



Commission on Government Forecasting and Accountability

703 Stratton Ofc. Bldg., Springfield, IL 62706

MONTHLY BRIEFING FOR THE MONTH ENDED: JANUARY 2016

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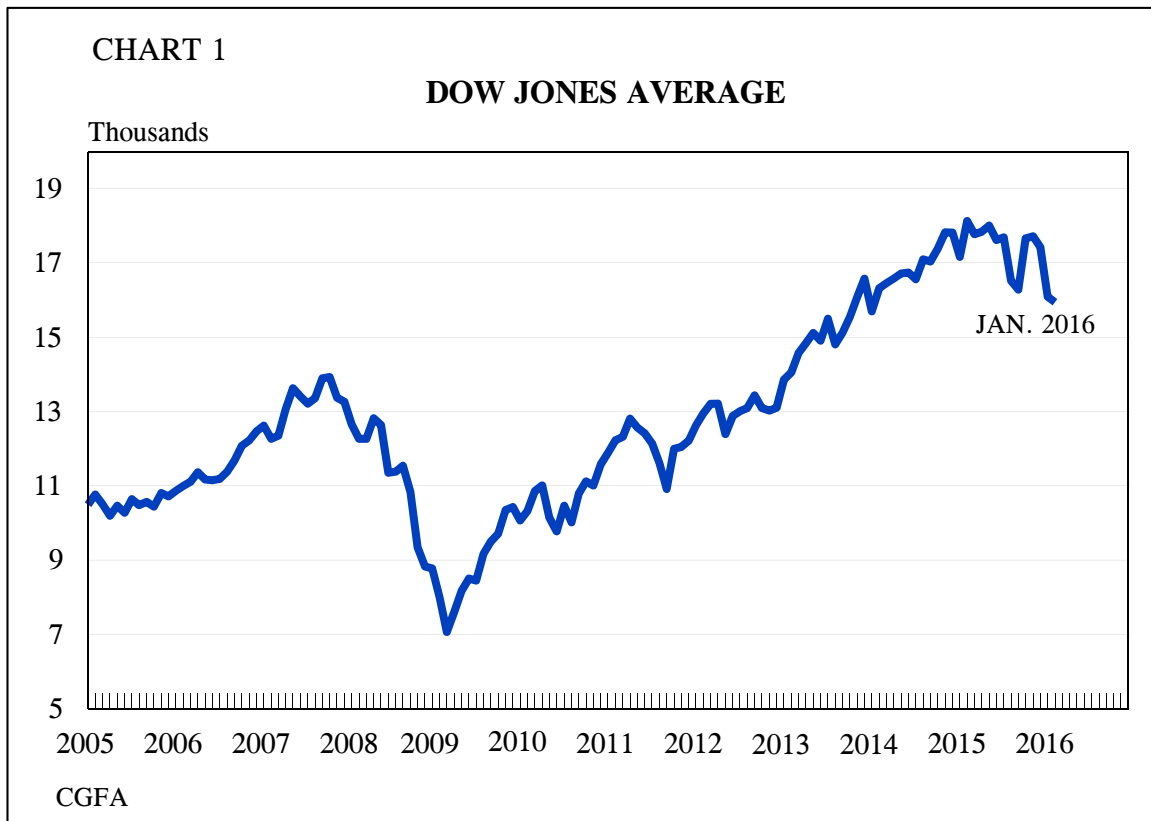
ECONOMY: Does A Recession Lie Ahead?

Edward H. Boss, Jr., Chief Economist

The stock market performance in the opening days of the year was the worst ever for the Dow Jones Industrial Average based on records going back to 1897, according to Howard Silverblatt, Senior Index Analyst, S&P Dow Jones Indices. While this appears shocking, it should be pointed out that historically the equity markets have started off a new year on an uptrend as participants look forward to a new year. Still with the markets forward looking, some of the largest market declines have coincided with a recession. Even so, by correlating market performance with recessions, of the past 14 sharp market plunges the market actually predicted only 8 recessions. Moreover, as shown in the Chart, the percentage decline on the DOW is currently short of the 10% correction definition yet alone the 20% decline needed to be termed a bear market.

Another rule of thumb, often misused by analysts, is that a recession occurs when there are two consecutive quarterly declines in Gross Domestic Product (GDP). While it is true that most recessions have had at least two quarters of GDP declines, they are not necessarily consecutive and in some cases scattered over several quarters. Another stated concern is the length of this expansion, which is one of the longest in history and may be running out of steam. However, there is no correlation between the length of expansions and when a recession occurs. For example, the expansion that began in November 2001 lasted 120 months whereas in the 1980s there was a short 6 month recession, followed by a recovery, only to be hit with another recession, all in a relatively short period.

What then is a definition of a recession? The National Bureau of Economic Research (NBER) is the official determiner of dating business cycles as to the timing of recessions and expansions. *“The NBER does not define a*



recession in terms of two consecutive quarters of decline in real GDP. Rather, a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales.” Over time the significance of these sectors has changed. For example, the makeup of the economy has become more service oriented and less manufacturing. In the past, business cycles were closely tied to inventory cycles. Today, technological innovation allows inventory adjustments to sales demand with just-in-time inventory management.

Other factors leading to a recession include: accelerating price increases; rising interest rates with a tightening monetary policy; a financial failure such as the recent housing collapse, or the

excessive speculation in the stock market sparking the Depression to name a few. Exogenous factors as wars, drought, revolution, earthquakes, etc. also have been major factors in the past. To judge the occurrence of some of the items that the NBER employs in determining prospects of a recession in today’s environment may provide some insight.

On the no-recession front, one can cite the lack of any excesses. While the current economic expansion has been one of the longest, it has been the weakest in the post WWII period. Moreover, despite the recent increase in the federal funds rate by the Federal Reserve, interest rates remain at extremely low levels with further increases likely to be slow to be instituted. And, while the unemployment rate has fallen faster than most expected, the labor participation rate remains the lowest since the late 1970s and real average hourly

earnings show little gain. Finally, the inflation rate continues below that desired by the Federal Reserve showing little indication of any upward pressure. Finally at month's end, the Commerce Department released its initial report on GDP for the fourth quarter of 2015 indicating a slowing in growth to a 0.7% annual rate and 2.4% for the year, same as last year and keeping it in the range of 2% to 2.5% over the past five years.

All this is not to say the economy is free of any recession risk. As stated, with the exception of inflation, the Federal Reserve has met its objectives on the domestic economy and indicated that further interest rate increases are likely this year as it abandons quantitative easing and returns to market driven interest rates. While the U.S. economy continues to grow, albeit at a sluggish pace, it is in contrast to much of Europe and developing countries

already in recession and a noticeable slowing in China. Even within the U.S. there has been a slowing in some key sectors. U.S. exports have weakened while a strengthening in the dollar is reducing competitiveness and thus slowing our exports. Many say that manufacturing already is in recession as indicated by the Purchasing Managers Index which has contracted for the past two months and the expansion in services has slowed.

In conclusion, despite the economy's current situation no near-term recession, as defined by the NBER, seems likely anytime soon absent any major exogenous event. According to Global Insight's current economic forecast, the most likely outlook is for a continuation of the growth path of the past five years. Even so, the business cycle lives on and it sets odds at 20% for a mild recession beginning later this year.

| INDICATORS OF ILLINOIS ECONOMIC ACTIVITY | | | |
|---|---------------------|----------------------------------|---------------------------------|
| <u>INDICATORS *</u> | <u>DEC. 2015</u> | <u>NOV. 2015</u> | <u>DEC. 2014</u> |
| Unemployment Rate (Average) | 5.9% | 5.7% | 6.2% |
| Annual Rate of Inflation (Chicago) | -7.0% | -5.2% | 0.0% |
| ————— | | | |
| | <u>LATEST MONTH</u> | <u>% CHANGE OVER PRIOR MONTH</u> | <u>% CHANGE OVER A YEAR AGO</u> |
| Civilian Labor Force (thousands) (DEC.) | 6,556.4 | 0.2% | 0.6% |
| Employment (thousands) (DEC.) | 6,166.4 | 0.0% | 0.8% |
| NonFarm Payroll Employment (DEC.) | 5,904,000 | -16,300 | -3,000 |
| New Car & Truck Registration (DEC.) | 50,898 | 16.2% | -2.4% |
| Single Family Housing Permits (DEC.) | 598 | -15.0% | -27.5% |
| Total Exports (\$ mil) (NOV.) | 5,254 | -4.5% | -7.8% |
| Chicago Purchasing Managers Index (JAN.) | 55.6 | 29.6% | -6.4% |
| * Due to monthly fluctuations, trend best shown by % change from a year ago | | | |

REVENUE

January Revenues Fall

Jim Muschinske, Revenue Manager

Overall base revenues fell \$250 million in January. While personal income tax receipts performed as expected, corporate income taxes and the sales tax continue to disappoint. One less receipting day in January also likely contributed to the monthly decline.

Gross personal income tax receipts fell \$180 million, or \$158 million net of refunds. An additional \$42 million was directed from the general funds to both the Fund for Advancement of Education as well the Commitment to Human Services Fund. As result, net personal income tax receipts were lower by \$242 million. Gross corporate income taxes dropped by \$61 million in January, or \$53 million net of refunds, reaffirming a weak picture for this source.

Several other revenue areas also suffered declines in January. Corporate franchise taxes fell \$11 million, public utility taxes \$9 million, other sources \$6 million, and cigarette taxes \$3 million.

A few sources did manage to record gains for the month. Insurance taxes increased \$10 million, inheritance \$5 million, sales tax a disappointing \$2 million, and liquor taxes \$1 million.

Overall transfers fell \$8 million in January. Lottery transfers grew \$1 million, but were offset by a drop of \$9 million from all other transfers. Federal sources, however, had a comparatively

stronger month, as receipts grew \$64 million.

Year To Date

Through the first seven months of the fiscal year, base receipts were down \$2.062 billion. The drop reflects comparatively lower income tax rates for the first part of the fiscal year as well as the one-time nature of some pharmaceutical court settlements recovered by the Attorney General's Office last fiscal year.

Gross personal income taxes fell \$1.639 billion, \$1.453 billion net of refunds, or \$1.947 billion when the diversions to the education and human service funds are included. Gross corporate income taxes are behind last year's receipting by \$400 million, or \$355 million net of refunds. Other sources were \$135 million lower, reflecting the aforementioned court settlement proceeds received last fiscal year. Public utility taxes were off \$38 million, cigarette taxes \$3 million and corporate franchise taxes by \$1 million.

A small number of sources posted gains as inheritance tax receipts were up \$40 million, insurance taxes \$10 million, sales taxes \$9 million, liquor taxes \$2 million and vehicle use tax \$1 million.

Overall transfers were up by \$53 million, and federal sources were ahead of last year's slow pace by \$302 million.

JANUARY
FY 2016 vs. FY 2015
(\$ million)

| Revenue Sources | Jan. FY 2016 | Jan. FY 2015 | \$ CHANGE | % CHANGE |
|---|-------------------------|-------------------------|----------------------|---------------------|
| State Taxes | | | | |
| Personal Income Tax | \$1,832 | \$2,012 | (\$180) | -8.9% |
| Corporate Income Tax (regular) | 80 | 141 | (\$61) | -43.3% |
| Sales Taxes | 671 | 669 | \$2 | 0.3% |
| Public Utility Taxes (regular) | 84 | 93 | (\$9) | -9.7% |
| Cigarette Tax | 21 | 24 | (\$3) | -12.5% |
| Liquor Gallonage Taxes | 20 | 19 | \$1 | 5.3% |
| Vehicle Use Tax | 1 | 1 | \$0 | 0.0% |
| Inheritance Tax | 23 | 18 | \$5 | 27.8% |
| Insurance Taxes and Fees | 15 | 5 | \$10 | 200.0% |
| Corporate Franchise Tax & Fees | 14 | 25 | (\$11) | -44.0% |
| Interest on State Funds & Investments | 3 | 3 | \$0 | 0.0% |
| Cook County IGT | 0 | 0 | \$0 | N/A |
| Other Sources | 48 | 54 | (\$6) | -11.1% |
| Subtotal | \$2,812 | \$3,064 | (\$252) | -8.2% |
| Transfers | | | | |
| Lottery | 64 | 63 | \$1 | 1.6% |
| Riverboat transfers & receipts | 34 | 34 | \$0 | 0.0% |
| Proceeds from Sale of 10th license | 0 | 0 | \$0 | N/A |
| Refund Fund transfer | 0 | 0 | \$0 | N/A |
| Fund sweeps | 0 | 0 | \$0 | N/A |
| Other | 40 | 49 | (\$9) | -18.4% |
| Total State Sources | \$2,950 | \$3,210 | (\$260) | -8.1% |
| Federal Sources | \$415 | \$351 | \$64 | 18.2% |
| Total Federal & State Sources | \$3,365 | \$3,561 | (\$196) | -5.5% |
| Nongeneral Funds Distribution: | | | | |
| Refund Fund | | | | |
| Personal Income Tax | (\$179) | (\$201) | \$22 | -10.9% |
| Corporate Income Tax | (\$12) | (20) | \$8 | -40.0% |
| Fund for Advancement of Education | (\$42) | 0 | (\$42) | N/A |
| Commitment to Human Services Fund | (\$42) | 0 | (\$42) | N/A |
| Subtotal General Funds | \$3,090 | \$3,340 | (\$250) | -7.5% |
| Short-Term Borrowing | \$0 | \$0 | \$0 | N/A |
| Interfund Borrowing | \$0 | \$0 | \$0 | N/A |
| Budget Stabilization Fund Transfer | \$0 | \$0 | \$0 | N/A |
| Total General Funds | \$3,090 | \$3,340 | (\$250) | -7.5% |

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

2-Feb-16

GENERAL FUNDS RECEIPTS: YEAR TO DATE
FY 2016 vs. FY 2015

(\$ million)

| <u>Revenue Sources</u> | <u>FY 2016</u> | <u>FY 2015</u> | <u>CHANGE FROM FY 2015</u> | <u>% CHANGE</u> |
|---|-----------------|-----------------|------------------------------------|---------------------|
| State Taxes | | | | |
| Personal Income Tax | \$8,600 | \$10,239 | (\$1,639) | -16.0% |
| Corporate Income Tax (regular) | 1,055 | 1,455 | (\$400) | -27.5% |
| Sales Taxes | 4,814 | 4,805 | \$9 | 0.2% |
| Public Utility Taxes (regular) | 515 | 553 | (\$38) | -6.9% |
| Cigarette Tax | 198 | 201 | (\$3) | -1.5% |
| Liquor Gallonage Taxes | 106 | 104 | \$2 | 1.9% |
| Vehicle Use Tax | 19 | 18 | \$1 | 5.6% |
| Inheritance Tax | 215 | 175 | \$40 | 22.9% |
| Insurance Taxes and Fees | 175 | 165 | \$10 | 6.1% |
| Corporate Franchise Tax & Fees | 126 | 127 | (\$1) | -0.8% |
| Interest on State Funds & Investments | 13 | 13 | \$0 | 0.0% |
| Cook County IGT | 56 | 56 | \$0 | 0.0% |
| Other Sources | 235 | 370 | (\$135) | -36.5% |
| Subtotal | \$16,127 | \$18,281 | (\$2,154) | -11.8% |
| Transfers | | | | |
| Lottery | 376 | 368 | \$8 | 2.2% |
| Riverboat transfers & receipts | 205 | 215 | (\$10) | -4.7% |
| Proceeds from Sale of 10th license | 0 | 0 | \$0 | N/A |
| Refund Fund transfer | 77 | 63 | \$14 | 22.2% |
| Fund sweeps | 0 | 0 | \$0 | N/A |
| Other | 353 | 312 | \$41 | 13.1% |
| Total State Sources | \$17,138 | \$19,239 | (\$2,101) | -10.9% |
| Federal Sources | | | | |
| Total Federal & State Sources | \$1,710 | \$1,408 | \$302 | 21.4% |
| Total Federal & State Sources | \$18,848 | \$20,647 | (\$1,799) | -8.7% |
| Nongeneral Funds Distribution: | | | | |
| Refund Fund | | | | |
| Personal Income Tax | (\$838) | (\$1,024) | \$186 | -18.2% |
| Corporate Income Tax | (\$160) | (\$205) | \$45 | -22.0% |
| Fund for Advancement of Education | (\$247) | \$0 | (\$247) | N/A |
| Commitment to Human Services Fund | (\$247) | \$0 | (\$247) | N/A |
| Subtotal General Funds | \$17,356 | \$19,418 | (\$2,062) | -10.6% |
| Short-Term Borrowing | \$0 | \$0 | \$0 | N/A |
| Interfund Borrowing | \$0 | \$0 | \$0 | N/A |
| Budget Stabilization Fund Transfer | \$125 | \$275 | (\$150) | -54.5% |
| Total General Funds | \$17,481 | \$19,693 | (\$2,212) | -11.2% |

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

CGFA

2-Feb-16

JANUARY 2016 BOND SALE
Lynnae Kapp, Senior Bond Analyst

BOND SALES:

The State sold \$480 million in General Obligation bonds in January 2016, the first bond sale in 20 months. With lowered bond ratings from all three ratings agencies, interest rate penalties were expected to be high. But with a drop in demand for stocks and an increase in demand for high yield bonds, the State received a true interest cost of 3.9989%. This rate is lower than the last competitive

sale in April 2014 of 4.082% even though the state's spreads were wider due to a lower interest rate environment. [*Munis Weaken as BAML Wins 4480M Illinois GOs, The Bond Buyer, January 15, 2016*] "...[M]arket participants said they attribute [the deal's results] to confidence in the state's overall economic viability and strength of the GO structure that gives priority to debt service." [*Illinois Deal Helped By Market Timing, The Bond Buyer, January 14, 2016*]

| BOND SALES | | | | | | | | |
|----------------|----------------|-----------------|-----------------------|--------------------------------|--------------------|-----|-------|---------|
| DATE | BOND SALE TYPE | AMOUNT | TAXABLE v. TAX-EXEMPT | NEGOTIATED v. COMPETITIVE SALE | TRUE INTEREST COST | S&P | FITCH | MOODY'S |
| FY 2014 | | | | | | | | |
| Jun/Jul-13 | GO bonds | \$1.3 billion | tax-exempt | negotiated | 5.042% | A- | A- | A3 |
| Dec-13 | GO bonds | \$350 million | taxable | competitive | 5.397% | A- | A- | A3 |
| Feb-14 | GO bonds | \$1.025 billion | tax-exempt | negotiated | 4.063% | A- | A- | A3 |
| Mar-14 | BI bonds | \$402 million | taxable | competitive | 4.271% | AAA | AA+ | A3 |
| Apr-14 | GO bonds | \$250 million | tax-exempt | competitive | 4.082% | A- | A- | A3 |
| May-14 | GO bonds | \$750 million | tax-exempt | negotiated | 4.096% | A- | A- | A3 |
| FY 2016 | | | | | | | | |
| Jan-16 | GO bonds | \$ 480 million | tax-exempt | competitive | 3.999% | A- | BBB+ | Baa1 |

Recent History: Illinois sold \$250 million in General Obligation bonds in early April 2014. With a 4.0816% true interest cost, the State estimated \$10 million in savings compared to the State's February bond sale. The State sold \$750 million in General Obligation bonds at the end of April, which received a 4.0961% true interest cost. The sale had received orders from 54 investors totaling \$2.2 billion. High market demand and low supply tempered the interest rate penalties for the State's low credit ratings.

Taxable Build Illinois bonds, sold in March 2014, totaled \$402 million. The State had seven bids on the competitive sale and received a true interest cost (TIC)

of 4.2706%. Although spreads to a comparable Treasury interest rate had narrowed since the State's last taxable Build Illinois bond sale in May 2013, interest rates had increased.

Tax-exempt General Obligation bonds sold in February 2014 equaled \$1.025 billion. With over \$5.5 billion in orders from about 109 investors, the State was able to re-price the bond twice, to the State's benefit. The true interest cost on the sale was 4.46%, a savings of approximately \$60 million over the 25-year life of the bond compared to the rate the State received on a similar issue in June 2013, based on statements from State officials.

STATE EMPLOYEES GROUP INSURANCE PROGRAM STATUS UPDATE

Anthony Bolton, Revenue Analyst

Now in its seventh month, Illinois continued operation without an enacted budget has resulted in the State Employee Group Insurance Program (SEGIP) building up a large backlog of unpaid claims. As of the end of December, approximately \$2.5 billion in claims were being held by the state from various insurers, organizations, and companies. Of this total, the largest portion is approximately \$1.28 billion of Managed Care claims. The second largest line, Prescriptions, Open Access Plans, and Mental Health claims, totals

\$740 million. The third largest portion of the overall claims hold comes from CIGNA, which has \$371 million in claims currently held by the state. Concurrently, the estimated time for claims to be held is 420 days for Managed Care, 384 days for CIGNA, and 332-418 days for Prescriptions/OAPs/ Mental Health. This information and other pertinent data is displayed on the chart below. As noted in previous SEGIP updates, without an enacted budget, claims will continue to build up and estimated claims hold times will increase.

| December 2015 Claims Hold Data for SEGIP | |
|---|----------------------|
| December | |
| Total Claims Hold | \$2,502,047,998.34 |
| <i>Total Estimated Length of Claims Hold</i> | Varies 168-431 days |
| CIGNA - PPO (and Member) | \$371,814,364.65 |
| <i>Length of Claims Hold - PPO</i> | 384 days |
| CIGNA - Non-PPO | \$26,590,887.75 |
| <i>Length of Claims Hold - Non-PPO</i> | 461 days |
| Total Managed Care Claims Hold | |
| <i>HMO/ASC/Med Adv Claims Hold</i> | \$1,282,198,942.98 |
| <i>Length of Claims Hold</i> | 420 days |
| Other Self-Insured Claims Held: Rx, OAP, Mental Health | 740,359,721.64 |
| <i>Length of Claims Hold</i> | Rx=418, OAP=332 days |
| Dental Claims Hold - PPO and Premier | \$53,842,560.53 |
| <i>Length of Dental Claims Hold - PPO & Premier</i> | 196 days |
| Dental - Non-PPO | \$27,241,520.79 |
| <i>Length of Dental Claims Hold - Non-PPO</i> | 287 days |

ILLINOIS GAMING STATISTICS

Eric Noggle, Senior Analyst

It now has been over three 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, the number of terminals grew to 2,293, generating \$12.3 million in net terminal income. This resulted in \$3.7 million in video gaming tax revenues.

By the end of 2013, the number of operating video gaming machines had grown to 13,974 terminals. From these machines, a total of \$300.7 million in net terminal income was reported in CY 2013, yielding \$90.2 million in tax receipts. At the end of 2014, video gaming terminals in operation across the State grew to 19,182. Net terminal income in CY 2014 rose to \$659.5 million, resulting in a tax revenue total of \$197.9 million.

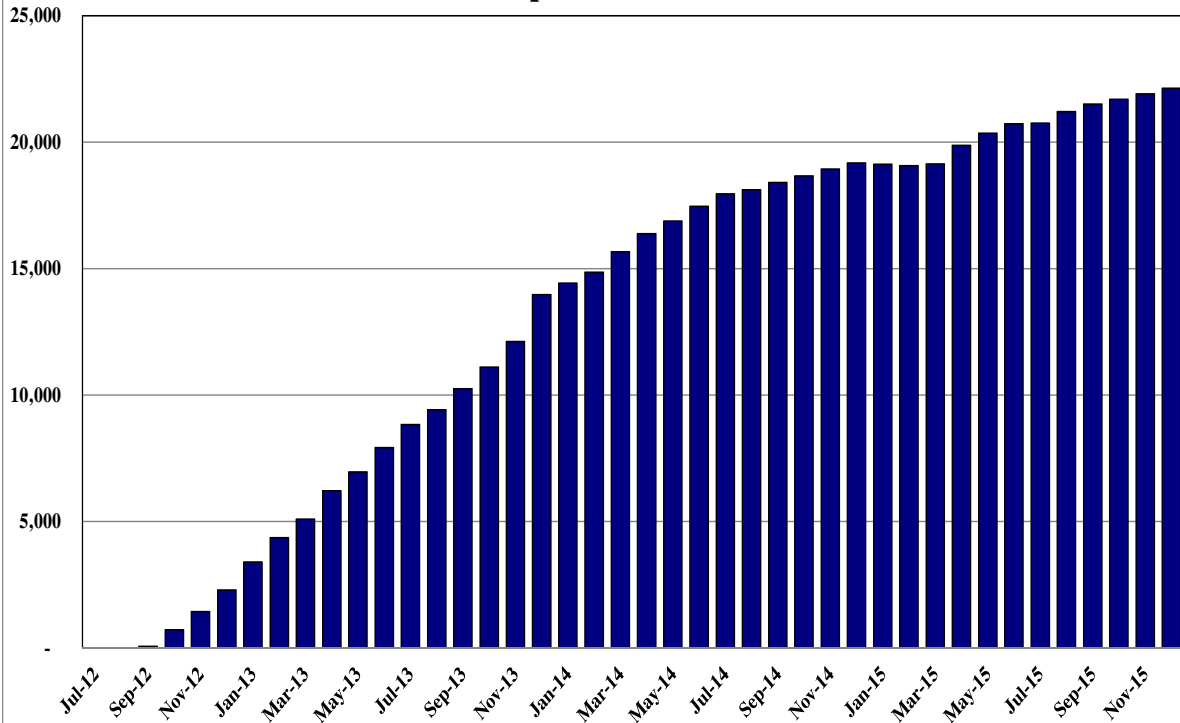
The latest monthly report from the Illinois Gaming Board reports that the number of video gaming machines in Illinois has now grown to 22,135 terminals (December 2015). In CY 2015, a total of \$913.6 million in net terminal income was reported to be collected. This yielded a 2015 tax revenue total of \$274.1 million. Of this total, approximately \$228.4 million went to the Capital Projects Fund (5/6th of 30% tax) with the remaining \$45.7 million (1/6th of 30% tax) going to local

governments where video gaming machines are located.

Therefore, in total, the first 40 months of video gaming in Illinois has generated nearly \$1.9 billion in net terminal income and \$565.8 million in tax revenues. Of the tax revenues collected, a total of \$471.5 million has been collected for the Capital Projects Fund and \$94.3 million has been collected for local governments.

The following graph displays the growth in video gaming terminals across Illinois since video gaming became operational in September 2012. As shown, the number of video gaming terminals has continued to grow since its inception. However, the number of new machines added each month is slowing. In CY 2013, video gaming terminals in Illinois were increasing at a rate of 973 terminals per month. In CY 2014, this figure slowed to 434 terminals per month. In CY 2015, this rate had slowed to 246 new terminals per month. It is expected that the number of new terminals will continue to slow in CY 2016, thereby 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).

Video Gaming Terminals in Operation in Illinois per Month



Source: Illinois Gaming Board

On page 11 is a breakdown of video gaming figures from CY 2015 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 \$913.6 million in net terminal income from 2015 was spread throughout the State. The 2015 information shows that 5,658

different businesses conducted video gaming operations during this year, using 23,474 terminals. *(Note: While 23,474 video gaming terminals were in operation at some point during CY 2015, the most in operation at one time was in December 2015 with 22,135 terminals).* On average, businesses averaged 4.1 terminals per businesses. Businesses can have no more than 5 terminals at one time.

Video Gaming Statistics by Illinois County - CY 2015

| 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: | 5,658 | 23,474 | \$913,604,038 | \$274,082,757 | \$228,402,370 | \$45,680,387 | State Totals: | 5,658 | 23,474 | \$913,604,038 | \$274,082,757 | \$228,402,370 | \$45,680,387 |
| Adams | 68 | 151 | \$5,432,968 | \$1,629,904 | \$1,358,254 | \$271,650 | Lee | 53 | 220 | \$6,870,640 | \$2,061,211 | \$1,717,676 | \$343,535 |
| Alexander | 14 | 57 | \$1,644,163 | \$493,254 | \$411,045 | \$82,209 | Livingston | 50 | 202 | \$6,397,614 | \$1,919,305 | \$1,599,421 | \$319,883 |
| Bond | 19 | 61 | \$1,822,347 | \$546,709 | \$455,591 | \$91,118 | Logan | 33 | 127 | \$4,596,648 | \$1,379,004 | \$1,149,170 | \$229,834 |
| Boone | 28 | 119 | \$5,563,276 | \$1,668,994 | \$1,390,829 | \$278,165 | McDonough | 17 | 54 | \$1,085,207 | \$325,567 | \$271,306 | \$54,261 |
| Brown | 3 | 11 | \$95,650 | \$28,696 | \$23,913 | \$4,783 | McHenry | 177 | 774 | \$28,231,192 | \$8,469,426 | \$7,057,858 | \$1,411,569 |
| Bureau | 54 | 190 | \$4,949,837 | \$1,484,967 | \$1,237,473 | \$247,494 | McLean | 100 | 405 | \$20,968,413 | \$6,290,561 | \$5,242,135 | \$1,048,425 |
| Calhoun | 9 | 30 | \$524,854 | \$157,459 | \$131,216 | \$26,243 | Macon | 78 | 369 | \$22,005,441 | \$6,601,668 | \$5,501,391 | \$1,100,277 |
| Carroll | 24 | 88 | \$1,934,920 | \$580,484 | \$483,737 | \$96,747 | Macoupin | 64 | 256 | \$5,190,100 | \$1,557,051 | \$1,297,543 | \$259,508 |
| Cass | 18 | 66 | \$1,699,819 | \$509,952 | \$424,960 | \$84,992 | Madison | 173 | 695 | \$24,702,030 | \$7,410,680 | \$6,175,569 | \$1,235,111 |
| Champaign | 116 | 504 | \$23,448,054 | \$7,034,462 | \$5,862,053 | \$1,172,409 | Marion | 58 | 267 | \$7,556,919 | \$2,267,097 | \$1,889,249 | \$377,849 |
| Christian | 54 | 230 | \$6,418,053 | \$1,925,436 | \$1,604,531 | \$320,905 | Marshall | 20 | 78 | \$1,414,910 | \$424,470 | \$353,725 | \$70,745 |
| Clark | 10 | 44 | \$1,777,681 | \$533,307 | \$444,423 | \$88,884 | Mason | 22 | 84 | \$1,765,719 | \$529,723 | \$441,436 | \$88,287 |
| Clay | 9 | 42 | \$1,420,521 | \$426,160 | \$355,134 | \$71,027 | Massac | 5 | 20 | \$1,215,173 | \$364,554 | \$303,795 | \$60,759 |
| Clinton | 44 | 149 | \$4,065,846 | \$1,219,767 | \$1,016,473 | \$203,294 | Menard | 10 | 42 | \$1,372,291 | \$411,692 | \$343,077 | \$68,615 |
| Coles | 56 | 245 | \$7,404,097 | \$2,221,248 | \$1,851,041 | \$370,207 | Mercer | 14 | 41 | \$1,021,170 | \$306,356 | \$255,297 | \$51,059 |
| Cook | 796 | 3,540 | \$172,729,747 | \$51,819,278 | \$43,182,743 | \$8,636,536 | Monroe | 15 | 52 | \$2,003,169 | \$600,955 | \$500,796 | \$100,159 |
| Crawford | 9 | 37 | \$995,208 | \$298,566 | \$248,805 | \$49,761 | Montgomery | 41 | 147 | \$4,318,598 | \$1,295,593 | \$1,079,661 | \$215,932 |
| Cumberland | 8 | 38 | \$991,890 | \$297,570 | \$247,975 | \$49,595 | Morgan | 37 | 161 | \$7,042,419 | \$2,112,742 | \$1,760,619 | \$352,123 |
| DeKalb | 58 | 228 | \$7,374,818 | \$2,212,388 | \$1,843,657 | \$368,730 | Moultrie | 15 | 63 | \$1,983,088 | \$594,932 | \$495,777 | \$99,155 |
| DeWitt | 17 | 78 | \$2,834,001 | \$850,208 | \$708,507 | \$141,701 | Ogle | 61 | 239 | \$8,004,484 | \$2,401,367 | \$2,001,140 | \$400,227 |
| Douglas | 23 | 98 | \$3,474,971 | \$1,042,500 | \$868,751 | \$173,750 | Peoria | 144 | 552 | \$18,188,710 | \$5,456,661 | \$4,547,220 | \$909,442 |
| DuPage | 120 | 541 | \$27,428,195 | \$8,228,509 | \$6,857,093 | \$1,371,417 | Perry | 23 | 102 | \$2,932,809 | \$879,571 | \$732,976 | \$146,595 |
| Edgar | 12 | 55 | \$1,881,654 | \$564,501 | \$470,418 | \$94,083 | Piatt | 12 | 53 | \$1,826,719 | \$548,020 | \$456,683 | \$91,337 |
| Edwards | 8 | 33 | \$983,934 | \$295,183 | \$245,986 | \$49,197 | Pike | 14 | 50 | \$1,441,482 | \$432,449 | \$360,374 | \$72,075 |
| Effingham | 51 | 219 | \$9,979,657 | \$2,993,917 | \$2,494,932 | \$498,986 | Pope | 1 | 5 | \$149,368 | \$44,811 | \$37,342 | \$7,468 |
| Fayette | 18 | 80 | \$3,551,904 | \$1,065,579 | \$887,982 | \$177,596 | Pulaski | 3 | 14 | \$211,738 | \$63,522 | \$52,935 | \$10,587 |
| Ford | 18 | 72 | \$1,540,163 | \$462,055 | \$385,046 | \$77,009 | Putnam | 8 | 24 | \$560,007 | \$167,996 | \$139,997 | \$27,999 |
| Franklin | 48 | 200 | \$5,780,784 | \$1,734,252 | \$1,445,210 | \$289,041 | Randolph | 41 | 173 | \$5,517,677 | \$1,655,297 | \$1,379,415 | \$275,882 |
| Fulton | 44 | 159 | \$4,159,395 | \$1,247,833 | \$1,039,861 | \$207,972 | Richland | 12 | 46 | \$1,428,970 | \$428,694 | \$357,245 | \$71,449 |
| Gallatin | 5 | 20 | \$447,301 | \$134,192 | \$111,827 | \$22,365 | Rock Island | 96 | 346 | \$10,608,295 | \$3,182,519 | \$2,652,100 | \$530,419 |
| Greene | 11 | 41 | \$1,364,796 | \$409,443 | \$341,203 | \$68,240 | St. Clair | 149 | 600 | \$18,845,733 | \$5,653,773 | \$4,711,479 | \$942,294 |
| Grundy | 56 | 227 | \$7,788,447 | \$2,336,556 | \$1,947,131 | \$389,425 | Saline | 21 | 91 | \$3,387,453 | \$1,016,244 | \$846,870 | \$169,374 |
| Hamilton | 5 | 21 | \$607,533 | \$182,262 | \$151,885 | \$30,377 | Sangamon | 233 | 1,007 | \$43,868,062 | \$13,160,510 | \$10,967,095 | \$2,193,415 |
| Hancock | 18 | 52 | \$1,168,745 | \$350,628 | \$292,191 | \$58,438 | Schuyler | 7 | 23 | \$666,810 | \$200,045 | \$166,704 | \$33,341 |
| Hardin | 1 | 3 | \$86,392 | \$25,918 | \$21,598 | \$4,320 | Scott | 7 | 26 | \$911,559 | \$273,470 | \$227,892 | \$45,578 |
| Henderson | 6 | 23 | \$554,615 | \$166,387 | \$138,656 | \$27,731 | Shelby | 16 | 64 | \$1,549,176 | \$464,681 | \$387,235 | \$77,447 |
| Henry | 33 | 131 | \$3,986,747 | \$1,196,037 | \$996,698 | \$199,339 | Stark | 7 | 20 | \$332,821 | \$99,848 | \$83,207 | \$16,641 |
| Iroquois | 49 | 182 | \$4,209,464 | \$1,262,856 | \$1,052,381 | \$210,475 | Stephenson | 44 | 190 | \$7,265,503 | \$2,179,668 | \$1,816,391 | \$363,277 |
| Jackson | 38 | 158 | \$4,334,625 | \$1,300,402 | \$1,083,668 | \$216,733 | Tazewell | 98 | 396 | \$13,229,200 | \$3,968,795 | \$3,307,331 | \$661,465 |
| Jasper | 11 | 39 | \$885,316 | \$265,597 | \$221,331 | \$44,266 | Union | 18 | 75 | \$1,687,322 | \$506,203 | \$421,836 | \$84,367 |
| Jefferson | 30 | 130 | \$6,519,074 | \$1,955,734 | \$1,629,779 | \$325,955 | Vermilion | 77 | 304 | \$12,017,333 | \$3,605,228 | \$3,004,358 | \$600,870 |
| Jersey | 23 | 74 | \$1,619,576 | \$485,879 | \$404,899 | \$80,980 | Wabash | 8 | 34 | \$1,306,243 | \$391,876 | \$326,563 | \$65,312 |
| JoDaviess | 40 | 141 | \$3,965,254 | \$1,189,584 | \$991,320 | \$198,264 | Warren | 16 | 58 | \$1,513,053 | \$453,922 | \$378,268 | \$75,654 |
| Johnson | 9 | 34 | \$674,658 | \$202,399 | \$168,666 | \$33,733 | Washington | 27 | 118 | \$3,267,833 | \$980,360 | \$816,967 | \$163,393 |
| Kane | 155 | 652 | \$26,373,142 | \$7,912,010 | \$6,593,344 | \$1,318,666 | Wayne | 5 | 22 | \$761,712 | \$228,516 | \$190,430 | \$38,086 |
| Kankakee | 100 | 436 | \$13,130,174 | \$3,939,095 | \$3,282,580 | \$656,515 | White | 7 | 30 | \$1,142,974 | \$342,895 | \$285,746 | \$57,149 |
| Kendall | 33 | 140 | \$4,576,452 | \$1,372,949 | \$1,144,125 | \$228,824 | Whiteside | 59 | 262 | \$8,216,957 | \$2,465,112 | \$2,054,261 | \$410,851 |
| Knox | 52 | 205 | \$6,676,167 | \$2,002,633 | \$1,668,861 | \$333,772 | Will | 240 | 972 | \$37,742,459 | \$11,322,831 | \$9,435,696 | \$1,887,136 |
| Lake | 260 | 1,161 | \$55,553,346 | \$16,666,109 | \$13,888,428 | \$2,777,681 | Williamson | 53 | 228 | \$7,963,040 | \$2,388,934 | \$1,990,779 | \$398,155 |
| LaSalle | 202 | 794 | \$25,697,167 | \$7,709,303 | \$6,424,422 | \$1,284,881 | Winnebago | 229 | 1,084 | \$60,047,812 | \$18,014,451 | \$15,012,046 | \$3,002,405 |
| Lawrence | 23 | 93 | \$2,961,366 | \$888,418 | \$740,348 | \$148,069 | Woodford | 24 | 87 | \$2,181,219 | \$654,373 | \$545,311 | \$109,062 |

| | | | | | | | | | | | | | |
|------------------|--------------|--------------|----------------------|----------------------|---------------------|---------------------|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Chi Area* | 1,895 | 8,235 | \$367,797,797 | \$110,340,057 | \$91,950,073 | \$18,389,984 | % in Chi Area*: | 33.5% | 35.1% | 40.3% | 40.3% | 40.3% | 40.3% |
|------------------|--------------|--------------|----------------------|----------------------|---------------------|---------------------|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|

*The Chicago Metropolitan Statistical Area is defined by the Census Bureau to include the Illinois Counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will, and Lake.

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

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 CY 2015 with 3,540 terminals. Second on the list was Lake County (1,161 terminals), followed by Winnebago (1,084), Sangamon (1,007), and Will (972). Cook County also generated the most net terminal income in 2015 with

\$172.7 million, followed by Winnebago (\$60.0 M), Lake (\$55.6 M), Sangmon (\$43.9 M), and Will County (\$37.7 M). But because of Chicago's absence, Cook County ranks near the bottom in terminal per capita (ranked 101 of 102) and in net terminal income per capita (ranked 99 of 102). A list of the "top twenty" and "bottom twenty" counties in various video gaming categories is shown below.

| Video Gaming Statistics by County Ranking | | | | | | | | | | | |
|---|-------------|-----------|------|------------|----------------------|------|-------------|---------------------|------|------------|----------------|
| CY 2015 Data | | | | | | | | | | | |
| Rank | County | Terminals | Rank | County | Terminals per Capita | Rank | County | Net Terminal Income | Rank | County | NTI per Capita |
| "TOP TWENTY COUNTIES" | | | | | | | | | | | |
| 1 | Cook | 3,540 | 1 | Washington | 0.80% | 1 | Cook | \$172,729,747 | 1 | Effingham | \$291.44 |
| 2 | Lake | 1,161 | 2 | LaSalle | 0.70% | 2 | Winnebago | \$60,047,812 | 2 | LaSalle | \$225.56 |
| 3 | Winnebago | 1,084 | 3 | Alexander | 0.69% | 3 | Lake | \$55,553,346 | 3 | Sangamon | \$222.16 |
| 4 | Sangamon | 1,007 | 4 | Marion | 0.68% | 4 | Sangamon | \$43,868,062 | 4 | Washington | \$222.06 |
| 5 | Will | 972 | 5 | Christian | 0.66% | 5 | Will | \$37,742,459 | 5 | Winnebago | \$203.37 |
| 6 | LaSalle | 794 | 6 | Effingham | 0.64% | 6 | McHenry | \$28,231,192 | 6 | Alexander | \$199.58 |
| 7 | McHenry | 774 | 7 | JoDaviess | 0.62% | 7 | DuPage | \$27,428,195 | 7 | Macon | \$198.66 |
| 8 | Madison | 695 | 8 | Marshall | 0.62% | 8 | Kane | \$26,373,142 | 8 | Morgan | \$198.12 |
| 9 | Kane | 652 | 9 | Iroquois | 0.61% | 9 | LaSalle | \$25,697,167 | 9 | Marion | \$191.62 |
| 10 | St. Clair | 600 | 10 | Lee | 0.61% | 10 | Madison | \$24,702,030 | 10 | Lee | \$190.69 |
| 11 | Peoria | 552 | 11 | Calhoun | 0.59% | 11 | Champaign | \$23,448,054 | 11 | Christian | \$184.43 |
| 12 | DuPage | 541 | 12 | Mason | 0.57% | 12 | Macon | \$22,005,441 | 12 | Lawrence | \$175.93 |
| 13 | Champaign | 504 | 13 | Carroll | 0.57% | 13 | McLean | \$20,968,413 | 13 | JoDaviess | \$174.85 |
| 14 | Kankakee | 436 | 14 | Lawrence | 0.55% | 14 | St. Clair | \$18,845,733 | 14 | Douglas | \$173.92 |
| 15 | McLean | 405 | 15 | Bureau | 0.54% | 15 | Peoria | \$18,188,710 | 15 | DeWitt | \$171.13 |
| 16 | Tazewell | 396 | 16 | Macoupin | 0.54% | 16 | Tazewell | \$13,229,200 | 16 | Scott | \$170.23 |
| 17 | Macon | 369 | 17 | Livingston | 0.52% | 17 | Kankakee | \$13,130,174 | 17 | Jefferson | \$167.90 |
| 18 | Rock Island | 346 | 18 | Randolph | 0.52% | 18 | Vermilion | \$12,017,333 | 18 | Randolph | \$164.82 |
| 19 | Vermilion | 304 | 19 | Ford | 0.51% | 19 | Rock Island | \$10,608,295 | 19 | Livingston | \$164.25 |
| 20 | Marion | 267 | 20 | Sangamon | 0.51% | 20 | Effingham | \$9,979,657 | 20 | Fayette | \$160.43 |
| "BOTTOM TWENTY COUNTIES" | | | | | | | | | | | |
| 83 | Cumberland | 38 | 83 | Adams | 0.23% | 83 | McDonough | \$1,085,207 | 83 | St. Clair | \$69.78 |
| 84 | Crawford | 37 | 84 | Woodford | 0.23% | 84 | Mercer | \$1,021,170 | 84 | Shelby | \$69.27 |
| 85 | Johnson | 34 | 85 | St. Clair | 0.22% | 85 | Crawford | \$995,208 | 85 | Mercer | \$62.14 |
| 86 | Wabash | 34 | 86 | Boone | 0.22% | 86 | Cumberland | \$991,890 | 86 | Hancock | \$61.18 |
| 87 | Edwards | 33 | 87 | DeKalb | 0.22% | 87 | Edwards | \$983,934 | 87 | Monroe | \$60.78 |
| 88 | Calhoun | 30 | 88 | White | 0.20% | 88 | Scott | \$911,559 | 88 | Woodford | \$56.41 |
| 89 | White | 30 | 89 | Crawford | 0.19% | 89 | Jasper | \$885,316 | 89 | Will | \$55.70 |
| 90 | Scott | 26 | 90 | McDonough | 0.17% | 90 | Wayne | \$761,712 | 90 | Stark | \$55.53 |
| 91 | Putnam | 24 | 91 | Lake | 0.17% | 91 | Johnson | \$674,658 | 91 | Johnson | \$53.62 |
| 92 | Henderson | 23 | 92 | Brown | 0.16% | 92 | Schuyler | \$666,810 | 92 | Kane | \$51.18 |
| 93 | Schuyler | 23 | 93 | Monroe | 0.16% | 93 | Hamilton | \$607,533 | 93 | Crawford | \$50.22 |
| 94 | Wayne | 22 | 94 | Will | 0.14% | 94 | Putnam | \$560,007 | 94 | Wayne | \$45.45 |
| 95 | Hamilton | 21 | 95 | Wayne | 0.13% | 95 | Henderson | \$554,615 | 95 | Kendall | \$39.89 |
| 96 | Gallatin | 20 | 96 | Massac | 0.13% | 96 | Calhoun | \$524,854 | 96 | Pulaski | \$34.37 |
| 97 | Massac | 20 | 97 | Kane | 0.13% | 97 | Gallatin | \$447,301 | 97 | Pope | \$33.42 |
| 98 | Stark | 20 | 98 | Kendall | 0.12% | 98 | Stark | \$332,821 | 98 | McDonough | \$33.28 |
| 99 | Pulaski | 14 | 99 | Pope | 0.11% | 99 | Pulaski | \$211,738 | 99 | Cook | \$33.25 |
| 100 | Brown | 11 | 100 | Hardin | 0.07% | 100 | Pope | \$149,368 | 100 | DuPage | \$29.91 |
| 101 | Pope | 5 | 101 | Cook | 0.07% | 101 | Brown | \$95,650 | 101 | Hardin | \$20.00 |
| 102 | Hardin | 3 | 102 | DuPage | 0.06% | 102 | Hardin | \$86,392 | 102 | Brown | \$13.79 |

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 2015. Topping the list was Springfield with 574 terminals. Second on the list was Rockford with 448 video gaming machines, followed by Decatur (287), Joliet (265), and unincorporated areas of Lake County (263). In terms of

net terminal income generated from video gaming machines, the City of Springfield again lead the list with \$27.4 million in net terminal income. Springfield was followed by Rockford (\$27.0 million), Decatur (\$17.9 M), Waukegan (\$14.4 M), and Bloomington (\$14.1 M).

| Top Municipalities with Video Gaming | | | | | |
|---|---------------------|------------------|-------------|---------------------|----------------------------|
| CY 2015 Totals | | | | | |
| Rank | Municipality | Terminals | Rank | Municipality | Net Terminal Income |
| 1 | Springfield | 574 | 1 | Springfield | \$27,367,810 |
| 2 | Rockford | 448 | 2 | Rockford | \$26,979,176 |
| 3 | Decatur | 287 | 3 | Decatur | \$17,936,288 |
| 4 | Joliet | 265 | 4 | Waukegan | \$14,421,362 |
| 5 | Lake County | 263 | 5 | Bloomington | \$14,125,357 |
| 6 | Loves Park | 258 | 6 | Loves Park | \$14,055,815 |
| 7 | Bloomington | 253 | 7 | Champaign | \$10,856,413 |
| 8 | Waukegan | 246 | 8 | Joliet | \$10,715,640 |
| 9 | Berwyn | 224 | 9 | Lake County | \$9,667,867 |
| 10 | Peoria | 216 | 10 | Oak Lawn | \$9,036,604 |
| 11 | Champaign | 213 | 11 | Peoria | \$8,468,433 |
| 12 | Sangamon County | 183 | 12 | Berwyn | \$7,877,326 |
| 13 | Kankakee | 173 | 13 | Sangamon County | \$7,568,181 |
| 14 | Oak Lawn | 163 | 14 | Effingham | \$6,959,333 |
| 15 | Mattoon | 147 | 15 | Cicero | \$6,639,625 |
| 16 | Alton | 145 | 16 | Freeport | \$5,617,701 |
| 17 | Pekin | 137 | 17 | Kankakee | \$5,464,452 |
| 18 | Effingham | 133 | 18 | Hoffman Estates | \$5,458,983 |
| 19 | Ottawa | 131 | 19 | McHenry | \$5,283,513 |
| 20 | Aurora | 129 | 20 | Aurora | \$5,280,536 |
| 21 | Galesburg | 128 | 21 | Fox Lake | \$5,265,818 |
| 22 | McHenry County | 124 | 22 | Jacksonville | \$5,225,417 |
| 23 | Belleville | 119 | 23 | Mattoon | \$5,079,304 |
| 24 | Danville | 118 | 24 | Pekin | \$5,067,238 |
| 25 | Freeport | 115 | 25 | Villa Park | \$5,062,824 |

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 in CY 2015, is shown below.

| Highest Populated Cities without Video Gaming in CY 2015 | | | |
|---|---------------------|-------------------|----------------------------------|
| 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 | Gurnee | 31,295 | 0.2% |
| 25 | Niles | 29,803 | 0.2% |

As Illinois' video gaming numbers continue to increase, the opposite has been the case for Illinois' riverboats. Over the last three years, Illinois riverboats have fallen a combined 12.2%. In fact, every riverboat casino, with the exception of Des Plaines (+2.0%), has experienced double digit losses in their adjusted gross receipts

during this time period with four of the casinos dealing with declines over 20%. While the latest casino figures show that the level of declines slowed in CY 2015 (-1.8% over CY 2014), seven of the ten Illinois casinos saw their year-over-year AGR levels drop in 2015, including Des Plaines. These statistics can be seen in the following table.

| Statistical Summary of the Midwestern Gaming States | | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|--------------|--------------|---------------|---------------|--------------|
| ILLINOIS CASINOS | | | | | | | | | | |
| <i>\$ IN MILLIONS</i> | CY 2011 | CY 2012 | CY 2013 | CY 2014 | CY 2015 | 1-Yr. | 2-Yr. | 3-Yr. | Nov 2015 | 2015 AGR/ |
| | AGR | AGR | AGR | AGR | AGR | Change | Change | Change | Positions | Pos/Day |
| ALTON ARGOSY - Alton | \$73.0 | \$71.0 | \$64.3 | \$56.5 | \$54.6 | -3.5% | -15.1% | -23.1% | 824 | \$181 |
| PAR-A-DICE - E. Peoria | \$115.6 | \$116.3 | \$107.3 | \$94.0 | \$90.0 | -4.3% | -16.1% | -22.6% | 1,055 | \$234 |
| JUMER'S - Rock Island | \$85.9 | \$87.9 | \$81.6 | \$76.7 | \$76.7 | 0.1% | -5.9% | -12.7% | 1,051 | \$200 |
| HOLLYWOOD CASINO - Joliet | \$146.2 | \$141.5 | \$131.3 | \$122.6 | \$125.3 | 2.2% | -4.6% | -11.4% | 1,085 | \$316 |
| HARRAH'S - Metropolis | \$95.5 | \$97.7 | \$85.5 | \$81.8 | \$83.4 | 2.0% | -2.4% | -14.6% | 884 | \$258 |
| HARRAH'S - Joliet | \$223.4 | \$212.1 | \$202.4 | \$199.1 | \$186.0 | -6.6% | -8.1% | -12.3% | 1,200 | \$425 |
| HOLLYWOOD CASINO - Aurora | \$173.2 | \$151.9 | \$141.9 | \$126.9 | \$121.2 | -4.4% | -14.5% | -20.2% | 1,159 | \$287 |
| CASINO QUEEN - E. St. Louis | \$129.9 | \$131.2 | \$124.6 | \$110.5 | \$105.0 | -5.0% | -15.7% | -20.0% | 1,190 | \$242 |
| GRAND VICTORIA - Elgin | \$256.9 | \$212.4 | \$194.3 | \$171.8 | \$171.5 | -0.2% | -11.7% | -19.3% | 1,200 | \$392 |
| RIVERS CASINO - Des Plaines | \$177.5 | \$416.7 | \$418.9 | \$425.5 | \$425.0 | -0.1% | 1.5% | 2.0% | 1,200 | \$971 |
| TOTALS | \$1,477.0 | \$1,638.6 | \$1,552.0 | \$1,465.4 | \$1,438.8 | -1.8% | -7.3% | -12.2% | 10,848 | \$363 |
| CHICAGO REGION TOTALS | \$977.2 | \$1,134.6 | \$1,088.8 | \$1,045.8 | \$1,029.1 | -1.6% | -5.5% | -9.3% | 5,844 | \$482 |
| CHICAGO REGION W/O DES PLAINES | \$799.8 | \$717.9 | \$669.9 | \$620.3 | \$604.1 | -2.6% | -9.8% | -15.9% | 4,644 | \$356 |
| ST. LOUIS REGION TOTALS | \$202.8 | \$202.2 | \$188.8 | \$167.1 | \$159.6 | -4.5% | -15.5% | -21.1% | 2,014 | \$217 |

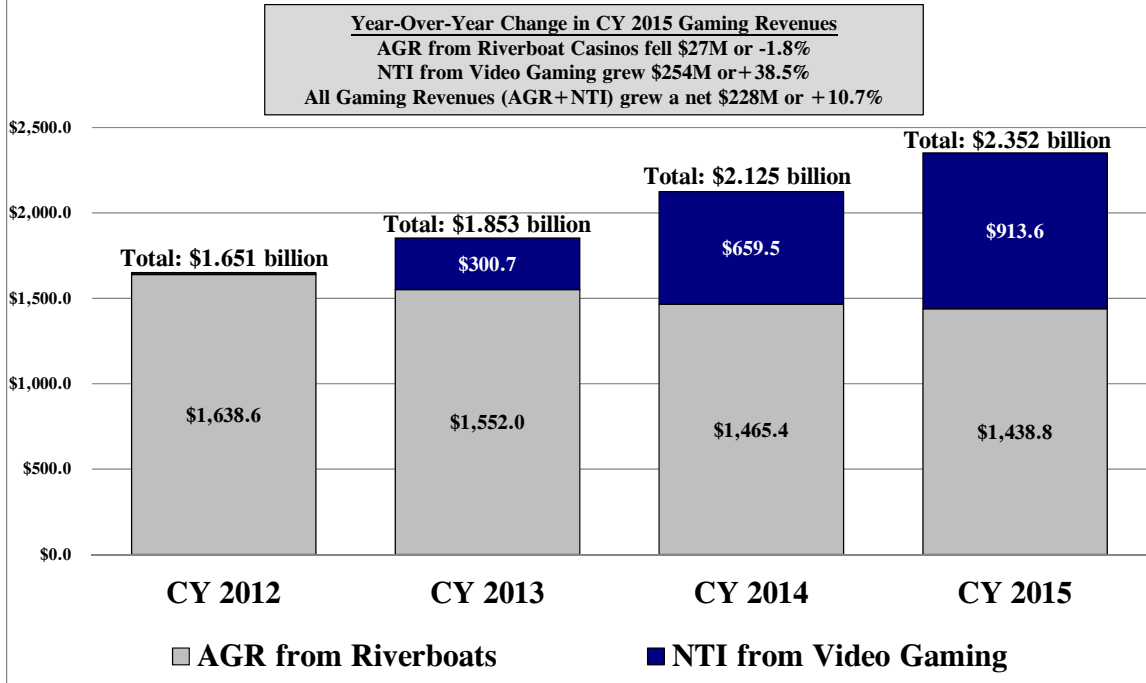
While there are an abundance of factors than can contribute to the decline in casino numbers, undoubtedly, a major contributing factor to this falloff is the increased competition resulting from the growth of video gaming. When looking at gambling forms separately, the previous statistics show a downward 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 (- 5.6%). But video gaming revenues more than offset this decline, growing \$358.5 million or 119.3%.

In CY 2015, this trend continued as riverboat revenues fell an additional \$26.5 million or (-1.8%), while video gaming revenues grew another \$254.1 million (+38.5%). As a result, gaming revenues grew a net \$227.6 million in CY 2015 or 10.7%. Therefore, when accounting for both riverboat revenues and video gaming revenues, overall gaming revenues have increased \$701.5 million or 42.5% over the past three years.

**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 42.5% increase in gaming revenues over the past three years. But for the communities that reside in close distance to existing casinos, the numbers would suggest that

this increased competition is having a negative impact on the casino industry.

An example of video gaming’s impact on the riverboat casino industry is seen by looking at the Chicago region. At the bottom of the county-by-county video gaming table shown on page 11, there were an estimated 1,895 businesses in the Chicago Metropolitan Statistical Area (defined by the Census Bureau to include the Illinois counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will, and Lake) in 2015 that offered video gaming. These locations housed 8,235 video gaming terminals during the calendar year. Illinois casinos can currently have a maximum of 1,200 gaming positions at their locations. This means that video gaming has added the equivalency of nearly 7 full-size casinos to the Chicago Metropolitan Area over the past three

years. Again, these totals are without the City of Chicago even participating in this gaming expansion.

These 8,235 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 2015 AGR totals decline 9.3% since CY 2012. And when excluding the newer Des Plaines casino, these Illinois based casinos have fallen 15.9% over the last three 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.

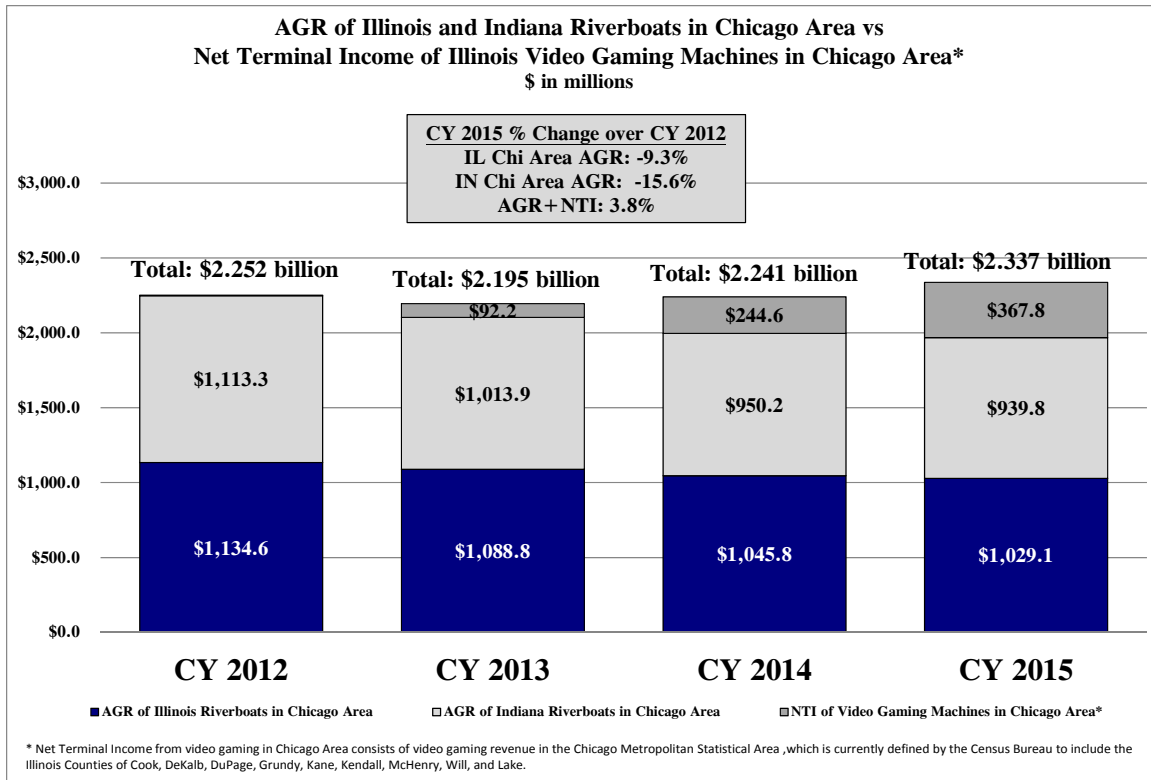
In addition, there are five Indiana casinos within a short drive of the Chicago Area in the communities of Michigan City, Gary (2), Hammond, and East Chicago. These five Indiana casinos have seen their AGR totals fall from \$1.1 billion in CY 2012 to \$940 million in CY 2015, a three-year decline of 15.6%. 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 \$1.969 billion in CY 2015, a three-year decline of 12.4%. And this falloff includes the 2.0% three-year increase at the Des Plaines casino.

As the following chart displays, the loss in gaming revenues from the casinos in the Chicago Area appears to be closely related to an increase in video gaming revenues. It is estimated that \$92.2 million in video gaming net terminal income came from communities in the Chicago Area in CY 2013, \$244.6 million in CY 2014, and \$367.8 million in CY 2015. As shown, when the Chicago Area video gaming figures are added to the riverboat casino figures, overall gaming in the Chicago Area was relatively stagnant. Collectively, total gaming in this area went from \$2.252 billion in CY 2012 to \$2.337 billion in CY 2015. This results in a three-year change in combined gaming revenues of only 3.8% for an average annual rate of growth of only 1.3%.

These numbers would suggest that the inclusion of video gaming in the Chicago Area has only slightly increased the amount of gaming dollars in this region. With an average annual growth in gaming of only 1.3%, 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.



So why has the combined gaming totals remained stagnant in the Chicago Area if the Statewide combined totals have increased 42.5% over the last three years? An 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 8,235 additional video gaming terminals to the region gave gamers more choices, but it appears that it has not brought in much in the way of new gaming revenues.

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

increase in overall gaming revenues has occurred outside of the Chicago Area.

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

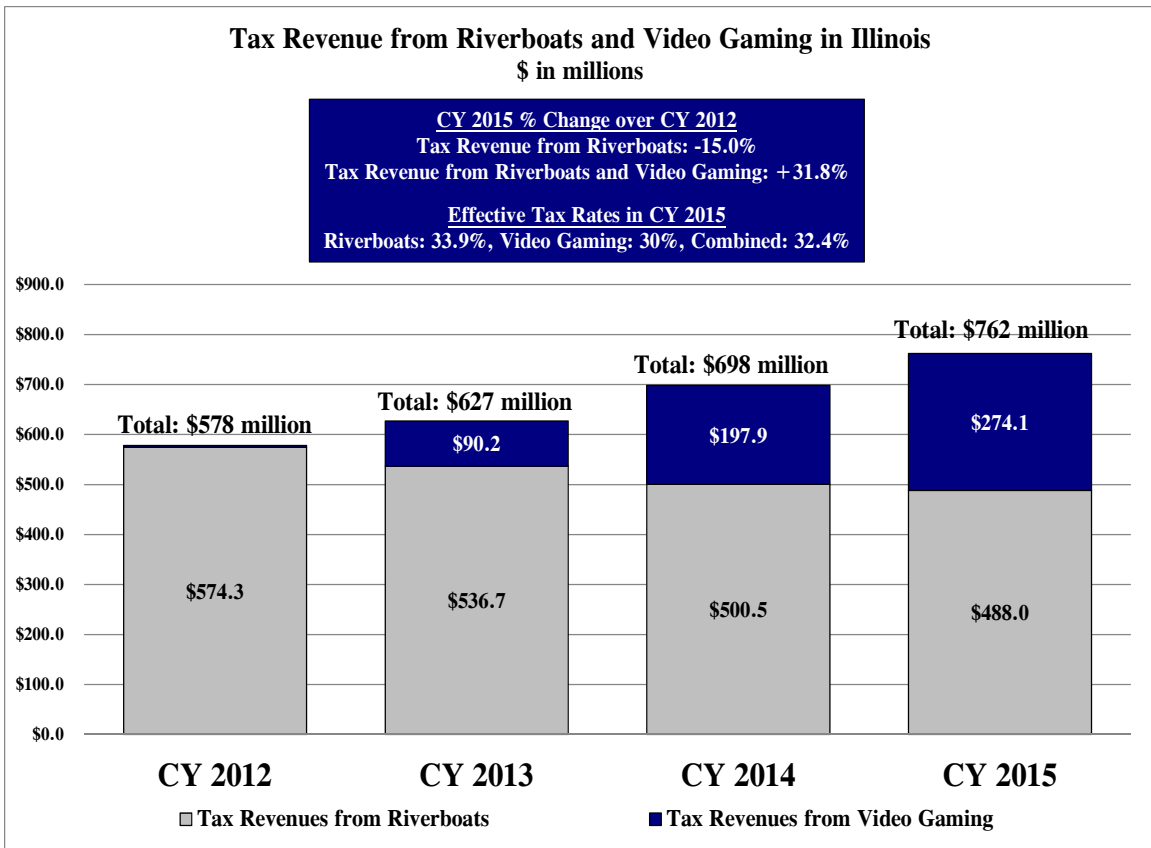
But even though overall gaming revenues have been stagnant in the Chicago Area as a whole, Illinois appears to be taking advantage of Indiana’s revenue losses. It

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

So what kind of impact has video gaming had on the tax revenues from all gaming sources? In CY 2012, the taxes imposed on the Illinois riverboats (admission tax and the graduated tax on adjusted gross receipts) generated \$574.3 million. Due

to the recent declines in admissions and AGR totals, this tax amount has fallen to \$488.0 million in CY 2015, a three year decline of 15.0%. 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. As video gaming revved up, this total rose to \$197.9 million in CY 2014 and to \$274.1 million in CY 2015. When combining these video gaming tax revenues with casino tax revenues, overall tax revenues grew from \$578 million in CY 2012 to \$762 million in CY 2015, an increase of 31.8%. These figures are displayed in the following chart.



While higher tax revenues are welcomed by State coffers, 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 2015, the effective tax rate for the 10 casinos was approximately 33.9% (includes both state and local wagering and admission taxes). As gaming dollars move from the casinos to the video gaming terminals, these dollars are then taxed at a lower rate, thereby reducing overall tax collections.

The other aspect that may be troubling to some is the destination of these gaming tax dollars. The majority of tax revenues from casinos

are eventually transferred to the Education Assistance Fund. The majority of tax revenues from video gaming are deposited into the Capital Projects Fund. Therefore, if video gaming causes a reduction in revenues from riverboats, tax dollars are effectively being shifted from the Education Assistance Fund to the Capital Projects Fund.

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

Summary of Proposed Employer Contribution Rates for TRS Early Retirement Option (ERO)

Julie Bae, Pension Analyst

Pursuant to Public Act 94-0004 (SB 0027), the Commission on Government Forecasting and Accountability is required to submit an actuarial review of the proportional adjustments to member and employer contributions under the Teachers' Retirement System Early Retirement Option (ERO).

Members of TRS between the ages of 55 and 60 who have at least 20 but less than 35 years of service may utilize ERO as a way of retiring without a discounted annuity. In order to retire under ERO, a member and his or her last employer(s) have to make a one-time contribution to TRS. The one-time member contribution is calculated by multiplying the contribution rate by the lesser of: (a) each year that a member is under age 60 or (b) each year that the member's creditable years of service is less than 35. The one-time employer contribution is calculated by multiplying the contribution rate by each year that a member is under age 60.

The ERO has been modified twice; first in 2005 with the enactment of Public Act 94-0004 and again in 2013 with the enactment of 98-0042. Members who were eligible to take advantage of ERO before the 2005 modifications of P.A. 94-0004 participated in what became known as the "pipeline" ERO.

Pursuant to Public Act 94-0004, effective June 1, 2005, the "pipeline" ERO was extended for a member who planned to retire after June 30, 2005 and

on or before July 1, 2007 and notified his or her intent to retire on or before June 1, 2005 under the term of a member's contract or collective bargaining agreement. The modified ERO applied to a member retiring on or after July 1, 2005 with following modifications:

- Members started contributing an additional 0.4% to fund modified ERO, which increased total member contribution to 9.4%
- The one-time member contribution rate increased to 11.5% from 7%
- The one-time employer contribution rate increased to 23.5% from 20%
- An employer was empowered to limit the ERO eligibility rate to at least 10% of members applying for ERO on the basis of seniority in the service of the employer (Under the "pipeline" ERO, it was 30%)
- The ERO contribution waiver for members with 34 years of service was eliminated.

Pursuant to Public Act 98-0042, effective June 28, 2013, the modified ERO by P.A. 94-0004 was extended for a member retiring on or before June 30, 2013. The modified ERO was extended for another three years (meaning ERO will be terminated on July 1, 2016) for a member retiring on or after July 1, 2013 and before July 1, 2016 under the following conditions:

- For the first time, employers have options not to approve a member’s ERO. Without a member’s last employer(s) approval and certification, a member cannot retire under ERO
- The one-time member contribution rate increased to 14.4% from 11.5%
- The one-time employer contribution rate increased to 29.3% from 23.5%.

According to TRS, for the first two fiscal years (FY 2006 and FY 2007) since Public Act 94-0004 took effect, mostly all ERO retirements were under “pipeline” ERO program because teachers notified their intent to retire before the Act’s effective date. In order to show the impact of the modified ERO programs, the number of ERO retirees from FY 2008 through FY 2015 and ERO utilization rates during two separate time periods are provided below based on information received from TRS:

| FY | Number of ERO Retirees | Number of New Retirees |
|-----------|-------------------------------|-------------------------------|
| 2008 | 480 | 3,260 |
| 2009 | 495 | 4,029 |
| 2010 | 444 | 4,541 |
| 2011 | 429 | 4,753 |
| 2012 | 370 | 5,266 |
| 2013 | 284 | 4,535 |
| 2014 | 146 | 4,450 |
| 2015 | 112 | 4,118 |

| Period of Experience | Number of ERO-Eligible Retirees | Number of ERO-Elected Retirees | ERO Utilization Rates |
|-----------------------------|--|---------------------------------------|------------------------------|
| FY 2007 – FY 2011 | 10,665 | 4,448 | 41.7% |
| FY 2012 – FY 2014 | 3,376 | 823 | 24.4% |

TRS actuary, Buck Consultants, has recommended a 25% decrease in the one-time contribution rates because the lump sum contributions and the 0.4% member contribution more than cover

the cost of the ERO. Under the assumption that the 0.4% member contribution remains unchanged, the proposed contribution rates, compared to current rates per P.A. 98-0042, are summarized on the next page.

| | Proposed Rates | Current Rates |
|----------------------------|-----------------------|----------------------|
| Member Contribution Rate | 10.8% | 14.4% |
| Employer Contribution Rate | 22.0% | 29.3% |

The CGFA actuary, Segal Company, has performed an analysis of the proportional adjustment to the recommended ERO

contribution rates and believes the rates are reasonable based on information supplied by Buck Consultants.