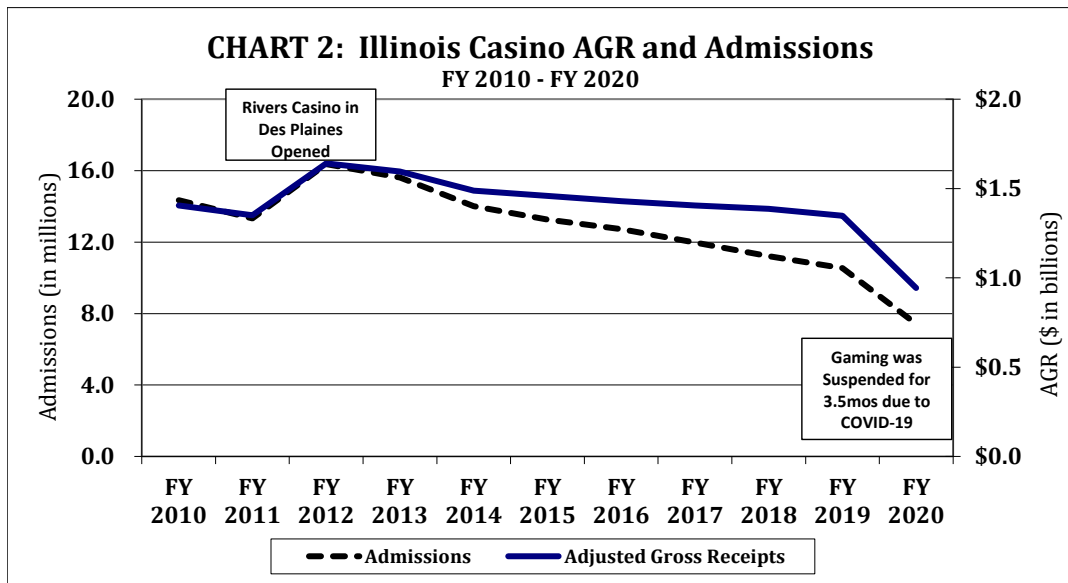
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020**
Des Plaines	\$190.1	\$188.0	\$189.9	\$194.0	\$194.5	\$143.0
Joliet Harrah's	\$68.9	\$63.9	\$62.2	\$60.7	\$58.5	\$40.7
Elgin	\$56.0	\$56.4	\$54.1	\$53.4	\$50.3	\$35.9
Joliet Hollywood	\$36.5	\$37.1	\$35.1	\$35.4	\$33.2	\$24.0
Aurora	\$37.2	\$35.0	\$35.3	\$34.1	\$33.0	\$23.5
East St. Louis	\$31.2	\$30.8	\$30.6	\$27.3	\$25.5	\$19.7
Metropolis	\$21.0	\$20.7	\$19.5	\$17.8	\$16.0	\$12.4
East Peoria	\$25.2	\$23.0	\$20.3	\$19.5	\$18.4	\$12.6
Rock Island	\$19.1	\$18.9	\$17.6	\$16.8	\$15.7	\$11.1
Alton	\$13.1	\$11.3	\$10.6	\$10.3	\$8.9	\$6.5
TOTAL	\$498.3	\$485.0	\$475.3	\$469.4	\$454.0	\$329.2
% INCREASE	-3.5%	-2.7%	-2.0%	-1.2%	-3.3%	-27.5%

** Due to the COVID-19 pandemic, gaming operations were suspended from March 16, 2020 thru June 30, 2020.

SOURCE: ILLINOIS GAMING BOARD, MONTHLY RIVERBOAT CASINO REPORT

Statewide Historical Perspective

Over the last decade, Illinois' casinos have seen a downward trend in adjusted gross receipts (AGR) and admission totals. Numerous factors have influenced the performance of Illinois casinos, including the tumultuous economy, competition from nearby casinos, and the introduction of video gaming. These declines have been further exacerbated by the suspension of gaming operations during the latter half of FY 2020. These declines are illustrated below.



In years during and immediately following the Great Recession, gaming numbers struggled. Illinois' statewide AGR figures followed an -18.3% decline in FY 2009 with subsequent declines of -5.0% in FY 2010 and -3.8% in FY 2011. Casino admissions also faltered with a decline of -7.1% in FY 2011. In FY 2012, casino figures finally improved as adjusted gross receipts and admissions increased 21.5% and 22.7%, respectively. The opening of the Des Plaines casino was the primary reason for this dramatic improvement. However, declines in casino figures have occurred ever since.

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

As mentioned above, due to the closure of the casinos between March 16, 2020 and June 30, 2020, adjusted gross receipts fell 30% in FY 2020. Similarly, admission totals were down 29.6% compared to the prior year. It should be noted, however, that before the pandemic hit, Illinois' AGR totals (thru February) were actually up 2.1% for the first 8 months of the fiscal year. However, this was in large part due to the increase in the number of positions at the River's Casino in Des Plaines (this will be discussed later in the report).

Casino by Casino Perspective

On an individual basis, the recent performance of Illinois' ten casinos has mostly followed the overall downward trend. The only casino that has seen positive growth in adjusted gross receipts in recent years is the Rivers Casino in Des Plaines, growing in six of the seven fiscal years prior to the pandemic. Rivers has grown 7.3% between FY 2013 and FY 2019. The remaining nine casinos all experienced declines of at least 15% over this same time frame.

The suspension of gaming operations from March 16th thru the end of the fiscal year resulted in even higher pronounced losses in FY 2020. As shown in the table below, the year-over-year losses in each casino's adjusted gross receipts in FY 2020 ranged from -24.7% in Alton to -34.6% in East Peoria. Even the successful Rivers Casino in Des Plaines fell 27.0% in FY 2020 as a result of the virus related shutdowns.

In terms of attendance, for the fourth consecutive year, all Illinois casinos saw their admission totals fall in FY 2020. Due to the pandemic, all casinos experienced admission declines of at least -22% during the fiscal year. The largest decline came from East Peoria's casino, declining 33.5% in FY 2020. While the latest admission totals are obviously tainted due to the temporary shutdowns, admission totals have been on a steady decline over the last decade. In fact, as the table below displays, there have only been a handful of instances of positive annual growth in admissions for individual casinos during this time period.

TABLE 8: RATES OF CHANGE OF ILLINOIS CASINOS											
ADJUSTED GROSS RECEIPTS											
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Des Plaines	N/A	N/A	N/A	4.2%	2.8%	1.6%	-0.8%	1.1%	2.1%	0.4%	-27.0%
Joliet Harrah's	-13.1%	-6.9%	-8.9%	-4.1%	-5.0%	-0.2%	-5.1%	-1.8%	-1.9%	-2.2%	-33.6%
Elgin	-8.2%	0.0%	-20.8%	-11.1%	-10.5%	-6.3%	0.7%	-2.1%	-2.1%	-3.5%	-31.5%
Joliet Hollywood	22.6%	-5.8%	-8.1%	3.9%	-12.4%	0.2%	1.0%	-4.2%	0.6%	-4.5%	-31.3%
Aurora	-14.0%	-3.5%	-10.4%	-6.6%	-11.7%	-5.1%	-4.4%	1.3%	-3.0%	-2.1%	-32.5%
East St. Louis	-9.5%	-8.4%	3.2%	-2.6%	-9.7%	-8.1%	1.2%	-1.1%	-7.3%	-4.8%	-28.8%
East Peoria	-1.5%	0.8%	0.6%	-3.6%	-10.6%	-6.9%	-7.7%	-8.2%	-1.5%	-4.2%	-34.6%
Metropolis	-8.0%	-11.5%	2.7%	-10.7%	-12.2%	3.7%	-1.4%	-3.2%	-7.7%	-6.6%	-26.2%
Rock Island	44.7%	9.8%	5.3%	-2.3%	-9.3%	-0.3%	-0.8%	-5.9%	-3.0%	-4.8%	-34.1%
Alton	-7.8%	-5.5%	-6.2%	-3.4%	-12.7%	-5.4%	-11.0%	-4.2%	-1.7%	-15.6%	-24.7%
TOTAL	-5.0%	-3.8%	21.5%	-2.8%	-6.7%	-1.9%	-2.1%	-1.6%	-1.3%	-2.9%	-30.0%
ADMISSIONS											
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Des Plaines	N/A	N/A	N/A	-1.2%	-5.5%	-4.7%	-3.4%	-4.7%	-4.8%	-3.0%	-29.4%
Joliet Harrah's	-6.5%	-14.7%	-9.6%	-5.9%	-6.7%	-0.7%	-4.0%	-6.6%	-6.8%	-6.8%	-31.2%
Elgin	-0.2%	-2.9%	-16.2%	-4.9%	-10.1%	-8.8%	1.9%	-3.4%	-6.3%	-7.1%	-30.5%
Joliet Hollywood	23.3%	-3.5%	-5.0%	1.6%	-13.8%	-5.2%	1.6%	-4.9%	-4.4%	-7.1%	-30.8%
Aurora	-5.5%	-2.3%	-3.2%	-6.9%	-14.8%	-5.9%	-5.0%	-1.8%	-5.5%	-2.2%	-31.2%
East St. Louis	-5.0%	-9.4%	-0.8%	-7.7%	-13.9%	-15.0%	-6.5%	-6.8%	-12.4%	-7.2%	-24.9%
East Peoria	-1.3%	-5.5%	-3.9%	-4.2%	-10.1%	-3.9%	-7.8%	-12.2%	-7.6%	-3.4%	-33.5%
Metropolis	-3.9%	-19.6%	0.0%	-12.9%	-12.6%	11.7%	-6.6%	-14.1%	-14.0%	-8.4%	-22.6%
Rock Island	30.1%	6.3%	-5.3%	-3.7%	-12.0%	-3.2%	-4.4%	-5.1%	-3.2%	-9.0%	-31.1%
Alton	-4.2%	-11.2%	-8.4%	-9.1%	-14.3%	-10.8%	-14.9%	-4.3%	-3.7%	-16.8%	-26.0%
TOTAL	0.6%	-7.1%	22.7%	-4.6%	-10.2%	-5.3%	-4.1%	-5.8%	-6.4%	-5.9%	-29.6%

SOURCE: ILLINOIS GAMING BOARD

Tax Revenue Analysis

The amount of tax revenues collected from Illinois casinos is directly related to each casino's adjusted gross receipts and admissions. Casinos that saw increases/decreases in these figures saw similar changes in the amount of State revenues collected. As shown below, State revenues from Illinois casinos fell -27.0% in FY 2020 – again, in large part due the pandemic. When including the statutory distributions from the Des Plaines Casino, the falloff worsens to -28.0%.

TABLE 9: ANNUAL PERCENT CHANGE OF CASINO STATE REVENUES								
Comparison of FY 2017 thru FY 2020								
\$ in millions								
	FY 2017	Annual	FY 2018	Annual	FY 2019	Annual	FY 2020	Annual
	STATE	% change	STATE	% change	STATE	% change	STATE	% change
	REVENUE		REVENUE		REVENUE		REVENUE	
Des Plaines*	\$165.2	1.1%	\$169.0	2.3%	\$169.6	0.3%	\$124.8	-26.4%
Joliet Harrah's	\$51.7	-2.6%	\$50.4	-2.4%	\$48.5	-3.7%	\$34.0	-30.0%
Elgin	\$44.5	-4.4%	\$44.0	-1.1%	\$41.2	-6.2%	\$29.7	-28.0%
Joliet Hollywood	\$28.1	-5.7%	\$28.4	0.9%	\$26.5	-6.7%	\$19.4	-26.8%
Aurora	\$28.2	0.9%	\$27.3	-3.1%	\$26.3	-3.7%	\$19.0	-27.8%
East St. Louis	\$24.2	0.0%	\$21.4	-11.4%	\$19.8	-7.3%	\$15.6	-21.3%
Metropolis	\$15.0	-6.0%	\$13.7	-8.8%	\$12.1	-11.3%	\$9.5	-21.7%
East Peoria	\$15.6	-12.4%	\$14.9	-4.4%	\$14.0	-6.0%	\$9.7	-30.8%
Rock Island	\$13.0	-6.8%	\$12.3	-5.3%	\$11.6	-6.3%	\$8.3	-28.5%
Alton	\$7.7	-7.0%	\$7.4	-2.7%	\$6.5	-13.3%	\$4.7	-27.7%
TOTAL	\$393.0	-1.9%	\$388.8	-1.1%	\$376.1	-3.3%	\$274.6	-27.0%
Des Plaines Distributions*:	-\$76.8		-\$77.0		-\$77.0		-\$59.4	
Total after Distributions:	\$316.2	-2.4%	\$311.8	-1.4%	\$299.0	-4.1%	\$215.2	-28.0%

Note: P.A. 98-0018 provided that Chicago State U. receive \$1.6M per year and the School Infrastructure Fund annually receive \$66.4M per year from the Des Plaines Casino tax revenue deposited into the State Gaming Fund. In addition, the Cook County Criminal Justice System would receive 2% of Des Plaines' AGR. P.A. 101-0031 increased the amount to Chicago State University from \$1.6M to \$3.0M per year, for FY 2019 and thereafter. In FY 2020, due to COVID-19, only \$50.0M of the \$66.4M was sent to the School Infrastructure Fund.

Source: Illinois Gaming Board Monthly Riverboat Casino Report

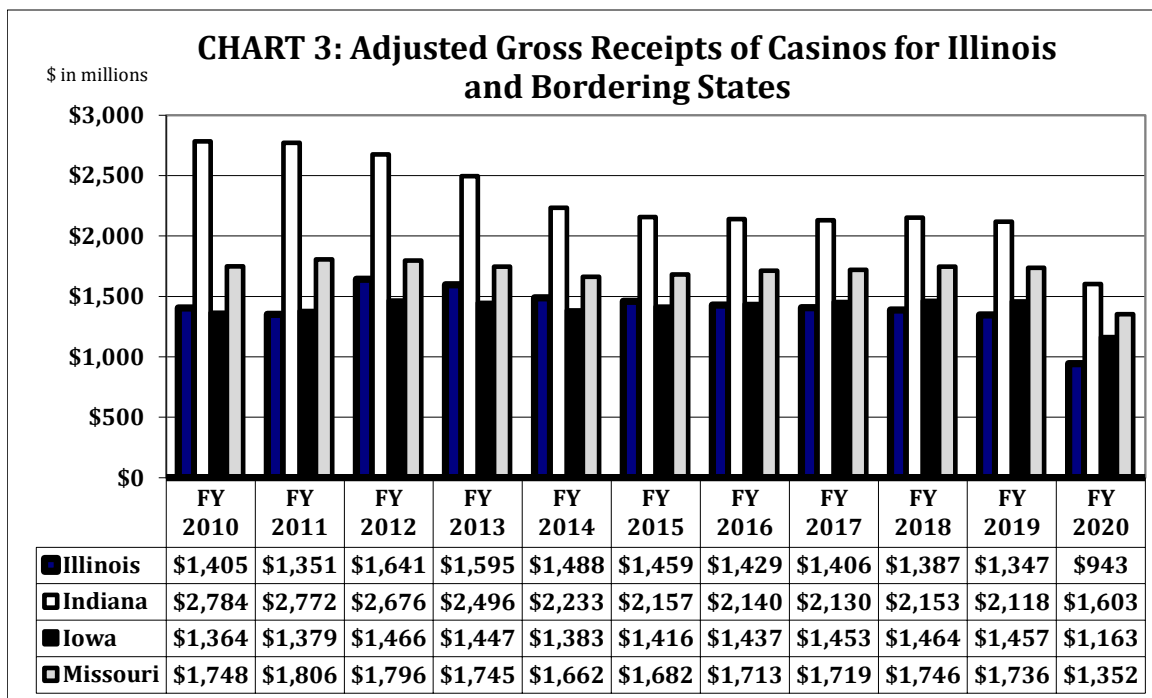
The rate of change in State revenues will often be more pronounced than the change in AGR because lower AGR totals lead to a lower effective operating tax rate under the graduated tax structure. For example, as shown below, the overall effective tax rate fell from 27.2% in FY 2015 to 26.2% in FY 2019 as a result of lower statewide adjusted gross receipt totals. Interestingly, though, this figure increased to 27.3% in FY 2020 despite the significant decline in AGR totals during the fiscal year. However, this is mainly because gaming was suspended during many of the lower effective tax rate months of the year. (Taxable income accrues on a calendar year basis. Therefore, the higher taxed months of July thru December are included in the FY 2020 calculation, whereas the lower taxed months of April-June were not). This effective tax rate is expected to be notably lower in FY 2021 as a result of the reduced tax structure set into place by P.A. 101-0031 and P.A. 101-0648 (discussed later in report).

TABLE 10: OPERATING TAX RATES FOR ILLINOIS CASINOS						
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Des Plaines	42.0%	41.9%	42.0%	42.2%	42.2%	42.6%
Joliet Harrah's	32.8%	31.9%	31.7%	31.7%	31.3%	32.8%
Elgin	30.8%	30.8%	30.1%	30.5%	29.8%	31.1%
Joliet Hollywood	27.2%	26.7%	26.6%	26.6%	26.3%	27.8%
Aurora	26.8%	27.0%	26.7%	26.8%	26.4%	27.9%
East St. Louis	25.6%	25.1%	25.4%	24.6%	24.1%	26.2%
Metropolis	22.6%	22.8%	22.4%	22.3%	21.3%	22.3%
East Peoria	23.9%	23.5%	22.7%	22.2%	21.8%	22.9%
Rock Island	20.5%	20.6%	20.4%	19.9%	19.8%	21.1%
Alton	19.8%	19.2%	18.8%	18.6%	19.1%	18.5%
Average Tax Rate	27.2%	26.9%	26.7%	26.5%	26.2%	27.3%

Competition for the Midwest Gaming Dollar

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

The chart below displays the AGR of these Midwestern states over the past decade. After being a “leader” for years in this region, Illinois’ status has fallen over time. FY 2011 was the first fiscal year that Illinois had the lowest amount of gaming revenue of the casino-operating states in the Midwest. The addition of Des Plaines to Illinois’ casino market in FY 2012 helped Illinois temporarily elevate above Iowa for a couple of years. However, Illinois’ recent decline in casino revenues has again caused the state to fall to the fourth highest AGR total in the Midwest for the past five years with a FY 2020 AGR total of \$943 million, behind Indiana (\$1.603 B), Missouri (\$1.352 B), and Iowa (\$1.163 B).



Not surprisingly, due to the impacts of the virus, these states experienced significant declines in their AGR in FY 2020 as well. However, Illinois’ decline of 30% was much more severe than Indiana (-24.3%), Iowa (-20.2%) and Missouri (-22.1%). One of the main reasons for this is that the neighboring states reopened earlier than Illinois. Iowa and Missouri reopened on June 1st, Indiana June 15th, while Illinois did not reopen until July 1st. Similar to Illinois, the out-of-state casinos instituted capacity limits upon return and blocked off a number of gaming terminals in order to follow health guidelines. This, too, contributed to the falloff in gaming receipts in FY 2020.

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

Indiana

- Despite having a population of about half the size of Illinois, Indiana's AGR totals of its casinos continue to be higher than Illinois. In FY 2020, Indiana's total was \$1.602 billion compared to Illinois' total of \$943 million. However, its AGR has consistently fallen over the last decade. In FY 2009 its AGR totals were over \$2.8 billion. While the five Chicago Area casinos in Indiana have seen their numbers falter in recent years, these casinos still make up nearly half (48.6% in FY 2020) of the Chicago area casino market.
- Indiana hopes to revitalize their casino figures via a new "Hard Rock" casino in Lake County, which will replace the Majestic Star casinos currently located in Gary. The new casino, which is set to open in 2021, will be located adjacent to the Borman Expressway (I-94) at Burr Street and 29th Avenue, thereby making it easily accessible from the south suburbs of Chicago. This casino will be in direct competition with many of the Illinois casinos in that area, especially the new casino authorized in the south suburbs of Cook County.
- A new casino has also been authorized to be located in Vigo County near Terre Haute. This casino, scheduled to open in late 2021, will be under the Hard Rock International brand and called the Rocksino. It will lie minutes from Illinois' border and will bring competition for the new Illinois casino approved for Danville.
- On September 1, 2019, sports betting became legal in Indiana. This new gaming format is available at Indiana casinos, racinos, or off-track betting facilities.

Missouri

- Adjusted Gross Receipts from Missouri casinos fell slightly (-22.1%) in FY 2020, in large part due to the pandemic, but were relatively stagnant (+4.4%) over the previous five fiscal years. The four St. Louis area casinos near the Illinois border generated \$681 million in adjusted gross receipts in FY 2020, below the \$885 million generated in FY 2019. Approximately 87% of the AGR revenues in this area are collected in Missouri.
- The growth in St. Louis' area AGR may have been more if it were not for the increased competition from video gaming terminals in Illinois. The four Illinois counties closest to St. Louis (Jersey, Madison, Monroe, and St. Clair) had over 2,500 video gaming terminals in operation in FY 2020 with net terminal income totaling \$78 million. More competition could soon come to the area with the authorization of a racino at Fairmount Racetrack, which could add as many as 900 new gaming positions to this metropolitan area on the Illinois side of the border.

Iowa

- Despite a much smaller population, the FY 2020 AGR totals were again higher in Iowa (\$1.163 billion) than Illinois (\$943 million). While Iowa's AGR totals are down 20.2% in FY 2020, prior to the pandemic, Iowa casinos were up a modest 5.4% over the previous five years. In FY 2020, on an individual basis, Illinois' Rock Island Casino (\$44M) was outperformed by Bettendorf's Isle of Capri (\$51M) and Davenport's Rhythm City (64M). With two casinos compared to one, Iowa brings in the majority of revenues in this area. An additional \$152 million in AGR was brought in by other Iowa casinos near the Illinois border.
- Iowa casinos hope to see attendance and revenue boosts due to the recent approval of sports betting at casinos. This new gaming format began on August 15, 2019.

Wisconsin

- While Wisconsin does not have public casinos, it does have a number of tribal gaming facilities throughout the state. The closest Wisconsin casinos to Illinois' border currently reside in Milwaukee and Madison.
- There is a proposal to bring a tribal casino to the city of Beloit (just north of Rockford) which could potentially be approved in the near future. The project, which has already received federal approval from the Bureau of Indian Affairs, is awaiting final approval from the Wisconsin government. This \$405 million casino project would be located across from the Wisconsin Welcome Center, just past the Illinois border, along I-39/I-90. This casino would be in direct competition with Illinois' newly authorized casino location in Rockford.
- Another proposal for the city of Kenosha, a few miles north of Waukegan, was rejected by Wisconsin Governor Scott Walker in 2015.

Michigan

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

Nationwide Gaming Perspective

From a national perspective, revenues from gaming (including racetrack casinos, riverboat casinos, and video gaming) have seen modest amounts of growth over the past several years. Looking at the top gaming states in the country (commercial gaming) as a whole, gaming revenues have grown at an average rate of 2.2% over the past five years, although the latest year of data, CY 2019, was slightly below this average at 1.6%. It should be emphasized that this data set, which is on a calendar year basis, does not include the impact of the COVID-19 virus.

Nevada remains, by far, the largest commercial gaming state in the country (\$12.032 billion in CY 2019), followed by Pennsylvania (\$3.267 billion), Louisiana (\$3.084 billion, when including video gaming), and Illinois (\$3.031 billion, when including video gaming). Tables displaying a recent history of gaming dollars for the Midwest and other prominent gaming states on a calendar year basis are shown in the table below.

Table 12: AGR from Commercial Gaming (Including Casinos, Racinos, and Video Gaming Revenues)													
\$ in billions													
	(Midwest States)				(Other Prominent Gaming States)								
CY	IL*	IN	IA	MO	LA*	MI	MS	NV	NJ	NY	Ohio	PA	Total**
2010	\$1.374	\$2.794	\$1.368	\$1.788	\$2.984	\$1.378	\$2.389	\$10.405	\$3.261	\$1.083	\$0.000	\$2.486	\$31.310
2011	\$1.477	\$2.721	\$1.424	\$1.805	\$2.981	\$1.424	\$2.239	\$10.701	\$2.951	\$1.255	\$0.000	\$3.025	\$32.003
2012	\$1.651	\$2.636	\$1.467	\$1.769	\$3.014	\$1.417	\$2.251	\$10.861	\$2.707	\$1.797	\$0.430	\$3.158	\$33.158
2013	\$1.853	\$2.332	\$1.420	\$1.707	\$3.042	\$1.350	\$2.137	\$11.143	\$2.860	\$1.928	\$1.071	\$3.114	\$33.954
2014	\$2.125	\$2.157	\$1.391	\$1.660	\$3.064	\$1.333	\$2.068	\$11.019	\$2.616	\$1.902	\$1.448	\$3.069	\$33.852
2015	\$2.352	\$2.142	\$1.424	\$1.702	\$3.242	\$1.376	\$2.097	\$11.114	\$2.414	\$1.950	\$1.644	\$3.174	\$34.632
2016	\$2.523	\$2.125	\$1.446	\$1.714	\$3.115	\$1.386	\$2.122	\$11.257	\$2.280	\$2.016	\$1.691	\$3.213	\$34.889
2017	\$2.711	\$2.153	\$1.463	\$1.738	\$3.137	\$1.401	\$2.080	\$11.571	\$2.413	\$2.348	\$1.776	\$3.227	\$36.018
2018	\$2.875	\$2.151	\$1.467	\$1.754	\$3.157	\$1.444	\$2.127	\$11.917	\$2.540	\$2.588	\$1.864	\$3.249	\$37.134
2019	\$3.031	\$2.114	\$1.468	\$1.729	\$3.084	\$1.454	\$2.201	\$12.032	\$2.687	\$2.731	\$1.941	\$3.267	\$37.738
Annual % Change													
CY	IL*	IN	IA	MO	LA*	MI	MS	NV	NJ	NY	Ohio	PA	Total**
2010	-3.8%	-0.2%	-0.9%	3.3%	-3.4%	2.9%	-3.1%	0.1%	-17.3%	6.8%	N/A	26.6%	2.5%
2011	7.5%	-2.6%	4.1%	1.0%	-0.1%	3.4%	-6.3%	2.8%	-9.5%	16.0%	N/A	21.7%	2.2%
2012	11.8%	-3.1%	3.0%	-2.0%	1.1%	-0.5%	0.5%	1.5%	-8.2%	43.2%	N/A	4.4%	3.6%
2013	12.2%	-11.5%	-3.2%	-3.5%	0.9%	-4.7%	-5.1%	2.6%	5.6%	7.2%	149.1%	-1.4%	2.4%
2014	14.7%	-7.5%	-2.0%	-2.7%	0.7%	-1.2%	-3.2%	-1.1%	-8.5%	-1.3%	35.3%	-1.4%	-0.3%
2015	10.7%	-0.7%	2.4%	2.5%	5.8%	3.3%	1.4%	0.9%	-7.7%	2.5%	13.5%	3.4%	2.3%
2016	7.2%	-0.8%	1.5%	0.7%	-3.9%	0.7%	1.2%	1.3%	-5.6%	3.4%	2.9%	1.2%	0.7%
2017	7.5%	1.4%	1.1%	1.4%	0.7%	1.1%	-2.0%	2.8%	5.9%	16.5%	5.0%	0.4%	3.2%
2018	6.1%	-0.1%	0.3%	1.0%	0.6%	3.1%	2.2%	3.0%	5.3%	10.2%	4.9%	0.7%	3.1%
2019	5.4%	-1.8%	0.0%	-1.4%	-2.3%	0.7%	3.5%	1.0%	5.8%	5.5%	4.2%	0.6%	1.6%
5-yr Avg	7.4%	-0.4%	1.1%	0.8%	0.2%	1.8%	1.3%	1.8%	0.7%	7.6%	6.1%	1.3%	2.2%
* Includes Video Gaming Revenues													

As noted above, before any aspects of the gaming expansion enacted under P.A. 101-0031 are included in gaming totals, Illinois, when including revenues from video gaming, is already the fourth highest state in the nation, in terms of gaming revenues generated. It is estimated that once the proposed changes of the gaming expansion bill are fully implemented, over \$1 billion in additional gaming related revenues could be generated across the State. This will make Illinois the second highest generator of gaming revenues in the nation, trailing only Nevada. Of course, any long-lasting impacts from the COVID-19 pandemic may prevent/delay this from occurring.

The Future of the Casino Industry and the Anticipated Impact of P.A. 101-0031 and P.A. 101-0648

Over the past couple of decades, many legislative proposals advocating gaming expansion have been offered by State lawmakers, but, up until 2019, these proposals failed to garner enough support for enactment. However, in June 2019, this all changed as Governor Pritzker signed into law P.A. 101-0031. Parts of this Act were modified by P.A. 101-0648, which was signed into law in June 2020. While these public acts make numerous changes to State law impacting a wide range of tax revenues, this section will focus on the changes that will impact the casino industry.

The question of how much revenue could be generated from gaming expansion is difficult to answer because there are a number of variables that affect the amount of revenue collected. This includes the location of the new casinos; the existing gaming competition that exists in each of these areas; the impact of the new taxing structure; the cannibalization effect on existing facilities, and the lingering impact of the pandemic.

With these factors in mind, the following paragraphs offer a brief analysis of the principal components of the casino-related changes of P.A. 101-0031 and P.A. 101-0648. It then discusses the revenue potential from these gaming components upon full implementation. At this state of the process, these revenue projections must be viewed in broad terms because of the many uncertainties (casino locations, gaming positions per location, timeframe of openings, etc.) that have yet to be established.

- **New Casino Licenses**

Over the past several years, Illinois has had ten operating casino licenses. The public act increases this number by six, authorizing a large land-based casino in the City of Chicago, as well as five additional casino licenses in Waukegan, the South Suburbs, Rockford, Danville, and in Williamson County. The new casinos, especially the large 4,000 position (max) casino in Chicago, will no doubt generate millions of dollars to the State and local governments, but how much revenue could these new casinos realistically generate?

The amount of revenue generated from the newly authorized downstate locations would probably be very similar to the other smaller “existing” casinos across the State. This would mean downstate casinos like Danville and Williamson County would likely see adjusted gross receipts (taxable base) of less than \$75 million per location and would see recurring tax revenues totaling less than \$15 million per location.

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

Because of its anticipated large size, a new 4,000 position casino strategically located near an untapped area of Chicago should exceed Illinois' highest revenue generating casino, which was Des Plaines in FY 2019 (\$440M), and would rival other large casinos across the country. To put a Chicago casino's revenue potential into perspective, below are the top 25 casinos in the Great Lakes Region in terms of AGR in CY 2019. [These calendar year totals are used, as opposed to the report's typical fiscal year comparisons, to avoid the comparative complications caused by suspended gaming play due to the COVID-19 pandemic].

Table 13: Statistical Summary of the Top 25 Revenue Generating Casinos in the Great Lakes Region (Including the States of Illinois, Indiana, Iowa, Michigan, Missouri, Ohio, and Pennsylvania)											
<i>\$ in millions</i>											
Rank	Location	State	CY 2013 AGR	CY 2014 AGR	CY 2015 AGR	CY 2016 AGR	CY 2017 AGR	CY 2018 AGR	CY 2019 AGR	Dec 2019 Positions	AGR/ Pos/Day
1	MGM GRAND - Detroit	Michigan	\$566.8	\$561.1	\$582.0	\$592.1	\$592.2	\$619.2	\$623.5	3,901	\$438
2	PARX - Bensalem	Pennsylvania	\$487.7	\$490.6	\$523.5	\$551.7	\$566.5	\$602.7	\$613.9	3,903	\$431
3	WIND CREEK - Bethlehem	Pennsylvania	\$465.0	\$470.0	\$513.9	\$535.2	\$545.7	\$521.0	\$522.2	4,064	\$352
4	MOTORCITY CASINO - Detroit	Michigan	\$454.3	\$445.0	\$464.5	\$467.9	\$478.6	\$489.7	\$493.6	2,740	\$494
5	RIVERS CASINO - Des Plaines	Illinois	\$418.9	\$425.5	\$425.0	\$428.4	\$433.0	\$441.8	\$450.5	1,317	\$937
6	HORSESHOE - Hammond	Indiana	\$480.4	\$430.5	\$421.3	\$399.5	\$403.7	\$392.5	\$389.1	2,727	\$391
7	THE RIVERS - Pittsburgh	Pennsylvania	\$352.0	\$346.3	\$348.3	\$334.2	\$335.5	\$357.4	\$379.7	3,018	\$345
8	GREEKTOWN CASINO - Detroit	Michigan	\$328.3	\$326.7	\$329.9	\$325.6	\$329.7	\$335.2	\$337.2	3,344	\$276
9	THE RIVERS - Philadelphia	Pennsylvania	\$265.6	\$265.1	\$269.0	\$297.7	\$297.7	\$302.5	\$312.0	2,325	\$368
10	INDIANA GRAND - Shelbyville	Indiana	\$217.9	\$236.5	\$241.0	\$250.1	\$263.4	\$261.7	\$271.1	1,801	\$412
11	AMERISTAR - St. Charles	Missouri	\$258.4	\$259.8	\$265.1	\$261.1	\$263.3	\$267.2	\$266.8	2,541	\$288
12	MGM - Northfield	Ohio	\$8.2	\$179.8	\$209.5	\$225.1	\$239.5	\$255.9	\$253.6	2,069	\$336
13	HARRAH'S - Chester	Pennsylvania	\$311.2	\$286.8	\$286.6	\$272.1	\$263.5	\$261.7	\$250.6	2,661	\$258
14	PENN NATIONAL - Grantville	Pennsylvania	\$266.8	\$247.4	\$250.3	\$244.2	\$244.8	\$242.6	\$240.3	2,206	\$298
15	HOLLYWOOD - Maryland Hts	Missouri	\$232.3	\$218.3	\$226.0	\$233.8	\$237.8	\$233.6	\$237.8	2,248	\$290
16	THE MEADOWS - Washington	Pennsylvania	\$264.3	\$245.4	\$251.5	\$253.0	\$250.9	\$246.9	\$235.6	2,702	\$239
17	HOLLYWOOD - Columbus	Ohio	\$210.8	\$207.8	\$210.3	\$213.5	\$220.9	\$226.5	\$229.2	2,426	\$259
18	MOHEGAN SUN - Wilkes-Barre	Pennsylvania	\$263.4	\$262.8	\$265.3	\$261.7	\$246.9	\$234.1	\$226.8	2,066	\$301
19	RIVER CITY - St. Louis	Missouri	\$207.4	\$209.1	\$220.9	\$224.1	\$225.7	\$226.3	\$221.2	2,034	\$298
20	HOOSIER PARK - Anderson	Indiana	\$191.6	\$197.4	\$205.6	\$205.2	\$208.4	\$214.2	\$213.7	1,337	\$438
21	JACK - Cleveland	Ohio	\$242.6	\$220.4	\$212.7	\$203.6	\$197.9	\$204.9	\$212.1	1,853	\$314
22	PRAIRIE MEADOWS - Altoona	Iowa	\$187.3	\$183.5	\$182.6	\$187.0	\$194.7	\$206.5	\$208.3	1,771	\$322
23	CAESARS - Harrison County	Indiana	\$260.9	\$253.7	\$244.4	\$238.9	\$247.5	\$228.4	\$207.8	1,543	\$369
24	JACK - Cincinnati	Ohio	\$184.5	\$197.8	\$196.5	\$189.3	\$201.5	\$203.5	\$207.7	2,246	\$253
25	AMERISTAR - East Chicago	Indiana	\$212.5	\$216.3	\$221.7	\$215.4	\$201.7	\$217.5	\$206.5	2,064	\$274

As shown, the casino with the highest amount of AGR in this region in CY 2019 was the MGM Grand in Detroit with adjusted gross receipts totaling \$619 million. Only three casinos in this region had AGR levels above \$500 million (MGM in Detroit, Parx near Philadelphia, and Wind Creek in Bethlehem, PA – near the New Jersey state line). These three casinos have gaming position totals similar to the 4,000 positions the Chicago Casino is authorized to operate. Some believe that a Chicago casino could potentially top the list shown above. However, it must be stressed that this would have to occur at a time that gaming options in the Chicago metropolitan area would be higher than they have ever been before.

Not only will the Chicago Casino compete with the five Illinois casinos that currently reside in the Chicago metro area, including the successful Des Plaines casino (5th on the above list, despite the fact that it has been limited to 1,200 positions), but also with five nearby Indiana casinos, two new suburban casinos (in Waukegan and the South Suburbs), two potential racinos in the metro area, as well as competing with over 14,000 video gaming terminals in the Chicago metropolitan area. The top casinos in the previous table have significantly less competition for the gaming dollar

than a Chicago Casino will have, which makes Chicago topping this list much more challenging.

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

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

- **The Chicago Feasibility Study**

In August 2019, a feasibility study by Union Gaming Analytics was released in regard to the revenue potential of a casino in the City of Chicago. The report indicated that an AGR total for a Chicago casino could reach between \$600 million and \$800 million, depending on the exact location of the casino. These amounts were based on revenue models that take into account population, nearby income levels, and the ease of accessibility of specific locations.

From a tax revenue perspective, a Chicago casino with AGR totals ranging from \$600 million to \$800 million would generate, from the privilege tax structure passed under P.A. 101-0031, between \$200 million and \$325 million (depending on table game/slot AGR split). In addition, another \$200 million to \$267 million in tax revenues would be generated from the separate tax on the Chicago Casino equal to 1/3 of the casino's AGR. The revenue from this additional tax was earmarked for the City of Chicago.

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

It can be further expected that a casino's operating expenses (e.g. advertising, marketing, payroll, rent, utilities, etc.) can easily approach the equivalent of 30% of AGR, if not higher. Combined with the effective tax rate of 72% yields an expense structure that could exceed casino revenue. Ultimately the additional privilege tax on AGR specific to the City of Chicago results in none of the five sites

(originally discussed as location options) being financially feasible. The amount of profit generated relative to total development costs, inclusive of licensing and reconciliation fees, represents at best 1% or 2% return annually, which is not an acceptable rate of return for a casino developer on a greenfield project... (W)e believe a reasonable casino developer would not move forward with a greenfield casino that has, at best, a low single digit profit margin.

With these findings in the minds of potential casino owners, there was little movement by developers towards bidding for the Chicago Casino under this tax structure. Because of this, in the months that followed, the City of Chicago and interested parties made a strong push to alter the new law to make the casino more marketable. Ultimately, this resulted in the passage of P.A. 101-0648 and a reduced tax structure, as laid out on page 12.

In August 2020, Union Gaming Analytics game out with a “white paper” in response to the revised tax structure. In it, the authors write the following:

Public Act 101-0648 has restructured the AGR tax to be significantly more palatable for potential developers, although it does remain higher than the statutory tax rate schedule for all of the state’s other casinos...(T)he effective tax rate on AGR should be around 40%, or lower...This, in our view, should be an attractive-enough effective tax rate to result in a successful RFP process, which we think should be delayed until next year in order to allow more-financially viable gaming developers enough time to work through the ongoing COVID-19 disruptions and more properly assess their growth strategies and participation in the Chicago casino RFP.

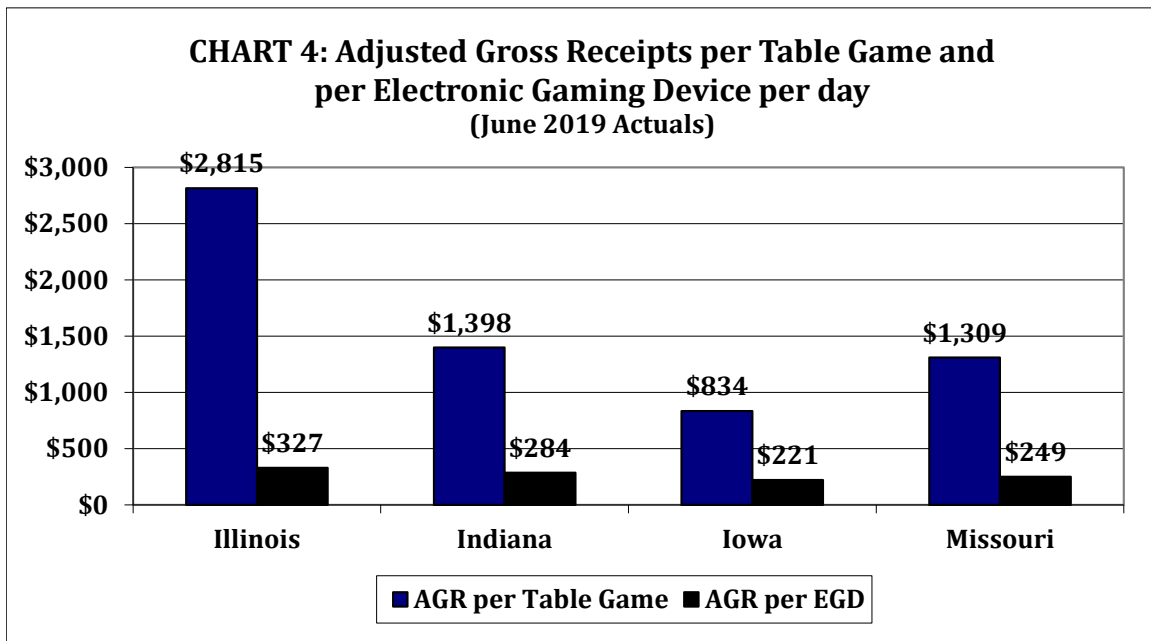
In its follow-up document, Union Gaming Analytics continues to allude to a baseline estimate for the Chicago Casino of around \$800 million. This revenue total would make the Chicago Casino, by far, the largest casino in the Great Lakes Region in terms of adjusted gross receipts.

While acknowledging that this level of AGR is possible considering the lack of gaming near the City’s downtown, the Commission cautions that this level of performance may be ambitious considering the competition that already exists from nearby casinos, the competition from newly authorized locations, the competition that already exists from nearby video gaming machines (which is not addressed in the feasibility study), and the uncertainty that remains due to the ongoing pandemic. Regardless of the ultimate amount, a successful Chicago Casino, in terms of revenues generated, would likely come at the expense of the other competing locations, especially the Illinois casinos in this area. *(This “cannibalization effect” is discussed in further detail later in this section).*

- **Additional Gaming Position Purchasing Option**

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

To illustrate how Illinois gaming limits have impacted the State’s revenue potential, the following graph displays the AGR per Table Game (per day) and the AGR per EGD (per day) for each of the Midwestern casino states (*EGD stands for electronic gaming device, i.e. slot machines*). Illinois’ AGR per Table Game and AGR per EGD values have been significantly higher than the neighboring states for a number of years. For example, Illinois’ AGR per Table Game average at the end of FY 2019 was \$2,815 compared to Indiana’s value of \$1,398, Iowa’s value of \$834, and Missouri’s value of \$1,309.



In light of this, as a way for existing casinos to respond to the upcoming competition, P.A. 101-0031 authorized casinos the opportunity to increase their available gaming positions from 1,200 positions to as many as 2,000 positions. However, to obtain these positions, the casinos must purchase these positions at a cost of \$17,500 per position for licenses not located in Cook County and \$30,000 per position for licenses located in Cook County.

Despite the opportunity to increase their gaming positions, it is assumed that most of the existing casinos will decline this opportunity. This is because prior to the onset of this additional position availability, only 3 of the 10 Illinois casinos were at or near

the maximum limit of 1,200 gaming positions (Joliet Harrah's: 1,187; Elgin: 1,200; Des Plaines: 1,200). Furthermore, there is very little incentive for these casinos to spend the money to operate additional gaming positions, especially in light of the looming additional competition that will soon be added throughout Illinois.

Gaming Board reports show that only the Rivers Casino in Des Plaines has taken the opportunity to operate at more than the 1,200 threshold. The latest pre-pandemic figures show Des Plaines with 1,340 positions in February 2020. The fact that Rivers has chosen to invest in additional positions is not surprising considering its AGR/position/day figures have been historically much higher than all other casinos in the region. As shown in Table 13, its 2019 end-of-year value was at \$957. No other casino in the region was above \$500. To many, this discrepancy shows the revenue potential that still exists for casinos near the City's downtown areas. Because of this, it would not be surprising to see Rivers' position total grow even higher in the months to come when/if normal operations resume.

However, the window of opportunity for Rivers to profit on these additional gaming positions before the new competing casinos are built and become operational may be short lived. The new gaming locations, as soon as the selection process is completed, will be seeking to open up temporary facilities as soon as possible to begin generating revenues. Unfortunately for Rivers, this period of opportunity has been shortened even further by the suspension of play and limitations caused by the COVID-19 pandemic. Time will tell whether the purchasing of these additional positions was worth the extra investment.

- **Casinos at Racetracks (Racinos)**

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

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

Proponents have contended for years that not only would racetrack casinos bring additional revenues to the State, but it would also assist in revitalizing the horse racing industry in Illinois. As noted throughout this report, Illinois' horse racing

industry is on a decidedly downward trend. Illinois' total handle amount of \$557 million in CY 2019 is 24% lower than it was just a decade ago.

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

Two neighboring states, Indiana and Iowa, have operated racinos for several years. Fiscal Year 2009 was the first full fiscal year of racetrack casinos at Indiana's two locations, Hoosier Park in Anderson and Indiana Live near Shelbyville. In CY 2019, a combined \$485 million was generated from these casinos. Iowa generated a combined \$431 million in adjusted gross receipts in CY 2019 from its three locations in Council Bluffs, Altoona, and Dubuque.

Other casinos in the Great Lakes region that have benefitted from racinos include Ohio and Pennsylvania. Ohio's seven racinos generated a total of \$1.090 billion in AGR in CY 2019 with individual location totals ranging from \$85 million to \$254 million. Pennsylvania's six racinos generated a total of \$1.697 billion in AGR in CY 2020 with individual totals ranging from \$129 million to \$614 million. A table displaying AGR totals of all of the racinos in the Great Lakes Region is shown below.

TABLE 14: CY 2017 - CY 2019 AGR Statistics at Selected Racetrack Casinos						
Racino	Location	CY 2017 AGR (in mil.)	CY 2018 AGR (in mil.)	CY 2019 AGR (in mil.)	Est. Gaming Positions (Dec '19)	AGR/ Position/ Day
Parx Casino	Bensalem, PA	\$566.5	\$602.7	\$613.9	3,903	\$431
Indiana Grand	Shelbyville, IN	\$263.4	\$261.7	\$271.1	1,801	\$412
MGM	Northfield, OH	\$239.5	\$255.9	\$253.6	2,069	\$336
Harrah's Chester Casino	Chester, PA	\$263.5	\$261.7	\$250.6	2,661	\$258
Hollywood Casino at Penn National	Grantville, PA	\$244.8	\$242.6	\$240.3	2,206	\$298
The Meadows Racetrack & Casino	Washington, PA	\$250.9	\$246.9	\$235.6	2,702	\$239
Mohegan Sun at Pocono Downs	Wilkes-Barre, PA	\$246.9	\$234.1	\$226.8	2,066	\$301
Hoosier Park	Anderson, IN	\$208.4	\$214.2	\$213.7	1,337	\$438
Prairie Meadows	Altoona, IA	\$194.7	\$206.5	\$208.3	1,771	\$322
Scioto Downs	Columbus, OH	\$160.4	\$175.1	\$183.5	1,990	\$253
Miama Valley	Lebanon, OH	\$147.5	\$161.0	\$179.8	1,674	\$294
Horseshoe Casino	Council Bluffs, IA	\$174.0	\$172.9	\$173.0	1,579	\$300
Jack Thistletown	Cleveland, OH	\$115.4	\$127.4	\$142.5	1,321	\$296
Presque Isle Downs Casino	Erie, PA	\$125.6	\$129.9	\$129.4	1,588	\$223
Hollywood - Mahoning Valley	Mahoning Valley, OH	\$112.4	\$119.1	\$128.6	990	\$356
Hollywood - Dayton	Dayton, OH	\$99.7	\$106.7	\$116.7	959	\$334
Belterra Park	Cincinnati, OH	\$82.5	\$81.2	\$85.8	1,238	\$190
Mystique Casino	Dubuque, IA	\$47.4	\$49.8	\$49.7	831	\$164

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

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

distance from competing venues, number of gaming positions utilized, tax structure imposed, etc.

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

The reality of the challenges of opening a new casino have already caused one racetrack to forgo its opportunity. Citing concerns over the tax structure and other provisions of the new law, Arlington International Racecourse announced in August 2019 that they would not pursue a casino license. They stated that the potential racino was "financially untenable". As a result, it appears that the 1,200 gaming positions allocated to this site will go unused.

While there continues to be questions on the potential success of racetrack casinos in Illinois, there also is uncertainty as to whether the authorized racinos will actually help horse racing related revenues grow. This debate is discussed in further detail in the Horse Racing section of this report.

Factors that Could Limit Tax Revenue Growth

Despite the fact that authorized gaming positions could more than triple under P.A. 101-0031 and P.A. 101-0648, the Commission projects only modest growth in gaming related tax revenues. Reasons for this are discussed below.

- **An Effectively Reduced Tax Structure**

Among the changes of P.A. 101-0031 and P.A. 101-0648 is a modification to the privilege tax structure imposed on casinos. Under current law, casinos are taxed on a graduated basis with tax rates ranging from 15% to as high as 50% for AGR over \$200 million. The new law states that, effective July 1, 2020, table games and electronic gaming devices (i.e. slot machines) have separate tax structures. The tax rates for the electronic gaming devices have the same graduated tax structure as prior law (with seven different brackets), but the tax structure on table games are lower and much simpler – taxing AGR less than \$25 million at 15% and everything over \$25 million at 20%. (*See page 12.*)

To understand the impact that this change in the tax structure could have on tax revenues the Commission took CY 2019 AGR statistics for the ten operating casinos and ran these figures through both tax scenarios. Under the previous tax structure, a privilege tax total of nearly \$425 million results. However, under the recently implemented tax structure whereby table games and EGDs are taxed separately, the same amounts of AGR would generate tax revenues of only \$348 million – an effective tax reduction of \$77 million or -18.0%. (*Note: These figures do not account for any current or future distribution of the tax revenues*).

A closer look shows that the casinos that will benefit the most from this tax structure change are the higher revenue-generating casinos – especially the ones with large amounts of table game adjusted gross receipts. For example, applying the AGR of the Rivers Casino to the new tax structure, its CY 2019 revenues would see a reduction in its calculated privilege tax by nearly \$47 million or -24.8%. This is because 34.0% of its AGR or \$153 million in CY 2019 came from table games. Under prior law this \$153 million is effectively added to the \$297 million from EGDs and therefore effectively taxed under the graduated tax structure at a rate of 50%. Under the revised tax structure, this table game tax revenue will instead be taxed at a rate of no more than 20%, thereby reducing tax revenues by \$47 million.

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

- **Other Tax Changes Reducing Tax Revenues**

There are several other tax related provisions of P.A. 101-0031 and P.A. 101-0648 that will effectively reduce the amount of tax revenues generated by Illinois casinos. This includes a modified taxable base for the East St. Louis Casino, renovation tax credits, hold harmless provisions, the removal of certain vouchers in the AGR calculation, and the creation of numerous tax revenue distributions. The combined impact of these factors is difficult to calculate because they will depend on future decisions of each casino in relation to improvements and in response to the new competition that will develop as a result of this gaming expansion. Regardless, these tax incentives for the casinos will be another set of factors that will curtail the amount of tax revenues available for State and local governments.

- **Cannibalization and Area Saturation**

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

There have been numerous gaming-related examples of this cannibalization effect in recent years. After the Rivers Casino in Des Plaines opened in 2012, the revenue generated from nearby casinos, including the nearby Indiana casinos, all saw their AGR levels fall. Rivers generated \$425 million in AGR in 2014. However, the AGR of the four nearby Illinois casinos saw their AGR levels fall a combined \$238 million or -27.7% in comparison to its pre-Rivers totals. This resulted in overall growth in AGR of only \$188 million, but still 21.8% above pre-Rivers levels. During this same period, the five Chicago area casinos in Indiana saw their AGR levels fall a combined -20.7%. While other factors may have contributed to this falloff, there is no doubt that much of these declines were due to the new competition from the Des Plaines Casino.

Indiana casinos have also been impacted in recent years by new casinos opening in the Cincinnati area. The Jack in Cincinnati opened in 2013 and had an AGR total of \$208 million in CY 2019. The Belterra Park Racino near Cincinnati opened in 2014 and had an AGR total of \$86 million in CY 2019. Since these openings, the three nearby casinos in southeast Indiana have seen their AGR levels drop from a combined \$640 million in CY 2012 to its CY 2019 combined level of only \$305 million — a decline of \$335 million or -52.3%.

It is expected that cannibalization at existing Illinois casinos is inevitable, especially those in the Chicago metropolitan area where the majority of the gaming expansion will take place. The extent that revenues from these current locations will suffer remains in question. Some would argue that many portions of this metro area are already near saturation, even without gaming expansion. This is in large part due to the extensive expansion of video gaming terminals to this area in recent years.

As is discussed in further detail in the video gaming portion of this report (on page 47), since video gaming's inception, the ten casinos in the Chicago Metropolitan Area (IL + IN) have seen their combined AGR levels fall from \$2.246 billion in FY 2012 to \$1.878 billion in FY 2019—a combined seven-year falloff of -16.4%. (The FY 2020 figures will be ignored for this portion of the analysis due to the effects of the pandemic). When the Chicago Area video gaming figures are added to the casino figures, overall gaming in the Chicago Area has increased, but only at an average increase of 2.2% per year thru FY 2019. This is despite the fact that over 12,000 video gaming terminals were added throughout the metro area during this time period (which has since increased to over 14,000 terminals in FY 2020). The relatively low rate of growth in overall gaming revenues even with the large increase in gaming options suggests that some saturation may already be occurring in this region.

The August 2019 feasibility study took a look at the revenue potential of the Chicago market. In a section entitled, "How much can a market grow before it begins to cannibalize itself?", the report states that in a well-served gaming market, the percentage of income typically allocated to gaming is approximately 1%. It then adds that "As casino supply increases in an already well-served market, the percentage of income allocated to gaming begins to stabilize, with the pie beginning to see a division into smaller pieces (i.e. cannibalization) rather than continuing to grow materially".






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

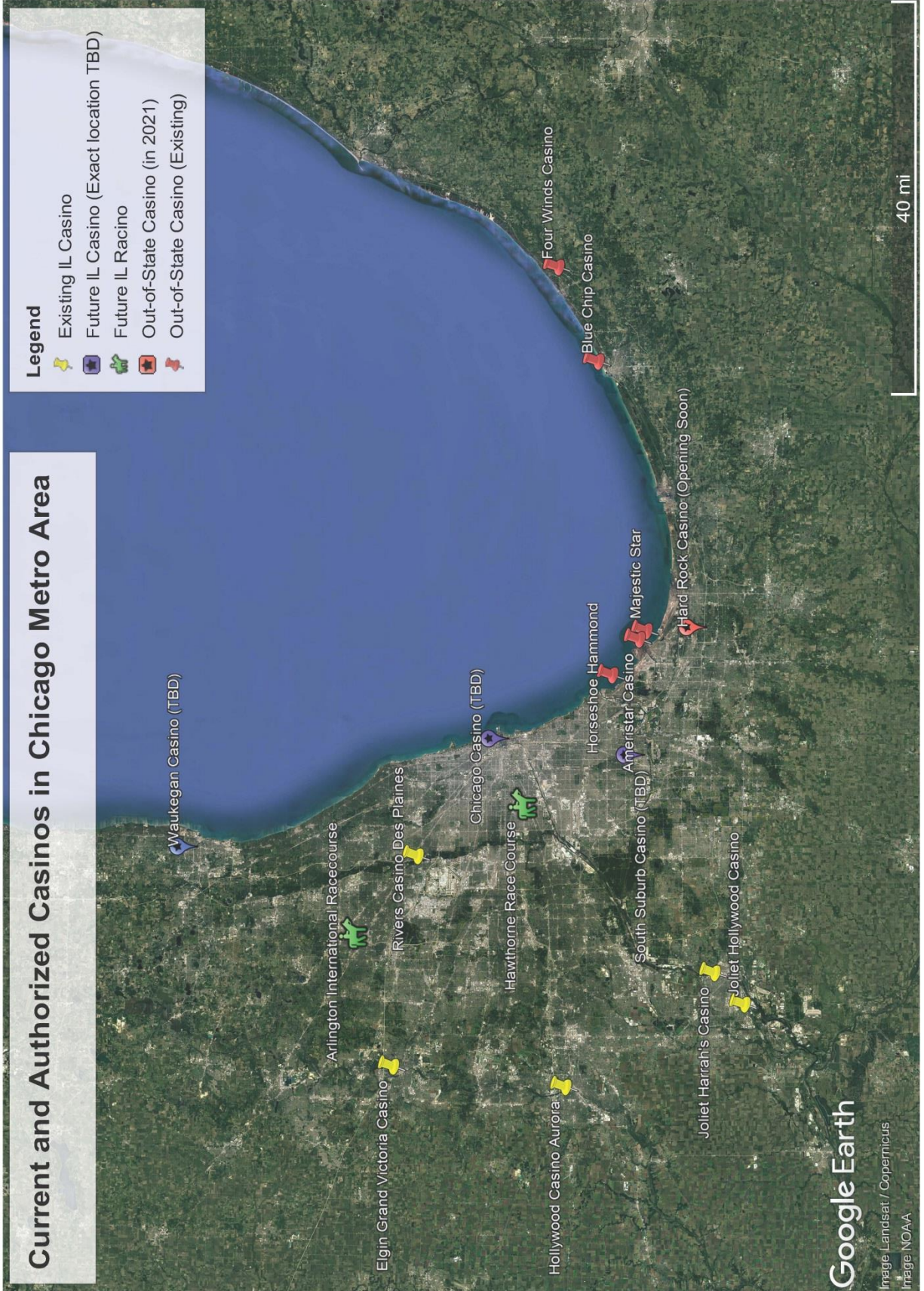
However, the Commission is concerned that the video gaming revenue component is overlooked in this calculation. If the \$0.7 billion in video gaming net terminal income from the Chicago metro area is included in this existing gaming revenue total, which seems appropriate, the area already generates around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

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

Current and Authorized Casinos in Chicago Metro Area

Legend

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



Google Earth

Image Landsat / Copernicus
Image NOAA

VIDEO GAMING

VIDEO GAMING

Video Gaming was first legalized in July 2009 thru P.A. 96-0034. The following section provides an overview of the legislation legalizing video gaming in Illinois, graphs and tables depicting the growth of video gaming thru FY 2020, a detailed discussion on the apparent impact that video gaming is having on the casino industry, and a look at the potential impact that P.A. 101-0031 and P.A. 101-0648 could have on video gaming in Illinois.

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

In July 2009, Governor Quinn signed into law Public Act 96-0034, which became the first comprehensive capital bill in many years. The revenue streams used to pay for the new capital projects were as follows: expansion of the Sales and Use Tax; privatization of the lottery/online lottery program; increasing the liquor tax; increasing motor vehicle fees; and the legalization of video gaming machines.

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

In the original arrangement, each qualified establishment was allowed to operate up to 5 video gaming terminals on its premises at any time. Revenues, after payouts, were taxed at a flat 30% tax rate with 5/6 of the revenues going to the Capital Project Fund and the remaining 1/6 distributed to all participating local governments. Of the after-tax profits from a video gaming terminal, 50% was paid to the terminal operator and 50% to the establishment conducting video gaming. As shown on the next page, these limits, rates, and distributions have been since modified.

A non-refundable application fee is paid at the time an application for a license is filed with the Gaming Board. The current level of application fees is as follows:

- | | |
|---------------------------|---|
| 1) Manufacturing: \$5,000 | 5) Technician: \$100 |
| 2) Distributor: \$5,000 | 6) Terminal Handler: \$100 (up from \$50) |
| 3) Operator: \$5,000 | 7) Establishment: \$100 |
| 4) Supplier: \$2,500 | |

In addition, the Gaming Board establishes an annual fee for each license as follows:

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

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

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

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

- **Betting Limit Changes**

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

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

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

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

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

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

- **Tax Rate Change**

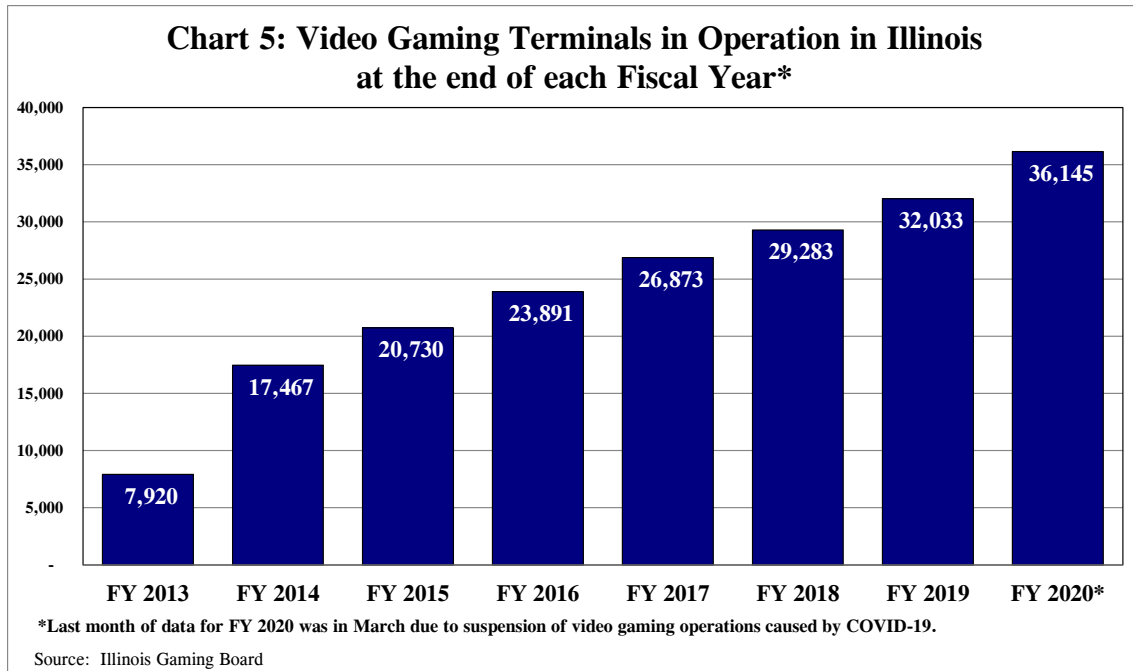
- Beginning on July 1, 2019, an additional tax of 3% is imposed on net terminal income and shall be collected by the Gaming Board (bringing the tax to 33%).
- Beginning on July 1, 2020, an additional tax of 1% is imposed on net terminal income and shall be collected by the Gaming Board (bringing the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

- **State Fair Gaming Act**

- Up to 50 video gaming terminals during the scheduled dates of the Illinois State Fair; and
- Up to 30 video gaming terminals during the scheduled dates of the DuQuoin State Fair.
- A tax is imposed at the rate of 35% of net terminal income.
- The tax revenue shall be remitted to the Gaming Board and deposited into the newly created State Fairgrounds Capital Improvements and Harness Racing Fund.
- P.A. 101-0648 modified the original legislation to provide that the Gaming Board shall issue an establishment license to the Department of Agriculture to operate video gaming at these fairs (rather than issuing the license to a concessioner).

Video Gaming Statistics

In its opening month of September 2012, 61 video gaming terminals were in operation in Illinois. By the latter half of FY 2020 (March 2020), this number had risen to 36,145 terminals. The chart below displays the significant growth in video gaming terminals across the State since video gaming began in 2012.



Between September 2012 and June 2014, an average of 838 new video gaming terminals was activated per month across Illinois. This monthly average of “new” terminals gradually slowed to 229 new terminals per month in FY 2019. However, in FY 2020, before video gaming was suspended due to the COVID-19 virus, the number of new terminals added across the State crept back up to an average of 457 per month.

The increase in both total terminals and “new” terminals added per month in FY 2020 is in large part due to the July 1, 2019 terminal limit increase from 5 to 6 terminals per regular establishments and from 5 to 10 terminals at qualifying truck stops. The FY 2020 data show that 2,361 of 7,641 (30.9%) establishments operated 6 terminals at one point during the fiscal year. In addition, one location (assumedly a truck stop) operated 9 terminals; and four maxed out at 10 terminals. A breakdown of the FY 2020 data by number of terminals per location is shown in the table below.

Video Gaming Statistics Grouped by Number of Terminals per Location									
FY 2020 Totals									
	Terminals								
	1	2	3	4	5	6	9	10	Total
# of Locations:	23	129	831	886	3,395	2,361	1	4	7,641
# of Terminals:	23	258	2,493	3,544	16,975	14,166	9	40	37,508
NTI Totals:	\$448,349	\$2,879,755	\$34,703,101	\$56,663,938	\$466,439,656	\$661,138,045	\$39,292	\$667,258	\$1,222,611,272
NTI/Location:	\$19,493	\$22,324	\$41,761	\$63,955	\$137,390	\$280,025	\$39,292	\$166,814	\$160,007
NTI/Location/Day:	\$75	\$86	\$161	\$247	\$530	\$1,081	\$152	\$644	\$618
NTI/Terminals/Day:	\$75	\$43	\$54	\$62	\$106	\$180	\$17	\$64	\$126

Note: The number of terminals shown above is different than end-of-year totals because this figure would include terminals that have since been removed from operation.

Many locations were amidst the transition to more terminals when the pandemic hit Illinois. Because of this, it is expected that the number of establishments increasing from 5 terminals will continue to grow if/when a “normal” gaming business environment returns in Illinois.

While there is a limit on the number of casinos/racinos that can be in operation across the State, Illinois does not limit the number of establishments that can offer video gaming. Although, it should be noted, that some municipalities may have their own limitations for the number of video gaming terminals that can exist in their particular area. And if municipality limits or bans on video gaming were to be lifted (such as in Chicago), the terminal total could be even higher.

As the terminals have increased, so have the amounts of revenue and tax dollars generated by these machines. As shown in the table below, total net terminal income increased from \$121 million to nearly \$1.6 billion between FY 2013 and FY 2019. This resulted in tax revenue totals growing from \$36 million in FY 2013 to a high of \$478 million in FY 2019.

This tax revenue total was expected to further increase in FY 2020 due to the tax rate hike from 30% to 33%. However, the suspension of video gaming operations between March 16th and June 30th prevented this from occurring. Still, \$404 million in total tax revenues were collected from the \$1.2 billion in net terminal income (taxable income) generated during the fiscal year. Of this tax revenue total, \$342 million went to the State (Capital Projects Fund), while the remaining \$61 million went to local governments.

The below table also lists how the net terminal income per terminal per day values rose each year between FY 2013 and FY 2019. This value fell slightly to \$130.60 in FY 2020. This slight decrease could be simply due to the increased availability of more terminals (which would cause the per-terminal values to fall during non-peek attendance times), reduced activity because of COVID-19, or a combination of both.

Table 15: Illinois Video Gaming Statistics by Fiscal Year						
Fiscal Year	Terminals in Operation at end of FY	Net Terminal Income (\$ in mil)	NTI per Terminal per Day	Total Tax Revenue (\$ in mil)	State Share (\$ in mil)	Local Share (\$ in mil)
FY 2013	7,920	\$121.1	\$41.88	\$36.3	\$30.3	\$6.1
FY 2014	17,467	\$485.4	\$76.14	\$145.6	\$121.4	\$24.3
FY 2015	20,730	\$804.8	\$106.36	\$241.4	\$201.2	\$40.2
FY 2016	23,891	\$1,020.8	\$117.06	\$306.2	\$255.2	\$51.0
FY 2017	26,873	\$1,202.0	\$122.55	\$360.6	\$300.5	\$60.1
FY 2018	29,283	\$1,406.5	\$131.59	\$421.9	\$351.6	\$70.3
FY 2019	32,033	\$1,592.5	\$136.21	\$477.8	\$398.1	\$79.6
FY 2020*	36,145	\$1,222.6	\$130.60	\$403.5	\$342.3	\$61.1

**In FY 2020, the tax rate on video gaming net terminal income increased from 30% to 33%. However, due to the COVID-19 pandemic, video gaming operations were suspended from March 16, 2020 thru June 30, 2020.*

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

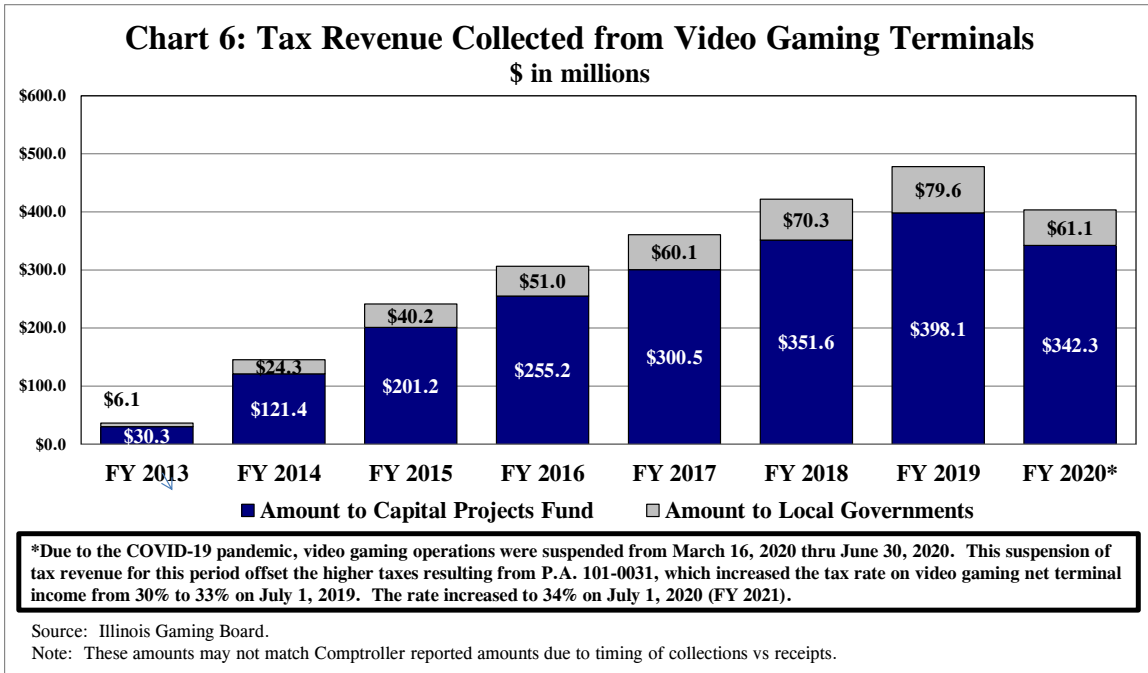


Table 16 on the following page displays the FY 2020 figures on a county by county basis. Here, the terminal total for FY 2020 is listed as 37,508. This is higher than the value of 36,145 shown in Table 15 because this figure would include terminals that have since been removed from operation. In other words, the fiscal year ended with 36,145 terminals, but 37,508 terminals were used at some point during the fiscal year.

There are several interesting observations that can be taken from the county rankings shown below. One is in regard to Cook County. Despite the fact that the City of Chicago is not participating in video gaming, Cook County still had by far the most video gaming terminals of any county in the State in FY 2020 with 6,613 terminals and the highest amount of net terminal income collected with a value of \$267.4 million. However, on a per capita basis, because of Chicago's absence, Cook County ranks near the bottom in terminal per capita (ranked 101 of 102) and in net terminal income (NTI) per capita (ranked 99 of 102).

Washington County ranked first in terminals per capita with a rate of 1.22%. The lowest ranked county in this category was DuPage County with a value of 0.11%. In terms of NTI per capita, Effingham County ranked first with a value of \$284. Ranked last in this category was Hardin County with a value of only \$41.

Table 18: Video Gaming Statistics by County Ranking											
FY 2020 Totals											
Rank	County	Terminals	Rank	County	Terminals per Capita	Rank	County	NTI (\$ in mil)	Rank	County	NTI per Capita
"TOP TWENTY COUNTIES"											
1	Cook	6,613	1	Washington	1.22%	1	Cook	\$267.4	1	Effingham	\$284
2	Lake	1,719	2	Christian	1.14%	2	Lake	\$75.5	2	Christian	\$260
3	Will	1,559	3	Mason	1.12%	3	Winnebago	\$62.3	3	Macon	\$259
4	Sangamon	1,434	4	La Salle	1.06%	4	Will	\$54.6	4	La Salle	\$253
5	Winnebago	1,430	5	Jo Daviess	1.03%	5	DuPage	\$51.3	5	Washington	\$248
6	McHenry	1,236	6	Putnam	0.96%	6	Sangamon	\$46.8	6	Sangamon	\$240
7	Madison	1,180	7	Gallatin	0.95%	7	McHenry	\$38.8	7	Jo Daviess	\$236
8	La Salle	1,149	8	Marshall	0.94%	8	Kane	\$38.5	8	Morgan	\$233
9	St. Clair	1,095	9	Effingham	0.94%	9	Madison	\$35.8	9	Clark	\$228
10	Kane	1,089	10	Carroll	0.89%	10	St. Clair	\$35.5	10	De Witt	\$228
11	DuPage	1,048	11	Bureau	0.89%	11	La Salle	\$27.5	11	Lawrence	\$227
12	Peoria	747	12	Cass	0.88%	12	Macon	\$26.9	12	Winnebago	\$221
13	Champaign	698	13	Marion	0.86%	13	Champaign	\$26.7	13	Marion	\$219
14	Rock Island	655	14	Montgomery	0.84%	14	Peoria	\$21.7	14	Lee	\$218
15	Macon	621	15	Morgan	0.84%	15	Mclean	\$20.3	15	Logan	\$216
16	Tazewell	587	16	De Witt	0.84%	16	Rock Island	\$16.8	16	Cass	\$214
17	Kankakee	551	17	Iroquois	0.83%	17	Kankakee	\$16.7	17	Randolph	\$209
18	Mclean	520	18	Scott	0.83%	18	Tazewell	\$15.7	18	Whiteside	\$206
19	Williamson	464	19	Pike	0.82%	19	Vermilion	\$15.4	19	Montgomery	\$206
20	Vermilion	421	20	Livingston	0.81%	20	Williamson	\$11.5	20	Vermilion	\$204
"BOTTOM TWENTY COUNTIES"											
83	Massac	67	83	Wayne	0.41%	83	Marshall	\$1.5	83	Jackson	\$103
84	Cumberland	67	84	Wabash	0.41%	84	Wabash	\$1.3	84	Crawford	\$99
85	Clay	66	85	McHenry	0.40%	85	Warren	\$1.3	85	Calhoun	\$98
86	Jasper	64	86	Johnson	0.39%	86	Alexander	\$1.1	86	Dekalb	\$96
87	Putnam	55	87	Woodford	0.36%	87	Jasper	\$1.1	87	Hamilton	\$89
88	Henderson	53	88	Dekalb	0.36%	88	Mercer	\$1.0	88	Schuyler	\$80
89	Johnson	48	89	Schuyler	0.35%	89	Scott	\$0.9	89	Will	\$79
90	Wabash	47	90	Hardin	0.34%	90	Henderson	\$0.9	90	Warren	\$75
91	Gallatin	46	91	Champaign	0.33%	91	Johnson	\$0.8	91	Kane	\$72
92	Alexander	43	92	Hamilton	0.31%	92	Hamilton	\$0.7	92	Kendall	\$72
93	Scott	41	93	Mclean	0.30%	93	Putnam	\$0.7	93	Edwards	\$71
94	Calhoun	37	94	Brown	0.29%	94	Gallatin	\$0.6	94	Mercer	\$65
95	Pulaski	35	95	Pope	0.29%	95	Stark	\$0.6	95	Woodford	\$63
96	Stark	34	96	Mcdonough	0.26%	96	Pulaski	\$0.6	96	Johnson	\$61
97	Edwards	28	97	Lake	0.25%	97	Schuyler	\$0.5	97	Mcdonough	\$60
98	Hamilton	25	98	Will	0.23%	98	Calhoun	\$0.5	98	DuPage	\$56
99	Schuyler	24	99	Kendall	0.21%	99	Edwards	\$0.5	99	Cook	\$52
100	Brown	19	100	Kane	0.20%	100	Brown	\$0.3	100	Brown	\$51
101	Hardin	13	101	Cook	0.13%	101	Pope	\$0.2	101	Pope	\$44
102	Pope	12	102	DuPage	0.11%	102	Hardin	\$0.2	102	Hardin	\$41

Note: Due to the COVID-19 pandemic, video gaming operations were suspended from March 16, 2020 thru June 30, 2020.
Source: <http://www.igb.illinois.gov/VideoReports.aspx>. County compilations by CGFA.

Behind Cook County, Lake County had the second highest number of both video gaming terminals and net terminal income in the State. Coming in third in the amount of net terminal income generated was Winnebago County. A major reason for this is that two of the top five Illinois cities for net terminal income reside in Winnebago County: Rockford (ranked 2nd with \$24.4 million) and Loves Park (ranked 5th with \$14.1 million).

Springfield had the highest number of terminals in the State in FY 2020 at 704 terminals, as well as the highest amount of net terminal income with \$24.6 million collected. Below is a list of the top 25 municipalities with video gaming in Illinois in FY 2020. Here, the municipalities are ranked according to terminals and according to net terminal income. Next to the net terminal income column is the amount of tax revenue generated in FY 2020 from these locations and distributed to the State (Capital Projects Fund) and to the local governments.

Table 19: Top Municipalities with Video Gaming
FY 2020 Totals
 \$ in millions

Rank	Municipality*	Terminals	Rank	Municipality*	Net Terminal Income (taxable base)	Tax Revenue	State Tax Share	Local Tax Share
1	Springfield	701	1	Springfield	\$24.6	\$7.4	\$6.2	\$1.2
2	Rockford	517	2	Rockford	\$24.4	\$7.3	\$6.1	\$1.2
3	Decatur	492	3	Decatur	\$23.2	\$7.0	\$5.8	\$1.2
4	Joliet	413	4	Waukegan	\$16.5	\$4.9	\$4.1	\$0.8
5	Loves Park	324	5	Loves Park	\$14.1	\$4.2	\$3.5	\$0.7
6	Lake County	317	6	Cicero	\$13.1	\$3.9	\$3.3	\$0.7
7	Champaign	303	7	Champaign	\$12.9	\$3.9	\$3.2	\$0.6
8	Peoria	292	8	Joliet	\$12.8	\$3.8	\$3.2	\$0.6
9	Berwyn	276	9	Bloomington	\$12.0	\$3.6	\$3.0	\$0.6
10	Waukegan	269	10	Oak Lawn	\$10.8	\$3.2	\$2.7	\$0.5
11	Bloomington	265	11	Lake County	\$10.4	\$3.1	\$2.6	\$0.5
12	Cicero	262	12	Berwyn	\$10.0	\$3.0	\$2.5	\$0.5
13	Quincy	245	13	Peoria	\$9.3	\$2.8	\$2.3	\$0.5
14	Sangamon County	240	14	Sangamon County	\$9.0	\$2.7	\$2.3	\$0.5
15	Oak Lawn	228	15	Quincy	\$8.9	\$2.7	\$2.2	\$0.4
16	Ottawa	216	16	Crestwood	\$7.4	\$2.2	\$1.9	\$0.4
17	Kankakee	214	17	Tinley Park	\$7.2	\$2.2	\$1.8	\$0.4
18	Crestwood	201	18	McHenry	\$7.2	\$2.1	\$1.8	\$0.4
19	Pekin	200	19	Aurora	\$7.0	\$2.1	\$1.8	\$0.4
20	McHenry	183	20	Kankakee	\$6.9	\$2.1	\$1.7	\$0.3
21	Effingham	183	21	Elmwood Park	\$6.9	\$2.1	\$1.7	\$0.3
22	Taylorville	182	22	Niles	\$6.9	\$2.1	\$1.7	\$0.3
23	Belleville	179	23	Effingham	\$6.6	\$2.0	\$1.6	\$0.3
24	Galesburg	178	24	Ottawa	\$6.5	\$1.9	\$1.6	\$0.3
25	Tinley Park	175	25	Mount Vernon	\$6.4	\$1.9	\$1.6	\$0.3

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

Notes: In FY 2020, the tax rate on video gaming net terminal income increased from 30% to 33%. Due to the COVID-19 pandemic, video gaming operations were suspended from March 16, 2020 thru June 30, 2020.

Local Governments Banning Video Gaming

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

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

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

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

www.igb.illinois.gov/VideoProhibit.aspx.

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

In 2013, the Commission calculated that the percentage of the State’s population that lived in an area banning video gaming was at 63.3%. The FY 2020 data shows that the percentage of Illinois communities without video gaming has fallen to approximately 36%. More and more local governments searching for additional revenues are turning to video gaming as a new revenue source. Again, those communities that offer video gaming are set to receive 5% (1/6 of original 30% tax) of total revenues collected. As the need for additional local revenues grows, so does the pressure to overturn the ban.

For example, several of the higher populated municipalities that have been in the aforementioned table over the past several years are no longer included because they now allow video gaming. These include Buffalo Grove, Crystal Lake, Lombard, Mount Prospect, Niles, Orland Park, and St. Charles.

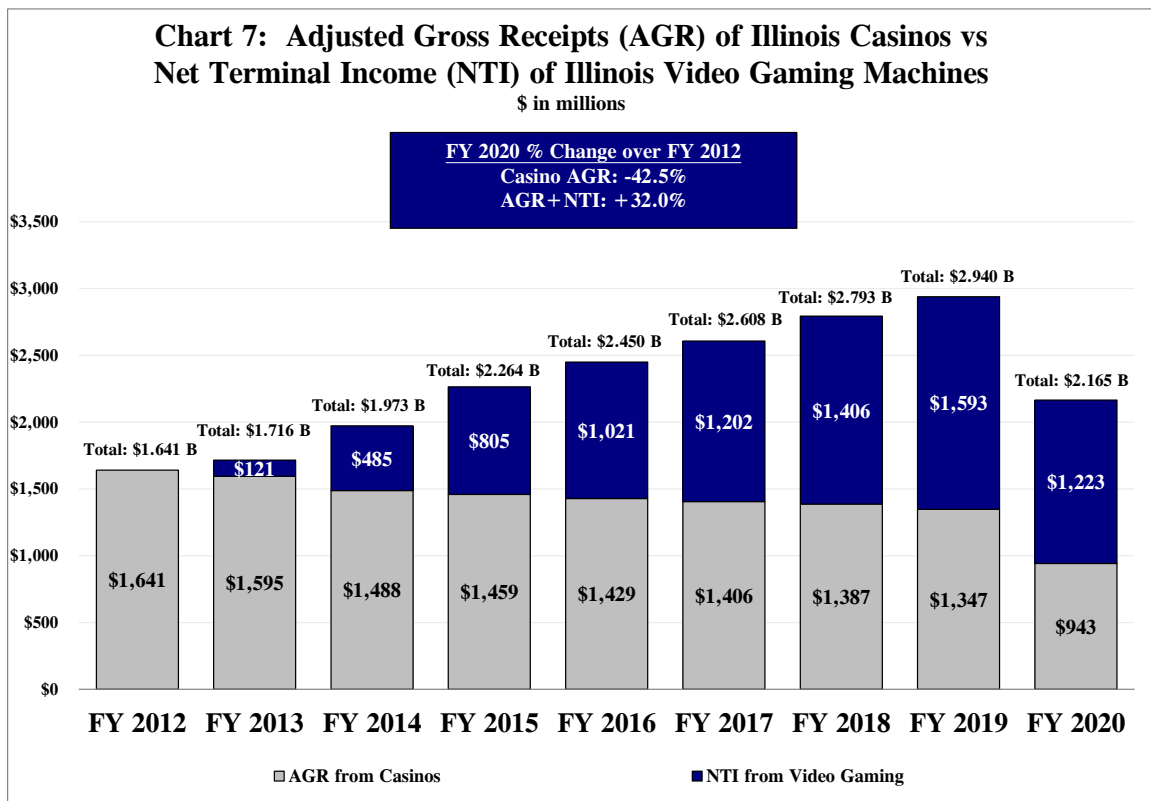
**Table 20: Highest Populated Cities w/o Video Gaming
FY 2020 Totals**

Rank	Municipality	2010 Census Population	% of State Population
1	Chicago	2,695,598	21.3%
2	Naperville	141,853	1.1%
3	Arlington Heights	75,101	0.6%
4	Evanston	74,486	0.6%
5	Schaumburg	74,227	0.6%
6	Bolingbrook	73,366	0.6%
7	Palatine	68,557	0.5%
8	Skokie	64,784	0.5%
9	Des Plaines	58,364	0.5%
10	Wheaton	52,894	0.4%
11	Oak Park	51,878	0.4%
12	Downers Grove	47,833	0.4%
13	Glenview	44,692	0.4%
14	Elmhurst	44,121	0.3%
15	Plainfield	39,581	0.3%
16	Park Ridge	37,480	0.3%
17	Northbrook	33,170	0.3%
18	Gurnee	31,295	0.2%
19	Highland Park	29,763	0.2%
20	Glen Ellyn	27,450	0.2%
21	Wilmette	27,087	0.2%
22	West Chicago	27,086	0.2%
23	East St. Louis	27,006	0.2%
24	Vernon Hills	25,113	0.2%
25	Edwardsville	24,293	0.2%

Video Gaming and Its Impact on Casinos

The proliferation of video gaming across the State appears to have had a detrimental impact on the casino industry. Since video gaming began in FY 2013, the total AGR of Illinois' ten casinos have fallen in every subsequent fiscal year: -2.8% in FY 2013; -6.7% in FY 2014; -1.9% in FY 2015; -2.1% in FY 2016; -1.6% in FY 2017; -1.3% in FY 2018; -2.9% in FY 2019, and -30.0% in FY 2020. The falloff was intensified by the suspension of operations in FY 2020 due to the pandemic. Even before the pandemic, however, casino receipts had fallen -17.9% since FY 2012. Only one casino, Rivers Casino in Des Plaines, had experienced an increase in AGR during this six-year period (+11.8%). Excluding Des Plaines, the other nine casinos had fallen a combined -27.3% with all experiencing double-digit losses. While there are other factors that may have contributed to the decline in casino numbers, the increased competition from video gaming is considered the primary cause.

When looking at gambling forms separately, the previous statistics show a noticeable downward trend in casino gambling. However, as shown in the following graph, when combined with video gaming totals, gambling as a whole has actually increased statewide. Between FY 2012 and FY 2019 overall gaming revenues went from \$1.641 billion to \$2.940 billion, an increase of 79.2%. Revenues decreased to \$2.165 billion in FY 2020, but these figures are convoluted by the COVID-19 shutdowns. Even so, the total amount generated from gaming in FY 2020 in Illinois when including video gaming revenues was higher than what was generated in FY 2012 without video gaming. This is despite the suspension of gaming for 3.5 months of FY 2020.

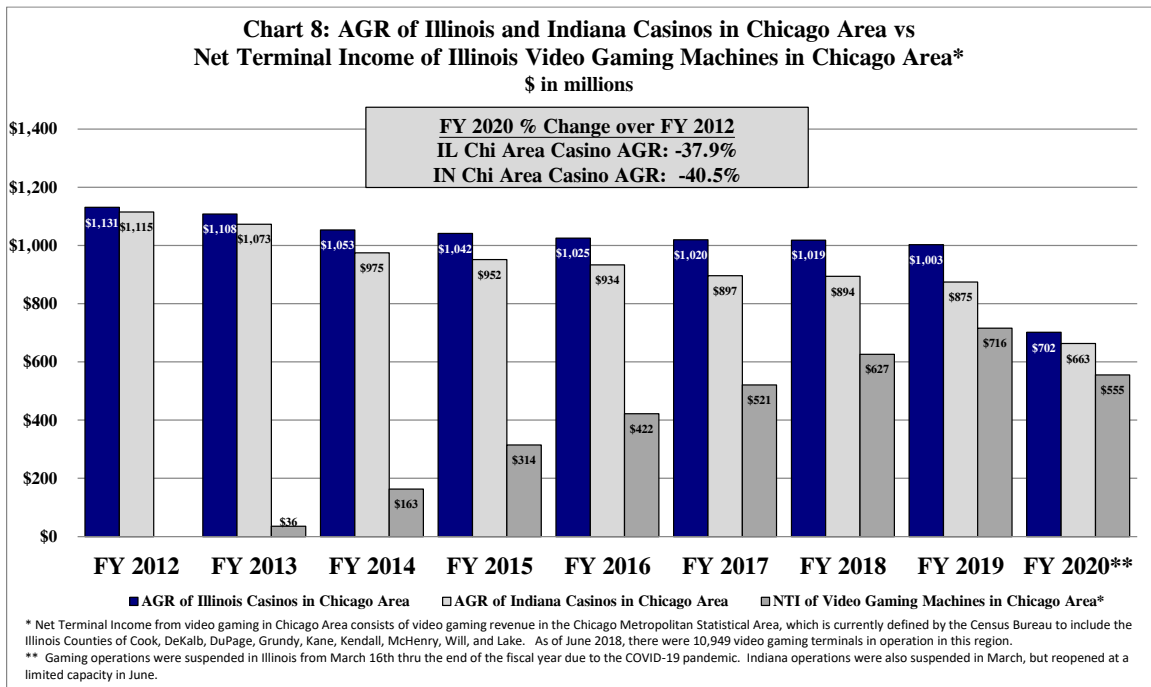


Video gaming in certain regions of the State have obviously impacted the casino industry more than others. For the communities that are located several hours away from the nearest riverboat casino, the impact of these communities offering video gaming has probably had very little consequence on the casino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

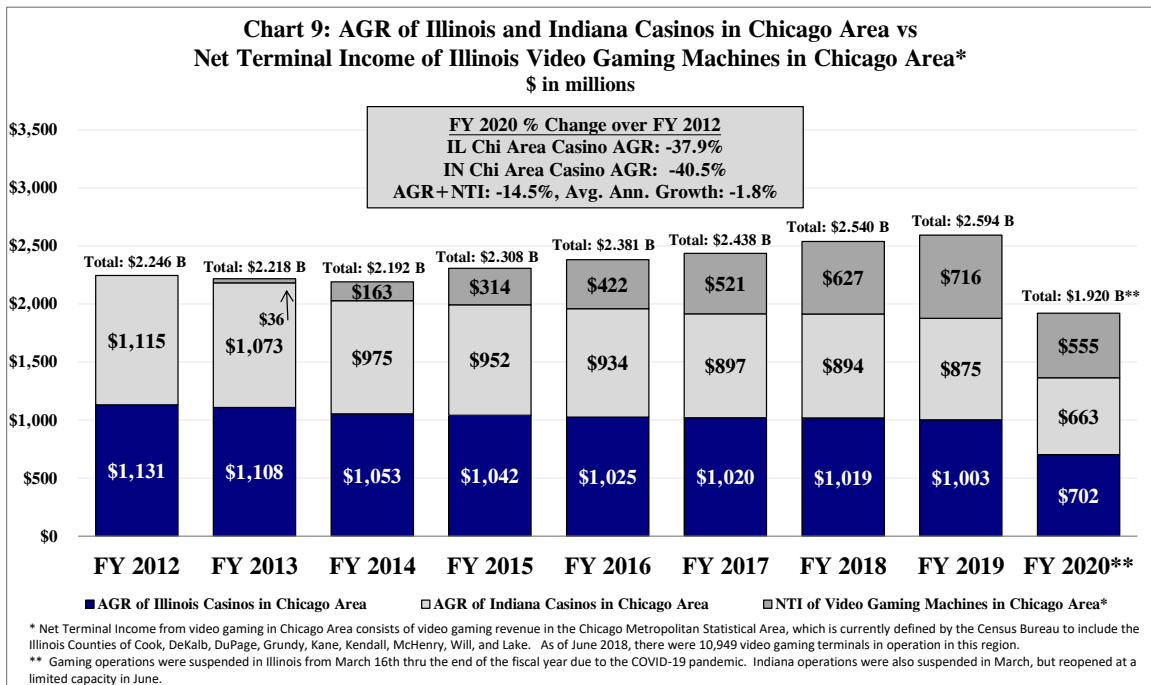
An example of video gaming’s impact on the casino industry is seen by looking at the Chicago region. As shown at the bottom of the county-by-county video gaming table on page 44, there were approximately 2,700 businesses in the Chicago Metropolitan Statistical Area (which is defined by the Census Bureau to include the Illinois counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will, and Lake) in FY 2020 that offered video gaming. These locations were home to around 14,000 video gaming terminals during the fiscal year. It is estimated that approximately \$717.6 million in video gaming net terminal income came from communities in the Chicago Area in FY 2019. (Approximately \$555 million was collected during the shortened FY 2020 season).

Illinois casinos have been limited to 1,200 gaming positions at their locations prior to P.A. 101-0031. This means that video gaming has added the equivalent of over 11 1,200 position casinos to the Chicago metropolitan region since the inception of video gaming in Illinois. These 14,000 terminals were added to an area that already had in its region five casinos in four Illinois communities: Joliet, Aurora, Elgin, and Des Plaines. Despite AGR increases at the Des Plaines casino, combined, these five casinos have seen their AGR totals decline -11.3% between FY 2012 and FY 2019 (or -37.9% when including the FY 2020 figures). The popular Des Plaines casino is no doubt part of the reason for the declines at the other suburban casinos, but video gaming is unquestionably a significant contributor to this falloff as well.

In addition, there are five Indiana casinos within a short drive of the Chicago Area in the communities of East Chicago, Gary (2), Hammond, and Michigan City. As seen in the following chart, these five Indiana casinos have seen their AGR totals fall from \$1.1 billion in FY 2012 to \$875 million in FY 2019, a seven-year decline of -21.6%. When including the pandemic affected figures from FY 2020, the falloff is even more severe. The Chicago Area AGR total for Indiana was \$663 million in FY 2020, which is a decline of -40.5% since FY 2012. Again, the successful Rivers Casino in Des Plaines has contributed to this falloff, but the numbers would suggest that video gaming has also exacerbated this decline.



When combining the receipts of all ten of the casinos in the Chicago Metropolitan Area, adjusted gross receipts totaled \$2.246 billion in FY 2012. By FY 2019, the AGR totals of these ten casinos have fallen to \$1.878 billion—a combined seven-year falloff of -16.4%. As shown below, even when the Chicago Area video gaming figures are added to the casino figures, overall gaming in the Chicago Area has remained relatively stagnant. Collectively, total gaming in this area went from \$2.246 billion in FY 2012 to \$2.594 billion in FY 2019. This results in a seven-year change in combined gaming revenues of 15.5%, an average increase of only +2.2% per year. These comparisons are more difficult to make in FY 2020 due to the virus-related shutdowns. Revenues fell to \$1.920 billion in FY 2020, 14.5% below FY 2012 levels.



The numbers in the previous graph indicate that the addition of video gaming in the Chicago Area has only slightly increased the amount of gaming dollars in this region. With an average annual growth in gaming of only 2.2% per year (thru FY 2019), thus far, it appears that video gaming has simply “reshuffled the deck chairs” by redistributing casino gaming revenues to the numerous gaming venues that now exist in this region.

Why have the combined gaming totals remained relatively stagnant in the Chicago Area if the statewide totals have increased 79.2% between FY 2012 and FY 2019? An explanation for this is simply because of the amount of gaming options that already existed in this area even before video gaming began. The Chicago Area, which already had its choice of 10 casinos, was the home to over 15,000 gaming positions. Adding over 14,000 additional video gaming terminals to the region gave gamers more choices, but it appears that it has brought little in the way of new gaming revenues so far. Most downstate communities, however, did not have close gaming options available to them. Video gaming gave these areas a “nearby” option, allowing gaming revenues to thrive in areas outside of the Chicago Metropolitan Area. This is a plausible explanation for why the net increase in overall gaming revenues has occurred outside of the Chicago Area.

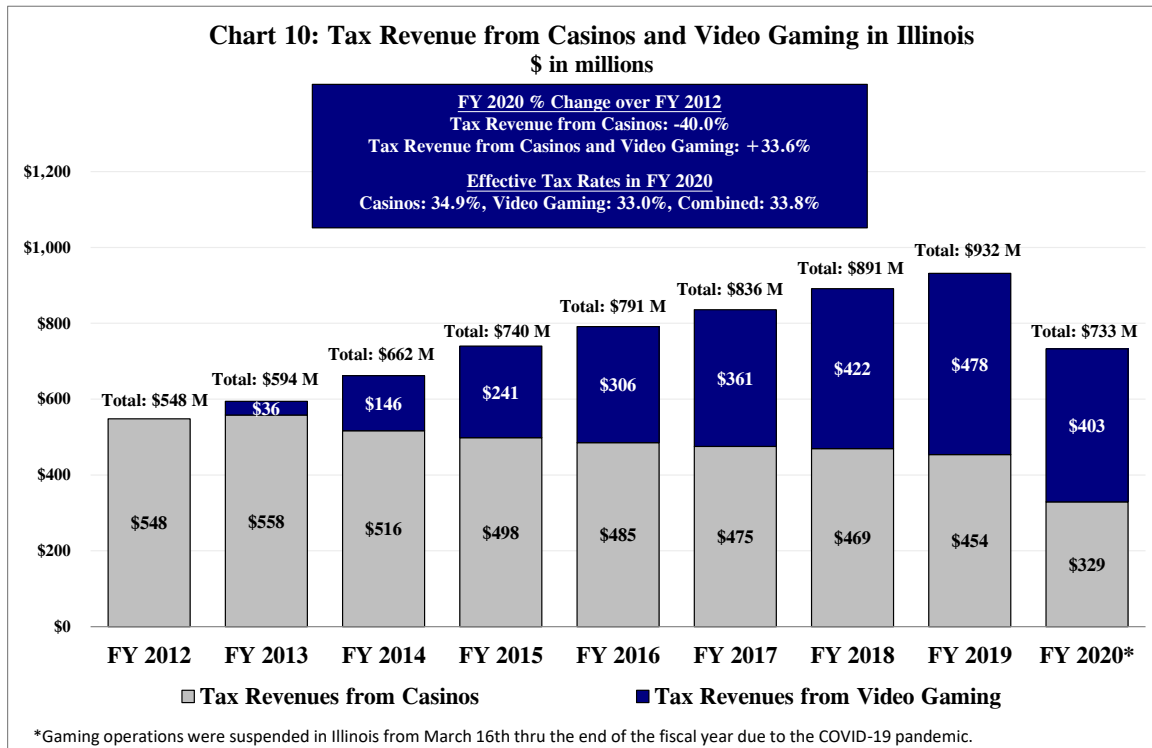
Many gambling proponents argue that because Chicago has yet to enter into the gaming market, there remains a large untapped amount of gaming dollars. There is likely a lot of truth to this, especially when considering the potential revenues from tourists that typically would not venture outside of the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

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

The addition of even more gaming options in the near future could impact Indiana’s figures even further. While Indiana has made several changes to attempt to counteract Illinois’ growth (such as the planned relocation of Gary’s casino to a larger gaming facility closer to Illinois’ border and the approval of sports wagering at its casinos), it remains to be seen whether these changes will be enough to stop the apparent movement of gamblers to or back to Illinois gaming facilities.

What kind of impact has video gaming had on the tax revenues from all gaming sources? In FY 2012, the taxes imposed on the Illinois casinos (admission tax and the graduated tax on adjusted gross receipts) generated \$548 million. Due to the recent declines in admissions and AGR totals, tax revenue fell to \$454 million in FY 2019, a seven-year decline of 17.2%. The tax total fell sharply to \$329 million in FY 2020 (an eight-year decline of -40.0%), again in large part due to the virus impacts. However, these declines have been more than offset by the additional tax revenue generated from video gaming.

In FY 2013, \$36 million in tax revenues were generated from video gaming. As video gaming revved up, this total steadily increased to \$478 million in FY 2019. It fell slightly to \$403 million in FY 2020 as the impacts of suspended play took hold. When combining these video gaming tax revenues with casino tax revenues, overall tax revenues grew from \$548 million in FY 2012 to \$932 million in FY 2019, an increase of 69.9%. Even the pandemic-affected tax total of \$733 million in FY 2020 is higher than what was collected in FY 2012 before the inclusion of video gaming. These figures are displayed in the following chart.



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

Ever since its inception, video gaming in Illinois has been on an upward trend. In the initial years of implementation, insiders estimated that the State would plateau at around 20,000 video gaming terminals, but the popularity of video gaming has spurred so much interest that the State has sailed past this mark (FY 2020 ended with over 36,000 terminals). Although the number of new terminals being added each month has slowed from its initial years, new video gaming locations continue to pop up across the State, likely to continue this upward trend.

The growth in video gaming figures will continue to be enhanced by the video gaming related changes under P.A. 101-0031. Under this public act, as listed on page 38, the following changes to the video gaming industry have or will take place: increased betting limits; the terminal limit per location increased from 5 to 6; terminal limit on large truck stops increased from 5 to 10; and the availability of video gaming at the Illinois State Fair and the DuQuoin State Fair.

Of course, the implementation of these changes have been hampered by the pandemic, which makes it difficult to currently analyze the success of these changes in the form of increased tax revenues. However, the fact that over 2,000 locations in FY 2020 added additional terminals beyond the prior 5-terminal limit indicates higher tax revenues for State and local governments should be expected in the future. Furthermore, the tax rate imposed on video gaming's net terminal income is now at 34% (effective July 2020) which will result in even more tax dollars for State and local coffers.

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

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

LOTTERY

LOTTERY

The Illinois State Lottery was authorized in 1974 and began operation in 1975. The State's lottery system generates revenue via ticket sales, agent fees, and interest-earning accounts. Following the payment of prizes, agent commissions, and administrative costs, net lottery receipts are transferred into the Common School Fund, the Capital Projects Fund, or Special Cause Funds. Since its inception, lottery sales have totaled over \$73 billion and the Lottery has transferred over \$23 billion back to the State. Table 21 presents a brief history of the Illinois State Lottery highlighting sales by game, total sales, and the percentage change from the previous fiscal year.

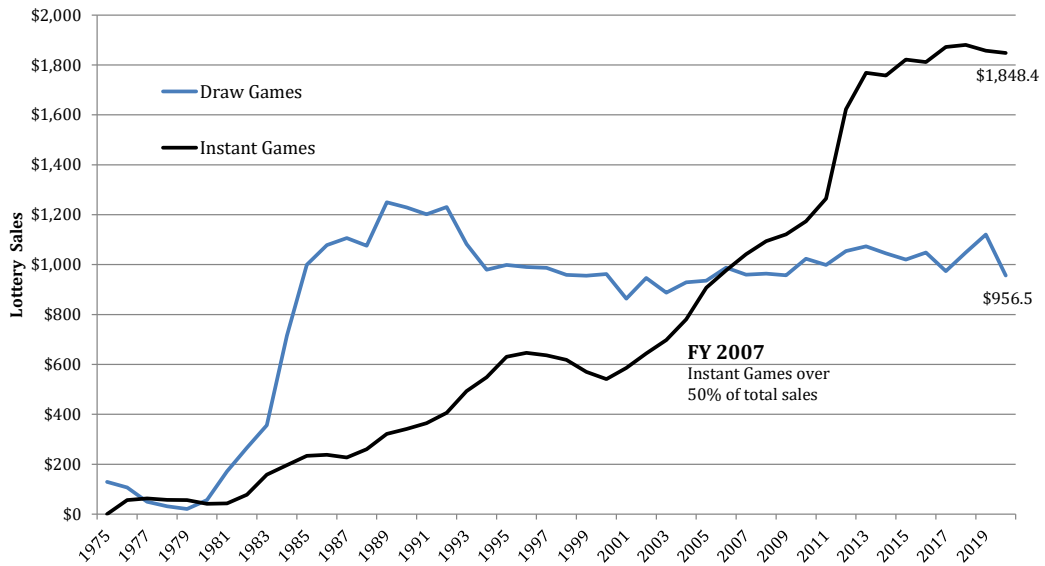
Lottery Revenue Sources

The Illinois Lottery had total sales of \$2.805 billion in FY 2020. This was a decline of \$173 million, or -5.8%, from last fiscal year's results of \$2.977 billion. This is the worst decline since the early days of lottery in the late 1970's. The COVID-19 pandemic likely hurt lottery sales as customers were more likely to stay at home and some retailers may not have been open, making the lottery less available.

Instant ticket sales made up 66% of total sales in FY 2019, while draw games made up the remaining 34%. Instant ticket sales have been becoming a larger and larger part of overall sales since the late 1980's. The last few years, the ratio of instant ticket sales to draw game sales had been steady but this year instant ticket sales were the highest percentage ever. In FY 2020, instant ticket sales were basically flat compared to last year. Instant ticket sales were down about \$8 million to \$1.848 billion. This was a decline of -0.5%. Revenue from draw games, on the other hand, was down considerably. Draw game sales were down almost -15% to \$957 million. This equated to over \$164 million less in lottery sales versus FY 2019. Chart 11, on page 61, shows the increase in instant ticket sales over the last thirty years, while draw game sales have stagnated.

Chart 12, also on page 61, highlights a breakdown of the games that made up the \$957 million in draw game income. The Pick 3 and Pick 4 games are the largest contributors to sales of draw games but the most important changes in FY 2020 came from the multi-state games. The Pick 3 game was the largest draw game at \$278 million. This was a \$3 million, or 1.2%, increase over FY 2019. The Pick 4 game saw 4.2% growth to \$262 million. Lucky Day Lotto was flat at \$120 million, while the Lotto saw a decline of over -10%, or just over \$10 million, to \$92 million. However, the biggest changes were seen in the multistate games which declined by over -40% each. Together sales of Mega Millions (-\$103 million) and Powerball (-\$64 million) were down almost \$167 million. Mega Millions sales went from \$213 million in FY 2019 to \$110 million in FY 2020. This was a decline of over -48%. Similarly, Powerball sales declined from \$159 million to \$95 million which was a fall of -40%.

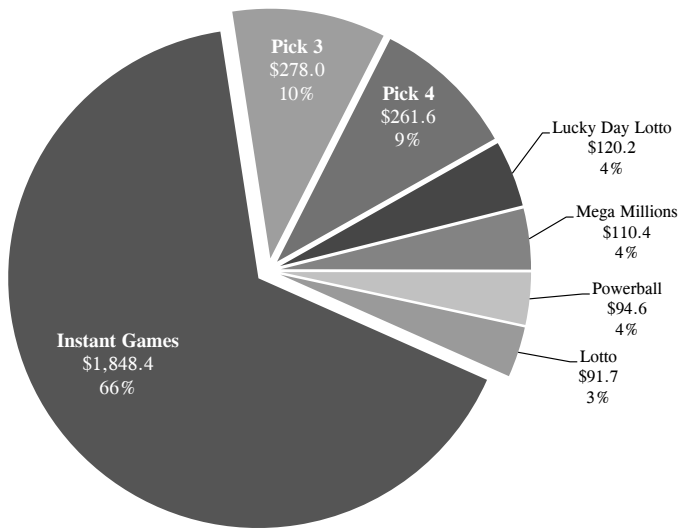
CHART 11: MAKEUP OF LOTTERY SALES
(\$ Millions)



Source: Illinois Lottery

CHART 12: FY 2020 LOTTERY SALES BY GAME
(\$ Millions)

Total Sales = \$2,804.9



Source: Illinois Lottery

Lottery Revenue Distribution

Due to the time necessary to prepare financial statements, analyzing how the Lottery distributes the cash flow from its operating activities must be done based on the previous year's financial statements. In FY 2019, an amount of \$3.01 billion was distributed out for operating expenses and fund transfers. The fund transfers are basically the net proceeds or profits of the lottery after operating expenses are paid.

Cash payments for lottery operating expenses accounted for \$2.27 billion of the distributions. Operating expenses were up almost \$67 million which was growth of 3.0% in FY 2019. The largest cash payment for operating expenses went to Prizes Awarded to Winners which totaled \$1.91 billion. This was similar to the payment amount in FY 2018. Similarly, Commissions and Bonuses totaled \$165 million in FY 2019 which was also the same as the previous year. General and Administrative Expenses rose by \$46 million to \$182 million. This was an increase of 34%. A new operating expense for Employee Service Payments was added in FY 2019. Employee Service Payments totaled just under \$19 million.

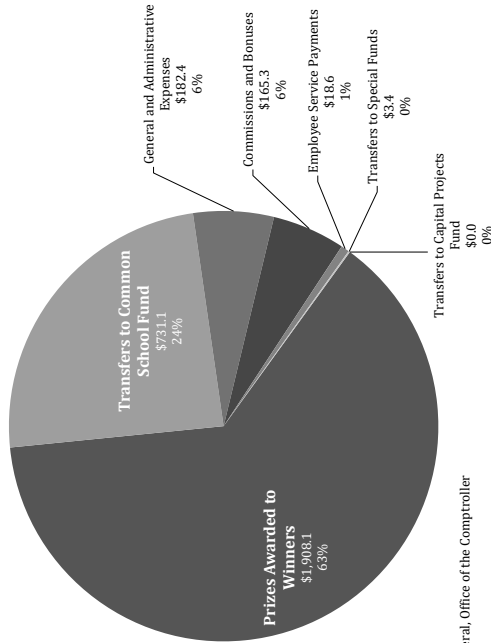
Cash transfers out to other funds totaled \$734.5 million in distributions in FY 2019. The Common School Fund received the lion's share of these dispersals at just over \$731 million. Special causes received \$3.4 million which was down -5.5% from FY 2018. Due to a change in law, the Capital Projects Fund did not receive a distribution in FY 2019. Prior to FY 2019, after the transfers to the Common School Fund and the Special Cause funds, the Lottery was mandated to send any remaining proceeds to the Capital Projects Fund prior to the end of the fiscal year. This obligated the Lottery to estimate what their financials would be prior to an audit being completed. This led to a mismatch of payments made and what was actually owed to the Capital Projects Fund. State law was changed, so that beginning in FY 2019, the Lottery could wait until the auditing process was complete to determine the amount of money that needed to be transferred. Therefore, moving forward, the annual transfer to the Capital Projects Fund will represent what was owed due to the results of the prior fiscal year. In FY 2020, \$18.5 million was transferred to the Capital Projects Fund as a result of FY 2019's sales, which was almost double what was conveyed in FY 2018.

Chart 13, on the following page, illustrates the cash distributions for FY 2019.

Table 22, also on the following page, shows how the Lottery's distributions have changed in recent years.

CHART 13: FY 2019 LOTTERY DISTRIBUTIONS
(\$ Millions)

Total Distributions = \$3,008.8



SOURCE: Illinois Auditor General, Office of the Comptroller

TABLE 22: LOTTERY DISTRIBUTIONS
FY 2007 - FY 2020
(\$ Millions)

Fiscal Year	Prizes Awarded to Winners		Transfers to Common School Fund		Commissions and Bonuses		Transfers to Capital Projects Fund		Administrative Expenses		Employee Service Payments		Transfers to Special Causes		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
2007	\$1,108.3	n/a	\$622.6	n/a	\$140.9	n/a	\$-	n/a	\$59.5	n/a	\$-	n/a	\$4.1	n/a	\$1,935.3	n/a
2008	\$1,166.0	57.7	\$657.0	5.5%	\$145.0	4.1	\$2.9%	\$-	\$74.4	(2.1)	\$-	\$-	\$4.6	0.5	\$2,030.0	94.7
2009	\$1,225.9	59.9	\$625.0	(32.0)	\$152.6	7.6	5.2%	\$-	\$65.3	7.8	\$-	\$-	\$5.2	0.6	\$2,073.9	43.9
2010	\$1,271.5	45.6	\$625.0	0.0%	\$149.3	(3.3)	-2.1%	\$-	\$66.3	1.0	\$-	\$-	\$4.2	(0.9)	\$2,116.3	42.5
2011	\$1,298.9	27.4	\$631.9	6.9	\$153.0	3.7	2.5%	\$87.0	\$74.7	8.4	\$-	\$-	\$4.1	(0.1)	\$2,249.6	133.3
NORTHSTAR LOTTERY GROUP TAKES OVER CONTROL OF LOTTERY OPERATIONS																
2012	\$1,561.2	262.3	\$639.9	8.0	\$151.5	(1.6)	-1.0%	\$65.2	\$123.5	48.9	\$-	\$-	\$3.2	(0.9)	\$2,544.5	294.8
2013	\$1,728.3	167.1	\$655.6	15.7	\$164.0	12.5	8.3%	\$135.0	\$149.6	26.1	\$-	\$-	\$2.9	(0.3)	\$2,835.4	291.0
2014	\$1,699.6	(28.7)	\$668.1	12.5	\$159.1	(4.9)	-3.0%	\$145.0	\$148.5	(1.1)	\$-	\$-	\$2.3	(0.7)	\$2,822.6	(1.8)
2015	\$1,743.0	43.3	\$678.6	10.4	\$161.6	2.5	1.6%	\$8.0	\$109.7	(38.8)	\$-	\$-	\$3.6	1.3	\$2,704.4	(118.2)
2016	\$1,969.1	226.1	\$676.9	(1.6)	\$160.9	(0.7)	-0.4%	\$-	\$101.4	(8.3)	\$-	\$-	\$3.3	(0.3)	\$2,911.6	207.2
2017	\$1,826.9	(142.2)	\$720.3	43.4	\$160.0	(0.9)	-0.5%	\$15.0	\$243.4	142.0	\$-	\$-	\$2.9	(0.4)	\$2,968.5	57.0
CAMELOT ILLINOIS TAKES OVER CONTROL OF LOTTERY OPERATIONS																
2018	\$1,906.6	79.7	\$718.8	(1.5)	\$165.0	5.0	3.1%	\$9.3	\$136.2	(107.2)	\$-	\$-	\$3.6	0.7	\$2,939.5	(29.0)
2019	\$1,908.1	1.5	\$731.1	12.3	\$165.3	0.3	0.0%	\$-	\$9.3	-100.0%	\$18.6	\$18.6	\$3.4	(0.2)	\$3,009.0	69.5
2020***	n/a	n/a	\$630.4	(100.7)	n/a	n/a	n/a	\$18.5	n/a	n/a	n/a	n/a	\$7.2	3.8	n/a	n/a

* \$32.9 million that was supposed to be transferred to the Capital Projects Fund in FY 2010 was not actually transferred until the beginning of FY 2011 due to issues with the transfer legislation.
 ** \$14.5 million that was from operations in FY 2016 was recorded in FY 2017 due to the time necessary to transfer the funds from the Lottery to the Comptroller's office.
 *** Complete financial data for FY 2020 is not available at the time of printing of this report.

SOURCE: Illinois Auditor General, Office of the Comptroller

Lottery Transfers

As mentioned previously and shown in Table 22, the Illinois Lottery transfers its proceeds or profits to three destinations. The first fund that receives lottery proceeds is the Common School Fund. The Common School Fund provides funding for elementary and secondary education including payment for General State Aid, contributions to Teacher's Retirement Systems, and salaries of regional superintendents and assistants. Due to Public Act 96-0034, transfers to the Common School Fund from the Lottery were capped at the rate of inflation as measured by the Consumer Price Index (CPI). Transfers to the Common School Fund were down considerably in FY 2020. These transfers fell \$101 million from over \$731 million in FY 2019 to \$630 million in FY 2020. This was a falloff of nearly -14%.

The second destination for Lottery profits are a set of seven special cause funds. Special cause lottery sales have ranged between \$2.9 million to \$3.6 million since FY 2012. FY 2020 saw a huge jump in special cause sales. These instant ticket sales increased over 113%. Special cause ticket sales went from \$3.4 million to \$7.2 million. This growth was due to the introduction of two new games and a large increase in the sale of Special Olympics tickets.

The first new game contributing to the increase in specialty ticket sales was the Blue Police Memorial Ticket game. Introduced in May of 2019, the game will be used to raise funds to support police memorial projects. As part of P. A. 100-0647, revenues from the ticket will be equally divided among the Chicago Police Memorial Foundation Fund, the Police Memorial Committee Fund, and the Illinois State Police Memorial Park Fund. Profits from the Blue Police Memorial Ticket will be used to fund grants for building and maintaining memorials and parks; holding annual memorial commemorations; giving scholarships to children of officers killed or catastrophically injured in the line of duty, or those interested in pursuing a career in law enforcement; providing financial assistance to police officers and their families when a police officer is killed or injured in the line of duty; and providing financial assistance to officers for the purchase or replacement of bullet proof vests to be used in the line of duty. Even though sales for this new game began at the end of FY 2019, due to transfer timing between the Lottery and the Comptroller's office, the initial funds did not arrive at the Comptroller's office until FY 2020. In FY 2020, sales from the Blue Police Memorial Ticket game totaled \$1.4 million which was the second highest amount among the special cause games.

The second newly introduced game was the "Easy as 1-2-3" game which became available in September of 2019. This game was created under P.A. 100-1068. Profits of the game will be deposited in the Homelessness Prevention Revenue Fund. These funds will be used by the Illinois Department of Human Services to support homelessness prevention and assistance program grants. In its first year of existence, ticket sales totaled \$1.2 million.

P.A. 98-0649 created the "Money Bags" special instant scratch-off game to benefit the Special Olympics in Illinois. The act created the Special Olympics Illinois and Special Children's Charities Fund. Funds are to be used to support training, competitions, and

programs for future Special Olympics athletes. The proceeds from this game are to be split 75% statewide, while 25% are to be used to support athletes within the City of Chicago. Sales for this game exploded in FY 2020. In FY 2019, only \$516,000 worth of tickets were sold. This fiscal year, revenue topped \$2.1 million. This was an increase of over 300% and contributed an additional \$1.6 million to the special cause game total compared to the previous year.

As part of P.A. 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. Results for this game were down by almost -60%. In FY 2019 revenue from this game totaled over \$627,000. This fiscal year, sales fell to just under \$257,000.

A special instant scratch-off was created by P.A. 94-0585 to fund grants for veterans' related issues. The White Ice game that supports the veterans' related issues grants had a third straight year of strong growth. Total sales grew 9.3% to \$1.4 million in FY 2020. Sales of this game have grown over 90% since FY 2016.

Revenues from the Red Ribbon Cash instant ticket game are used to support HIV/AIDS prevention and education. This game was created as part of P.A. 95-0674. Sales of this game were \$526,000 which was down slightly (-3.5%) from the previous year. Sales for this game have been mostly between \$450,000 and \$700,000 over the last eight years.

A special cause game benefiting multiple sclerosis began sales in September of 2008. As part of P.A. 95-0673, the Multiple Sclerosis Research Fund was created that would benefit research pertaining to multiple sclerosis. Sales of the "MS Project" game were down for the second year in a row in FY 2020. Sales fell over 23% to just \$348,000. Three out of the last four years, this game has had sales of less than \$500,000.

The last fund that receives lottery funds is the Capital Projects Fund which was also created under P.A. 96-0034. Subject to appropriation, the Capital Projects Fund may be used only for capital projects and the payment of debt service on bonds issued for capital projects. After the Common School Fund transfer and the special cause transfers are completed, all remaining lottery proceeds go to the Capital Projects Fund. These transfers had steadily climbed until falling off a cliff in FY 2015. Transfers to the Capital Projects Fund totaled \$135 million in FY 2013 and \$145 million in FY 2014. Since then, transfers to the Common School Fund had ranged from \$0 to \$15 million. In FY 2019, no funds were transferred to the Capital Projects Fund. However, this is somewhat misleading, as due to changes made under P. A. 100-0587, the Lottery now has until September 30th of the following fiscal year after the fiscal year's audited financial results are finalized to determine how much should be transferred to the Capital Projects Fund. In FY 2020, \$18.6 million was transferred to the Capital Projects Fund based on results from FY 2019.

**TABLE 23: LOTTERY TRANSFERS
FY 1975 - FY 2020***

(\$ Millions)

Fiscal Year	Total Sales	Transfers to General Revenue Fund	Transfers to Common School Fund	Transfers to Capital Projects Fund	Transfers to Special Causes	Transfer to Other Funds	Total Transfers	Transfers as a % of Total Sales
1975	\$ 129.3	\$ 54.5	\$ -	\$ -	\$ -	\$ -	\$ 54.5	42.1%
1976	\$ 163.9	\$ 78.5	\$ -	\$ -	\$ -	\$ -	\$ 78.5	47.9%
1977	\$ 112.9	\$ 47.1	\$ -	\$ -	\$ -	\$ -	\$ 47.1	41.8%
1978	\$ 89.1	\$ 32.7	\$ -	\$ -	\$ -	\$ -	\$ 32.7	36.6%
1979	\$ 76.7	\$ 32.6	\$ -	\$ -	\$ -	\$ -	\$ 32.6	42.4%
1980	\$ 97.5	\$ 32.2	\$ -	\$ -	\$ -	\$ -	\$ 32.2	33.0%
1981	\$ 214.7	\$ 68.8	\$ -	\$ -	\$ -	\$ 20.0	\$ 88.8	41.4%
1982	\$ 344.1	\$ 137.6	\$ -	\$ -	\$ -	\$ -	\$ 137.6	40.0%
1983	\$ 514.8	\$ 215.0	\$ -	\$ -	\$ -	\$ 0.8	\$ 215.8	41.9%
1984	\$ 912.2	\$ 358.1	\$ -	\$ -	\$ -	\$ 0.3	\$ 358.4	39.3%
1985	\$ 1,235.6	\$ 506.2	\$ -	\$ -	\$ -	\$ -	\$ 506.2	41.0%
1986	\$ 1,315.6	\$ 86.8	\$ 465.0	\$ -	\$ -	\$ -	\$ 551.8	41.9%
1987	\$ 1,333.9	\$ -	\$ 553.1	\$ -	\$ -	\$ -	\$ 553.1	41.5%
1988	\$ 1,335.5	\$ -	\$ 524.4	\$ -	\$ -	\$ -	\$ 524.4	39.3%
1989	\$ 1,571.3	\$ -	\$ 586.1	\$ -	\$ -	\$ -	\$ 586.1	37.3%
1990	\$ 1,570.2	\$ -	\$ 594.0	\$ -	\$ -	\$ -	\$ 594.0	37.8%
1991	\$ 1,566.5	\$ -	\$ 580.0	\$ -	\$ -	\$ -	\$ 580.0	37.0%
1992	\$ 1,636.9	\$ -	\$ 610.0	\$ -	\$ -	\$ -	\$ 610.0	37.3%
1993	\$ 1,575.9	\$ -	\$ 587.4	\$ -	\$ -	\$ -	\$ 587.4	37.3%
1994	\$ 1,528.6	\$ -	\$ 552.1	\$ -	\$ -	\$ -	\$ 552.1	36.1%
1995	\$ 1,629.5	\$ -	\$ 588.3	\$ -	\$ -	\$ -	\$ 588.3	36.1%
1996	\$ 1,637.3	\$ -	\$ 594.1	\$ -	\$ -	\$ -	\$ 594.1	36.3%
1997	\$ 1,623.2	\$ -	\$ 590.2	\$ -	\$ -	\$ -	\$ 590.2	36.4%
1998	\$ 1,576.9	\$ -	\$ 560.0	\$ -	\$ -	\$ -	\$ 560.0	35.5%
1999	\$ 1,525.9	\$ -	\$ 540.0	\$ -	\$ -	\$ -	\$ 540.0	35.4%
2000	\$ 1,503.9	\$ -	\$ 515.3	\$ -	\$ -	\$ -	\$ 515.3	34.3%
2001	\$ 1,449.8	\$ -	\$ 501.0	\$ -	\$ -	\$ -	\$ 501.0	34.6%
2002	\$ 1,590.0	\$ -	\$ 555.1	\$ -	\$ -	\$ -	\$ 555.1	34.9%
2003	\$ 1,585.8	\$ -	\$ 540.3	\$ -	\$ -	\$ -	\$ 540.3	34.1%
2004	\$ 1,709.2	\$ -	\$ 570.1	\$ -	\$ -	\$ -	\$ 570.1	33.4%
2005	\$ 1,842.9	\$ -	\$ 614.0	\$ -	\$ -	\$ -	\$ 614.0	33.3%
2006	\$ 1,964.8	\$ -	\$ 670.5	\$ -	\$ 3.7	\$ -	\$ 674.2	34.3%
2007	\$ 2,001.3	\$ -	\$ 622.4	\$ -	\$ 4.1	\$ -	\$ 626.5	31.3%
2008	\$ 2,057.5	\$ -	\$ 657.0	\$ -	\$ 4.6	\$ -	\$ 661.6	32.2%
2009	\$ 2,078.6	\$ -	\$ 625.0	\$ -	\$ 5.2	\$ -	\$ 630.2	30.3%
2010	\$ 2,197.5	\$ -	\$ 625.0	\$ -	\$ 4.2	\$ -	\$ 629.2	28.6%
2011	\$ 2,262.9	\$ -	\$ 631.9	\$ 87.0	\$ 4.1	\$ -	\$ 723.0	31.9%
NORTHSTAR LOTTERY GROUP TAKES OVER CONTROL OF LOTTERY OPERATIONS								
2012	\$ 2,676.3	\$ -	\$ 639.9	\$ 65.2	\$ 3.2	\$ -	\$ 708.3	26.5%
2013	\$ 2,841.3	\$ -	\$ 655.6	\$ 135.0	\$ 2.9	\$ -	\$ 793.5	27.9%
2014	\$ 2,802.7	\$ -	\$ 668.1	\$ 145.0	\$ 2.3	\$ -	\$ 815.4	29.1%
2015	\$ 2,859.8	\$ -	\$ 678.6	\$ 8.0	\$ 3.6	\$ -	\$ 690.1	24.1%
2016	\$ 2,859.8	\$ -	\$ 676.9	\$ -	\$ 3.3	\$ -	\$ 680.2	23.8%
2017	\$ 2,845.9	\$ -	\$ 720.3	\$ 15.0	\$ 2.9	\$ -	\$ 738.2	25.9%
CAMELOT ILLINOIS TAKES OVER CONTROL OF LOTTERY OPERATIONS								
2018	\$ 2,928.4	\$ -	\$ 718.8	\$ 9.3	\$ 3.6	\$ -	\$ 731.7	25.0%
2019	\$ 2,977.4	\$ -	\$ 731.1	\$ -	\$ 3.4	\$ -	\$ 734.5	24.7%
2020	\$ 2,804.9	\$ -	\$ 630.4	\$ 18.5	\$ 7.2	\$ -	\$ 656.1	23.4%
TOTALS	\$ 73,158.7	\$ 1,649.8	\$ 21,193.1	\$ 483.0	\$ 58.2	\$ 21.2	\$ 23,384.1	32.0%

* Preliminary, unaudited data

Due to the timing of the last weekly lottery transfer to the Common School Fund in FY 2016, \$14.5 million was actually received by the Comptroller in FY 2017. A similar situation occurred with \$32.9 million in transfers to the Capital Projects Fund in FY 2010. We will record these transfers as they were received by the Comptroller but note the larger amounts in the year receiving the transfers are due to transfer timing and not to underlying activity.

SOURCE: ILLINOIS LOTTERY, OFFICE OF THE COMPTROLLER

Multi-State Games

While most of the games issued by the Lottery are just for players purchasing a ticket in Illinois, the Mega Millions and Powerball games are multi-state games that offer jackpots starting at \$20 million. In May of 2002, Illinois, along with the other Big Game states (Georgia, Maryland, Massachusetts, Michigan, New Jersey, and Virginia), joined the States of New York and Ohio to create the Mega Millions game. Washington (September 2002), Texas (December 2003), California (June 2005), and Louisiana (November 2011) joined Mega Millions in the following years.

In October of 2009, an agreement was reached between states offering Mega Millions and states offering Powerball to allow for sales of both games within a state. The hope was, with more states joining the program, more and more people will be playing, allowing jackpots to roll to even higher levels at a faster rate. Illinois began offering Powerball on January 31, 2010. As of August 2019, forty-four states plus the District of Columbia and the U.S. Virgin Islands offer Mega Millions tickets. Powerball tickets are sold in the same locales plus Puerto Rico.

Mega Millions has drawings on Tuesdays and Fridays. Powerball conducts their drawings on Wednesdays and Saturdays. Mega Millions and Powerball each cost \$2 per ticket. Mega Millions had been \$1 per ticket but beginning in October 2017, the price rose to \$2 to match the Powerball. In addition to the change in price, the beginning jackpot for Mega Millions rose to \$40 million from \$15 million and the odds of winning the jackpot increased. However, due to a waning interest in both of the multi-state games during the COVID-19 pandemic, the beginning jackpot for both games was reduced in the spring of 2020 to ensure the long-term viability of the game. The beginning jackpots have been at \$20 million since then but the Mega Millions has indicated that future beginning jackpots will be determined by game sales and interest rates.

As mentioned previously, the multi-state games had a bad year in FY 2020 when compared to FY 2019. The Mega Millions game was down over -48% to \$110 million. This was in line with results prior to FY 2019. The Powerball game was down over -40%. Sales went from \$159 million to just \$95 million. This was the lowest amount of sales for Powerball since it was first introduced to the State in FY 2010.

Table 24 on the next page shows the change in sales data, along with the growth in higher jackpots in recent years. After coming off record levels of high-level jackpots in FY 2019, the amount of drawings with an estimated jackpot of over \$100 million, \$200 million, and \$300 million all fell in FY 2020. The growth in high-level jackpots is likely due to the higher odds of winning the jackpot with the introduction of new game rules which causes more rollovers. In recent years both games (Powerball 2015, Mega Millions 2017) changed their rules which lowered the chances of winning the jackpot but increased the chances of winning lesser prizes. The chance of having higher level jackpots will likely be reduced moving forward as the starting jackpots and the minimum increase between drawings were reduced in April of 2020.

TABLE 24: MULTI STATE GAME RESULTS

(\$ Million)

MEGA MILLIONS

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Average Jackpot Drawing	\$64.8	\$68.7	\$42.9	\$98.0	\$93.8	\$101.7	\$77.7	\$146.6	\$220.4	\$136.9
Drawings over \$100 M	20	19	9	35	40	42	28	55	70	60
Drawings over \$200 M	6	6	0	13	12	12	3	30	46	23
Drawings over \$300 M	2	2	0	6	1	4	3	13	26	8
Mega Millions Sales	\$172.0	\$189.6	\$109.1	\$145.0	\$120.3	\$99.4	\$98.2	\$125.0	\$213.4	\$110.4
% Change	-22.7%	10.2%	-42.5%	33.0%	-17.1%	-17.4%	-1.1%	27.3%	70.7%	-48.2%

POWERBALL

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Average Jackpot Drawing	\$62.4	\$85.2	\$120.0	\$117.3	\$105.2	\$159.6	\$165.7	\$175.7	\$199.6	\$108.6
Drawings over \$100 M	17	33	48	44	41	62	65	71	77	48
Drawings over \$200 M	2	8	16	15	9	25	34	34	42	10
Drawings over \$300 M	0	1	6	6	3	9	16	16	18	4
Powerball Sales	\$97.4	\$146.3**	\$237.8	\$163.3	\$133.5	\$208.0	\$151.6	\$161.2	\$158.5	\$94.6
% Change	88.3%	\$0.50	62.6%	-31.3%	-18.3%	55.8%	-27.1%	6.4%	-1.7%	-40.3%

MEGA MILLIONS AND POWERBALL

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Average Jackpot Drawing	\$63.6	\$77.0	\$81.5	\$107.6	\$99.4	\$130.8	\$121.5	\$161.2	\$209.9	\$122.8
Drawings over \$100 M	37	52	57	79	81	104	93	126	147	108
Drawings over \$200 M	8	14	16	28	21	37	37	64	88	33
Drawings over \$300 M	2	3	6	12	4	13	19	29	44	12
Total Multi State Game Sales	\$269.4	\$335.9	\$346.8	\$308.3	\$253.7	\$307.4	\$249.8	\$286.2	\$371.8	\$205.0
% Change	-1.8%	24.7%	3.3%	-11.1%	-17.7%	21.1%	-18.7%	14.6%	29.9%	-44.9%

* 5 months of sales

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

SOURCE: www.lottoreport.com

U.S. Lottery Results

Based on data from the North American Association of State and Provincial Lotteries, in FY 2019, Illinois had the 11th largest lottery in the U.S. based on total traditional lottery sales. This is the same rank Illinois has held for the last two years. Traditional lottery sales include instant and draw games but exclude electric gaming machines and table games. While Illinois has electric gaming machines and table games, they are under the purview of the Illinois Gaming Board, and as such, will not be included in this analysis of the Lottery. New York had the largest amount of traditional lottery sales in FY 2019 at \$8.2 billion. New York was followed by California at \$7.4 billion and Florida at \$7.2 billion.

On a sales per capita basis, Illinois had sales per capita of \$235 in FY 2019. This was an increase of 2.2% from FY 2018. This level of sales put Illinois near the middle of the pack as it is ranked 20th out of the 45 lotteries studied. Massachusetts had the highest levels of lottery sales at \$797 per person. This was followed by Georgia at \$450 and New York at \$422. Based on preliminary data, Illinois' sales per capita increased to approximately \$221 in FY 2020. This was a decline of -5.8%. This would be the first decline in sales per capita since FY 2014. Chart 14 shows the slow growth of this metric over the past fifteen years.

Similarly, analyzing last year's lottery sales on a percentage of per-capita personal income basis placed Illinois near the middle of U.S. lotteries. In general, spending levels have been coming down in recent years. In FY 2015, people in Illinois spent approximately 0.45% of their personal income on lottery and this level fell to 0.42% in FY 2016 and FY 2017. Spending fell again in FY 2018 to 0.40%, which is where it remained in FY 2019. Though the State's spending per capita on lottery tickets remained the same, this amount of spending ranked 22nd in FY 2019, down two spots from the previous year. The highest levels of spending on lottery sales based on personal income are seen in Massachusetts (1.06%), Georgia (0.93%), and South Carolina (0.85%).

One other way to compare the various lotteries in the U.S. is the number of people in the State compared to the number of lottery sales locations. According to the Illinois Lottery, approximately 7,150 retail locations offer lottery products currently. This is down from around 7,400 at the end of FY 2019. Chart 15, on page 71 illustrates where Illinois stands regarding this metric. Illinois has approximately 1,782 people per lottery retailer. Looking at data from the most recent fiscal year available (FY 2018), this would rank 40th out of the 45 U.S. lotteries analyzed. Massachusetts and Rhode Island have the greatest availability of lottery products with only 844 and 889 people per lottery location, while Arizona has the most people per retail location at 2,344. The U.S. average was approximately 1,440 people per lottery retailer. To equal the U.S. average, Illinois would have to get to about 8,848 retailers which would be an increase of 1,698 retailers. This would mean an increase of nearly 24% in total retailers over the current level.

**TABLE 25: LOTTERY RANKINGS
(FY 2019)**

STATE	POPULATION (MILLIONS)	PER CAPITA PERSONAL INCOME	TRADITIONAL LOTTERY SALES		SALES PER CAPITA		SALES PER CAPITA AS A % OF PER-CAPITA PERSONAL INCOME	
			(\$ MILLIONS)	Rank	PER CAPITA	Rank	PERCENTAGE	Rank
ALABAMA	4.9	\$ 43,880	\$ -	46	\$ -	46	0.00%	46
ALASKA	0.7	\$ 62,102	\$ -	46	\$ -	46	0.00%	46
ARIZONA	7.3	\$ 46,233	\$ 1,077	21	\$ 148	29	0.32%	28
ARKANSAS	3.0	\$ 44,845	\$ 515	27	\$ 171	27	0.38%	24
CALIFORNIA	39.5	\$ 66,661	\$ 7,388	2	\$ 187	26	0.28%	29
COLORADO	5.8	\$ 61,348	\$ 680	24	\$ 118	32	0.19%	34
CONNECTICUT	3.6	\$ 79,087	\$ 1,334	19	\$ 374	8	0.47%	15
DELAWARE	1.0	\$ 54,264	\$ 196	38	\$ 202	24	0.37%	25
DISTRICT OF COLUMBIA	0.7	\$ 84,538	\$ 213	36	\$ 302	11	0.36%	26
FLORIDA	21.5	\$ 51,989	\$ 7,151	3	\$ 333	10	0.64%	6
GEORGIA	10.6	\$ 48,199	\$ 4,776	7	\$ 450	2	0.93%	2
HAWAII	1.4	\$ 57,450	\$ -	46	\$ -	46	0.00%	46
IDAHO	1.8	\$ 45,642	\$ 288	33	\$ 161	28	0.35%	27
ILLINOIS	12.7	\$ 58,935	\$ 2,977	11	\$ 235	20	0.40%	22
INDIANA	6.7	\$ 48,657	\$ 1,348	18	\$ 200	25	0.41%	20
IOWA	3.2	\$ 52,636	\$ 391	28	\$ 124	30	0.24%	31
KANSAS	2.9	\$ 53,453	\$ 295	32	\$ 101	37	0.19%	35
KENTUCKY	4.5	\$ 44,017	\$ 1,130	20	\$ 253	17	0.57%	8
LOUISIANA	4.6	\$ 48,008	\$ 524	26	\$ 113	34	0.23%	32
MAINE	1.3	\$ 50,950	\$ 299	31	\$ 223	22	0.44%	19
MARYLAND	6.0	\$ 65,683	\$ 2,197	14	\$ 363	9	0.55%	11
MASSACHUSETTS	6.9	\$ 74,967	\$ 5,490	5	\$ 797	1	1.06%	1
MICHIGAN	10.0	\$ 50,320	\$ 3,884	8	\$ 389	5	0.77%	4
MINNESOTA	5.6	\$ 59,683	\$ 637	25	\$ 113	33	0.19%	36
MISSISSIPPI	3.0	\$ 39,368	\$ -	46	\$ -	46	0.00%	46
MISSOURI	6.1	\$ 49,589	\$ 1,466	17	\$ 239	19	0.48%	14
MONTANA	1.1	\$ 49,074	\$ 61	43	\$ 57	44	0.12%	43
NEBRASKA	1.9	\$ 54,871	\$ 192	39	\$ 99	38	0.18%	37
NEVADA	3.1	\$ 50,883	\$ -	46	\$ -	46	0.00%	46
NEW HAMPSHIRE	1.4	\$ 63,880	\$ 384	29	\$ 283	13	0.44%	17
NEW JERSEY	8.9	\$ 70,979	\$ 3,482	9	\$ 392	4	0.55%	12
NEW MEXICO	2.1	\$ 43,984	\$ 144	40	\$ 68	41	0.16%	40
NEW YORK	19.5	\$ 71,440	\$ 8,208	1	\$ 422	3	0.59%	7
NORTH CAROLINA	10.5	\$ 47,803	\$ 2,860	12	\$ 273	14	0.57%	9
NORTH DAKOTA	0.8	\$ 57,501	\$ 35	45	\$ 46	45	0.08%	45
OHIO	11.7	\$ 50,546	\$ 3,361	10	\$ 288	12	0.57%	10
OKLAHOMA	4.0	\$ 47,951	\$ 242	35	\$ 61	43	0.13%	42
OREGON	4.2	\$ 52,937	\$ 380	30	\$ 90	39	0.17%	38
PENNSYLVANIA	12.8	\$ 58,775	\$ 4,885	6	\$ 382	7	0.65%	5
RHODE ISLAND	1.1	\$ 56,542	\$ 263	34	\$ 249	18	0.44%	18
SOUTH CAROLINA	5.1	\$ 45,314	\$ 1,981	15	\$ 385	6	0.85%	3
SOUTH DAKOTA	0.9	\$ 53,925	\$ 63	42	\$ 71	40	0.13%	41
TENNESSEE	6.8	\$ 48,761	\$ 1,813	16	\$ 265	16	0.54%	13
TEXAS	29.0	\$ 52,504	\$ 6,251	4	\$ 216	23	0.41%	21
UTAH	3.2	\$ 48,395	\$ -	46	\$ -	46	0.00%	46
VERMONT	0.6	\$ 56,691	\$ 139	41	\$ 223	21	0.39%	23
VIRGINIA	8.5	\$ 60,116	\$ 2,294	13	\$ 269	15	0.45%	16
WASHINGTON	7.6	\$ 64,898	\$ 803	22	\$ 105	36	0.16%	39
WEST VIRGINIA	1.8	\$ 42,336	\$ 200	37	\$ 112	35	0.26%	30
WISCONSIN	5.8	\$ 53,583	\$ 713	23	\$ 122	31	0.23%	33
WYOMING	0.6	\$ 63,316	\$ 37	44	\$ 64	42	0.10%	44
TOTALS	328.2	\$ 56,663	\$ 83,049		\$ 253		0.45%	

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

All data should be considered preliminary and unaudited.

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

CHART 14: ILLINOIS LOTTERY SALES PER CAPITA

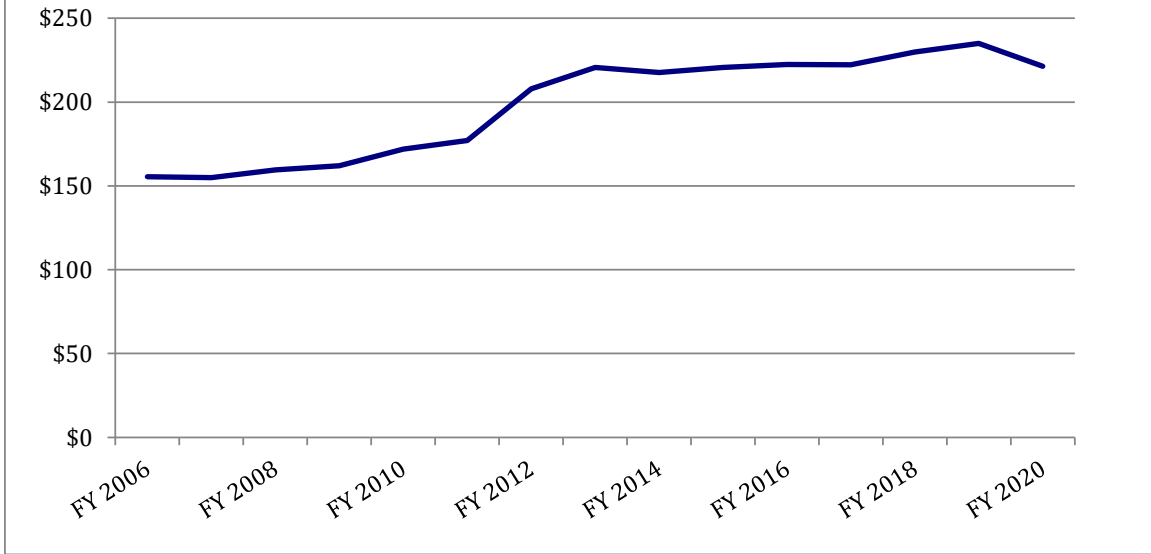
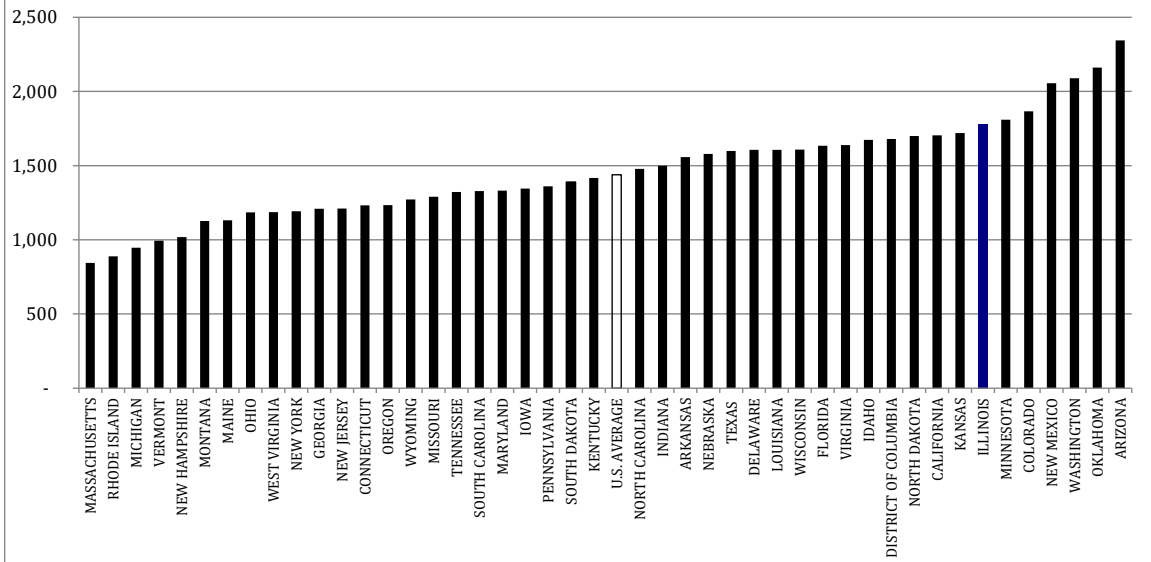


CHART 15: PEOPLE PER LOTTERY RETAILER

Illinois ranks 40th with approximately one lottery retailer per 1,782 people



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

Private Manager

On September 15, 2010, the State selected the Northstar Lottery Group to manage the lottery in Illinois. As part of Public Act 96-0034, the lottery was to be operated with the assistance of a private manager. After an initial increase in sales and transfers, the results of the lottery under the management were disappointing. The State and the Northstar Lottery Group had a rocky relationship from the beginning of the private management agreement. The two had to go to arbitration several times to resolve numerous issues which were noted in detail in previous versions of this report.

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

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

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

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

Another aspect of the termination agreement concerned the use of GTECH as its systems provider. Per the terms of the Letter Agreement of Termination, should the replacement private manager choose not to retain GTECH as its systems provider either as a sole provider or as part of a consortium, the State will be liable for compensating GTECH for the residual value of the remainder of the original supply agreement. Assuming the supply agreement was terminated by the replacement private manager on July 1, 2017, the amount payable would have been \$55 million. This amount was to be prorated in the event the supply agreement is terminated on a different date. [According to the FY 2018 audit of the Lottery, this amount totaled \$34.4 million when finalized.]

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

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

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

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

Accounting Issues

During the audit conducted for the FY 2018 results by the Auditor General, the Lottery was found to be not in compliance. Two findings stood out as issues that needed to be mentioned. Finding 2018-001 showed excess transfers to the Common School Fund. Another issue was raised in Finding 2018-002 which stated that the Lottery was not compliant with the Illinois Lottery Law due to not performing all the required transfers to the Capital Projects Fund.

According to the report from the Auditor General, the Lottery transferred just over \$73 million more to the State Lottery Fund (Fund 711) than was appropriate in FY 2018. This occurred due to a mismatch in the actual amount of money available to send to the State Lottery Fund which is not known until after final, audited financials are conducted (which are not available until September of the following fiscal year) and the monthly transfers mandated into the Common School Fund (Fund 412) from the State Lottery Fund which are based on the monthly amount of transferred in FY 2009 adjusted for inflation. In the FY 2019 audit, this excess transfer had been reduced to \$64 million (Finding 2019-002).

Finding 2018-002 indicated that the Lottery had not performed all the necessary transfers into the Capital Projects Fund. The Capital Projects Fund was owed approximately \$89 million as of June 30, 2018. The unperformed transfers were from periods prior to FY 2018. A large portion of this amount was from a mis-characterization of an excess transfer of approximately \$69 million from the State Lottery Fund into the Common School Fund in FY 2009. The Lottery booked this amount as an accounts receivable from the Common School Fund to the State Lottery Fund. However, during the FY 2012 audit, this accounts receivable was deemed as inappropriate, and therefore, this created a cash deficit in the same amount that has not been made up. The remaining \$19 million in unperformed transfers was due to annual mismatches between what was estimated for transfer at the end of a fiscal year and what was determined after audited financials were available. In the FY 2019 audit, this amount remained at \$89 million (Finding 2019-003).

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

Lottery Sports Wagering Pilot Program

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

As of August 2020, the pilot program has not been initiated and there is no timeline available for when the program would be implemented.

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 on-track and off-track wagering facilities. In calendar year 2019, Illinois horse racing wagering generated \$11.7 million in total revenues with the State receiving \$7.0 million and local governments receiving \$4.7 million. Table 26 examines the sources and allocation of CY 2019 horse racing revenues while Table 27 details State and local racing revenues over the past ten years.

**TABLE 26: SOURCES AND ALLOCATION OF HORSE RACING
REVENUE FOR CALENDAR YEAR 2019**

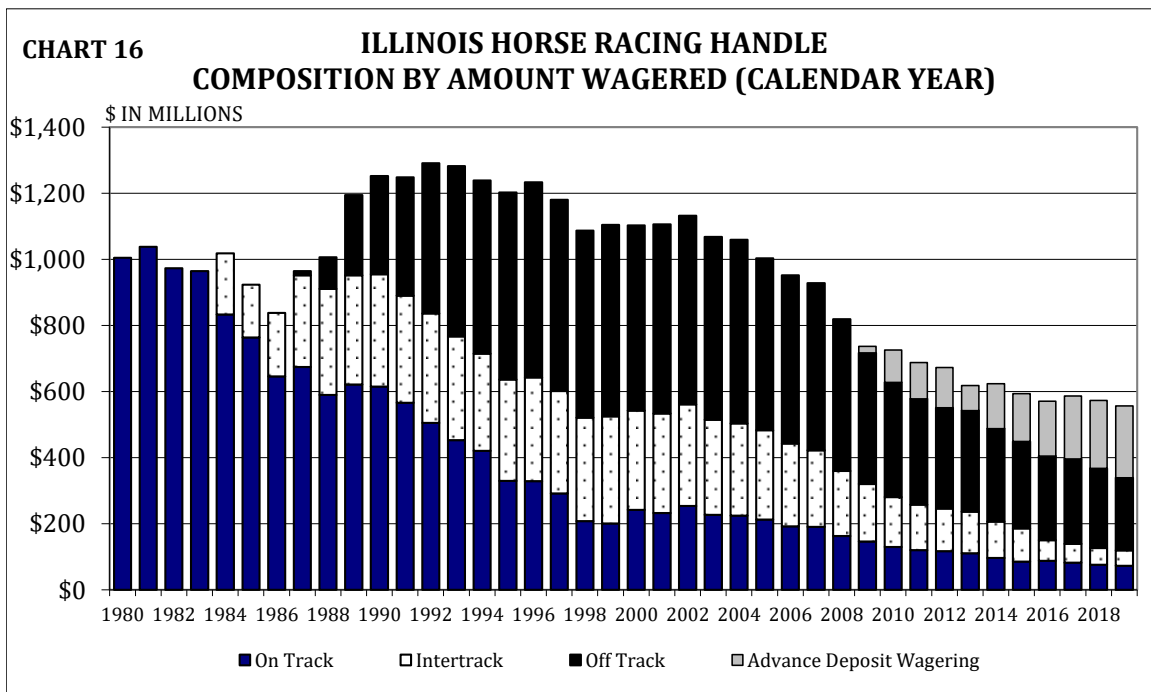
REVENUE SOURCE	
Application and License Fees of Racing Associations	\$61,495
Admission Taxes	\$53,611
Pari-mutuel Tax (Tracks and OTBs)	\$4,833,526
Pari-mutuel Tax Credit Used	(\$2,805,742)
Advanced Deposit Wagering (ADW) Pari-Mutuel Tax (1.75% of Handle)	\$3,800,084
.2% Surcharge for Racing Board (includes \$100,000 to Quarter Horse Purse Fund)	\$861,570
Licensing of Racing Personnel	\$119,600
Fingerprint Fees	\$18,476
Photo Fees	\$85
Horsemen's Fines	\$33,400
Miscellaneous Sources	\$11,744
TOTAL STATE REVENUES RECEIVED	\$6,987,849
2% of OTB Handle to City and County	\$4,407,686
OTB Admission Tax to City of Chicago	\$55,130
OTB Admission Tax to Cook County	\$67,404
On Track City Admission Tax	\$40,997
Intertrack Surcharge to County (20%)	\$102,370
TOTAL LOCAL REVENUES RECEIVED	\$4,673,587
TOTAL REVENUES RECEIVED	\$11,661,436
ALLOCATION OF REVENUE	
Horse Racing Fund	\$6,312,004
Quarterhorse Breeders' Fund	\$14,500
Quarterhorse Purse Fund (from IRB .2% Surcharge)	\$100,000
Standardbred Purse Fund (.25% Tax of ADW Handle)	\$542,869
Fingerprinting (State Police and Vendor)	\$18,476
TOTAL STATE REVENUES ALLOCATED	\$6,987,849
To Cities	\$2,299,970
To Counties	\$2,373,617
TOTAL LOCAL	\$4,673,587
TOTAL REVENUES ALLOCATED	\$11,661,436
SOURCE: ILLINOIS RACING BOARD - 2019 ANNUAL REPORT	

TABLE 27: HORSE RACING REVENUES AND ASSOCIATED ALLOCATIONS BY CALENDAR YEAR (IN MILLIONS)											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
TOTAL STATE REVENUE	\$7.1	\$7.4	\$7.8	\$7.5	\$6.4	\$7.5	\$6.8	\$6.8	\$7.1	\$7.0	\$7.0
TOTAL LOCAL REVENUE	\$9.1	\$7.8	\$7.2	\$6.8	\$6.7	\$6.2	\$5.8	\$5.5	\$5.5	\$5.1	\$4.7
* TOTAL REVENUES RECEIVED	\$16.2	\$15.3	\$15.0	\$14.2	\$13.1	\$13.7	\$12.7	\$12.3	\$12.6	\$12.2	\$11.7
TOTAL STATE ALLOCATIONS	\$7.1	\$7.4	\$7.8	\$7.5	\$6.4	\$7.5	\$6.8	\$6.8	\$7.1	\$7.0	\$7.0
TOTAL LOCAL ALLOCATIONS	\$9.1	\$7.8	\$7.2	\$6.8	\$6.7	\$6.2	\$5.8	\$5.5	\$5.5	\$5.1	\$4.7
TO CITIES	\$4.3	\$3.7	\$3.4	\$3.2	\$3.2	\$2.9	\$2.8	\$2.7	\$2.7	\$2.5	\$2.3
TO COUNTIES	\$4.8	\$4.1	\$3.8	\$3.6	\$3.6	\$3.3	\$3.1	\$2.8	\$2.8	\$2.6	\$2.4
*TOTAL REVENUES ALLOCATED	\$16.2	\$15.3	\$15.0	\$14.2	\$13.1	\$13.7	\$12.7	\$12.3	\$12.6	\$12.2	\$11.7

* On January 29, 2014, advance deposit wagering was re-authorized for three years and included an additional .2% surcharge on winning wagers to help fund the Racing Board.

SOURCE: ILLINOIS RACING BOARD ANNUAL REPORTS

In its 2019 Annual Report, the Racing Board noted that 232 live race dates were conducted during CY 2019. This is notably lower than the 266 that were conducted during CY 2018 and significantly lower than the 518 race programs that were conducted as recently as CY 2013. This falloff reflects the declining trend of the horse racing industry, as well as the 2015 closings of the Balmoral and Maywood racetracks. In CY 2019, a total handle amount of \$557 million resulted. This was a 2.9% decrease from CY 2018 levels. The CY 2019 amount is the lowest total in recent history. These historical horse racing handle figures are displayed below.

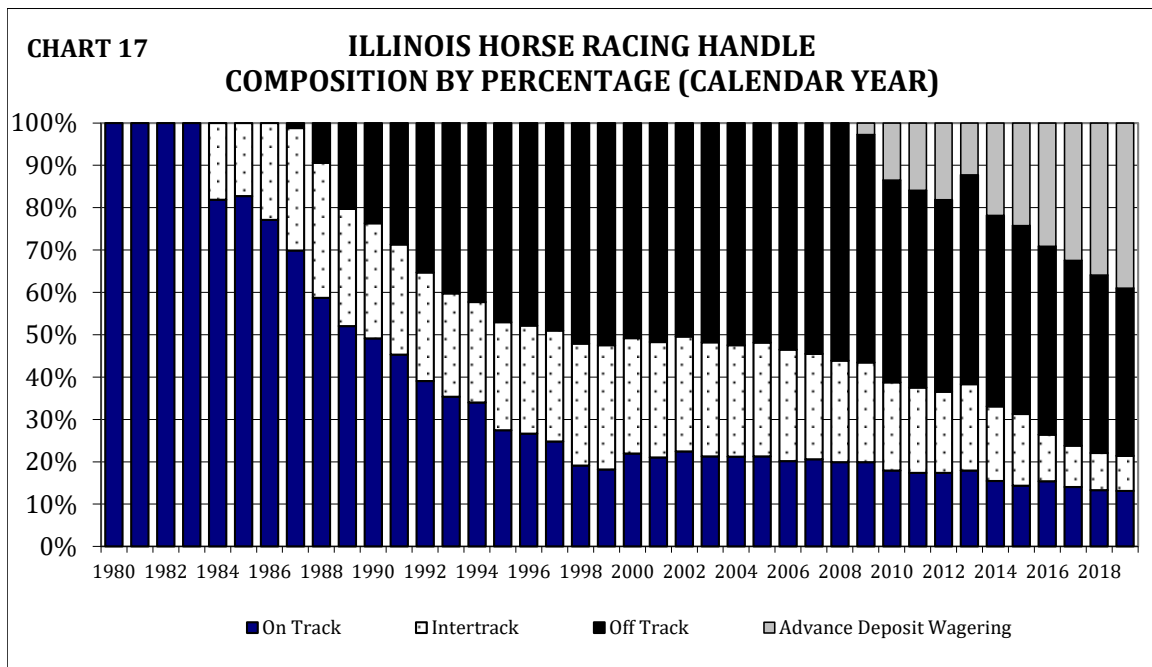


The overall 2.9% decline in the racing handle would have been significantly worse if it were not for the 5.4% increase in advance deposit wagering (ADW). While the ADW handle increased \$11 million in 2019, the other components fell a combined \$28 million (on-track: -.3.9%; intertrack -9.0%; off-track: -8.5%). The 2019 handle totals are down a combined 24.5% from ten years ago and down 49.6% over the past two decades.

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

As these alternative means of wagering matured, they significantly altered the composition of the total racing handle. Between 1990 and 2019 the percentage of the total handle generated from on-track wagering fell from 49% to 13%. The percentage of the total handle generated at off-track wagering facilities increased from 24% to as high as 56% (2008) before falling to its current composition percentage of 40%.

Inter-track wagering for years remained relatively stable, generally comprising around 25% of the total handle. This rate has fallen to 8% as advance deposit wagering has quickly emerged as the trending source for new wagering. In 2019 ADW's composition grew to 39%. Chart 17 illustrates the historic shift in the composition of the racing handle.



2019 Racing Statistics

TABLE 28: Illinois Racing Statistics for 2019			
\$ in millions			
	2018 Handle	2019 Handle	% Change
Thoroughbred	\$288.4	\$268.1	-7.1%
Standardbred	\$79.0	\$71.4	-9.7%
ADW	\$206.0	\$217.1	5.4%
Total Illinois Handle	\$573.5	\$556.6	-2.9%
Of the \$556.4 million total handle in 2019....			
Source	Amount	Composition	
On Track	\$73.1	13.1%	
Intertrack	\$46.0	8.3%	
OTBs	\$220.4	39.6%	
ADW	\$217.1	39.0%	
Total	\$556.6	100%	
Location of Race	Amount	Composition	
Wagered on Illinois Races	\$56.5	10.1%	
Wagered on Out-of State Tracks	\$500.2	89.9%	
Total	\$556.6	100%	
The largest handle at Illinois tracks came from:			
Arlington	\$35.8		
Hawthorne	\$15.4		
Balmoral (closed)	\$0.0		
Maywood (closed)	\$0.0		
Fairmount	\$4.9		
State/County Fairs	\$0.4		
Total	\$56.5		
Source: Illinois Racing Board Annual Report			

Off-Track Betting (OTB) Licenses

According to the Racing Board’s website, as of the last update on January 7, 2020, Arlington Park currently has 10 OTBs, Hawthorne Race Course has 11 OTBs, and Fairmount Park has 3 OTBs. Therefore, each racetrack has several licenses available for additional OTBs, if the market were to demand it. A list of the current OTBs are shown in the table below.

TABLE 29: ILLINOIS RACING TRACKS AND ASSOCIATED OTB'S		
TRACK	COUNTY	OTB LOCATIONS
ARLINGTON RACECOURSE	COOK	AURORA CHICAGO (Weed St.) GREEN OAKS HODGKINS HOFFMAN ESTATES MCHENRY NORTH AURORA ORLAND HILLS*** ROCKFORD VILLA PARK WAUKEGAN (Green Bay Rd.)
FAIRMOUNT PARK	MADISON	ALTON SAUGET SPRINGFIELD
HAWTHORNE RACE COURSE	COOK	BOLINGBROOK** CHICAGO (Corliss) CRESTWOOD GLENDALE HEIGHTS JOLIET LANSING* MOKENA NORMAL OAKBROOK TERRACE OTTAWA* PEORIA PROSPECT HEIGHTS
*NEW IN 2019 **CLOSED IN 2019 ***CLOSED IN 2020		
<i>NOTE: The Illinois Horse Racing Act, effective June 28, 2019 states that Fairmount Park may establish up to 9 intertrack wagering locations (OTB's), Hawthorne Race Course may establish up to 16 OTB's and Arlington Park may establish up to 18 OTB's. As of January 7, 2020, Arlington Park has 10 OTB's in operation, Hawthorne Race Course has 11 OTB's, and Fairmount Park has 3 OTB's.</i>		
Source: Illinois Racing Board		

Advance Deposit Wagering

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

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

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

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

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

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

On January 29, 2014, P.A. 98-0624 was signed into law. This public act extended the authorization for advance deposit wagering to February 1, 2017. The Act also

provided an additional 0.2% surcharge on winning wagers and winnings from wagers. From the revenue generated from this surcharge, \$100,000 shall be annually deposited into the Quarter Horse Purse Fund. All remaining amounts are to be deposited into the Horse Racing Fund.

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

Public Act 99-0756, effective August 12, 2016, extended advance deposit wagering through December 31, 2018. Public Act 100-0627, effective July 20, 2018, further extended advance deposit wagering through December 31, 2020. Then, Public Act 101-0031 removed the sunset date altogether, thereby allowing advance deposit wagering to continue in Illinois into the foreseeable future.

The extensions and later removal of the sunset dates are in large part because of the continued growth of advance deposit wagering. Details of this growth since FY 2014 is shown below.

- In FY 2014, with nearly a full-year of revenues, \$2.3 million in ADW tax revenues were collected. This equates to a handle amount of approximately \$133 million.
- In FY 2015, \$2.4 million in tax revenues were collected. This equates to a handle amount of approximately \$137 million.
- In FY 2016, \$2.7 million in tax revenues were collected, equating to a handle amount of approximately \$156 million.
- In FY 2017, tax revenues from ADW grew to \$3.1 million, equating to a handle amount of approximately \$175 million.
- The numbers grew even further in FY 2018 with ADW tax revenues totaling \$3.5 million, which equates to a handle amount of approximately \$200 million.
- In FY 2019, tax revenues from advance deposit wagering totaled \$3.7 million. This equates to a handle amount of approximately \$209 million.
- In FY 2020, tax revenues from advance deposit wagering totaled \$4.6 million. This equates to a handle amount of approximately \$265 million.

Much of this \$56 million increase over FY 2019 may be connected to the COVID-19 virus. The suspension of public attendance at race tracks and OTBs has caused many would-be betters to use advance deposit wagering as a replacement to in-person betting. Recent ADW figures for April, May, and June are notably higher than the year prior. Whether the use of ADW will offset the in-person betting declines that will occur as a result of the pandemic remains to be seen.

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

The horse racing industry in Illinois continues to struggle. Despite a small uptick in the racing handle in 2017, Illinois' long-term trend of decreasing horse racing revenues has continued. As stated previously, the 2019 handle totals are down a combined 24.5% from ten years ago and down 49.6% over the past two decades. With the 2015 closings of Maywood Park and Balmoral Park, there are only three operating race tracks in Illinois. The overarching feeling was, without significant changes to the industry, a dramatic turnaround was not likely. The horse racing community is hopeful that the racing related changes to P.A. 101-0031 will be the spark needed to turn things around.

With the authorization of casinos at racetracks (as discussed on page 28), Illinois joins a growing number of states to offer this gaming format. The hoped-for outcome is this: the addition of racinos allows race tracks the financial ability to offer higher purses, which leads to increased interest, both from horsemen and the fans of horse racing. Therefore, proponents have argued that having racinos would not only increase tax revenues for the State, but it would also increase the amount of money wagered on horse racing. However, this has not been the case for states across the country.

For example, over the past decade, Indiana has seen its "in-state" handle decrease from near \$180 million in 2007 to near \$70 million in 2018 despite the opening of two racinos in 2008. *(The 2019 numbers have not been released at the time of this report)*. On the other hand, the casinos at these two locations annually combine to generate adjusted gross receipts totaling between \$400 million and \$500 million per year (the pandemic year of FY 2020 notwithstanding). 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, not from developing new interest by way of pari-mutuel handle increases.

A similar outcome has occurred in the State of Ohio. The first racino opened in Ohio in June 2012. Since then, six additional racinos have opened throughout this state with the latest opening in September 2016. Casino revenues from these seven locations have improved each year, reaching an AGR total of \$1.058 billion in FY 2019. However, despite the impressive casino revenue totals, the racing handle from these Ohio racetracks have not improved. In fact, between 2011 (the last year without racinos) to 2019, the total handle has fallen -38.0% from \$234 million to \$145 million.

The State of Pennsylvania has six racinos that combined to generate \$1.7 billion in adjusted gross receipts in FY 2019. Yet, the total live racing handle in Pennsylvania has fallen nearly \$100 million over the last five years. Although, it should be noted that the total live racing handle did hold flat between CY 2018 and CY 2019.

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

values in other states, many in the horse racing industry have left Illinois for “greener pastures”. Without the ability to offer higher purses, a bad situation becomes even worse for Illinois tracks.

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

It should be noted that at the time of this report, only two of the three operating race-tracks (Fairmount and Hawthorne) have applied for a casino gaming license. In August 2019, representatives of Arlington Park released a statement that they would not apply to the Gaming Board for a slot machine and table game license. Therefore, unless Arlington’s plans are altered, it appears that there will be only two “racinos” in Illinois in the foreseeable future rather than the three that were originally expected.

Additional financial help could soon come from the allowance of sports betting at the racinos (the details of which are discussed in the following section). While the added revenue from sports wagering is expected to be modest at best, its inclusion may attract a new fan base for the horse racing industry. Illinois is among many other states across the country that have implemented, or are in the process of implementing, sports betting at their racetracks in the months to come. While Arlington has stated that they would not seek a casino license, they have applied for a sports wagering license, along with Fairmount and Hawthorne.

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

SPORTS WAGERING

SPORTS WAGERING

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

A summary of the framework of the Sport Wagering Act is provided below. A synopsis of sports wagering's tax revenue potential follows.

Sports Wagering Related Licenses:

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

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

- **Sports Wagering at Horse Tracks**
 - The initial license fee for a master sports wagering license for an organization licensee (horse track) is 5% of its handle from the preceding

calendar year or the lowest amount that is required to be paid as an initial license fee by an owners licensee, whichever is greater. No initial license fee shall exceed \$10 million.

- An organization licensee licensed on the effective date of this Act shall pay the initial master sports wagering license fee by July 1, 2020.
- For an organization licensee licensed after the effective date of this Act, the master sports wagering license fee shall be \$5 million, but the amount shall be adjusted 12 months after the organization licensee begins racing operations based on 5% of its handle from the first 12 months of racing operations.
- The organization licensee may renew the master sports wagering license for a period of 4 years by paying a \$1 million renewal fee to the Board.
- An organization licensee issued a master sports wagering license may conduct sports wagering:
 - At its facility at which inter-track wagering is conducted.
 - At 3 inter-track wagering locations.
 - Over the Internet or through a mobile application.

• **Sports Wagering at Casinos**

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

• **Sports Wagering at a Sports Facility**

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

- **Sports Wagering via Online Sports Wagering Operator**

- The Board shall issue 3 master sports wagering licenses to online sports wagering operators for a nonrefundable license fee of \$20 million pursuant to an open and competitive selection process.
- The license may be renewed for a period of 4 years by paying a \$1 million renewal fee to the Board.

- **Lottery Sports Wagering Pilot Program**

- The Department of the Lottery shall issue one central system provider license pursuant to an open and competitive bidding process.
- The winning bidder shall pay \$20 million to the Department upon being issued the license.
- Sports lottery terminals may be placed in no more than 2,500 lottery retail locations in the State. Sports lottery terminals may be placed in an additional 2,500 Lottery retail locations during the second year after the effective date of this Act.
- For the privilege of operating sports wagering, all proceeds minus net of proceeds returned to players shall be paid into the State Lottery Fund. After amounts owed to the central system provider and licensed agents, as determined by the Department of Lottery, are paid, the remainder shall be transferred on the 15th of each month to the Capital Projects Fund.
- This Program is repealed on January 1, 2024.

Wagering Requirements and Prohibitions

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

Sports Wagering Tax Revenues

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

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

Once sports wagering became legal in Illinois, the initial hope was that some form of betting on sports in the state would be ready in time for the Spring 2020 sports season, including the NCAA basketball tournament, the NBA playoffs, and the major league baseball season. But this goal became moot when these major events were postponed or canceled because of the COVID-19 pandemic.

Due to the cancellation of most major sporting events, very little tax revenues (\$12,224 to be exact) were reported to be received from the sports wagering tax in FY 2020. Although, it should be noted that \$7 million in application fees were received during the fiscal year as part of the licensing process. While these revenue amounts are sure to increase in FY 2021, the extent that this will occur remains uncertain due to the lingering impact of COVID-19 on sports events. Tax revenues that are received are deposited into the newly created Sports Wagering Fund and then transferred to the Capital Projects Fund.

Even when sports return in full capacity, there are a number of questions in regard to what sports wagering in Illinois will actually look like, especially as it pertains to where bets can be placed. At the time of this report (according to the State Gaming Board's website) only 7 of the 10 existing casinos have applied for a sports wagering license. While all three organization licensees (racetracks) have applied for a sports wagering license, as of July, no sports facility has done so. Whether they will do so in the future remains unclear. There also remains uncertainty regarding the participation level of the Lottery pilot program and the timing of when sports wagering would open at the future new casinos that could open across the state.

There has also been a lot of uncertainty regarding the online availability of sports wagering. Originally, State law required online sportsbook registrations to be completed in-person. But in June 2020, Governor Pritzker temporarily suspended this requirement, thereby allowing registrations to occur online. However, in July 2020, the in-person requirement was reinstated, just as DraftKings was about to enter into Illinois' betting scene. Then, in August 2020, the in-person requirement was again waived. This latest decision allows DraftKings (which is working along with the Casino Queen Sportsbook) and BetRivers, the online sportsbook of the Rivers Casino, to proceed without an in-person requirement, at least temporarily. This decision is expected to be a welcomed boost to jumpstarting the sports wagering industry, especially at a time when many of the major sports are returning to action.

Prior to the enactment of sports wagering in Illinois, a study from Oxford Economics estimated that Illinois could potentially generate between \$384 million and \$680 million in adjusted gross wagering receipts (the taxable base, which is revenues after paying for winnings) per year. At the enacted tax rate of 15%, this projection would result in tax revenues of between \$58 million and \$102 million. In looking at the preliminary results from states that have already legalized sports betting (before the pandemic), this estimate appeared valid, especially at the lower ends of the provided range. *{These revenue collections from other states can be viewed at: <https://www.thelines.com/betting/revenue/>}*

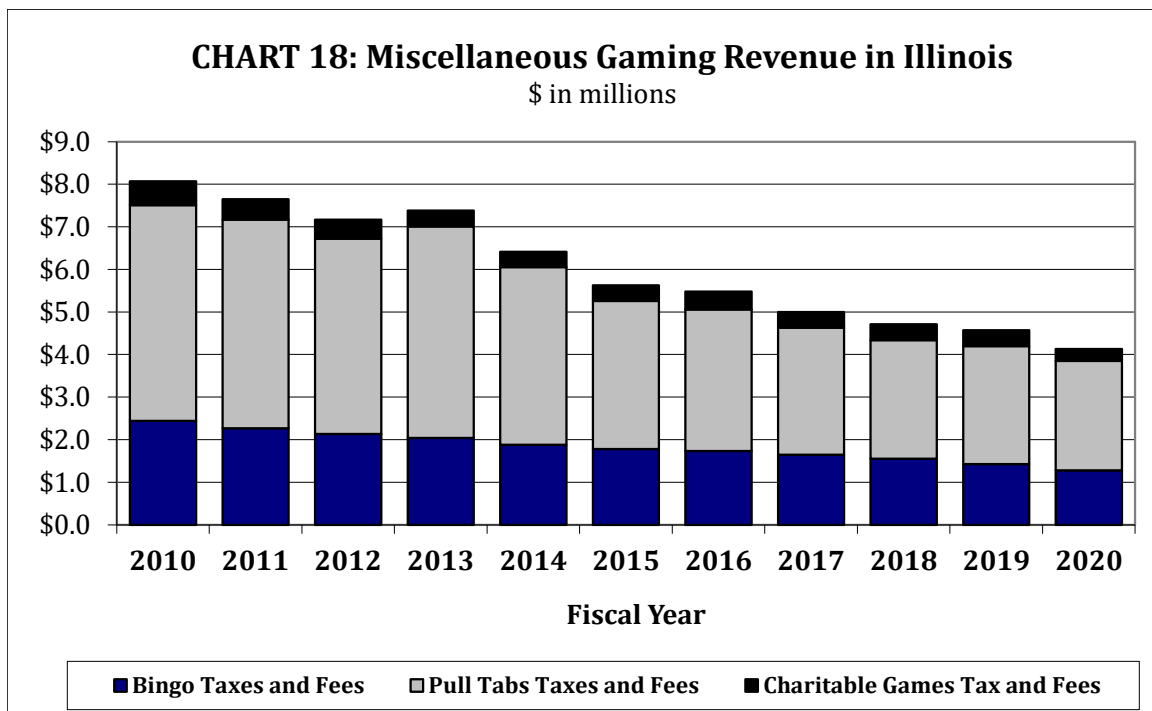
However, there are a number of uncertainties that persist that could limit Illinois from hitting these original tax revenue estimates. This includes the lack or delayed participation levels of potential sports wagering establishments, the availability of sports in response to the COVID-19 virus, and the competitiveness of sports wagering in comparison to the abundance of gaming options that now and will exist in and around Illinois' borders. As a result, any expectation of the tax revenue potential of sports betting in Illinois should be met with restraint until the numbers prove otherwise.

MISCELLANEOUS STATE GAMING

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

- Illinois receives two forms of revenue from bingo games: license fees and the bingo game receipt tax. In FY 2020, the State generated \$108,750 in bingo license fees and \$1.2 million in bingo taxes. Total bingo receipts were down 10.2% from FY 2019 levels.
- Illinois receives two forms of revenue from charitable games: license fees and the charitable games receipts tax. In FY 2020, the State received \$61,875 in license fees and \$279,414 from the charitable games tax. Total charitable games receipts were down 25.7% from FY 2019 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 2020, the State received \$292,000 in license fees and \$2.3 million from the pull tabs and jar games tax. Total pull-tabs and jar games receipts were down 7.3% from FY 2019 levels.

In total, these miscellaneous gaming revenue sources generated approximately \$4.1 million in FY 2020. This figure is 9.7% below the FY 2019 total of \$4.6 million. While these revenues have collectively been on a downward trend over the last decade, disruptions related to the COVID-19 virus no doubt contributed to the 9.7% decline in FY 2020. The chart below illustrates a history of miscellaneous gaming revenue since FY 2010.



CONCLUSION

While the recent enactments of P.A. 101-0031 and P.A. 101-0648 will provide new opportunities to gamble in Illinois by way of additional casinos, a lot of questions remain, however, on what this gaming expansion will ultimately look like and when it will occur. Complicating the outcome is the unknown effects of the pandemic on the gaming industry.

The COVID-19-virus has had a direct impact on gaming revenues in Illinois. Combined State related gaming revenues fell 13.4% in FY 2020 from \$1.4 billion to \$1.2 billion in large part due to the suspension of video gaming and casino operations between March 16th and June 30th. Although this suspension has been since lifted, gaming has only returned on a limited basis and it remains unclear how long these limitations will last. Even with the resumption of wagering, it is expected that the ramifications of the pandemic on public confidence will persist for some time.

The pandemic has, at least temporarily, slowed the momentum of positive growth in the gaming industry. Between FY 2012 and FY 2019, gaming-related State revenues increased from \$1.056 billion to \$1.404 billion. The explosion of video gaming at establishments across Illinois since its inception in September 2012 has been the catalyst behind this increase. Video gaming generated \$376 million in State revenues in FY 2020, just shy of the \$395 million generated in FY 2019, despite the suspension of gaming during the latter half of the fiscal year. Absent future disruptions from the pandemic, it is expected that revenues from video gaming will continue to climb in the near future due to higher betting limits, an increase in the number of terminals per establishment, and the transition from a tax rate of 30% to 34%. While video gaming has flourished since its inception, the “older” gaming formats in Illinois have remained relatively stagnant.

The -30.0% decline in adjusted gross receipts from Illinois’ ten casinos in FY 2020 reflects a continuation of its recent downward trend, though, the severity of the decline is due to the virus-related shutdowns. Transfers to the Education Assistance Fund coming from Illinois’ casinos in FY 2020 (\$195 million) are well below the near \$700 million that were transferred a little over a decade ago. The declining trend in transfers is because every casino in Illinois, aside from Des Plaines, has experienced double-digit declines in adjusted gross receipts over the past six fiscal years. At first, these declines were due to new competition from the opening of the Des Plaines casino, especially for the four suburban casinos. In recent years, however, the declines appear to be due to the proliferating competition from video gaming throughout Illinois.

Over 36,000 video gaming terminals were in operation at the end of FY 2020, which is the equivalent of adding over 30 full-size (1,200 position) casinos to the State. The emergence of video gaming has created more competition for the casino industry, thereby causing a falloff in the casino’s attendance and revenue figures. However, outside of the virus-reduced figures of FY 2020, it should be emphasized that, when combining Illinois’ casino and video gaming numbers, the amount of dollars spent on

these gaming formats have increased every year since video gaming commenced in Illinois, growing from \$1.641 billion in FY 2012 to a high of \$2.940 billion in FY 2019.

Despite the rapid increase of video gaming, the largest contributor of State gaming revenues continues to come from the Illinois Lottery. But it appears that the Lottery too has succumbed to the impacts of the pandemic as lottery sales fell 5.8% in FY 2020. Even prior to the virus, lottery sales have been relatively stagnant — increasing only 4.8% during the previous six fiscal years. The lack of significant growth in lottery sales has been disappointing because larger increases were hoped for under a private management company.

Due to the poor performance of the first private management company, Northstar, a new firm, Camelot Illinois, took over the day-to-day management of the lottery on January 2, 2018. The Lottery continues to be an important provider to the State's general funds, contributing a total of \$630 million in Lottery-related transfers in FY 2020. It remains to be seen if the new private manager will be able to return the amount of transfers to the near \$800 million that were achieved in FY 2013 and FY 2014.

The horse racing industry in Illinois continues to struggle. The amount wagered on horse racing in Illinois fell another -2.9% in CY 2019, despite the relative success of advance deposit wagering (+5.4%). The 2019 handle total was -24.4% below its levels of just a decade ago. The 2015 closing of Balmoral Park and Maywood Park leaves only three racetracks in Illinois still offering live racing (Arlington, Fairmount, and Hawthorne). Because of these struggles, the racing industry has lobbied for years that allowing racinos at their tracks would help alleviate their financial difficulties. The State will soon see if this is true due to the recent enactment of P.A. 101-0031.

After years of discussions of expanding gambling in Illinois, the enactment of P.A. 101-0031 paves the way for a plethora of new gaming opportunities throughout the State. A few changes to this Act were made in June 2020 by way of P.A. 101-0648. Because of these Acts, a couple years from now, Illinois could realistically have six new casinos in operation including a 4,000 position Chicago Casino (with help from a recently revised tax structure), new racinos at operating race tracks, and sports wagering options across the State. The enacted legislation has already brought about additional positions at existing casinos, additional video gaming terminals at establishments and truck stops, and new tax structures for the video gaming and casino industries. If these authorized options are all implemented as planned, millions of new tax revenues will be generated for State and local governments. The Commission continues to caution, however, that the revenue potential of such a package is likely limited.

Prior to the enactment of the gaming expansion legislation, over 32,000 video gaming machines were already put into operation across Illinois. The recent limit increases on video gaming terminals will increase this figure well past the latest figure of 36,000. Compare that to the roughly 10,400 gaming positions existing at the State's ten casinos, and gaming opportunities have more than tripled in Illinois since FY 2013 — and this is prior to any new casinos entering into the fray. Combine this with the

opening/relocation of several casinos in neighboring states along the State's borders and the revenue value of this level of gambling expansion in Illinois has weakened considerably. Still, many believe that there are areas of Illinois that remain untapped for gaming dollars and this expansion will provide opportunities for new revenues.

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

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

COMMISSION OVERVIEW

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

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

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

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