



Commission on Government Forecasting and Accountability

703 Stratton Ofc. Bldg., Springfield, IL 62706

MONTHLY BRIEFING FOR THE MONTH ENDED: JANUARY 2015

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ECONOMY: Consumer Remains the Key

Edward H. Boss, Jr., Chief Economist

Latest data on economic growth showed a sharp slowdown in the fourth quarter of 2014. After reporting an increase of 5.0% in the third quarter following an annual rate of gain of 4.6% in the second, the annual rate of gain in real or inflation-adjusted GDP in the final quarter of 2014 slowed to an annual rate of 2.6% according to the advance GDP report reported at month's end. When coupled with the -2.1% annual rate of contraction in the first quarter, this put the yearly growth in GDP at 2.4%, not substantially different from the 2.2% in 2013 or the 2.3% for 2012. The largest component, accounting for as much as 70%, was consumer spending, which rose 4.3% during the quarter. This was partially offset by a negative contribution from federal government spending; a rising level of imports with a reduced level of exports due to slowing economies abroad, and a major slowdown in nonresidential business spending with an actual decline in equipment spending.

Even with the strong rise in consumer expenditures last quarter, some hesitation could occur as earlier in the month it was announced that retail sales in December fell 0.9%, whereas many forecasters had expected a slight increase. In part the decline reflects the 0.4% drop in overall prices as measured by the Consumer Price Index for December, led by a 9.4% drop in gasoline prices. Eliminating auto and gasoline sales, the so-called core rate of retail sales fell 0.3% and November's 0.7% rise in sales was reduced to 0.4%. The National Retail Federation edged down its forecast of holiday sales, which include sales for November and December, to 4.0% from 4.1%. It is interesting to note, however, that last year's forecast of a 3.9% gain in holiday sales was later lowered to a gain of only 3.1%.

The downward revisions to retail sales came as a surprise to the markets. Employment has been rising; the unemployment rate had dropped to 5.6%, the lowest rate since June 2008; the first signs of some wage improvement surfaced; and in early

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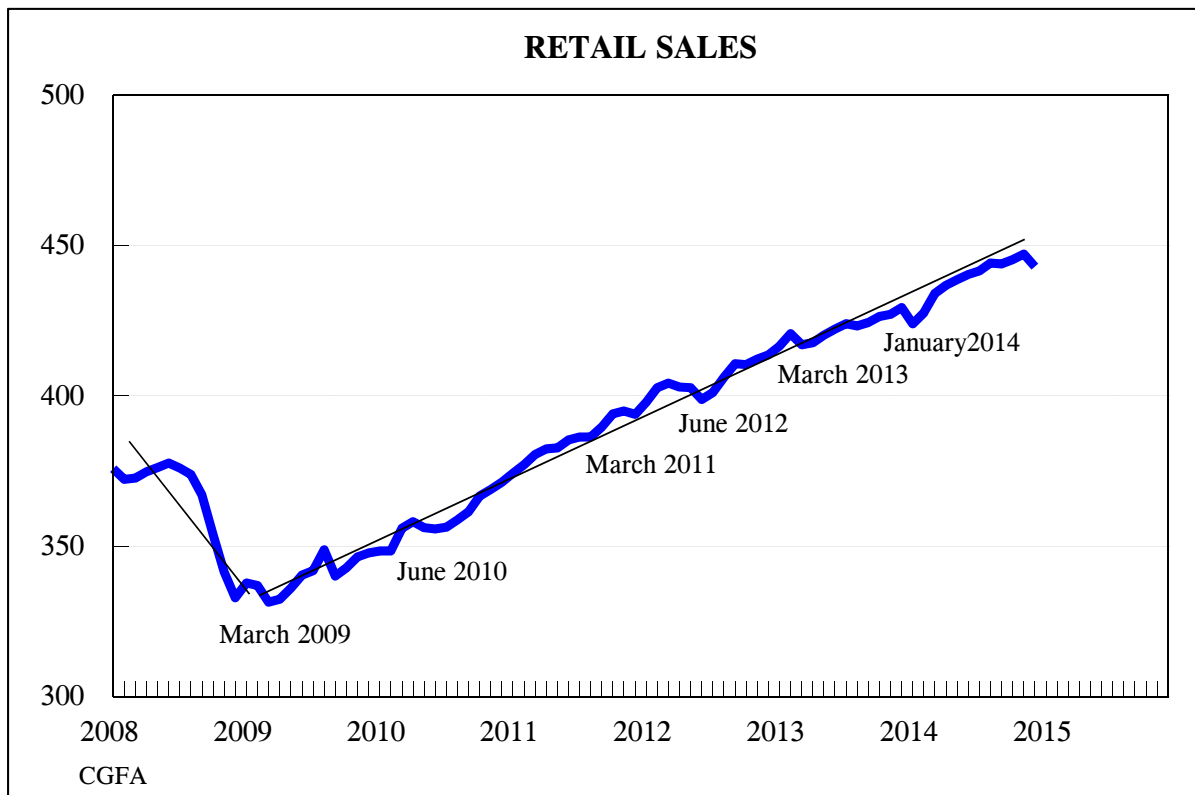
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LATEST PUBLICATIONS

State of Illinois Economic Forecast: January 2015. Prepared by Moody's Analytics/Economic & Consumer Credit Analytics



January the University of Michigan’s initial Consumer Sentiment Index reported that it rose to its highest level in a decade and the Conference Consumer Confidence Index rose to the highest level since August 2007. As shown in the attached Chart, however, even on a seasonally adjusted basis retail sales have slowed around this time in the last few years.

Such slowing in the economy after rapid growth during the previous two quarters does not necessarily preface a trend, but rather is consistent with many economic forecasts which at this time project more moderate growth in the quarters immediately ahead. For example, the Commission’s forecasting service, Global Insight, that had correctly forecast in its latest baseline solution real GDP rising at an annual rate of 2.6% last quarter, anticipates some improvement for this year with 3.1% growth estimated for the first quarter of 2015 as well as for the year as a whole.

Illinois’ economy also has improved over the last year. According to the State of Illinois Forecast completed by Moody’s Analytics for the Commission, in its analysis of the near-term, *“Illinois’ economy has improved over the last year, but progress has been slow and the state has underperformed the region and nation in key gauges such as jobs, income and output. The weakness can be traced to failed fiscal policy, a slow housing upturn, and stalled manufacturing industry downstate..... The state’s demographics present it with another challenge, as an aging population coupled with a trend toward fewer workers hampers job and income gains, which are forecast to be below average over the extended forecast horizon.”* The report goes on to point out some of the State’s strengths and differences by regions within the State. The entire report can be found on the Commission’s web site.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS</u> *	<u>DEC. 2014</u>	<u>NOV. 2014</u>	<u>DEC. 2013</u>
Unemployment Rate (Average)	6.2%	6.4%	8.9%
Annual Rate of Inflation (Chicago)	-4.8%	-9.4%	1.5%
<hr style="border: 2px solid black;"/>			
	<u>LATEST</u>	<u>% CHANGE</u>	<u>% CHANGE</u>
	<u>MONTH</u>	<u>OVER PRIOR</u>	<u>OVER A</u>
		<u>MONTH</u>	<u>YEAR AGO</u>
Civilian Labor Force (thousands) (December)	6,547	0%	0.1%
Employment (thousands) (December)	6,141	0.2%	3.0%
NonFarm Payroll Employment (December)	5,880,300	17,100	51,600
New Car & Truck Registration (December)	52,156	33.9%	14.4%
Single Family Housing Permits (December)	704	2.5%	16.1%
Total Exports (\$ mil) (November)	5,697	-4.7%	-3.8%
Chicago Purchasing Managers Index (December)	59.4	1.0%	-0.3%

* Due to monthly fluctuations, trend best shown by % change from a year ago

ILLINOIS GAMING STATISTICS

Eric Noggle, Senior Revenue Analyst

It now has been over two years since the first video gaming machines became operational in Illinois. In its opening month in September 2012, 61 video gaming machines were in operation. By the end of 2012 that number grew to 2,293 terminals. In the four months of operation in 2012, net terminal income from video gaming machines totaled \$12.3 million, generating \$3.7 million in tax revenues.

By the end of 2013, the number of operating video gaming machines had grown to 13,974 terminals. A total of \$300.7 million in net terminal income was reported to be collected from video gaming machines in 2013. This

equated to \$90.2 million in tax receipts under the 30% tax rate, of which 5/6th went to the Capital Projects Fund and 1/6th went to local governments.

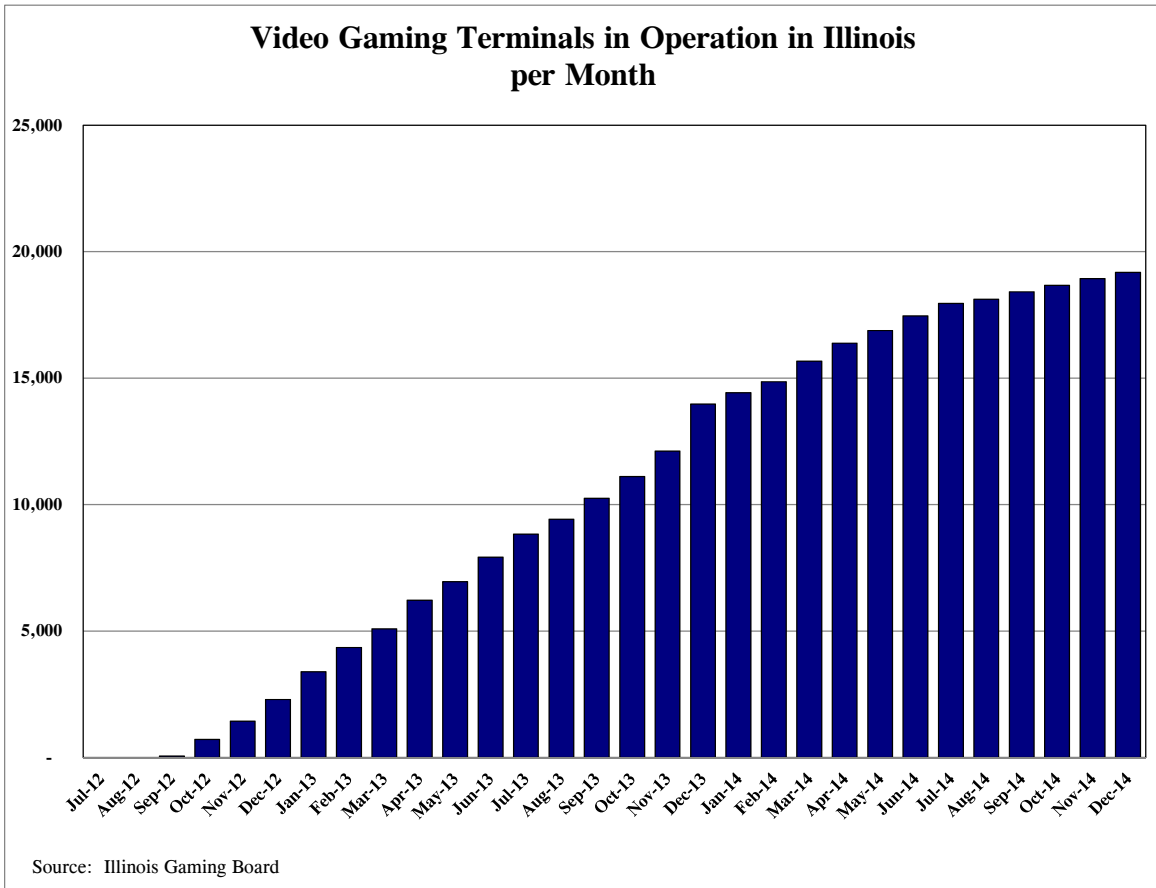
The latest monthly report from the Illinois Gaming Board reports that the number of video gaming machines in Illinois has now grown to 19,182 terminals (December 2014). In 2014, a total of \$659.5 million in net terminal income was reported to be collected. This yielded a 2014 tax revenue total of \$197.9 million. Of this total, approximately \$164.9 million went to the Capital Projects Fund with the remaining \$33.0 million going to local governments where video gaming machines are located.

Therefore, in total, the first 27 months of video gaming in Illinois has generated \$972.5 million in net terminal income and \$291.8 million in tax revenues. Of the tax revenues collected, a total of \$243.1 million has been collected for the Capital Projects Fund and \$48.6 million has been collected for local governments. The following graphs display the growth in video gaming terminals and net terminal income from Illinois video gaming machines since video gaming became operational in September 2012.

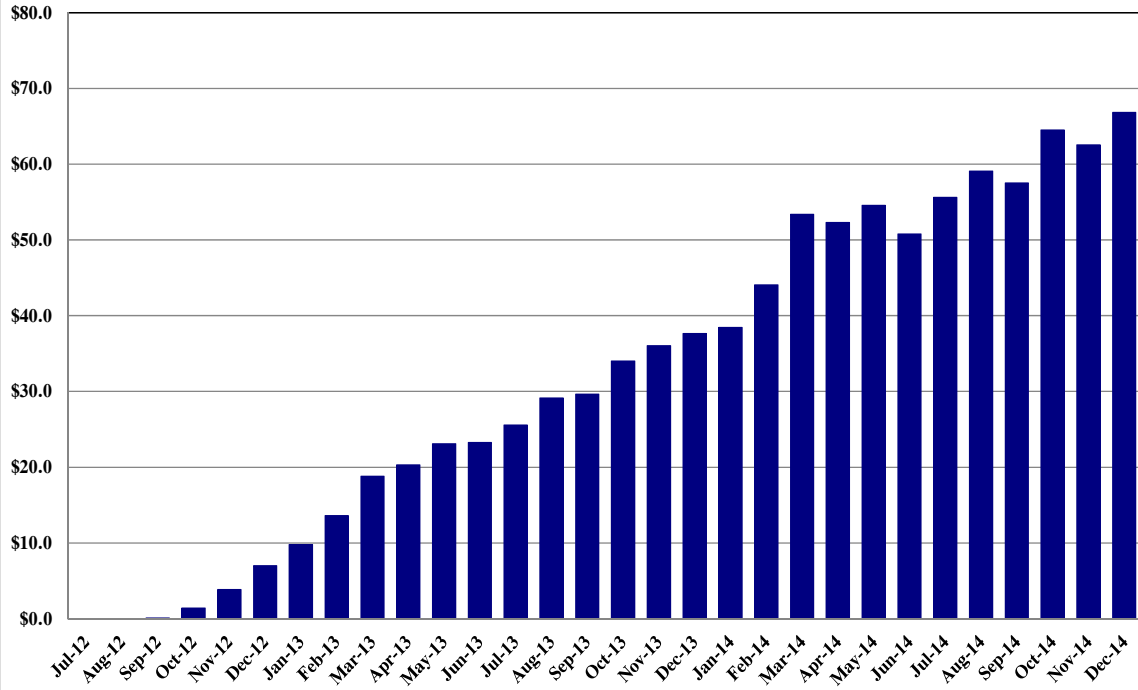
As projected, the first chart shows that the number of video gaming terminals in Illinois is beginning to plateau at around 20,000. Therefore, it appears that Illinois is nearing “full implementation”. Because of this, monthly tax revenues from video gaming should begin to level off in the months to come, barring no significant changes to the industry (i.e. maximum

terminal increases/decreases, lifting of municipality video gaming bans, etc).

On page 6 is a breakdown of video gaming figures from 2014 on a county by county basis. (The original data comes from the Illinois Gaming Board with the Commission compiling the data into a “per county” format). This table displays how the \$659.5 million in net terminal income from 2014 was spread throughout the State. The 2014 information shows that 5,125 different businesses conducted video gaming operations during this year, using 20,511 terminals. (Note: While 20,511 video gaming terminals were in operation at some point during CY 2014, the most in operation at one time was in December 2014 with 19,182 terminals). On average, businesses averaged 4.0 terminals per businesses. Businesses can have no more than 5 terminals at one time.



**Net Terminal Income from Illinois Video Gaming Machines
per Month
\$ in millions**



Source: Illinois Gaming Board

Video Gaming Statistics by Illinois County - 2014 Totals
\$ in millions

County	Busin- esses	Term- inals	Net Terminal Income	Tax Revenue	State Portion	Local Portion	County	Busin- esses	Term- inals	Net Terminal Income	Tax Revenue	State Portion	Local Portion
State Totals:	5,125	20,511	\$659,499,394	\$197,851,342	\$164,876,178	\$32,975,164	State Totals:	5,125	20,511	\$659,499,394	\$197,851,342	\$164,876,178	\$32,975,164
Adams	59	131	\$3,980,928	\$1,194,289	\$995,241	\$199,048	Lee	51	199	\$5,058,833	\$1,517,668	\$1,264,724	\$252,944
Alexander	16	64	\$1,312,735	\$393,826	\$328,189	\$65,638	Livingston	45	174	\$5,245,923	\$1,573,794	\$1,311,495	\$262,299
Bond	18	55	\$1,298,074	\$389,427	\$324,523	\$64,904	Logan	28	109	\$3,121,083	\$936,333	\$780,278	\$156,055
Boone	28	124	\$3,712,717	\$1,113,825	\$928,188	\$185,637	McDonough	16	51	\$946,259	\$283,883	\$236,569	\$47,314
Brown	2	6	\$101,225	\$30,368	\$25,307	\$5,061	McHenry	145	620	\$19,702,857	\$5,910,913	\$4,925,763	\$985,150
Bureau	47	161	\$3,763,187	\$1,128,972	\$940,810	\$188,162	McLean	92	369	\$16,628,537	\$4,988,598	\$4,157,166	\$831,432
Calhoun	9	26	\$545,110	\$163,509	\$136,253	\$27,256	Macon	64	301	\$14,943,697	\$4,483,139	\$3,735,950	\$747,189
Carroll	20	73	\$1,364,023	\$409,214	\$341,012	\$68,202	Macoupin	52	190	\$3,630,671	\$1,089,218	\$907,682	\$181,536
Cass	18	65	\$1,430,897	\$429,275	\$357,730	\$71,546	Madison	165	636	\$17,375,859	\$5,212,819	\$4,344,018	\$868,801
Champaign	94	404	\$16,607,055	\$4,982,154	\$4,151,796	\$830,358	Marion	52	222	\$6,441,201	\$1,932,378	\$1,610,316	\$322,062
Christian	52	208	\$5,230,303	\$1,569,110	\$1,307,593	\$261,518	Marshall	15	51	\$1,176,413	\$352,928	\$294,107	\$58,821
Clark	8	36	\$1,029,226	\$308,771	\$257,309	\$51,462	Mason	21	75	\$1,577,931	\$473,386	\$394,489	\$78,898
Clay	8	35	\$1,173,896	\$352,172	\$293,477	\$58,695	Massac	5	20	\$774,652	\$232,397	\$193,664	\$38,733
Clinton	56	165	\$3,106,045	\$931,828	\$776,524	\$155,304	Menard	11	43	\$1,239,505	\$371,856	\$309,880	\$61,976
Coles	48	205	\$5,716,410	\$1,714,939	\$1,429,116	\$285,823	Mercer	11	35	\$1,017,030	\$305,113	\$254,261	\$50,852
Cook	688	2,978	\$114,680,850	\$34,404,436	\$28,670,373	\$5,734,063	Monroe	18	58	\$1,386,054	\$415,820	\$346,517	\$69,303
Crawford	9	39	\$988,052	\$296,419	\$247,016	\$49,403	Montgomery	40	132	\$3,679,925	\$1,103,910	\$919,925	\$183,985
Cumberland	7	31	\$741,363	\$222,411	\$185,343	\$37,068	Morgan	37	156	\$5,374,711	\$1,612,429	\$1,343,691	\$268,738
DeKalb	51	189	\$5,499,128	\$1,649,757	\$1,374,798	\$274,959	Moultrie	15	61	\$1,675,403	\$502,627	\$418,856	\$83,771
DeWitt	17	76	\$2,219,664	\$665,907	\$554,923	\$110,984	Ogle	51	203	\$6,017,645	\$1,805,312	\$1,504,428	\$300,885
Douglas	23	90	\$2,712,512	\$813,762	\$678,135	\$135,627	Peoria	137	513	\$13,683,759	\$4,105,173	\$3,420,979	\$684,194
DuPage	97	424	\$15,495,847	\$4,648,687	\$3,873,910	\$774,778	Perry	22	90	\$2,441,972	\$732,600	\$610,500	\$122,100
Edgar	11	46	\$1,536,407	\$460,926	\$384,106	\$76,821	Piatt	14	59	\$1,393,500	\$418,054	\$348,378	\$69,676
Edwards	7	29	\$758,441	\$227,535	\$189,612	\$37,922	Pike	13	44	\$1,111,756	\$333,530	\$277,942	\$55,588
Effingham	48	198	\$6,694,901	\$2,008,488	\$1,673,740	\$334,748	Pope	2	8	\$25,384	\$7,615	\$6,346	\$1,269
Fayette	16	71	\$2,611,348	\$783,410	\$652,842	\$130,568	Pulaski	1	4	\$143,773	\$43,132	\$35,944	\$7,189
Ford	14	58	\$1,217,949	\$365,389	\$304,491	\$60,898	Putnam	9	26	\$396,457	\$118,939	\$99,116	\$19,823
Franklin	49	194	\$4,899,403	\$1,469,837	\$1,224,865	\$244,972	Randolph	40	158	\$4,665,016	\$1,399,522	\$1,166,269	\$233,253
Fulton	46	154	\$3,395,989	\$1,018,810	\$849,009	\$169,801	Richland	10	41	\$1,292,973	\$387,896	\$323,247	\$64,649
Gallatin	4	16	\$380,949	\$114,286	\$95,238	\$19,047	Rock Island	98	325	\$7,729,631	\$2,318,917	\$1,932,432	\$386,485
Greene	19	46	\$895,216	\$268,567	\$223,806	\$44,761	St. Clair	126	481	\$12,472,094	\$3,741,674	\$3,118,063	\$623,611
Grundy	50	191	\$5,446,374	\$1,633,932	\$1,361,611	\$272,321	Saline	20	87	\$2,426,466	\$727,946	\$606,622	\$121,324
Hamilton	3	14	\$455,431	\$136,631	\$113,859	\$22,772	Sangamon	203	851	\$32,973,708	\$9,892,191	\$8,243,496	\$1,648,696
Hancock	18	50	\$872,109	\$261,637	\$218,031	\$43,606	Schuyler	6	22	\$543,110	\$162,935	\$135,779	\$27,156
Hardin	1	3	\$102,266	\$30,680	\$25,567	\$5,113	Scott	7	24	\$687,304	\$206,194	\$171,828	\$34,366
Henderson	6	21	\$457,554	\$137,268	\$114,390	\$22,878	Shelby	14	54	\$1,231,403	\$369,426	\$307,855	\$61,571
Henry	31	114	\$3,095,459	\$928,648	\$773,874	\$154,774	Stark	5	15	\$229,372	\$68,813	\$57,344	\$11,469
Iroquois	45	160	\$3,379,797	\$1,013,954	\$844,962	\$168,992	Stephenson	44	179	\$5,118,775	\$1,535,648	\$1,279,707	\$255,941
Jackson	36	140	\$2,998,019	\$899,416	\$749,514	\$149,902	Tazewell	96	374	\$9,758,622	\$2,927,619	\$2,439,684	\$487,936
Jasper	8	32	\$828,521	\$248,559	\$207,132	\$41,426	Union	15	61	\$1,229,007	\$368,707	\$307,256	\$61,451
Jefferson	29	123	\$5,020,178	\$1,506,066	\$1,255,055	\$251,011	Vermilion	70	292	\$9,027,307	\$2,708,219	\$2,256,850	\$451,369
Jersey	22	67	\$1,038,318	\$311,501	\$259,584	\$51,917	Wabash	9	40	\$1,223,947	\$367,187	\$305,989	\$61,198
JoDaviess	35	112	\$3,064,301	\$919,301	\$766,085	\$153,216	Warren	16	58	\$1,226,907	\$368,077	\$306,731	\$61,346
Johnson	7	26	\$364,860	\$109,460	\$91,217	\$18,243	Washington	25	102	\$2,703,289	\$810,996	\$675,830	\$135,166
Kane	148	611	\$17,801,981	\$5,340,650	\$4,450,543	\$890,106	Wayne	5	22	\$581,828	\$174,550	\$145,458	\$29,092
Kankakee	91	383	\$10,248,721	\$3,074,654	\$2,562,213	\$512,441	White	7	29	\$944,807	\$283,444	\$236,204	\$47,241
Kendall	35	133	\$2,857,498	\$857,260	\$714,383	\$142,876	Whiteside	55	237	\$6,512,048	\$1,953,638	\$1,628,032	\$325,606
Knox	43	163	\$5,155,515	\$1,546,620	\$1,288,851	\$257,769	Will	217	855	\$27,260,698	\$8,178,292	\$6,815,246	\$1,363,046
Lake	201	892	\$35,831,836	\$10,749,634	\$8,958,030	\$1,791,603	Williamson	49	211	\$6,054,889	\$1,816,487	\$1,513,740	\$302,747
LaSalle	186	702	\$19,790,330	\$5,937,161	\$4,947,636	\$989,525	Winebago	227	1,036	\$48,932,259	\$14,679,777	\$12,233,151	\$2,446,627
Lawrence	21	87	\$2,437,416	\$731,232	\$609,360	\$121,872	Woodford	24	87	\$2,116,815	\$635,052	\$529,210	\$105,842

Chi Area*	1,632	6,893	\$244,577,068	\$73,373,561	\$61,144,657	\$12,228,903	% in Chi Area*:	31.8%	33.6%	37.1%	37.1%	37.1%	37.1%
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*The Chicago Metropolitan Statistical Area is defined by the Census Bureau to include the Illinois Counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will, and Lake.
Source: <http://www.igb.illinois.gov/VideoReports.aspx>. County compilations by CGFA.

In 2014, the county with the most video gaming terminals was Cook County with 2,978 terminals. This is despite the fact that the City of Chicago has continued to ban video gaming in their City. Second on the list was Winnebago County (1,036 terminals), followed by Lake (892), Will (855), and Sangamon (851). The counties generating the most terminal income in 2014 was Cook (\$114.7 million), followed

by Winnebago (\$48.9 M), Lake (\$35.8 M), Sangamon (\$33.0 M), and Will County (\$27.3 M). The County with the highest rate of net terminal income per population was Effingham County with a value of \$195.52. Pope County had the lowest rate at \$5.68. A list of the “top twenty” and “bottom twenty” counties in various video gaming categories is shown below.

Video Gaming Statistics by County Ranking											
2014 Data											
Rank	County	Terminals	Rank	County	Terminal per Population	Rank	County	Net Terminal Income	Rank	County	NTI per Population
"TOP TWENTY COUNTIES"											
1	Cook	2,978	1	Alexander	0.78%	1	Cook	\$114,680,850	1	Effingham	\$195.52
2	Winnebago	1,036	2	Washington	0.69%	2	Winnebago	\$48,932,259	2	Washington	\$183.70
3	Lake	892	3	LaSalle	0.62%	3	Lake	\$35,831,836	3	LaSalle	\$173.72
4	Will	855	4	Christian	0.60%	4	Sangamon	\$32,973,708	4	Sangamon	\$166.99
5	Sangamon	851	5	Effingham	0.58%	5	Will	\$27,260,698	5	Winnebago	\$165.72
6	LaSalle	702	6	Marion	0.56%	6	LaSalle	\$19,790,330	6	Marion	\$163.33
7	Madison	636	7	Lee	0.55%	7	McHenry	\$19,702,857	7	Alexander	\$159.35
8	McHenry	620	8	Iroquois	0.54%	8	Kane	\$17,801,981	8	Morgan	\$151.20
9	Kane	611	9	Lawrence	0.52%	9	Madison	\$17,375,859	9	Christian	\$150.30
10	Peoria	513	10	Mason	0.51%	10	McLean	\$16,628,537	10	Lawrence	\$144.80
11	St. Clair	481	11	Calhoun	0.51%	11	Champaign	\$16,607,055	11	Lee	\$140.40
12	DuPage	424	12	JoDaviess	0.49%	12	DuPage	\$15,495,847	12	Randolph	\$139.35
13	Champaign	404	13	Franklin	0.49%	13	Macon	\$14,943,697	13	Douglas	\$135.76
14	Kankakee	383	14	Cass	0.48%	14	Peoria	\$13,683,759	14	JoDaviess	\$135.12
15	Tazewell	374	15	Carroll	0.47%	15	St. Clair	\$12,472,094	15	Macon	\$134.91
16	McLean	369	16	Randolph	0.47%	16	Kankakee	\$10,248,721	16	Livingston	\$134.68
17	Rock Island	325	17	Bureau	0.46%	17	Tazewell	\$9,758,622	17	DeWitt	\$134.03
18	Macon	301	18	DeWitt	0.46%	18	Vermilion	\$9,027,307	18	Jefferson	\$129.30
19	Vermilion	292	19	Douglas	0.45%	19	Rock Island	\$7,729,631	19	Scott	\$128.35
20	Whiteside	237	20	Scott	0.45%	20	Effingham	\$6,694,901	20	Franklin	\$123.84
"BOTTOM TWENTY COUNTIES"											
83	Mercer	35	83	White	0.20%	83	Greene	\$895,216	83	Massac	\$50.21
84	Jasper	32	84	Crawford	0.20%	84	Hancock	\$872,109	84	Crawford	\$49.86
85	Cumberland	31	85	Adams	0.20%	85	Jasper	\$828,521	85	Jackson	\$49.79
86	Edwards	29	86	DeKalb	0.18%	86	Massac	\$774,652	86	St. Clair	\$46.18
87	White	29	87	Pope	0.18%	87	Edwards	\$758,441	87	Hancock	\$45.65
88	Calhoun	26	88	St. Clair	0.18%	88	Cumberland	\$741,363	88	Jersey	\$45.17
89	Johnson	26	89	Monroe	0.18%	89	Scott	\$687,304	89	Monroe	\$42.06
90	Putnam	26	90	Hamilton	0.17%	90	Wayne	\$581,828	90	Will	\$40.23
91	Scott	24	91	McDonough	0.16%	91	Calhoun	\$545,110	91	Stark	\$38.27
92	Schuyler	22	92	Wayne	0.13%	92	Schuyler	\$543,110	92	Wayne	\$34.72
93	Wayne	22	93	Massac	0.13%	93	Henderson	\$457,554	93	Kane	\$34.55
94	Henderson	21	94	Lake	0.13%	94	Hamilton	\$455,431	94	McDonough	\$29.02
95	Massac	20	95	Will	0.13%	95	Putnam	\$396,457	95	Johnson	\$29.00
96	Gallatin	16	96	Kane	0.12%	96	Gallatin	\$380,949	96	Kendall	\$24.90
97	Stark	15	97	Kendall	0.12%	97	Johnson	\$364,860	97	Hardin	\$23.67
98	Hamilton	14	98	Brown	0.09%	98	Stark	\$229,372	98	Pulaski	\$23.34
99	Pope	8	99	Hardin	0.07%	99	Pulaski	\$143,773	99	Cook	\$22.08
100	Brown	6	100	Pulaski	0.06%	100	Hardin	\$102,266	100	DuPage	\$16.90
101	Pulaski	4	101	Cook	0.06%	101	Brown	\$101,225	101	Brown	\$14.59
102	Hardin	3	102	DuPage	0.05%	102	Pope	\$25,384	102	Pope	\$5.68

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

Below is a list of the top municipalities with video gaming terminals in 2014. Topping the list was Springfield with 520 terminals. Second on the list was Rockford with 417 video gaming machines, followed by Loves Park (246), Joliet (244), and Bloomington (229). In

terms of net terminal income generated from video gaming machines, the City of Rockford leads the list with \$21.8 million in net terminal income. Rockford was followed by Springfield (\$21.7 million), Decatur (\$11.6 M), Loves Park (\$11.2 M), and Bloomington (\$11.2 M).

Top Municipalities with Video Gaming					
2014 Totals					
Rank	Municipality	Terminals	Rank	Municipality	Net Terminal Income
1	Springfield	520	1	Rockford	\$21,823,634
2	Rockford	417	2	Springfield	\$21,718,624
3	Loves Park	246	3	Decatur	\$11,587,091
4	Joliet	244	4	Loves Park	\$11,218,309
5	Bloomington	229	5	Bloomington	\$11,180,218
6	Peoria	227	6	Waukegan	\$9,930,274
7	Decatur	224	7	Joliet	\$7,979,755
8	Lake County	219	8	Champaign	\$7,522,849
9	Berwyn	181	9	Oak Lawn	\$7,029,908
10	Waukegan	168	10	Peoria	\$5,925,473
11	Champaign	167	11	Sangamon County	\$5,578,895
12	Kankakee	153	12	Lake County	\$5,284,062
13	Oak Lawn	151	13	Berwyn	\$5,266,106
14	Sangamon County	147	14	Fox Lake	\$4,692,633
15	Aurora	137	15	Kankakee	\$4,206,446
16	Pekin	127	16	Effingham	\$4,180,934
17	McHenry County	124	17	Freeport	\$4,120,519
18	Mattoon	123	18	Winnebago County	\$4,095,636
19	Alton	122	19	Jacksonville	\$4,045,518
20	Effingham	121	20	Mount Vernon	\$4,033,222
21	Ottawa	119	21	Chicago Ridge	\$4,006,293
22	Will County	116	22	Mattoon	\$3,809,551
23	Danville	111	23	Streator	\$3,797,908
24	Belleville	109	24	Aurora	\$3,618,341
25	Blue Island	107	25	Galesburg	\$3,609,877

The revenues generated from video gaming would undoubtedly be much higher if it were not for the number of communities that continue to ban video gaming in their areas. As mentioned earlier, the City of Chicago has continued their ban on video gaming and is obviously the largest city in Illinois to not

offer video gaming. After Chicago, the five highest populated cities in Illinois not operating video gaming machines are Naperville, Arlington Heights, Evanston, and Schaumburg. A table displaying the top 25 municipalities without video gaming, as of December 2014, is shown below.

Highest Populated Cities without Video Gaming as of December 2014			
Rank	Municipality	Population	% of State Population
1	Chicago	2,695,598	21.0%
2	Naperville	141,853	1.1%
3	Arlington Heights	75,101	0.6%
4	Evanston	74,486	0.6%
5	Schaumburg	74,227	0.6%
6	Bolingbrook	73,366	0.6%
7	Palatine	68,557	0.5%
8	Skokie	64,784	0.5%
9	Des Plaines	58,364	0.5%
10	Orland Park	56,767	0.4%
11	Mount Prospect	54,167	0.4%
12	Wheaton	52,894	0.4%
13	Oak Park	51,878	0.4%
14	Downers Grove	47,833	0.4%
15	Glenview	44,692	0.3%
16	Elmhurst	44,121	0.3%
17	Lombard	43,395	0.3%
18	Buffalo Grove	41,496	0.3%
19	Crystal Lake	40,743	0.3%
20	Plainfield	39,581	0.3%
21	Park Ridge	37,480	0.3%
22	Northbrook	33,170	0.3%
23	St. Charles	32,974	0.3%
24	Woodridge	32,971	0.3%
25	Gurnee	31,295	0.2%

As Illinois' video gaming numbers continue to increase, the opposite has been the case for Illinois' riverboats. In CY 2014, adjusted gross receipts (AGR) from Illinois' ten riverboats totaled \$1.465 billion. This figure is 5.6% below CY 2013 levels and 10.6% below CY 2012 levels. In CY 2014 only one

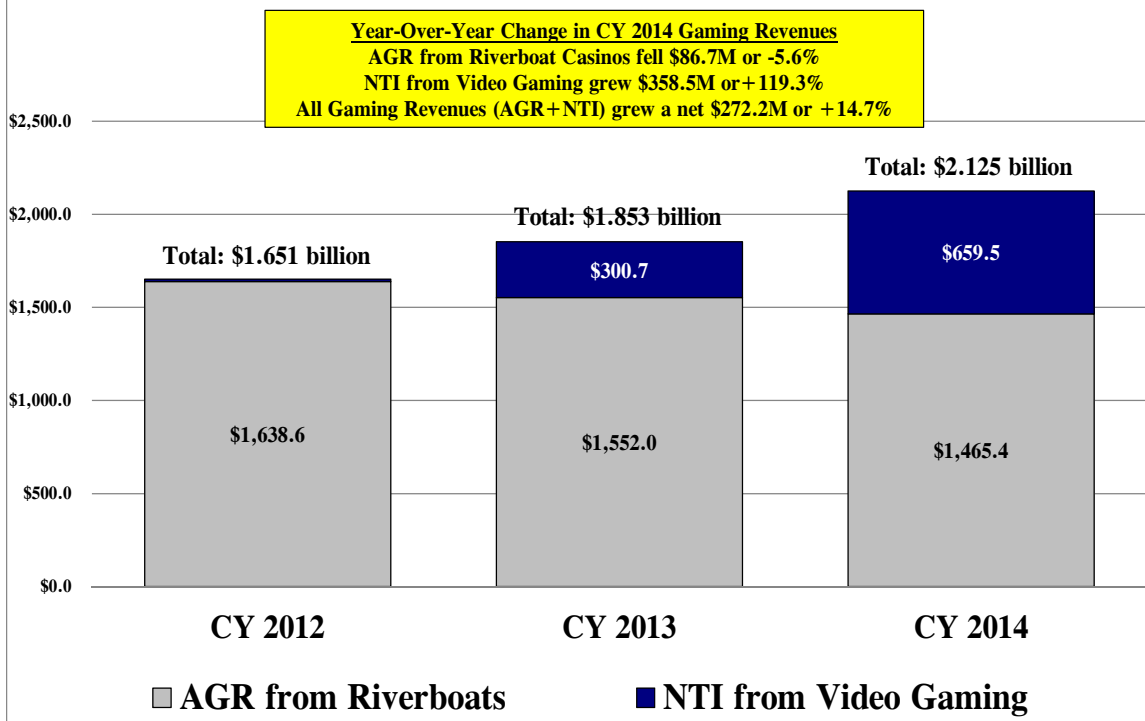
riverboat casino, Rivers Casino in Des Plaines, experienced an increase in AGR as it grew a modest +1.6%. Five Illinois casinos had double-digit losses in CY 2014 and eight of the ten casinos have experienced losses of greater than 12% since CY 2013. These statistics can be seen in the following table.

Statistical Summary of Illinois' Riverboat Casinos										
<i>\$ IN MILLIONS</i>	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	1-Yr.	2-Yr.	5-Yr.	Nov 2014	2014 AGR/
	AGR	AGR	AGR	AGR	AGR	Change	Change	Change	Positions	Pos/Day
ALTON ARGOSY - Alton	\$77.4	\$73.0	\$71.0	\$64.3	\$56.5	-12.0%	-20.3%	-32.9%	794	\$222
PAR-A-DICE - E. Peoria	\$115.3	\$115.6	\$116.3	\$107.3	\$94.0	-12.4%	-19.1%	-18.3%	1,111	\$265
JUMER'S - Rock Island	\$79.4	\$85.9	\$87.9	\$81.6	\$76.7	-6.0%	-12.7%	8.8%	1,051	\$213
HOLLYWOOD CASINO - Joliet	\$143.5	\$146.2	\$141.5	\$131.3	\$122.6	-6.6%	-13.4%	2.2%	1,121	\$321
HARRAH'S - Metropolis	\$113.0	\$95.5	\$97.7	\$85.5	\$81.8	-4.3%	-16.3%	-30.6%	896	\$261
HARRAH'S - Joliet	\$246.5	\$223.4	\$212.1	\$202.4	\$199.1	-1.7%	-6.1%	-28.6%	1,200	\$462
HOLLYWOOD CASINO - Aurora	\$181.2	\$173.2	\$151.9	\$141.9	\$126.9	-10.6%	-16.5%	-37.3%	1,186	\$328
CASINO QUEEN - E. St. Louis	\$131.0	\$129.9	\$131.2	\$124.6	\$110.5	-11.3%	-15.8%	-25.1%	1,174	\$291
GRAND VICTORIA - Elgin	\$287.1	\$256.9	\$212.4	\$194.3	\$171.8	-11.6%	-19.1%	-41.4%	1,200	\$444
RIVERS CASINO - Des Plaines	\$0.0	\$177.5	\$416.7	\$418.9	\$425.5	1.6%	2.1%	N/A	1,200	\$957
TOTALS	\$1,374.4	\$1,477.0	\$1,638.6	\$1,552.0	\$1,465.4	-5.6%	-10.6%	2.5%	10,933	\$389
CHICAGO REGION TOTALS	\$858.3	\$977.2	\$1,134.6	\$1,088.8	\$1,045.8	-4.0%	-7.8%	17.0%	5,907	\$505
CHICAGO REGION W/O DES PLAINES	\$858.3	\$799.8	\$717.9	\$669.9	\$620.3	-7.4%	-13.6%	-30.6%	4,707	\$390
ST. LOUIS REGION TOTALS	\$208.4	\$202.8	\$202.2	\$188.8	\$167.1	-11.5%	-17.4%	-27.9%	1,968	\$263

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

In CY 2012, gaming revenues totaled \$1.651 billion with the vast majority of the dollars coming from Illinois riverboats. In CY 2013, riverboat casino revenues fell \$87 million. But when combined with the \$300.7 million in video gaming revenues, total gaming revenues actually increased 15.0% in CY 2013. In CY 2014, riverboat revenues fell another \$86.7 million or -5.6%. But video gaming revenues more than offset this decline, growing \$358.5 million or +119.3%. As a result, gaming revenues grew a net \$272.2 million in CY 2014 or +14.7%.

**Adjusted Gross Receipts (AGR) of Illinois Riverboats vs
Net Terminal Income (NTI) of Illinois Video Gaming Machines**
\$ in millions



While it is difficult to quantitatively estimate the impact that video gaming has had on Illinois riverboats, video gaming in certain regions has obviously hurt the riverboat industry more than others. For the communities that lie several hours away from the nearest riverboat casino, the impact of these communities offering video gaming has likely had very little impact on the casino industry – except for the small number of patrons that once would travel the distance to gamble at a casino, but now elect to gamble with the video gaming machines near their home. It is these communities that likely have brought in a lot of “new” gaming dollars to State and local coffers creating the overall 14.7% increase in gaming revenues over the past year. But for the communities that reside in close distance to existing casinos, the numbers would suggest that this increased competition is

having a negative impact on the casino industry.

An example of video gaming’s impact on the riverboat casino industry is seen by looking at the Chicago region. As shown at the bottom of the county-by-county video gaming table on page 6, there were an estimated 1,632 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 2014 that offered video gaming. These locations housed 6,893 video gaming terminals during the calendar year. Illinois casinos can have a maximum of 1,200 gaming positions at their locations. This means that video gaming has added the equivalency of nearly 6 full-size casinos to this region. Again, these totals are

without the City of Chicago even participating in this gaming expansion.

These 6,893 terminals were added to an area that already had in its region five riverboat casinos in four Illinois communities: Joliet, Aurora, Elgin, and Des Plaines. Despite increases at the Des Plaines casino, combined, these five casinos have seen their CY 2014 AGR totals decline -7.8% since CY 2012. Without the newer Des Plaines casino, these Illinois based casinos have fallen -13.6% over the last two fiscal years. The popular Des Plaines casino is part of the reason for the declines at the other riverboat casinos, but video gaming has no doubt been a significant contributor to this falloff as well.

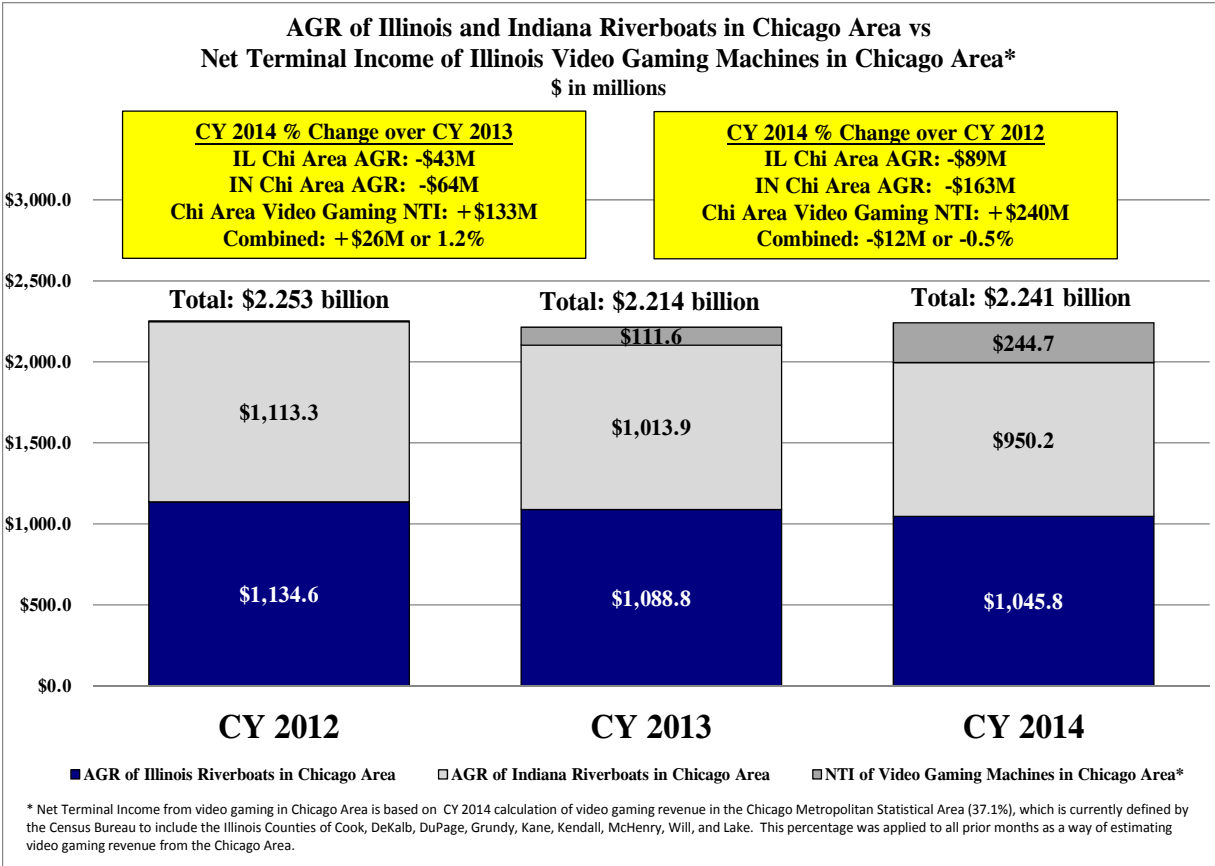
In addition, there are five Indiana casinos within a short drive of the Chicago Area in the communities of Michigan City, Gary (2), Hammond, and East Chicago. These five Indiana casinos have seen their AGR totals fall from \$1.1 billion in CY 2012 to \$950 million in CY 2014, a two-year decline of -14.6%. Again, the new casino in Des Plaines has contributed to this falloff, but the numbers would suggest that video gaming has also contributed to this decline.

When combining the receipts of all ten of the casinos in the Chicago Area, adjusted gross receipts totaled \$2.248 billion in CY 2012. But since the inception of video

gaming, these casinos have seen their combined AGR totals fall to \$1.996 billion in CY 2014, a two-year decline of -11.2%. And this falloff includes the +2.1% two-year increase at the Des Plaines casino.

As the chart on the following page displays, the loss in gaming revenues from the casinos in this area appears to be closely related to an increase in video gaming revenues. It is estimated that \$111.6 million in video gaming net terminal income came from communities in the Chicago Area in CY 2013 and an additional \$244.7 million was collected in CY 2014. As shown, when the Chicago Area video gaming figures are added to the riverboat casino figures, overall gaming in the Chicago Area were relatively stagnant. Collectively, total gaming in this area went from \$2.253 billion in CY 2012 to \$2.214 billion in CY 2013 to \$2.241 billion in CY 2014. This results in a two-year change in combined gaming revenues of only +1.2%.

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



So why has the combined gaming totals remained stagnant in the Chicago Area if the Statewide totals have increased +14.7%? A possible explanation for this is simply because of the amount of gaming options that already existed in this area even before video gaming began. Before video gaming, the Chicago Area already had its choice of 10 casinos which was the home to over 15,000 gaming positions. Adding 6,893 additional video gaming terminals to the region appears to have simply spread the gaming dollars to the numerous gaming facilities now located throughout this region. Most downstate communities did not have these pre-existing gaming options in close proximity to them. This is a plausible explanation for why the net increase in overall gaming revenues has occurred outside of the Chicago Area.

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

But even though overall gaming revenues have been stagnant in the Chicago Area as a whole, Illinois appears to be taking advantage of Indiana’s

revenue losses. It has always been widely believed that a significant portion of Indiana's riverboat revenues have come from Illinois residents crossing the border to gamble at Indiana's facilities. Indiana's recent decline in their AGR numbers suggest that Illinois' recent increase in its gaming options, whether it comes from the Des Plaines Casino or the new video gaming terminals, have retained more gaming dollars in Illinois, increasing Illinois' coffers while reducing Indiana's.

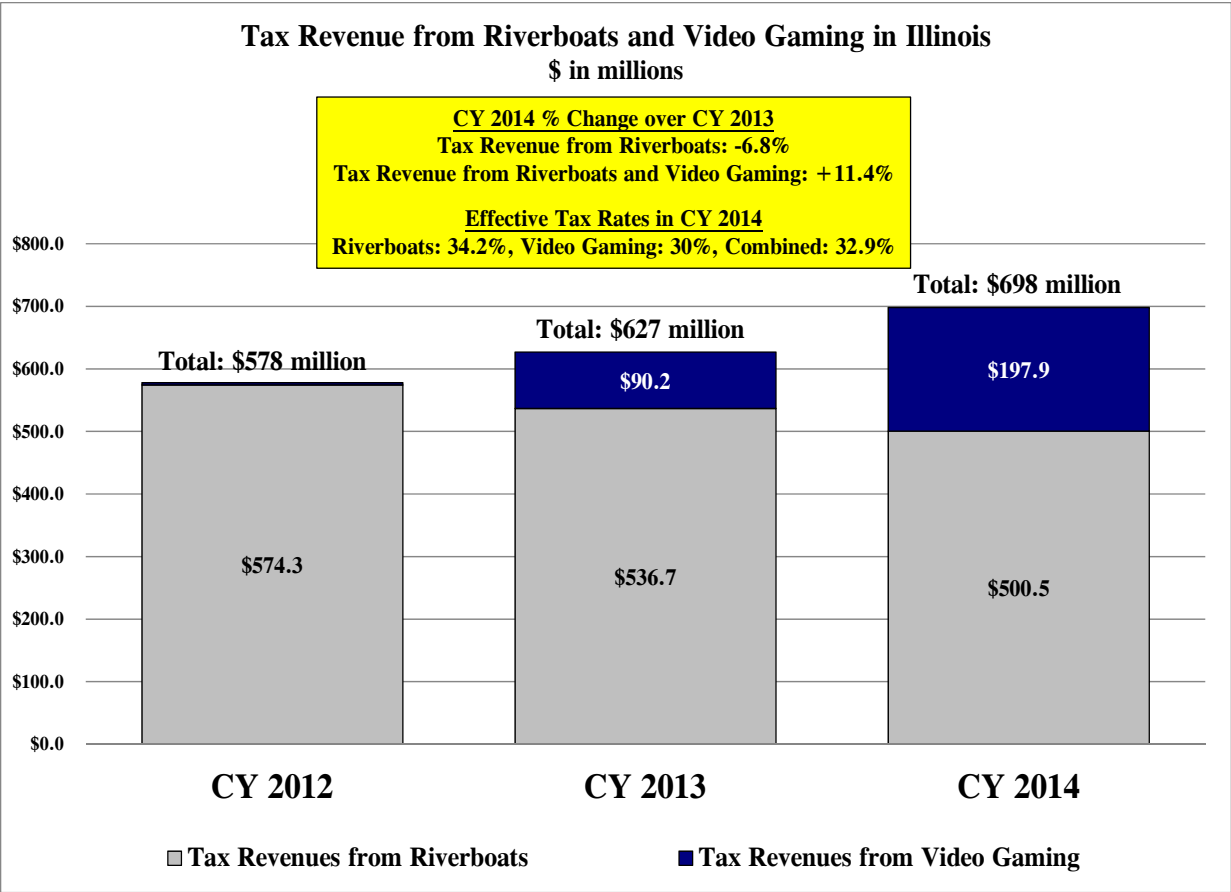
So what kind of impact has video gaming had on the tax revenues from all gaming sources? In CY 2013, the taxes imposed on the Illinois riverboats (admission tax and the graduated tax on adjusted gross receipts) generated \$536.7 million. Due to the recent declines in admissions and AGR totals, this tax amount fell to \$500.5 million in CY 2014, a decline of -6.8%. However, these declines have been more than offset by the additional tax revenue generated from video gaming.

In CY 2013, \$90.2 million in tax revenues were generated from video gaming. In CY 2014, this figure rose to \$197.9 million as video gaming revved up. When adding these tax revenues to the tax revenues from riverboat gambling, overall tax revenues grew from \$626.9 million in CY 2013 to \$698.3 million in CY 2014,

an increase of +11.4%. These figures are displayed in the following chart.

While higher tax revenues when combining these revenues sources are welcomed, there are aspects of this growth that may be concerning to some. The first pertains to the tax rate imposed on these gaming sources. Video gaming revenues are taxed at a flat 30% tax rate. Casino revenues, on the other hand, are taxed on a graduated basis – meaning the more revenues that are collected, the higher the tax. In CY 2014, the effective tax rate for the 10 casinos was 34.2% (includes wagering tax and admission tax). As gaming dollars move from the casinos to the video gaming terminals, these dollars are then taxed at a lower rate, thereby reducing overall tax collections.

The other aspect that may be troubling to some is the destination of these gaming tax dollars. The majority of tax revenues from riverboat casinos are eventually transferred to the Education Assistance Fund. The majority of tax revenues from video gaming are deposited into the Capital Projects Fund. Therefore, if video gaming causes a reduction in revenues from riverboats, this means tax dollars are effectively being shifted from the Education Assistance Fund to the Capital Projects Fund. Whether this funding shift is a positive or negative trend is, of course, open to discussion.



REVENUE

**January Receipts Down As Lower Income Tax Rates Begin Impact –
Federal Sources Continue Weak**
Jim Muschinske, Revenue Manager

Overall base revenues fell \$363 million in January. As expected, income tax receipts have begun to reflect the lower rates that went into effect January 1st. Federal sources experienced yet another disappointing month, marking the seventh consecutive decline in monthly revenues. One less receiving day likely contributed to some of the decline.

To begin 2015, gross personal income taxes fell \$126 million, or \$124 million net of refunds. The falloff being

attributed to the lower tax rates. Similarly, gross corporate income tax dropped \$11 million. Public utility receipts were down \$10 million, while other sources were off \$6 million. Cigarette taxes fell \$5 million, insurance taxes \$3 million, sales tax \$2 million and vehicle use tax \$1 million.

Only two revenue sources managed to increase in January, albeit at extremely modest levels as both inheritance tax and interest earnings managed to each post a \$1 million gain.

Overall transfers fell \$16 million for the month. Despite lottery transfers gaining \$14 million and riverboat transfers adding \$3 million, those performances were more than offset by a falloff of \$33 million in other transfers. As mentioned, federal sources suffered yet another poor month, this time falling a whopping \$190 million.

Year to Date

Through the first seven months of the fiscal year, overall base revenues are down \$743 million. However, much of that decline was expected and due to the much lower Refund Fund transfer into GRF. In addition, effective January 1st, receipts from the income tax began to reflect the lower rates.

To date, sales tax receipts are ahead of last year's pace by \$238 million, while gross personal income taxes are up \$174 million, or \$106 million net of refunds. Other sources are up \$66 million. The Cook County IGT gained \$30 million while inheritance tax added \$28 million. Insurance taxes and interest earnings both managed to post \$3 million gains through January, and

vehicle use tax eked out a \$1 million gain.

Gross corporate income taxes are down \$227 million through the first seven months, or \$207 million net of refunds. Public utility taxes are off \$18 million, cigarette tax by \$5 million, and corporate franchise taxes dipped \$1 million.

To date, overall transfers are down \$393 million due to the much lower Refund transfer which accounts for \$334 million of that falloff. Other transfers are off \$38 million while riverboat transfers are down \$26 million. Lottery transfers have managed to grow by \$5 million.

Federal sources are down \$594 million thus far in the fiscal year, reflecting lower reimbursable spending from GRF. So far in FY 2015, federal sources have performed very poorly as each month experienced declines from the previous year. It is clear that absent an unexpected surge in general funds reimbursable spending [i.e. Medicaid], federal sources will fall well short of expectations anticipated in the adopted revenue forecast HJR 100.

GENERAL FUNDS RECEIPTS: DECEMBER

FY 2015 vs. FY 2014

(\$ million)

<u>Revenue Sources</u>	<u>Jan. FY 2015</u>	<u>Jan. FY 2014</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$2,012	\$2,138	(\$126)	-5.9%
Corporate Income Tax (regular)	141	152	(\$11)	-7.2%
Sales Taxes	669	671	(\$2)	-0.3%
Public Utility Taxes (regular)	93	103	(\$10)	-9.7%
Cigarette Tax	24	29	(\$5)	-17.2%
Liquor Gallonage Taxes	19	19	\$0	0.0%
Vehicle Use Tax	1	2	(\$1)	-50.0%
Inheritance Tax (Gross)	18	17	\$1	5.9%
Insurance Taxes and Fees	5	8	(\$3)	-37.5%
Corporate Franchise Tax & Fees	25	22	\$3	13.6%
Interest on State Funds & Investments	3	2	\$1	50.0%
Cook County IGT	0	0	\$0	N/A
Other Sources	54	60	(\$6)	-10.0%
Subtotal	\$3,064	\$3,223	(\$159)	-4.9%
Transfers				
Lottery	63	49	\$14	28.6%
Riverboat transfers & receipts	34	31	\$3	9.7%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Other	49	82	(\$33)	-40.2%
Total State Sources	\$3,210	\$3,385	(\$175)	-5.2%
Federal Sources	\$351	\$541	(\$190)	-35.1%
Total Federal & State Sources	\$3,561	\$3,926	(\$365)	-9.3%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$201)	(\$203)	\$2	-1.0%
Corporate Income Tax	(\$20)	(20)	\$0	0.0%
Subtotal General Funds	\$3,340	\$3,703	(\$363)	-9.8%
Short-Term Borrowing	\$0	\$0	\$0	N/A
FY'13/14 Backlog Payment Fund	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$3,340	\$3,703	(\$363)	-9.8%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding

2-Feb-15

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2015 vs. FY 2014

(\$ million)

Revenue Sources	FY 2015	FY 2014	CHANGE FROM FY 2014	% CHANGE
State Taxes				
Personal Income Tax	\$10,239	\$10,065	\$174	1.7%
Corporate Income Tax (regular)	1,455	1,682	(\$227)	-13.5%
Sales Taxes	4,805	4,567	\$238	5.2%
Public Utility Taxes (regular)	553	571	(\$18)	-3.2%
Cigarette Tax	201	206	(\$5)	-2.4%
Liquor Gallonage Taxes	104	104	\$0	0.0%
Vehicle Use Tax	18	17	\$1	5.9%
Inheritance Tax (Gross)	175	147	\$28	19.0%
Insurance Taxes and Fees	165	162	\$3	1.9%
Corporate Franchise Tax & Fees	127	128	(\$1)	-0.8%
Interest on State Funds & Investments	13	10	\$3	30.0%
Cook County IGT	56	26	\$30	115.4%
Other Sources	370	304	\$66	21.7%
Subtotal	\$18,281	\$17,989	\$292	1.6%
Transfers				
Lottery	368	363	\$5	1.4%
Riverboat transfers & receipts	215	241	(\$26)	-10.8%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	63	397	(\$334)	N/A
Other	312	350	(\$38)	-10.9%
Total State Sources	\$19,239	\$19,340	(\$101)	-0.5%
Federal Sources				
Total Federal & State Sources	\$1,408	\$2,002	(\$594)	-29.7%
Total Federal & State Sources				
\$20,647	\$21,342	(\$695)	-3.3%	
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$1,024)	(\$956)	(\$68)	7.1%
Corporate Income Tax	(\$205)	(\$225)	\$20	-8.9%
Subtotal General Funds	\$19,418	\$20,161	(\$743)	-3.7%
Short-Term Borrowing	\$0	\$0	\$0	N/A
FY'13/14 Backlog Payment Fund Transfer	\$0	\$50	(\$50)	N/A
Tobacco Liquidation Proceeds	\$0	\$0	\$0	N/A
Pension Contribution Fund Transfer	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$275	\$275	\$0	0.0%
Total General Funds	\$19,693	\$20,486	(\$793)	-3.9%

SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.

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2-Feb-15