

House Amendment 1 also amends the State Finance Act to create the School Consolidation Aid Fund. The monies in the Fund shall be used by the State Board of Education solely for supplemental grants to school districts that are undergoing consolidation or planning for consolidation.

HB 1984, as amended by House Amendment 1, would be effective upon becoming law.

COMMENT: Video Gaming in Illinois became operational in September 2012. In its first seven months (thru March 2013), a net terminal income amount of \$54.5 million has been collected from operating video gaming machines. At the 30% tax rate, this equates to \$16.3 million in revenue. Under the current distribution formula, five-sixths of this total has been distributed to the Capital Projects Fund, while the remaining one-sixth is the municipality share.

The amount of revenues that could eventually be generated by video gaming in Illinois under full implementation on an annual basis remains unclear. While there were 5,092 machines in operation in March 2013, the number of machines under full implementation will likely be much higher once all applicants go through the thorough application process, which includes investigative background checks. It is not known how long this process will take before Illinois can be considered under “full implementation”.

The Commission’s latest estimate is that the amount of tax revenue from video gaming will be between \$127 million and \$235 million on an annual basis under full implementation. Therefore, the Commission currently estimates that the five-sixths portion of the 30% tax on video gaming will amount to approximately \$106 million to \$196 million per year. These figures, however, are dependent on the number of communities that ban video gaming in their areas. The Commission’s latest estimate was based on approximately 63% of the population in Illinois living in areas that ban video gaming in their municipalities/counties (including the City of Chicago) which limits the amount of potential revenue from video gaming in Illinois. Any notable change in these communities and their decision to ban or allow video gaming could have a significant impact on the Commission’s estimates.

Under HB 1984, as amended by House Amendment 1, instead of the five-sixths portion going to just the Capital Projects Fund, the revenues would instead be split between the Capital Projects Fund and the School Consolidation Aid Fund. The amount that would go to each of these funds would be dependent on the amount of tax revenues paid into the Capital Projects Fund that have already been pledged by indenture by the State as revenue streams to service bonds that have already been sold by the State. All revenues not already pledged by indenture by the State for capital spending shall be deposited into the School Consolidation Aid Fund.

Again, the Commission currently estimates that the five-sixths portion of the 30% tax on video gaming will amount to approximately \$106 million to \$196 million per year under full implementation. At this point, it is unknown what amount of these revenues will be required for debt service. Therefore, it is unknown how this revenue would be split between the Capital Projects Fund and the School Consolidation Aid Fund under this proposal.

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